



Translation

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Summary of Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2018  
(Based on Japanese GAAP)

August 3, 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  
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Scheduled date to file Quarterly Securities Report: August 10, 2017  
Scheduled date to commence dividend payments: —  
Preparation of supplementary material on quarterly financial results: Yes  
Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

(1) Consolidated financial results (Cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2017	54,799	(2.4)	1,732	124.2	2,002	—	1,189	—
Three months ended June 30, 2016	56,137	13.9	772	—	172	—	(64)	—

Note: Comprehensive income Three months ended June 30, 2017 2,303 million yen —%  
Three months ended June 30, 2016 (1,728) million yen —%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2017	16.28	—
Three months ended June 30, 2016	(0.89)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2017	249,492	161,398	63.9
As of March 31, 2017	263,317	165,751	62.2

Reference : Shareholders' equity As of June 30, 2017 159,518 million yen  
As of March 31, 2017 163,822 million yen

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2017	—	37.00	—	40.00	77.00
Year ending March 31, 2018	—				
Year ending March 31, 2018 (Forecast)		41.00	—	41.00	82.00

Note: Revision of dividends forecast during this period: No

Details of dividends at the 2nd quarter-end of the fiscal year ended 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 ended 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 parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	119,000	1.2	5,800	17.7	5,700	35.4	3,500	51.0	48.25
Full year	261,000	2.4	22,000	9.2	21,500	5.0	14,000	6.4	193.01

Note: Revision of consolidated financial results forecast during this period : No

Azbil Corporation (“the Company”) conducted disposal of treasury shares through third party allocation, cancellation of its treasury shares and repurchase its own shares in the first quarter of the current consolidated accounting period. For “Net income per share” in the forecast of consolidated financial results, the impact of these matters is 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) Application of special accounting methods for preparing quarterly consolidated financial statements: No

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

1. Changes associated with revision in accounting standards: No

2. Other changes: No

3. Changes in accounting estimates: No

4. Retrospective restatements: No

(4) Number of issued shares (Common stock)

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

As of June 30, 2017	74,250,442 shares	As of March 31, 2017	75,116,101 shares
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2. Number of treasury shares at the end of the period

As of June 30, 2017	1,714,450 shares	As of March 31, 2017	1,865,659 shares
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3. Average number of shares during the period (Cumulative from the beginning of the fiscal year)

Three months ended June 30, 2017	73,102,540 shares	Three months ended June 30, 2016	73,250,898 shares
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Note: The Company has introduced employee stock ownership plan, and the number of treasury shares at the end of the period includes the Company’s stock held by a trust account (1,000,000 shares as of June 30, 2017). Also, the Company’s stock held by the trust account is included in treasury shares that are deducted in the calculation of the average number of shares during the period (362,637 shares for the three months ended June 30, 2017).

For details, please see “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements (Additional information)” on page 11 of the accompanying materials.

\* This consolidated quarterly financial results report is not subject to the quarterly review 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.

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. Qualitative information on consolidated quarterly financial results (3) Qualitative information on forecast of consolidated financial results” on page 5 of the accompanying materials.

(How to obtain supplementary material on quarterly financial results)

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

# Accompanying Materials

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## 1. Qualitative information on consolidated quarterly financial results

### (1) Qualitative information on consolidated quarterly business performance

In the first quarter of the current consolidated cumulative period, Japan's economy continued its moderate recovery. Thanks to a global increase in IT-related demand, domestic production and exports continued to improve. And, in addition to the ongoing capital investment directed at equipment maintenance and replacement, there were signs of investment for rationalization and labor-saving in response to the current labor shortage. Looking at overseas economies, there have been signs of a pickup in China's economy led by growth in infrastructure investment, and the US economic climate remained 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 drawn up a new medium-term plan (FY2017–FY2019) based on the three fundamental policies <sup>Note 1</sup> and we are currently implementing measures to realize sustainable growth. Thus, building on the results of the previous medium-term plan, in the first quarter of the current consolidated cumulative period we have been actively engaged 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 – while advancing further business structure reforms and improvements to the profit structure. Additionally, as a means of strengthening the business foundation to develop these fields and realize sustainable growth, we have been upgrading and expanding our R&D and production systems.

The financial results for the first quarter of the current consolidated cumulative period are as follows.

