azbil

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Summary of Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2025 (Based on Japanese GAAP)

February 6, 2025

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 commence dividend payments: —
Preparation of supplementary materials on financial results: Yes
Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	217,907	6.1	26,800	15.5	28,042	14.4	28,695	49.7
Nine months ended December 31, 2023	205,353	7.5	23,210	45.7	24,514	46.6	19,171	81.9

Note: Comprehensive income
Nine months ended December 31, 2024 29,452 million yen 20.1%
Nine months ended December 31, 2023 24,526 million yen 72.2%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2024	54.42	—
Nine months ended December 31, 2023	36.19	—

Note: Azbil Corporation ("the Company") implemented a 4-for-1 common stock split effective on October 1, 2024. "Net income per share" has been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.
Please note that if the stock split were not taken into account, "Net income per share" would be 217.67 yen for the nine months ended December 31, 2024, and 144.78 yen for the nine months ended December 31, 2023.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	299,561	237,290	78.1
As of March 31, 2024	313,728	224,887	70.6

Reference: Shareholders' equity
As of December 31, 2024 234,019 million yen
As of March 31, 2024 221,522 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, 2024	—	36.50	—	39.50	76.00
Year ending March 31, 2025	—	44.00	—		
Year ending March 31, 2025 (forecast)				11.00	—

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

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 implemented a 4-for-1 common stock split effective on October 1, 2024. As regards dividends per share, the 2nd quarter-end dividends for the year ending March 31, 2025 are applied to shares held prior to the stock split, while the fiscal year-end dividends for the year ending March 31, 2025 (forecast) are 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
Full year	301,000	3.5	40,200	9.1	40,000	2.6	38,000	25.8	72.68

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

The Company implemented 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 290.73 yen.

The Company conducted the disposal of treasury shares through third-party allocation and is currently repurchasing its own stock, pursuant to the resolutions at the Board of Directors meeting held on November 8, 2024. Also, the Company conducted the cancellation of treasury shares on November 29, 2024. For "Net income per share" in the forecast of consolidated financial results, the impact of these matters as of December 31, 2024 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 15 of the Accompanying document.

* Notes

(1) Significant changes in the scope of consolidation during the nine months ended December 31, 2024: Yes

Excluded: 17 companies (Azbil Telstar S.L.U. and its 15 subsidiaries, Azbil VorTek, LLC)

(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 December 31, 2024	560,672,736 shares	As of March 31, 2024	566,032,736 shares

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

As of December 31, 2024	37,857,554 shares	As of March 31, 2024	38,714,276 shares

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

Nine months ended December 31, 2024	527,314,268 shares	Nine months ended December 31, 2023	529,688,038 shares

Notes 1. The Company implemented a 4-for-1 common stock split effective on October 1, 2024. The total number of issued shares, the number of treasury shares and the average number of shares during the period have been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

2. 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 for these plans (12,237,298 shares as of December 31, 2024; 10,118,952 shares as of March 31, 2024). 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 (9,988,115 shares for the nine months ended December 31, 2024; 11,186,628 shares for the nine months ended December 31, 2023).

* Review of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: No

* 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 (3) Forecast of consolidated financial results" on page 8 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

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 [Note 1] for FY2030. Toward achieving these long-term targets, our four-year medium-term plan [Note 1] 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%; we have been implementing various reforms to attain these targets.

In addition, from the perspective of contributing "in series" to the achievement of a sustainable society and advancing sustainability management, the Group has identified materiality [Note 2] as priority issues to be tackled over the long term. In the areas of the environment, innovation, society, and human resources, we have established four essential goals of the azbil Group for the SDGs. [Note 3] We have also set specific goals for our CSR activities regarding three issues which represent fundamental obligations that a company must fulfill in order to exist in society, [Note 4] and we are promoting initiatives to achieve these goals.

