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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021 (Based on Japanese GAAP)

November 5, 2020

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange 1st Section (Code 6845)
URL:	https://www.azbil.com/
Representative:	Kiyohiro Yamamoto, President and Group Chief Executive Officer
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Phone:	+81-3-6810-1009
Scheduled date to file Quarterly Securities Report:	November 11, 2020
Scheduled date to commence dividend payments:	December 8, 2020
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(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	%
Six months ended September 30, 2020	111,410	(6.1)	8,346	(5.8)	8,316	(7.7)	6,098	2.6
Six months ended September 30, 2019	118,652	(0.9)	8,862	8.5	9,007	1.3	5,946	1.9

Note: Comprehensive income Six months ended September 30, 2020 7,588 million yen 12.5%
Six months ended September 30, 2019 6,746 million yen 12.3%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	43.71	—
Six months ended September 30, 2019	41.99	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	262,761	189,186	71.2
As of March 31, 2020	274,559	185,301	66.7

Reference: Shareholders' equity As of September 30, 2020 187,081 million yen
As of March 31, 2020 183,189 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, 2020	—	25.00	—	25.00	50.00
Year ending March 31, 2021	—	25.00			
Year ending March 31, 2021 (Forecast)			—	25.00	50.00

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

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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	248,000	(4.4)	25,500	(6.4)	25,000	(9.8)	17,900	(9.6)	128.30

Note: Revisions to the consolidated financial results forecast most recently announced: Yes

* Notes

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

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

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

1. Changes associated with revision in accounting standards: No
2. Other changes: No
3. Changes in accounting estimates: No
4. Retrospective restatements: No

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(4) Number of issued shares (common stock)

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

As of September 30, 2020	145,200,884 shares	As of March 31, 2020	145,200,884 shares

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

As of September 30, 2020	5,686,127 shares	As of March 31, 2020	5,699,112 shares

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

Six months ended September 30, 2020	139,507,206 shares	Six months ended September 30, 2019	141,620,750 shares

Note: Azbil Corporation ("the Company") has introduced an employee stock ownership plan, and the number of treasury shares at the end of the period includes the Company's stock held by a trust account (1,963,890 shares as of September 30, 2020; 1,977,024 shares as of March 31, 2020). Also, the Company's stock held by the trust account is included in treasury shares that are deducted in the calculation of the average number of shares during the period (1,971,565 shares for the six months ended September 30, 2020; 1,985,017 shares for the six months ended September 30, 2019).
For details, please see "Additional information" in "2. Consolidated quarterly financial statements and related notes (4) Notes to the consolidated quarterly financial statements" on page 18 of the Accompanying document.

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

* Regarding the appropriate use of forecasts, etc.

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

The forecast of the azbil Group is based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this document. For information on the forecast of financial results, please see "1. Qualitative information on consolidated quarterly financial results (3) Forecast of consolidated financial results" on page 10 of the Accompanying document.

* How to obtain supplementary material on quarterly financial results

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

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1. Qualitative information on consolidated quarterly financial results

(1) Consolidated business performance

Regarding the business environment for the azbil Group, there has been a discernible impact on equipment/systems for large-scale buildings from the temporary delays to on-site work, both in Japan and overseas, resulting from the spread of the novel coronavirus disease (COVID-19). Nevertheless, robust demand is expected, underpinned by continued investment in domestic urban redevelopment and refurbishment projects. As regards production equipment, while there has been continued investment in the domestic and overseas markets for semiconductor manufacturing equipment, stagnating industrial activity and the economic downturn resulting from the COVID-19 pandemic have continued to discourage capital investment, and demand has decreased overall.

Financial results for the six months ended September 2020 were as follows.

Orders received fell for the Advanced Automation (AA) business owing to sluggish market conditions, and for the Building Automation (BA) business reflecting the fact that subdued demand was expected in this period, when fewer multi-year service contracts were up for renewal. A decrease was also seen in the Life Automation (LA) business, which benefitted from large-scale projects in the same period last year while suffering a fall in demand for LP gas meters this period. Consequently, overall orders received were 136,185 million yen, down 6.2% on the same period last year, when a figure of 145,111 million yen was recorded. BA business sales decreased compared with the same period last year, when sound performance was achieved in fields related to sales and installation of equipment/systems for new large-scale buildings. As with the impact on orders received, the AA business saw its sales reduced by the sluggish market conditions. Consequently, net sales were 111,410 million yen, 6.1% lower than the same period last year, when a figure of 118,652 million yen was recorded.

