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

August 7, 2024

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

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated financial results (cumulative) Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	65,547	7.1	5,782	24.4	6,891	21.3	4,880	31.5
Three months ended June 30, 2023	61,205	9.2	4,649	114.6	5,683	71.1	3,710	79.1

Note: Comprehensive income Three months ended June 30, 2024 6,944 million yen (4.6)%
Three months ended June 30, 2023 7,283 million yen 57.6%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2024	37.01	—
Three months ended June 30, 2023	27.81	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	299,322	226,821	74.7
As of March 31, 2024	313,728	224,887	70.6

Reference: Shareholders' equity As of June 30, 2024 223,511 million yen
As of March 31, 2024 221,522 million yen

2. Dividends

	Dividend per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2024	—	36.50	—	39.50	76.00
Year ending March 31, 2025	—				
Year ending March 31, 2025 (forecast)		44.00	—	11.00	—

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

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

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

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	134,000	1.6	11,600	(10.6)	11,800	(17.6)	9,000	(24.6)	17.07
Full year	300,000	3.1	37,500	1.8	37,500	(3.8)	28,000	(7.3)	53.10

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

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

* Notes

(1) Significant changes in the scope of consolidation during the three months ended June 30, 2024: Yes
Excluded: one company (Azbil VorTek, LLC.)

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

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

a. Changes in accounting policies accompanying revision of accounting standards, etc.: No
b. Changes in accounting policies other than (a) above: No
c. Changes in accounting estimates: No
d. Retrospective restatements: No

(4) Number of issued shares (common stock)

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

As of June 30, 2024	141,508,184 shares	As of March 31, 2024	141,508,184 shares

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

As of June 30, 2024	9,605,723 shares	As of March 31, 2024	9,678,569 shares

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

Three months ended June 30, 2024	131,858,243 shares	Three months ended June 30, 2023	133,417,612 shares

Note: The Company has introduced an employee stock ownership plan, a Trust-Type Employee Shareholding Incentive Plan and a stock compensation plan. The number of treasury shares at the end of the period includes the Company's stock held by trust accounts of these plans (2,456,892 shares as of June 30, 2024; 2,529,738 shares as of March 31, 2024). Also, the Company's stock held by these trust accounts is included in treasury shares that are deducted in the calculation of the average number of shares during the period (2,501,110 shares for the three months ended June 30, 2024; 2,912,080 shares for the three months ended June 30, 2023).

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

* Regarding the appropriate use of forecast, etc.

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

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

* How to obtain supplementary materials on financial results

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

Accompanying document

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1. Overview of financial results and others

Based on the Group philosophy of "human-centered automation," the azbil Group strives—through its business operations—to contribute "in series" to the achievement of a sustainable society. In this way we ensure our own medium- to long-term development and continuously improve enterprise value. We are aiming to achieve net sales in the 400.0 billion yen range, operating income in the 60.0 billion yen range, an operating income margin of approximately 15%, and an ROE of approximately 13.5%; these are the Group's long-term targets [Note 1] for FY2030. Toward achieving these long-term targets, our four-year medium-term plan [Note 1] sets out as targets for FY2024, the final year of the plan, net sales of 300.0 billion yen, an operating income of 36.0 billion yen, an operating income margin of 12%, and an ROE of approximately 12%; we have been implementing various reforms to attain these targets. In addition, from the perspective of contributing "in series" to the achievement of a sustainable society and advancing sustainability management, the Group has identified materiality [Note 2] as priority issues to be tackled over the long term. In the areas of the environment, innovation, society, and human resources, we have established four essential goals of the azbil Group for the SDGs. [Note 3] We have also set specific goals for our CSR activities in three issues which represent fundamental obligations that a company must fulfill in order to exist in society, [Note 4] and we are promoting initiatives to achieve these goals.

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

We will thus continue to actively invest in technology development, facilities and equipment, and we will also advance initiatives to enhance product competitiveness, which may involve collaborative creation with external partners. We will make progress with our transformation for further growth, building on our achievements. These include strengthening our global production base—for example, by constructing a new factory building at our manufacturing subsidiary in Thailand—promoting digital transformation (DX) to enhance product competitiveness and internal productivity, and in our overseas business expanding customer coverage and enhancing our product lineups. At the same time, we will actively invest in human capital, the driving force for corporate growth.

