Translation

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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2016 (Based on Japanese GAAP)

October 30, 2015

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange 1st Section (CODE 6845)
URL:	http://www.azbil.com/
Representative:	Hirozumi Sone, President and Chief Executive Officer
Contact:	Takayuki Yokota, Executive Officer, Head of Group Management Headquarters
TEL:	+81-3-6810-1009
Scheduled date to file Quarterly Securities Report:	November 11, 2015
Scheduled date to commence dividend payments:	December 4, 2015
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2015	114,089	(1.4)	3,542	(1.4)	3,464	(22.7)	1,735	(20.1)
Six months ended September 30, 2014	115,699	4.0	3,590	46.1	4,480	62.2	2,170	112.6

Note: Comprehensive income As of September 30, 2015 470 million yen (82.7)%
As of September 30, 2014 2,720 million yen (20.5)%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2015	23.63	—
Six months ended September 30, 2014	29.39	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2015	242,751	154,725	63.0
As of March 31, 2015	265,718	160,294	59.6

Note : Shareholders' equity As of September 30, 2015 152,828 million yen
As of March 31, 2015 158,273 million yen

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2015	—	31.50	—	31.50	63.00
Year ending March 31, 2016	—	33.50			
Year ending March 31, 2016 (Forecast)			—	33.50	67.00

Note: Revision of dividends forecast for during this period: No

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year 2015	256,000	0.6	17,000	10.8	16,600	(3.2)	9,500	32.5	129.69

Note: Revision of consolidated financial results forecast for during this period : Yes

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries due to changes in the scope of consolidation): No

New consolidation : None (Company name: －)

Exclusion : None (Company name: －)

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

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

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

Note: For details, please refer to “2. Matters concerning summary information (notes) (2) Changes in accounting policies, accounting estimates, and retrospective restatements” on page 11 of the financial results (appendix).

(4) Number of issued shares (Common stock)

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

As of September 30, 2015	75,116,101 shares	As of March 31, 2015	75,116,101 shares

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

As of September 30, 2015	1,864,868 shares	As of March 31, 2015	1,263,924 shares

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

Six months ended September 30, 2015	73,444,957 shares	Six months ended September 30, 2014	73,852,762 shares

* Description of the situation of the procedures for reviewing quarterly results

This quarterly financial results is not subject to the procedures for reviewing quarterly reports specified in the Financial Instruments and Exchange Act. As of the disclosure of this quarterly financial results, the procedures for reviewing consolidated quarterly financial statements are in progress.

* Regarding the appropriate use of forecast and other special matters

(Attention to the description of the future)

Sales for the azbil Group tend to be concentrated in the second quarter and fourth quarter consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the first quarter and third quarter consolidated accounting periods are typically lower than those in the other two quarters. Sales for the azbil Group tend to be more concentrated in the fourth quarter consolidated accounting period than in the second quarter. For a similar reason, profits in the first half (combining first & second quarter consolidated accounting periods) tend to be lower than in the second half (combining third & fourth quarter consolidated accouning periods).

The projections of azbil Group are based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this document. Please see “1. Qualitative information on consolidated quarterly financial results (3) Qualitative information on forecast of consolidated financial results” on page 8 of the appendix for preconditions underlying these projections and precautions to follow in using these projections.

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results will be published on the company’s website on the same day.

Accompanying Materials

Contents

1. Qualitative information on consolidated quarterly financial results

(1) Qualitative information on consolidated quarterly financial results

In the second quarter of the current consolidated cumulative period, Japan's economy continued to demonstrate an improvement in employment and employee compensation as well as in corporate earnings, while the building market in the private sector also firmed. However, because of a lack of momentum in exports and a prolonged period of inventory cutbacks in domestic markets, manufacturing companies have become cautious as regards capital investment. This has slowed the pace of recovery and, overall, the domestic economy has begun treading water.

Turning overseas, the US recovery continued and Europe achieved a gentle recovery, but there have been increasing signs of a slowdown in China and the other emerging economies. The overall picture was thus one of only a moderate recovery.

Amid this business environment, guided by the philosophy of "human-centered automation", the azbil Group is focused on achieving the targets of the medium-term plan and has set out three key initiatives [Note 1] and three growth fields [Note 2] for this purpose. We are currently developing our business with unique solutions – only available from the azbil Group – based on products, technologies, and services.