As regards profits, despite factors such as having successfully controlled expenses and strengthen business profitability, due to the fall in revenue, operating income was 8,346 million yen, down 5.8% on the 8,862 million yen recorded for the same period last year. Ordinary income was 8,316 million yen, down 7.7% on the 9,007 million yen recorded for the same period last year, mainly due to the fall in operating income. However, net income attributable to owners of parent rose by 2.6% to 6,098 million yen (compared with the 5,946 million yen for the same period last year); this was due to the recording of gain on sales of non-current assets following the integration of domestic production facilities.

(Millions of yen)

	Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Difference	
			Amount	Rate
Orders received	145,111	136,185	(8,926)	(6.2)%
Net sales	118,652	111,410	(7,242)	(6.1)%
Operating income [Margin]	8,862 [7.5%]	8,346 [7.5%]	(515) [0.0pp]	(5.8)%
Ordinary income	9,007	8,316	(690)	(7.7)%
Net income attributable to owners of parent [Margin]	5,946 [5.0%]	6,098 [5.5%]	152 [0.5pp]	2.6%

Guided by the philosophy of “human-centered automation”, the azbil Group has made progress with strengthening business profitability and developing our global business foundation, centered on our three fundamental policies, [Note 1] and we have been continuing to implement measures to realize business growth based on this. Further strengthening our products and services founded on the concept of “human-centered automation”, we are overseeing the evolution of each of our three businesses—BA, AA and LA—into a life-cycle solutions business that serves our customers and society as a whole. In this way, we have enhanced both the value provided to our customers and business profitability.

Faced with the challenge of COVID-19, we are implementing thorough safety management to protect our customers and employees from infection. At the same time, we are seizing new opportunities presented by changing work styles—such as the increased adoption of working from home—with a view to enhancing productivity. Also, in addition to making improvements related to business continuity planning (BCP) for enhanced crisis management, we are working to secure a solid financial structure. We are also enhancing our responsiveness through such initiatives as reinforcement and diversification of financing. In these ways, we are aiming to achieve sustained improvement of enterprise value and strengthening of the foundation for management that is geared toward growth.

The spread of COVID-19 is sapping the vitality from the world economy and production activities. As regards the near future, this is expected to impact the azbil Group’s three businesses. However, it is also predicted that they will benefit from continued generation of demand for the supply of products essential to the maintenance of buildings, production facilities and energy-supply infrastructure, as well as the requisite engineering and service. At the same time, ongoing changes to the structure and values of society—as well as the emergence of new behaviors as people learn to live with the virus—mean that we are witnessing the appearance of various new issues that demand solutions. This will enhance the value of automation and lead to a corresponding increase in demand. As for the Group’s response, we will continue to make investments necessary for future growth. For example, harnessing such new technologies as IoT, AI, the cloud and big data for our products and services, and promoting

digital transformation (DX), we will respond swiftly to changes in the business environment and emerging issues. In these ways, we will make progress in the three business fields with potential for sustained growth—namely, providing solutions throughout the life cycle, developing new automation opportunities, and focusing on environmental and energy issues. We are aiming to contribute "in series" to the achievement of the United Nation's Sustainable Development Goals (SDGs) while also realizing our own sustained growth under our new structure of the management team put in place from the current fiscal year.

Note 1: Three fundamental policies

- 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
- Being a corporate organization that never stops learning, so that it can continuously grow stronger

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

Building Automation (BA) Business

The market environment for the BA business has continued to be robust thanks to urban redevelopment projects for the Tokyo metropolitan area and high demand for solutions offering energy savings and reduced operational costs. While the spread of COVID-19 has led to some temporary delays in construction work, the effect of these has been limited. In overseas markets, however, there has been an impact from the fall in demand and construction delays resulting from US-China trade friction and the COVID-19 pandemic.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but have also striven to ensure enhanced capabilities and efficiencies of job execution—particularly on the construction/service site—that meet the requirements of the Japanese government's work-style reform while also paying sufficient attention to the safety of both customers and employees. Moreover, we have made progress with the development and strengthening of our products and services to better meet the needs of clients, in Japan and abroad, who are interested in harnessing such technologies as IoT. Consequently, the financial results of the BA business for the six months ended September 2020 were as follows.