As we work toward achieving a sustainable society, various societal and customer issues are emerging—ranging from responses to climate change and decarbonization, to ensuring safety and peace of mind in an environment where people are required to live with pandemics. Other issues include supply chain disruptions, soaring energy costs, and inflation. Our position is that the value of the automation business lies in its ability to support customers and society as they address these challenges. The Group is therefore focusing 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 emerging issues, we are aiming to achieve growth for our Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) businesses.

We will thus continue to actively invest in technology development, facilities, and equipment, and we will also advance initiatives to enhance product competitiveness, which may involve collaborative creation with external partners. We will make progress with our transformation for further growth, building on our achievements. These include strengthening our global production base, enhancing product competitiveness, promoting digital transformation (DX) to enhance internal productivity, and in our overseas business expanding customer coverage and enhancing our product lineups. At the same time, regarding our investments in human capital—the driving force for achieving our long-term targets and medium-term plan, and for realizing sustainable growth—we will be hiring and training a diverse workforce, assigning the right personnel to the right positions, and developing HR/wage systems that will further enable our employees to work with enthusiasm and a sense of purpose over the long term. We will also actively introduce various incentive plans to enhance employee engagement.

Based on these reforms and our achievements to date, such as strengthening profitability, in FY2024, the final year of the medium-term plan, we are planning to exceed the initial plan, achieving net sales of 301.0 billion yen, an operating income of 40.2 billion yen, an operating income margin of 13.4%, and an ROE of 16.7% (announced on November 8, 2024).

The Group aims, through its business activities, to contribute "in series" to the achievement of a sustainable society. And by accomplishing our own growth, we aim to contribute to the well-being of society and realize the well-being of our employees.

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

Note 2: Materiality
- Environment: climate change; resource recycling
- Innovation
- Society: supply chain; contribution to local communities
- Human resources: human rights, safety, and health; learning and employee development
- Governance: product safety and quality; corporate governance; compliance

Note 3: 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; social responsibility
  - Health and well-being management; an organization that never stops learning

Note 4: Fundamental obligations that a company must fulfill in order to exist in society
- Product safety and quality; corporate governance; compliance

(1) Overview of financial results

The business environment for the azbil Group for the nine months ended December 2024 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 retrofit demand, including interest in solutions for energy saving and lower CO_2 emissions, has remained strong. As for equipment/systems for production facilities, though there has been continuing demand for the decarbonization of factories and plants, and for the promotion of DX, demand has been sluggish in the factory automation (FA) market from FY2023.

As a result, financial results for the nine months ended December 2024 were as follows.

Orders received were 231,169 million yen, up 3.5% on the 223,449 million yen recorded in the same period of FY2023. This was mainly due to an increase in the BA business driven by robust market conditions and the renewal of large-scale multi-year service contracts. A significant increase in sales was achieved in the BA business, reflecting the growth in orders received in the previous consolidated fiscal year as well as the steady progress made with leveling the workload; consequently, overall net sales were 217,907 million yen, up 6.1% on the 205,353 million yen recorded in the same period of FY2023.

As regards profits, there was an impact from the increase in R&D expenses required by the medium-term plan, as well as increases in DX-related, personnel and other expenses; however, thanks to revenue growth and measures to enhance profitability, including cost pass-through, operating income was 26,800 million yen, up 15.5% on the 23,210 million yen recorded in the same period of FY2023. This growth in operating income and other factors led to higher ordinary income, which was 28,042 million yen, up 14.4% on the 24,514 million yen recorded in the same period of FY2023. Mainly due to recording gain on sale of equity interests (approximately 7.6 billion yen) in Azbil Telstar S.L.U. (hereinafter referred to as "Azbil Telstar"), Note 5 net income attributable to owners of parent rose to 28,695 million yen, up 49.7% on the 19,171 million yen recorded in the same period of FY2023.