In Japan, the business environment for the construction of large-scale buildings has remained robust, while capital investment in production facilities has also continued to be favorable, both domestically and overseas. In consideration of this business environment, we implemented measures to expand orders and, as a result, overall orders received were 83,443 million yen, up 1.5% from the 82,218 million yen recorded for the same period last year. Orders received increased for the Advanced Automation (AA) and Life Automation (LA) businesses, more than offsetting a fall in Building Automation (BA) business orders received from the same period last year when multi-year contracts for large-scale projects <sup>Note 2</sup> had been recorded. On the other hand, owing to large-scale projects being recorded in the same period last year, sales for this quarter decreased for the AA business. As a result, overall net sales were 54,799 million yen, down 2.4% on the 56,137 million yen recorded for the same period last year.

As regards profits, partly owing to further progress made with initiatives aimed at improving the profit structure that started in the previous fiscal year, operating income increased significantly to 1,732 million yen; for comparison, there was an operating income of 772 million yen for the same period last year. In addition to improved operating income, ordinary income benefited from foreign exchange gains, there having been foreign exchange losses in the same period last year. As a result, ordinary income increased significantly to 2,002 million yen from 172 million yen recorded for the same period last year. Similarly, net income attributable to owners of parent increased substantially to 1,189 million yen; for comparison, there was loss attributable to owners of parent of 64 million yen for the same period last year.

Note 1: Three fundamental policies

- Being 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, by expansion into new regions and a qualitative change of focus
- Being a corporate organization that never stops learning, so that it can continuously grow stronger

Note 2: Multi-year contracts for large-scale projects (“market testing”)

The total value of an order for a multi-year service project is recorded as a lump sum in the first year of the contract. In the same period last year, orders received were recorded for large-scale service projects with multi-year contracts received through the system of public-private competitive tendering called “market testing”. The principal contractor decided by such market testing is then responsible for providing a variety of services related to the building in question using vendors selected for the purpose. Also, the contracts won through market testing cover periods ranging from 3 to 5 years, and thus they can significantly increase the orders received by the principal contractor, although these contracts have limited impact on profits for any individual 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 been high and the market environment has continued to be robust. However, overall domestic sales fell compared to the same period last year when there was a concentration of sales for large-scale projects. Nevertheless, in overseas markets, despite the impact of transferring all shares in a subsidiary in the previous fiscal year, sales increased overall thanks to the steady progress achieved in developing local markets in Asia and China.

Consequently, BA business sales in the first quarter of the current consolidated cumulative period were 23,374 million yen, virtually unchanged from the 23,386 million yen recorded for the same period last year. However, profits improved: there was segment loss of 161 million yen, compared to segment loss of 305 million yen in the same period last year when results were affected by temporary expenses for provision.

### **Advanced Automation (AA) Business**

In Japan and overseas, expansion continued in markets related to semiconductor manufacturing equipment, and, despite there being some disparity among markets, the overall business environment continued to be robust. In consideration of these conditions, from the previous fiscal year we have engaged in strengthening operating systems for the three AA business sub-segments (CP, IAP & SS)<sup>Note 3</sup> and, to achieve business expansion, we have actively implemented sales promotion activities for targeted products and regions. Owing to this

initiative, overall AA business orders received increased significantly compared to the same period last year. Nevertheless, overall AA business sales fell compared to the same period last year when there were large-scale projects that, because of the characteristic of the transaction, generated significant sales although the profit margin was limited.

Consequently, for the first quarter of the current consolidated cumulative period the AA business achieved sales of 21,504 million yen, down 5.1% on the same period last year when sales of 22,669 million yen were recorded. However, profits continued to grow significantly, aided by various measures being implemented from the previous fiscal year to improve profit structure. Segment profit was 1,734 million yen, up 71.3% on the same period last year when a segment profit of 1,012 million yen was recorded.

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 (pharmaceutical/laboratory fields) (LSE), and residential central air-conditioning systems.

In the Lifeline field, sales increased thanks to the cyclical rise in demand for LP gas meters as well as growth in sales of industrial city gas meters. However, there was a fall in overall LA business sales mainly owing to reduced revenue in the LSE field following reforms of part of the business and structural reforms undertaken in the previous fiscal year.

Consequently, LA business sales for the first quarter of the current consolidated cumulative period were 10,190 million yen, down 1.3% on the same period last year, when sales of 10,322 million yen were recorded. Profits improved, mainly due to sales growth in the Lifeline field. Segment profit was 144 million yen; for comparison, segment profit of 54 million yen was recorded in the same period last year.

### **Other**

In Other business, sales in the first quarter of the current consolidated cumulative period were 24 million yen (compared with 28 million yen for the same period last year). Segment profit was 9 million yen; for comparison, in the same period last year segment profit was 16 million yen.

(2) Qualitative information on consolidated quarterly financial position

(Assets)

Total assets at the end of the first quarter of fiscal year 2017 stood at 249,492 million yen, a decrease of 13,824 million yen from the previous fiscal year-end. This was mainly due to a decrease of 14,706 million yen in notes and accounts receivable-trade.

