azbil

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Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2027 (Based on IFRS)

August 6, 2026

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, 2026 (from April 1, 2026 to June 30, 2026)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Revenue		Business profit		Operating profit		Profit before tax		Profit attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2026	63,683	2.0	4,964	(30.1)	6,735	(4.8)	7,549	1.2	5,091	1.5
Three months ended June 30, 2025	62,410	—	7,103	—	7,072	—	7,462	—	5,017	—

Note: Comprehensive income for the period
Three months ended June 30, 2026 6,152 million yen 7.8%
Three months ended June 30, 2025 5,705 million yen —%

Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2026	10.07	9.95
Three months ended June 30, 2025	9.75	9.55

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent to total assets
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2026	323,072	236,398	233,526	72.3
As of March 31, 2026	347,388	249,588	246,465	70.9

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, 2026	—	13.00	—	19.00	32.00
Year ending March 31, 2027	—				
Year ending March 31, 2027 (forecast)		31.00	—	19.00	50.00

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

Details of 2nd quarter-end dividends for the fiscal year ending March 31, 2027 (forecast):

an ordinary dividend of 19.00 yen, a commemorative dividend of 12.00 yen

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2027 (from April 1, 2026 to March 31, 2027)

Percentages indicate year-on-year changes

	Revenue		Business profit		Operating profit		Profit before tax		Profit attributable to owners of the parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	139,500	—	17,300	—	19,100	—	19,300	—	12,400	—	24.68
Full year	315,000	—	48,200	—	49,700	—	50,000	—	35,300	—	70.26

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

The Company voluntarily adopted International Financial Reporting Standards (hereinafter IFRS Accounting Standards) for its consolidated financial statements, starting from the first quarter of the fiscal year ending March 31, 2027. Accordingly, the forecast of consolidated financial results has been prepared in accordance with IFRS Accounting Standards. As a result, year-on-year change ratios compared with the results for the fiscal year ended March 31, 2026, prepared under Japanese GAAP, are not presented.

The Company has resolved, at the Board of Directors meeting held on May 13, 2026, to repurchase its own stock.

For “Profit per share” in the forecast of consolidated financial results, the impact of the repurchase of own stock as of June 30, 2026 is considered.

* Notes

(1) Significant changes in the scope of consolidation during the period: No

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

a. Changes in accounting policies required by IFRS Accounting Standards, etc.: No

b. Changes in accounting policies other than (a) above: No

c. Changes in accounting estimates: 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 June 30, 2026	541,372,736 shares	As of March 31, 2026	541,372,736 shares

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

As of June 30, 2026	38,935,424 shares	As of March 31, 2026	33,337,561 shares

c. Average number of shares during the period

Three months ended June 30, 2026	505,714,940 shares	Three months ended June 30, 2025	514,439,250 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 for these plans (8,763,979 shares as of June 30, 2026; 9,814,916 shares as of March 31, 2026). Also, the Company’s stock held by these trust accounts is included in treasury shares that are deducted in the calculation of the average number of shares during the period (9,619,480 shares for the three months ended June 30, 2026; 13,254,105 shares for the three months ended June 30, 2025).

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

* Regarding the appropriate use of forecast, etc.

Revenue for the azbil Group tends 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 9 of the Accompanying document.

* How to obtain supplementary materials on financial results

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

* Adoption of International Financial Reporting Standards (IFRS Accounting Standards)

The azbil Group adopted International Financial Reporting Standards (IFRS Accounting Standards) for its consolidated financial statements, starting from the first quarter of the fiscal year ending March 31, 2027. Accordingly, financial figures for the three months ended June 30, 2025 and the fiscal year ended March 31, 2026 have been presented based on IFRS Accounting Standards. The Group has early adopted IFRS 18 (Presentation and Disclosure in Financial Statements), which was issued in April 2024.

For the differences of financial figures between IFRS Accounting Standards and Japanese GAAP, please see “First-time adoption” under “2. Condensed quarterly consolidated financial statements and notes (4) Notes to the Condensed Quarterly Consolidated Financial Statements” on page 19.

Accompanying document

Contents

1. Overview of financial results and others

Based on the Group philosophy of “human-centered automation”, the azbil Group strives—through business expansion—to contribute “in series” to the achievement of a sustainable society. In this way we aim to continuously improve enterprise value, endeavoring to realize the well-being of society as well as group employees, while building relationships of trust with all stakeholders.

In FY2026, marking the 120th anniversary of the founding of the Company, the azbil Group formulated its Purpose as “Expanding Technological Frontiers, Unlocking Human Potential.” Furthermore, it defined its Vision as “Connecting people and society through automation. From efficiency to innovation. From impossible to possible. Becoming a partner that opens up the future.” By unlocking the tremendous potential inherent in people and society through a wide range of technologies, including automation, we will create new value and contribute to the realization of a sustainable society.

To realize our Vision, we have set long-term targets for FY2030, [Note 1] looking to achieve net sales of 420.0 billion yen, operating income of 65.0 billion yen, an operating margin of 15.5%, and an ROE of 15%. Aiming to achieve these long-term targets, the current medium-term plan (FY2025–FY2027) [Note 1] sets the following as targets for FY2027, the final year of the plan: net sales of 340.0 billion yen, operating income of 51.0 billion yen, an operating margin of 15.0%, and an ROE of 14.0%.

Based on our Purpose and Vision, and aiming to attain our long-term targets for FY2030, this medium-term plan represents our commitment to contribute “in series” to the achievement of a sustainable society through Evolution and Co-creation. Faced with global geopolitical risks, including the situation in the Middle East, we anticipate that considerable uncertainty will continue to affect the business environment. Nevertheless, while working to enhance profitability in our core businesses—based on the strong relationships built up over many years with our extensive customer base (factories, plants, commercial buildings, lifeline utilities, etc.)—we see fresh business opportunities in solving societal issues that arise from new technological innovations, such as in semiconductors, and from changes in the social environment, such as initiatives to achieve carbon neutrality. By focusing on these growth businesses, we aim to achieve future business expansion. In addition, by developing new customers in our growth businesses and providing them with a steady supply of products and services, we will expand the customer base in our core businesses and, moreover, we will realize further growth by providing these customers with solutions to the new issues facing them. In this way, the azbil Group characteristically creates a business cycle in which growth leads to strengthening the core business which in turn generates more growth. We are focusing our efforts on strengthening our human capital, enhancing product competitiveness, and advancing DX in order to consolidate and enhance this unique business model. Specifically, we are engaged in securing and training human resources that align with our business strategy, strengthening our global development/production system, developing highly competitive products as well as DX-related products and services that satisfy customer needs, and enhancing operational efficiency and profitability through the application of DX to in-house operations.

Moreover, we are continuing to ensure management that is conscious of the cost of capital, restructuring and optimizing our business portfolio. At the same time, we are implementing sustainability management based on materiality[Note 2] as 10 material issues across 5 areas. Additionally, we are advancing initiatives to achieve the Essential Goals of the azbil Group for the SDGs as well as the goal of discharging the fundamental obligations that a company must fulfill in order to continue to exist in society.

Notes 1: On May 13, 2025, the azbil Group revised long-term targets (FY2030) and published its medium-term plan (FY2025–FY2027). These targets were calculated based on Japanese GAAP at the time of formulation. There is no change to the targets for FY2027 at this time; however, a review will be considered once we have a clearer picture of the uncertain situation, taking into account the progress of our medium-term plan.

2: The azbil Group is currently reviewing its materiality in light of changes in the business environment and the establishment of our Purpose, following discussions at the Board of Directors.

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

The business environment for the azbil Group for the three months ended June 2026 was as follows.

In the field of heating, ventilation, and air conditioning (HVAC) control equipment/systems for large-scale buildings in Japan, strong demand driven by urban redevelopment plans has continued while retrofit demand, including interest in solutions for energy saving and lower CO_2 emissions, has remained strong. As regards equipment/systems for production facilities, demand in factory automation (FA) markets has significantly recovered, and demand remained firm in the process automation (PA) markets for maintenance of factories/plants and retrofits aimed at decarbonization and the promotion of DX.

