Notice: This document is a translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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

November 10, 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
Contact: Yasunori Nawata
General Manager, Accounting Department, Group Management Headquarters
Phone: +81-3-6810-1009

Scheduled date to file Semi-annual Securities Report: November 11, 2026
Scheduled date to commence dividend payments: December 8, 2026
Preparation of supplementary materials on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2026 (from April 1, 2026 to September 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	%
Six months ended September 30, 2026	142,850	7.2	18,027	1.4	19,404	11.0	20,179	10.1	12,489	(0.4)
Six months ended September 30, 2025	133,246	—	17,771	—	17,475	—	18,322	—	12,534	—

Note: Comprehensive income for the period Six months ended September 30, 2026 13,048 million yen (20.9)%
Six months ended September 30, 2025 16,502 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
Six months ended September 30, 2026	24.84	24.57
Six months ended September 30, 2025	24.55	24.04

(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 September 30, 2026	323,609	235,599	232,638	71.9
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	—	31.00			
Year ending March 31, 2027 (forecast)			—	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
Full year	322,500	7.9	49,500	6.6	50,800	11.5	51,500	7.2	35,500	(2.7)	71.37

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

The Company has resolved, at the Board of Directors meeting held on November 10, 2026, to repurchase its own stock. The Company also decided to cancel the treasury shares on the same day. The effects of these actions have not been reflected in the forecast of “Profit per share”.

* 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 September 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 September 30, 2026	43,930,710 shares	As of March 31, 2026	33,337,561 shares

c. Average number of shares during the period

Six months ended September 30, 2026	502,761,792 shares	Six months ended September 30, 2025	510,465,273 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 (8,190,650 shares as of September 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 (9,021,962 shares for the six months ended September 30, 2026; 14,480,908 shares for the six months ended September 30, 2025).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 10 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 half of the fiscal year ending March 31, 2027. Accordingly, financial figures for the six months ended September 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 semi-annual consolidated financial statements and related notes (5) Notes to the condensed semi-annual consolidated financial statements” on page 24.

Accompanying document

Contents

1. Overview of financial results and others ····· 2
   (1) Overview of financial results ····· 3
   (2) Overview of financial position ····· 9
   (3) Forecast of consolidated financial results ····· 10
2. Condensed semi-annual consolidated financial statements and related notes ····· 12
   (1) Condensed semi-annual consolidated statement of financial position ····· 12
   (2) Condensed semi-annual consolidated statement of profit or loss and condensed semi-annual consolidated statement of comprehensive income ····· 14
   Condensed semi-annual consolidated statement of profit or loss ····· 14
   Condensed semi-annual consolidated statement of comprehensive income ····· 15
   (3) Condensed semi-annual consolidated statement of changes in equity ····· 16
   (4) Condensed semi-annual consolidated statement of cash flows ····· 18
   (5) Notes to the condensed semi-annual consolidated financial statements ····· 19
   Notes regarding going concern assumptions ····· 19
   Notes on segment information ····· 19
   Significant subsequent events ····· 21
   First-time adoption ····· 24

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 (formulated in May 2021, revised in May 2025), [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 opportunities for growth in solving emerging issues that arise in conjunction with technological innovations in semiconductor sector and the changes in the social environment, such as initiatives to achieve carbon neutrality. Seeing these as growth businesses, we aim to achieve future business expansion. By continuously providing products and services to the new customers we acquire through our growth businesses, we will expand our customer base and, moreover, we will realize sustainable growth and enhanced profitability by providing these customers with solutions to the new issues they face. 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 11 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 its long-term targets (FY2030) and published its medium-term plan (FY2025–FY2027). Note that the azbil Group adopted International Financial Reporting Standards (IFRS Accounting Standards) from the first half of FY2026, but these targets were calculated prior to that and are thus based on Japanese GAAP. As regards the targets for FY2027, a review will be considered in light of the favorable business performance through the first half of FY2026 and the continued high level of orders received, while also taking into account changes in the business environment and the progress of initiatives under our medium-term plan.

2: In FY2026, the azbil Group reviewed and revised its materiality in light of changes in the business environment and the formulation of its Purpose, following deliberations by the Board of Directors. As a result, we have newly identified “water resources” as a material issue.

(1) Overview of financial results

The business environment for the azbil Group for the six months ended September 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, the factory automation (FA) markets continued to recover, and in the process automation (PA) markets demand remained firm for maintenance of plants and retrofits aimed at decarbonization and the promotion of DX.

As a result, financial results for the six months ended September 2026 were as follows.

Orders received rose significantly to 209,016 million yen overall, up 26.6% on the 165,046 million yen recorded in the same period of FY2025. This increase was because the Advanced Automation (AA) business saw significant growth with the continuing recovery in the FA markets, and because the Building Automation (BA) business implemented various measures and, benefitting from a robust market, recorded large-scale projects both in Japan and overseas.

Overall revenue was 142,850 million yen, up 7.2% on the 133,246 million yen recorded in the same period of FY2025. This increase was due to (a) growth in the BA business in the existing building and service fields as well as in the overseas business; (b) growth in the AA business, reflecting increased demand, mainly in the domestic and overseas FA markets; and (c) robust performance in the water meter field in the Life Automation (LA) business.

As regards profits, in addition to increased labor costs and other expenses such as growth investments, there was some recoil from the recording of highly profitable projects during the same period of FY2025; however, profit grew on increased revenue, while measures to

strengthen profitability, including cost pass-through, continued to prove effective. As a result, business profit was 18,027 million yen, up 1.4% on the 17,771 million yen recorded in the same period of FY2025. Also, operating profit increased significantly to 19,404 million yen, up 11.0% on the 17,475 million yen recorded in the same period of FY2025, due to the increased business profit and the recording of gain on sale of property, plant and equipment. Despite this increase in operating profit, owing to a higher tax burden resulting from changes to the tax system, profit attributable to owners of the parent stood at 12,489 million yen, on a par with the 12,534 million yen recorded in the same period of FY2025.