Note 1: Three Key Initiatives

- Becoming a long-term partner for the customer and the community by offering solutions based on our technologies and products
- Taking global operations to the next level, with global expansion by moving into new regions and making a qualitative change of focus
- Becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure

Note 2: Three Growth Fields

- Next-generation solutions for the indoor spaces of factories, offices, and homes
- Energy management solutions
- Safety solutions

From the previous consolidated fiscal year, we made progress, at home and abroad, with initiatives designed not only to reinforce our solution capabilities and expand sales, but also to strengthen the corporate structure while effecting radical business structure reforms and production structure enhancement so as to achieve medium- to long-term growth. In the current consolidated accounting period, progress has been made with adapting to changes in the business environment and consolidating domestic production bases so as to improve efficiency. Progress was also made in reinforcing our sales/service system to ensure close links with customers and the region (enhancing our network of offices in the Tokyo metropolitan area) [Note 3] in order to make sure of tapping into the active construction demand being generated by redevelopment projects in and around the capital as well as by the upcoming 2020 Summer Olympic and Paralympic Games in Tokyo.

Note 3: Consolidation of domestic production bases / reinforcing the sales/service system (enhancing office network in the Tokyo metropolitan area)

A reorganization of the production system of Azbil Kimmon Co., Ltd., one of the Group companies, is underway: 2 of its 5 production bases for town gas meters in Japan are being closed to consolidate manufacturing in the remaining 3. The costs for this restructuring have been recorded as an extraordinary loss of 286 million yen (including impairment loss), in the second quarter of the current consolidated cumulative period. Regarding the reinforcing of our sales/service system, sales/service offices in Osaki, Toranomon, and Kasumigaseki are being established/relocated; the 101 million yen costs for this have been recorded as non-operating expenses.

The effect of these various corporate activities on the second quarter of the current consolidated cumulative period has been as follows. Orders grew for all three businesses, but especially for the Building Automation (BA) business which benefitted from not only a favorable business environment but also a revision made to the way multi-year contracts are recorded [Note 4]. Consequently, overall orders were 159,756 million yen, up 7.4% on the same period last year.

As regards sales, the BA business achieved growth thanks to a domestic business environment that continued to be favorable. However, the Life Automation (LA) business saw a sharp fall in sales as a result of the negative impact of transferring its business in the health, welfare, and nursing care field in the previous consolidated fiscal year (note that the impact of this on profits was minor). In addition, the effect of the economic slowdown meant that capital investment in China was stagnant, hitting Japanese exports and thus domestic industry. These and other factors led to a decrease in sales for the Advanced Automation (AA) business. Overall, sales were 114,089 million yen, down 1.4% on the same period last year.

As regards profits, due to the sweeping business structure reforms made in the previous consolidated fiscal year LA business profitability improved significantly. However, extra costs were incurred by R&D activities aimed at future business expansion, and there were also increased costs associated with operating the new core information system, a previously established initiative designed to strengthen the business infrastructure. In addition, to coincide with the introduction of this new system the procedures for job profit-and-loss management were unified, leading temporarily to a fall in sales and increased costs for the provision for loss on orders received. Thus, overall operating income was down 1.4% at 3,542 million yen, compared with 3,590 million yen for the same period last year. Ordinary income was down 22.7% at 3,464 million yen, compared with 4,480 million yen for the same period last year; this was principally because foreign exchange gains in the second quarter period last year switched to exchange losses in this quarter. Net income attributable to owners of parent [Note 5] was down 20.1% at 1,735 million yen, compared with 2,170 million yen for the same period last year.

Sales for the azbil Group tend to be concentrated in the second quarter and the fourth quarter consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the first quarter and the third quarter consolidated accounting periods are typically lower than those in the other two quarters. Sales for the azbil Group tend to be more concentrated in the fourth quarter consolidated accounting period than in the second quarter. For a similar reason, profits in the first half (combining first & second quarter consolidated accounting periods) tend to be lower than in the second half (combining third & fourth quarter consolidated accounting periods).

Note 4: A revision made to the way orders for multi-year contracts are recorded

From the first quarter of the consolidated accounting period, a revision has been made to the domestic way orders for multi-year contracts are recorded. Previously, large-scale service projects – such as multi-year contracts awarded under “market testing” – were recorded, but recently there has been an increase in smaller service contracts that similarly span several years. Considering the increasing impact of these other contracts on orders, it has been decided to apply the same parameters for recording all multi-year contracts, to coincide with the introduction of the new core information system.

In the second quarter of the current consolidated cumulative period, the figure recorded for large-scale service contracts related to market testing, etc. (approximately 7,600 million yen in the same period last year) decreased (approximately 1,400 million yen in the second quarter of the current consolidated cumulative period), but as a result of this revision an additional approximately 4,000 million yen was recorded. Moreover, approximately 4,500 million yen in multi-year contracts were additionally recorded in the current fiscal year.