Thanks to these reforms and our achievements to date, such as strengthening profitability, in FY2024, the final year of the medium-term plan, we are planning to exceed the initial profit plan, achieving net sales of 300.0 billion yen, an operating income of 37.5 billion yen, an operating income margin of 12.5%, and an ROE of 12.2%.

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

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

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

Note 3: Essential goals of the azbil Group for the SDGs
- The areas that we tackle through our business:
  −Environment and energy
  −New automation
- The areas that we tackle through our general corporate activities:
  −Supply chain and social responsibility
  −Health and well-being management; an organization that never stops learning

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

(1) Overview of financial results for the current consolidated quarter

The business environment for the azbil Group for the three months ended June 2024 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, strong demand driven by urban redevelopment plans has continued while retrofit demand including interest in solutions for energy saving and lower CO2 emissions has remained strong. As for equipment/systems for production facilities, though there has been continuing demand for the decarbonization of factories and plants, and for the adoption of DX, demand has been sluggish in the factory automation (FA) market from the previous fiscal year.

As a result, financial results for the three months ended June 2024 were as follows.

Orders received were 95,706 million yen, up 13.4% on the 84,382 million yen recorded in the same period of FY2023. This was mainly due to a significant increase in the BA business driven by robust market conditions and the renewal of large-scale multi-year service contracts, and despite a decrease in the AA business due to continuing sluggish conditions in the FA market. Sales growth was achieved in the BA business, reflecting the growth in orders received in the previous consolidated fiscal year, and consequently overall net sales were 65,547 million yen, up 7.1% on the 61,205 million yen recorded in the same period of FY2023.

As regards profits, there was an impact from the recording of R&D expenses required by the medium-term plan, as well as increases in DX-related, personnel and other expenses; however, thanks to revenue growth and measures to enhance profitability, including cost pass-through, operating income was 5,782 million yen, up 24.4%, a significant increase on the 4,649 million

yen recorded in the same period of FY2023. This growth in operating income led to higher ordinary income, which was 6,891 million yen, up 21.3% on the 5,683 million yen recorded in the same period of FY2023. In addition to higher operating income, because of the recording of gain on the sale of investments in the capital of a US subsidiary as extraordinary income, net income attributable to owners of parent rose to 4,880 million yen, up 31.5% on the 3,710 million yen recorded in the same period of FY2023.

(Millions of yen)

	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Three months ended Jun. 30, 2024 (Apr. 1, 2024 to Jun. 30, 2024)	Difference	
			Amount	Rate
Orders received	84,382	95,706	11,323	13.4%
Net sales	61,205	65,547	4,342	7.1%
Operating income [Margin]	4,649 [7.6%]	5,782 [8.8%]	1,132 [1.2pp]	24.4%
Ordinary income	5,683	6,891	1,208	21.3%
Net income attributable to owners of parent [Margin]	3,710 [6.1%]	4,880 [7.4%]	1,169 [1.4pp]	31.5%

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

Building Automation (BA) Business

Regarding the BA business environment, in the domestic market demand for office buildings in urban redevelopment projects has leveled off but remains at a high level. In addition to the demand for energy savings and CO_2 reduction, there is continuing interest in new solutions, suited to new work styles, that create environments offering post-pandemic safety. As regards overseas markets, investment is expanding and already exceeds pre-pandemic levels. In this business environment, we have not only engaged in securing orders with a view to improved profitability, but have also striven to ensure enhanced job execution capabilities and, through DX promotion, greater efficiencies—particularly on construction and service sites—that meet the requirements of the work-style reforms. Moreover, we have made progress with the expansion of our product lineups and services to better meet the needs of customers, in Japan and abroad, who are interested in harnessing such technologies as IoT and cloud computing.

Consequently, the financial results of the BA business for the three months ended June 2024 were as follows.