Even though steady growth was achieved in field related to sales and installation of equipment/systems for new large-scale buildings, including some large projects, reflecting a robust market environment, overall orders received were 73,188 million yen, down 4.3% on the same period last year, when a figure of 76,512 million yen was recorded. This reflects the fact that subdued demand was expected in this period, when fewer multi-year service contracts were up for renewal. Sales fell by 6.8% to 48,567 million yen, compared with the 52,113 million yen recorded for the same period last year, when high sales figures were achieved in field related to new large-scale buildings; another reason for this decrease was the impact on overseas sales of construction delays resulting from the COVID-19 pandemic. Despite the success of measures to

control expenses and enhance profitability, lower revenue meant that segment profit was down 14.0% at 2,572 million yen (compared with the 2,991 million yen for the same period last year).

As for the medium- to long-term outlook for the BA business environment, large-scale redevelopment projects and many retrofit projects for large-scale buildings are planned for 2021 onwards. Building on its track record, the BA business aims to secure and translate this demand into increased revenue with steady job execution, while employing initiatives such as business process reforms to further ensure that a high profit structure is established.

(Millions of yen)

	Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Difference	
			Amount	Rate
Orders received	76,512	73,188	(3,324)	(4.3)%
Sales	52,113	48,567	(3,545)	(6.8)%
Segment profit [Margin]	2,991 [5.7%]	2,572 [5.3%]	(418) [(0.4)pp]	(14.0)%

Advanced Automation (AA) Business

As regards market trends, in Japan and abroad, affecting the AA business environment, thanks to expanding investment in 5G, there has been continued demand in markets for semiconductor manufacturing equipment. However, as the spread of COVID-19 has led to uncertainty regarding the outlook for the world economy, increased caution regarding capital investment has been evident in manufacturing industries overall.

Despite the current business environment, we are making steady progress with overseas initiatives aimed at securing future growth—developing bases, upgrading systems, and cultivating new customers. We are also making further progress with various measures to enhance profitability. As a result, the financial results of the AA business for the six months ended September 2020 were as follows.

As regards orders received, conditions differed by region and market, but overall a general downturn was observed due to the COVID-19 pandemic, resulting in a fall of 5.4% to 42,652 million yen (compared with the 45,076 million yen for the same period last year). Sales were 41,752 million yen, down 6.9% on the 44,863 million yen recorded for the same period last year. Profits were affected by lower revenue resulting from weak market conditions, but reductions in expenses were achieved, and profitability was improved with further progress made with measures to strengthen profitability that had already proved successful. As a result, segment profit was 4,884 million yen, on a par with the 4,903 million yen recorded for the same period last year.

Despite the continuing slowdown in economic activity and uncertain outlook resulting from the COVID-19 pandemic, in the medium- to long-term demand is expected to continue for automation aimed at solving issues related to the “new normal”—including labor shortages, environmental preservation, and working from home. Based on the three AA business sub-segments (CP, IAP, and SS), [Note 2] we will continue to intensify and rigorously implement the measures to enhance profitability that have proved effective in the past, and in this way strive to further improve business profits. At the same time, we will promote business expansion

into growth areas, including overseas. In addition, we will focus on strengthening our product development capabilities, creating new automation fields that exploit recent trends in technology and supplying our customers in Japan and abroad with products and services which offer the sort of high added value unique to the azbil Group, thereby aiming to achieve business growth marked by a high level of competitiveness.

(Millions of yen)

	Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Difference	
			Amount	Rate
Orders received	45,076	42,652	(2,423)	(5.4)%
Sales	44,863	41,752	(3,110)	(6.9)%
Segment profit [Margin]	4,903 [10.9%]	4,884 [11.7%]	(19) [0.8pp]	(0.4)%

Note 2: Three AA business sub-segments (management accounting sub-segments)

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

IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure 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 fields), and Lifestyle-related (residential central air-conditioning systems). The business environment differs in each field.

The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, LP gas meters, composing a part of sales of the Lifeline field, have been in low demand. Also, the water meter market is undergoing change: the duration of a meter's legal validity has been extended, resulting in postponement of expected demand. As for the LSE and Lifestyle-related fields, even amidst fluctuation in demands, we are continuing efforts to achieve and improve stable revenue through reforms to the business structure, and these initiatives are proving successful. Reflecting these business conditions and initiatives, the financial results of the LA business for the six months ended September 2020 were as follows.

