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# Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (Based on Japanese GAAP)

May 14, 2021

| | |
|---|---|
| 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 |
| Contact: | Kazuhisa Yamazaki, General Manager, Accounting Department, Group Management Headquarters |
| Phone: | +81-3-6810-1009 |
| Scheduled date of ordinary general meeting of shareholders: | June 24, 2021 |
| Scheduled date to file Securities Report: | June 24, 2021 |
| Scheduled date to commence dividend payments: | June 25, 2021 |
| 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, 2021 (from April 1, 2020 to March 31, 2021)

(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, 2021 | 246,821 | (4.9) | 25,720 | (5.6) | 26,338 | (5.0) | 19,918 | 0.6 |
| Year ended March 31, 2020 | 259,411 | (1.0) | 27,255 | 2.1 | 27,712 | 0.2 | 19,793 | 4.4 |

Note: Comprehensive income — Year ended March 31, 2021: 22,535 million yen (16.8%); Year ended March 31, 2020: 19,291 million yen (15.6%)

| | 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, 2021 | 142.77 | — | 10.4 | 9.4 | 10.4 |
| Year ended March 31, 2020 | 140.80 | — | 10.9 | 10.1 | 10.5 |

(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, 2021 | 284,597 | 200,607 | 69.6 | 1,420.52 |
| As of March 31, 2020 | 274,559 | 185,301 | 66.7 | 1,313.17 |

Reference: Shareholders' equity — As of March 31, 2021: 198,190 million yen; As of March 31, 2020: 183,189 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, 2021 | 22,603 | 283 | (6,996) | 90,652 |
| Year ended March 31, 2020 | 29,811 | (4,172) | (18,767) | 74,743 |

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, 2020 | — | 25.00 | — | 25.00 | 50.00 | 7,084 | 35.5 | 3.9 |
| Year ended March 31, 2021 | — | 25.00 | — | 30.00 | 55.00 | 7,781 | 38.5 | 4.0 |
| Year ending March 31, 2022 (forecast) | — | 30.00 | — | 30.00 | 60.00 | | 41.9 | |

Note: The total amount of cash dividends include the dividends for the stock of Azbil Corporation ("the Company") held by a trust account as assets in the trust of "Employee Stock Ownership Plan (J-ESOP)" (98 million yen for the year ended March 31, 2020; 107 million yen for the year ended March 31, 2021).

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

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 | 117,200 | 5.2 | 8,500 | 1.8 | 8,600 | 3.4 | 5,900 | (3.3) | 42.29 |
| Full year | 260,000 | 5.3 | 27,500 | 6.9 | 27,500 | 4.4 | 20,000 | 0.4 | 143.35 |

Note: The Company has resolved, at the Board of Directors meeting held on May 14, 2021, to repurchase its own shares. For "Net income per share" in the forecast of consolidated financial results, the impact of this matter is not considered.

* Notes

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

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

a. Changes in accounting policies accompanying revision of accounting standards,etc.: 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, 2021 | 145,200,884 shares | As of March 31, 2020 | 145,200,884 shares |

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

| | | | |
|---|---|---|---|
| As of March 31, 2021 | 5,681,473 shares | As of March 31, 2020 | 5,699,112 shares |

c. Average number of shares during the period

| | | | |
|---|---|---|---|
| Year ended March 31, 2021 | 139,511,724 shares | Year ended March 31, 2020 | 140,579,440 shares |

Note: The Company has introduced an employee stock ownership plan, and the number of treasury shares at the end of the period includes the Company's stock held by a trust account (1,958,084 shares as of March 31, 2021; 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 (1,966,690 shares for the year ended March 31, 2021; 1,982,185 shares for the year ended March 31, 2020).

For details, please see "Additional information" in "5. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements" on page 28 of the Accompanying document.

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

* Regarding the appropriate use of forecast, etc.

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

The forecast of the azbil Group is based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this document. For information on the forecast of financial results, please see “1. Overview of financial results and others (1) Overview of financial results 3) Forecast for the next period” on page 7 of the Accompanying document.

* How to obtain supplementary materials on financial results

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

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## 1. Overview of financial results and others

### (1) Overview of financial results

#### 1) Overview for the current fiscal year

Regarding the business environment for the azbil Group, there has been continued demand, based on urban redevelopment projects, for heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings. Also, heightened interest has been shown in solutions for improved ventilation and energy saving. While there have been temporary delays to some refurbishment projects as a result of the spread of the novel coronavirus disease (COVID-19), the impact has been limited. As regards production equipment, demand for maintaining and securing the safety of existing facilities has remained firm. Although stagnating economic activity resulting from the COVID-19 pandemic has suppressed demand over the year, the rapid growth of teleworking and 5G services has led to a recovery in semiconductor-related markets. This in turn has driven a recovery in the second half in orders received, which had fallen earlier in the year because of the pandemic. Consequently, the impact of the COVID-19 pandemic on our financial performance has been contained, and financial results for the current consolidated fiscal year were as follows.

Orders received fell for the Advanced Automation (AA) business, owing to sluggish market conditions, and also for the Building Automation (BA) business reflecting the fact that this represents a period of subdued demand—there having been fewer multi-year service contracts up for renewal in the current consolidated fiscal year. A decrease was also seen in the Life Automation (LA) business, which suffered a fall in demand for LP gas meters. Consequently, overall orders received were down 4.0% at 247,873 million yen (compared with the 258,079 million yen recorded in the previous consolidated fiscal year). As regard sales, BA business sales decreased compared with the previous consolidated fiscal year, when sound performance was achieved in the field related to sales and installation of HVAC control equipment/systems for new large-scale buildings. As with the impact on orders received, the AA business and the LA business saw their sales reduced by the sluggish market conditions. Consequently, net sales were down 4.9% at 246,821 million yen (compared with the 259,411 million yen recorded in the previous consolidated fiscal year).

As regards profits, despite factors such as having successfully controlled expenses and strengthened business profitability, due to the fall in sales, operating income was down 5.6% at 25,720 million yen (compared with the 27,255 million yen recorded in the previous consolidated fiscal year). Ordinary income was down 5.0% at 26,338 million yen (compared with the 27,712 million yen recorded in the previous consolidated fiscal year), mainly due to the fall in operating income. However, net income attributable to owners of parent was 19,918 million yen (almost the same as the 19,793 million yen recorded in the previous consolidated fiscal year); this was due to the recording of gain on sale of investment securities and gain on sale of non-current assets following the integration of domestic production facilities.