(Millions of yen)

	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Nine months ended Dec. 31, 2024 (Apr. 1, 2024 to Dec. 31, 2024)	Difference	
			Amount	Rate
Orders received	223,449	231,169	7,720	3.5%
Net sales	205,353	217,907	12,553	6.1%
Operating income [Margin]	23,210 [11.3%]	26,800 [12.3%]	3,590 [1.0pp]	15.5%
Ordinary income	24,514	28,042	3,528	14.4%
Net income attributable to owners of parent [Margin]	19,171 [9.3%]	28,695 [13.2%]	9,523 [3.8pp]	49.7%

Note 5: Azbil Corporation transferred all equity interests in Azbil Telstar on October 31, 2024 (Central European Time). As a result of this transfer, Azbil Telstar and its subsidiaries were excluded from the Company's scope of consolidation at the end of the third quarter of the fiscal year ending March 31, 2025.

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

Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand for office buildings in urban redevelopment projects has leveled off but remains at a high level. In addition to the demand for energy savings and CO_2 reduction, there is continuing interest in new solutions, suited to new work styles, which create environments offering post-pandemic safety. As regards overseas markets, investment is expanding and already exceeds pre-pandemic levels. In this business environment, we have not only made progress with securing orders, but also striven to ensure enhanced job execution capabilities and greater efficiencies through DX promotion—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 product lineups 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 nine months ended December 2024 were as follows.

Orders received increased, mainly due to the renewal of large-scale multi-year service contracts, and thanks to growth in the existing building field—to which more personnel and other resources are being allocated and for which the business infrastructure is being reinforced. Consequently, for the BA business as a whole, orders received increased to 117,639 million yen, up 8.9% compared to the same period of FY2023, when a figure of 108,011 million yen was recorded. Sales increased in all fields: new and existing buildings, service, and overseas business. Initiatives to level the workload also progressed. These resulted in sales of 102,554 million yen, a significant increase of 13.2% on the 90,580 million yen recorded in the same period of FY2023. Despite increased outsourcing costs as well as higher personnel and DX-related expenses and R&D investments, thanks to increased revenue, mainly in the highly profitable existing building and service fields, and the result of measures to enhance profitability, including cost pass-through, segment profit was significantly improved to 14,103 million yen, up 47.9% compared to the same period of FY2023, when a figure of 9,534 million yen was recorded.

As for the medium- to long-term outlook, large-scale redevelopment projects continue to be planned, and several retrofit projects are anticipated. While giving consideration to profitability, the BA business is committed to responding to this demand. Moreover, we will continue developing our Energy Service Provider (ESP) model to meet customer requirements for decarbonization—making energy savings and using renewable energy—and we are progressing with our expansion into the data center market; both of these may involve business partnerships. Customers are also looking for offices designed to improve workplace wellness that not only satisfy post-pandemic demand for enhanced safety and peace of mind, 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, thereby aiming to achieve sustainable growth. From the perspective of strengthening profitability, we will promote DX in sales and engineering while also engaging in business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Nine months ended Dec. 31, 2024 (Apr. 1, 2024 to Dec. 31, 2024)	Difference	
			Amount	Rate
Orders received	108,011	117,639	9,627	8.9%
Sales	90,580	102,554	11,973	13.2%
Segment profit [Margin]	9,534 [10.5%]	14,103 [13.8%]	4,569 [3.2pp]	47.9%

Advanced Automation (AA) Business

Regarding market trends in Japan and abroad relevant to the AA business, in the process automation (PA) market domestic demand centering on maintenance and refurbishment has remained firm. However, in the FA market, in spite of there being signs of recovery in some areas, conditions overall have remained sluggish, due in part to the slow recovery in China.

Amidst this business environment, we have aimed to achieve business expansion through two growth initiatives—business growth overseas and the creation of new automation. At the same time, we have continued working on improving procurement and production processes to address parts procurement difficulties, as well as boosting profitability.

Consequently, the financial results of the AA business for the nine months ended December 2024 were as follows.