Note 5: Net income attributable to owners of parent

From the first quarter of the consolidated cumulative period, “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013) etc, were applied, and “net income” is now termed “net income attributable to owners of parent”.

The results for the individual reportable segments are as follows.

Building Automation (BA) Business

In the domestic market, in addition to the urban redevelopment plans for the Tokyo metropolitan area, there has been continuing demand for energy/cost-saving solutions, so overall investment in construction has continued to be active. Against this backdrop, the market for new buildings has generated considerable sales growth, while the market for existing buildings and service maintained a high level of sales performance. Overall, therefore, domestic market sales were higher than for the same period last year.

In overseas markets, steady progress has been made with the development of local markets. In the Asian region, there was a fall in sales reflecting the fact that sales figures for the same period last year included a large-scale project in Singapore, etc. Nevertheless, an improvement was observed in China, and overall sales grew compared to the same period last year.

As a result, BA business sales for the second quarter of the current consolidated cumulative period were 48,196 million yen, up 3.3% on the same period last year. Segment profit was impacted by several factors, including the effect of measures and system development undertaken in anticipation of the future business opportunities afforded throughout the life cycle of a building. Also, extra costs were incurred by R&D activities aimed at future business expansion, and there were also increased costs associated with operating the new core information system. Profit was further impacted as a result of unifying job profit-and-loss management procedures to coincide with the introduction of the aforesaid information system. As a result segment profit was 1,711 million yen, down 28.9% on the same period last year, when segment profit was 2,408 million yen.

Advanced Automation (AA) Business

In the domestic market, as regards sales of control products to equipment manufacturers, a slowdown was observed in capital investment, mainly in the markets for industrial furnaces and machinery. Also, in such materials industries as oil and chemicals, uncertainty regarding the future outlook has meant that companies have stuck to their wait-and-see posture, and as a result capital investment remained low key. Elsewhere, targeting advanced industries such as electrical/electronics and semiconductors, as well as domestic demand-oriented industries such as pharmaceuticals, [Note 6] and industries connected with the gas energy supply chain, including LNG carriers, we have striven to expand business by, for example, offering solutions – unique to the azbil Group – distinguished in terms of safety, security, and energy saving. However, large-scale projects boosted sales figures for the same period last year, so overall sales were relatively lower.

In overseas markets, business has remained robust in the US and Asian region, leading to increased revenue overall. It should be noted, though, that because of such factors as slowing economic growth in China, the business environment continues to be difficult, especially in fields related to the materials industries.

Consequently, for the second quarter of the current consolidated cumulative period the AA business recorded sales of 43,639 million yen, down 2.1% on the same period last year. As regards profits, although there was an improvement following the optimum deployment of resources within the azbil Group during the previous consolidated fiscal year, because of the fall in sales and the increase in costs that were incurred by R&D activities and were associated with operating the new core information system, a segment profit was 1,541 million yen, down 23.3%, on the same period last year, when segment profit was 2,010 million yen.

Note 6: Advanced industries such as electrical/electronics and semiconductors, as well as domestic demand-oriented industries such as pharmaceuticals

The azbil Group has identified as a growth area such advanced industries as electrical/electronics, semiconductors, cars, and chemicals (downstream) as well as domestic demand-oriented industries such as food and pharmaceuticals, together with companies that produce manufacturing equipment for the aforesaid industries. These are referred to collectively as HA/FA (Hybrid Automation and Factory Automation) and the azbil Group is actively engaged in growing its business in this HA/FA field.

Life Automation (LA) Business

The LA business saw a fall in revenue compared to the same period last year, principally due to the negative impact of transferring its business in the health, welfare, and nursing care field in the previous consolidated fiscal year. [Note 7] Nevertheless, mainly as a result of the radical business structure reforms carried out in the Life Science Engineering (LSE) field, but also thanks to steady progress made with reforms in other business fields, a substantial improvement was achieved in profits.

In the field of gas and water meters, sales growth was only slight, but a real improvement in profits was achieved thanks mainly to improved profitability in the water meter business. In the LSE field, a large-scale job was won and the immediate outlook for orders has improved. Sales also increased. Furthermore, in the field of residential air-conditioning systems, progress has been made with strengthening the profit structure, and as a result of sales system reforms as well as improvements to marketing and development systems, orders increased and sales were on a par with the same period last year.

The LA business sales in the second quarter of the current consolidated cumulative period were 22,746 million yen, down 8.2% on the same period last year. An improvement in profitability was achieved by the structural reforms implemented in the previous consolidated fiscal year targeting all of the businesses that make up the LA business and by a reduction in goodwill amortization costs. The business returned to the black and segment profit was 276 million yen; for comparison, in the same period last year a segment loss of 841 million yen was recorded.