(Millions of yen)

| | Fiscal year 2019 (April 1, 2019 to March 31, 2020) | Fiscal year 2020 (April 1, 2020 to March 31, 2021) | Difference | |
|---|---|---|---|---|
| | | | Amount | Rate |
| Orders received | 258,079 | 247,873 | (10,206) | (4.0)% |
| Net sales | 259,411 | 246,821 | (12,590) | (4.9)% |
| Operating income [Margin] | 27,255 [10.5%] | 25,720 [10.4%] | (1,535) [(0.1)pp] | (5.6)% |
| Ordinary income | 27,712 | 26,338 | (1,374) | (5.0)% |
| Net income attributable to owners of parent [Margin] | 19,793 [7.6%] | 19,918 [8.1%] | 125 [0.4pp] | 0.6% |

2) Financial results by segment

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

**Building Automation (BA) Business**

Regarding the domestic market environment for the BA business, the impact of the COVID-19 pandemic has been limited, although some projects were postponed. The demand has continued to be generated by urban redevelopment projects in the Tokyo metropolitan area and heightened interest has been seen in solutions related to ventilation improvement, energy savings, $CO_2$ reduction and lower operational costs. In overseas markets, however, there has been an impact from the fall in demand and construction delays resulting from the COVID-19 pandemic.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but have also striven to ensure enhanced capabilities and efficiencies of job execution—particularly on construction and service sites—that meet the requirements of the 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 current consolidated fiscal year were as follows.

As regards orders received, demand in the field of sales and installation of HVAC control equipment/systems for new large-scale buildings has continued, and demand has been also robust for the refurbishment and service of existing buildings aimed at solutions offering improved ventilation, energy savings and $CO_2$ reduction. However, there were fewer multi-year contracts up for renewal in the current consolidated fiscal year, and for this reason there was a decline in orders received for the service business. Additionally, in the first half of the current consolidated fiscal year, as a result of added emphasis being placed on profitability for some projects, there was a transitory drop in orders received in the field of existing buildings.

Consequently, overall orders received were 118,503 million yen, down 3.6% on the 122,905 million yen posted for the previous consolidated fiscal year. Sales also decreased by 5.1% to 117,521 million yen (compared with the 123,794 million yen for the previous consolidated fiscal year). Because completion of construction projects had been concentrated in the previous consolidated fiscal year, while sales have continued at a high level, nevertheless, sales decreased in the field of new large-scale buildings in addition to the decrease in the field of existing buildings for the abovementioned reason. Overseas business also saw a drop in sales, reflecting the impact of construction delays caused by the COVID-19 pandemic. Despite the success of measures to control expenses and enhance profitability, lower sales meant that segment profit was down 5.8% at 14,023 million yen (compared with the 14,890 million yen for the previous consolidated fiscal 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 this demand. Moreover, there have been growing requirements for energy savings and $CO_2$ reduction as part of decarbonization, as well as rising office demand in the "new normal" era, triggered by the COVID-19 pandemic, for the enhanced safety and peace of mind offered by improved ventilation and access control. In response to this demand, we will supply solutions such as remote maintenance, cloud services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will employ business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

| | Fiscal year 2019 (April 1, 2019 to March 31, 2020) | Fiscal year 2020 (April 1, 2020 to March 31, 2021) | Difference | |
|---|---|---|---|---|
| | | | Amount | Rate |
| Orders received | 122,905 | 118,503 | (4,402) | (3.6)% |
| Sales | 123,794 | 117,521 | (6,272) | (5.1)% |
| Segment profit [Margin] | 14,890 [12.0%] | 14,023 [11.9%] | (867) [(0.1)pp] | (5.8)% |

## Advanced Automation (AA) Business

As regards market trends affecting the AA business environment in Japan and abroad, thanks to expanding investment in 5G and other areas, there has been demand growth in markets for semiconductor manufacturing equipment. There are thus signs of economic recovery from the COVID-19 pandemic, mainly in manufacturing equipment markets. Although the effects of the pandemic remain unpredictable, we do expect demand to continue to increase in manufacturing equipment and other markets, both in Japan and overseas.

Given this business environment, we are looking ahead to further recovery in demand and

future growth, making steady progress with measures such as cultivating new customers and developing overseas bases and systems, as well as ensuring the thorough implementation and expansion of multiple measures to enhance profitability that have already proved successful. Consequently, the financial results of the AA business for the current consolidated fiscal year were as follows.

As regards orders received, there was an increase in the fourth quarter compared to the same period last year, but overall orders received for the full year were down 4.8% at 87,523 million yen (compared with the 91,915 million yen recorded in the previous consolidated fiscal year). This result reflects the impact of the global economic slowdown resulting from the pandemic. Sales were 87,778 million yen, down 5.8% from the 93,156 million yen recorded in the previous consolidated fiscal year. This was because of the decrease in capital investment due to sluggish market conditions overall, despite overseas business expansion and an upturn in the manufacturing equipment markets. Owing to reduced sales, segment profit was 10,251 million yen, down 2.2% from the 10,486 million yen posted for the previous consolidated fiscal year. However, despite the difficult business environment, continued progress was made with growth strategies and measures to enhance profitability, meaning that profit margins were further improved.

In the medium to long term, to meet the challenges of labor shortages, a decarbonizing society, as well as remote work and other aspects of the “new normal” era, investment demand related to the automation of manufacturing equipment and production lines— in order to improve productivity by introducing new technologies— is expected to continue to expand. Based on the three AA business sub-segments (CP, IAP, and SS)[Note 1], we will continue our efforts to achieve business growth with high competitiveness by promoting expansion into growth areas, particularly our overseas business; developing new products and services that harness such technologies as AI, cloud services, and MEMS[Note 2]; accelerating market launches; and developing the new automation field, unique to the azbil Group.

(Millions of yen)

| | Fiscal year 2019 (April 1, 2019 to March 31, 2020) | Fiscal year 2020 (April 1, 2020 to March 31, 2021) | Difference | |
|---|---|---|---|---|
| | | | Amount | Rate |
| Orders received | 91,915 | 87,523 | (4,391) | (4.8)% |
| Sales | 93,156 | 87,778 | (5,377) | (5.8)% |
| Segment profit [Margin] | 10,486 [11.3%] | 10,251 [11.7%] | (235) [0.4pp] | (2.2)% |

Notes 1: Three AA business sub-segments (management accounting sub-segments)

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

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

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

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

## Life Automation (LA) Business

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

The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, some changes have been observed, such as LP gas meters—which account for a part of sales of the Lifeline field—being in a period of low demand. Also, the water meter market is undergoing change: the duration of a meter's legal validity has been extended due to the COVID-19 pandemic, resulting in postponement of expected demand. As for the LSE and Lifestyle-related fields, even amidst fluctuation in demand, we are continuing efforts to achieve and improve stable profits 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 current consolidated fiscal year were as follows.

Overall orders received declined by 3.2% to 43,350 million yen (compared with the 44,806 million yen recorded in the previous consolidated fiscal year). This mainly reflects a decrease in the Lifeline field due to a cyclical decline in demand for LP gas meters. There was, however, an increase in the LSE field driven by growing demand for R&D equipment in the pharmaceutical market, a consequence of the pandemic. 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 2.5% to 42,942 million yen (compared with the 44,033 million yen for the previous consolidated fiscal year). Owing to profits being impacted by reduced sales in the Lifeline field, segment profit was 1,434 million yen, down 23.1% from the 1,866 million yen recorded in the previous consolidated fiscal year.