As regards orders received, there was growth in the existing building field—to which more personnel and other resources are being allocated—but particularly in the service field, in which large-scale multi-year contracts were renewed. Consequently, for the BA business as a whole, orders received significantly increased by 21.1% to 56,285 million yen compared to the same period of FY2023, when a figure of 46,466 million yen was recorded. Sales increased in the fields related to existing buildings and service, as well as in the overseas business. This resulted

in sales of 28,882 million yen, up 16.0% on the 24,904 million yen recorded in the same period of FY2023. Despite increased outsourcing costs as well as higher personnel and DX-related expenses and R&D investments, thanks to increased revenue and improved profitability, including cost pass-through, segment profit was up significantly by 289.1% to 1,630 million yen compared to the same period of FY2023, when a figure of 418 million yen was recorded.

As for the medium- to long-term outlook, large-scale redevelopment projects continue to be planned, and several retrofit projects are anticipated. While giving consideration to profitability, the BA business is committed to responding to this demand. Moreover, there are growing requirements for energy savings and CO_2 reduction as part of decarbonization, as well as demand for offices designed to improve workplace wellness that not only offer enhanced safety and peace of mind, convenience and comfort, but are also suited to new work styles. In response to this demand, we will supply solutions such as cloud-based services and a new HVAC system; we are thus aiming to achieve sustainable growth. Additionally, we will promote DX and engage in business process reforms and other initiatives to further ensure that a high-profit structure is established.

(Millions of yen)

	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Three months ended Jun. 30, 2024 (Apr. 1, 2024 to Jun. 30, 2024)	Difference	
			Amount	Rate
Orders received	46,466	56,285	9,818	21.1%
Sales	24,904	28,882	3,977	16.0%
Segment profit [Margin]	418 [1.7%]	1,630 [5.6%]	1,211 [4.0pp]	289.1%

Advanced Automation (AA) Business

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

Amidst this business environment, we continued to implement our three main initiatives—for business growth overseas, creation of new automation, and boosting profitability. At the same time, we have continued working on improving procurement and production processes.

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

Orders received were 24,230 million yen, down 6.0% on the 25,783 million yen recorded in the same period of FY2023. This was mainly due to the cyclical decline in demand in the semiconductor manufacturing equipment market. However, thanks to the gradual easing of parts procurement difficulties leading to the improvement of product delivery dates and thus to a shortening of the time between order intake and revenue, sales were 25,083 million yen, on a par with the same period of FY2023, when a figure of 24,869 million yen was recorded. As for segment profit, this was impacted by increases in personnel and other expenses, coupled with increased investments in overseas sales, DX, and R&D; however, revenue growth and initiatives

to enhance profitability, including cost pass-through, meant that segment profit was 3,920 million yen, on a par with the same period of FY2023, when a figure of 3,899 million yen was recorded.

Although conditions remain sluggish in the FA market, steady progress is currently being made with the three main initiatives mentioned above and we expect this will contribute to growth when the market recovers. In the long term, we can expect the industrial automation market to expand globally, for there is strong customer demand for automation to facilitate the decarbonization of factories, to solve the challenges presented by labor shortages and aging facilities, and to introduce new production methods. Based on the three AA business sub-segments [Note 5] (CP, IAP, and SS), and the development of advanced automation, we aim to become a high-profit business entity that contributes to a sustainable society.

(Millions of yen)

	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Three months ended Jun. 30, 2024 (Apr. 1, 2024 to Jun. 30, 2024)	Difference	
			Amount	Rate
Orders received	25,783	24,230	(1,553)	(6.0)%
Sales	24,869	25,083	213	0.9%
Segment profit [Margin]	3,899 [15.7%]	3,920 [15.6%]	21 [(0.0)pp]	0.5%

Note 5: Three AA business sub-segments (management accounting sub-segments)

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

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

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

Life Automation (LA) Business

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

The Lifeline field, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. Though demand can be expected to remain basically stable, the cyclical demand for LP gas meters is currently at a low ebb. In the LSE field, for which business has been developed overseas, there is continued demand for pharmaceutical plant equipment, but industry restructuring and continuing inflation have had a noticeable impact on investments and the economy.