Note 7: Transferring its business in the health, welfare, and nursing care field in the previous consolidated fiscal year

Azbil Corporation transferred all of its shares in Azbil Care & Support Co., Ltd., a provider of health, welfare, and nursing care services, to SOHGO SECURITY SERVICES CO., LTD. as of February 4, 2015. In the second quarter of the current consolidated cumulative period, due to this transferring, the sales decreased by approximately 2,200 million yen, but the effect of it on segment profit is slight.

Other

In Other business, sales in the second quarter of the current consolidated cumulative period were 41 million yen, (compared with 41 million yen for the same period last year). Segment profit was 18 million yen ; for comparison, in the same period last year segment profit was 17 million yen.

(2) Qualitative information on consolidated quarterly financial position

(Assets)

Total assets at the end of the second quarter of fiscal year 2015 stood at 242,751 million yen, a decrease of 22,966 million yen from the previous fiscal year-end. This was mainly due to a decrease of 15,111 million yen in notes and accounts receivable-trade and a decrease of 9,985 million yen in cash and deposits.

(Liabilities)

Total liabilities at the end of the second quarter of fiscal year 2015 stood 88,026 million yen, a decrease of 17,398 million yen from the previous fiscal year-end. This was mainly owing to a decrease of 6,714 million yen in notes and accounts payable-trade, a decrease of 3,231 million yen in income taxes payable due to the payment of income taxes, a decrease of 2,702 million yen in provision for bonuses, and a decrease of 2,452 million yen in short-term loans payable.

(Net assets)

Net assets at the end of the second quarter of fiscal year 2015 stood at 154,725 million yen, a decrease of 5,568 million yen from the previous fiscal year-end. This reduction was mainly attributed to a decrease of 2,326 million yen as the payment of a dividend, a decrease of 2,001 million yen as a result of purchasing of own shares, a decrease of 1,448 million yen as a result of applying the revised “Accounting Standard for Business Combinations”, etc., and a decrease of 1,952 million yen in valuation difference on available-for-sale securities, despite an increase of 1,735 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders’ equity ratio was 63.0% compared with 59.6% at the previous fiscal year-end.

(Cash Flows)

1) Net cash provided by (used in) operating activities

Cash and cash equivalents (hereinafter “net cash”) provided by operating activities in the second quarter of the current consolidated cumulative period were 2,266 million yen, representing a decrease of 585 million yen compared to the same period last year. This was principally owing to the fact that, despite reduced income taxes paid, there was an increase in other assets – including lease deposits related to the relocation of sales offices in the Tokyo metropolitan area – coupled with a decrease in other liabilities such as accrued consumption taxes.

2) Net cash provided by (used in) investing activities

Net cash provided by investment activities in the second quarter of the current consolidated cumulative period was 7,549 million yen (in the same period last year net cash used for those activities (net income (decrease)) was 4,924 million yen). This was principally due to an increase in proceeds from withdrawal of time deposits and sales of securities.

3) Net cash provided by (used in) financing activities

Net cash used in financing activities (net increase (decrease)) in the second quarter of the current consolidated cumulative period was 6,851 million yen, an increase of 3,937 million yen compared to the same period last year. This was mainly due to the increase in expenditure resulting from purchase of own shares and decrease in loans payable.

As a result of the above factors, net cash at the end of the second quarter of the current consolidated cumulative period stood at 54,852 million yen, an increase of 2,931 million yen from the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

Based on the consolidated financial results for the second quarter of the current consolidated cumulative period, as well as on other information related to trends in the business environment currently available to management, the initial forecast for consolidated financial results in the fiscal year ending March 31, 2016, which was published on May 13, 2015, will be revised as follows. The figure for sales is set at 256,000 million yen, down 7,000 million yen (2.7%). Operating income is set at 17,000 million yen, down 1,700 million yen (9.1%), ordinary income is set at 16,600 million yen, down 1,600 million yen (8.8%), and net income attributable to owners of parent is set at 9,500 million yen, down 1,500 million yen (13.6%). The individual forecasts for each segment are as shown in the table below.

In the domestic economy, an improvement in employment and employee compensation will underpin the moderate recovery in consumption, and thanks to robust corporate earnings strong demand for energy/power-saving solutions is expected. Thus an upturn in capital investment from now on is also anticipated; however, with the cautious attitude of companies and the uncertainty regarding the future outlook, the pace of capital investment in the near future will be slow, and difficult conditions are expected to continue. Overseas too, it is expected that the moderate recovery will continue in Europe and the US, but risks exist of a downturn in China's economy and, consequently, of an economic downturn in other Asian countries.