Going forward, we will continue our efforts to stabilize and improve profits in each of the three fields that comprise the LA business. At the same time, in order to grasp the opportunities provided by changes in the business environment for the energy supply market, in addition to our traditional business of supplying products, we will strive to expand sales and increase profits, creating a new business that provides services based on data collected from meters by

utilizing IoT and other technologies.

(Millions of yen)

| | Fiscal year 2019 (April 1, 2019 to March 31, 2020) | Fiscal year 2020 (April 1, 2020 to March 31, 2021) | Difference | |
|---|---|---|---|---|
| | | | Amount | Rate |
| Orders received | 44,806 | 43,350 | (1,455) | (3.2)% |
| Sales | 44,033 | 42,942 | (1,090) | (2.5)% |
| Segment profit [Margin] | 1,866 [4.2%] | 1,434 [3.3%] | (431) [(0.9)pp] | (23.1)% |

**Other**

In Other business, primarily consisting of our insurance agent business, orders received in the current consolidated fiscal year were 54 million yen (compared with the 59 million yen for the previous consolidated fiscal year), sales were 54 million yen (compared with the 60 million yen for the previous consolidated fiscal year), and segment profit was 6 million yen (compared with the 6 million yen for the previous consolidated fiscal year).

### 3) Forecast for the next period

The azbil Group has set new long-term targets for FY2030, and as the first step toward achieving these targets, we have formulated a new four-year medium-term plan (FY2021-2024). Looking at the FY2021 business environment, it is expected that demand will remain robust for HVAC control equipment/systems for large-scale buildings. As regards demand related to production facilities such as factories and plants, what is becoming conspicuous in Japan and overseas is a recovery in manufacturing equipment, a market that appears to be taking the lead. Regarding the COVID-19 pandemic, the impact on the azbil Group's financial results for FY2020 has been limited. However, it is not yet possible to predict when the worldwide spread of the virus will abate, and thus some uncertainty still hangs over what will happen to the global economy and capital investment by our customers, in Japan and overseas. In FY2021 too, the effects of the pandemic on domestic and overseas economic activity are expected to persist for the time being. The azbil Group will closely monitor changes in the COVID-19 situation and respond rapidly to minimize the possible impact on our business performance.

Giving due consideration to the aforementioned business environment, as regards FY2021 business performance, while leveraging the life-cycle business foundation the azbil Group has built up, we will secure demand in markets that are recovering. At the same time, while steadily implementing R&D and capital investment for future growth, we will continue efforts to strengthen our business profitability, steadily improving our operating income margin. As well as planning to increase sales, we are thus aiming to set a new record for operating income.

In FY2021, the first year of the new medium-term plan, we expect net sales to reach 260.0 billion yen, an increase of 5.3% on the previous consolidated fiscal year. As regards profits, we

forecast an operating income of 27.5 billion yen, up 6.9% on the previous consolidated fiscal year; ordinary income of 27.5 billion yen, up 4.4% on the previous consolidated fiscal year; and net income attributable to owners of parent of 20.0 billion yen, on a par with the previous consolidated fiscal year.

As regards the BA business, demand for air conditioning (HVAC) control equipment and systems for large-scale buildings will remain high. Both sales and profits are expected to increase thanks to an order backlog for new buildings and growing demand for the refurbishment of existing buildings.

For the AA business, an overall recovery in capital investment is forecast, driven by the manufacturing equipment markets in Japan and overseas. Bolstered by the active cultivation of new customers overseas and new product launches, as well as by progress with measures to further strengthen profitability, both sales and profits are expected to increase.

In the LA business, which will continue to rely on demand for meter replacement as required by law, sales and profits are expected to increase thanks to growth in the Lifeline field—through expansion of the cloud service business—and in the LSE field, with its increased order backlog from the previous consolidated fiscal year reflecting increased equipment demand in the pharmaceutical market.

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 2020 results | Fiscal year 2021 forecast | Difference | |
|---|---|---|---|---|---|
| | | | | Amount | Amount |
| Building Automation | Sales | 117.5 | 121.4 | 3.8 | 3.3% |
| | Segment profit [Margin] | 14.0 [11.9%] | 14.3 [11.8%] | 0.2 [(0.2)pp] | 2.0% |
| Advanced Automation | Sales | 87.7 | 94.2 | 6.4 | 7.3% |
| | Segment profit [Margin] | 10.2 [11.7%] | 11.6 [12.3%] | 1.3 [0.6pp] | 13.2% |
| Life Automation | Sales | 42.9 | 45.7 | 2.7 | 6.4% |
| | Segment profit [Margin] | 1.4 [3.3%] | 1.6 [3.5%] | 0.1 [0.2pp] | 11.5% |
| Other | Sales | 0.0 | 0.1 | 0.0 | 82.4% |
| | Segment profit [Margin] | 0.0 [12.2%] | 0.0 [0.0%] | (0.0) [(12.2)pp] | - |
| Consolidated | Net sales | 246.8 | 260.0 | 13.1 | 5.3% |
| | Operating income [Margin] | 25.7 [10.4%] | 27.5 [10.6%] | 1.7 [0.2pp] | 6.9% |
| | Ordinary income | 26.3 | 27.5 | 1.1 | 4.4% |
| | Net income attributable to owners of parent [Margin] | 19.9 [8.1%] | 20.0 [7.7%] | 0.0 [(0.4)pp] | 0.4% |

## (2) Overview of financial position

Analysis of assets, liabilities, net assets and cash flows.

**Assets**

Total assets at the end of the current consolidated fiscal year-end stood at 284,597 million yen, an increase of 10,037 million yen from the previous consolidated fiscal year-end. This was mainly due to an increase in cash and deposits of 10,761 million yen—a provision made for the COVID-19 pandemic in Japan and overseas—and also because the market value of shares held rose more than the sale of such shares, leading to an increase in investment securities of 2,802 million yen.

**Liabilities**

Total liabilities at the end of the current consolidated fiscal year-end stood at 83,990 million yen, a decrease of 5,267 million yen from the previous consolidated fiscal year-end. This was mainly due to a decrease of 6,530 million yen in notes and accounts payable-trade.

**Net assets**

Net assets at the end of the current consolidated fiscal year-end stood at 200,607 million yen, an increase of 15,305 million yen from the previous consolidated fiscal year-end. This was mainly due to an increase of 19,918 million yen by the recording of net income attributable to owners of parent, despite a decrease of 7,073 million yen as the payment of dividends.

As a result, the shareholders' equity ratio was 69.6% compared with 66.7% at the previous consolidated fiscal year-end.

**Net cash flow from operating activities**

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the current consolidated fiscal year were 22,603 million yen, a decrease of 7,208 million yen compared to the previous consolidated fiscal year. This was mainly due to payments of consumption tax 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 previous consolidated fiscal year.