Owing to decreases in the Lifeline field, which saw reduced/postponed demand, and the LSE field, which recorded large-scale projects in the same period last year, orders received were down 13.0% at 21,073 million yen, compared to the 24,233 million yen recorded for the same period last year. As regards sales, the LSE field saw an increase, reflecting the growth in orders received in the previous consolidated fiscal year; however, this was offset by a decrease in the Lifeline field, resulting in overall sales falling by 2.7% to 21,716 million yen (compared with the 22,322 million yen for the same period last year). Although there being decreased expenses, segment profit was 884 million yen, down 7.8% on the 960 million yen recorded for the same

period last year.

Going forward, we will continue our efforts to stabilize and improve profits in each of the three fields that comprise the LA business. In parallel with this, we will advance initiatives aimed at future business expansion. For example, we will create new business opportunities that capitalize on evolving demand in the energy markets following the liberalization of gas supply, while also developing and launching new products that mesh with such transformational technologies as IoT.

(Millions of yen)

	Six months ended Sep. 30, 2019 (Apr. 1, 2019 to Sep. 30, 2019)	Six months ended Sep. 30, 2020 (Apr. 1, 2020 to Sep. 30, 2020)	Difference	
			Amount	Rate
Orders received	24,233	21,073	(3,159)	(13.0)%
Sales	22,322	21,716	(606)	(2.7)%
Segment profit [Margin]	960 [4.3%]	884 [4.1%]	(75) [(0.2)pp]	(7.8)%

Other

In Other business, principally our insurance agent business, orders received in the six months ended September 2020 were 34 million yen (compared with the 36 million yen for the same period last year), sales were 33 million yen (compared with the 37 million yen for the same period last year), and segment profit was 12 million yen (compared with the 10 million yen for the same period last year).

(2) Consolidated financial position

Assets

Total assets at the end of the second quarter of fiscal year 2020 stood at 262,761 million yen, a decrease of 11,798 million yen from the previous fiscal year-end. This was mainly due to a decrease of 15,284 million yen in notes and accounts receivable-trade, despite an increase of 2,429 million yen in cash and deposits.

Liabilities

Total liabilities at the end of the second quarter of fiscal year 2020 stood at 73,575 million yen, a decrease of 15,682 million yen from the previous fiscal year-end. This was mainly due to a decrease of 8,606 million yen in notes and accounts payable-trade and a decrease of 5,455 million yen in income taxes payable as well as a decrease of 3,610 million yen in provision for bonuses.

Net assets

Net assets at the end of the second quarter of fiscal year 2020 stood at 189,186 million yen, an increase of 3,884 million yen from the previous fiscal year-end. This was mainly due to the increase in shareholders' equity, which was attributed to an increase of 6,098 million yen by the recording of net income attributable to owners of parent despite a decrease of 3,536 million yen as the payment of dividends.

As a result, the shareholders' equity ratio was 71.2% compared with 66.7% at the previous fiscal year-end.

Net cash flow from operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the six months ended September 2020 were 7,656 million yen, a decrease of 2,240 million yen compared to the same period last year. This was mainly due to payments of consumption taxes following the revision of the consumption tax rate and to the fact that March 31, 2019 fell on a bank holiday, meaning that unsettled notes and accounts receivable-trade were settled at the beginning of the same period last year.

Net cash flow from investing activities

Net cash provided by investment activities in the six months ended September 2020 was 3,353 million yen (in the same period last year net cash used in these activities (expenditure) was 4,159 million yen). This was mainly due to the fact there were proceeds from the sales of property, plant and equipment following the integration of factories in Japan as well as allocated funds from short-term securities to prioritize maintaining liquidity.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the six months ended September 2020 was 3,358 million yen, a decrease of 10,144 million yen in expenditure compared with the same

period last year. This was mainly due to the fact there had been expenditures resulting from the repurchase of own shares based on a resolution in the Board of Directors meeting in the same period last year.

As a result of the above factors, net cash at the end of the second quarter stood at 82,019 million yen, an increase of 7,275 million yen from the previous fiscal year-end.

In addition, we maintain a total of 10,000 million yen in unused commitment line contracts with multiple financial organizations. Furthermore, on October, 2020, our credit rating as a long-term debt issuer was raised to “A+” by Rating and Investment Information, Inc. with a registered upper limit of 20,000 million yen for issuing corporate bonds. At the same time, we obtained a new short-term rating of “a-1” for commercial paper, and we have set an upper limit of 20,000 million yen for issuing commercial paper In this way, we are maintaining strong financing capabilities for future contingencies, which is prudent given the uncertain business environment caused by the COVID-19 pandemic.