As a result, financial results for the three months ended June 2026 were as follows.

Orders received rose significantly to 115,338 million yen overall, up 28.5% on the 89,759 million yen recorded in the same period of FY2025. This increase was because the Building Automation (BA) business, benefitting from a robust market, recorded large-scale projects both in Japan and overseas, and because the Advanced Automation (AA) business also saw growth with the recovery in the FA markets.

Overall revenue was 63,683 million yen, up 2.0% on the 62,410 million yen recorded in the same period of FY2025, owing to growth achieved by the AA business, mainly in the FA markets in Japan and overseas.

As regards profits, measures to strengthen profitability, including cost pass-through, continued to prove effective; however, in addition to various growth investments, there was some recoil from the recording of highly profitable projects during the same period of FY2025, as well as increases in personnel and other expenses. As a result, business profit was down significantly at 4,964 million yen, 30.1% lower than the 7,103 million yen recorded in the same period of FY2025. Also, despite the recording of gain on sale of property, plant and equipment, owing to the decrease in business profit, etc., operating profit fell to 6,735 million yen, down 4.8% on the 7,072 million yen recorded in the same period of FY2025. Although there was a decrease in operating profit, owing to an increase of investment income and gains including foreign exchange gain, profit attributable to owners of the parent was 5,091 million yen, up 1.5% on the 5,017 million yen recorded in the same period of FY2025.

It should be noted that the azbil Group adopted International Financial Reporting Standards (IFRS Accounting Standards) from the first quarter of the fiscal year ending March 31, 2027. To facilitate comparison, the consolidated financial results for the first quarter of the fiscal year ending March 31, 2026, are presented here based on IFRS Accounting Standards.

(Millions of yen)

	Three months ended Jun. 30, 2025 (Apr. 1, 2025 to Jun. 30, 2025)	Three months ended Jun. 30, 2026 (Apr. 1, 2026 to Jun. 30, 2026)	Difference	
			Amount	Rate
Orders received	89,759	115,338	25,578	28.5%
Revenue	62,410	63,683	1,272	2.0%
Business profit [Margin]	7,103 [11.4%]	4,964 [7.8%]	(2,139) [(3.6)pp]	(30.1)%
Operating profit	7,072	6,735	(337)	(4.8)%
Profit attributable to owners of the parent [Margin]	5,017 [8.0%]	5,091 [8.0%]	73 [(0.0)pp]	1.5%

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 new office buildings in urban redevelopment projects has been robust and is expected to continue at a high level. Demand for the retrofit of buildings also remains strong. In addition to the demand for energy savings and CO_2 reduction, there is a high level of interest in creating office environments that address safety concerns and are suited to new work styles. Investment in large-scale buildings, including data centers, has been also strong in overseas markets.

In this robust business environment, we have made progress with assigning personnel and other resources appropriately. We have also strengthened our job execution capabilities, mainly at construction and service sites. At the same time, we have made progress with year-round load leveling while improving efficiency by advancing DX. By steadily processing the orders we have obtained, we have been working to increase revenue. In addition, we have been developing products and services to meet the needs of customers, in Japan and abroad, looking to harness such technologies as AI and cloud computing. We have also strengthened our solution capabilities by partnering with other companies.

Consequently, the financial results of the BA business for the three months ended June 2026 were as follows.

Orders received were 72,983 million yen, up 31.4% on the 55,551 million yen recorded in the same period of FY2025, thanks to strong market conditions and the recording of large-scale projects, leading to significant growth in the fields for new and existing buildings as well as in the overseas business. Revenue was 29,831 million yen, on a par with the 29,833 million yen recorded in the same period of FY2025, due to progress made with load leveling and growth in the field for existing buildings, and despite a decrease in the field for new buildings. Segment profit was significantly down at 1,710 million yen, 33.8% lower than the 2,581 million yen recorded in the same period of FY2025; this was due to ongoing growth investments in R&D and DX, as well as increases in personnel expenses and outsourcing costs, and despite the continuing effect of measures to enhance profitability, including cost pass-through.

In the medium to long term, large-scale redevelopment projects will continue to be planned, and numerous building retrofit projects are also expected. While strengthening our unique solution capabilities by developing cloud applications that harness new technologies such as AI, we will expand the energy service provider (ESP) business to meet customer needs for making energy savings and using renewable energy in their drive to achieve carbon neutrality. We will also work on reinforcing our capabilities to meet the needs of the data center market, which continues to attract increasing investment. These initiatives may encompass business alliances with other companies. Furthermore, in overseas markets we will realize business growth by developing a customer base comprised of local building owners, global account customers, etc. In parallel with these business expansion measures, we will aim to further enhance efficiency and strengthen our profit structure by advancing DX with building information modeling (BIM), as well as by developing and launching products that reduce or even eliminate construction work.

(Millions of yen)

	Three months ended Jun. 30, 2025 (Apr. 1, 2025 to Jun. 30, 2025)	Three months ended Jun. 30, 2026 (Apr. 1, 2026 to Jun. 30, 2026)	Difference	
			Amount	Rate
Orders received	55,551	72,983	17,432	31.4%
Revenue	29,833	29,831	(2)	(0.0)%
Segment profit [Margin]	2,581 [8.7%]	1,710 [5.7%]	(871) [(2.9)pp]	(33.8)%

Advanced Automation (AA) Business

Looking at market trends, in Japan and abroad, that are relevant to the AA business, the FA markets have rebounded significantly, mainly due to growing demand in the semiconductor manufacturing equipment market. The PA markets in Japan and overseas continue to demonstrate demand for maintenance and refurbishment. It should be noted that, although geopolitical risks in the Middle East have been having limited impact on capital investment in the manufacturing sector, uncertainty remains regarding the possible scope and duration of any such impact.

Amidst this business environment, we have taken solutions cultivated in our domestic business and deployed them globally. Simultaneously, to address the demand for new measurement and control technologies, we have expanded our business through the creation of new automation by making use of the Group’s unique technologies, such as those related to microelectromechanical systems (MEMS) [Note 3] sensors, control valves, and plant autonomy. At the same time, we have continued efforts to further strengthen profitability by improving the cost of products and services, and implementing cost pass-through.

Consequently, the financial results of the AA business for the three months ended June 2026 were as follows.

Orders received rose significantly to 32,059 million yen, up 32.8% on the 24,142 million yen recorded in the same period of FY2025. In addition to the recovery in the semiconductor market, this result reflects the fact that demand increased in the FA markets in Japan and overseas and, additionally, a rebound in the overseas PA markets, which had been sluggish during the same period of FY2025 due to some recoil from the recording of large advance orders. Revenue was 26,329 million yen, up 5.8% on the 24,895 million yen recorded in the same period of FY2025 due to growth in the FA markets in Japan and overseas, as with the increase in orders. Segment profit decreased substantially to 3,254 million yen, down 25.0% on the 4,339 million yen recorded in the same period of FY2025; this was due to an increase in depreciation expenses associated with capital expenditure on production facilities to expedite future business expansion in the semiconductor manufacturing equipment market, growth investments for overseas business and DX, recoil from the recording of highly profitable projects in the same period of FY2025, as well as increases in personnel and other expenses, and despite higher revenue leading to increased profit and the effect of measures to enhance profitability, including cost pass-through.