**Net cash flow from investing activities**

Net cash provided by investment activities in the current consolidated fiscal year were 283 million yen (in the previous consolidated fiscal year net cash used in these activities (expenditure) was 4,172 million yen). This was mainly due to an increase of proceeds from the sale of investment securities as well as the fact there were proceeds from the sale of property, plant and equipment following the integration of factories in Japan in the current consolidated fiscal year.

**Net cash flow from financing activities**

Net cash used in financing activities (expenditure) in the current consolidated fiscal year were 6,996 million yen, a decrease of 11,771 million yen in expenditure compared with the previous

consolidated fiscal 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 previous consolidated fiscal year.

As a result of the above factors, net cash at the end of the current consolidated fiscal year was 90,652 million yen, an increase of 15,909 million from the previous consolidated fiscal year-end.

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

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

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

As to specifics regarding the distribution of profits to our shareholders, in our announcement of May 20, 2020, regarding the dividend for the fiscal year ended March 31, 2021, we stated that—on account of the COVID-19 pandemic and the difficulties involved in predicting its impact on our businesses—the annual dividend would be maintained at the same level as the previous fiscal year: 50 yen per share. However, as a result of working to ensure business continuity with safety as our top priority while also strengthening our business profitability and financial structure, we have recorded profits for the fiscal year ended March 31, 2021, in excess of the financial plan announced on November 5, 2020. We have thus been able to secure a strong financial foundation, and it is planned to increase the year-end dividend by 5 yen to make an annual dividend of 55 yen per share. Consequently, a DOE of 4.0% is expected for the fiscal year ended March 31, 2021. As regards the fiscal year ending March 31, 2022—the first year under the new long-term targets for FY2030[Note 1] and the new medium-term plan (FY2021-2024)[Note 2]—increased sales and profits are expected to result from the measures already implemented to strengthen business profitability as well as our upgraded business foundation. Furthermore, from a medium- to long-term perspective, we expect stable and sustainable growth based on the strategic development of each business and the business environment outlook. Thus, based on our policy of enhancing shareholder returns and raising the level of stable dividends, it is planned to further increase the ordinary dividend by 5 yen to make the annual dividend 60 yen per share for the fiscal year ending March 31, 2022.

In addition to the above, based on the present status and outlook for our businesses and financial results, we plan to further improve capital efficiency while ensuring a disciplined capital policy, further increasing shareholder returns and implementing a flexible capital policy able to respond to a changing business environment. To make this possible, we will repurchase—between May 17 and September 30, 2021—the Company's own shares up to a maximum of 10 billion yen or 3 million shares. (For details of treasury stock, please refer to "Significant subsequent event" in "(5) Notes to the consolidated financial statements" on page

34.

In this way, the azbil Group will continue its ongoing efforts to improve the return of profits to our shareholders.

Notes 1: New long-term targets (performance target):
FY2030 (fiscal year ending March 31, 2031)
Net sales: 400.0 billion yen range
Operating income: approx. 60.0 billion yen range
ROE: approximately 13.5%

2: New medium-term plan (performance target):
FY2024 (fiscal year ending March 31, 2025)
Net sales: 300.0 billion yen
Operating income: 36.0 billion yen
ROE: approximately 12.0%

## 2. Management policy

### (1) Basic policy

Based on the philosophy of "human-centered automation," the azbil Group strives—through its business operations—to contribute "in series" to the achievement of a sustainable society. In this way we ensure our own medium- to long-term development and continuously improve enterprise value. We are thus committed to meeting the expectations of all our stakeholders.

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

### (2) Management targets

The azbil Group's basic goal is to improve consolidated return on equity (ROE) and thus increase shareholder value. Through improvements in profitability and capital efficiency, we are aiming to achieve net sales in 400 billion yen range, operating income in 60 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group's new long-term targets[Note 1] for FY2030. Toward achieving these new long-term targets, our new 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 12.0%.

The azbil Group has thus set out its long-term targets for FY2030, aiming to contribute "in series" to the achievement of a sustainable society. To this end, the azbil Group's Guiding Principles and Code of Conduct have been revised so that everything – from our corporate philosophy through to management strategies – is linked "in series" to a sustainable society. In addition, we have positioned the Sustainable Development Goals (SDGs) as an important guidepost for management and we are promoting several initiatives based on what we have formulated as "Essential Goals of azbil Group for SDGs": those to be achieved through our business activities are (1) the environment and energy, and (2) new automation, while those to be achieved through our corporate activities are (3) supply chain and social responsibility, and (4) health & well-being management[Note 2] and an organization that never stops learning.

Notes 1: On May 14, 2021, the azbil Group published its new long-term targets and the new medium-term plan (FY2021-2024).
2: Health and well-being management is azbil's unique approach to fostering healthy, happy, and vibrant workplaces and people.

## (3) Medium- to long-term management strategy

As we work to contribute to the achievement of a sustainable society, a variety of societal and customer issues are emerging in our business environment—ranging from responses to climate change and decarbonization, to changes in social structure and values. There are also issues involving how to ensure safety and peace of mind in a climate where people are learning to live with the coronavirus. As we confront these major changes, demand is expected to increase for automation, which, because it can provide solutions, will be valued even more. As far as the azbil Group is concerned, we will focus on the three growth fields—namely, new automation, environment and energy, and the life-cycle solution—that can particularly benefit from azbil's unique technologies, products, and services. By providing solutions to these new challenges, we will realize growth for our BA, AA and LA business segments.

Under the new medium-term plan, in order to ensure growth in the above three business fields, we will vigorously ensure the necessary investments are made—including capital investment to strengthen the functions of Fujisawa Technology Center (our R&D base)—while raising our R&D budget. We will thus strengthen our ability to develop advanced sensors and system solutions that utilize MEMS technologies, accelerating the development and launch of new products. Moreover, by promoting digital transformation (DX), we will improve the efficiency of our businesses and operations and ensure added value for our products and services. We will also thoroughly implement measures to strengthen profitability that have already proved successful, at the same time as launching new initiatives. We will thus enhance the profitability of our businesses. Additionally, to implement these business growth measures and strengthen our business foundation, we will ensure that our management resources are allocated effectively and strategically. Moreover, we will further advance azbil's unique CSR management, which we have resolved to make the principal feature of our administration, and actively address Environmental, Social, and Governance (ESG)—three criteria that are also social responsibilities.

