Translation

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

February 4, 2016

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
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Scheduled date to file Quarterly Securities Report:	February 12, 2016
Scheduled date to commence dividend payments:	—
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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	%
Nine months ended December 31, 2015	176,493	(0.0)	6,998	6.3	7,089	(18.3)	3,451	(14.5)
Nine months ended December 31, 2014	176,566	4.1	6,586	62.8	8,674	72.2	4,036	53.4

Note: Comprehensive income As of December 31, 2015 2,745 million yen (55.0)%
As of December 31, 2014 6,103 million yen 8.9%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2015	47.04	—
Nine months ended December 31, 2014	54.66	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2015	246,078	154,528	62.0
As of March 31, 2015	265,718	160,294	59.6

Note : Shareholders' equity As of December 31, 2015 152,626 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 : No

* 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 10 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 December 31, 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 December 31, 2015	1,865,100 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)

Nine months ended December 31, 2015	73,380,124 shares	Nine months ended December 31, 2014	73,852,673 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 the fourth quarter consolidated accounting periods. Since fixed costs are generated constantly through the year, in a typical year profits in the first quarter and the third quarter consolidated accounting periods tend to be lower than those in the other two quarters. Conversely, profits in the second quarter and, especially, the fourth quarter, in which sales are concentrated, tend to be higher than those in the other two quarters.

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 business performance

In the third 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. However, the picture was not uniform: weakness was discernible in certain sectors, although overall the gradual recovery continued. As for capital investment, owing to the economic slowdown in emerging economies, exports to China and Asia were sluggish. Manufacturing companies thus grew more cautious and evidently some investments were put on hold.

Turning overseas, the US economy was marked by lackluster capital investment due to such factors as the slowdown in foreign economies, the fall in the price of crude oil and the high dollar. However, the recovery continued against the backdrop of a robust household sector. Europe too continued its gentle recovery, despite the economic impact of the terrorist attacks. In contrast, because of an impending Fed rate hike in the US, there has been a rapidly strengthening impression of a slowdown in China and the other emerging economies.

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.

We have been keeping abreast of new technological innovations – such as IoT [Note 3], big data and AI – while further strengthening our capabilities for supplying solutions that combine the knowhow we have acquired through many years of on-site experience with the sort of service that is unique to the azbil Group. We have also implemented initiatives to expand sales. Progress has been made, in Japan and abroad, with reinforcing the corporate structure while implementing radical business structure reforms and production structure enhancement so as to achieve medium- to long-term growth.

In the current consolidated fiscal year too, we have launched new products and services to meet customer needs and to lead to future business expansion. Progress has also been made with reorganizing domestic production bases [Note 4] so as to adapt to changes in the business environment and improve efficiency, while enhancing our sales/service system to ensure close links with customers and the region (enhancing our network of offices in the Tokyo metropolitan area) [Note 5] 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 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

Note 3: IoT (Internet of Things)

IoT involves imparting communications functions to all sorts of "things" around us, not just computers and other IT equipment. These things are then connected to the Internet. The resulting exchange of vast amounts of information enables automatic recognition, automatic control, telemetry, etc. Systems are now being developed to enable manufacturers to monitor in real-time how their products (equipment fitted with sensors and communications functions) are operating, and to check whether a component is malfunctioning, requires replacement, etc.

Note 4: Reorganizing domestic production bases

Progress has been made with the reorganization of domestic production bases, including the Azbil Corporation's Shonan and Isehara factories, and also the factories operated by Azbil Kimmon Co., Ltd., one of the Group companies. The expenses incurred by closing 2 of Azbil Kimmon's factories that produced town gas meters have been recorded as extraordinary losses of 284 million yen (including impairment loss) in the third quarter of the current consolidated cumulative period.