Orders received were 74,458 million yen, down 3.4% on the 77,043 million yen recorded in the same period of FY2023. This was due to the fact that a number of large-scale projects had been recorded in the same period of FY2023, in addition to the slow recovery in the FA market. However, thanks to the gradual easing of parts procurement difficulties leading to the improvement of delivery lead times and shortening of the period between order intake and revenue, sales were 78,261 million yen, on a par with the same period of FY2023, when a figure of 78,652 million yen was recorded. As for segment profit, although the measures implemented to strengthen profitability, including cost pass-through, continued to have a positive impact, increases in personnel and other expenses, coupled with increased investments in overseas sales, DX and R&D, had a negative impact. Consequently, segment profit was 11,784 million yen, down 7.0% on the same period of FY2023, when a figure of 12,677 million yen was recorded.

Although sluggish conditions have continued in the FA market, steady progress is being made with the two aforementioned growth initiatives, 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, satisfying customer needs 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 6] we are aiming to achieve highly competitive business growth by expanding into growth areas such as overseas business; by accelerating the development and market introduction of products and services that incorporate advanced technologies such as AI, cloud computing, and microfabrication; and by creating new automation fields that will be uniquely served by the azbil Group.

(Millions of yen)

	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Nine months ended Dec. 31, 2024 (Apr. 1, 2024 to Dec. 31, 2024)	Difference	
			Amount	Rate
Orders received	77,043	74,458	(2,584)	(3.4)%
Sales	78,652	78,261	(391)	(0.5)%
Segment profit [Margin]	12,677 [16.1%]	11,784 [15.1%]	(892) [(1.1)pp]	(7.0)%

Note 6: 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 the 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, for which business has been developed overseas, industry restructuring and continuing inflation have had a noticeable impact on investments and the economy.

Amidst this business environment, we have engaged in strengthening quality control and cost management, as well as enhancing profitability, including cost pass-through. In addition, from the perspective of restructuring our business portfolio to improve capital efficiency, we transferred all equity interests in our subsidiary Azbil Telstar, which played a central role in the Life Science Engineering field, to Syntegon Technology GmbH (the contractual transferee being Falcon Acquisition, S.L.U., a wholly owned subsidiary of Syntegon) on October 31, 2024 (Central European Time). As a result of this transfer, Azbil Telstar and its subsidiaries have been excluded from the Company's scope of consolidation at the end of the third quarter of the fiscal year ending March 31, 2025.

Consequently, the financial results of the LA business for the nine months ended December 2024 were as follows.

As regards orders received, while there was an increase in the Life Science Engineering field, which benefited from currency exchange (weakening of the yen), the LA business overall recorded 40,366 million yen, on a par with the 40,022 million yen recorded for the same period of FY2023. Similar to orders received, sales also saw an increase in the Life Science Engineering field resulting from currency exchange, and overall sales rose to 38,479 million yen, up 2.2% on the 37,667 million yen recorded in the same period of FY2023. Despite the effect of measures to strengthen profitability, an increase in personnel and various other expenses resulted in a segment profit of 943 million yen, down 8.2% on the same period of FY2023, when a figure of 1,027 million yen was recorded.

In the LA business, in response to the changing business environment, we will advance appropriate reforms—improving profitability, including implementing cost pass-through, and reexamining business processes through the promotion of DX, throughout the business. In the Lifeline field, so as to grasp the opportunities provided by changes in the business environment for the energy supply market, in addition to our business of supplying products—potentially including smart meters—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 based on products, suited to both new and existing houses, which offer living-space comfort, good air quality, and energy-saving performance.

(Millions of yen)

	Nine months ended Dec. 31, 2023 (Apr. 1, 2023 to Dec. 31, 2023)	Nine months ended Dec. 31, 2024 (Apr. 1, 2024 to Dec. 31, 2024)	Difference	
			Amount	Rate
Orders received	40,022	40,366	344	0.9%
Sales	37,667	38,479	812	2.2%
Segment profit [Margin]	1,027 [2.7%]	943 [2.5%]	(84) [(0.3)pp]	(8.2)%

Other

In Other business, principally our insurance agent business, orders received in the nine months ended December 2024 were 47 million yen (compared with the 45 million yen for the same period of FY2023), sales were 47 million yen (compared with the 45 million yen for the same period of FY2023), and segment loss was 24 million yen (compared with a loss of 13 million yen recorded for the same period of FY2023).