(Millions of yen)

	Six months ended Sep. 30, 2025 (Apr. 1, 2025 to Sep. 30, 2025)	Six months ended Sep. 30, 2026 (Apr. 1, 2026 to Sep. 30, 2026)	Difference	
			Amount	Rate
Orders received	165,046	209,016	43,970	26.6%
Revenue	133,246	142,850	9,603	7.2%
Business profit [Margin]	17,771 [13.3%]	18,027 [12.6%]	256 [(0.7)pp]	1.4%
Operating profit	17,475	19,404	1,929	11.0%
Profit attributable to owners of the parent [Margin]	12,534 [9.4%]	12,489 [8.7%]	(44) [(0.7)pp]	(0.4)%

What follows is 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 six months ended September 2026 were as follows.

Orders received were 120,229 million yen, up 19.5% on the 100,623 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 70,082 million yen, up 8.0% on the 64,875 million yen recorded in the same period of FY2025, due to progress made with load leveling and growth in the existing building and service fields as well as in the overseas business, and despite a decrease in the field for new buildings. Segment profit was 8,698 million yen, up 4.7% on the 8,310 million yen recorded in the same period of FY2025; this was due to the increased revenue and the continuing effect of measures to enhance profitability, including cost pass-through, and despite ongoing growth investments in DX, as well as increases in personnel expenses and outsourcing costs.

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 and global account customers. In addition, to strengthen the foundation supporting the expansion of these businesses, we will advance initiatives aimed at expanding our project management and engineering capabilities. [Note 3] Furthermore, 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.

Note 3: On October 26, 2026, Azbil Corporation announced to conclude a capital and business alliance agreement with OTEC CORPORATION—which has been responsible for the sales, installation, and maintenance of Azbil's products—and announced that it would acquire additional OTEC shares. For further details, please refer to the "Notice of Capital & Business Alliance Agreement with OTEC CORPORATION and Additional Acquisition of Its Shares (Making OTEC an Equity-Method Affiliate)" issued on October 26, 2026.

(Millions of yen)

	Six months ended Sep. 30, 2025 (Apr. 1, 2025 to Sep. 30, 2025)	Six months ended Sep. 30, 2026 (Apr. 1, 2026 to Sep. 30, 2026)	Difference	
			Amount	Rate
Orders received	100,623	120,229	19,605	19.5%
Revenue	64,875	70,082	5,207	8.0%
Segment profit [Margin]	8,310 [12.8%]	8,698 [12.4%]	388 [(0.4)pp]	4.7%

Advanced Automation (AA) Business

Looking at market trends, in Japan and abroad, that are relevant to the AA business, the FA markets have continued their recovery, reflecting expanding demand in the semiconductor manufacturing equipment market. Additionally, demand in the PA markets has continued to prove robust, centering on maintenance and refurbishment projects in Japan and abroad; the impact of geopolitical risks in the Middle East remains limited at this point.

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 4] 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 six months ended September 2026 were as follows.

Orders received rose significantly to 70,440 million yen, up 49.9% on the 47,007 million yen recorded in the same period of FY2025. As regards the PA markets, orders were secured for large-scale domestic projects, and there was a rebound in the overseas markets, which had been sluggish during the same period of FY2025. Additionally, in the FA markets, with the recovery and expansion in the semiconductor market, customers placed advance orders, and demand grew significantly in Japan and overseas. Revenue was 57,162 million yen, up 7.8% on the 53,009 million yen recorded in the same period of FY2025 thanks to the progress achieved with converting the large order backlog into revenue in the FA markets. Segment profit decreased to 8,989 million yen, down 1.2% on the 9,096 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 enable 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 higher prices for parts/materials and 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 remain strong 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 5] 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)

	Six months ended Sep. 30, 2025 (Apr. 1, 2025 to Sep. 30, 2025)	Six months ended Sep. 30, 2026 (Apr. 1, 2026 to Sep. 30, 2026)	Difference	
			Amount	Rate
Orders received	47,007	70,440	23,433	49.9%
Revenue	53,009	57,162	4,152	7.8%
Segment profit [Margin]	9,096 [17.2%]	8,989 [15.7%]	(107) [(1.4)pp]	(1.2)%

Notes 4: Devices built using microfabrication technology to integrate sensors, actuators, and electronic circuits on substrates

5: 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 depends 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 six months ended September 2026 were as follows.

Orders received were 19,358 million yen, up 6.4% on the 18,187 million yen recorded in the same period of FY2025, thanks mainly to growth in the Lifeline field following measures to expand revenue in the water meter field. Revenue was 16,664 million yen, up 3.5% on the 16,102 million yen recorded in the same period of FY2025; this increase was also due primarily to growth in the Lifeline field, reflecting expanded water meter sales. Although measures were implemented to enhance profitability, including cost pass-through, as well as to reduce expenses,

due to soaring prices for copper and other materials and increases in personnel expenses, segment profit stood at 334 million yen, on a par with 334 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 6] 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 7] 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)

	Six months ended Sep. 30, 2025 (Apr. 1, 2025 to Sep. 30, 2025)	Six months ended Sep. 30, 2026 (Apr. 1, 2026 to Sep. 30, 2026)	Difference	
			Amount	Rate
Orders received	18,187	19,358	1,170	6.4%
Revenue	16,102	16,664	561	3.5%
Segment profit [Margin]	334 [2.1%]	334 [2.0%]	0 [(0.1)pp]	0.0%

Notes 6: 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.