Taking such factors into consideration, changes are evident in the azbil Group's business environment. Regarding the BA business, it is true that earnings were temporarily affected as a result of unifying job profit-and-loss management procedures to coincide with the introduction of the new core information system. However, the actual business environment continues to be favorable, and in the second half steady growth can be expected in the new building field, while in the existing building and service fields it is anticipated that a high level of sales can be achieved. Consequently, performance in the second half is expected to be in line with the forecast at the start of the fiscal year. As for the LA business, the sweeping business structure reforms conducted in the previous fiscal year are now yielding clear results, and performance in the second half is expected to exceed that in the initial plan. The AA business performance will vary depending on the market, but in general a cautious approach by domestic companies to capital investment will be observed, and overseas too there are concerns about the possible impact on capital investment of a slowdown in China and the other emerging economies. Through fostering business development in the HA/FA field by launching new products, and through offering energy management solutions unique to the azbil Group in its role as an energy manager [Note], we aim to achieve second-half sales and profits on a par with the same period last year; however, performance is expected to fall short of the forecast made at the start of the fiscal year.

Taking into account the aforementioned conditions and outlook for each of our businesses, together with the results for the second quarter of the current consolidated cumulative period, the forecast of consolidated financial results for the fiscal year ending March 31, 2016 has been revised.

Aiming to achieve these revised targets for the fiscal year ending March 31, 2016, the azbil Group will make steady progress with implementing a variety of measures for all three businesses. At the same time, aiming to realize sustained growth following the current medium-term plan, we will strengthen the corporate structure to further enhance our ability to adapt to a changing business environment, implementing measures designed to secure future business growth. Specifically, in addition to those measures already initiated in the current fiscal year – the aforementioned restructuring of domestic subsidiary’s gas meter factories and the enhancing of our network of sales/service offices in the Tokyo metropolitan area – we are proceeding with the upgrading of our R&D facilities at the Fujisawa Technology Center in order to generate synergies through the concentration of Group R&D resources while creating a new development environment and an advanced testing environment. At the same time, we are consolidating two core factories (Shonan and Isehara) into one, the Shonan factory, aiming to establish the sort of advanced production system that is appropriate for the Group’s main factory.

Note : Energy Manager

A service company that facilitates energy management by enterprises receiving subsidies for the rationalization of energy use. An energy manager will install an energy management system (EMS) and, via an energy management support service that utilizes data gained from the EMS, will support energy-saving practices for buildings, factories, and other business facilities.

(Hundred millions of yen)

		Revised forecast (October 30, 2015)	Initial forecast (May 13, 2015)	Difference	%	(Reference) FY2014 Actual
Building Automation	Sales	1,190	1,215	(25)	(2.1)	1,143
	Operating income	118	125	(7)	(5.6)	122
Advanced Automation	Sales	930	980	(50)	(5.1)	936
	Operating income	45	56	(11)	(19.6)	50
Life Automation	Sales	450	445	5	1.1	473
	Operating income	7	6	1	16.7	(19)
Other	Sales	1	1	-	-	0
	Operating income	0	0	-	-	0
Consolidated	Net sales	2,560	2,630	(70)	(2.7)	2,544
	Operating income	170	187	(17)	(9.1)	153
	Ordinary income	166	182	(16)	(8.8)	171
	Net income attributable to owners of parent	95	110	(15)	(13.6)	71

These projections are based on management's assumptions, intent, and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance. Due to various factors, actual results may differ from those discussed in this document.

2. Matters concerning summary information (notes)

(1) Changes in significant subsidiaries during the period:
Non applicable

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

(Application of the Accounting Standard for Business Combinations, etc.)

The "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on September 13, 2013) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7 issued on September 13, 2013) were applied from the first quarter of the consolidated accounting period. The balance generated from the changes of ownership ratio over the affiliates under control was started to be included in capital surplus, and the expenses related to acquisition was registered as the expenses when they are generated. Furthermore, with regards to business combinations conducted on or after the beginning of the first quarter of the consolidated accounting period, the accounting method has been changed to reflect the revised allocation of acquisition costs arising from settlement of tentative accounting treatment in the quarterly consolidated financial statement in which the business combination occurs. In addition, the way to present net income, etc. and the method to present from minority interests to non-controlling interests were altered. In order to reflect the above changes, the quarterly consolidated financial statements and consolidated financial statements were rearranged for the second quarter of the previous consolidated cumulative period and the previous consolidated fiscal year.