Going forward, demand is expected to recover in the FA markets, and steady progress is being made with initiatives aimed at business expansion overseas and the creation and expansion of new automation. Consequently, further business growth is expected. Over the medium to long term, despite the fluctuations caused by economic cycles, there will be demand for solutions to societal needs—to achieve decarbonization, increasingly sophisticated production, and safe/stable operations, as well as to address the challenges presented by labor shortages and aging facilities. Consequently, the areas in which we can effectively contribute are expanding, particularly where measurement and control are concerned, and further business growth is anticipated. Based on the three AA business sub-segments (CP, IAP, and SS), [Note 4] we will continue to pursue a variety of initiatives to enhance profitability, such as reducing product costs and optimizing selling prices. At the same time, we will promote expansion into growth areas such as our overseas business; we will accelerate the development and market introduction of products/services that incorporate advanced technologies such as AI, cloud computing, and MEMS; and we will create new automation that will be uniquely served by the azbil Group. In these ways we will aim to achieve business growth with extremely competitive offerings.

(Millions of yen)

	Three months ended Jun. 30, 2025 (Apr. 1, 2025 to Jun. 30, 2025)	Three months ended Jun. 30, 2026 (Apr. 1, 2026 to Jun. 30, 2026)	Difference	
			Amount	Rate
Orders received	24,142	32,059	7,917	32.8%
Revenue	24,895	26,329	1,433	5.8%
Segment profit [Margin]	4,339 [17.4%]	3,254 [12.4%]	(1,085) [(5.1)pp]	(25.0)%

Notes 3: Devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates

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

CP business:	Control Product business (supplying FA products such as controllers and sensors)
IAP business:	Industrial Automation Product business (supplying PA products such as differential pressure transmitters, pressure transmitters, and control valves)
SS business:	Solution and Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

Life Automation (LA) Business

The LA business covers two fields: Lifeline (gas/water meters, etc.), and Lifestyle-related (residential central air-conditioning systems). The business environment differs for each field.

In the Lifeline field, revenue partly depend on the LP gas meter market, which exhibits cyclical fluctuations in demand. However, demand centering on city gas meters and water meters can be expected to remain basically stable, thanks primarily to demand for the replacement of meters whose statutory inspection/verification period is due to expire. In the residential central air-conditioning systems market, soaring construction costs are affecting groundbreaking for detached houses.

Amidst this business environment, with the business foundation underpinned by stable meter replacement demand, we are engaged in developing services that utilize data from smart meters, while continuing with measures to enhance profitability, including cost pass-through.

Consequently, the financial results of the LA business for the three months ended June 2026 were as follows.

Orders received were 10,877 million yen, up 3.9% on the 10,473 million yen recorded in the same period of FY2025, thanks to growth in the Lifeline field. Revenue, at 7,997 million yen, was on a par with the 8,057 million yen recorded in the same period of FY2025. Although measures were implemented to enhance profitability, including cost pass-through, as well as reduce expenses, due to soaring prices for copper and other materials and increases in personnel expenses, segment profit decreased significantly to 19 million yen, down 89.8% on the 190 million yen recorded in the same period of FY2025.

In the LA business, we will engage in expanding our business by making new strategic investments and advancing collaborative initiatives with other companies [Note 5], etc. At the same time, aiming to achieve growth that adapts to changes in the business environment, we will implement sales initiatives focused on cost pass-through and profitability, replace conventional meters with smart meters, and reexamine business processes through the promotion of DX. In the Lifeline field, we are aiming to achieve growth: with our core business based on stable replacement demand, as required by Japan's Measurement Act, we will promote the adoption of smart meters for gas and water as well as our smart metering as a service business [Note 6], which integrates these with communications and cloud systems. In the residential central air-conditioning systems field, we will promote business growth by combining our service engineering capabilities with products that offer comfort, good air quality, and energy savings in a wide range of living spaces, from new houses to existing houses.

(Millions of yen)

	Three months ended Jun. 30, 2025 (Apr. 1, 2025 to Jun. 30, 2025)	Three months ended Jun. 30, 2026 (Apr. 1, 2026 to Jun. 30, 2026)	Difference	
			Amount	Rate
Orders received	10,473	10,877	403	3.9%
Revenue	8,057	7,997	(59)	(0.7)%
Segment profit [Margin]	190 [2.4%]	19 [0.2%]	(171) [(2.1)pp]	(89.8)%

Notes 5: In July 2025, Azbil Kimmon Co., Ltd. in the Lifeline field formalized an agreement to collaborate with Kamstrup A/S (Head office: Denmark), which has a proven track record in the smart water metering field with services such as cloud-based leak detection.

6: Business involving the provision of new value-added services on top of the conventional measurement function of meters

Other

In Other business, principally our insurance agent business and software development business within the azbil Group, orders received in the three months ended June 2026 were 247 million yen (compared with the 277 million yen for the same period of FY2025), revenue was 221 million yen (compared with the 240 million yen for the same period of FY2025), and segment loss was 13 million yen (compared with a segment profit of 34 million yen recorded for the same period of FY2025).

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

Assets

Total assets at the end of the first quarter of FY2026 stood at 323,072 million yen, a decrease of 24,315 million yen from the end of FY2025. This was mainly due to a decrease of 24,391 million yen in trade and other receivables owing to progress made with the collection of accounts receivable-trade.

Liabilities

Total liabilities at the end of the first quarter of FY2026 stood at 86,673 million yen, a decrease of 11,125 million yen from the end of FY2025. This was mainly due to a decrease of 10,719 million yen in other current liabilities following bonus payments.

Equity

Total equity at the end of the first quarter of FY2026 stood at 236,398 million yen, a decrease of 13,189 million yen from the end of FY2025. This was mainly due to a decrease of 9,652 million yen due to the payment of dividends and a decrease of 9,935 million yen by repurchasing own stock, pursuant to the resolution at the Board of Directors meeting, despite an increase of 5,091 million yen by the recording of profit attributable to owners of the parent.

As a result, the ratio of equity attributable to owners of the parent to total equity was 72.3% compared with 70.9% at the end of FY2025.

(3) Forecast of consolidated financial results

As regards the forecast for consolidated financial results for the fiscal year ending March 31, 2027, which was announced on May 13, 2026, there is no change to the forecast for the first half or for the full year.

For the three months ended June 2026, the azbil Group's financial results show a decline in business profit, but both revenue and business profit were within the ranges projected at the start of the period. As regards the azbil Group's business environment, it has also generally progressed as expected. Moreover, compared to the same period of FY2025, the figure for consolidated orders received has risen significantly.

In the BA business, orders have remained strong thanks in part to domestic demand for large-scale buildings and building retrofits remaining robust, as well as to the recording of large-scale projects in Japan and overseas. Revenue too has increased, mainly in the field for existing buildings, while measures to improve profitability have continued to prove effective. Bearing in mind the orders already received, we expect to achieve growth in the fields for existing buildings and service, which continue to contribute to improved profitability.

In the AA business, with the recovery in the FA markets, orders have increased significantly. In the PA markets too, demand continues for repairs and maintenance as well as for DX-related refurbishment. Revenue too has increased, primarily in the domestic and overseas FA markets. Despite increased expenses and some recoil from the recording of highly profitable projects in FY2025, revenue is increasing against the backdrop of FA market recovery. We also expect that our measures to enhance profitability will prove effective.

In the LA business, the business environment, particularly for the Lifeline field, is generally progressing as expected. There has been some impact from the postponed recording of sales, but on the whole both revenue and profits remain within projected ranges. We will continue to promote cost pass-through and sales initiatives focused on profitability.

Based on the above assessment of the business environment and the outlook for demand for each business segment, as regards our forecast for consolidated financial results for the fiscal year ending March 31, 2027 (FY2026), we still project that revenue will be 315.0 billion yen, business profit will be 48.2 billion yen, profit before tax will be 50.0 billion yen, and profit attributable to owners of the parent will be 35.3 billion yen.

Although it is not yet clear how our business performance is going to be impacted by geopolitical risks, stemming chiefly from the Middle East situation, [Note 7] we will make steady progress with a variety of measures to realize the above forecast while monitoring and responding swiftly to any changes in the business environment.

Note 7: Owing to uncertainty regarding the impact of geopolitical risks, primarily concerning the Middle East situation, our forecast of consolidated financial results for FY2026 currently takes into account those effects that can be confirmed at the time the forecast was prepared. While the prices for parts/materials are rising, there have been no significant changes to the outlook at this time.