(2) Overview of financial position

Assets

Total assets at the end of the third quarter of FY2024 stood at 299,561 million yen, a decrease of 14,166 million yen from the end of FY2023. This was mainly due to a decrease of 10,430 million yen in trade receivables as well as a decrease of 3,041 million yen in investment securities.

Liabilities

Total liabilities at the end of the third quarter of FY2024 stood at 62,271 million yen, a decrease of 26,569 million yen from the end of FY2023. This was mainly due to a decrease of 5,945 million yen in provision for bonuses, a decrease of 5,622 million yen in income taxes payable, a decrease of 4,672 million yen in notes and accounts payable-trade as well as a decrease of 3,714 million yen in short- and long-term borrowings.

Net assets

Net assets at the end of the third quarter of FY2024 stood at 237,290 million yen, an increase of 12,402 million yen from the end of FY2023. This was mainly due to an increase of 28,695 million yen by the recording of net income attributable to owners of parent, despite a decrease of 11,218 million yen due to the payment of dividends and a decrease of 7,244 million yen by repurchasing own stock, pursuant to the resolution at the Board of Directors meeting.

As a result, the shareholders’ equity ratio was 78.1% compared with 70.6% at the end of FY2023.

(3) Forecast of consolidated financial results

There is no change to the revised forecast for consolidated financial results for the fiscal year ending March 31, 2025, which was announced on November 8, 2024.

In the business environment surrounding the azbil Group, various cost increases are expected, including personnel expenses, owing to growing inflation. Also, demand in the FA market continues to be weak. However, in the BA business, demand for HVAC control equipment and systems for large-scale buildings remains robust, both in Japan and overseas. As for the environment surrounding the AA business, although there are concerns about the delay in the recovery of demand in the FA market, demand in the PA market remains stable, particularly for maintenance and refurbishment. In the BA and AA businesses, while capturing this demand, we have steadily improved operational efficiency by promoting DX and made progress with measures to enhance profitability, including cost pass-through. Progress has been made in the LA business, transferring all equity interests in Azbil Telstar, as part of restructuring our business portfolio, and implementing measures to enhance profitability, including cost pass-through. While the segments differ as regards business environment and progress in implementing measures, overall performance has been basically in line with the revised forecast for consolidated financial results. Consequently, we expect a year-on-year increase in net sales of 3.5%, or 10.0 billion yen, to 301.0 billion yen, in accordance with the forecast for consolidated financial results announced on November 8, 2024. Operating income is expected to increase to 40.2 billion yen, up 9.1% or 3.3 billion yen on FY2023. This increase is driven by our continuing efforts to strengthen profitability and the achievement of increased revenue, and despite the rise in various expenses such as higher R&D expenses aimed at growth and personnel expenses. Ordinary income is expected to increase to 40.0 billion yen, up 2.6% or 1.0 billion yen on FY2023. Net income attributable to owners of parent is expected to be 38.0 billion yen, a year-on-year increase of 25.8% or 7.7 billion yen. This is due to increased profits and the recording of gain on sale of equity interests in Azbil Telstar. As a result, we expect to achieve record profits in each profit category.

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, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	71,079	75,768
Notes and accounts receivable - trade, and contract assets	97,759	87,329
Securities	8,900	5,900
Merchandise and finished goods	9,138	8,429
Work in process	7,737	9,530
Raw materials	26,902	24,408
Other	7,937	7,959
Allowance for doubtful accounts	(433)	(322)
Total current assets	229,022	219,002
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,050	23,328
Other, net	18,338	17,883
Total property, plant and equipment	41,388	41,212
Intangible assets	6,157	6,482
Investments and other assets		
Investment securities	26,008	22,966
Other	11,261	10,006
Allowance for doubtful accounts	(109)	(109)
Total investments and other assets	37,160	32,863
Total non-current assets	84,706	80,558
Total assets	313,728	299,561