7: 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 six months ended September 2026 were 469 million yen (compared with the 509 million yen recorded for the same period of FY2025), revenue was 454 million yen (compared with 484 million yen for the same period of FY2025), and segment loss was 1 million yen (compared with a segment profit of 62 million yen for the same period of FY2025).

(2) Overview of financial position

Assets

Total assets as of September 30, 2026 stood at 323,609 million yen, a decrease of 23,778 million yen from the end of FY2025. This was mainly due to a decrease of 17,749 million yen in trade and other receivables owing to progress made with the collection of accounts receivable-trade.

Liabilities

Total liabilities as of September 30, 2026 stood at 88,009 million yen, a decrease of 9,790 million yen from the end of FY2025. This was mainly due to a decrease of 9,070 million yen in other current liabilities following bonus payments.

Equity

Total equity as of September 30, 2026 stood at 235,599 million yen, a decrease of 13,988 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 18,704 million yen by repurchasing own stock, pursuant to the resolution at the Board of Directors meeting, despite an increase of 12,489 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 assets was 71.9% compared with 70.9% at the end of FY2025.

Net cash flow from operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the six months ended September 2026 were 17,659 million yen, a decrease of 845 million yen compared to the same period of FY2025. This was mainly due to an increase in inventories following a rise in orders.

Net cash flow from investing activities

Net cash used in investing activities (expenditure) in the six months ended September 2026 was 1,942 million yen, a decrease of 1,020 million yen compared to the same period of FY2025. This was mainly due to an increase in proceeds from sale of property, plant and equipment, despite an increase in expenditures for capital investment.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the six months ended September 2026 was 32,016 million yen, an increase of 8,694 million yen compared to the same period of FY2025. This was mainly due to an increase in expenditure for the payment of dividends and repurchase of own stock pursuant to the resolution at the Board of Directors meeting.

As a result of the above factors, net cash as of September 30, 2026 stood at 81,668 million yen, a decrease of 16,479 million yen from the end of FY2025.

(3) Forecast of consolidated financial results

The forecast for consolidated financial results for the full fiscal year ending March 31, 2027 has been revised further upward from the initial forecast announced on May 13, 2026. This is based on the consolidated financial results for the six months ended September 2026, the current business environment, and trends observed regarding orders. We expect revenue of 322.5 billion yen, 7.5 billion yen higher than the initial forecast. In terms of profit, we expect business profit of 49.5 billion yen, operating profit of 50.8 billion yen, profit before tax of 51.5 billion yen, and profit attributable to owners of the parent of 35.5 billion yen, representing increases of 1.3 billion yen, 1.1 billion yen, 1.5 billion yen, and 0.2 billion yen, respectively, over the initial forecast.

As for the business environment for the azbil Group, the impact of geopolitical risks, stemming chiefly from the Middle East situation, on our business performance remains unclear. Moreover, higher prices for parts/materials and increases in personnel and other expenses are evident. However, in the BA business, domestic demand related to large-scale buildings remains robust, as does demand for the retrofit of existing buildings in Japan. Also, in the AA business, demand for maintenance and refurbishment in the PA markets remains firm, and at the same time, in the FA markets, demand continues to recover and expand, mainly in the semiconductor manufacturing equipment market. With this business environment, for the six months ended September 2026, the consolidated figure for orders received rose by 26.6% compared to the same period of FY2025, and the order backlog has grown significantly.

In the BA business, the business environment in Japan and overseas continues to be favorable, and there was a significant increase in orders received for the first half. In the second half, against the backdrop of a large order backlog, we will steadily carry out the projects that are planned, centered on the existing building and service fields as well as the overseas business. Regarding revenue, as the result of an initiative aimed at load leveling, the recording of revenue for some projects was brought forward to the first half and, to take account of this, the forecast for the second half has been revised; nevertheless, we anticipate full-year revenue of 166.5 billion yen, which exceeds the initial forecast. As for profits, we anticipate a segment profit of 30.0 billion yen, in line with the initial forecast, thanks to revenue growth in the profitable existing building and service fields, and the effect of measures to enhance profitability, including cost pass-through, and despite increases in outsourcing costs and personnel expenses, as well as the impact of a change in sales mix due to growth in the field for new buildings overseas.

In the AA business, in Japan and overseas demand continues at a high level in the FA markets, primarily in the semiconductor manufacturing equipment market, and we anticipate that in the second half there will be continued progress with converting into revenue the large order backlog built up in the first half. Taking into account the revenue growth that will result from this, and also the effect of measures to enhance profitability, including cost pass-through, we have revised upward the forecast for revenue by 7.5 billion to 122.5 billion, and that for segment profit by 1.3 billion to 18.5 billion.

In the LA business, although there was some postponed recording of revenue in the first half, by steadily capturing replacement demand for gas and water meters in the Lifeline field, and achieving growth in the residential central air-conditioning systems field, we anticipate revenue

of 35.3 billion yen, in line with the initial forecast. As for profits, although higher prices for parts/materials and increased personnel expenses are anticipated, by implementing various measures to improve profitability—such as price adjustments and cost reductions—we expect to achieve segment profit of 1.0 billion yen, in line with the initial forecast.

Based on the above assessment of the business environment and trends observed in orders and demand for each business, in the second half we will continue to steadily execute those projects planned for each segment. We will also continue implementing measures to enhance profitability, including cost pass-through, aiming to achieve our upwardly revised forecast for full-year financial results.