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

2. Condensed quarterly consolidated financial statements and related notes

(1) Condensed quarterly consolidated statement of financial position

(Millions of yen)

	Transition date (April 1, 2025)	As of March 31, 2026	As of June 30, 2026
Assets			
Current assets			
Cash and cash equivalents	93,310	98,147	90,648
Trade and other receivables	76,642	78,248	53,857
Contract assets	15,795	18,364	17,945
Inventories	36,937	35,424	39,038
Other financial assets	4,368	3,759	4,176
Other current assets	3,843	4,547	6,723
Total current assets	230,897	238,492	212,389
Non-current assets			
Property, plant and equipment	39,926	41,585	43,422
Right-of-use assets	10,704	12,607	12,132
Intangible assets	6,707	7,539	7,768
Other financial assets	30,075	37,516	38,508
Deferred tax assets	9,049	7,943	7,568
Retirement benefit asset	997	1,203	1,210
Other non-current assets	457	499	72
Total non-current assets	97,919	108,895	110,683
Total assets	328,817	347,388	323,072

(Millions of yen)

	Transition date (April 1, 2025)	As of March 31, 2026	As of June 30, 2026
Liabilities			
Current liabilities			
Trade and other payables	17,508	18,074	17,142
Borrowings	4,862	4,816	4,694
Lease liabilities	4,483	4,904	4,629
Other financial liabilities	2,732	2,662	6,354
Contract liabilities	4,376	3,752	5,776
Income taxes payable	8,954	7,203	3,515
Provisions	1,873	1,331	1,202
Other current liabilities	34,550	35,759	25,040
Total current liabilities	79,340	78,506	68,354
Non-current liabilities			
Borrowings	620	5,073	4,587
Lease liabilities	5,407	7,043	6,839
Other financial liabilities	1,130	223	268
Retirement benefit liability	2,153	2,203	2,213
Provisions	542	1,099	1,030
Deferred tax liabilities	1,559	1,483	1,252
Other non-current liabilities	1,793	2,166	2,127
Total non-current liabilities	13,207	19,292	18,319
Total liabilities	92,548	97,799	86,673
Equity			
Equity attributable to owners of the parent			
Share capital	10,522	10,522	10,522
Capital surplus	13,758	13,058	13,059
Retained earnings	235,706	240,392	235,831
Treasury shares	(39,574)	(37,707)	(47,011)
Other components of equity	12,563	20,198	21,124
Total equity attributable to owners of the parent	232,976	246,465	233,526
Non-controlling interests	3,292	3,123	2,872
Total equity	236,269	249,588	236,398
Total liabilities and equity	328,817	347,388	323,072

(2) Condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income

(Condensed quarterly consolidated statement of profit or loss)

(Millions of yen)

	Three months ended June 30, 2025 (April 1, 2025 to June 30, 2025)	Three months ended June 30, 2026 (April 1, 2026 to June 30, 2026)
Revenue	62,410	63,683
Cost of sales	34,143	35,645
Gross profit	28,266	28,037
Selling, general and administrative expenses	21,162	23,073
Business profit (MPM) (Note)	7,103	4,964
Other operating income	52	1,984
Other operating expenses	83	213
Operating profit	7,072	6,735
Investment income and gains	570	908
Investment costs and losses	98	—
Profit before financing and income taxes	7,544	7,643
Finance income	4	8
Finance costs	87	102
Profit before tax	7,462	7,549
Income tax expense	2,346	2,362
Profit for the period	5,115	5,186
Profit attributable to:		
Owners of the parent	5,017	5,091
Non-controlling interests	98	95
Profit for the period	5,115	5,186
Earnings per share		
Basic earnings per share (yen)	9.75	10.07
Diluted earnings per share (yen)	9.55	9.95

Note: Business profit is a management-defined performance measure (MPM). While business profit is not a measure defined under IFRS Accounting Standards, the Company believes that disclosing business profit, calculated as revenue less cost of sales and selling, general and administrative expenses, provides useful information for understanding profit or loss from recurring business activities. Accordingly, business profit is presented in the condensed quarterly consolidated statement of profit or loss and in the note titled “Segment Information”.

(Condensed quarterly consolidated statement of comprehensive income)

(Millions of yen)

	Three months ended June 30, 2025 (April 1, 2025 to June 30, 2025)	Three months ended June 30, 2026 (April 1, 2026 to June 30, 2026)
Profit for the period	5,115	5,186
Other comprehensive income for the period		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	705	160
Total of items that will not be reclassified to profit or loss	705	160
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(115)	805
Total of items that may be reclassified to profit or loss	(115)	805
Other comprehensive income for the period, net of income tax	589	965
Comprehensive income for the period	5,705	6,152
Comprehensive income attributable to:		
Owners of the parent	5,583	6,017
Non-controlling interests	121	135
Comprehensive income for the period	5,705	6,152

(3) Condensed quarterly consolidated statement of changes in equity

Three months ended June 30, 2025 (from April 1, 2025 to June 30, 2025)

(Millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
Balance at April 1, 2025	10,522	13,758	235,706	(39,574)	12,563	—
Profit for the period			5,017			
Other comprehensive income for the period					705	(139)
Comprehensive income for the period	—	—	5,017	—	705	(139)
Dividends of surplus			(6,718)			
Share-based payment transactions		159				
Purchase of treasury shares				(10,731)		
Disposal of treasury shares		273		838		
Cancellation of treasury shares		(20,083)		20,083		
Transfer from retained earnings to capital surplus		20,083	(20,083)			
Total transactions with owners	—	432	(26,801)	10,190	—	—
Balance at June 30, 2025	10,522	14,191	213,921	(29,383)	13,269	(139)

	Equity attributable to owners of the parent		Non-controlling interests	Total
	Other components of equity			
	Total	Total		
Balance at April 1, 2025	12,563	232,976	3,292	236,269
Profit for the period	—	5,017	98	5,115
Other comprehensive income for the period	566	566	23	589
Comprehensive income for the period	566	5,583	121	5,705
Dividends of surplus	—	(6,718)	(592)	(7,310)
Share-based payment transactions	—	159		159
Purchase of treasury shares	—	(10,731)		(10,731)
Disposal of treasury shares	—	1,111		1,111
Cancellation of treasury shares	—	—		—
Transfer from retained earnings to capital surplus	—	—		—
Total transactions with owners	—	(16,178)	(592)	(16,770)
Balance at June 30, 2025	13,130	222,382	2,821	225,204

Three months ended June 30, 2026 (from April 1, 2026 to June 30, 2026)

(Millions of yen)

	Equity attributable to owners of the parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Financial assets measured at fair value through other comprehensive income	Exchange differences on translation of foreign operations
Balance at April 1, 2026	10,522	13,058	240,392	(37,707)	16,427	3,770
Profit for the period			5,091			
Other comprehensive income for the period					160	765
Comprehensive income for the period	—	—	5,091	—	160	765
Dividends of surplus			(9,652)			
Share-based payment transactions		184				
Purchase of treasury shares				(9,935)		
Disposal of treasury shares		(183)		631		
Cancellation of treasury shares						
Transfer from retained earnings to capital surplus						
Total transactions with owners	—	0	(9,652)	(9,304)	—	—
Balance at June 30, 2026	10,522	13,059	235,831	(47,011)	16,587	4,536

	Equity attributable to owners of the parent		Non-controlling interests	Total
	Other components of equity			
	Total	Total		
Balance at April 1, 2026	20,198	246,465	3,123	249,588
Profit for the period	—	5,091	95	5,186
Other comprehensive income for the period	925	925	40	965
Comprehensive income for the period	925	6,017	135	6,152
Dividends of surplus	—	(9,652)	(386)	(10,039)
Share-based payment transactions	—	184		184
Purchase of treasury shares	—	(9,935)		(9,935)
Disposal of treasury shares	—	447		447
Cancellation of treasury shares	—	—		—
Transfer from retained earnings to capital surplus	—	—		—
Total transactions with owners	—	(18,956)	(386)	(19,342)
Balance at June 30, 2026	21,124	233,526	2,872	236,398

(4) Notes to the condensed quarterly consolidated financial statements

Notes regarding going concern assumptions

Not applicable

Notes on segment information

1. The summary of the reportable segments

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

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

The Building Automation business supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering, and related services. The Advanced Automation business supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories.

