



Translation

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

Summary of Consolidated Financial Results
for the Fiscal Year Ended March 31, 2017
(Based on Japanese GAAP)

May 12, 2017

Company name: Azbil Corporation
 Stock exchange listing: Tokyo Stock Exchange 1st Section (CODE 6845)
 URL: <http://www.azbil.com/>
 Representative: Hirozumi Sone, President and Chief Executive Officer
 Contact: Masatoshi Yamada, General Manager, Accounting Department, Group Management Headquarters
 TEL: +81-3-6810-1009
 Scheduled date of ordinary general meeting of shareholders: June 27, 2017
 Scheduled date to file Securities Report: June 27, 2017
 Scheduled date to commence dividends payments: June 28, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	254,810	(0.8)	20,145	17.6	20,475	23.1	13,153	59.1
Year ended March 31, 2016	256,889	1.0	17,135	11.7	16,627	(3.0)	8,268	15.3

Note: Comprehensive income Year ended March 31, 2017 14,151 million yen 172.3%
 Year ended March 31, 2016 5,196 million yen (65.8)%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	179.57	—	8.3	7.8	7.9
Year ended March 31, 2016	112.73	—	5.3	6.3	6.7

Reference: Equity in earnings (losses) of affiliates Year ended March 31, 2017 — million yen
 Year ended March 31, 2016 (2) 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, 2017	263,317	165,751	62.2	2,236.47
As of March 31, 2016	259,127	156,966	59.8	2,116.09

Reference: Shareholders' equity As of March 31, 2017 163,822 million yen
 As of March 31, 2016 155,005 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, 2017	19,949	(9,060)	(6,441)	59,837
Year ended March 31, 2016	11,072	4,261	(10,536)	55,947

2. Dividends

	Dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Dividends on equity (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, 2016	—	33.50	—	33.50	67.00	4,907	59.4	3.1
Year ended March 31, 2017	—	37.00	—	40.00	77.00	5,640	42.9	3.5
Year ending March 31, 2018 (Forecast)	—	41.00	—	41.00	82.00		42.9	

Note: Details of dividends at the 2nd quarter-end of the fiscal year ending March 31, 2017:

ordinary dividends of 34.50 yen, commemorative dividends of 2.50 yen

Details of dividends at the end of the fiscal year ending March 31, 2017:

ordinary dividends of 37.50 yen, commemorative dividends of 2.50 yen

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 2017	119,000	1.2	5,800	17.7	5,700	35.4	3,500	51.0	47.78
Full year	261,000	2.4	22,000	9.2	21,500	5.0	14,000	6.4	191.13

Note: Azbil Corporation has resolved, at the Board of Directors meeting held on May 12, 2017, to dispose of the treasury shares through allocation to a third party, to cancel its treasury shares and repurchase its own shares. For "Net income per share" in the forecast of consolidated financial results, the impact of these matters is not considered.

* Notes

(1) Changes in significant subsidiaries during the period

(Changes in specified subsidiaries due to changes in the scope of consolidation):

No

New consolidation : — (Company name: —)

Exclusion : — (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:

No

3. Changes in accounting estimates:

No

4. Retrospective restatements:

No

Note: For details, please refer to "4. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements" on page 20 of the accompanying materials.

(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, 2017	75,116,101 shares	As of March 31, 2016	75,116,101 shares
----------------------	-------------------	----------------------	-------------------

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

As of March 31, 2017	1,865,659 shares	As of March 31, 2016	1,865,122 shares
----------------------	------------------	----------------------	------------------

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

Year ended March 31, 2017	73,250,697 shares	Year ended March 31, 2016	73,348,020 shares
---------------------------	-------------------	---------------------------	-------------------

* Description of the situation of the procedures audit results

This consolidated financial results report is not subject to the audit procedures.

* Regarding the appropriate use of forecast and other special matters

(Attention to the description of the future)

Net 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. Net sales for the azbil Group tend to be more concentrated in the fourth quarter consolidated accounting period than in the second quarter. For a similar reason, profits in the first half (combining first & second quarter consolidated accounting periods) tend to be lower than in the second half (combining third & fourth quarter consolidated accounting periods).

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. For information on the forecast of financial results, please see “1. Overview of Financial Results and others (1) Overview of financial results 2) Forecast for the next period” on page 5 of the accompanying materials.

(How to obtain supplementary material on financial results)

Supplementary material on financial results is available on the company’s website.

Accompanying Materials

Contents

1. Overview of financial results and others	2
(1) Overview of financial results	2
(2) Overview of financial position	7
(3) Basic policy regarding profit sharing and the dividends for the current and next accounting period	8
2. Activities (present situation) of the azbil Group	9
3. Basic rationale for selection of accounting standards	11
4. Consolidated financial statements and related notes	12
(1) Consolidated balance sheets	12
(2) Consolidated statements of income and consolidated statements of comprehensive income	14
(3) Consolidated statements of changes in net assets	16
(4) Consolidated statements of cash flows	18
(5) Notes to the consolidated financial statements	20
(Notes regarding going concern assumptions)	20
(Changes in accounting policies)	20
(Additional information)	20
(Segment information)	21
(Per share information)	25
(Significant subsequent event)	26
5. Other	28
Orders received condition	28

