azbil

Translation

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

May 13, 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 of ordinary general meeting of shareholders:	June 28, 2016
Scheduled date to file Securities Report:	June 28, 2016
Scheduled date to commence dividend payments:	June 29, 2016
Preparation of supplementary material on financial results:	Yes
Holding of financial results meeting:	Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated financial results

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	%
Year ended March 31, 2016	256,889	1.0	17,135	11.7	16,627	(3.0)	8,268	15.3
Year ended March 31, 2015	254,469	2.4	15,337	10.3	17,141	17.4	7,168	(6.5)

Note: Comprehensive income Year ended March 31, 2016 5,196 million yen (65.8)%
Year ended March 31, 2015 15,193 million yen 39.5%

	Net income per share	Diluted net income per share	Net income/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2016	112.73	–	5.3	6.3	6.7
Year ended March 31, 2015	97.07	–	4.8	6.6	6.0

Reference: Equity in earnings (losses) of affiliates Year ended March 31, 2016 (2) million yen
Year ended March 31, 2015 (9) million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2016	259,127	156,966	59.8	2,116.09
As of March 31, 2015	265,718	160,294	59.6	2,143.11

Reference: Shareholders' equity As of March 31, 2016 155,005 million yen
As of March 31, 2015 158,273 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2016	11,072	4,261	(10,536)	55,947
Year ended March 31, 2015	13,698	(13,472)	(6,065)	51,920

2. Dividends

	Dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2015	－	31.50	－	31.50	63.00	4,652	64.9	3.1
Year ended March 31, 2016	－	33.50	－	33.50	67.00	4,907	59.4	3.1
Year ending March 31, 2017 (Forecast)	－	37.00	－	37.00	74.00		47.1	

Note: Details of dividends at the 2nd quarter-end of the fiscal year ending March 31, 2017 (forecast):
an ordinary dividend of 34.50 yen, a commemorative dividend of 2.50 yen
Details of dividends at the end of the fiscal year ending March 31, 2017 (forecast):
an ordinary dividend of 34.50 yen, a commemorative dividend of 2.50 yen

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	115,500	1.2	3,800	7.3	3,600	3.9	2,000	15.2	27.30
Full year	260,000	1.2	19,000	10.9	18,500	11.3	11,500	39.1	156.99

* 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) 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 “5. Consolidated financial statements (5) Notes to the consolidated financial statements” on page 26 of the financial results (appendix).

(3) Number of issued shares (Common stock)

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

As of March 31, 2016	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 March 31, 2016	1,865,122 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)

Year ended March 31, 2016	73,348,020 shares	Year ended March 31, 2015	73,852,582 shares

* Description of the situation of the procedures audit results

This financial results is not subject to the audit procedures specified in the Financial Instruments and Exchange Act. As of the disclosure of this financial results, the procedures for auditing consolidated 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. Financial Results (1) Analysis of financial results” on page 2 of the appendix for preconditions underlying these projections and precautions to follow in using these projections.

(How to obtain supplementary material on financial results)

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

Accompanying Materials
Contents

1. Financial Results

(1) Analysis of financial results

1) Financial results for the current fiscal year

In the current consolidated fiscal year, Japan's economy continued to demonstrate an improvement in employment and employee compensation as well as in corporate earnings. Overall, it has maintained a moderate recovery. However, in the second half there was evidence of demand softening, in both domestic and overseas markets, and economic growth has recently slowed to a standstill. As for capital investment, owing to the economic slowdown in emerging economies, exports to China and Asia were sluggish. Added to this there was a decline in profits resulting from the continuing appreciation of the yen, and consequently companies in the manufacturing industry grew more cautious.

Turning overseas, the US economy has been marked by lackluster capital investment due to such factors as the slowdown in emerging economies, the fall in the price of crude oil and the high dollar. Nevertheless, the recovery continued against the backdrop of a robust household sector. In Europe, steady growth continued, although there have been signs of a slowdown in mainly manufacturing. In emerging economies, the outlook looks increasingly uncertain with the adjustment of overcapacity in China causing the economy to flag, and resource-rich countries suffering an economic slump as a result of declines in resource prices and currency values.

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, 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 3] so as to adapt to changes in the business environment and improve efficiency, as well as with 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 4] in order to make sure of tapping into the construction demand being generated by redevelopment projects in and around the capital and also 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: Reorganizing domestic production bases

Progress has been made with the reorganization of domestic production bases, including 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 349 million yen (including impairment loss) in the current consolidated fiscal year.

Note 4: 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 current consolidated fiscal year.

Turning to the financial results for the current consolidated fiscal year, orders were 273,613 million yen, up 2.5% on the 266,925 million yen recorded in the previous consolidated fiscal year. This result was principally due to the Building Automation (BA) business which benefitted from not only a favorable business environment in Japan but also a revision made to the way multi-year contracts are recorded [Note 5].

As regards sales, owing to the economic slowdown in China and stagnant capital investment in Japan sales for the Advanced Automation (AA) business were virtually unchanged from the previous fiscal year. Also, the Life Automation (LA) business saw a 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. Nevertheless, the BA business achieved sales growth and consequently overall sales were 256,889 million yen, a rise of 1.0% on the 254,469 million yen recorded in the previous consolidated fiscal year.

Turning to profits, there was an increase in expenses associated with R&D activities aimed at business expansion, and with operating the new core information system, an 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, profits improved generated by sales growth and reducing goodwill amortization expenses, as well as LA business profits improved as a result of the effect of business structure reforms undertaken in the previous consolidated fiscal year. Overall, operating income was 17,135 million yen, up by 11.7% on the 15,337 million yen recorded in the previous consolidated fiscal year. However ordinary income was 16,627 million yen, down by 3.0% on the 17,141 million yen recorded in the previous consolidated fiscal year, owing mainly to the fact, while that foreign exchange gains had been recorded in the previous fiscal year, this year saw exchange losses. As regards net income attributable to owners of parent, [Note 6] there were extraordinary losses such as a goodwill impairment loss associated with a consolidated subsidiary, but since these were less than the previous year [Note 7], net income attributable to owners of parent was 8,268 million yen, up by 15.3% on the 7,168 million yen recorded for the previous consolidated fiscal year.

Note 5: A revision made to the way orders for multi-year contracts are recorded

From the current consolidated fiscal year, 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 current consolidated fiscal year, the figure recorded for large-scale service contracts related to market testing, etc. (approximately 7,600 million yen in the previous year) decreased approximately 1,400 million yen in the current consolidated fiscal year, but as a result of this revision an additional approximately 4,000 million yen was recorded. Moreover, approximately 4,700 million yen in multi-year contracts were additionally recorded in the current fiscal year.

Note 6: Net income attributable to owners of parent

Since the current consolidated fiscal year, “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”.

Note 7: Reduced extraordinary losses (vs. previous fiscal year)

In order to realize sustained growth, we are continuously engaged in implementing business structure reforms and measures to enhance the business infrastructure. In the previous consolidated fiscal year, expenses were incurred as a result of reviewing and restructuring businesses; additionally, there was impairment loss and loss on abolishment of retirement benefit plan following changes in the retirement pension plan. As a result, extraordinary losses of 7,565 million yen were recorded. In the current consolidated fiscal year, on top of the above-mentioned expenses incurred by closing Azbil Kimmon’s factories, there was also a goodwill impairment loss associated with Azbil Telstar in the Life Science Engineering (LSE) field. These resulted in extraordinary losses of 3,851 million yen being recorded, although this was less than in the previous fiscal year.