The figures in this forecast of consolidated financial results have been prepared using information available at the time of this document's release and are based on certain reasonable assumptions. Due to various factors, actual results may differ from the figures in the forecast.

Reference

Full-year consolidated financial results forecast: Comparison to the initial forecast announced on May 13, 2026

(Billions of yen)

		Forecast (Nov.10, 2026)	Forecast (May 13, 2026)	Difference		(Reference) FY2025 results (IFRS)
				Amount	Rate	
Building Automation	Revenue	166.5	166.0	0.5	0.3%	156.2
	Business profit [Margin]	30.0 [18.0%]	30.0 [18.1%]	- [(0.1)pp]	-	28.3 [18.1%]
Advanced Automation	Revenue	122.5	115.0	7.5	6.5%	110.7
	Business profit [Margin]	18.5 [15.1%]	17.2 [15.0%]	1.3 [(0.1)pp]	7.6%	17.5 [15.8%]
Life Automation	Revenue	35.3	35.3	-	-	33.3
	Business profit [Margin]	1.0 [2.8%]	1.0 [2.8%]	- -	-	0.6 [1.9%]
Other	Revenue	1.0	1.0	-	-	0.9
	Business profit [Margin]	0.0 [0.0%]	0.0 [0.0%]	- -	-	0.0 [1.3%]
Consolidated	Revenue	322.5	315.0	7.5	2.4%	298.8
	Business profit [Margin]	49.5 [15.3%]	48.2 [15.3%]	1.3 [0.0pp]	2.7%	46.4 [15.5%]
	Operating profit	50.8	49.7	1.1	2.2%	45.5
	Profit before tax	51.5	50.0	1.5	3.0%	48.0
	Profit attributable to owners of the parent [Margin]	35.5 [11.0%]	35.3 [11.2%]	0.2 [(0.2)pp]	0.6%	36.4 [12.2%]

2. Condensed semi-annual consolidated financial statements and related notes

(1) Condensed semi-annual consolidated statement of financial position

(Millions of yen)

	Transition date (April 1, 2025)	As of March 31, 2026	As of September 30, 2026
Assets			
Current assets			
Cash and cash equivalents	93,310	98,147	81,668
Trade and other receivables	76,642	78,248	60,499
Contract assets	15,795	18,364	23,456
Inventories	36,937	35,424	38,221
Other financial assets	4,368	3,759	4,755
Other current assets	3,843	4,547	5,292
Total current assets	230,897	238,492	213,893
Non-current assets			
Property, plant and equipment	39,926	41,585	42,843
Right-of-use assets	10,704	12,607	11,570
Intangible assets	6,707	7,539	7,865
Other financial assets	30,075	37,516	38,105
Deferred tax assets	9,049	7,943	8,038
Retirement benefit asset	997	1,203	1,218
Other non-current assets	457	499	74
Total non-current assets	97,919	108,895	109,716
Total assets	328,817	347,388	323,609

(Millions of yen)

	Transition date (April 1, 2025)	As of March 31, 2026	As of September 30, 2026
Liabilities			
Current liabilities			
Trade and other payables	17,508	18,074	17,821
Borrowings	4,862	4,816	4,674
Lease liabilities	4,483	4,904	4,436
Other financial liabilities	2,732	2,662	2,726
Contract liabilities	4,376	3,752	5,544
Income taxes payable	8,954	7,203	7,367
Provisions	1,873	1,331	1,114
Other current liabilities	34,550	35,759	26,688
Total current liabilities	79,340	78,506	70,374
Non-current liabilities			
Borrowings	620	5,073	3,681
Lease liabilities	5,407	7,043	6,525
Other financial liabilities	1,130	223	505
Retirement benefit liability	2,153	2,203	2,527
Provisions	542	1,099	1,057
Deferred tax liabilities	1,559	1,483	1,305
Other non-current liabilities	1,793	2,166	2,030
Total non-current liabilities	13,207	19,292	17,635
Total liabilities	92,548	97,799	88,009
Equity			
Equity attributable to owners of the parent			
Share capital	10,522	10,522	10,522
Capital surplus	13,758	13,058	13,411
Retained earnings	235,706	240,392	243,659
Treasury shares	(39,574)	(37,707)	(55,057)
Other components of equity	12,563	20,198	20,103
Total equity attributable to owners of the parent	232,976	246,465	232,638
Non-controlling interests	3,292	3,123	2,960
Total equity	236,269	249,588	235,599
Total liabilities and equity	328,817	347,388	323,609

(2) Condensed semi-annual consolidated statement of profit or loss and condensed semi-annual consolidated statement of comprehensive income

(Condensed semi-annual consolidated statement of profit or loss)

(Millions of yen)

	Six months ended September 30, 2025 (April 1, 2025 to September 30, 2025)	Six months ended September 30, 2026 (April 1, 2026 to September 30, 2026)
Revenue	133,246	142,850
Cost of sales	72,001	78,132
Gross profit	61,244	64,718
Selling, general and administrative expenses	43,473	46,690
Business profit (MPM) (Note)	17,771	18,027
Other operating income	182	2,130
Other operating expenses	478	753
Operating profit	17,475	19,404
Investment income and gains	1,090	1,170
Investment costs and losses	71	193
Profit before financing and income taxes	18,493	20,381
Finance income	9	17
Finance costs	181	219
Profit before tax	18,322	20,179
Income tax expense	5,559	7,459
Profit for the period	12,762	12,719
Profit attributable to:		
Owners of the parent	12,534	12,489
Non-controlling interests	228	229
Profit for the period	12,762	12,719
Earnings per share		
Basic earnings per share (yen)	24.55	24.84
Diluted earnings per share (yen)	24.04	24.57

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 semi-annual consolidated statement of profit or loss and in the “Notes on segment information”.