1. Overview of financial results and others

(1) Overview of financial results

1) Financial results for the current fiscal year

In the current consolidated fiscal year, Japan's economy continued its moderate recovery, although there was evidence of a delay in improvement in some markets. Supported by a recovery in IT demand, production and exports continued to pick up, manufacturing industry earnings improved, and business confidence has been on the rise. Companies are still taking a cautious approach to capital investment, but investment directed at equipment maintenance and replacement continued to be robust. Looking at overseas economies, despite some concerns about the future outlook, including geopolitical risks, in China there has been a pause observed in the economic slowdown, and the US economic climate continues to be sound thanks to an increase in personal consumption and an improvement in corporate earnings. In Europe, too, there was continued evidence of a moderate recovery underway.

Guided by the philosophy of "human-centered automation", the azbil Group has in the current medium-term plan (FY2013–FY2016) set out three key initiatives ^{Note 1} and we have been developing and expanding our business with unique solutions – only available from the azbil Group – based on products, technologies, and services. In addition, in order to realize sustained growth over the medium to long term, we have been implementing – both in Japan and overseas – business structure reforms and measures to enhance the business infrastructure. In the current consolidated fiscal year, taking into consideration the aforementioned economic circumstances in Japan and abroad as well as the business environment for the azbil Group, we have continued to implement such measures as the reallocation of management resources including human resources, as well as the restructuring of business and production systems. As a result, the business foundation and profitability have been improved, and we have thus succeeded in creating the groundwork for the next medium-term plan (FY2017–FY2019), which starts from FY2017.

Turning to the financial results for the current consolidated fiscal year, orders received fell overall for the Building Automation (BA) business owing to a number of factors. Although in Japan the business environment for the construction of large-scale buildings has remained robust, because there had been a revision ^{Note 2} made in the previous fiscal year to the way multi-year contracts are recorded, and because there had been orders received for large-scale projects last year, orders received this year fell. They were further impacted by a transient dip in new building projects and by seeking higher profit margins in the domestic market. In addition, overseas orders received were impacted by the appreciation of the yen up to the second half of 2016, and by the transfer of all shares in a subsidiary. Orders received similarly fell for the Advanced Automation (AA) business owing to exchange rates; however, thanks to a market recovery starting in the autumn of last year and sales promotion activities focused on selected targets in Japan and abroad, compared with last year orders received actually increased if the impact of exchange rates is excluded. In the Life Automation (LA) business orders received were down because large-scale projects had been recorded in the previous consolidated fiscal year in the Life Science Engineering (LSE) field, and this was exacerbated by the impact of exchange rates and a reassessment of the cleanroom business, etc. Consequently, overall orders received were 252,314 million yen, down 7.8% from the 273,613 million yen recorded in the previous consolidated fiscal year.

Regarding sales, as a result of an improvement in market conditions and measures taken to secure sales performance, AA business sales grew. However, sales for the BA business and LA business decreased,

partly as a result of business structure reforms and exchange rate fluctuations. Overall, therefore, sales were 254,810 million yen, virtually unchanged from the 256,889 million yen recorded in the previous consolidated fiscal year.

Turning to profits, operating income increased. This reflects not only an improved profit structure and the success of business structure reforms but also a reduction in amortization of goodwill. Consequently, overall operating income was 20,145 million yen, up 17.6% on the 17,135 million yen recorded in the previous consolidated fiscal year. Ordinary income was 20,475 million yen, up 23.1% on the 16,627 million yen recorded in the previous consolidated fiscal year. Net income attributable to owners of parent was 13,153 million yen, up 59.1% on the 8,268 million yen recorded in the previous consolidated fiscal year.

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

In recent years there has been an increase in smaller service contracts that span several years, as is the case with some large-scale service projects, and this led to a situation in which they began to have an increasing impact on the orders received recorded for an accounting period. For this reason, in the previous consolidated fiscal year a revision was made to the way orders received for such multi-year contracts are recorded for the domestic market. This revision led to a transient jump in the amount of orders received for multi-year contracts recorded in the previous consolidated fiscal year.

The results for the individual reportable segments are as follows.

Building Automation (BA) Business

In the domestic market, in addition to several urban redevelopment plans for the Tokyo metropolitan area, demand for energy/cost-saving solutions has continued to be robust. As a result, sales in the market for existing buildings have, despite a slight fall, continued to be strong, and steady growth has been achieved in the service market. Nevertheless, because there was a temporary drop in sales in the market for new buildings, overall domestic sales were largely unchanged from the previous fiscal year. Overseas, steady progress has been made with the development of local markets, but owing to the effect of exchange rates and the transfer of all shares in a subsidiary, sales decreased.

Consequently, BA business sales were 116,421 million yen, down 2.0% from the 118,835 million yen recorded in the previous consolidated fiscal year. Turning to profits, while the profitable service market did see increased sales, profits decreased thanks to the impact of optimizing staff allocation to reinforce structures for ensuring on-site job processing capabilities, etc. As a result, segment profit was 11,512 million yen, down 4.2% from the 12,014 million yen recorded in the previous consolidated fiscal year.