As regards the Azbil Telstar Group, restructuring of the business has been underway and some improvements have been achieved in the performance of the main operating company in Spain. However, results for the operating companies in the Netherlands and Brazil declined. As a result of reviewing the earnings forecast of the Azbil Telstar Group, impairment loss on goodwill was recorded with implementing measures based on a sweeping revision of the group’s business in problematic regions. In this way, steps have been taken to tackle foreseeable future risk factors, and we are aiming to achieve a rapid recovery in profitability for the aforesaid business to bring it into the black.

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, there was considerable sales growth in the market for new buildings thanks to efforts to strengthen our job fulfillment system. And, as a result of the optimal allocation of human resources within the Group, it was possible to maintain a high level of sales in the market for existing buildings and in the service field. Consequently, overall domestic market sales were higher than for the previous fiscal year.

In overseas markets, steady progress has been made with the development of local markets. Although performance varied depending on the countries, there was overall growth, mainly in China, and thus overseas market sales too were up on the previous consolidated fiscal year.

As a result, BA business sales for the current consolidated fiscal year were 118,835 million yen, up 3.9% on the 114,321 million yen recorded for the previous consolidated fiscal year. Segment profit was impacted by several factors, including changes to the sales mix, and measures and system development undertaken in anticipation of the future business opportunities afforded throughout the life cycle of a building. Also, R&D expenses increased for aiming 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 aforementioned system. As a result segment profit was 12,014 million yen, down 1.9% on the previous consolidated fiscal year, when segment profit was 12,245 million yen.

Advanced Automation (AA) Business

In the domestic market, companies in equipment manufacturing and materials-related fields have stuck to their wait-and-see posture owing to some uncertainty regarding the future outlook. While there have been signs of improvement in certain markets, overall there has been little change to the prevailing lackluster business conditions. In view of this, we have engaged in developing fields with potential for future sales growth, [Note 8] and as a result overall domestic sales were on a par with the figure for the previous fiscal year.

In overseas markets, because of such factors as slowing economic growth in China, the business environment has continued to be difficult, especially in fields related to the materials industries. This is the principal reason why overseas sales fell slightly overall.

Consequently, for the current consolidated fiscal year the AA business achieved sales of 93,538 million yen, down 0.2% on the previous consolidated fiscal year, when sales of 93,687 million yen were recorded. As regards profits, there was an increase in expenses incurred by operating the new core information system, but this was offset by providing customers with high value-added solutions and by improving the profit structure. It was thus possible to maintain segment profit, which rose by 0.3% to 5,029 million yen, on a par with the 5,013 million yen recorded for the previous consolidated fiscal year.

Note 8: Development of fields with potential for future sales growth

The azbil Group has identified as a priority area automation in advanced industries such as electrical/electronics, semiconductors, automobiles, and chemicals (downstream) as well as domestic demand-oriented industries such as food and pharmaceuticals, together with the companies that produce manufacturing equipment for the aforesaid industries. Automation for these industries is referred to collectively as HA/FA (Hybrid Automation / Factory Automation), and the azbil Group is actively engaged in growing this HA/FA business. Also, we are developing the business to provide unique azbil Group solutions for customers connected with the gas energy supply chain, including LNG carrier operators.

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science (pharmaceutical/medical fields), and Lifestyle-related (residential central air-conditioning systems). There was a fall in sales during the current fiscal year compared to the previous year, principally due to the impact of transferring its business in the health, welfare, and nursing care field in the previous consolidated fiscal year. [Note 9] However, profitability has been improved thanks to the steady progress made with reforms in the various business fields.

In the field of gas and water meters, sales were on a par with the previous consolidated fiscal year, but an increase in profits was achieved mainly thanks to actively selecting more profitable orders in the water meter business. In the Life Science Engineering (LSE) field, while some declines were observed in results for companies operating in the Netherlands and Brazil, overall an improvement was achieved in profitability owing to sales growth following a recovery in orders and to business structure reforms. Orders and sales increased in the field of residential central air-conditioning systems thanks to sales system reforms as well as improvements to marketing and development systems. Furthermore, the profit structure was strengthened.

Consequently, LA business sales for the current consolidated fiscal year were 45,646 million yen, down 3.6% on the previous consolidated fiscal year, when sales of 47,331 million yen were recorded. Profits 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 79 million yen (a segment loss of 1,937 million yen was recorded in the previous consolidated fiscal year).

Note 9: Transfer of business in the health, welfare and nursing care field in the previous consolidated fiscal year

On February 4, 2015, all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. As a result of this transfer, sales for the current consolidated fiscal year were reduced by approximately 3,400 million yen, but the impact on segment profit has been small.

Other

In Other business, sales of 66 million yen were recorded for the current fiscal year; in the previous fiscal year sales were 66 million yen. Segment profit was 17 million yen; in the previous fiscal year there was a segment profit of 17 million yen.

2) Forecast for the next period

As regards the economic environment in the upcoming period, there are concerns about the negative impact of the high yen on corporate profits, but a modest recovery is anticipated thanks to ongoing inventory adjustment in the domestic market as well as exports to Europe and the US. Overseas, while the US and Eurozone economies will lack vigor, a moderate recovery is expected to continue, underpinned by consumer spending. The slowdown in China's economy, however, is predicted to continue as capital stock is adjusted, and there are growing signs of a slowdown in other emerging economies.

As regards the business environment for the azbil Group, the domestic construction market that is the primary focus of the BA business is expected to continue to be robust. As for the AA business, we can anticipate a modest recovery in capital investment projects in the domestic market – led mainly by investment for maintaining/updating equipment, which has been until now deferred. However, there is apprehension regarding sluggish corporate profits, in part due to exchange rates, and also the impact on overseas markets of slack capital investment demand in the emerging economies. As for the LA business, while growth in replacement demand for LP gas meters is predicted, there are concerns about the effect that the slowdown in emerging economies will have on the pharmaceutical manufacturing market. Thus, even within the same segment, some disparity will be observed in the performance of different business fields.

Faced with this business environment, and conscious that 2016 marks the 110th anniversary of its founding and the 10th anniversary of the adoption of the Group philosophy of "human-centered automation", the azbil Group is focusing on the aforementioned three key initiatives. In the three business segments of BA, AA and LA, we will intensify efforts to implement business structure reforms and measures to enhance the business infrastructure. While closely tracking changes in the business environment, we will review the business plan and, where necessary, implement organizational reforms and adopt appropriate measures in a timely manner. In this way, while attaining our FY2016 performance targets, we will aim to achieve medium- to long-term growth from FY2017, which marks the start of the next medium-term plan.

As the following table shows, our performance forecasts for the next period are thus: net sales of 260,000 million yen (up 1.2% on the previous consolidated fiscal year); operating income of 19,000 million yen (up 10.9%); ordinary income of 18,500 million yen (up 11.3%); and net income attributable to owners of parent of 11,500 million yen (up 39.1%).