## (4) Initiatives in response to the spread of COVID-19

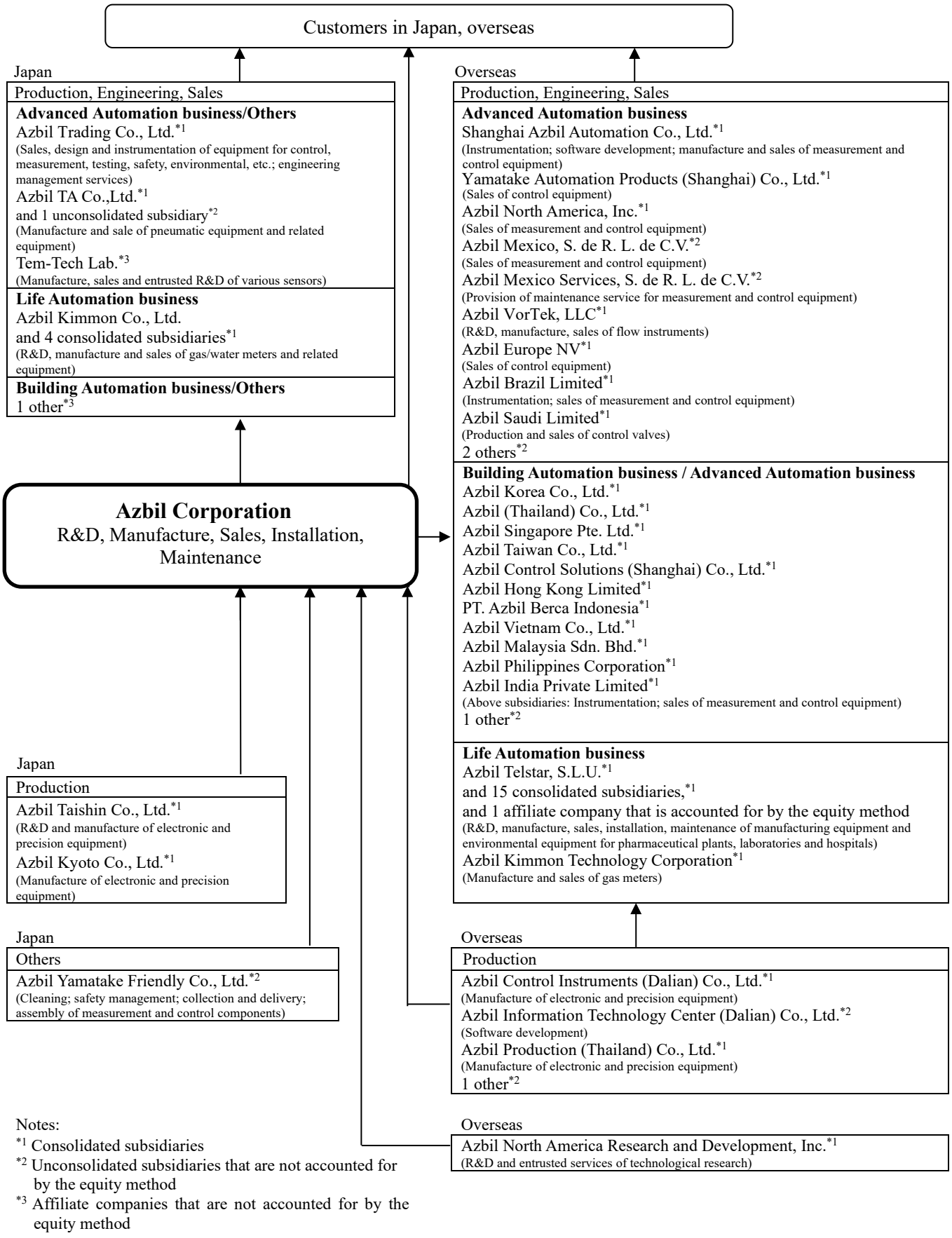
The COVID-19 pandemic, which authorities have yet to get under control, will continue to impact the global economy and production activities in FY2021, making the business outlook uncertain. We believe that the Group's businesses will not be immune to its effects. As far as the azbil Group is concerned, we will continue to take the necessary measures to ensure business continuity, giving precedence to the safety of our customers and employees, and to infection prevention measures. For on-site work—such as production, engineering, and service—we will continue operations with the safety of our customers and employees as our top priority. We will thus meet the needs of society, preventing infection while maintaining vital social infrastructure and our customers' important facilities. Regarding sales and administrative work, we will contribute to preventing the spread of infection by promoting DX-based work-style reforms and

expanding telecommuting among our employees. We will also strive to improve productivity through remote work and other means. At the same time as continuing to improve infection prevention and business continuity planning (BCP) for enhanced crisis management, we are working to secure a solid financial structure, enhancing responsiveness through reinforcement and diversification of financing.

## 3. Activities (present situation) of the azbil Group

The azbil Group consists of the Company, 56 subsidiaries and 3 affiliates, and is pursuing "human-centered automation" that aims to realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation. The Group operates in three core business segments: Building Automation (BA) business in the building market, Advanced Automation (AA) business in the industrial market, and Life Automation (LA) business in markets closely related to lifelines and everyday life. The BA business develops and manufactures a comprehensive lineup, from building management and security systems to application software, controllers, valves and sensors, and also provides instrumentation design, sales, engineering, maintenance, energy-saving solutions, and operation and management of facilities. The Group also draws on its original environmental control technologies to create comfortable and productive office and factory spaces and to develop business that contributes to environmental load reduction. The AA business is focused on solving issues in the materials industries such as oil, chemical, steel, and pulp and paper, as well as in the processing and assembly industries including automobiles, electrical and electronic, semiconductors and food, through the provision of products, solutions, instrumentation, engineering and maintenance to support the optimum operation of equipment and facilities throughout their lifecycle. The Group develops advanced measurement and control technologies, aims to create production spaces that are safe and enhance human capabilities, and conducts business to create new value by collaboration with customers. The LA business applies measurement, control and metering technologies cultivated over many years in the building and industrial markets, as well as to lifelines such as gas and water, living spaces, the pharmaceutical and medical fields and life science research. The Group conducts business to support active lifestyles.

As for the previously mentioned business contents, our company and related companies are positioned as shown in the following business chart.




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

## 4. Basic rationale for selection of accounting standards

Group consolidated financial statements are prepared according to Japanese standards. We are currently continuing reviewing procedures, including the possibility of voluntarily applying International Financial Reporting Standards (IFRS).