Advanced Automation (AA) Business

Overseas sales were depressed by fluctuations in foreign exchange rates, but there was a gradual recovery in China and the Asian region. Also, expansion was achieved in domestic and foreign markets related to semiconductor manufacturing equipment, etc. Leveraging a tripartite management system based on the three AA businesses (CP, IAP & SS), ^{Note 3} sales promotion activities have been actively implemented for targeted products and regions to achieve the aforementioned business expansion. Owing in part to the success of this initiative, overall sales increased.

Consequently, AA business sales were 95,484 million yen, up 2.1% on the 93,538 million yen recorded in the previous consolidated fiscal year. Despite the negative impact of exchange rate fluctuations, profits increased significantly over last year, thanks to various measures aimed at improving the profit structure. Segment profit was 7,204 million yen, up 43.3% on the 5,029 million yen recorded in the previous consolidated fiscal year.

Note 3: 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)

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering (serving the pharmaceutical/medical fields), and residential central air-conditioning systems.

In the field of gas and water meters, sales increased thanks mainly to sales growth for LP gas meters, reflecting the demand cycle. However, profits were largely unchanged from last year owing to lower sales of town gas meters and increased R&D expenses.

In the Life Science Engineering field, sales were down due to the impact of exchange rates and a reassessment of the cleanroom business, etc. in Europe and South America, but profits improved thanks to a reduction in amortization of goodwill and the progress of initiatives aimed at achieving business structure reforms, including reviews of current business.

In the residential central air-conditioning systems field, sales increased owing to improvements made to sales and development systems implemented in the previous fiscal year. Furthermore, the profit structure was strengthened.

Consequently, LA business sales were 44,116 million yen, down 3.4% from the 45,646 million yen recorded in the previous consolidated fiscal year. Segment profit was considerably improved at 1,420 million yen; for comparison, a segment profit of 79 million yen was recorded for the previous consolidated fiscal year.

Other

In Other business, sales of 70 million yen were recorded for the current fiscal year; in the previous fiscal year sales were 66 million yen. Segment profit was 18 million yen; in the previous fiscal year there was a segment profit of 17 million yen.

2) Forecast for the next period

The azbil Group has adopted the philosophy of striving to realize safety, comfort and fulfillment in people's lives and to contribute to global environment preservation "human-centered automation." By putting this philosophy into action, we aim to further develop the azbil Group as a distinctive corporate entity. And, guided by this philosophy, we have set out long-term goals for FY2021 (ending March 2022), including sales of 300,000 million yen and operating income of 30,000 million yen. Furthermore, by raising profitability and capital efficiency, we aim to achieve ROE of 10% or more.

As for the previous medium-term plan (FY2013-FY2016), we were able to achieve some success in developing our business based on the three key initiatives (see below) – in particular our lifecycle-based business, which supplies various products and services suited to the different stages in the lifecycle of the customers' facilities, and in the energy management systems field, which is linked to environmental preservation.

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

As laid out in the new medium-term plan starting in FY2017 (FY2017-FY2019), the emphasis on these three key initiatives will be maintained, and, using as a springboard the achievements made up to FY2016 with business structure reforms, upgrading infrastructure, etc., we will aim to attain our goals (sales of 270,000 million yen, operating income of 25,000 million yen, ROE of 9% or more) for FY2019, the final year of the new medium-term plan. Furthermore, with a view to realizing the aforementioned long-term goals, we will actively engage in those areas where sustainable growth is anticipated –providing solutions throughout the life cycle, developing new automation opportunities, and focusing on environmental and energy issues. Simultaneously, to achieve the above we will be investing in R&D and in upgrading/expanding our production systems, while also seeking to build new partnerships with companies in Japan and abroad.

Regarding the forecast for FY2017, the first year of the new medium-term plan (FY2017-FY2019), as indicated in the following chart, we expect to achieve increased sales and profits in all three segments. Overall, net sales are forecast to increase by 2.4% over the previous consolidated fiscal year to 261,000 million yen. As regards profits, operating income will increase by 9.2% to 22,000 million yen; ordinary income will increase by 5.0% to 21,500 million yen; and net income attributable to owners of parent will increase by 6.4% to 14,000 million yen.

For the BA business, demand related to urban redevelopment projects and the Tokyo 2020 Olympics will ensure that the business environment in Japan will continue to be robust, while overseas further growth is projected, reflecting a recognized track record in local markets. Growth is forecast for the AA business domestically and abroad against a background of continued capital investment that is anticipated from the recovery in the global economy, including Japan. And growth is also predicted for the LA business, driven mainly by increased sales of gas meters, for which the demand cycle will be on the upswing. As regards

profits, we will make the necessary investments and, thanks to sales growth in each segment and further initiatives to improve the profit structure, we aim to achieve continuous profit growth.