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.

(Billions of yen)

		Fiscal year 2015 Actual	Fiscal year 2016 Forecast	Difference	%
Building Automation	Sales	118.8	120.0	1.1	1.0
	Operating income	12.0	13.0	0.9	8.2
Advanced Automation	Sales	93.5	94.0	0.4	0.5
	Operating income	5.0	4.3	(0.7)	(14.5)
Life Automation	Sales	45.6	46.0	0.3	0.8
	Operating income	0.0	1.7	1.6	-
Other	Sales	0.0	0.1	0.0	49.5
	Operating income	0.0	0.0	0.0	-
Consolidated	Net sales	256.8	260.0	3.1	1.2
	Operating income	17.1	19.0	1.8	10.9
	Ordinary income	16.6	18.5	1.8	11.3
	Net income attributable to owners of parent	8.2	11.5	3.2	39.1

(2) Analysis of financial position

Analysis of assets, liabilities, net assets and cash flows

(Assets)

Total assets at the end of the current fiscal year stood at 259,127 million yen, a decrease of 6,590 million yen from the previous fiscal year-end. The reduction in current assets was mainly due to a decrease of 10,625 million yen in cash and deposits as a result of loan repayments, a decrease of 5,443 million yen in goodwill as a result of impairment loss, and a decrease of 3,068 million yen in investment securities as a result of the fall in the stock market, despite increases of 7,900 million yen in securities, 2,811 million yen in notes and accounts receivable-trade, and 2,470 million yen in inventories.

(Liabilities)

Total liabilities at the end of the current fiscal year stood at 102,161 million yen, a decrease of 3,263 million yen from the previous fiscal year-end. This was mainly due to a decrease of 3,786 million yen in short-term loans payable as a result of repayments.

(Net assets)

Net assets at the end of the current fiscal year stood at 156,966 million yen, a decrease of 3,327 million yen from the previous fiscal year-end. The reduction in net assets 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 the result of purchasing of own shares, a decrease of 1,448 million yen as the result of applying the revised “Accounting Standard for Business Combinations”,etc., and a decrease of 1,883 million yen in valuation difference on available-for-sale securities, despite an increase of 8,268 million in capital stock as a result of the recording of net income attributable to owners of parent.

(Cash flows from operating activities)

Cash and cash equivalents (hereinafter, net cash) provided by operating activities in the current fiscal year were 11,072 million yen, a decrease of 2,625 million yen compared with the previous fiscal year. This was principally owing to the fact that, despite reduced income taxes paid, there was an increase in notes and accounts receivable-trade according to an increase in sales, etc.

(Cash flows from investing activities)

Net cash provided by investing activities (income) in the current fiscal year was 4,261 million yen (in the previous fiscal year net cash used for those activities (expenditure) was 13,472 million yen). This was principally due to an increase in proceeds from withdrawal of time deposits coupled with a decrease in purchase of securities.

(Cash flows from financing activities)

Net cash used in financing activities (expenditure) in the current fiscal year was 10,536 million yen, an increase of 4,470 million yen compared to the previous fiscal year. This was mainly due to the increase in expenditure resulting from purchase of own shares and increase in loans payable.

As a result of the above factors, net cash at the end of the current fiscal year was 55,947 million yen, an increase of 4,026 million yen from the previous fiscal year-end.

(3) Basic policy regarding profit sharing and the dividends for the current and next accounting period

The azbil Group places great importance on the distribution of profits to our shareholders. The management would like to maintain stable dividends while striving to increase its dividends payout, taking into account comprehensively its consolidated performance, levels of ROE (Return On Equity), DOE (Dividends On Equity), as well as retained earnings for strengthening its business base and developing future businesses.

In consideration of the policies outlined above, it is planned to issue an annual dividend of 67 yen per share for the year ended March 31, 2016 (FY2015), as previously announced. For the year ending March 31, 2017 (FY2016), our intention is to increase the distribution of profits to our shareholders by raising the dividend level. We therefore plan to raise the ordinary dividend by 2 yen per share, making the annual dividend payment 69 yen per share. In addition, as 2016 marks the 110th anniversary of the founding and the 10th anniversary of our new name, “azbil”, we plan to issue a commemorative dividend of 5 yen per share.

As regards the use to which retained earnings will be put, while effectively investing them in strengthening the business base and business expansion – for example, reinforcing products and services for business growth and implementing structural reform of global production and development – as well as in enhancing management, we will also invest in contingency plans to ensure business continuity following natural disasters, etc., thus aiming to realize even greater shareholder value.

2. Activities (Present situation) of the azbil Group

The azbil Group consists of our company, 63 subsidiaries and 5 affiliates, and is pursuing "human-centered automation" that aims to realize safety, comfort and fulfillment and contribute to global environmental preservation. The Group operates in three core business segments: Building Automation (BA) business in the building market, Advanced Automation (AA) business in the industrial market, and Life Automation (LA) business in markets closely related to lifelines and everyday life. The BA business develops and manufactures a comprehensive lineup, from building management and security systems to application software, controllers, valves and sensors, and also provides instrumentation design, sales, engineering, maintenance, energy-saving solutions, and operation and management of facilities. The Group also draws on its original environmental control technologies to create comfortable and productive office and factory spaces and to develop business that contributes to environmental load reduction. The AA business is focused on solving issues in the materials industries such as oil, chemical, steel, and pulp and paper, as well as in the processing and assembly industries including automobiles, electrical and electronic, semiconductors and food, through the provision of products, solutions, instrumentation, engineering and maintenance to support the optimum operation of equipment and facilities throughout their lifecycle. The Group develops advanced measurement and control technologies, aims to create production spaces that are safe and enhance human capabilities, and conducts business to create new value by collaboration with customers. The LA business applies measurement, control and metering technologies cultivated over many years in the building and industrial markets, as well as to lifelines such as gas and water, living spaces, the pharmaceutical and medical fields and life science research. The Group conducts business to support active lifestyles.

As for the above mentioned business contents, our company and other companies are positioned as shown in the following business chart.