(3) Forecast of consolidated financial results

As regards the forecast of consolidated financial results for the fiscal year ending March 31, 2021, after taking into consideration consolidated financial results for the six months ended September 2020 as well as the outlook for the business environment in the second half, the initial forecast (announced on August 6, 2020) has been revised upwards.

With signs of a global resurgence of COVID-19, there continues to be uncertainty regarding economic trends and capital investment by our customers in Japan and overseas. At present there are no changes in the assumptions [Note] behind the forecast of consolidated financial results for the fiscal year ending March 31, 2021, from those announced on August 6, 2020, and decreased revenue and profit are estimated. However, strengthening profitability has proceeded in the six months ended September 2020 and there has been an increased demand in certain markets and regions for the AA business. Accordingly, we revised our initial forecast and aim to achieve net sales of 248,000 million yen, up 3,000 million yen on the initial forecast; operating income of 25,500 million yen, up 1,500 million yen; ordinary income of 25,000 million yen, up 1,500 million yen; and net income attributable to owners of parent of 17,900 million yen, up 1,100 million yen.

Note: The assumptions on which we based our forecast of consolidated financial results for the fiscal year ending March 31, 2021:

- The global COVID-19 pandemic will be protracted.
- Market uncertainty will continue, as will the difficult business environment for the rest of fiscal year 2020.
- Even amidst this pandemic, the azbil Group's business operations will continue, and there will be no overall suspension of production or on-site-work such as engineering, installation and service.

The market environment for each segment is forecasted as follows. For the BA business, in those markets where business performance has been hardest hit by the COVID-19 pandemic, there have been concerns regarding curbs on investment, postponed plans, and requests to lower service costs in this first half. Nonetheless, urban redevelopment projects in Japan are progressing as planned, and the business environment will remain robust overall. In the LA business, some impact is expected on meters—a field that accounts for the bulk of sales—with LP gas meters in a period of depressed demand. However, in the Lifeline field, sales growth is expected for the new Meter Data Cloud Service business, and robust sales are forecasted in the LSE field with increased orders received in the previous fiscal year. Overall, therefore, stable sales and segment profit, on a par with the previous fiscal year, are expected. In the AA business, capital investment by our customers is being impacted by the slowdown in economic activity caused by the COVID-19 pandemic, and uncertainty in the business environment continues. Nevertheless, we expect improved demand in some regions such as China and demands in markets for semiconductor equipment manufacturer, etc. on the back of investment in 5G as well as firm demand for maintenance and renewal of equipment. Also, in the current business environment above, we expect steady progress with initiatives to enhance profitability and cultivate new customers, which we have been engaged in for recent few years.

Based on the above assumptions and forecasts for each market environment, the azbil Group will continue business operations while ensuring thorough safety management that puts customer and employee safety first, and we will ensure business continuity, maintaining a strong financial foundation and implementing thorough crisis management. Moreover, while making investments necessary for business continuity and growth, we will continue initiatives for strengthening business profitability and reducing expenses. At the same time, we will supply products and services suited to new work styles adopted by people as they learn to live with the virus. And by promoting our own digital transformation (DX), we will strive to realize greater efficiencies in business operation. In this way, we are aiming to confidently achieve the financial results forecast while minimizing the impact of sluggish demand caused by the COVID-19 pandemic.

Regarding this forecast, we must accept the possibility of unexpected circumstances that may result from the spread or subsidence of the pandemic and other factors such as regional or national economic activities being brought to a standstill by further waves of the COVID-19 pandemic. Consequently, if we expect there to be a major development of this nature, we will promptly revise our forecast.