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 2016 Actual	Fiscal year 2017 Forecast	Difference	%
Building Automation	Sales	116.4	119.0	2.5	2.2
	Operating income	11.5	12.0	0.4	4.2
Advanced Automation	Sales	95.4	97.0	1.5	1.6
	Operating income	7.2	8.3	1.0	15.2
Life Automation	Sales	44.1	46.0	1.8	4.3
	Operating income	1.4	1.7	0.2	19.7
Other	Sales	0.0	0.1	0.0	42.7
	Operating income	0.0	0.0	0.0	-
Consolidated	Net sales	254.8	261.0	6.1	2.4
	Operating income	20.1	22.0	1.8	9.2
	Ordinary income	20.4	21.5	1.0	5.0
	Net income attributable to owners of parent	13.1	14.0	0.8	6.4

(2) Overview of financial position

Analysis of assets, liabilities, net assets and cash flows

(Assets)

Total assets at the end of the current consolidated fiscal year stood at 263,317 million yen, an increase of 4,189 million yen from the previous consolidated fiscal year-end. This was mainly due to an increase of 5,728 million yen in cash and deposits and an increase of 4,101 million yen in securities for short-term investment, despite a decrease of 3,271 million yen in notes and accounts receivable-trade and 1,968 million yen in inventories.

(Liabilities)

Total liabilities at the end of the current consolidated fiscal year stood at 97,565 million yen, a decrease of 4,596 million yen from the previous consolidated fiscal year-end. This was mainly attributed to a decrease of 5,131 million yen in notes and accounts payable-trade.

(Net assets)

Net assets at the end of the current consolidated fiscal year stood at 165,751 million yen, an increase of 8,785 million yen from the previous consolidated fiscal year-end. This was mainly due to an increase of 13,153 million yen by the recording of net income attributable to owners of parent, despite a decrease of 5,164 million yen as the payment of dividends.

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

Cash and cash equivalents (hereinafter, net cash) provided by operating activities in the current consolidated fiscal year were 19,949 million yen, an increase of 8,876 million yen compared with the previous consolidated fiscal year. This was principally owing to an increase in income before income taxes.

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

Net cash used in investing activities in the current consolidated fiscal year (expenditure) was 9,060 million yen, in the previous consolidated fiscal year net cash provided by those activities (income) was 4,261 million yen. This was primarily due to increased disbursements on the purchase of held-for-trading securities and payments into time deposits for future dividends payments and expenditure for capital investment.

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

Net cash used in financing activities in the current consolidated fiscal year (expenditure) was 6,441 million yen, a decrease of 4,094 million yen compared to the previous consolidated fiscal year. This was mainly due to a decrease in expenditure resulting from purchase of treasury shares and the repayment of loans payable.

As a result of the above factors, net cash at the end of the current consolidated fiscal year was 59,837 million yen, an increase of 3,889 million yen from the previous consolidated fiscal year-end.

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

For the azbil Group, returning profits to our shareholders is an important priority for management. While striving to raise the dividend level, we also want to maintain stable dividends, taking into consideration the consolidated financial results and such indicators as levels of return on equity (ROE), dividends on equity (DOE), and retained earnings required for future business development and strengthening the business structure.

Based on the above policy, for the year ending March 2017 (FY2016) it was announced that an increase in the dividends of 7 yen per share, including the commemorative dividends, was planned. However, steady progress has been made with initiatives included in the previous medium-term plan to improve the profit structure. As it thus recorded profits that exceeded the plan, it is now planned to increase the year-end dividends by a further 3 yen, making an annual dividends of 77 yen per share.