Amidst this business environment, we have engaged in strengthening quality control and cost management, as well as enhancing profitability, including cost pass-through. In addition, from the perspective of restructuring our business portfolio based on improved capital efficiency, we have decided to transfer all equity interests in our subsidiary Azbil Telstar S.L.U. (hereinafter referred to as “Azbil Telstar”), which has played a central role in the Life Science Engineering

field, to Syntegon Technology GmbH (the contractual transferee being Falcon Acquisition, S.L.U., a wholly owned subsidiary of Syntegon). As a result of this transfer, Azbil Telstar and its subsidiaries will be excluded from the Company's scope of the consolidation. However, the exact transfer date has yet to be determined as it is subject to await approval. For details, please refer to "Additional information" in "2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements" on page 14.

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

For the LA business overall, orders received significantly increased by 22.4% to 15,608 million yen compared to the 12,752 million yen recorded in the same period of FY2023. This resulted mainly from growth in the Life Science Engineering field, which benefitted from some large-scale projects. Overall sales were 12,095 million yen, on a par with the same period of FY2023, when a figure of 11,959 million yen was recorded. Owing to a decrease in the Lifeline field, which had benefitted from highly profitable projects in the same period of FY2023, segment profit decreased by 24.6% to 252 million yen compared to the 334 million yen recorded in the same period of FY2023.

In the LA business, while promoting the business restructuring in the Life Science Engineering field, in response to the changing business environment we will advance appropriate reforms—improving profitability including implementing cost pass-through, and reexamining business processes through the lens of DX, throughout the business. In the Lifeline field, so as to grasp the opportunities provided by changes in the business environment for the energy supply market, in addition to our business of supplying products—potentially including smart meters—we will strive to create a new business that provides services based on data collected from meters utilizing IoT and other technologies. In the field of residential central air-conditioning systems, we will promote business based on products, suited to both new and existing houses, that offer living-space comfort, good air quality, and energy-saving performance.

(Millions of yen)

	Three months ended Jun. 30, 2023 (Apr. 1, 2023 to Jun. 30, 2023)	Three months ended Jun. 30, 2024 (Apr. 1, 2024 to Jun. 30, 2024)	Difference	
			Amount	Rate
Orders received	12,752	15,608	2,855	22.4%
Sales	11,959	12,095	135	1.1%
Segment profit [Margin]	334 [2.8%]	252 [2.1%]	(82) [(0.7)pp]	(24.6)%

Other

In Other business, principally our insurance agent business, orders received in the three months ended June 2024 were 24 million yen (compared with the 22 million yen for the same period of FY2023), sales were 24 million yen (compared with the 22 million yen for the same period of FY2023), and segment profit was 2 million yen (compared with the 2 million yen for the same period of FY2023).

(2) Overview of financial position at the end of the current consolidated quarter

Assets

Total assets at the end of the first quarter of FY2024 stood at 299,322 million yen, a decrease of 14,406 million yen from the end of FY2023. This was mainly due to a decrease of 15,565 million yen in trade receivables.

Liabilities

Total liabilities at the end of the first quarter of FY2024 stood at 72,500 million yen, a decrease of 16,340 million yen from the end of FY2023. This was mainly due to a decrease of 8,650 million yen in provision for bonuses as well as a decrease of 7,328 million yen in income taxes payable.

Net assets

Net assets at the end of the first quarter of FY2024 stood at 226,821 million yen, an increase of 1,933 million yen from the end of FY2023. This was mainly due to an increase of 4,880 million yen by the recording of net income attributable to owners of parent as well as an increase of 3,032 million yen from foreign currency translation adjustment, despite a decrease of 5,307 million yen in shareholders' equity due to the payment of dividends.

As a result, the shareholders' equity ratio was 74.7% compared with 70.6% at the end of FY2023.

(3) Forecast of consolidated financial results

There is no change to the forecast for consolidated financial results—published on May 13, 2024—for the first half and for the full fiscal year ending March 31, 2025.