(Liabilities)

Total liabilities at the end of the first quarter of fiscal year 2017 stood at 88,093 million yen, a decrease of 9,471 million yen from the previous fiscal year-end. This was mainly due to a decrease of 6,010 million yen in provision for bonuses as well as a decrease of 4,244 million yen in income taxes payable.

(Net assets)

Net assets at the end of the first quarter of fiscal year 2017 stood at 161,398 million yen, a decrease of 4,353 million yen from the previous fiscal year-end. This was mainly due to the reduction in shareholders' equity, which was attributed to a decrease of 2,930 million yen as the payment of dividends and a decrease of 2,999 million yen by repurchasing of own shares based on a decision in the Board of Directors meeting, despite an increase of 1,189 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 63.9% compared with 62.2% at the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

As regards the outlook for consolidated financial results for the fiscal year ending March 31, 2018, no revisions are to be made to the figures published on May 19, 2017 either for the second quarter of the cumulative period or for the whole fiscal year. Performance is continually assessed and, should the need arise, the forecast for consolidated financial results will be revised and published in a timely manner.

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

## 2. Consolidated quarterly financial statements and related notes

### (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	53,940	56,039
Notes and accounts receivable - trade	88,500	73,794
Securities	25,607	20,606
Merchandise and finished goods	4,905	4,767
Work in process	7,723	9,904
Raw materials	9,555	9,661
Other	14,787	14,404
Allowance for doubtful accounts	(907)	(867)
Total current assets	204,113	188,310
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,406	11,653
Other, net	11,817	11,652
Total property, plant and equipment	23,223	23,305
Intangible assets		
Goodwill	73	52
Other	5,318	5,275
Total intangible assets	5,392	5,328
Investments and other assets		
Investment securities	22,163	24,093
Net defined benefit asset	2	-
Other	8,733	8,765
Allowance for doubtful accounts	(311)	(311)
Total investments and other assets	30,587	32,548
Total non-current assets	59,203	61,182
Total assets	263,317	249,492



(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	40,456	37,849
Short-term loans payable	10,669	10,394
Income taxes payable	4,730	485
Provision for bonuses	9,414	3,404
Provision for directors' bonuses	115	34
Provision for product warranties	647	614
Provision for loss on order received	1,222	1,226
Other	16,810	20,118
Total current liabilities	84,066	74,128
Non-current liabilities		
Long-term loans payable	505	491
Net defined benefit liability	5,704	5,558
Provision for directors' retirement benefits	112	101
Provision for stock payment	311	411
Other	6,865	7,402
Total non-current liabilities	13,499	13,965
Total liabilities	97,565	88,093
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	12,333	11,670
Retained earnings	136,465	134,042
Treasury shares	(4,652)	(6,970)
Total shareholders' equity	154,669	149,265
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,553	10,894
Deferred gains or losses on hedges	32	21
Foreign currency translation adjustment	1,303	1,032
Remeasurements of defined benefit plans	(1,737)	(1,696)
Total accumulated other comprehensive income	9,152	10,253
Non-controlling interests	1,929	1,880
Total net assets	165,751	161,398
<b>Total liabilities and net assets</b>	<b>263,317</b>	<b>249,492</b>

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income  
(Consolidated quarterly statements of income)  
(The first quarter of the current consolidated cumulative period)

(Millions of yen)

	Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Net sales	56,137	54,799
Cost of sales	38,030	35,732
Gross profit	18,107	19,067
Selling, general and administrative expenses	17,334	17,334
Operating income	772	1,732
Non-operating income		
Interest income	37	22
Dividend income	223	260
Foreign exchange gains	-	27
Real estate rent	10	10
Reversal of allowance for doubtful accounts	25	10
Other	21	31
Total non-operating income	318	362
Non-operating expenses		
Interest expenses	56	46
Foreign exchange losses	823	-
Commitment fee	5	5
Rent expenses on real estates	14	17
Other	18	23
Total non-operating expenses	917	93
Ordinary income	172	2,002
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on sales of investment securities	0	0
Total extraordinary income	0	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	10	1
Loss on sales of investment securities	-	0
Loss on valuation of investment securities	63	-
Total extraordinary losses	73	1
Income before income taxes	99	2,003
Income taxes - current	268	361
Income taxes - deferred	(144)	389
Total income taxes	123	750
Income (loss)	(24)	1,252
Net income attributable to non-controlling interests	40	62
Net income (loss) attributable to owners of parent	(64)	1,189

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

(Millions of yen)

	Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)
Income (loss)	(24)	1,252
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,126)	1,341
Deferred gains or losses on hedges	(0)	(11)
Foreign currency translation adjustment	(594)	(320)
Remeasurements of defined benefit plans, net of tax	17	41
Total other comprehensive income	(1,703)	1,051
Comprehensive income	(1,728)	2,303
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,707)	2,290
Comprehensive income attributable to non-controlling interests	(20)	12

### (3) Notes to the consolidated quarterly financial statements

(Notes regarding going concern assumption)

Not applicable

(Notes regarding significant change in shareholders' equity)

The Company conducted the following matters, based on the resolutions at the Board of Directors meeting held on May 12, 2017.