The application of the "Accounting Standard for Business Combinations" was followed by the transitional handling procedure in accordance with Paragraph 58-2 (3) of the "Accounting Standard for Business Combinations", Paragraph 44-5 (3) of the "Accounting Standard for Consolidated Financial Statement" and Paragraph 57-4 (3) of the "Accounting Standard for Business Divestitures". The cumulative effect of accounting change as of the beginning of the first quarter of the consolidated accounting period in case that new accounting standards were applied to all the past financial statements is deleted from/added to capital surplus or retained earnings.

As a result, as of the beginning of the first quarter of the consolidated accounting period, capital surplus decreased by 4,863 million yen, goodwill decreased by 1,448 million yen, and retained earnings increased by 3,415 million yen. This produces minor effects on operating income, ordinary income, and income before income taxes for the second quarter of the current consolidated cumulative period.

(Change in revenue recognition standard)

Concerning the sales of goods within Japan, the Company had been recognizing the revenue at shipment on delivery basis; however, from the first quarter of the consolidated accounting period, it altered the method to recognize the revenue on the date when the goods are delivered to and arrive at the customer site.

While the azbil Group companies had been recognizing the revenue for sales of goods within Japan at shipment on delivery basis, it had been recognizing the revenue for that for overseas countries on shipment basis based on the Free on board (FOB) contracts and the revenue for that by overseas consolidated subsidiaries and affiliates as a general rule, based on the International Financial Reporting Standards (IFRS). In recent years, however, the importance of sales of goods overseas and sales by overseas consolidated subsidiaries and affiliates is increasing, as more and more customers expand their businesses overseas. Under this circumstance, the Company reviewed the revenue recognition standards. As a result, concerning revenue recognition, the Company deemed it more appropriate to alter the method to recognize the revenue concerning the sales of goods within Japan from delivery basis to the date of the receipt of customer to emphasize more the objectivity of "transferring important risks and economic values associated with possession of goods to the buyers" and also to promote integration of processing method concerning goods sales among the azbil Group. And thus, it decided to alter the method accordingly upon introduction of a new core information system and the improvement of its management structure from the first quarter of the consolidated accounting period.

Because the effect of this change on sales, operating income, ordinary income, and income before income taxes for the second quarter of the current consolidated cumulative period is slight, retroactive adjustment has not been carried out. The effect on the segment information is also small.Therefore, the statement is omitted.

3. Consolidated quarterly financial statements

(1)Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Assets		
Current assets		
Cash and deposits	58,837	48,851
Notes and accounts receivable - trade	88,960	73,848
Securities	13,605	18,705
Merchandise and finished goods	5,353	5,018
Work in process	7,009	8,255
Raw materials	9,320	9,911
Other	15,474	14,401
Allowance for doubtful accounts	(565)	(541)
Total current assets	197,995	178,452
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,605	13,189
Other, net	12,092	11,786
Total property, plant and equipment	25,698	24,976
Intangible assets		
Goodwill	5,601	3,809
Other	5,923	5,848
Total intangible assets	11,524	9,657
Investments and other assets		
Investment securities	22,551	19,633
Net defined benefit asset	7	1,520
Other	8,314	8,874
Allowance for doubtful accounts	(373)	(362)
Total investments and other assets	30,499	29,665
Total non-current assets	67,722	64,299
Total assets	265,718	242,751
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,687	35,973
Short-term loans payable	15,776	13,324
Income taxes payable	3,829	597
Provision for bonuses	8,759	6,056
Provision for directors' bonuses	116	74
Provision for product warranties	484	520
Provision for loss on orders received	616	917
Provision for loss on plants reorganization	—	251
Provision for loss on litigation	441	—
Other	16,981	16,400
Total current liabilities	89,694	74,117

(Millions of yen)

	As of March 31, 2015	As of September 30, 2015
Non-current liabilities		
Bonds payable	10	—
Long-term loans payable	856	760
Net defined benefit liability	8,164	5,237
Provision for directors' retirement benefits	125	115
Other	6,572	7,794
Total non-current liabilities	15,729	13,908
Total liabilities	105,424	88,026
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	12,333
Retained earnings	121,573	124,397
Treasury shares	(2,648)	(4,650)
Total shareholders' equity	146,645	142,603
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,524	7,572
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	2,505	2,757
Remeasurements of defined benefit plans	(402)	(105)
Total accumulated other comprehensive income	11,628	10,224
Non-controlling interests	2,020	1,896
Total net assets	160,294	154,725
Total liabilities and net assets	265,718	242,751

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

(Consolidated quarterly statements of income)

(The second quarter of the current consolidated cumulative period)

(Millions of yen)