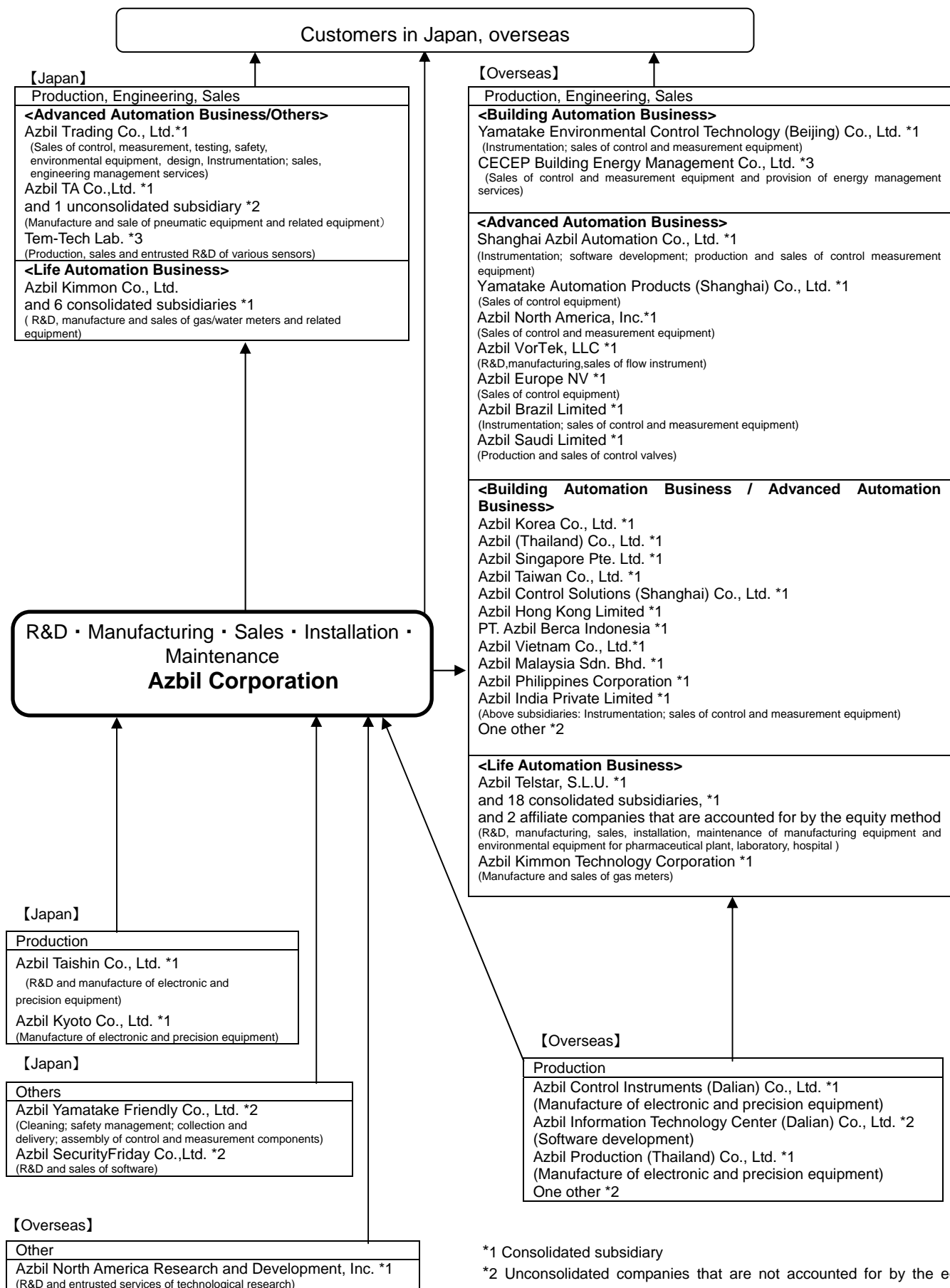
Looking ahead to the year ending March 2018 (FY2017), and taking into consideration the business environment and the progress of our business structure reforms and measures to strengthen the profit structure implemented so far, we forecast increased profits. Furthermore, it is expected that stable and sustainable growth will be achieved under the new medium-term plan. Therefore, to increase the return of profits to our shareholders we plan to further raise the dividend level, incorporating the commemorative dividends (5 yen) within the ordinary dividends and furthermore increasing it by 5 yen. This would result in annual dividends of 82 yen per share. Additionally, taking into consideration the outlook for future performance, and striving to improve capital efficiency and further raise the return of profits to our shareholders, we will implement a repurchase of our own shares to enable the development of flexible capital policies responding to the changing corporate environment. For details see page 26 (5): Notes to the consolidated financial statements (Significant subsequent event).

Regarding retained earnings, effective use is to be made of them by investing mainly in business expansion and strengthening the business foundation: enhancing our products/services, implementing structural reforms for global production/development facilities to promote growth, and ensuring we can continue our business even in the event of a major natural disaster or other unforeseen circumstances. Consequently, we aim to further raise shareholder value.

2. Activities (present situation) of the azbil Group

The azbil Group consists of our company, 59 subsidiaries and 4 affiliates, and is pursuing “human-centered automation” that aims to realize safety, comfort and fulfillment in people’s lives 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.



- *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
- *4 All shares of Beijing YTYH Intelli-Technology Co., Ltd., were transferred on December 2016

3. 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).

4. Consolidated financial statements and related notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	48,211	53,940
Notes and accounts receivable - trade	91,772	88,500
Securities	21,505	25,607
Merchandise and finished goods	6,489	4,905
Work in process	7,520	7,723
Raw materials	10,143	9,555
Deferred tax assets	5,344	5,754
Other	10,460	9,032
Allowance for doubtful accounts	(621)	(907)
Total current assets	200,826	204,113
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,029	41,722
Accumulated depreciation	(29,269)	(30,316)
Buildings and structures, net	12,760	11,406
Machinery, equipment and vehicles	20,082	19,711
Accumulated depreciation	(17,408)	(17,286)
Machinery, equipment and vehicles, net	2,674	2,425
Tools, furniture and fixtures	19,947	19,813
Accumulated depreciation	(18,028)	(18,070)
Tools, furniture and fixtures, net	1,919	1,742
Land	6,530	6,639
Leased assets	224	243
Accumulated depreciation	(113)	(102)
Leased assets, net	110	141
Construction in progress	376	868
Total property, plant and equipment	24,371	23,223
Intangible assets		
Right of using facilities	143	143
Software	4,291	3,847
Goodwill	158	73
Other	1,094	1,327
Total intangible assets	5,687	5,392
Investments and other assets		
Investment securities	19,482	22,163
Long-term loans receivable	65	38
Claims provable in bankruptcy, claims provable in rehabilitation and other	99	75
Deferred tax assets	1,535	1,190
Net defined benefit asset	5	2
Other	7,426	7,429
Allowance for doubtful accounts	(372)	(311)
Total investments and other assets	28,242	30,587
Total non-current assets	58,301	59,203
Total assets	259,127	263,317