The business environment surrounding the azbil Group is expected to remain uncertain owing to such factors as growing inflation. However, in the BA business, demand for HVAC control equipment and systems for large-scale buildings remains robust, both in Japan and overseas. As for the environment surrounding the AA business, while demand continues to be sluggish in the FA market, demand in the PA market remains stable, particularly for maintenance and refurbishment. Moreover, conditions in the FA market are expected to recover from the second half of the fiscal year onward. While making steady progress in capturing this demand, we will steadily improve business efficiency by harnessing DX and implement measures to enhance profitability, including cost pass-through. In the LA business, we will continue with initiatives to improve profitability, and promote the business restructuring by the transfer of Azbil Telstar.

As stated in the "Notification Regarding the Transfer of Equity Interests in a Consolidated Subsidiary"—that is, the transfer of all the equity interests in the Company's consolidated subsidiary Azbil Telstar—announced on June 7, 2024, the exact date of the equity transfer has yet to be determined. The effect of this transfer on the Company's consolidated financial results for the fiscal year ending March 31, 2025 is currently being determined and is therefore not reflected in this forecast.

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

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	71,079	71,853
Notes and accounts receivable - trade, and contract assets	97,759	82,193
Securities	8,900	8,900
Merchandise and finished goods	9,138	9,663
Work in process	7,737	9,097
Raw materials	26,902	27,637
Other	7,937	6,961
Allowance for doubtful accounts	(433)	(451)
Total current assets	229,022	215,856
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	23,050	23,323
Other, net	18,338	19,338
Total property, plant and equipment	41,388	42,661
Intangible assets	6,157	6,246
Investments and other assets		
Investment securities	26,008	24,129
Other	11,261	10,539
Allowance for doubtful accounts	(109)	(111)
Total investments and other assets	37,160	34,557
Total non-current assets	84,706	83,465
Total assets	313,728	299,322

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	20,472	17,292
Short-term borrowings	7,468	6,382
Income taxes payable	8,459	1,130
Provision for bonuses	13,136	4,486
Provision for bonuses for directors (and other officers)	226	62
Provision for product warranties	2,318	2,247
Provision for loss on orders received	53	44
Other	25,845	29,510
Total current liabilities	77,981	61,156
Non-current liabilities		
Long-term borrowings	1,985	1,673
Retirement benefit liability	1,784	1,843
Provision for retirement benefits for directors (and other officers)	207	205
Provision for share awards	2,596	2,679
Provision for share awards for directors (and other officers)	108	128
Other	4,176	4,812
Total non-current liabilities	10,859	11,344
Total liabilities	88,840	72,500
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,617	11,785
Retained earnings	211,810	211,683
Treasury shares	(32,804)	(32,542)
Total shareholders' equity	201,145	201,448
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,848	12,585
Deferred gains or losses on hedges	(18)	(103)
Foreign currency translation adjustment	6,496	9,528
Remeasurements of defined benefit plans	50	52
Total accumulated other comprehensive income	20,376	22,062
Non-controlling interests	3,365	3,310
Total net assets	224,887	226,821
Total liabilities and net assets	313,728	299,322

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

(Consolidated quarterly statements of income)

(Consolidated cumulative first quarter)

(Millions of yen)

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Net sales	61,205	65,547
Cost of sales	36,492	38,277
Gross profit	24,712	27,270
Selling, general and administrative expenses	20,062	21,487
Operating income	4,649	5,782
Non-operating income		
Interest income	97	113
Dividend income	360	418
Foreign exchange gains	664	576
Rental income from real estate	7	7
Reversal of allowance for doubtful accounts	36	30
Other	40	69
Total non-operating income	1,206	1,215
Non-operating expenses		
Interest expenses	53	58
Commitment fees	4	5
Expenses of real estate	6	7
Office relocation expenses	84	24
Other	24	11
Total non-operating expenses	173	106
Ordinary income	5,683	6,891
Extraordinary income		
Gain on sale of non-current assets	0	2
Gain on sale of investments in capital of subsidiaries and associates	—	820
Gain on sale of investment securities	—	7
Total extraordinary income	0	831
Extraordinary losses		
Loss on sale and retirement of non-current assets	37	29
Loss on valuation of investment securities	—	77
Total extraordinary losses	37	107
Income before income taxes	5,645	7,615
Income taxes - current	539	787
Income taxes - deferred	1,200	1,746
Total income taxes	1,739	2,534
Net income	3,906	5,081
Net income attributable to non-controlling interests	195	201
Net income attributable to owners of parent	3,710	4,880