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,472	15,799
Short-term borrowings	7,468	5,111
Income taxes payable	8,459	2,836
Provision for bonuses	13,136	7,191
Provision for bonuses for directors (and other officers)	226	150
Provision for product warranties	2,318	1,657
Provision for loss on orders received	53	21
Other	25,845	20,358
Total current liabilities	77,981	53,127
Non-current liabilities		
Long-term borrowings	1,985	628
Retirement benefit liability	1,784	1,906
Provision for retirement benefits for directors (and other officers)	207	191
Provision for share awards	2,596	2,829
Provision for share awards for directors (and other officers)	108	165
Other	4,176	3,422
Total non-current liabilities	10,859	9,144
Total liabilities	88,840	62,271
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,617	12,282
Retained earnings	211,810	225,376
Treasury shares	(32,804)	(34,644)
Total shareholders' equity	201,145	213,537
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,848	11,892
Deferred gains or losses on hedges	(18)	—
Foreign currency translation adjustment	6,496	8,539
Remeasurements of defined benefit plans	50	50
Total accumulated other comprehensive income	20,376	20,482
Non-controlling interests	3,365	3,270
Total net assets	224,887	237,290
Total liabilities and net assets	313,728	299,561

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

(Consolidated quarterly statements of income)

(Consolidated cumulative third quarter)

(Millions of yen)

	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)
Net sales	205,353	217,907
Cost of sales	119,692	123,982
Gross profit	85,660	93,924
Selling, general and administrative expenses	62,450	67,123
Operating income	23,210	26,800
Non-operating income		
Interest income	328	403
Dividend income	711	813
Foreign exchange gains	502	153
Rental income from real estate	22	22
Reversal of allowance for doubtful accounts	39	87
Other	99	245
Total non-operating income	1,703	1,725
Non-operating expenses		
Interest expenses	200	146
Commitment fees	15	15
Expenses of real estate	26	24
Office relocation expenses	84	166
Other	72	131
Total non-operating expenses	399	482
Ordinary income	24,514	28,042
Extraordinary income		
Gain on sale of non-current assets	4	10
Gain on sale of investments in capital of subsidiaries and associates	—	8,435
Gain on sale of investment securities	2,306	809
Compensation for forced relocation	—	165
Compensation income for damages	597	—
Total extraordinary income	2,908	9,421
Extraordinary losses		
Loss on sale and retirement of non-current assets	66	96
Loss on valuation of investment securities	—	100
Loss on sale of investment securities	—	10
Total extraordinary losses	66	206
Income before income taxes	27,356	37,258
Income taxes - current	5,244	6,298
Income taxes - deferred	2,359	1,765
Total income taxes	7,604	8,063
Net income	19,752	29,194
Net income attributable to non-controlling interests	580	498
Net income attributable to owners of parent	19,171	28,695

(Consolidated quarterly statements of comprehensive income)

(Consolidated cumulative third quarter)

(Millions of yen)

	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)
Net income	19,752	29,194
Other comprehensive income		
Valuation difference on available-for-sale securities	2,095	(1,955)
Deferred gains or losses on hedges	(107)	18
Foreign currency translation adjustment	2,790	2,199
Remeasurements of defined benefit plans, net of tax	(3)	(3)
Total other comprehensive income	4,774	258
Comprehensive income	24,526	29,452
Comprehensive income attributable to:		
Owners of parent	23,803	28,796
Non-controlling interests	723	655

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes on consolidated quarterly statements of cash flows

Consolidated quarterly statement of cash flows for the current consolidated cumulative third quarter has not been prepared. Depreciation (including the amortization of intangible assets) for the consolidated cumulative third quarter is as follows.