Customers in Japan, overseas

【Japan】

Production, Engineering, Sales

＜Advanced Automation Business/Others ＞

Azbil Trading Co., Ltd.*1
(Sales of control, measurement, testing, safety, environmental equipment, design, Instrumentation; sales, engineering management services)

Azbil TA Co.,Ltd. *1
and 1 unconsolidated subsidiary *2
(Manufacture and sale of pneumatic equipment and related equipment)

Tem-Tech Lab. *3
(Production, sales and entrusted R&D of various sensors)

＜Life Automation Business＞

Azbil Kimmon Co., Ltd.
and 8 consolidated subsidiaries *1
(R&D, manufacture and sales of gas/water meters and related equipment)

【Overseas】

Production, Engineering, Sales

<Building Automation Business>

Yamatake Environmental Control Technology (Beijing) Co., Ltd. *1
(Instrumentation; sales of control and measurement equipment)

Beijing YTYH Intelli-Technology Co., Ltd. *1
(Instrumentation; sales of control and measurement equipment)

CECEP Building Energy Management Co., Ltd. *3
(sales of control and measurement equipment and provision of energy management services)

<Advanced Automation Business >

Shanghai Azbil Automation Co., Ltd. *1
(Instrumentation; software development; production and sales of control measurement equipment)

Yamatake Automation Products (Shanghai) Co., Ltd. *1
(Sales of control equipment)

Azbil North America, Inc.*1
(Sales of control and measurement equipment)

Azbil VorTek, LLC *1
(R&D,manufacturing,sales of flow instrument)

Azbil Europe NV *1
(Sales of control equipment)

Azbil Brazil Limited *1
(Instrumentation; sales of control and measurement equipment)

Azbil Saudi Limited *1
(Production and sales of control valves)

<Building Automation Business / Advanced Automation Business>

Azbil Korea Co., Ltd. *1
Azbil (Thailand) Co., Ltd. *1
Azbil Singapore Pte. Ltd. *1
Azbil Taiwan Co., Ltd. *1
Azbil Control Solutions (Shanghai) Co., Ltd. *1
Azbil Hong Kong Limited *1
PT. Azbil Berca Indonesia *1
Azbil Vietnam Co., Ltd.*1
Azbil Malaysia Sdn. Bhd. *1
Azbil Philippines Corporation *1
Azbil India Private Limited *1
(Above subsidiaries: Instrumentation; sales of control and measurement equipment)
One other *2

＜Life Automation Business＞

Azbil Telstar, S.L.U. *1
and 19 consolidated subsidiaries, *1
and 3 affiliate companies that are accounted for by the equity method
(R&D, manufacturing, sales, installation, maintenance of manufacturing equipment and environmental equipment for pharmaceutical plant, laboratory, hospital)

Azbil Kimmon Technology Corporation *1
(Manufacture and sales of gas meters)

R&D・Manufacturing・Sales・Installation・Maintenance

Azbil Corporation

【Japan】

Production

Azbil Taishin Co., Ltd. *1
(R&D and manufacture of electronic and precision equipment)

Azbil Kyoto Co., Ltd. *1
(Manufacture of electronic and precision equipment)

【Japan】

Others

Azbil Yamatake Friendly Co., Ltd. *2
(Cleaning; safety management; collection and delivery; assembly of control and measurement components)

Azbil SecurityFriday Co.,Ltd. *2
(R&D and sales of software)

【Overseas】

Other

Azbil North America Research and Development, Inc. *1
(R&D and entrusted services of technological research)

【Overseas】

Production

Azbil Control Instruments (Dalian) Co., Ltd. *1
(Manufacture of electronic and precision equipment)
Azbil Information Technology Center (Dalian) Co., Ltd. *2
(Software development)
Azbil Production (Thailand) Co., Ltd. *1
(Manufacture of electronic and precision equipment)
One other *2

*1 Consolidated subsidiary
*2 Unconsolidated companies that are not accounted for by the equity method
*3 Affiliate companies that are not accounted for by the equity method

3. Management Policy

(1) Basic policy for corporate management

The philosophy of the azbil Group is to realize safety, comfort and fulfillment in people's lives and to contribute to global environmental preservation through "human-centered automation." The azbil Group seeks to thrive and grow as a unique corporate consortium through implementing this philosophy. Drawing on considerable technologies and resources – principally for measurement and control – that have been built up over many years, and using them to create high-quality products and services that offer customers safety, peace of mind and high added value, the azbil Group delivers solutions for the issues faced by its customers.

Guided by the Group philosophy of "human-centered automation," we adopt a medium- to long-term perspective to managing integrated Group operations in our three business segments: Building Automation (BA), Advanced Automation (AA), and Life Automation (LA). In striving to enhance and maximize enterprise value, we not only satisfy the expectations of all our stakeholders – shareholders, customers, employees and local communities – but we can also play a leading role in realizing a sustainable society.

(2) Management metrics

The azbil Group puts great importance on the interests of its shareholders and a fundamental target is to raise consolidated ROE (return on equity) so as to increase shareholder value. By improving profitability and capital efficiency, we seek to achieve our long-term goal of attaining ROE of 10% or more.

The year ending March 31, 2017 (FY2016) is the final year of the current medium-term plan. By harnessing synergies throughout the Group, we will invigorate and grow our global businesses based on technologies, products and services. In this way, we aim to achieve operating income of 19,000 million yen, net sales of 260,000 million yen, and overseas sales to approximately 20% of the total.

(3) Medium- to long-term management strategies

While focusing on automation, we have till now avoided overconcentration on a single market by creating a diversified portfolio – composed of three businesses (BA, AA and LA) that focus on differing markets – and endeavoring to expand our various business domains by acquiring new customers and harnessing synergies. However, our business domains vary: some are mature domains in which it has become difficult to realize sustainable growth by supplying our current range of products and services, while others are undergoing rapid change with the advent of new technological innovations such as IoT and the Cloud. We are acting to reinforce the foundations of our business while continuing to take steps to ensure enterprise survival. At the same time, in order to realize further growth we will accurately track changing business opportunities in Japan and overseas, striving to improve our solution proposal capabilities through coordination between our products and the work undertaken at the customer's site, viewed from the perspective of business creation. As a long-term partner for customers and communities around the world, we will make sure to supply the sort of value that is only available from the azbil Group.

Going forward, we will continue to work together with our customers to meet the emerging needs of society by supplying value unique to the azbil Group. In order to realize this, we will proceed with structural reinforcement and reforms so that we can progressively engage in the three growth areas –

namely, energy management solutions, next-generation solutions for the indoor spaces of factories, offices and homes, and safety solutions. At the same time, as a world-class, comprehensive automation manufacturer aiming at sustainable development – both for our enterprise and for society – we will realize CSR management that actively contributes to society, the environment and the economy through optimized and effective use of the Group's management resources.

(4) Issues to be tackled

In striving to ensure medium- to long-term business development and continuous enhancement of enterprise value, the azbil Group is keen to meet the expectations of all stakeholders, not least the shareholders. We have accordingly established long-term goals for the azbil Group. To achieve these goals, through the pursuit of "human-centered automation" in our three business segments (BA, AA and LA), we are now implementing three key initiatives: (1) becoming a long-term partner for the customer and the community by offering solutions based on our technologies and products; (2) taking global operations to the next level, with global expansion by moving into new regions and making a qualitative change of focus; and to realize these goals by (3) becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure. In this way we have made progress with reforms to the business structure that can lead to business expansion.

However, giving due consideration to the changing conditions and environment facing society, domestically and internationally, if we are to achieve further growth then it will not be sufficient to continue business operations as we have done. What is called for is a further acceleration of structural reforms for each business, in Japan and abroad, and the creation of advanced development/production systems for the Group. We are also aiming to achieve continuous growth through strengthening corporate governance, allocating management resources effectively and boldly, and also working to accelerate these reforms and ensure they take firm root.