## 5. Consolidated financial statements and related notes

(1) Consolidated balance sheets

(Millions of yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 57,750 | 68,511 |
| Notes and accounts receivable - trade | 85,245 | 82,142 |
| Securities | 32,200 | 36,500 |
| Merchandise and finished goods | 5,512 | 5,360 |
| Work in process | 7,640 | 6,987 |
| Raw materials | 12,186 | 12,166 |
| Other | 9,031 | 8,299 |
| Allowance for doubtful accounts | (375) | (369) |
| Total current assets | 209,190 | 219,599 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 47,638 | 41,416 |
| Accumulated depreciation | (32,611) | (27,481) |
| Buildings and structures, net | 15,026 | 13,934 |
| Machinery, equipment and vehicles | 18,601 | 18,520 |
| Accumulated depreciation | (16,267) | (16,461) |
| Machinery, equipment and vehicles, net | 2,333 | 2,059 |
| Tools, furniture and fixtures | 20,262 | 20,232 |
| Accumulated depreciation | (17,783) | (17,864) |
| Tools, furniture and fixtures, net | 2,479 | 2,367 |
| Land | 6,708 | 6,411 |
| Leased assets | 2,336 | 2,741 |
| Accumulated depreciation | (1,128) | (1,278) |
| Leased assets, net | 1,208 | 1,463 |
| Construction in progress | 461 | 825 |
| Total property, plant and equipment | 28,217 | 27,062 |
| Intangible assets | | |
| Software | 4,165 | 4,143 |
| Other | 1,069 | 1,339 |
| Total intangible assets | 5,234 | 5,482 |
| Investments and other assets | | |
| Investment securities | 19,978 | 22,780 |
| Long-term loans receivable | 20 | 15 |
| Deferred tax assets | 4,286 | 2,382 |
| Retirement benefit asset | 4 | 4 |
| Other | 7,734 | 7,369 |
| Allowance for doubtful accounts | (108) | (99) |
| Total investments and other assets | 31,915 | 32,453 |
| Total non-current assets | 65,368 | 64,998 |
| Total assets | 274,559 | 284,597 |

(Millions of yen)

| | As of March 31, 2020 | As of March 31, 2021 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 38,482 | 31,951 |
| Short-term borrowings | 8,225 | 9,035 |
| Income taxes payable | 6,699 | 6,070 |
| Advances received | 3,717 | 4,039 |
| Provision for bonuses | 10,699 | 9,853 |
| Provision for bonuses for directors (and other officers) | 130 | 135 |
| Provision for product warranties | 467 | 518 |
| Provision for loss on order received | 328 | 246 |
| Other | 13,926 | 14,609 |
| Total current liabilities | 82,676 | 76,459 |
| Non-current liabilities | | |
| Long-term borrowings | 350 | 313 |
| Deferred tax liabilities for land revaluation | 181 | 181 |
| Retirement benefit liability | 2,174 | 1,660 |
| Provision for retirement benefits for directors (and other officers) | 148 | 169 |
| Provision for share awards | 1,318 | 1,634 |
| Other | 2,408 | 3,569 |
| Total non-current liabilities | 6,581 | 7,530 |
| Total liabilities | 89,257 | 83,990 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 10,522 | 10,522 |
| Capital surplus | 11,670 | 11,670 |
| Retained earnings | 165,055 | 177,900 |
| Treasury shares | (13,740) | (13,709) |
| Total shareholders' equity | 173,508 | 186,384 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 8,843 | 11,108 |
| Deferred gains or losses on hedges | (28) | 24 |
| Foreign currency translation adjustment | 893 | 699 |
| Remeasurements of defined benefit plans | (27) | (26) |
| Total accumulated other comprehensive income | 9,680 | 11,805 |
| Non-controlling interests | 2,112 | 2,416 |
| Total net assets | 185,301 | 200,607 |
| Total liabilities and net assets | 274,559 | 284,597 |

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

### (Consolidated statements of income)

(Millions of yen)

| | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) | Year ended March 31, 2021 (April 1, 2020 to March 31, 2021) |
|---|---|---|
| Net sales | 259,411 | 246,821 |
| Cost of sales | 155,769 | 147,451 |
| Gross profit | 103,642 | 99,369 |
| Selling, general and administrative expenses | 76,386 | 73,648 |
| Operating income | 27,255 | 25,720 |
| Non-operating income | | |
| Interest income | 167 | 131 |
| Dividend income | 598 | 546 |
| Foreign exchange gains | — | 91 |
| Rental income from real estate | 39 | 32 |
| Reversal of allowance for doubtful accounts | 36 | 1 |
| Other | 266 | 261 |
| Total non-operating income | 1,109 | 1,066 |
| Non-operating expenses | | |
| Interest expenses | 141 | 135 |
| Foreign exchange losses | 127 | — |
| Commitment fees | 20 | 20 |
| Expenses of real estate | 211 | 80 |
| Office relocation expenses | 53 | 114 |
| Other | 96 | 97 |
| Total non-operating expenses | 652 | 448 |
| Ordinary income | 27,712 | 26,338 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 21 | 630 |
| Gain on sale of investment securities | 780 | 1,572 |
| Total extraordinary income | 802 | 2,203 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | 68 | 435 |
| Impairment losses | 22 | — |
| Loss on sale of investment securities | 4 | 86 |
| Loss on valuation of investment securities | — | 10 |
| Loss on termination of retirement benefit plan | 243 | — |
| Loss on valuation of shares of subsidiaries and associates | 42 | — |
| Total extraordinary losses | 380 | 532 |
| Income before income taxes | 28,134 | 28,009 |
| Income taxes - current | 7,619 | 6,722 |
| Income taxes - deferred | 312 | 890 |
| Total income taxes | 7,932 | 7,612 |
| Net income | 20,202 | 20,397 |
| Net income attributable to non-controlling interests | 409 | 478 |
| Net income attributable to owners of parent | 19,793 | 19,918 |

(Consolidated statements of comprehensive income)

(Millions of yen)

| | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) | Year ended March 31, 2021 (April 1, 2020 to March 31, 2021) |
|---|---|---|
| Net income | 20,202 | 20,397 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (883) | 2,264 |
| Deferred gains or losses on hedges | (32) | 53 |
| Foreign currency translation adjustment | (58) | (170) |
| Remeasurements of defined benefit plans, net of tax | 64 | (8) |
| Total other comprehensive income | (910) | 2,138 |
| Comprehensive income | 19,291 | 22,535 |
| Comprehensive income attributable to: | | |
| Owners of parent | 18,897 | 22,043 |
| Non-controlling interests | 393 | 492 |

## (3) Consolidated statements of changes in net assets

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

(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 | 160,325 | (11,952) | 170,566 |
| Cumulative effects of changes in accounting policies | | | (62) | | (62) |
| Restated balance | 10,522 | 11,670 | 160,263 | (11,952) | 170,504 |
| Changes during period | | | | | |
| Dividends of surplus | | | (6,887) | | (6,887) |
| Net income attributable to owners of parent | | | 19,793 | | 19,793 |
| Purchase of treasury shares | | | | (9,923) | (9,923) |
| Disposal of treasury shares | | | | 22 | 22 |
| Cancellation of treasury shares | | (8,113) | | 8,113 | — |
| Transfer from retained earnings to capital surplus | | 8,113 | (8,113) | | — |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | — | 4,792 | (1,788) | 3,004 |
| Balance at end of period | 10,522 | 11,670 | 165,055 | (13,740) | 173,508 |

| | 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 comprehen-sive income | | |
| Balance at beginning of period | 9,727 | 3 | 935 | (91) | 10,576 | 1,954 | 183,097 |
| Cumulative effects of changes in accounting policies | | | | | | | (62) |
| Restated balance | 9,727 | 3 | 935 | (91) | 10,576 | 1,954 | 183,035 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (6,887) |
| Net income attributable to owners of parent | | | | | | | 19,793 |
| Purchase of treasury shares | | | | | | | (9,923) |
| Disposal of treasury shares | | | | | | | 22 |
| Cancellation of treasury shares | | | | | | | — |
| Transfer from retained earnings to capital surplus | | | | | | | — |
| Net changes in items other than shareholders' equity | (883) | (32) | (42) | 64 | (895) | 157 | (738) |
| Total changes during period | (883) | (32) | (42) | 64 | (895) | 157 | 2,266 |
| Balance at end of period | 8,843 | (28) | 893 | (27) | 9,680 | 2,112 | 185,301 |