The Life Automation business supplies meters and measuring instruments for lifeline utilities and provides residential central air-conditioning systems for residential developers, along with related services, all of which are intimately connected with everyday life

2. Information about reportable segments

Information about reportable segments for the previous and current fiscal year is as follows.

Inter-segment revenue or transfers are determined by reference to market prices etc.

Three months ended June 30, 2025 (from April 1, 2025 to June 30, 2025)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Revenue								
Customers	29,747	24,667	7,977	62,391	18	62,410	—	62,410
Inter-segment	86	228	80	395	221	616	(616)	—
Total	29,833	24,895	8,057	62,787	240	63,027	(616)	62,410
Segment profit (business profit) (MPM) (Note 2)	2,581	4,339	190	7,112	34	7,146	(42)	7,103
Other operating income	—	—	—	—	—	—	—	52
Other operating expenses	—	—	—	—	—	—	—	83
Operating profit	—	—	—	—	—	—	—	7,072
Investment income and gains	—	—	—	—	—	—	—	570
Investment costs and losses	—	—	—	—	—	—	—	98
Profit before financing and income taxes	—	—	—	—	—	—	—	7,544
Finance income	—	—	—	—	—	—	—	4
Finance costs	—	—	—	—	—	—	—	87
Profit before tax	—	—	—	—	—	—	—	7,462

Notes: 1. "Other" represents operating segments that are not included in reportable segments, and includes insurance agent business and software development business within the Group, etc.

2. Segment profit (business profit) is calculated by deducting cost of sales as well as selling, general and administrative expenses from revenue and constitutes a management-defined performance measure (MPM).

3. The adjustment of segment profit of (42) million yen is the elimination of inter-segment transactions.

Three months ended June 30, 2026 (from April 1, 2026 to June 30, 2026)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Revenue								
Customers	29,751	25,985	7,928	63,665	17	63,683	–	63,683
Inter-segment	79	343	68	492	204	696	(696)	–
Total	29,831	26,329	7,997	64,158	221	64,379	(696)	63,683
Segment profit (loss) (business profit) (MPM) (Note 2)	1,710	3,254	19	4,983	(13)	4,970	(5)	4,964
Other operating income	–	–	–	–	–	–	–	1,984
Other operating expenses	–	–	–	–	–	–	–	213
Operating profit	–	–	–	–	–	–	–	6,735
Investment income and gains	–	–	–	–	–	–	–	908
Investment costs and losses	–	–	–	–	–	–	–	–
Profit before financing and income taxes	–	–	–	–	–	–	–	7,643
Finance income	–	–	–	–	–	–	–	8
Finance costs	–	–	–	–	–	–	–	102
Profit before tax	–	–	–	–	–	–	–	7,549

Notes: 1. "Other" represents operating segments that are not included in reportable segments, and includes insurance agent business and software development business within the Group, etc.

2. Segment profit (loss) (business profit) is calculated by deducting cost of sales as well as selling, general and administrative expenses from revenue and constitutes a management-defined performance measure (MPM).

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

Notes on condensed quarterly consolidated statement of cash flows

Condensed quarterly consolidated statement of cash flows for the current consolidated cumulative first quarter has not been prepared. Depreciation and amortization for the first quarter cumulative period are as follows.

	Three months ended June 30, 2025 (from April 1, 2025 to June 30, 2025)	Three months ended June 30, 2026 (from April 1, 2026 to June 30, 2026)
Depreciation and amortization	2,801 million yen	3,069 million yen

First-time adoption

The Group disclosed its condensed quarterly consolidated financial statements based on International Financial Reporting Standards (hereinafter referred to as “IFRS”) from the first quarter of this consolidated fiscal year. The latest consolidated financial statements prepared in accordance with Japanese GAAP are for the consolidated fiscal year ended March 31, 2026. The date of transition to IFRS is April 1, 2025.

1. Exemption provisions under IFRS 1

IFRS requires a company which applies IFRS for the first time (hereinafter referred to as “First-time Adopter”) to apply the requirement of IFRS retrospectively, as a rule. However, IFRS 1 (First-time Adoption of International Financial Reporting Standards) (hereinafter referred to as “IFRS 1”) specifies, regarding certain standards required by IFRS, those to which exceptions shall be applied by compulsion and those to which exemptions should be applied optionally. The Group adjusts the effect of adoption of those provisions in retained earnings or other components of equity at the date of transition to IFRS. Exemptions that the Group has adopted at the transition from Japanese GAAP to IFRS are as follows.

・Business combinations

A First-time Adopter is permitted to choose not to apply IFRS 3 (Business Combinations) (hereinafter referred to as “IFRS 3”) retrospectively to business combinations executed before the date of transition to IFRS. The Group has adopted those exemptions and elected not to apply IFRS 3 retrospectively to business combinations executed before the transition date.

・Exchange differences on translation of foreign operations

IFRS 1 permits choosing to consider the cumulative total of exchange differences on translation of foreign operations as zero as of the date of transition to IFRS. The Group has elected to consider the cumulative total exchange differences on translation of foreign operations as zero as of the date of transition to IFRS.

・Designation of financial instruments recognized before transition date

IFRS 1 permits determination of classification in IFRS 9 (Financial Instruments) based not on the facts and circumstances existing at initial recognition but at the transition date. Based on that determination, designation of equity financial assets as financial assets measured at fair value through other comprehensive income is also permitted. The Group has adopted those exemptions and designated equity financial assets at the transition date as financial assets measured at fair value through other comprehensive income.

・Leases

When lease liabilities and right-of-use assets in leases of lessees are recognized, measuring lease liabilities and right-of-use assets for all leases as of the transition date is permitted. The Group has measured lease liabilities as of the transition date and considers those lease liabilities at present value calculated by discounting remaining lease payments at the lessee’s incremental borrowing rate as of the transition date. The Group has also measured right-of-use assets as of the transition date at their carrying amount as if IFRS 16 (Leases) has been applied since the commencement date of leases and discounted them by the lessee’s incremental borrowing rate as of the date of transition to IFRS. Furthermore, the Group recognizes as expenses leases whose term is to end within 12 months from the transition date and leases whose underlying assets are of low value.

・Share-based payment

IFRS 1 permits choosing not to apply IFRS 2 (Share-based Payment) (hereinafter referred to as “IFRS 2”) to share-based payment granted on and after November 7, 2002 and vested before the date of transition to IFRS. The Group has elected not to apply IFRS 2 retrospectively to share-based payment vested before the transition date.

・Borrowing cost

IFRS 1 permits choosing not to apply IAS 23 (Borrowing Costs) (hereinafter referred to as “IAS 23”) retrospectively to borrowing cost relating to eligible assets accrued before the transition date. The Group has elected not to apply IAS 23 retrospectively to borrowing cost relating to eligible assets accrued before the transition date.

2. Compulsory exceptions of IFRS 1

IFRS 1 prohibits retrospective application of IFRS to "estimation," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial assets," and "impairment of financial assets." The Group has applied IFRS Accounting Standards prospectively to those items since the transition date.

3. Reconciliations

Reconciliations required to disclose in the first-time adoption of IFRS are as follows.

In the reconciliation tables, the Group presents figures in "Reclassification," including items which have no effect on retained earnings and comprehensive income, in "Difference in scope of consolidation," including difference from Japanese GAAP as a result of consideration of scope of consolidation according to IFRS, and in "Difference in recognition and measurement," including items which have affected retained earnings and comprehensive income.