(Millions of yen)

		Revised forecast (Nov. 5, 2020)	Initial forecast (Aug. 6, 2020)	Difference		(Reference) FY2019 results
				Amount	Rate	
Building Automation	Sales	120,000	120,000	-	-	123,794
	Segment profit [Margin]	14,000 [11.7%]	14,000 [11.7%]	- -	-	14,890 [12.0%]
Advanced Automation	Sales	86,000	83,000	3,000	3.6%	93,156
	Segment profit [Margin]	9,500 [11.0%]	8,000 [9.6%]	1,500 [1.4pp]	18.8%	10,486 [11.3%]
Life Automation	Sales	44,000	44,000	-	-	44,033
	Segment profit [Margin]	2,000 [4.5%]	2,000 [4.5%]	- -	-	1,866 [4.2%]
Other	Sales	100	100	-	-	60
	Segment profit [Margin]	0 [0.0%]	0 [0.0%]	- -	-	6 [10.7%]
Consolidated	Net sales	248,00	245,000	3,000	1.2%	259,411
	Operating income [Margin]	25,500 [10.3%]	24,000 [9.8%]	1,500 [0.5pp]	6.3%	27,255 [10.5%]
	Ordinary income	25,000	23,500	1,500	6.4%	27,712
	Net income attributable to owners of parent [Margin]	17,900 [7.2%]	16,800 [6.9%]	1,100 [0.4pp]	6.5%	19,793 [7.6%]

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	57,750	60,180
Notes and accounts receivable - trade	85,245	69,960
Securities	32,200	33,200
Merchandise and finished goods	5,512	5,943
Work in process	7,640	8,651
Raw materials	12,186	12,920
Other	9,031	7,800
Allowance for doubtful accounts	(375)	(337)
Total current assets	209,190	198,319
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	15,026	14,297
Other, net	13,191	12,660
Total property, plant and equipment	28,217	26,957
Intangible assets	5,234	5,418
Investments and other assets		
Investment securities	19,978	22,614
Other	12,045	9,554
Allowance for doubtful accounts	(108)	(103)
Total investments and other assets	31,915	32,065
Total non-current assets	65,368	64,442
Total assets	274,559	262,761

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	38,482	29,875
Short-term borrowings	8,225	8,764
Income taxes payable	6,699	1,244
Provision for bonuses	10,699	7,089
Provision for bonuses for directors (and other officers)	130	59
Provision for product warranties	467	438
Provision for loss on order received	328	358
Other	17,644	17,511
Total current liabilities	82,676	65,341
Non-current liabilities		
Long-term borrowings	350	349
Retirement benefit liability	2,174	1,607
Provision for retirement benefits for directors (and other officers)	148	154
Provision for share-based remuneration	1,318	1,467
Other	2,589	4,654
Total non-current liabilities	6,581	8,233
Total liabilities	89,257	73,575
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	165,055	167,617
Treasury shares	(13,740)	(13,714)
Total shareholders' equity	173,508	176,095
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,843	10,532
Deferred gains or losses on hedges	(28)	(23)
Foreign currency translation adjustment	893	495
Remeasurements of defined benefit plans	(27)	(19)
Total accumulated other comprehensive income	9,680	10,985
Non-controlling interests	2,112	2,104
Total net assets	185,301	189,186
Total liabilities and net assets	274,559	262,761

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

(Consolidated quarterly statements of income)

(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net sales	118,652	111,410
Cost of sales	73,080	67,748
Gross profit	45,572	43,662
Selling, general and administrative expenses	36,709	35,315
Operating income	8,862	8,346
Non-operating income		
Interest income	67	55
Dividend income	361	326
Rental income from real estate	18	19
Reversal of allowance for doubtful accounts	—	23
Other	121	104
Total non-operating income	569	530
Non-operating expenses		
Interest expenses	68	67
Foreign exchange losses	203	295
Commitment fee	10	10
Expenses of real estate	70	58
Office relocation expenses	9	99
Provision of allowance for doubtful accounts	1	—
Other	59	29
Total non-operating expenses	423	560
Ordinary income	9,007	8,316
Extraordinary income		
Gain on sales of non-current assets	14	630
Gain on sales of investment securities	1	170
Total extraordinary income	15	800
Extraordinary losses		
Loss on sales and retirement of non-current assets	46	16
Loss on valuation of investment securities	2	21
Loss on sales of investment securities	1	—
Total extraordinary losses	51	38
Income before income taxes	8,972	9,078
Income taxes - current	1,295	1,020
Income taxes - deferred	1,565	1,747
Total income taxes	2,860	2,767
Net income	6,111	6,311
Net income attributable to non-controlling interests	165	213
Net income attributable to owners of parent	5,946	6,098

(Consolidated quarterly statements of comprehensive income)

(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Net income	6,111	6,311
Other comprehensive income		
Valuation difference on available-for-sale securities	964	1,689
Deferred gains or losses on hedges	(11)	5
Foreign currency translation adjustment	(331)	(425)
Remeasurements of defined benefit plans, net of tax	12	7
Total other comprehensive income	634	1,276
Comprehensive income	6,746	7,588
Comprehensive income attributable to:		
Owners of parent	6,607	7,403
Non-controlling interests	138	185