(Condensed semi-annual consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2025 (April 1, 2025 to September 30, 2025)	Six months ended September 30, 2026 (April 1, 2026 to September 30, 2026)
Profit for the period	12,762	12,719
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	2,903	426
Total of items that will not be reclassified to profit or loss	2,903	426
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	835	(96)
Total of items that may be reclassified to profit or loss	835	(96)
Other comprehensive income for the period, net of income tax	3,739	329
Comprehensive income for the period	16,502	13,048
Comprehensive income attributable to:		
Owners of the parent	16,234	12,824
Non-controlling interests	267	224
Comprehensive income for the period	16,502	13,048

(3) Condensed semi-annual consolidated statement of changes in equity

Six months ended September 30, 2025 (from April 1, 2025 to September 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			12,534			
Other comprehensive income for the period					2,903	796
Comprehensive income for the period	—	—	12,534	—	2,903	796
Dividends of surplus			(6,718)			
Share-based payment transactions		314				
Purchase of treasury shares				(20,532)		
Disposal of treasury shares		(1,438)		3,297		
Cancellation of treasury shares		(20,083)		20,083		
Transfer from retained earnings to capital surplus		20,083	(20,083)			
Transfer from other components of equity to retained earnings			417		(417)	
Total transactions with owners	—	(1,123)	(26,384)	2,848	(417)	—
Balance at September 30, 2025	10,522	12,635	221,856	(36,725)	15,049	796

	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	—	12,534	228	12,762
Other comprehensive income for the period	3,700	3,700	38	3,739
Comprehensive income for the period	3,700	16,234	267	16,502
Dividends of surplus	—	(6,718)	(829)	(7,547)
Share-based payment transactions	—	314		314
Purchase of treasury shares	—	(20,532)		(20,532)
Disposal of treasury shares	—	1,858		1,858
Cancellation of treasury shares	—	—		—
Transfer from retained earnings to capital surplus	—	—		—
Transfer from other components of equity to retained earnings	(417)	—		—
Total transactions with owners	(417)	(25,076)	(829)	(25,906)
Balance at September 30, 2025	15,846	224,135	2,729	226,864

Six months ended September 30, 2026 (from April 1, 2026 to September 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			12,489			
Other comprehensive income for the period					426	(91)
Comprehensive income for the period	—	—	12,489	—	426	(91)
Dividends of surplus			(9,652)			
Share-based payment transactions		342				
Purchase of treasury shares				(18,704)		
Disposal of treasury shares		9		1,354		
Cancellation of treasury shares						
Transfer from retained earnings to capital surplus						
Transfer from other components of equity to retained earnings			429		(429)	
Total transactions with owners	—	352	(9,223)	(17,350)	(429)	—
Balance at September 30, 2026	10,522	13,411	243,659	(55,057)	16,423	3,679

	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	—	12,489	229	12,719
Other comprehensive income for the period	334	334	(5)	329
Comprehensive income for the period	334	12,824	224	13,048
Dividends of surplus	—	(9,652)	(387)	(10,039)
Share-based payment transactions	—	342		342
Purchase of treasury shares	—	(18,704)		(18,704)
Disposal of treasury shares	—	1,364		1,364
Cancellation of treasury shares	—	—		—
Transfer from retained earnings to capital surplus	—	—		—
Transfer from other components of equity to retained earnings	(429)	—		—
Total transactions with owners	(429)	(26,650)	(387)	(27,037)
Balance at September 30, 2026	20,103	232,638	2,960	235,599

(4) Condensed semi-annual consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2025 (April 1, 2025 to September 30, 2025)	Six months ended September 30, 2026 (April 1, 2026 to September 30, 2026)
Cash flows from operating activities		
Operating profit	17,475	19,404
Depreciation and amortization	5,950	6,168
Impairment losses	11	19
Loss (gain) on sale and retirement of fixed assets	24	(1,409)
Decrease (increase) in trade and other receivables, and contract assets	15,417	12,636
Decrease (increase) in inventories	(1,079)	(2,871)
Increase (decrease) in trade and other payables	(1,822)	(386)
Other	(8,499)	(8,337)
Subtotal	27,479	25,223
Income taxes paid	(8,974)	(7,564)
Net cash provided by (used in) operating activities	18,505	17,659
Cash flows from investing activities		
Payments into time deposits	(1,718)	(1,910)
Proceeds from withdrawal of time deposits	1,954	2,222
Purchase of beneficial interests in trust	(183)	(206)
Proceeds from sale and redemption of beneficial interests in trust	224	110
Purchase of property, plant and equipment	(2,992)	(4,535)
Proceeds from sale of property, plant and equipment	9	2,566
Purchase of intangible assets	(1,108)	(1,163)
Purchase of investment securities	(422)	(416)
Proceeds from sale of investment securities	657	665
Interest and dividends received	654	658
Other	(37)	65
Net cash provided by (used in) investing activities	(2,963)	(1,942)
Cash flows from financing activities		
Proceeds from short-term borrowings	18	—
Repayments of short-term borrowings	—	(138)
Proceeds from long-term borrowings	6,515	—
Repayments of long-term borrowings	(832)	(1,391)
Repayments of lease liabilities	(2,700)	(2,972)
Interest paid	(164)	(184)
Dividends paid	(6,716)	(9,646)
Dividends paid to non-controlling interests	(767)	(342)
Purchase of treasury shares	(20,532)	(18,704)
Proceeds from sale of treasury shares	1,858	1,364
Net cash provided by (used in) financing activities	(23,322)	(32,016)
Effect of exchange rate changes on cash and cash equivalents	899	(179)
Net increase (decrease) in cash and cash equivalents	(6,880)	(16,479)
Cash and cash equivalents at beginning of period	93,310	98,147
Cash and cash equivalents at end of period	86,429	81,668

(5) Notes to the condensed semi-annual 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 six months ended September 30, 2025 and six months ended September 30, 2026 is as follows.