Reconciliations of equity as of April 1, 2025

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	88,495	4,142	201	471	93,310		Cash and cash equivalents
Notes receivable - trade	15,124	61,733	(1)	(214)	76,642		Trade and other receivables
Accounts receivable - trade	61,541	(61,541)	—	—	—		
Contract assets	15,079	(56)	45	727	15,795		Contract assets
Merchandise and finished goods	8,483	29,142	—	(688)	36,937		Inventories
Work in process	6,776	(6,776)	—	—	—		
Raw materials	22,366	(22,366)	—	—	—		
Securities	6,400	(2,009)	—	(21)	4,368		Other financial assets
Other	6,857	(2,618)	10	(405)	3,843	B	Other current assets
Allowance for doubtful accounts	(352)	352	—	—	—		
Total current assets	230,770	2	256	(132)	230,897		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	41,186	(1,409)	8	141	39,926	A	Property, plant and equipment
	—	2,189	67	8,454	10,704	B	Right-of-use assets
Intangible assets	7,475	(773)	6	(0)	6,707		Intangible assets
Investment securities	22,791	7,343	(29)	(29)	30,075	C	Other financial assets
Deferred tax assets	5,066	(20)	1	4,002	9,049	A,B,C,D,E,G,H,J	Deferred tax assets
Retirement benefit asset	0	—	—	997	997	G	Retirement benefit asset
Other	7,885	(7,428)	0	—	457		Other non-current assets
Allowance for doubtful accounts	(103)	103	—	—	—		
Total non-current assets	84,302	(2)	54	13,566	97,919		Total non-current assets
Total assets	315,072	(0)	310	13,434	328,817		Total assets

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes payable and accounts payable - trade	16,089	1,649	(101)	(128)	17,508		Trade and other payables
Short-term borrowings	4,862	—	—	—	4,862		Borrowings
	—	474	26	3,982	4,483	B	Lease liabilities
	—	2,731	0	—	2,732		Other financial liabilities
Contract liabilities	4,083	—	—	292	4,376		Contract liabilities
Income taxes payable	8,964	(0)	0	(11)	8,954		Income taxes payable
Provision for bonuses	13,614	(13,614)	—	—	—		
Provision for bonuses for directors (and other officers)	245	(245)	—	—	—		
Provision for share awards	2,854	(2,854)	—	—	—		
Provision for product warranties	1,857	16	—	(0)	1,873		Provisions
Provision for loss on orders received	16	(16)	—	—	—		
Other	15,198	11,859	57	7,434	34,550	D,E,F,J	Other current liabilities
Total current liabilities	67,786	(0)	(15)	11,569	79,340		Total current liabilities
Non-current liabilities							Non-current liabilities
Long-term borrowings	620	—	—	—	620		Borrowings
	—	1,048	34	4,325	5,407	B	Lease liabilities
	—	1,649	—	(519)	1,130	J	Other financial liabilities
Retirement benefit liability	1,821	218	—	112	2,153	G	Retirement benefit liability
Provision for retirement benefits for directors (and other officers)	197	(197)	—	—	—		
Provision for share awards	130	(130)	—	—	—		
Provision for share awards for directors (and other officers)	177	(177)	—	—	—		
	—	316	—	225	542		Provisions
Deferred tax liabilities for land revaluation	186	490	—	883	1,559	B,C,E,F,G,H	Deferred tax liabilities
Other	3,635	(3,218)	—	1,376	1,793	D,F,J	Other non-current liabilities
Total non-current liabilities	6,768	—	34	6,404	13,207		Total non-current liabilities
Total liabilities	74,555	(0)	18	17,974	92,548		Total liabilities

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Net assets							Equity
Share capital	10,522	―	―	―	10,522		Share capital
Capital surplus	12,282	―	―	1,475	13,758	J	Capital surplus
Retained earnings	237,661	―	292	(2,247)	235,706	K	Retained earnings
Treasury shares	(41,905)	―	―	2,330	(39,574)	J	Treasury shares
	―	18,643	―	(6,080)	12,563	C,G,H,I	Other components of equity
Total shareholders' equity	218,561	18,643	292	(4,520)	232,976		Total equity attributable to owners of parent
Accumulated other comprehensive income	18,643	(18,643)	―	―	―		
Non-controlling interests	3,311	―	―	(19)	3,292	B,C, D,E,H	Non-controlling interests
Total net assets	240,517	―	292	(4,540)	236,269		Total equity
Total liabilities and net assets	315,072	(0)	310	13,434	328,817		Total liabilities and equity

Reconciliations of equity as of June 30, 2025

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	88,435	2,071	―	90,506		Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	71,478	(16,550)	―	54,927		Trade and other receivables
	―	16,414	1,084	17,499		Contract assets
Merchandise and finished goods	8,795	31,075	(1,085)	38,785		Inventories
Work in process	8,645	(8,645)	―	―		
Raw materials	22,430	(22,430)	―	―		
Securities	4,000	(303)	―	3,696		Other financial assets
Other	6,910	(1,968)	(633)	4,308	B,E	Other current assets
Allowance for doubtful accounts	(321)	321	―	―		
Total current assets	210,374	(15)	(634)	209,724		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	41,018	(1,317)	66	39,767	A	Property, plant and equipment
	―	2,049	8,204	10,253	B	Right-of-use assets
Intangible assets	7,652	(731)	―	6,920		Intangible assets
Investment securities	23,984	8,626	(30)	32,579	C	Other financial assets
	―	3,408	5,211	8,620	A,B,C,D, E,G,H,J	Deferred tax assets
	―	―	1,002	1,002	G	Retirement benefit assets
Other	12,958	(12,110)	(400)	447		Other non-current assets
Allowance for doubtful accounts	(105)	105	―	―		
Total non-current assets	85,508	30	14,053	99,591		Total non-current assets
Total assets	295,882	14	13,419	309,315		Total assets

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable - trade	13,802	918	(0)	14,721		Trade and other payables
Short-term borrowings	4,861	—	—	4,861		Borrowings
	—	485	3,825	4,311	B	Lease liabilities
	—	5,811	—	5,811		Other financial liabilities
	—	5,512	—	5,512		Contract liabilities
Income taxes payable	1,270	14	1,451	2,736		Income taxes payable
Provision for bonuses	4,663	(4,663)	—	—		
Provision for bonuses for directors (and other officers)	52	(52)	—	—		
Provision for share awards	2,969	(2,969)	—	—		
Provision for product warranties	1,860	7	—	1,868		Provisions
Provision for loss on orders received	7	(7)	—	—		
Other	22,938	(5,043)	6,891	24,787	D,E,F,J	Other current liabilities
Total current liabilities	52,427	14	12,169	64,610		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	7,023	—	—	7,023		Borrowings
	—	923	4,201	5,125	B	Lease liabilities
	—	2,076	(845)	1,231	J	Other financial liabilities
Retirement benefit liability	1,861	200	112	2,174	G	Retirement benefit liability
Provision for retirement benefits for directors (and other officers)	176	(176)	—	—		
Provision for share awards	149	(149)	—	—		
Provision for share awards for directors (and other officers)	216	(216)	—	—		
	—	543	—	543		Provisions
	—	702	880	1,583	B,C,E, F,G,H	Deferred tax liabilities
Other	4,790	(3,904)	933	1,819	D,F,J	Other non-current liabilities
Total non-current liabilities	14,217	—	5,283	19,500		Total non-current liabilities
Total liabilities	66,645	14	17,452	84,111		Total liabilities