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

(Millions of yen)

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

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasure-ments of defined benefit plans | Total accumulated other comprehen-sive income | | |
| Balance at beginning of period | 8,843 | (28) | 893 | (27) | 9,680 | 2,112 | 185,301 |
| Changes during period | | | | | | | |
| Dividends of surplus | | | | | | | (7,073) |
| Net income attributable to owners of parent | | | | | | | 19,918 |
| Purchase of treasury shares | | | | | | | (6) |
| Disposal of treasury shares | | | | | | | 37 |
| Cancellation of treasury shares | | | | | | | — |
| Transfer from retained earnings to capital surplus | | | | | | | — |
| Net changes in items other than shareholders' equity | 2,264 | 53 | (193) | 0 | 2,125 | 304 | 2,429 |
| Total changes during period | 2,264 | 53 | (193) | 0 | 2,125 | 304 | 15,305 |
| Balance at end of period | 11,108 | 24 | 699 | (26) | 11,805 | 2,416 | 200,607 |

## (4) Consolidated statements of cash flows

(Millions of yen)

| | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) | Year ended March 31, 2021 (April 1, 2020 to March 31, 2021) |
|---|---|---|
| Cash flows from operating activities | | |
| Income before income taxes | 28,134 | 28,009 |
| Depreciation | 4,461 | 4,483 |
| Increase (decrease) in allowance for doubtful accounts | (295) | (7) |
| Increase (decrease) in retirement benefit liability | 36 | (506) |
| Decrease (increase) in retirement benefit asset | 3 | (0) |
| Increase (decrease) in provision for share awards | 353 | 354 |
| Increase (decrease) in provision for bonuses | 247 | (853) |
| Increase (decrease) in provision for bonuses for directors (and other officers) | (0) | 5 |
| Interest and dividend income | (766) | (678) |
| Interest expenses | 141 | 135 |
| Foreign exchange losses (gains) | 134 | (53) |
| Loss (gain) on sale and retirement of non-current assets | 46 | (195) |
| Impairment losses | 22 | — |
| Loss on termination of retirement benefit plan | 243 | — |
| Loss on valuation of shares of subsidiaries and associates | 42 | — |
| Loss (gain) on sale and valuation of investment securities | (776) | (1,475) |
| Decrease (increase) in trade receivables | 8,556 | 3,169 |
| Decrease (increase) in inventories | (427) | 779 |
| Increase (decrease) in trade payables | (1,563) | (6,486) |
| Decrease (increase) in other assets | 113 | 394 |
| Increase (decrease) in other liabilities | (859) | 2,294 |
| Subtotal | 37,849 | 29,370 |
| Interest and dividends received | 769 | 678 |
| Interest paid | (142) | (132) |
| Income taxes paid | (8,664) | (7,312) |
| Net cash provided by (used in) operating activities | 29,811 | 22,603 |

(Millions of yen)

| | Year ended March 31, 2020 (April 1, 2019 to March 31, 2020) | Year ended March 31, 2021 (April 1, 2020 to March 31, 2021) |
|---|---|---|
| Cash flows from investing activities | | |
| Payments into time deposits | (3,163) | (3,080) |
| Proceeds from withdrawal of time deposits | 3,037 | 2,476 |
| Purchase of securities | (34,200) | (22,200) |
| Proceeds from sale of securities | 33,805 | 23,700 |
| Purchase of beneficial interests in trust | (9,353) | (8,135) |
| Proceeds from sale of beneficial interests in trust | 9,223 | 8,785 |
| Purchase of property, plant and equipment | (3,781) | (3,260) |
| Proceeds from sale of property, plant and equipment | 62 | 1,163 |
| Purchase of intangible assets | (907) | (1,227) |
| Purchase of investment securities | (6) | (0) |
| Proceeds from sale of investment securities | 1,107 | 2,372 |
| Purchase of shares of subsidiaries and associates | — | (451) |
| Proceeds from liquidation of subsidiaries and associates | — | 146 |
| Other, net | 3 | (6) |
| Net cash provided by (used in) investing activities | (4,172) | 283 |
| Cash flows from financing activities | | |
| Proceeds from short-term borrowings | 154 | 774 |
| Repayments of short-term borrowings | (1,332) | (48) |
| Proceeds from long-term borrowings | 300 | — |
| Repayments of long-term borrowings | (441) | (27) |
| Dividends paid | (6,887) | (7,073) |
| Repayments of lease obligations | (404) | (423) |
| Dividends paid to non-controlling interests | (232) | (191) |
| Purchase of treasury shares | (9,923) | (6) |
| Proceeds from sale of treasury shares | — | 0 |
| Net cash provided by (used in) financing activities | (18,767) | (6,996) |
| Effect of exchange rate change on cash and cash equivalents | (262) | 18 |
| Net increase (decrease) in cash and cash equivalents | 6,609 | 15,909 |
| Cash and cash equivalents at beginning of period | 68,134 | 74,743 |
| Cash and cash equivalents at end of period | 74,743 | 90,652 |

## (5) Notes to the consolidated financial statements

**Notes regarding going concern assumptions**

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 March 31, 2021

| | |
|---|---|
| Book value: | 3,886 million yen |
| Number of shares: | 1,958,084 shares |

## Segment information

Segment information

1. The summary of the reportable segments

The reportable segments of the azbil Group - identifiable operating segments of the Group's business structure for which financial information is made separately available - are subject to periodic review by the Board of Directors in order to make decisions on the distribution of management resources and to assess performance.

The azbil Group identifies its operating segments using such criteria as business organization, product lines, service content, and markets. This approach results in three separate reportable segments: the Building Automation business, the Advanced Automation business, and the Life Automation business.

The Building Automation business supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering and related services. The Advanced Automation business supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories. The Life Automation business supplies meters for lifelines, residential central air-conditioning systems and manufacture and sale of manufacturing equipment and environmental equipment for the life science research, pharmaceutical and medical fields as well as related services - all of which are intimately connected with everyday life.

2. Method of calculating sales, profit (loss), assets and other items in each segment

The accounting method for reportable segments is generally the same as the method adopted for preparation of the consolidated financial statements. Profits of reportable segments are calculated based on operating income. Internal sales among segments and transfers (Inter-segment) are based on market prices, etc.