Note 5: Reinforcing the sales/service system
(enhancing our network of offices in the Tokyo metropolitan area)

To reinforce Azbil Corporation's sales/service system, sales/service offices have been established or relocated in Osaki, Toranomon and Kasumigaseki (all within Tokyo). So the 129 million yen expenses for this have been recorded as non-operating expenses in the third quarter of the current consolidated cumulative period.

As can be seen from the financial results for the third quarter of the current consolidated cumulative period, orders were 214,646 million yen, up 3.1% on the same period last year, thanks especially to the Building Automation (BA) business which benefitted from not only a favorable domestic business environment but also a revision made to the way orders for multi-year contracts are recorded[Note 6]. As regards sales, the BA business achieved growth thanks to the aforesaid favorable domestic business environment. However, the effect of the economic slowdown meant that capital investment in China was stagnant, hitting Japanese exports and thus domestic industries. These and other factors led to a slight decrease in sales for the Advanced Automation (AA) business. In addition, the Life Automation (LA) business saw a fall in sales as a result of the 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). Consequently, overall sales were 176,493 million yen, on a par with sales for the same period last year, when sales was 176,566 million yen.

Turning to profits, there was an increase in expenses associated with R&D activities aimed at future business expansion, and with operating the new core information system, a previously established initiative designed to strengthen the business infrastructure. Additionally, 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 expenses for provision for loss on orders received. Nevertheless, LA business profits improved as a result of reduced goodwill amortization expenses and the effect of business structure reforms made in the previous consolidated fiscal year. Overall, operating income increased to 6,998 million yen, up by 6.3% on 6,586 million yen recorded for the same period last year. However, ordinary income fell to 7,089 million yen, down by 18.3% on 8,674 million yen recorded for the same period last year, owing mainly to the fact that foreign exchange gains in the same period last year switched to foreign exchange losses in this quarter. Whereas impairment loss and restructuring loss were recorded as extraordinary losses in the same period last year, in the third quarter of the current consolidated cumulative period extraordinary losses were significantly reduced. Yet, since there was an increase in income taxes-deferred, net income attributable to owners of parent [Note 7] was 3,451 million yen, down by 14.5% compared to the same period last year, when it was 4,036 million yen.

Sales for the azbil Group tend to be concentrated in the second quarter and the fourth quarter consolidated accounting periods. Since fixed costs are generated constantly through the year, in a typical year profits in the first quarter and the third quarter consolidated accounting periods tend to be lower than those in the other two quarters. Conversely, profits in the second quarter and, especially, the fourth quarter, in which sales are concentrated, tend to be higher than those in the other two quarters.

Note 6: 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 third 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 third quarter of the current consolidated cumulative period, but as a result of this revision an additional approximately 3,900 million yen was recorded. Moreover, approximately 4,500 million yen in multi-year contracts were additionally recorded in the current fiscal year.

Note 7: Net income attributable to owners of parent

Since the first quarter of the consolidated cumulative period, “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013) etc., have been 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, and while the market for existing buildings fell slightly and service was virtually unchanged from the same period last year, overall a high level of sales performance was maintained. As a result, 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. Although performance varied depending on the country, there was overall growth in China and other parts of Asia, and thus overseas market sales too were up on the same period last year.

As a result, BA business sales for the third quarter of the current consolidated cumulative period were 77,668 million yen, up 3.6% 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 expenses were incurred by R&D activities aimed at future business expansion, and there were also increased expenses 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 system. As a result segment profit was 4,460 million yen, down 16.7% on the same period last year, when segment profit was 5,351 million yen.

Advanced Automation (AA) Business

In the domestic market, customers have been postponing capital investment, mainly in the markets for industrial furnaces and semiconductor manufacturing equipment, leading to a downturn in sales of control products to equipment manufacturers. Also, in chemicals and other materials industries, 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. In such an environment, targeting advanced industries such as electrical/electronics and pharmaceuticals, as well as domestic demand-oriented industries [Note 8], 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, the business environment has been challenging. Added to this, large-scale projects boosted sales figures for the same period last year, so overall sales for this period were relatively lower.