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Net sales	115,699	114,089
Cost of sales	76,208	75,025
Gross profit	39,491	39,064
Selling, general and administrative expenses	35,900	35,522
Operating income	3,590	3,542
Non-operating income		
Interest income	71	71
Dividend income	206	199
Foreign exchange gains	720	―
Real estate rent	27	22
Reversal of allowance for doubtful accounts	1	3
Other	136	163
Total non-operating income	1,163	460
Non-operating expenses		
Interest expenses	169	174
Foreign exchange losses	―	114
Commitment fee	10	10
Rent expenses on real estates	27	25
Office transfer expenses	25	150
Share of loss of entities accounted for using equity method	3	3
Other	35	59
Total non-operating expenses	273	537
Ordinary income	4,480	3,464
Extraordinary income		
Gain on sales of non-current assets	67	28
Gain on sales of investment securities	53	188
Total extraordinary income	120	216
Extraordinary losses		
Loss on sales and retirement of non-current assets	62	14
Impairment loss	―	21
Loss on plants reorganization	―	265
Provision for loss on litigation	418	―
Loss on sales of investment securities	0	―
Total extraordinary losses	481	301
Income before income taxes	4,119	3,379
Income taxes - current	730	668
Income taxes - deferred	1,271	851
Total income taxes	2,002	1,519
Net income	2,117	1,859
Net income (loss) attributable to non-controlling interests	(53)	124
Net income attributable to owners of parent	2,170	1,735

(Consolidated quarterly statements of comprehensive income)
(The second quarter of the current consolidated cumulative period)

(Millions of yen)

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Net income	2,117	1,859
Other comprehensive income		
Valuation difference on available-for-sale securities	1,500	(1,952)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(1,063)	266
Remeasurements of defined benefit plans, net of tax	165	297
Total other comprehensive income	602	(1,388)
Comprehensive income	2,720	470
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,834	332
Comprehensive income attributable to non-controlling interests	(113)	138

Consolidated quarterly statements of cash flows

(The second quarter of the current consolidated cumulative period)

(Millions of yen)

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Income before income taxes	4,119	3,379
Depreciation	1,806	1,940
Amortization of goodwill	942	358
Increase (decrease) in allowance for doubtful accounts	(101)	(16)
Increase (decrease) in net defined benefit liability	(782)	(2,758)
Decrease (increase) in net defined benefit asset	–	(1,252)
Increase (decrease) in accrued payments due to change in retirement benefit plan	–	2,567
Increase (decrease) in provision for bonuses	(2,342)	(2,704)
Increase (decrease) in provision for directors' bonuses	(28)	(42)
Increase (decrease) in provision for loss on litigation	418	(441)
Increase (decrease) in provision for loss on plants reorganization	–	251
Interest and dividend income	(277)	(271)
Interest expenses	169	174
Foreign exchange losses (gains)	(533)	61
Loss (gain) on sales of property, plant and equipment	(4)	(13)
Loss (gain) on sales and valuation of investment securities	(53)	(188)
Impairment loss	–	21
Decrease (increase) in notes and accounts receivable - trade	11,851	14,920
Decrease (increase) in inventories	(2,564)	(1,604)
Increase (decrease) in notes and accounts payable - trade	(5,488)	(6,588)
Decrease (increase) in other assets	824	(953)
Increase (decrease) in other liabilities	1,037	(637)
Subtotal	8,992	6,202
Interest and dividend income received	270	269
Interest expenses paid	(172)	(144)
Payments for business restructuring	(53)	(172)
Income taxes paid	(6,184)	(3,889)
Net cash provided by (used in) operating activities	2,851	2,266
Cash flows from investing activities		
Payments into time deposits	(923)	(2,801)
Proceeds from withdrawal of time deposits	1,156	7,265
Purchase of securities	(13,000)	(12,100)
Proceeds from sales of securities	10,000	15,500
Purchase of trust beneficiary right	(6,700)	(6,159)
Proceeds from sales of trust beneficiary right	7,022	7,187
Purchase of property, plant and equipment	(1,942)	(1,310)
Proceeds from sales of property, plant and equipment	348	96
Purchase of intangible assets	(967)	(377)
Proceeds from sales of intangible assets	0	0
Purchase of investment securities	(13)	(11)
Proceeds from sales of investment securities	137	237
Proceeds from sales of investments in capital of subsidiaries and associates	–	17
Other, net	(42)	6
Net cash provided by (used in) investing activities	(4,924)	7,549

(Millions of yen)