#### 1. Disposal of treasury shares through third party allocation

In accordance with the introduction of "Employee Stock Ownership Plan (J-ESOP)", 1,000,000 treasury shares were disposed of through third party allocation to Trust & Custody Services Bank, Ltd. (Trust E) on May 29, 2017. The Company's stock remaining in the trust are recorded as treasury shares in net assets, as stated in "Additional information", therefore, capital surplus and treasury shares increased by 1,476 million yen respectively.

#### 2. Cancellation of treasury shares

The Company cancelled treasury shares pursuant to Article 178 of the Companies Act of Japan as follows. As a result, capital surplus decreased by 1,476 million yen, retained earnings decreased by 682 million yen, and treasury shares decreased by 2,158 million yen.

- |                                                           |                                                                                   |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------|
| (1) Type of shares cancelled:                             | Common stock of the Company                                                       |
| (2) Number of shares cancelled:                           | 865,659 shares<br>(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) Date of the cancellation:                             | May 31, 2017                                                                      |

#### 3. Repurchase of the Company's own shares

The Company repurchased its own shares from June 2, 2017 to June 23, 2017 (based on delivery date), aiming 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, while taking into consideration the outlook for future business performance.

The number of its own shares repurchased was 714,300 shares, and treasury shares increased by 2,999 million yen.

Consequently, capital surplus amounted to 11,670 million yen, retained earnings amounted to 134,042 million yen, and treasury shares amounted to 6,970 million yen (including 3,970 million yen of the Company's stock remaining in the trust, as described in "Additional information") at the end of the first quarter of the current consolidated accounting period.

(Additional information)

(Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts)

The Company has introduced employee stock ownership plan (hereinafter referred to as "the system"), an incentive plan for offering the Company's stock to its employees, to boost the linkage between stock price and business performance of the Company on the one hand, and the benefit received by employees on the other hand, and to enhance the motivation and morale of employees for increasing stock price and business performance of the Company by sharing economic effects with shareholders.

1. Outline of the transaction

Under the system, the Company will offer the Company's stock to its employees who satisfy certain requirements specified in the Company's predetermined stock granting regulations. The Company will award points to employees according to the contribution level of them and will grant the Company's stock proportionate to the awarded points when employees obtain the right to receive stock by meeting certain conditions. The stock to be granted to employees will be acquired with money previously placed in the trust, including stock to be granted in the future, and will be separately managed as assets in the trust.

2. The Company's stock remaining in the trust

Regarding the accounting procedures for the trust contract, the Company has applied "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, March 26, 2015), and the Company's stock in the trust are recorded as treasury shares under net assets at book value in the trust. The book value of the Company's stock in the trust is 3,970 million yen for 1,000,000 shares as of June 30, 2017.

(Segment information)

I. Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	23,316	22,568	10,226	56,111	26	56,137
Inter-segment	69	101	95	267	1	268
Total	23,386	22,669	10,322	56,378	28	56,406
Segment Profit (loss)	(305)	1,012	54	761	16	777

\* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	761
Profit in Other	16
Elimination	(4)
Operating income	772

II. Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	23,294	21,394	10,087	54,776	23	54,799
Inter-segment	80	109	103	293	1	294
Total	23,374	21,504	10,190	55,069	24	55,094
Segment Profit (loss)	(161)	1,734	144	1,717	9	1,727

\* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	1,717
Profit in Other	9
Elimination	5
Operating income	1,732

### 3. Supplementary information

#### Orders received condition

(Millions of yen)

Reportable segment	Three months ended June 30, 2016 (April 1, 2016 to June 30, 2016)	Three months ended June 30, 2017 (April 1, 2017 to June 30, 2017)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	48,927	44,824	(4,103)	(8.4)
Advanced Automation	22,458	26,567	4,108	18.3
Life Automation	11,129	12,395	1,266	11.4
Total of reportable segments	82,515	83,786	1,271	1.5
Other	28	24	(4)	(15.0)
Elimination	(325)	(368)	(42)	—
Consolidated	82,218	83,443	1,224	1.5