1. In Japan, all three businesses serve mature industries, yet there are significant differences in the environment each finds itself in. The BA business has tapped into the demand that is growing with the urban redevelopment plans for the Tokyo metropolitan area. In order to reinforce the foundation of its service business, it will develop new fields using air conditioning system "nexfort" designed for small- to medium-size office buildings, while strengthening job fulfillment capabilities by transferring staff from within the Group. The AA business supplies automation targeted at a wide variety of different markets, but profitability has not yet recovered sufficiently. We will therefore implement reforms aimed at achieving a highly profitable business structure by developing individual business models closely matched to the market environment of each of its businesses (CP, IAP and SS).[Note 1] One example of this approach is offering solutions based on the C7G Multi Loop Controller with Multifunction Display, which can calculate diagnostic parameters that contribute to preventative maintenance for manufacturing equipment. Furthermore, in addition to developing energy utility meter products and technologies, we have started supplying solutions that automate meter operations – covering everything from measurement and control to management – not only to the BA and AA businesses but also to the LA business, thus demonstrating how to cross over conventional business boundaries. In these ways, we are even more vigorously reallocating and optimizing resources within the azbil Group to match changes in the market environment, aiming to achieve efficient management through an integrated structure in mature fields as well as a shift to new fields with potential for

growth.

Note 1

CP business: Control Products business (component business handling digital instrumentation equipment, micro-switches, sensors, combustion control devices, etc.)

IAP business: Industrial Automation Products business (component business handling industrial instruments, transmitters, control valves, etc.)

SS business: Solution & Service business (control systems and service/maintenance business)

2. In overseas markets, as one approach to further strengthening the business foundation so as to increase earnings, we are aiming to expand globally by responding to local market needs – such as large-scale projects, which are on the increase – and enhancing staff training. As regards company management, we will be working to strengthen administration and governance at our overseas subsidiaries, as well as conducting global HR training for managers in Japan and overseas so as to raise the level of leadership skills throughout the azbil Group.
   In order to launch a new Life Science Engineering business, a stake in Azbil Telstar was acquired, and subsequently radical business structure reforms have been implemented at the subsidiary Azbil Telstar from FY2014. However, while some improvements have been achieved in strengthening the corporate structure of the main operating company in Spain, the performance of the companies operating in the Netherlands and Brazil has declined. We will continue to bolster profitability by conducting a sweeping review, focusing on the cleanroom business in both countries, and at the same time acting to improve project management systems and generate synergies with the azbil Group.

3. To lend further impetus to azbil Group business expansion, we will reorganize development and production systems for the Group. We aim to create a more advanced R&D environment by concentrating research-related resources at the Fujisawa Technology Center, and thus ensuring that the azbil Group's R&D activities are more efficient and more innovative. The Fujisawa Technology Center has already been equipped as an "energy solution site" demonstrating energy-use optimization for both production facilities and office environments. Here products still under development are installed and operated so engineers can monitor their performance. Tours of the Center are regularly conducted to provide customers with an opportunity to experience firsthand what azbil energy management is contributing to this growth field. Concurrently, by consolidating the production functions of the Shonan and Isehara factories into a single manufacturing plant, and reducing 5 Azbil Kimmon factories (producing town gas meters) to 3, we are creating an advanced production system that can cope with increasing cost competition and changing technology trends.

4. Promotion of CSR management is a goal of the medium-term plan and the entire azbil Group is actively engaged in a number of priority initiatives focusing on compliance (corporate ethics, legal conformity), risk management (quality, product liability, disaster prevention, BCP and information security), human-centric management, contributing to the global environment, promoting Group management and enhancing governance systems, and contributing to the society. Moreover, we are working to comply with Japan's Corporate Governance Code in order to enhance the integrity, neutrality and transparency of management. And we are actively progressing with measures to ensure

a constructive dialog with all of our stakeholders so as to facilitate sustained growth and enhancement of enterprise value over the medium to long term.

4. Basic Rationale for Selection of Accounting Standards

Group financial statements are prepared according to Japanese standards. In future we plan to continue reviewing procedures, including the possibility of optionally applying International Financial Reporting Standards (IFRS).

5. Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and deposits	58,837	48,211
Notes and accounts receivable - trade	88,960	91,772
Securities	13,605	21,505
Merchandise and finished goods	5,353	6,489
Work in process	7,009	7,520
Raw materials	9,320	10,143
Deferred tax assets	5,387	5,344
Other	10,087	10,460
Allowance for doubtful accounts	(565)	(621)
Total current assets	197,995	200,826
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,254	42,029
Accumulated depreciation	(28,648)	(29,269)
Buildings and structures, net	13,605	12,760
Machinery, equipment and vehicles	20,263	20,082
Accumulated depreciation	(17,308)	(17,408)
Machinery, equipment and vehicles, net	2,954	2,674
Tools, furniture and fixtures	20,231	19,947
Accumulated depreciation	(18,108)	(18,028)
Tools, furniture and fixtures, net	2,123	1,919
Land	6,617	6,530
Leased assets	278	224
Accumulated depreciation	(130)	(113)
Leased assets, net	148	110
Construction in progress	249	376
Total property, plant and equipment	25,698	24,371
Intangible assets		
Right of using facilities	144	143
Software	789	4,291
Goodwill	5,601	158
Other	4,989	1,094
Total intangible assets	11,524	5,687

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Investments and other assets		
Investment securities	22,551	19,482
Long-term loans receivable	93	65
Claims provable in bankruptcy, claims provable in rehabilitation and other	57	99
Deferred tax assets	874	1,535
Net defined benefit asset	7	5
Other	7,289	7,426
Allowance for doubtful accounts	(373)	(372)
Total investments and other assets	30,499	28,242
Total non-current assets	67,722	58,301
Total assets	265,718	259,127
Liabilities		
Current liabilities		
Notes and accounts payable - trade	42,687	45,587
Short-term loans payable	15,776	11,990
Current portion of bonds	30	10
Income taxes payable	3,829	3,795
Advances received	2,582	3,662
Provision for bonuses	8,759	8,894
Provision for directors' bonuses	116	109
Provision for product warranties	484	649
Provision for loss on order received	616	945
Provision for loss on plants reorganization	—	112
Provision for loss on litigation	441	—
Other	14,369	13,185
Total current liabilities	89,694	88,944
Non-current liabilities		
Bonds payable	10	—
Long-term loans payable	856	605
Deferred tax liabilities	4,534	3,623
Deferred tax liabilities for land revaluation	190	181
Net defined benefit liability	8,164	5,698
Provision for directors' retirement benefits	125	133
Other	1,847	2,975
Total non-current liabilities	15,729	13,217
Total liabilities	105,424	102,161

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	12,333
Retained earnings	121,573	128,476
Treasury shares	(2,648)	(4,650)
Total shareholders' equity	146,645	146,682
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,524	7,641
Deferred gains or losses on hedges	—	(0)
Foreign currency translation adjustment	2,505	2,212
Remeasurements of defined benefit plans	(402)	(1,529)
Total accumulated other comprehensive income	11,628	8,323
Non-controlling interests	2,020	1,960
Total net assets	160,294	156,966
Total liabilities and net assets	265,718	259,127

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

(Consolidated statements of income)

(Millions of yen)