	Nine months ended December 31, 2023 (April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (April 1, 2024 to December 31, 2024)
Depreciation	4,429 million yen	5,057 million yen

Notes regarding significant change in shareholders' equity

1. Disposal of treasury shares through third-party allocation

In accordance with the additional contribution to the Company's employee stock ownership plan, pursuant to the resolution at the Board of Directors meeting held on November 8, 2024, the Company disposed of 3,500,000 treasury shares through third-party allocation to Custody Bank of Japan, Ltd. (Trust E) on November 25, 2024. The Company's stock remaining in the trust are recorded as treasury shares in net assets, therefore, capital surplus and treasury shares increased by 993 million yen respectively.

2. Repurchase of the Company's own stock

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 management responding to changes in the corporate environment, while taking into consideration business results and the outlook for future business performance. The Company also aims to utilize the repurchased treasury shares to invest in human capital—specifically, for an employee shareholding incentive scheme, such as its employee stock ownership plan and Trust-Type Employee Shareholding Incentive Plan, and for its stock compensation plan. Pursuant to the resolution at the Board of Directors meeting held on November 8, 2024, the Company repurchased 5,884,100 shares from November 28, 2024 to December 25, 2024 (based on delivery date), and treasury shares increased by 7,244 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 24,000,000 shares
(3) Total amount of repurchase:	Up to 15 billion yen
(4) Period of repurchase:	From November 26, 2024 to March 24, 2025 (based on trade date)
(5) Method of repurchase:	Market transactions on the Tokyo Stock Exchange

3. Cancellation of treasury shares

The Company cancelled its treasury shares pursuant to Article 178 of the Companies Act of Japan on November 29, 2024 based on the decision made on November 8, 2024. As a result, capital surplus decreased by 993 million yen, retained earnings decreased by 4,209 million yen, and treasury shares decreased by 5,203 million yen.

Details of cancellation

(1) Type of stock cancelled:	Common stock of the Company
(2) Number of shares cancelled:	5,360,000 shares (0.9% of the total number of issued shares before the cancellation)
(3) Total number of issued shares after the cancellation:	560,672,736 shares
(4) Date of the cancellation:	November 29, 2024

Consequently, capital surplus amounted to 12,282 million yen, retained earnings amounted to 225,376 million yen, and treasury shares amounted to 34,644 million yen for 37,857,554 shares as of December 31, 2024. Treasury shares include the Company's stock remaining in the trust for employee stock ownership plan (7,884 million yen for 10,812,198 shares), in the trust for Trust-Type Employee Shareholding Incentive Plan (950 million yen for 1,057,500 shares) and in the trust for stock compensation plan (377 million yen for 367,600 shares).

Notes on segment information

1. Nine months ended December 31, 2023 (from April 1, 2023 to December 31, 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	90,235	77,622	37,453	205,311	41	205,353
Inter-segment	345	1,030	213	1,589	3	1,593
Total	90,580	78,652	37,667	206,900	45	206,946
Segment profit (loss)	9,534	12,677	1,027	23,239	(13)	23,225
Disaggregation of revenue						
Goods or services transferred at a point in time	22,703	63,699	26,895	113,298	41	113,340
Goods or services transferred over time	67,531	13,922	10,557	92,012	—	92,012
Revenue from contracts with customers	90,235	77,622	37,453	205,311	41	205,353

* "Other" includes insurance agent business, etc.

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	23,239
Profit (Loss) in Other	(13)
Elimination	(15)
Operating income	23,210

2. Nine months ended December 31, 2024 (from April 1, 2024 to December 31, 2024)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	102,242	77,415	38,207	217,865	41	217,907
Inter-segment	311	845	272	1,429	5	1,435
Total	102,554	78,261	38,479	219,295	47	219,342
Segment profit (loss)	14,103	11,784	943	26,832	(24)	26,807
Disaggregation of revenue						
Goods or services transferred at a point in time	25,752	62,047	26,726	114,526	41	114,568
Goods or services transferred over time	76,489	15,367	11,480	103,338	—	103,338
Revenue from contracts with customers	102,242	77,415	38,207	217,865	41	217,907

* "Other" includes insurance agent business, etc.

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

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

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

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

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	26,832
Profit (Loss) in Other	(24)
Elimination	(7)
Operating income	26,800