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

Six months ended September 30, 2025 (from April 1, 2025 to September 30, 2025)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Revenue								
Customers	64,699	52,551	15,964	133,215	31	133,246	—	133,246
Inter-segment	176	457	138	772	452	1,225	(1,225)	—
Total	64,875	53,009	16,102	133,987	484	134,471	(1,225)	133,246
Segment profit (business profit) (MPM) (Note 2)	8,310	9,096	334	17,741	62	17,803	(32)	17,771
Other operating income	—	—	—	—	—	—	—	182
Other operating expenses	—	—	—	—	—	—	—	478
Operating profit	—	—	—	—	—	—	—	17,475
Investment income and gains	—	—	—	—	—	—	—	1,090
Investment costs and losses	—	—	—	—	—	—	—	71
Profit before financing and income taxes	—	—	—	—	—	—	—	18,493
Finance income	—	—	—	—	—	—	—	9
Finance costs	—	—	—	—	—	—	—	181
Profit before tax	—	—	—	—	—	—	—	18,322

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 (32) million yen is the elimination of inter-segment transactions.

Six months ended September 30, 2026 (from April 1, 2026 to September 30, 2026)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 3)	Consolidated
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Revenue								
Customers	69,897	56,407	16,517	142,823	27	142,850	—	142,850
Inter-segment	184	754	146	1,086	427	1,513	(1,513)	—
Total	70,082	57,162	16,664	143,909	454	144,364	(1,513)	142,850
Segment profit (loss) (business profit) (MPM) (Note 2)	8,698	8,989	334	18,022	(1)	18,021	6	18,027
Other operating income	—	—	—	—	—	—	—	2,130
Other operating expenses	—	—	—	—	—	—	—	753
Operating profit	—	—	—	—	—	—	—	19,404
Investment income and gains	—	—	—	—	—	—	—	1,170
Investment costs and losses	—	—	—	—	—	—	—	193
Profit before financing and income taxes	—	—	—	—	—	—	—	20,381
Finance income	—	—	—	—	—	—	—	17
Finance costs	—	—	—	—	—	—	—	219
Profit before tax	—	—	—	—	—	—	—	20,179

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 6 million yen is the elimination of inter-segment transactions.

Significant subsequent events

(Capital and business alliance agreement with OTEC CORPORATION)

The Company decided on October 26, 2026 to enter into a capital and business alliance agreement (hereinafter referred to as "the Alliance Agreement") with OTEC CORPORATION (hereinafter referred to as "OTEC"), and to acquire additional shares of common stock of OTEC (hereinafter referred to as "the Share Acquisition"). Pursuant to the Alliance Agreement, the parties entered into a capital and business alliance (hereinafter referred to as "the Alliance") on the same date. Upon completion of the Share Acquisition, OTEC is expected to become an affiliate accounted for by the equity method of the Company.

1. Reason for and purpose of the Alliance

Guided by its Group philosophy of "human-centered automation," the azbil Group formulated its new Purpose, "Expanding Technological Frontiers, Unlocking Human Potential," in May 2026. Under this Purpose, the Group is committed to connecting people and society and becoming a partner that opens up the future through a broad range of technologies, including automation. In the medium-term plan (FY2025-FY2027), themed "Evolution and Co-creation," the azbil Group is strengthening its unique business model through two complementary businesses: its core businesses, built on long-standing relationships with a broad customer base spanning factories and plants, commercial buildings, and lifeline utilities; and its growth businesses, which capitalize on technological innovation and solutions to societal challenges as drivers of growth. The Group also places a strong emphasis on co-creation with external partners.

In the Building Automation business, in addition to demand for construction of new office buildings, demand for renovation and energy-saving solutions for existing buildings continues to steadily grow, while securing and developing personnel for project management and engineering have become an increasingly important management issue for sustainable business growth.

OTEC, since entering into an authorized distributorship agreement with Azbil in 1961, has been a key business partner of the azbil Group for more than 60 years, providing sales, project management, engineering, and maintenance services for Azbil's products. Both parties have therefore decided to enter into the Alliance Agreement to further strengthen their longstanding cooperative relationship by strengthening their capital relationship. Specifically, they will enhance their project management and engineering capabilities and pursue the joint development of new products and services by leveraging their business foundations, including customer touchpoints, technologies, expertise, and human resources. Through these initiatives, the parties will strengthen solution-providing capability for addressing highly complex projects and aim to achieve sustainable growth and enhancement of enterprise value over the medium to long term.

2. Details of the Alliance

(i) Details of the business alliance

OTEC and Azbil will strengthen the business alliance in the following key areas:

- Enhancing both parties' project management and engineering capability through mutual cooperation for developing and utilizing licensed and qualified engineering personnel, including construction management engineers and chief engineers, as well as project management personnel
- Strengthening the ability to execute large-scale and other highly complex projects through mutual cooperation aimed at enhancing personnel expertise and skills
- Jointly developing new products and services by mutually leveraging the products, services and technologies of both parties

(ii) Details of the capital alliance

On October 26, 2026, the Company entered into share purchase agreements with each of five investment limited partnerships for which group companies of HIKARI TSUSHIN, INC. serve as general partners (collectively, "the Transferors"). Under the share purchase agreements, the Company agreed to acquire, through an off-market negotiated transaction, an aggregate of 2,387,000 shares of common stock of OTEC held by the Transferors, representing 15.25% of OTEC's voting rights [Note 1]. Upon completion of the Share Acquisition, the shares of common stock of OTEC held by the Company are expected to increase to 3,137,000 shares, representing 20.04% of the voting rights, including the 750,000 shares (4.79% of the voting rights) held by the Company prior to the Share Acquisition. As a result, OTEC is expected to become an equity-method affiliate of the Company.