	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Net sales	254,469	256,889
Cost of sales	164,585	165,801
Gross profit	89,883	91,088
Selling, general and administrative expenses	74,546	73,952
Operating income	15,337	17,135
Non-operating income		
Interest income	131	135
Dividend income	341	359
Foreign exchange gains	1,770	—
Real estate rent	54	44
Subsidy income	81	83
Reversal of allowance for doubtful accounts	—	1
Gain on reversal of environmental expenses	—	290
Other	294	254
Total non-operating income	2,673	1,168
Non-operating expenses		
Interest expenses	461	330
Foreign exchange losses	—	886
Commitment fee	20	21
Rent expenses on real estates	56	53
Office transfer expenses	73	223
Share of loss of entities accounted for using equity method	9	2
Provision of allowance for doubtful accounts	119	—
Other	126	159
Total non-operating expenses	869	1,677
Ordinary income	17,141	16,627
Extraordinary income		
Gain on sales of non-current assets	244	42
Gain on sales of investment securities	53	192
Compensation income	131	142
Gain on sales of shares of subsidiaries and associates	1,606	—
Total extraordinary income	2,036	376
Extraordinary losses		
Loss on sales and retirement of non-current assets	149	46
Impairment loss	2,669	3,395
Loss on plants reorganization	—	265
Restructuring loss	449	141
Loss on valuation of investment securities	70	1
Loss on sales of investment securities	0	0
Loss on abolishment of retirement benefit plan	2,885	—
Loss on reversal of foreign currency translation adjustment due to liquidation of a foreign subsidiary	899	—
Provision for loss on litigation	441	—
Total extraordinary losses	7,565	3,851
Income before income taxes	11,612	13,152
Income taxes - current	4,425	4,469
Income taxes - deferred	(232)	125
Total income taxes	4,193	4,595
Net income	7,419	8,556
Net income attributable to non-controlling interests	250	288
Net income attributable to owners of parent	7,168	8,268

(Consolidated statements of comprehensive income)

(Millions of yen)

	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Net income	7,419	8,556
Other comprehensive income		
Valuation difference on available-for-sale securities	4,546	(1,883)
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	1,794	(346)
Remeasurements of defined benefit plans, net of tax	1,434	(1,130)
Total other comprehensive income	7,774	(3,360)
Comprehensive income	15,193	5,196
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	14,829	4,963
Comprehensive income attributable to non-controlling interests	363	232

(3) Consolidated statements of changes in net assets

Fiscal year 2014 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	17,197	114,275	(2,646)	139,349
Cumulative effects of changes in accounting policies			5,148		5,148
Restated balance	10,522	17,197	119,423	(2,646)	144,497
Changes of items during period					
Dividends of surplus			(4,652)		(4,652)
Net income attributable to owners of parent			7,168		7,168
Change of scope of consolidation			(366)		(366)
Purchase of treasury shares				(2)	(2)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	―	0	2,149	(2)	2,147
Balance at end of current period	10,522	17,197	121,573	(2,648)	146,645

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at beginning of current period	4,978	0	824	(1,836)	3,966	2	1,660	144,978
Cumulative effects of changes in accounting policies								5,148
Restated balance	4,978	0	824	(1,836)	3,966	2	1,660	150,127
Changes of items during period								
Dividends of surplus								(4,652)
Net income attributable to owners of parent								7,168
Change of scope of consolidation								(366)
Purchase of treasury shares								(2)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	4,546	(0)	1,681	1,434	7,661	(2)	360	8,019
Total changes of items during period	4,546	(0)	1,681	1,434	7,661	(2)	360	10,166
Balance at end of current period	9,524	―	2,505	(402)	11,628	―	2,020	160,294

Fiscal year 2015 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	17,197	121,573	(2,648)	146,645
Cumulative effects of changes in accounting policies		(4,863)	3,415		(1,448)
Restated balance	10,522	12,333	124,988	(2,648)	145,196
Changes of items during period					
Dividends of surplus			(4,780)		(4,780)
Net income attributable to owners of parent			8,268		8,268
Change of scope of consolidation					
Purchase of treasury shares				(2,002)	(2,002)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	―	0	3,488	(2,002)	1,485
Balance at end of current period	10,522	12,333	128,476	(4,650)	146,682

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income			
Balance at beginning of current period	9,524	―	2,505	(402)	11,628	―	2,020	160,294
Cumulative effects of changes in accounting policies								(1,448)
Restated balance	9,524	―	2,505	(402)	11,628	―	2,020	158,845
Changes of items during period								
Dividends of surplus								(4,780)
Net income attributable to owners of parent								8,268
Change of scope of consolidation								―
Purchase of treasury shares								(2,002)
Disposal of treasury shares								0
Net changes of items other than shareholders' equity	(1,883)	(0)	(293)	(1,127)	(3,304)	―	(60)	(3,364)
Total changes of items during period	(1,883)	(0)	(293)	(1,127)	(3,304)	―	(60)	(1,878)
Balance at end of current period	7,641	(0)	2,212	(1,529)	8,323	―	1,960	156,966

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Cash flows from operating activities		
Income before income taxes	11,612	13,152
Depreciation	3,784	4,147
Amortization of goodwill	1,850	684
Increase (decrease) in allowance for doubtful accounts	51	102
Increase (decrease) in net defined benefit liability	(1,724)	(2,737)
Decrease (increase) in net defined benefit asset	—	(1,396)
Increase (decrease) in accrued payments due to change in retirement benefit plan	—	2,400
Increase (decrease) in provision for bonuses	196	152
Increase (decrease) in provision for directors' bonuses	7	(7)
Increase (decrease) in provision for loss on litigation	441	(441)
Increase (decrease) in provision for loss on plants reorganization	—	112
Interest and dividend income	(472)	(495)
Interest expenses	461	330
Foreign exchange losses (gains)	(1,334)	616
Loss (gain) on sales and retirement of property, plant and equipment	(95)	3
Impairment loss	2,669	3,395
Loss on abolishment of retirement benefit plan	2,885	—
Loss on reversal of foreign currency translation adjustment due to liquidation of a foreign subsidiary	899	—
Loss on business restructuring	449	141
Loss (gain) on sales of shares of subsidiaries and associates	(1,606)	—
Compensation income	(131)	(142)
Loss (gain) on sales and valuation of investment securities	17	(190)
Decrease (increase) in notes and accounts receivable - trade	(351)	(3,820)
Decrease (increase) in inventories	(2,977)	(2,891)
Increase (decrease) in notes and accounts payable - trade	456	3,520
Decrease (increase) in other assets	438	(799)
Increase (decrease) in other liabilities	3,228	(302)
Subtotal	20,758	15,536
Interest and dividend income received	464	500
Interest expenses paid	(461)	(328)
Proceeds from compensation	131	142
Payments for business restructuring	(342)	(218)
Income taxes paid	(6,851)	(4,559)
Net cash provided by (used in) operating activities	13,698	11,072

(Millions of yen)