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

(Millions of yen)

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Net income	3,906	5,081
Other comprehensive income		
Valuation difference on available-for-sale securities	2,530	(1,263)
Deferred gains or losses on hedges	59	(85)
Foreign currency translation adjustment	788	3,213
Remeasurements of defined benefit plans, net of tax	(1)	(1)
Total other comprehensive income	3,376	1,863
Comprehensive income	7,283	6,944
Comprehensive income attributable to:		
Owners of parent	7,015	6,562
Non-controlling interests	267	382

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Additional information

Conclusion of the Transfer Agreement of Equity Interests in an Important Subsidiary

The Company has reached an agreement and finalized the decision and contract signing on June 6, 2024 (Central European Time), to transfer all the equity interests in its consolidated subsidiary, Azbil Telstar S.L.U. (hereinafter "Azbil Telstar"), to a wholly owned subsidiary of Syntegon Technology GmbH (hereinafter "Syntegon").

1. Reason for transfer

Since Azbil Telstar became the Company's subsidiary through acquisition in 2013, we have developed a growth strategy to expand its business in the Life Science Engineering field of the Life Automation business. Amidst the reorganization taking place in this global industry, the azbil Group has been implementing strategies aimed at further enhancing future business competitiveness and profitability of Azbil Telstar—such as strengthening product competitiveness through group wide R&D synergy. At the same time, however, from the perspective of restructuring the azbil Group's business portfolio to improve capital efficiency as targeted in the Group's medium-term plan, we have also been reconsidering what sort of presence we should have in the future. As a result, it was determined that, in order to fully leverage the technology and products of Azbil Telstar and realize its sustainable growth, the best option was to transfer the Company's equity interests in Azbil Telstar to Syntegon, a global packaging solutions company, with the contractual transferee being Falcon Acquisition, S.L.U., a wholly owned subsidiary of Syntegon. This decision led to the conclusion of the aforementioned contract.

2. Name of the counterparty of the equity transfer

Falcon Acquisition, S.L.U. (wholly owned subsidiary of Syntegon)

3. Date of transfer

Undetermined

4. Name, business description of the subsidiary and transaction with the Company

(1) Company name: Azbil Telstar S.L.U.
(2) Business description: Development, manufacturing, and sales of freeze-drying equipment, sterilization equipment, pharmaceutical water production & steam generation equipment, as well as consulting and engineering related to clean rooms, etc.
(3) Transaction relationship: There are no material transactions.

5. Percentage of equity interests to be transferred, transfer price, profit (loss) from the transfer and percentage of equity interests after the transfer

(1) Percentage of equity interests to be transferred: 100%
(2) Transfer price: 61,850 thousand euros
(3) Profit (loss) from the transfer: Currently being determined
(4) Percentage of equity interests after the transfer: 0%

Note: The transfer price is scheduled to be finalized based on conditions indicated in the transfer agreement and may be subject to change.

6. Reportable segment

Life Automation business

Notes on consolidated quarterly statements of cash flows

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

	Three months ended June 30, 2023 (April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (April 1, 2024 to June 30, 2024)
Depreciation	1,412 million yen	1,592 million yen

Notes regarding significant change in shareholders' equity

Not applicable

Notes on segment information

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

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

(Millions of yen)

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

* "Other" includes insurance agent business, etc.

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

(Millions of yen)

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

2. Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	28,766	24,749	12,008	65,525	22	65,547
Inter-segment	115	333	86	535	2	537
Total	28,882	25,083	12,095	66,060	24	66,084
Segment profit	1,630	3,920	252	5,803	2	5,806
Disaggregation of revenue						
Goods or services transferred at a point in time	6,268	19,787	8,401	34,458	22	34,480
Goods or services transferred over time	22,498	4,962	3,606	31,067	—	31,067
Revenue from contracts with customers	28,766	24,749	12,008	65,525	22	65,547

* “Other” includes insurance agent business, etc.

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

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

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

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

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

(Millions of yen)

Income	Amount
Total of Reportable Segment	5,803
Profit in Other	2
Elimination	(23)
Operating income	5,782