Note 1: The ratio refers to the percentage of the total number of voting rights held by OTEC's all shareholders, which was 156,501 as of March 31, 2026, with percentages rounded to the nearest hundredth.

3. Name of the partner of the Alliance
OTEC CORPORATION

4. Schedule of the Alliance

(i)	Date of decision:	October 26, 2026
(ii)	Date of execution of the Alliance Agreement:	October 26, 2026
(iii)	Date of execution of the share purchase agreements:	October 26, 2026
(iv)	Date of share transfer:	Scheduled for mid-November 2026 [Note 2]

Note 2: With respect to the Share Acquisition, a notification concerning the acquisition of shares has been filed with the Japan Fair Trade Commission pursuant to the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. The Share Acquisition is scheduled to be conducted three business days after the date on which the Company has received notice from the Japan Fair Trade Commission that it will not issue a cease and desist order and the waiting period under the Act (or such shortened period, if shortened) has elapsed.

5. Material impact of the Alliance Agreement on business activities
The impact of the Alliance and the Share Acquisition on the Company's consolidated financial results for the fiscal year ending March 31, 2027 is expected to be immaterial. However, the Company believes that these initiatives will contribute to its sustainable growth and enhancement of enterprise value over the medium to long term.

(Significant borrowing of funds)
On October 26, 2026, the Company decided to obtain the borrowing described below, subject to receipt of a notice from the Japan Fair Trade Commission that it will not issue a cease and desist order with respect to the filing concerning the additional acquisition of shares of OTEC.

1. Purpose of borrowing:	To finance the additional acquisition of shares of OTEC CORPORATION
2. Name of lenders:	Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation, and MUFG Bank, Ltd.
3. Amount of borrowing:	7,500 million yen in total
4. Interest rate:	Fixed interest rate (base rate plus spread)
5. Borrowing date:	Scheduled for mid-November 2026
6. Borrowing period:	Four to six years
7. Repayment method:	Lump-sum repayment at maturity
8. Collateral:	Unsecured and unguaranteed

(Repurchase of the Company's own stock and Cancellation of treasury shares)

The Company resolved matters relating to the repurchase of its own stock at the Board of Directors meeting held on November 10, 2026, pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to paragraph 3 of Article 165 of the said Act of Japan. In addition, the Company decided on November 10, 2026 to cancel treasury shares pursuant to Article 178 of the Companies Act of Japan.

1. Reason for stock repurchase and cancellation of treasury shares

   Taking into consideration business results and the outlook for future business performance, the Company aims not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop flexible capital policies responding to changes in the business environment.

2. Details of matters relating to repurchase

(i)	Type of stock to be repurchased:	Common stock of the Company
(ii)	Total number of shares to be repurchased:	Up to 15,000,000 shares
(iii)	Total amount of repurchase:	Up to 15 billion yen
(iv)	Period of repurchase:	From November 11, 2026 to January 27, 2027 (based on trade date)
(v)	Method of repurchase:	Market transactions on the Tokyo Stock Exchange

3. Details of matters relating to cancellation

(i)	Type of stock to be cancelled:	Common stock of the Company
(ii)	Total number of shares to be cancelled:	All treasury shares acquired pursuant to the resolution of the Board of Directors meeting held on May 13, 2026 (13,091,300 shares) and all treasury shares to be acquired pursuant to Section 2 above
(iii)	Scheduled cancellation date:	February 26, 2027