In overseas markets, business has remained robust in the US and the 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 third quarter of the current consolidated cumulative period the AA business recorded sales of 66,040 million yen, down just 0.7% on the same period last year. Owing to the increase in expenses incurred by R&D activities and by operating the new core information system, segment profit was 2,464 million yen, down 16.3% compared to the same period last year, when segment profit was 2,944 million yen.

Note 8: Advanced industries such as electrical/electronics and pharmaceuticals, as well as domestic demand-oriented industries

The azbil Group has identified as a growth area such advanced industries as electrical/electronics, semiconductors, automobiles, 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 transferring its business in the health, welfare, and nursing care field in the previous consolidated fiscal year [Note 9]. Nevertheless, mainly as a result of the 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, an improvement was achieved in profits.

In the field of gas and water meters, sales were on a par with the same period last year despite an improvement in profits achieved mainly thanks to actively selecting more profitable orders in the water meter business. In the LSE field, large-scale jobs were won and orders improved. Sales also grew. Orders increased in the field of residential air-conditioning systems as a result of sales system reforms as well as improvements to marketing and development systems. Furthermore, progress was made with strengthening the profit structure, but sales were largely unchanged from the same period last year.

Consequently, for the third quarter of the current consolidated cumulative period the LA business recorded sales of 33,586 million yen, down 5.9% on the same period last year. Profit improved as a result of reduced goodwill amortization expenses and the effect of structural reforms undertaken throughout the LA business during the previous consolidated fiscal year. Segment profit was 62 million yen (a segment loss of 1,722 million yen was recorded in the same period last year).

Note 9: 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 third quarter of the current consolidated cumulative period, due to this transferring, sales decreased by approximately 3,400 million yen, but the effect of it on segment profit is slight.

Other

In Other business, sales in the third quarter of the current consolidated cumulative period were 54 million yen (compared with 53 million yen for the same period last year). Segment profit was 17 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 third quarter of fiscal year 2015 stood at 246,078 million yen, a decrease of 19,639 million yen from the previous fiscal year-end. This was mainly due to a decrease of 13,461 million yen in cash and deposits as well as a decrease of 7,602 million yen in notes and accounts receivable-trade.

(Liabilities)

Total liabilities at the end of the third quarter of fiscal year 2015 stood at 91,549 million yen, a decrease of 13,874 million yen from the previous fiscal year-end. This was mainly due to a decrease of 4,206 million yen in provision for bonuses as well as a decrease of 4,152 million yen in notes and accounts payable-trade, a decrease of 3,309 million yen in income taxes payable, and a decrease of 2,242 million yen in short-term loans payable.

(Net assets)

Net assets at the end of the third quarter of fiscal year 2015 stood at 154,528 million yen, a decrease of 5,765 million yen from the previous fiscal year-end. This reduction was mainly attributed to a decrease of 4,780 million yen as the payment of a dividend, a decrease of 2,002 million yen as a result of the purchasing of own shares, a decrease of 1,448 million yen as a result of applying the revised “Accounting Standard for Business Combinations”, etc., despite an increase of 3,451 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders’ equity ratio was 62.0% compared with 59.6% at the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

Despite there being some variance by business and region, the azbil Group’s consolidated financial results for the third quarter of the current consolidated cumulative period were broadly in line with the forecast published on October 30, 2015. It is true that there are heightened uncertainties concerning the outlook overseas, with the slowdown in the Chinese economy, the fall in the price of crude oil, and the potential impact of a Fed rate hike in the US on the emerging economies. These concerns will mean that some domestic capital investment continues to be postponed, and the business environment does not encourage optimism. Nevertheless, Japan’s construction market, which is the main focus for the BA business, continues to be robust. Taking these factors into account, and our commitment to continue implementing measures designed to ensure profits, we have decided that no changes will be made to the forecast previously published (October 30, 2015) for the full year.