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Net assets						Equity
Share capital	10,522	―	―	10,522		Share capital
Capital surplus	12,282	―	1,908	14,191	J	Capital surplus
Retained earnings	216,359	―	(2,437)	213,921	K	Retained earnings
Treasury shares	(31,714)	―	2,330	(29,383)	J	Treasury shares
	―	18,947	(5,816)	13,130	C,G,H,I	Other components of equity
Total shareholders' equity	207,450	18,947	(4,014)	222,382		Total equity attributable to owners of parent
Accumulated other comprehensive income	18,947	(18,947)	―	―		
Non-controlling interests	2,840	―	(18)	2,821	B,C,D, E,H	Non-controlling interests
Total net assets	229,237	―	(4,033)	225,204		Total equity
Total liabilities and net assets	295,882	14	13,419	309,315		Total liabilities and equity

Reconciliations of equity as of March 31, 2026

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Assets							Assets
Current assets							Current assets
Cash and deposits	95,256	2,674	216	—	98,147		Cash and cash equivalents
Notes receivable - trade	13,381	64,866	—	0	78,248		Trade and other receivables
Accounts receivable - trade	64,491	(64,491)	—	—	—		
Contract assets	17,689	—	—	675	18,364		Contract assets
Merchandise and finished goods	8,443	27,656	—	(675)	35,424		Inventories
Work in process	6,268	(6,268)	—	—	—		
Raw materials	21,388	(21,388)	—	—	—		
Securities	5,000	(1,240)	—	—	3,759		Other financial assets
Other	7,372	(2,151)	0	(674)	4,547	B	Other current assets
Allowance for doubtful accounts	(323)	323	—	—	—		
Total current assets	238,968	(18)	216	(674)	238,492		Total current assets
Non-current assets							Non-current assets
Property, plant and equipment	42,792	(1,297)	24	65	41,585	A	Property, plant and equipment
	—	2,080	8	10,518	12,607	B	Right-of-use assets
Intangible assets	8,321	(782)	—	—	7,539		Intangible assets
Investment securities	29,093	8,233	(255)	445	37,516	C	Other financial assets
Deferred tax assets	4,145	—	—	3,798	7,943	A,B,C, D,E,G, H,J	Deferred tax assets
Retirement benefit asset	2	—	—	1,201	1,203	G	Retirement benefit asset
Other	9,069	(8,370)	—	(200)	499		Other non-current assets
Allowance for doubtful accounts	(154)	154	—	—	—		
Total non-current assets	93,271	18	(223)	15,828	108,895		Total non-current assets
Total assets	332,240	—	(6)	15,153	347,388		Total assets

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassifica-tion	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable payable - trade	16,796	1,283	—	(4)	18,074		Trade and other payables
Short-term borrowings	4,816	—	—	—	4,816		Borrowings
	—	461	5	4,437	4,904	B	Lease liabilities
	—	2,662	—	—	2,662		Other financial liabilities
Contract liabilities	3,752	—	—	0	3,752		Contract liabilities
Income taxes payable	7,311	—	—	(107)	7,203		Income taxes payable
Provision for bonuses	14,131	(14,131)	—	—	—		
Provision for bonuses for directors (and other officers)	240	(240)	—	—	—		
Provision for share awards	451	(451)	—	—	—		
Provision for product warranties	1,318	13	—	—	1,331		Provisions
Provision for loss on orders received	13	(13)	—	—	—		
Other	15,524	10,415	1	9,816	35,759	D,E,F,J	Other current liabilities
Total current liabilities	64,357	—	7	14,142	78,506		Total current liabilities
Non-current liabilities							Non-current liabilities
Long-term borrowings	5,073	—	—	—	5,073		Borrowings
	—	958	3	6,081	7,043	B	Lease liabilities
	—	1,185	—	(961)	223	J	Other financial liabilities
Retirement benefit liability	1,934	153	—	114	2,203	G	Retirement benefit liability
Provision for retirement benefits for directors (and other officers)	143	(143)	—	—	—		
Provision for share awards	245	(245)	—	—	—		
Provision for share awards for directors (and other officers)	306	(306)	—	—	—		
	—	1,093	5	—	1,099		Provisions
Deferred tax liabilities for land revaluation	186	362	—	935	1,483	B,C,E,F,G,H	Deferred tax liabilities
Other	3,993	(3,056)	—	1,229	2,166	D,F,J	Other non-current liabilities
Total non-current liabilities	11,883	—	8	7,400	19,292		Total non-current liabilities
Total liabilities	76,240	—	16	21,542	97,799		Total liabilities

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Net assets							Equity
Share capital	10,522	—	—	—	10,522		Share capital
Capital surplus	12,282	—	—	775	13,058	J	Capital surplus
Retained earnings	242,988	—	(23)	(2,572)	240,392	K	Retained earnings
Treasury shares	(38,985)	—	—	1,278	(37,707)	J	Treasury shares
	—	26,045	1	(5,848)	20,198	C,G, H,I	Other components of equity
Total shareholders' equity	226,808	26,045	(22)	(6,366)	246,465		Total equity attributable to owners of parent
Accumulated other comprehensive income	26,045	(26,045)	—	—	—		
Non-controlling interests	3,145	—	—	(22)	3,123	B,C,D, E,H	Non-controlling interests
Total net assets	255,999	—	(22)	(6,388)	249,588		Total equity
Total liabilities and net assets	332,240	—	(6)	15,153	347,388		Total liabilities and equity

Reconciliations to profit or loss and comprehensive income for the previous first quarter
(from April 1, 2025 to June 30, 2025)

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Net sales	62,053	—	357	62,410	A,B,D,E,G	Revenue
Cost of sales	33,717	—	426	34,143		Cost of sales
Gross profit	28,335	—	(69)	28,266		Gross profit
Selling, general and administrative expenses	21,273	0	(110)	21,162	A,B,D,E,G,J	Selling, general and administrative expenses
	—	(0)	41	7,103		Business profit (MPM)
	—	42	10	52	B,F	Other operating income
	—	79	3	83	B,E,J	Other operating expenses
Operating profit	7,062	(37)	47	7,072		Operating profit
Non-operating income	593	(593)	—	—		
Non-operating expenses	194	(194)	—	—		
Extraordinary income	0	(0)	—	—		
Extraordinary losses	21	(21)	—	—		
	—	570	0	570	J	Investment income and gains
	—	120	(21)	98	C	Investment costs and losses
	—	34	69	7,544		Profit before financing and income taxes
	—	—	4	4	G	Finance income
	—	34	52	87	B,G,J	Finance costs
Income before income taxes	7,440	—	21	7,462		Profit before tax
Income taxes	2,158	—	188	2,346	B,C,D,F,G,H,J	Income tax expense
Net income	5,282	—	(166)	5,115		Profit for the period
Other comprehensive income						Other comprehensive income for the period
						Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	628	—	77	705	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	(3)	—	3	—	G	Remeasurements of defined benefit plans, net of tax
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	(298)	—	182	(115)	C,G,I	Exchange differences on translation of foreign operations
Total other comprehensive income	326	—	263	589		Other comprehensive income for the period, net of income tax
Comprehensive income	5,609	—	96	5,705		Comprehensive income for the period

Reconciliations to profit or loss and comprehensive income for the previous fiscal year (from April 1, 2025 to March 31, 2026)