First-time adoption

The Group disclosed its condensed semi-annual consolidated financial statements based on International Financial Reporting Standards (hereinafter referred to as "IFRS") from the first half 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 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	Reclassific-ation	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
	—	2,183	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 the 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 September 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	83,626	2,802	—	86,429		Cash and cash equivalents
Notes and accounts receivable - trade, and contract assets	76,456	(20,092)	—	56,364		Trade and other receivables
—	—	19,959	1,077	21,036		Contract assets
Merchandise and finished goods	8,940	30,384	(1,077)	38,247		Inventories
Work in process	9,030	(9,030)	—	—		
Raw materials	21,354	(21,354)	—	—		
Securities	4,900	(832)	—	4,067		Other financial assets
Other	8,085	(2,194)	(678)	5,212	B,E	Other current assets
Allowance for doubtful accounts	(345)	345	—	—		
Total current assets	212,048	(12)	(678)	211,357		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	41,892	(1,223)	66	40,734	A	Property, plant and equipment
—	—	1,953	8,007	9,960	B	Right-of-use assets
Intangible assets	7,844	(729)	—	7,115		Intangible assets
Investment securities	26,505	8,155	57	34,718	C	Other financial assets
—	—	2,697	5,445	8,142	A,B,C,D,E,G,H,J	Deferred tax assets
—	—	—	1,007	1,007	G	Retirement benefit assets
Other	11,743	(10,947)	(350)	445		Other non-current assets
Allowance for doubtful accounts	(106)	106	—	—		
Total non-current assets	87,880	11	14,233	102,125		Total non-current assets
Total assets	299,928	(1)	13,555	313,483		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	14,451	1,307	(0)	15,759		Trade and other payables
Short-term borrowings	4,879	—	—	4,879		Borrowings
	—	464	3,654	4,118	B	Lease liabilities
	—	3,797	—	3,797		Other financial liabilities
	—	5,904	—	5,904		Contract liabilities
Income taxes payable	3,628	—	2,042	5,671		Income taxes payable
Provision for bonuses	9,219	(9,219)	—	—		
Provision for bonuses for directors (and other officers)	122	(122)	—	—		
Provision for share awards	255	(255)	—	—		
Provision for product warranties	1,668	1	—	1,670		Provisions
Provision for loss on orders received	1	(1)	—	—		
Other	19,052	(1,876)	9,521	26,696	D,E,F,J	Other current liabilities
Total current liabilities	53,279	—	15,218	68,497		Total current liabilities
Non-current liabilities						Non-current liabilities
Long-term borrowings	6,302	—	—	6,302		Borrowings
	—	878	4,166	5,045	B	Lease liabilities
	—	986	(824)	161	J	Other financial liabilities
Retirement benefit liability	1,912	159	112	2,185	G	Retirement benefit liability
Provision for retirement benefits for directors (and other officers)	132	(132)	—	—		
Provision for share awards	178	(178)	—	—		
Provision for share awards for directors (and other officers)	232	(232)	—	—		
	—	928	—	928		Provisions
	—	770	890	1,660	B,C,E,F,G,H	Deferred tax liabilities
Other	4,068	(3,181)	948	1,835	D,F,J	Other non-current liabilities
Total non-current liabilities	12,827	(1)	5,294	18,120		Total non-current liabilities
Total liabilities	66,107	(1)	20,512	86,618		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	—	352	12,635	J	Capital surplus
Retained earnings	224,637	—	(2,781)	221,856	K	Retained earnings
Treasury shares	(38,005)	—	1,280	(36,725)	J	Treasury shares
	—	21,637	(5,790)	15,846	C,G,H,I	Other components of equity
Total shareholders' equity	209,437	21,637	(6,939)	224,135		Total equity attributable to owners of the parent
Accumulated other comprehensive income	21,637	(21,637)	—	—		
Non-controlling interests	2,746	—	(17)	2,729	B,C,D, E,H	Non-controlling interests
Total net assets	233,821	—	(6,956)	226,864		Total equity
Total liabilities and net assets	299,928	(1)	13,555	313,483		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	Reclassification	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 - 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 the 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 second quarter
(from April 1, 2025 to September 30, 2025)

(Millions of yen)

Title under Japanese GAAP	Japanese GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	Title under IFRS
Net sales	132,897	—	349	133,246		Revenue
Cost of sales	71,517	—	483	72,001	A,B,D,E,G	Cost of sales
Gross profit	61,379	—	(134)	61,244		Gross profit
Selling, general and administrative expenses	43,660	0	(187)	43,473	A,B,D,E,G,J	Selling, general and administrative expenses
	—	(0)	53	17,771		Business profit (MPM)
	—	164	17	182	B,F	Other operating income
	—	474	3	478	B,E,J	Other operating expenses
Operating profit	17,718	(310)	67	17,475		Operating profit
Non-operating income	1,211	(1,211)	—	—		
Non-operating expenses	610	(610)	—	—		
Extraordinary income	614	(614)	—	—		
Extraordinary losses	34	(34)	—	—		
	—	1,696	(606)	1,090	C,J	Investment income and gains
	—	137	(65)	71	C	Investment costs and losses
	—	67	(474)	18,493		Profit before financing and income taxes
	—	—	9	9	G	Finance income
	—	67	113	181	B,G,J	Finance costs
Income before income taxes	18,899	—	(577)	18,322		Profit before tax
Income taxes	5,210	—	348	5,559	B,C,D,F,G,H,J	Income tax expense
Net income	13,689	—	(926)	12,762		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	2,385	—	518	2,903	C	Financial assets measured at fair value through other comprehensive income
Remeasurements of defined benefit plans, net of tax	(5)	—	5	—	G	Remeasurements of defined benefit plans, net of tax
						Items that may be reclassified to profit or loss
Foreign currency translation adjustment	652	—	182	835	C,G,I	Exchange differences on translation of foreign operations
Total other comprehensive income	3,032	—	706	3,739		Other comprehensive income for the period, net of income tax
Comprehensive income	16,721	—	(219)	16,502		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 transferred 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 September 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	2,874	4,022
Adjustment of exchange differences on translation of foreign operations	6,726	6,726	6,726
Other	(1,841)	(1,469)	(1,685)
Total	(2,247)	(2,781)	(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.

Reconciliations to cash flows for the six months ended September 30, 2025 (from April 1, 2025 to September 30, 2025) and reconciliations to cash flows for the fiscal year ended March 31, 2026 (from April 1, 2025 to March 31, 2026)

- The Group adopted revised IAS 7 (Statement of Cash Flows) (hereinafter referred to as "revised IAS 7") following the adoption of IFRS 18 (Presentation and Disclosure in Financial Statements). While reconciliation begins with "income before income taxes" under Japanese GAAP when a statement of cash flows is presented using the indirect method, under IFRS, in accordance with revised IAS 7, reconciliation begins with "operating profit or loss".
- With respect to the classification of cash flows related to interest and dividends received or paid, while such cash flows were classified as cash flows from operating activities under Japanese GAAP, under IFRS, based on revised IAS 7, "interest and dividends received" is classified as cash flows from investing activities and "interest paid" is classified as cash flows from financing activities.
- While lease payments relating to operating lease transactions are classified as cash flows from operating activities under Japanese GAAP, under IFRS, lease liabilities are generally recognized for all leases, and cash payments for the repayment of lease liabilities are classified as cash flows from financing activities.