	Year ended March 31, 2015 (April 1, 2014 to March 31, 2015)	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)
Cash flows from investing activities		
Payments into time deposits	(11,519)	(6,453)
Proceeds from withdrawal of time deposits	6,170	12,036
Purchase of securities	(33,500)	(29,600)
Proceeds from sales of securities	30,000	30,700
Purchase of trust beneficiary right	(13,971)	(12,209)
Proceeds from sales of trust beneficiary right	14,026	12,728
Purchase of property, plant and equipment	(4,463)	(2,600)
Proceeds from sales of property, plant and equipment	561	119
Purchase of intangible assets	(1,590)	(721)
Proceeds from sales of intangible assets	17	6
Purchase of investment securities	(76)	(22)
Proceeds from sales of investment securities	137	244
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	2,373	—
Purchase of shares of subsidiaries and associates	(15)	—
Purchase of investments in capital of subsidiaries	(1,637)	—
Proceeds from sales of investments in capital of subsidiaries and associates	—	17
Other, net	15	18
Net cash provided by (used in) investing activities	(13,472)	4,261
Cash flows from financing activities		
Increase in short-term loans payable	5,393	5,302
Decrease in short-term loans payable	(4,806)	(6,941)
Proceeds from long-term loans payable	380	112
Repayments of long-term loans payable	(2,064)	(1,777)
Redemption of bonds	(50)	(30)
Cash dividends paid	(4,650)	(4,778)
Repayments of lease obligations	(50)	(139)
Dividends paid to non-controlling interests	(214)	(281)
Purchase of treasury shares	(2)	(2,002)
Proceeds from sales of treasury shares	0	0
Net cash provided by (used in) financing activities	(6,065)	(10,536)
Effect of exchange rate change on cash and cash equivalents	1,431	(771)
Net increase (decrease) in cash and cash equivalents	(4,407)	4,026
Cash and cash equivalents at beginning of period	55,844	51,920
Increase in cash and cash equivalents from newly consolidated subsidiary	483	—
Cash and cash equivalents at end of period	51,920	55,947

(5) Notes to the consolidated financial statements:

(Notes regarding assumptions of continuing operations)

Non applicable

(Changes in accounting standards)

(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 current fiscal year. 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 current fiscal year, the accounting method has been changed to reflect the revised allocation of acquisition costs arising from settlement of tentative accounting treatment in the 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 consolidated financial statements were rearranged for 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 current fiscal year 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 current fiscal year, 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 current term.

As the cumulative effect was reflected in net assets as of the beginning of the current fiscal year, the beginning balance of capital surplus decreased by 4,863 million yen and retained earnings increased by 3,415 million yen in the consolidated statements of changes in net assets.

Also, net aseets per share of the current fiscal year decreased 19.78 yen.

(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 current fiscal year, 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 current fisacl year.

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

(Segment information)

[Segment Information]

1. The summary of the reportable segments

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

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

The “Building Automation business” supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering and related services. The “Advanced Automation business” supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories. The “Life Automation business” supplies meters for lifelines, residential central air-conditioning systems and manufacture and sale of manufacturing equipment and environmental equipment for the life science research, pharmaceutical and medical fields as well as related services - all of which are intimately connected with everyday life.

2. Method of calculating sales, profit (loss), assets and other items by reportable segment

The accounting method for reportable business segments is the same as the method adopted for preparation of the consolidated financial statements. Profits of reportable segments are calculated based on operating income. Internal sales among segments and transfers are based on market prices, etc.

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

The “Accounting Standard for Business Combinations”, etc., have been applied since the current fiscal year. 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 current fiscal year, the accounting method has been changed to reflect the revised allocation of acquisition costs arising from settlement of tentative accounting treatment in the 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 current fiscal year, 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. This produces minor effects on internal sales or transfer amount between segments and segment profit during the current fiscal year.

Segment information for the previous fiscal year was developed based on the new methods to measure internal sales or transfer amount between segments and described in “3. Information on sales, profit (loss), assets and the other items by reportable segment.”

3. Information on sales, profit (loss), assets and the other items by reportable segment

Fiscal year 2014 (from April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	114,097	93,131	47,178	254,408	60	254,469	―	254,469
Inter-segment	223	555	152	931	5	937	(937)	―
Total	114,321	93,687	47,331	255,339	66	255,406	(937)	254,469
Segment Profit (loss)	12,245	5,013	(1,937)	15,321	17	15,339	(1)	15,337
Segment Assets	65,550	69,879	36,011	171,441	6	171,448	94,270	265,718
Other Items								
Depreciation and Amortization	935	1,708	1,140	3,784	0	3,784	―	3,784
Increase in Property, plant and equipment, and Intangible assets	1,581	4,016	703	6,301	0	6,301	―	6,301

*1. "Other" includes insurance agent business.

*2. Details on adjustments are as follows.

(1) The adjustment of segment profit (loss) of "(1) million yen" is elimination of inter-segment transactions.

(2) The adjustment of segment assets of "94,270 million yen" is primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

*3. The segment profit is adjusted to operating income stated in the consolidated financial statements.

Fiscal year 2015(April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	118,548	92,936	45,343	256,828	60	256,889	―	256,889
Inter-segment	286	601	303	1,191	6	1,197	(1,197)	―
Total	118,835	93,538	45,646	258,020	66	258,087	(1,197)	256,889
Segment Profit	12,014	5,029	79	17,122	17	17,140	(4)	17,135
Segment Assets	68,842	71,302	30,124	170,269	7	170,276	88,851	259,127
Other Items								
Depreciation and Amortization	1,069	2,063	1,014	4,147	0	4,147	―	4,147
Increase in Property, plant and equipment, and Intangible assets	1,090	1,699	623	3,412	0	3,413	―	3,413

*1. "Other" includes insurance agent business.

*2. Details on adjustments are as follows.

(1) The adjustment of segment profit of "(4) million yen" is elimination of inter-segment transactions.

(2) The adjustment of segment assets of "88,851 million yen" is primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

*3. The segment profit is adjusted to operating income stated in the consolidated financial statements.

[Related Information]

Fiscal year 2014 (April 1, 2014 to March 31, 2015)

1. Information by product and service

The information disclosed is identical to the segment information. It is therefore omitted.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
207,713	18,353	9,630	4,194	10,244	4,333	254,469

(Note) Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
21,373	1,675	1,173	61	674	740	25,698

(Note) Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statements of income, so this information is omitted.

Fiscal year 2015 (April 1, 2015 to March 31, 2016)

1. Information by product and service

The information disclosed is identical to the segment information. It is therefore omitted.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
207,898	20,045	9,973	4,763	10,610	3,597	256,889

(Note) Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
20,402	1,483	1,073	63	600	748	24,371

(Note) Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statements of income, so this information is omitted.

[Information on impairment loss in non-current assets by reportable segment]
Fiscal year 2014 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	396	406	1,866	2,669	－	－	2,669

Fiscal year 2015 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	－	299	3,096	3,395	－	－	3,395

[Information on amortization of goodwill and unamortized balance by reportable segment]
Fiscal year 2014 (April 1, 2014 to March 31, 2015)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Amortization of goodwill	174	355	1,321	1,850	－	－	1,850
Balance at the end of period	－	837	4,763	5,601	－	－	5,601

Fiscal year 2015 (April 1, 2015 to March 31, 2016)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Amortization of goodwill	－	182	502	684	－	－	684
Balance at the end of period	－	158	－	158	－	－	158

[Information on gain on negative goodwill by reportable segment]
Fiscal year 2014 (April 1, 2014 to March 31, 2015)

Non applicable

Fiscal year 2015 (April 1, 2015 to March 31, 2016)

Non applicable

(Per share information)

Item	Fiscal year 2014 (April 1,2014 to March 31,2015)	Fiscal year 2015 (April 1,2015 to March 31,2016)
Net assets per share(Yen)	2,143.11	2,116.09
Net income per share(Yen)	97.07	112.73

Note 1. Diluted net income per share after adjusting for latent shares is not presented.