	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)
Cash flows from financing activities		
Increase in short-term loans payable	2,516	3,089
Decrease in short-term loans payable	(1,943)	(5,198)
Proceeds from long-term loans payable	－	96
Repayments of long-term loans payable	(902)	(173)
Redemption of bonds	(30)	(20)
Cash dividends paid	(2,325)	(2,325)
Repayments of lease obligations	(26)	(63)
Dividends paid to non-controlling interests	(202)	(256)
Purchase of treasury shares	(0)	(2,001)
Proceeds from sales of treasury shares	0	－
Net cash provided by (used in) financing activities	(2,914)	(6,851)
Effect of exchange rate change on cash and cash equivalents	(213)	(32)
Net increase (decrease) in cash and cash equivalents	(5,200)	2,931
Cash and cash equivalents at beginning of period	55,844	51,920
Increase in cash and cash equivalents from newly consolidated subsidiary	423	－
Cash and cash equivalents at end of period	51,067	54,852

(4) Notes to the consolidated quarterly financial statements

(Notes regarding assumptions of continuing operations)

Non applicable

(Notes regarding significant change in shareholders' equity)

From the first quarter of the consolidated accounting period, the azbil Group is applying the "Accounting Standard for Business Combinations", etc. As a result, the capital surplus decreased by 4,863 million yen, and retained earnings increased by 3,415 million yen.

The Company repurchased its own shares to aim not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop capital policies in response to changes in the corporate environment, taking into consideration the future business performance forecast, based on the resolutions at the Board of Directors meetings held on May 13, 2015. The number of its own shares repurchased was 600,000 shares for 1,998 million yen in the first quarter of the consolidated accounting period. As a result, treasury shares amounted to 4,650 million yen at the end of the second quarter of the current consolidated accounting period.

(Segment information)

Six months ended September 30, 2014 (from April 1, 2014 to September 30, 2014)

1.Sales and profit (loss) information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	46,600	44,364	24,696	115,660	38	115,699
Inter-segment	66	231	69	367	2	369
Total	46,666	44,595	24,766	116,028	41	116,069
Segment Profit (loss)	2,408	2,010	(841)	3,577	17	3,594

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segment	3,577
Profit in Other	17
Elimination	(4)
Operating income	3,590

Six months ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

1.Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	48,031	43,376	22,642	114,050	38	114,089
Inter-segment	165	262	103	531	3	534
Total	48,196	43,639	22,746	114,581	41	114,623
Segment Profit	1,711	1,541	276	3,529	18	3,547

* “Other” includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segment	3,529
Profit in Other	18
Elimination	(5)
Operating income	3,542

3. Notice on the changes of the reportable segments

(Application of the Accounting Standard for Business Combinations, etc.)

The “Accounting Standard for Business Combinations” was applied from the first quarter of the consolidated accounting period. The balance generated from the changes of ownership ratio over the affiliates under control was started to be included in capital surplus, and the expenses related to acquisition was registered as the expenses when they are generated. Furthermore, with regards to business combinations conducted on or after the beginning of the first quarter of the consolidated accounting period, the its accounting method has been changed to reflect the revised allocation of acquisition costs arising from settlement of tentative accounting treatment in the quarterly consolidated financial statement in which the business combination occurs. As a result, unamortized balance of goodwill decreased by 199 million yen for the “Advanced Automation Business” and 1,249 million yen for the “Life Automation Business”.

(Changes in the methods to measure internal sales or transfer amount between segments)

From the first quarter of the consolidated accounting period, the Company reviewed the performance assessment method upon introduction of our new core information system and changed the methods to measure internal sales or transfer amount between segments. As a result, this produces minor effects on internal sales or transfer amount between segments and segment profit during the second quarter of the current consolidated cumulative period.

The second quarter of the previous consolidated cumulative period was developed based on the new methods to measure internal sales or transfer amount between segments and described in "1. Sales and profit (loss) information about each segment".

4.Supplementary information

Orders received condition

(Millions of yen)

Reportable segment	Six months ended September 30, 2014 (April 1, 2014 to September 30, 2014)	Six months ended September 30, 2015 (April 1, 2015 to September 30, 2015)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	76,155	85,561	9,405	12.4
Advanced Automation	49,147	50,148	1,001	2.0
Life Automation	23,836	24,376	540	2.3
Total of reportable segments	149,138	160,086	10,947	7.3
Other	41	42	0	2.4
Elimination	(411)	(371)	40	－
Consolidated	148,768	159,756	10,988	7.4

*From the first quarter of the consolidated accounting period, the Company reviewed the performance assessment method upon introduction of our new core information system and changed the method to measure orders received between segments. Concerning increase/decrease as compared with the same quarter of last year, the figures are calculated using the method after the change. As a result, this produces minor effects on orders received between segments during the second quarter of the current consolidated cumulative period.