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassif-ication	Difference in scope of consolidation	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Net sales	298,930	―	―	(52)	298,878		Revenue
Cost of sales	159,352	―	―	775	160,128	A,B,D, E,G	Cost of sales
Gross profit	139,577	―	―	(827)	138,750		Gross profit
Selling, general and administrative expenses	92,273	(0)	23	26	92,322	A,B,D, E,G,J	Selling, general and administrative expenses
	―	0	(23)	(854)	46,427		Business profit (MPM)
	―	477	―	31	509	B,F	Other operating income
	―	1,252	(0)	104	1,357	B,E,J	Other operating expenses
Operating profit	47,304	(774)	(23)	(927)	45,579		Operating profit
Non-operating income	2,763	(2,763)	―	―	―		
Non-operating expenses	1,307	(1,307)	―	―	―		
Extraordinary income	2,111	(2,111)	―	―	―		
Extraordinary losses	103	(103)	―	―	―		
	―	4,558	―	(1,775)	2,782	C,J	Investment income and gains
	―	179	―	(179)	―	C	Investment costs and losses
	―	142	(23)	(2,524)	48,361		Profit before financing and income taxes
	―	―	―	19	19	G	Finance income
	―	142	0	219	362	B,G,J	Finance costs
Income before income taxes	50,767	―	(23)	(2,724)	48,019		Profit before tax
Income taxes	11,715	―	―	(677)	11,038	B,C,D,F, G,H,J	Income tax expense
Net income	39,051	―	(23)	(2,047)	36,980		Profit for the period
Other comprehensive income							Other comprehensive income for the period
							Items that will not be reclassified to profit or loss
Valuation difference on available-for-sale securities	3,740	―	―	1,533	5,273	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	64	―	―	131	196	G	Remeasurements of defined benefit plans, net of tax
							Items that may be reclassified to profit or loss
Foreign currency translation adjustment	3,775	―	1	169	3,946	C,G,I	Exchange differences on translation of foreign operations
Total other comprehensive income	7,580	―	1	1,834	9,417		Other comprehensive income for the period, net of income tax
Comprehensive income	46,632	―	(22)	(212)	46,397		Comprehensive income for the period

Notes to the reconciliations to equity and comprehensive income

(i) Difference in recognition and measurement

A. Recognized amounts of property, plant and equipment

Under Japanese GAAP, the Group recognized real estate acquisition tax as an expense immediately. Under IFRS, the Group has recognized such tax as assets, including it in cost of acquisition of property, plant and equipment.

B. Leases

Under Japanese GAAP, the Group classified leases as a lessee into finance leases and operating leases, and operating leases were accounted for as rental transactions. Under IFRS, leases as a lessee are not classified into finance leases or operating leases. Instead, the Group has recognized “right-of-use assets” and “lease liabilities” for all lease transactions and recognized interest expenses as “finance costs.”

C. Financial instruments

Under Japanese GAAP, the Group measured unlisted shares at cost and recognized impairment according to deterioration of the financial condition of issuers as necessary. Under IFRS, the Group has measured them at fair value, through other comprehensive income.

Under Japanese GAAP, the Group recognized a gain or loss on sale of investment securities or impairment loss on investment securities in profit or loss. Under IFRS, regarding equity financial instruments designated to be measured at fair value through other comprehensive income, the Group has recognized changes in fair value as other comprehensive income and transferred them to retained earnings if the Group derecognized them.

D. Outstanding paid leave

While outstanding paid leave was not accounted for under Japanese GAAP, under IFRS, the Group has recognized such payable as “other current liabilities” and “other non-current liabilities” and employee benefit expenses in profit or loss.

E. Levies

Under Japanese GAAP, regarding items which fall into the category of levies such as property tax in which the Group is obliged to pay, the Group recognized expenses over a fiscal year. Under IFRS, the Group has recognized a liability and expenses immediately when the Group is obliged to pay. The liability has been recognized as “other current liabilities.”

F. Government grants

Under Japanese GAAP, the Group recognized government grants as income in a lump at receipt of them. Under IFRS, the Group has recognized them as deferrals and transferred to income over the useful lives of the related assets. The deferrals have been recognized as “other current liabilities” and “other non-current liabilities.”

G. Retirement benefit assets and liabilities

Under Japanese GAAP, the Group recognized actuarial difference as well as past service cost as other comprehensive income at occurrence. The Group also recognized as expenses an amount calculated by prorating them over certain years within the average remaining length of employees’ services from the beginning of fiscal year after which they occur. Under IFRS, the Group has recognized actuarial difference as other comprehensive income at occurrence and immediately transfer to retained earnings. The Group has also recognized past service cost in profit or loss at occurrence. In addition, while defined-benefit corporate pension (i.e., closed pension fund) for eligible recipients was derecognized under Japanese GAAP, under IFRS the Group has recognized retirement benefit assets based on its actuarial valuation.

H. Deferred tax assets and deferred tax liabilities

Under Japanese GAAP, the Group calculated tax effects involved in elimination of unrealized gain arising from intragroup transactions by using the effective tax rate of sellers. Under IFRS, the Group has calculated them by using the effective tax rate of buyers. The Group recognized deferred tax assets or liabilities for temporary differences resulting from adjustments from Japanese GAAP to IFRS. The Group has also reviewed the recoverability of all deferred tax assets at the adoption of IFRS.

I. Exchange differences on translation of foreign operations

At the first-time adoption of IFRS, the Group has elected the exemptions prescribed in IFRS 1 and therefore transferred all cumulative translation differences to retained earnings at the transition date.

J. Share-based payment transactions

Under Japanese GAAP, the Group recognized an estimated amount of need for benefits for Share-based Payment Plans (BBT) and Employee Stock Ownership Plan (J-ESOP-RS) as provisions. Under IFRS, the Group has accounted for the portion expected to be provided as shares as equity-settled share-based payment transactions. The Group has recognized expenses based on the fair value of shares and an increase in capital surplus, while the Group has accounted for the portion expected to be paid as cash-settled share-based payment transactions and recognized the fair value of future cash payments as liabilities. Regarding Trust-Type Employee Shareholding Incentive Plan, while under Japanese GAAP, the Group did not recognize any expenses or liabilities, under IFRS the Group has accounted for E-ship as cash-settled share-based payment transactions and recognized the fair value of future cash payments as expenses and liabilities.

K. Reconciliations to retained earnings

The effect of adoption of IFRS on retained earnings is as follows.

(Millions of yen)

	Transition date (April 1, 2025)	As of June 30, 2025	As of March 31, 2026
Adjustment of outstanding paid leave	(10,912)	(10,912)	(11,636)
Adjustment of deferred tax assets and deferred tax liabilities	3,780	3,468	4,022
Adjustment of exchange differences on translation of foreign operations	6,726	6,726	6,726
Other	(1,841)	(1,719)	(1,685)
Total	(2,247)	(2,437)	(2,572)

(ii) Reclassification

According to the title provisions of IFRS, the Group reclassified the following items.

- While short-term investments which mature within three months from the acquisition date were included in “securities” under Japanese GAAP, under IFRS the Group has reclassified them into “cash and cash equivalents.”
- While accounts receivable - other were included in “Other” of current assets under Japanese GAAP, under IFRS, the Group has reclassified them into “Trade and other receivables.”
- While accounts payable - other and accounts payable - facilities were included in “Other” of current liabilities under Japanese GAAP, under IFRS, the Group has reclassified them into “Trade and other payables.”
- Other financial assets and other financial liabilities have been separately presented.
- While grants were included in “Non-operating income” and gain on sale of non-current assets were included in “Extraordinary income” under Japanese GAAP, under IFRS, the Group has reclassified them into “Other operating income.”
- While office relocation expenses were included in “Non-operating expenses” and loss on sale and retirement of non-current assets were included in “Extraordinary losses” under Japanese GAAP, under IFRS, the Group has reclassified them into “Other operating expenses.”
- While dividends receivable and interest income were included in “Non-operating income” under Japanese GAAP, under IFRS, the Group has reclassified them into “Investment income and gains.”
- While interest expenses were included in “Non-operating expenses” under Japanese GAAP, under IFRS, the Group has reclassified them into “Finance costs.”

With respect to items other than those described above, items that were presented as “Non-operating income,” “Nonoperating expenses,” “Extraordinary income” and “Extraordinary losses” under Japanese GAAP have been presented under IFRS as “Investment income and gains” and “Investment costs and losses” for investment related gains and losses, “Finance income” and “Finance costs” for finance-related income and expenses, and “Other operating income” and “Other operating expenses” for all other items.

(iii) Difference in scope of consolidation

Under Japanese GAAP, the Group excluded subsidiaries that were immaterial from the scope of consolidation. Under IFRS, the Group has included those subsidiaries within the scope of consolidation.