In addition to realizing initiatives aimed at achieving forecast performance, focusing on the previously mentioned three key initiatives, the azbil Group will continue to implement business structure reforms and measures to enhance the business infrastructure so as to achieve medium- to long-term growth. While closely tracking changes in the business environment, we will continuously review the business plan and, where necessary, adopt appropriate measures in a timely manner.

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) have been applied since 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 were 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 third quarter of the previous consolidated cumulative period and the previous consolidated fiscal year.

The application of the “Accounting Standard for Business Combinations” has been 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 have been 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 third 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 third 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 December 31, 2015
Assets		
Current assets		
Cash and deposits	58,837	45,376
Notes and accounts receivable - trade	88,960	81,358
Securities	13,605	14,605
Merchandise and finished goods	5,353	5,172
Work in process	7,009	10,361
Raw materials	9,320	10,105
Other	15,474	14,256
Allowance for doubtful accounts	(565)	(495)
Total current assets	197,995	180,741
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,605	12,944
Other, net	12,092	11,680
Total property, plant and equipment	25,698	24,624
Intangible assets		
Goodwill	5,601	3,313
Other	5,923	5,750
Total intangible assets	11,524	9,064
Investments and other assets		
Investment securities	22,551	21,449
Net defined benefit asset	7	1,596
Other	8,314	8,954
Allowance for doubtful accounts	(373)	(353)
Total investments and other assets	30,499	31,647
Total non-current assets	67,722	65,336
Total assets	265,718	246,078
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,687	38,535
Short-term loans payable	15,776	13,533
Income taxes payable	3,829	520
Provision for bonuses	8,759	4,552
Provision for directors' bonuses	116	57
Provision for product warranties	484	588
Provision for loss on orders received	616	830
Provision for loss on plants reorganization	—	131
Provision for loss on litigation	441	—
Other	16,981	18,732
Total current liabilities	89,694	77,483

(Millions of yen)

	As of March 31, 2015	As of December 31, 2015
Non-current liabilities		
Bonds payable	10	—
Long-term loans payable	856	700
Net defined benefit liability	8,164	5,242
Provision for directors' retirement benefits	125	124
Other	6,572	7,999
Total non-current liabilities	15,729	14,066
Total liabilities	105,424	91,549
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	12,333
Retained earnings	121,573	123,659
Treasury shares	(2,648)	(4,650)
Total shareholders' equity	146,645	141,865
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,524	8,812
Deferred gains or losses on hedges	—	0
Foreign currency translation adjustment	2,505	2,039
Remeasurements of defined benefit plans	(402)	(91)
Total accumulated other comprehensive income	11,628	10,760
Non-controlling interests	2,020	1,902
Total net assets	160,294	154,528
Total liabilities and net assets	265,718	246,078

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

(Consolidated quarterly statements of income)

(The third quarter of the current consolidated cumulative period)

(Millions of yen)

	Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net sales	176,566	176,493
Cost of sales	115,275	115,046
Gross profit	61,291	61,446
Selling, general and administrative expenses	54,705	54,447
Operating income	6,586	6,998
Non-operating income		
Interest income	111	90
Dividend income	329	346
Foreign exchange gains	1,912	—
Real estate rent	41	33
Reversal of allowance for doubtful accounts	—	20
Gain on reversal of environmental expenses	—	302
Other	201	208
Total non-operating income	2,596	1,002
Non-operating expenses		
Interest expenses	328	260
Foreign exchange losses	—	332
Commitment fee	15	15
Rent expenses on real estates	44	40
Office transfer expenses	39	186
Provision of allowance for doubtful accounts	5	—
Share of loss of entities accounted for using equity method	4	2
Other	69	73
Total non-operating expenses	508	911
Ordinary income	8,674	7,089
Extraordinary income		
Gain on sales of non-current assets	71	34
Gain on sales of investment securities	53	188
Total extraordinary income	124	223
Extraordinary losses		
Loss on sales and retirement of non-current assets	80	53
Impairment loss	1,784	335
Loss on plants reorganization	—	248
Loss on valuation of investment securities	—	1
Restructuring loss	438	—
Provision for loss on litigation	436	—
Loss on sales of investment securities	0	—
Total extraordinary losses	2,739	638
Income before income taxes	6,059	6,673
Income taxes - current	1,017	1,122
Income taxes - deferred	824	1,904
Total income taxes	1,841	3,027
Net income	4,217	3,646
Net income attributable to non-controlling interests	181	194
Net income attributable to owners of parent	4,036	3,451