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Income before income taxes	8,972	9,078
Depreciation	2,119	2,144
Increase (decrease) in allowance for doubtful accounts	(30)	(31)
Increase (decrease) in retirement benefit liability	59	(545)
Decrease (increase) in retirement benefit asset	7	4
Increase (decrease) in provision for share-based remuneration	173	175
Increase (decrease) in provision for bonuses	(3,167)	(3,595)
Increase (decrease) in provision for bonuses for directors (and other officers)	(77)	(70)
Interest and dividend income	(429)	(382)
Interest expenses	68	67
Foreign exchange losses (gains)	152	216
Loss (gain) on sales and retirement of non-current assets	32	(613)
Loss (gain) on sales and valuation of investment securities	3	(148)
Decrease (increase) in trade receivables	18,676	15,013
Decrease (increase) in inventories	(1,170)	(2,351)
Increase (decrease) in trade payables	(5,817)	(8,395)
Decrease (increase) in other assets	(785)	599
Increase (decrease) in other liabilities	(1,710)	2,367
Subtotal	17,077	13,531
Interest and dividends received	426	386
Interest paid	(68)	(63)
Income taxes paid	(7,539)	(6,197)
Net cash provided by (used in) operating activities	9,896	7,656
Cash flows from investing activities		
Payments into time deposits	(2,022)	(1,485)
Proceeds from withdrawal of time deposits	1,451	1,588
Purchase of securities	(18,300)	(10,000)
Proceeds from sales of securities	17,000	13,700
Purchase of beneficial interests in trust	(4,635)	(4,149)
Proceeds from sales of beneficial interests in trust	4,698	4,711
Purchase of property, plant and equipment	(1,883)	(1,487)
Proceeds from sales of property, plant and equipment	36	1,158
Purchase of intangible assets	(504)	(643)
Purchase of investment securities	(4)	(0)
Proceeds from sales of investment securities	2	405
Purchase of shares of subsidiaries and associates	—	(451)
Other, net	1	8
Net cash provided by (used in) investing activities	(4,159)	3,353

(Millions of yen)

	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Six months ended September 30, 2020 (April 1, 2020 to September 30, 2020)
Cash flows from financing activities		
Proceeds from short-term borrowings	—	622
Repayments of short-term borrowings	(976)	(32)
Repayments of long-term borrowings	(115)	(8)
Dividends paid	(3,337)	(3,537)
Repayments of lease obligations	(198)	(210)
Dividends paid to non-controlling interests	(225)	(191)
Purchase of treasury shares	(8,649)	(0)
Proceeds from sales of treasury shares	—	0
Net cash provided by (used in) financing activities	(13,503)	(3,358)
Effect of exchange rate change on cash and cash equivalents	(363)	(374)
Net increase (decrease) in cash and cash equivalents	(8,130)	7,275
Cash and cash equivalents at beginning of period	68,134	74,743
Cash and cash equivalents at end of period	60,004	82,019

(4) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

Not applicable

Additional information

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

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

1. Outline of the transaction

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

2. The Company's stock remaining in the trust

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

As of March 31, 2020
- Book value: 3,924 million yen
- Number of shares: 1,977,024 shares

As of September 30, 2020
- Book value: 3,898 million yen
- Number of shares: 1,963,890 shares

Segment information

1. Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(1) Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	51,960	44,484	22,173	118,618	34	118,652
Inter-segment	153	378	149	681	2	684
Total	52,113	44,863	22,322	119,299	37	119,336
Segment profit	2,991	4,903	960	8,854	10	8,865

* "Other" includes insurance agent business, etc.

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

(Millions of yen)

Income	Amount
Total of reportable segments	8,854
Profit in Other	10
Elimination	(3)
Operating income	8,862

2. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

(1) Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	48,429	41,353	21,594	111,377	33	111,410
Inter-segment	138	398	122	659	0	660
Total	48,567	41,752	21,716	112,036	33	112,070
Segment profit	2,572	4,884	884	8,341	12	8,353

* "Other" includes insurance agent business, etc.

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

(Millions of yen)

Income	Amount
Total of reportable segments	8,341
Profit in Other	12
Elimination	(7)
Operating income	8,346