3. Information on sales, profit (loss), assets and the other items in each segment

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

| | Reportable segment | | | | Other (Note 1) | Total | Adjustment (Note 2) | Consolidated (Note 3) |
|---|---|---|---|---|---|---|---|---|
| | Building Automation | Advanced Automation | Life Automation | Subtotal | | | | |
| Sales | | | | | | | | |
| Customers | 123,496 | 92,159 | 43,701 | 259,356 | 54 | 259,411 | — | 259,411 |
| Inter-segment | 297 | 997 | 332 | 1,627 | 5 | 1,633 | (1,633) | — |
| Total | 123,794 | 93,156 | 44,033 | 260,984 | 60 | 261,044 | (1,633) | 259,411 |
| Segment profit | 14,890 | 10,486 | 1,866 | 27,244 | 6 | 27,250 | 5 | 27,255 |
| Segment assets | 67,962 | 68,152 | 31,053 | 167,168 | 0 | 167,169 | 107,389 | 274,559 |
| Other items | | | | | | | | |
| Depreciation and amortization | 1,422 | 2,204 | 835 | 4,461 | — | 4,461 | — | 4,461 |
| Increase in property, plant and equipment, and intangible assets | 1,769 | 2,341 | 823 | 4,933 | — | 4,933 | — | 4,933 |

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

2. Adjustment details are as follows.

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

(2) The adjustment of segment assets of 107,389 million yen includes primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

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

(Millions of yen)

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

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

2. Adjustment details are as follows.

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

(2) The adjustment of segment assets of 124,196 million yen includes primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

Related information

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

| Japan | Asia | China | North America | Europe | Others | Total |
|---|---|---|---|---|---|---|
| 215,216 | 18,784 | 9,826 | 3,781 | 9,176 | 2,626 | 259,411 |

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 |
|---|---|---|---|---|---|---|
| 23,470 | 2,399 | 952 | 89 | 1,168 | 137 | 28,217 |

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

1. Information by product and service

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

2. Information by region

(1) Sales

(Millions of yen)

| Japan | Asia | China | North America | Europe | Others | Total |
|---|---|---|---|---|---|---|
| 201,933 | 18,819 | 11,025 | 3,754 | 9,049 | 2,238 | 246,821 |

Note: Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

| Japan | Asia | China | North America | Europe | Others | Total |
|---|---|---|---|---|---|---|
| 22,237 | 2,094 | 1,097 | 63 | 1,450 | 118 | 27,062 |

Note: Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statement of income, so this information is omitted.

Information on impairment losses in non-current assets in each segment

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

(Millions of yen)

| | Reportable segment | | | | Other | Corporate/ Elimination | Total |
|---|---|---|---|---|---|---|---|
| | Building Automation | Advanced Automation | Life Automation | Subtotal | | | |
| Impairment losses | – | – | 22 | 22 | – | – | 22 |

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

Not applicable

Information on amortization of goodwill and unamortized balance in each segment

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

Not applicable

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

Not applicable

Information on gain on negative goodwill in each segment

Fiscal year 2019 (April 1, 2019 to March 31, 2020)

Not applicable

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

Not applicable

## Per share information

| Item | Fiscal year 2019<br>(April 1, 2019 to March 31, 2020) | Fiscal year 2020<br>(April 1, 2020 to March 31, 2021) |
|---|---|---|
| Net assets per share (Yen) | 1,313.17 | 1,420.52 |
| Net income per share (Yen) | 140.80 | 142.77 |

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 2019<br>(April 1, 2019 to March 31, 2020) | Fiscal year 2020<br>(April 1, 2020 to March 31, 2021) |
|---|---|---|
| Net income attributable to owners of parent<br>(Millions of yen) | 19,793 | 19,918 |
| Amount not attributable to common stock holders<br>(Millions of yen) | — | — |
| Net income attributable to owners of parent relevant to common stock<br>(Millions of yen) | 19,793 | 19,918 |
| Average number of common stock<br>(Thousands of shares) | 140,579 | 139,511 |

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

| Item | Fiscal year 2019<br>(As of March 31, 2020) | Fiscal year 2020<br>(As of March 31, 2021) |
|---|---|---|
| Total net assets (Millions of yen) | 185,301 | 200,607 |
| Amount deducted from the total of net assets<br>(Millions of yen) | 2,112 | 2,416 |
| (Of which non-controlling interests)<br>(Millions of yen) | (2,112) | (2,416) |
| Net assets at the end of the consolidated fiscal year relevant to common stock<br>(Millions of yen) | 183,189 | 198,190 |
| Number of common stock used to determine net assets per share<br>(Thousands of shares) | 139,501 | 139,519 |

4. The Company's own stock held by Custody Bank of Japan, Ltd. (Trust E), whose company name was formerly Trust & Custody Services Bank, Ltd., as assets in the trust of "Employee Stock Ownership Plan (J-ESOP)" is recorded as treasury shares in shareholders' equity, and included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for determining net assets per share (1,977 thousand shares as of March 31, 2020; 1,958 thousand shares as of March 31, 2021).

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 (1,982 thousand shares for fiscal year 2019; 1,966 thousand shares for fiscal year 2020).

**Significant subsequent event**

Repurchase of the Company's own stock

The Company has resolved, at its Board of Directors meeting held on May 14, 2021, to repurchase the Company's own stock pursuant to Article 156 and Article 165, paragraph 3 of the Companies Act of Japan.

(1) Reason for repurchase of the Company's own stock:
Taking into consideration business results and the outlook for future business performance, the Company aims not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop flexible capital policies responding to changes in the corporate environment.

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

(3) Total number of shares to be repurchased: Up to 3,000,000 shares
(2.1% of the total number of issued shares, excluding treasury shares)

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

(5) Period of repurchase: From May 17, 2021 to September 30, 2021

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

## 6. Other

Status of orders received

(Millions of yen)

| | Fiscal year 2019 (April 1, 2019 to March 31, 2020) | | Fiscal year 2020 (April 1, 2020 to March 31, 2021) | | Difference | |
|---|---|---|---|---|---|---|
| | Orders received | Backlog | Orders received | Backlog | Orders received | Backlog |
| Building Automation | 122,905 | 63,190 | 118,503 | 64,050 | (4,402) | 860 |
| Advanced Automation | 91,915 | 27,785 | 87,523 | 27,751 | (4,391) | (34) |
| Life Automation | 44,806 | 13,447 | 43,350 | 14,275 | (1,455) | 828 |
| Total of reportable segments | 259,626 | 104,423 | 249,377 | 106,077 | (10,249) | 1,654 |
| Other | 59 | — | 54 | 0 | (4) | 0 |
| Elimination | (1,606) | (133) | (1,558) | (211) | 47 | (77) |
| Consolidated | 258,079 | 104,289 | 247,873 | 105,866 | (10,206) | 1,576 |