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	45,587	40,456
Short-term loans payable	11,990	10,669
Current portion of bonds	10	-
Income taxes payable	3,795	4,730
Advances received	3,662	3,249
Provision for bonuses	8,894	9,414
Provision for directors' bonuses	109	115
Provision for product warranties	649	647
Provision for loss on order received	945	1,222
Provision for loss on plants reorganization	112	-
Other	13,185	13,561
Total current liabilities	88,944	84,066
Non-current liabilities		
Long-term loans payable	605	505
Deferred tax liabilities	3,623	4,493
Deferred tax liabilities for land revaluation	181	181
Net defined benefit liability	5,698	5,704
Provision for directors' retirement benefits	133	112
Provision for stock payment	-	311
Other	2,975	2,190
Total non-current liabilities	13,217	13,499
Total liabilities	102,161	97,565
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	12,333	12,333
Retained earnings	128,476	136,465
Treasury shares	(4,650)	(4,652)
Total shareholders' equity	146,682	154,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,641	9,553
Deferred gains or losses on hedges	(0)	32
Foreign currency translation adjustment	2,212	1,303
Remeasurements of defined benefit plans	(1,529)	(1,737)
Total accumulated other comprehensive income	8,323	9,152
Non-controlling interests	1,960	1,929
Total net assets	156,966	165,751
Total liabilities and net assets	259,127	263,317

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

(Millions of yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net sales	256,889	254,810
Cost of sales	165,801	163,319
Gross profit	91,088	91,491
Selling, general and administrative expenses	73,952	71,346
Operating income	17,135	20,145
Non-operating income		
Interest income	135	135
Dividend income	359	429
Real estate rent	44	42
Subsidy income	83	85
Reversal of allowance for doubtful accounts	1	19
Gain on reversal of environmental expenses	290	-
Other	254	175
Total non-operating income	1,168	888
Non-operating expenses		
Interest expenses	330	209
Foreign exchange losses	886	113
Commitment fee	21	20
Rent expenses on real estates	53	85
Office transfer expenses	223	14
Other	162	114
Total non-operating expenses	1,677	557
Ordinary income	16,627	20,475
Extraordinary income		
Gain on sales of non-current assets	42	47
Gain on sales of investment securities	192	62
Compensation income	142	-
Total extraordinary income	376	110
Extraordinary losses		
Loss on sales and retirement of non-current assets	46	330
Impairment loss	3,395	569
Loss on liquidation of subsidiaries and associates	-	1,057
Loss on plants reorganization	265	-
Restructuring loss	141	-
Loss on valuation of investment securities	1	-
Loss on sales of investment securities	0	-
Total extraordinary losses	3,851	1,957
Income before income taxes	13,152	18,629
Income taxes - current	4,469	5,245
Income taxes - deferred	125	(13)
Total income taxes	4,595	5,231
Net income	8,556	13,397
Net income attributable to non-controlling interests	288	243
Net income attributable to owners of parent	8,268	13,153

(Consolidated statements of comprehensive income)

(Millions of yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Net income	8,556	13,397
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,883)	1,912
Deferred gains or losses on hedges	(0)	33
Foreign currency translation adjustment	(346)	(983)
Remeasurements of defined benefit plans, net of tax	(1,130)	(208)
Total other comprehensive income	(3,360)	753
Comprehensive income	5,196	14,151
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,963	13,982
Comprehensive income attributable to non-controlling interests	232	168

(3) Consolidated statements of changes in net assets
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
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					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive 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
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

Fiscal year 2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	12,333	128,476	(4,650)	146,682
Cumulative effects of changes in accounting policies					-
Restated balance	10,522	12,333	128,476	(4,650)	146,682
Changes of items during period					
Dividends of surplus			(5,164)		(5,164)
Net income attributable to owners of parent			13,153		13,153
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		0		0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	-	0	7,989	(1)	7,987
Balance at end of current period	10,522	12,333	136,465	(4,652)	154,669

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	7,641	(0)	2,212	(1,529)	8,323	1,960	156,966
Cumulative effects of changes in accounting policies							-
Restated balance	7,641	(0)	2,212	(1,529)	8,323	1,960	156,966
Changes of items during period							
Dividends of surplus							(5,164)
Net income attributable to owners of parent							13,153
Purchase of treasury shares							(1)
Disposal of treasury shares							0
Net changes of items other than shareholders' equity	1,912	33	(908)	(208)	828	(31)	797
Total changes of items during period	1,912	33	(908)	(208)	828	(31)	8,785
Balance at end of current period	9,553	32	1,303	(1,737)	9,152	1,929	165,751