(Consolidated quarterly statements of comprehensive income)

(The third quarter of the current consolidated cumulative period)

(Millions of yen)

	Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)
Net income	4,217	3,646
Other comprehensive income		
Valuation difference on available-for-sale securities	2,332	(711)
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(695)	(500)
Remeasurements of defined benefit plans, net of tax	248	310
Total other comprehensive income	1,885	(901)
Comprehensive income	6,103	2,745
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,896	2,584
Comprehensive income attributable to non-controlling interests	206	161

(3) 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 has applied 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 third quarter of the current consolidated accounting period.

(Segment information)

Nine months ended December 31, 2014 (from April 1, 2014 to December 31, 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	74,839	66,090	35,587	176,518	48	176,566
Inter-segment	110	393	106	610	4	615
Total	74,950	66,484	35,693	177,128	53	177,182
Segment Profit (loss)	5,351	2,944	(1,722)	6,573	17	6,590

* "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 segments	6,573
Profit in Other	17
Elimination	(4)
Operating income	6,586

3. Information on the impairment loss of non-current assets, goodwill, etc. for each reportable segment

(Material changes in goodwill amount)

In the "Life Automation business," goodwill increased by 1,637 million yen, as the company acquired additional investments in capital of the consolidated subsidiary Azbil Telstar, S.L. during the third quarter of the current consolidated accounting period.

In addition, the future revenue expectations were revised following the process of business reevaluation and restructuring, consequently goodwill was reduced to a recoverable amount. The decrease of 1,784 million yen is recorded in the section of extraordinary losses as impairment loss.

Nine months ended December 31, 2015 (from April 1, 2015 to December 31, 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	77,430	65,627	33,386	176,443	49	176,493
Inter-segment	238	412	200	851	5	856
Total	77,668	66,040	33,586	177,295	54	177,350
Segment Profit	4,460	2,464	62	6,988	17	7,005

* “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 segments	6,988
Profit in Other	17
Elimination	(7)
Operating income	6,998

3. Notice on the changes of the reportable segments

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

The “Accounting Standard for Business Combinations”, etc., have been applied since 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 were 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. 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 third quarter of the current consolidated cumulative period.

The third 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. Information on the impairment loss of non-current assets, goodwill, etc. for each reportable segment

(Material changes in goodwill amount)

In the “Advanced Automation business,” during the third quarter of the current consolidated accounting period, goodwill of the consolidated subsidiary Azbil VorTek, LLC was reduced to a recoverable amount as a result of revising future revenue expectations. The decrease of 299 million yen is recorded in the section of extraordinary losses as impairment loss.

4.Supplementary information

Orders received condition

(Millions of yen)

Reportable segment	Nine months ended December 31, 2014 (April 1, 2014 to December 31, 2014)	Nine months ended December 31, 2015 (April 1, 2015 to December 31, 2015)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	100,425	108,009	7,583	7.6
Advanced Automation	72,537	72,115	(422)	(0.6)
Life Automation	35,925	35,199	(725)	(2.0)
Total of reportable segments	208,888	215,324	6,435	3.1
Other	53	54	1	2.4
Elimination	(717)	(732)	(15)	―
Consolidated	208,224	214,646	6,421	3.1

*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 third quarter of the current consolidated cumulative period.