2. The basis for calculating net income per share is as follows.

Item	Fiscal year 2014 (April 1,2014 to March 31,2015)	Fiscal year 2015 (April 1,2015 to March 31,2016)
Net income attributable to owners of parent (Millions of yen)	7,168	8,268
Amount not attributable to common stock holders (Millions of yen)	–	–
Net income attributable to owners of parent relevant to shares (common stock) (Millions of yen)	7,168	8,268
Average number of shares (Thousands of shares)	73,852	73,348

3. The basis for calculating net assets per share is as follows.

Item	Fiscal year 2014 (April 1,2014 to March 31,2015)	Fiscal year 2015 (April 1,2015 to March 31,2016)
Total net assets (Millions of yen)	160,294	156,966
Amount deducted from the total of net assets (Millions of yen)	2,020	1,960
(Of which non-controlling interests) (Millions of yen)	(2,020)	(1,960)
Net assets at the end of the consolidated fiscal year relevant to shares (Millions of yen)	158,273	155,005
Number of shares used to determine total net assets per share (Thousands of shares)	73,852	73,250

4. As described in (5) Notes to the consolidated financial statements: (Changes in accounting standards), we have adopted the Accounting Standard for Business Combinations, etc., and in accordance with the provision for transitional handling set forth in the Accounting Standards.
As a result, net assets per share of the current consolidated fiscal year decreased 19.78 yen.

(Significant subsequent event)

Non applicable

6. Others

(1) Management Changes

Azbil Corporation New Management Structure ＜effective June 28, 2016＞

Position	Name	Changes
Chairman	Seiji Onoki	Reappointed
President and CEO	Hirozumi Sone	Reappointed
Director	Tadayuki Sasaki	Reappointed
Director	Keiichi Fuwa	Reappointed
Director	Masato Iwasaki	Reappointed
Director	Yoshimitsu Hojo	Reappointed
Director	Eugene H. Lee	Reappointed
Director	Katsuhiko Tanabe	Reappointed
Director	Takeshi Ito	Reappointed
Full-time Corporate Auditor	Tomohiko Matsuyasu	Uncontested
Full-time Corporate Auditor	Hisaya Katsuta	Uncontested
Corporate Auditor	Kinya Fujimoto	Uncontested
Corporate Auditor	Mitsuhiro Nagahama	Uncontested
Corporate Auditor	Shigeru Morita	Uncontested

*1. Eugene H. Lee, Katsuhiko Tanabe and Takeshi Ito are candidates to become external directors, as prescribed by Item 2 of Article 3, paragraph 7 of Ordinance for Enforcement of Japanese Companies Act.

*2. Kinya Fujimoto, Mitsuhiro Nagahama and Shigeru Morita are outside auditors as prescribed by Article 2, Item 16 of the Companies Act.

(2) Other information

Orders received condition

(Millions of yen)

Reportable segment	Fiscal year 2014 (April 1,2014 to March 31,2015)		Fiscal year 2015 (April 1,2015 to March 31,2016)		Change	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Building Automation	122,348	46,500	133,863	61,597	11,514	15,097
Advanced Automation	97,055	26,333	94,872	27,836	(2,182)	1,503
Life Automation	48,462	12,036	45,784	12,174	(2,677)	138
Total of reportable segments	267,867	84,870	274,521	101,609	6,653	16,738
Other	66	0	66	－	0	(0)
Elimination	(1,008)	(118)	(974)	(133)	33	(14)
Consolidated	266,925	84,751	273,613	101,475	6,687	16,723

*From the current fiscal year, 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 last year, the figures are calculated using the method after the change. This produces minor effects on orders received between segments during the current fiscal year.

Information regarding Retirement Benefits

1. Changes to the Retirement Benefits Plan

Azbil Corporation, along with the domestic consolidated subsidiary, Azbil Trading Co., Ltd., converted the section of working employees in the defined benefit pension plan to the defined contribution pension plan, on June 1, 2015.

In accordance with this change, the term-end balances of both defined benefit obligation and pension assets of the defined benefit pension plan have declined as shown in the following sections (1) and (2). The impact on net defined benefit liability and net defined benefit asset on the balance sheet is shown in section (3).

The retirement benefit expenses of the defined benefit pension plan, including lump-sum payment plans of the group and extraordinary retirement allowances, are given in section (4).

In actuarial assumptions for both Azbil Corporation and Azbil Trading Co., Ltd., a discount rate of 1.1% was applied at the beginning of the current consolidated fiscal year, however, after a reevaluation in consideration of the market environment at the end of the fiscal year, this has been revised to 0.0%.

2. Defined benefit pension plan

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2016

(Millions of yen)

	Fiscal year 2014 (April 1,2014 to March 31,2015)	Fiscal year 2015 (April 1,2015 to March 31,2016)
Balance at beginning of year (as previously reported)	44,549	36,625
Cumulative effect of changes in accounting policies	(7,985)	—
Balance at beginning of year (as restated)	36,563	36,625
Current service cost	1,675	331
Interest cost	402	175
Actuarial losses	65	1,636
Benefits paid	(1,558)	(1,181)
Decrease with transfer to the defined contribution pension plan	(673)	(25,532)
Others	150	72
Balance at end of year	36,625	12,128

(2) The changes in plan assets for the years ended March 31, 2015 and 2016

(Millions of yen)

	Fiscal year 2014 (April 1,2014 to March 31,2015)	Fiscal year 2015 (April 1,2015 to March 31,2016)
Balance at beginning of year	33,416	37,138
Expexted return on plan assets	835	419
Actuarial gains	1,216	19
Contributions from the employer	3,070	807
Benefits paid	(1,558)	(1,175)
Decrease with transfer to the defined contribution pension plan	—	(25,591)
Others	157	(6)
Balance at end of year	37,138	11,610

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined beneft obligation and plan assets

(Millions of yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Funded defined benefit obligation	36,625	12,128
Plan assets	(37,138)	(11,610)
	(512)	517
Unfunded defined benefit obligation	8,669	5,176
Net liability arising from defined benefit obligation	8,157	5,693
Liability for retirement benefits	8,164	5,698
Asset for retirement benefits	(7)	(5)
Net liability arising from defined benefit obligation	8,157	5,693

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2016

(Millions of yen)

	Fiscal year 2014 (April 1,2014 to March 31,2015)	Fiscal year 2015 (April 1,2015 to March 31,2016)
Current service cost	2,352	856
Interest cost	430	195
Expected return on plan assets	(835)	(419)
Recognized actuarial losses	1,007	290
Amortization of prior service cost	(516)	(214)
Others	467	403
Net periodic benefit costs	2,905	1,113
Loss on abolishment of retirement benefit plan (recorded as extraordinary losses)	2,885	―