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Income before income taxes	13,152	18,629
Depreciation	4,147	4,075
Amortization of goodwill	684	76
Increase (decrease) in allowance for doubtful accounts	102	241
Increase (decrease) in net defined benefit liability	(2,737)	66
Decrease (increase) in net defined benefit asset	(1,396)	(423)
Increase (decrease) in accrued payments due to change in retirement benefit plan	2,400	(833)
Increase (decrease) in provision for stock payment	-	311
Increase (decrease) in provision for bonuses	152	557
Increase (decrease) in provision for directors' bonuses	(7)	5
Increase (decrease) in provision for loss on litigation	(441)	-
Increase (decrease) in provision for loss on plants reorganization	112	(112)
Interest and dividend income	(495)	(565)
Interest expenses	330	209
Foreign exchange losses (gains)	616	75
Loss (gain) on sales and retirement of property, plant and equipment	3	275
Impairment loss	3,395	569
Loss on liquidation of subsidiaries and associates	-	1,057
Loss on business restructuring	141	-
Compensation income	(142)	-
Loss (gain) on sales and valuation of investment securities	(190)	(62)
Decrease (increase) in notes and accounts receivable - trade	(3,820)	1,546
Decrease (increase) in inventories	(2,891)	1,496
Increase (decrease) in notes and accounts payable - trade	3,520	(4,236)
Decrease (increase) in other assets	(799)	328
Increase (decrease) in other liabilities	(302)	959
Subtotal	15,536	24,246
Interest and dividend income received	500	566
Interest expenses paid	(328)	(219)
Proceeds from compensation	142	-
Payments for business restructuring	(218)	(137)
Income taxes paid	(4,559)	(4,507)
Net cash provided by (used in) operating activities	11,072	19,949

(Millions of yen)

	Year ended March 31, 2016 (April 1, 2015 to March 31, 2016)	Year ended March 31, 2017 (April 1, 2016 to March 31, 2017)
Cash flows from investing activities		
Payments into time deposits	(6,453)	(17,315)
Proceeds from withdrawal of time deposits	12,036	13,471
Purchase of securities	(29,600)	(37,101)
Proceeds from sales of securities	30,700	35,000
Purchase of trust beneficiary right	(12,209)	(11,556)
Proceeds from sales of trust beneficiary right	12,728	12,063
Purchase of property, plant and equipment	(2,600)	(2,682)
Proceeds from sales of property, plant and equipment	119	209
Purchase of intangible assets	(721)	(979)
Proceeds from sales of intangible assets	6	-
Purchase of investment securities	(22)	(33)
Proceeds from sales of investment securities	244	196
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	-	(137)
Proceeds from sales of investments in capital of subsidiaries and associates	17	-
Other, net	18	(195)
Net cash provided by (used in) investing activities	4,261	(9,060)
Cash flows from financing activities		
Increase in short-term loans payable	5,302	4,781
Decrease in short-term loans payable	(6,941)	(5,511)
Proceeds from long-term loans payable	112	24
Repayments of long-term loans payable	(1,777)	(224)
Redemption of bonds	(30)	(10)
Cash dividends paid	(4,778)	(5,160)
Repayments of lease obligations	(139)	(145)
Dividends paid to non-controlling interests	(281)	(193)
Purchase of treasury shares	(2,002)	(1)
Proceeds from sales of treasury shares	0	0
Net cash provided by (used in) financing activities	(10,536)	(6,441)
Effect of exchange rate change on cash and cash equivalents	(771)	(557)
Net increase (decrease) in cash and cash equivalents	4,026	3,889
Cash and cash equivalents at beginning of period	51,920	55,947
Cash and cash equivalents at end of period	55,947	59,837

(5) Notes to the consolidated financial statements:

(Notes regarding going concern assumptions)

Not applicable

(Changes in accounting policies)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

In accordance with the revision of the Corporate Tax Act, the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (ASBJ Practical Issues Task Force No.32, June 17, 2016) has been applied effective from the current consolidated fiscal year. As a result, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on operating income, ordinary income, and income before income taxes for the current consolidated fiscal year is immaterial. As the effect of this change on segment information is also slight, such statement is omitted.

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) has been applied from the current consolidated fiscal year.

(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.

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

Fiscal year 2015 (from 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 profits are adjusted to operating income stated in the consolidated financial statements.

Fiscal year 2016(April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable Segment				Other *1	Total	Adjustment *2	Consolidated *3
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	116,153	94,820	43,774	254,749	61	254,810	—	254,810
Inter-segment	267	663	341	1,273	8	1,281	(1,281)	—
Total	116,421	95,484	44,116	256,022	70	256,092	(1,281)	254,810
Segment Profit	11,512	7,204	1,420	20,136	18	20,155	(10)	20,145
Segment Assets	65,320	68,638	29,944	163,903	1	163,905	99,411	263,317
Other Items								
Depreciation and Amortization	1,176	2,030	868	4,075	—	4,075	—	4,075
Increase in Property, plant and equipment, and Intangible assets	1,470	1,903	785	4,159	—	4,159	—	4,159

*1. "Other" includes insurance agent business.

*2. Details on adjustments are as follows.

(1) The adjustment of segment profit of "(10) million yen" is elimination of inter-segment transactions.

(2) The adjustment of segment assets of "99,411 million yen" is primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

*3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

[Related Information]

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 statement of income, so this information is omitted.

Fiscal year 2016 (April 1, 2016 to March 31, 2017)

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
211,431	19,500	8,573	3,982	8,419	2,903	254,810

(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
19,956	1,581	940	79	475	190	23,223

(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 statement of income, so this information is omitted.

[Information on impairment loss in non-current assets by reportable segment]

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

Fiscal year 2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	—	447	122	569	—	—	569

[Information on amortization of goodwill and unamortized balance by reportable segment]

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

Fiscal year 2016 (April 1, 2016 to March 31, 2017)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Amortization of goodwill	—	76	—	76	—	—	76
Balance at the end of period	—	73	—	73	—	—	73

[Information on gain on negative goodwill by reportable segment]

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

Not applicable

Fiscal year 2016 (April 1, 2016 to March 31, 2017)

Not applicable

(Per share information)

Item	Fiscal year 2015 (April 1,2015 to March 31,2016)	Fiscal year 2016 (April 1,2016 to March 31,2017)
Net assets per share(Yen)	2,116.09	2,236.47
Net income per share(Yen)	112.73	179.57

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 2015 (April 1,2015 to March 31,2016)	Fiscal year 2016 (April 1,2016 to March 31,2017)
Net income attributable to owners of parent (Millions of yen)	8,268	13,153
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)	8,268	13,153
Average number of shares (Thousands of shares)	73,348	73,250

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

Item	Fiscal year 2015 (April 1,2015 to March 31,2016)	Fiscal year 2016 (April 1,2016 to March 31,2017)
Total net assets (Millions of yen)	156,966	165,751
Amount deducted from the total of net assets (Millions of yen)	1,960	1,929
(Of which non-controlling interests) (Millions of yen)	(1,960)	(1,929)
Net assets at the end of the consolidated fiscal year relevant to shares (Millions of yen)	155,005	163,822
Number of shares used to determine total net assets per share (Thousands of shares)	73,250	73,250

(Significant subsequent event)

Azbil Corporation (“the Company”) has resolved the following matters relating to its 1,865,659 treasury shares (as of March 31, 2017), at the Board of Directors meeting held on May 12, 2017.

1. Disposal of treasury shares through third party allocation
(hereinafter referred to as “the disposal of treasury shares”)

1) Purpose of and reason for the disposal

The Company has introduced, in the current fiscal year, employee stock ownership plan, an incentive plan for offering the Company’s stocks to its employees (hereinafter referred to as “the system”; and the J-ESOP trust in accordance with trust contract with Mizuho Trust & Banking Co., Ltd. for the system is hereinafter referred to as “the trust.”) . In relation to the system, the Company has determined the details, including the date of the establishment of the trust.

This disposal is intended to dispose of the treasury shares of the Company through allocation to Trust & Custody Services Bank, Ltd. (Trust E) (a re-trustee entrusted by Mizuho Trust & Banking Co., Ltd., which is the trustee of this trust), which will hold and dispose of the shares of the Company for the operation of this system.

2) Outline of the disposal

- (1) Date of disposal: May 29, 2017
- (2) Number of shares disposed: 1,000,000 common stock
- (3) Disposal price: 3,970 yen per share
- (4) Total disposal amount: 3,970,000,000 yen
- (5) Disposal method: Allocation to a third party
- (6) Disposal to: Trust & Custody Services Bank, Ltd. (Trust E)
- (7) Other: The disposal of treasury shares becomes valid when a notification is filed pursuant to the Financial Instruments and Exchange Act of Japan.

(Reference) Status of treasury shares

As of March 31, 2017: 1,865,659 shares

After the disposal of treasury shares: 865,659 shares

For details, please refer to “Notice of Establishment of Trust for Employee Stock Ownership Plan (determination of its details)” and “Notice of Disposal of Treasury Shares through Third Party Allocation” announced today.

2. Cancellation of treasury shares

Cancellation of treasury shares pursuant to the Article 178 of the Companies Act of Japan)

- (1) Type of shares to be cancelled: Common stock of the Company
- (2) Number of shares to be cancelled: 865,659 shares
(1.2% of total number of issued shares before the cancellation)
- (3) Total number of issued shares after the cancellation: 74,250,442 shares
- (4) Scheduled cancellation date: May 31, 2017

In addition, the Company has also resolved to repurchase of its own shares, aiming to develop flexible capital policies, as follows.

3. Repurchase of the Company's own shares

Repurchase of own shares pursuant to Article 156 and Article 165, paragraph 3 of the Companies Act of Japan

(1) Reason for share repurchase:

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

(2) Type of shares to be repurchased: Common stock of the Company

(3) Total number of shares to be repurchased:

Up to 800,000 shares(1.1% of total number of common stock issued, excluding treasury shares)

(4) Total amount of repurchase: Up to 3 billion yen

(5) Period of repurchase: From May 30, 2017 to July 31, 2017

(6) Method of repurchase: Purchase in the open market through a trust bank

5. Other

Orders received condition

(Millions of yen)

Reportable segment	Fiscal year 2015 (April 1,2015 to March 31,2016)		Fiscal year 2016 (April 1,2016 to March 31,2017)		Change	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Building Automation	133,863	61,597	117,649	62,824	(16,214)	1,227
Advanced Automation	94,872	27,836	93,724	26,076	(1,148)	(1,760)
Life Automation	45,784	12,174	42,080	10,138	(3,704)	(2,036)
Total of reportable segments	274,521	101,609	253,453	99,040	(21,067)	(2,569)
Other	66	—	70	—	3	—
Elimination	(974)	(133)	(1,208)	(60)	(234)	72
Consolidated	273,613	101,475	252,314	98,979	(21,298)	(2,496)