



Translation

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

November 2, 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 to file Quarterly Securities Report: November 10, 2017  
 Scheduled date to commence dividend payments: December 6, 2017  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2017 (from April 1, 2017 to September 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	%
Six months ended September 30, 2017	117,890	0.2	7,735	57.0	8,115	92.8	5,320	129.5
Six months ended September 30, 2016	117,600	3.1	4,928	39.1	4,209	21.5	2,318	33.6

Note: Comprehensive income Six months ended September 30, 2017 7,701 million yen —%  
 Six months ended September 30, 2016 391 million yen (16.8)%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2017	73.06	—
Six months ended September 30, 2016	31.65	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2017	253,290	166,694	65.1
As of March 31, 2017	263,317	165,751	62.2

Reference: Shareholders' equity As of September 30, 2017 164,841 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	—	41.00	—	—	—
Year ending March 31, 2018 (Forecast)	—	—	—	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
Fiscal year 2017	260,000	2.0	23,500	16.7	23,500	14.8	16,500	25.4	227.47

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

\* Notes

(1) Changes in significant subsidiaries during the period

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

New consolidation : — (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 September 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 September 30, 2017	1,714,159 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)

Six months ended September 30, 2017	72,817,713 shares	Six months ended September 30, 2016	73,250,847 shares
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Note: Azbil Corporation (“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 (999,500 shares as of September 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 (682,986 shares for the six months ended September 30, 2017).

For details, please see “2. Consolidated quarterly financial statements and related notes (4) Notes to the consolidated quarterly financial statements (Additional information)” on page 15 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. Also, net sales tend to be concentrated in the fourth quarter rather than the second quarter consolidated accounting period so, for the same reason, profit in the first half (sum of the first and second quarters consolidated accounting periods) tends to be lower than profit in the second half (sum of the third and fourth 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 6 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

## Contents

1. Qualitative information on consolidated quarterly financial results .....	2
(1) Qualitative information on consolidated quarterly business performance.....	2
(2) Qualitative information on consolidated quarterly financial position .....	5
(3) Qualitative information on forecast of consolidated financial results .....	6
2. Consolidated quarterly financial statements and related notes .....	8
(1) Consolidated quarterly balance sheets .....	8
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income .....	10
Consolidated quarterly statements of income The second quarter of the current consolidated cumulative period .....	10
Consolidated quarterly statements of comprehensive income The second quarter of the current consolidated cumulative period .....	11
(3) Consolidated quarterly statements of cash flows.....	12
(4) Notes to the consolidated quarterly financial statements .....	14
(Notes regarding going concern assumption) .....	14
(Notes regarding significant change in shareholders' equity) .....	14
(Additional information) .....	15
(Segment information).....	16
3. Supplementary information.....	18
Orders received condition.....	18

## 1. Qualitative information on consolidated quarterly financial results

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

In the second quarter of the current consolidated cumulative period, Japan's economy continued to make a moderate recovery. Thanks to a global improvement in IT-related demand, domestic production and exports continued to advance. Capital investment too was encouraging: in addition to a greater impetus for investment triggered by improved corporate earnings, there have been signs of investment for rationalization and labor-saving in response to the current labor shortage. Looking at overseas economies, there have been continued signs of a pickup in China's economy following measures implemented by the government. In Europe, there was continued evidence of a moderate recovery underway, while in the US, despite a temporary dip in production and personal consumption resulting from adverse weather conditions, the employment situation continued to be favorable and the economic environment remained sound.

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. Building on the results of the previous medium-term plan, in the second quarter of the current consolidated cumulative period we have thus 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 second 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 positive, both domestically and overseas. Given this business environment, we implemented measures to expand orders received and, as a result, overall orders received were 149,438 million yen, up 6.2% from the 140,708 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 the Building Automation (BA) business from the same period last year when multi-year contracts for large-scale projects <sup>Note 2</sup> had been recorded. The BA business did achieve sales growth, but there was a fall in LA business sales owing to the structural and business reforms undertaken in the previous fiscal year. As a result, overall net sales were 117,890 million yen, virtually unchanged from the 117,600 million yen recorded for the same period last year.

As regards profits, 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 7,735 million yen, up 57.0% from the 4,928 million yen recorded for the same period last year. In addition to this improvement in operating income, this quarter saw foreign exchange gains, there having been exchange losses in the same period last year. Additionally, in the same period last year an extraordinary loss was recorded as loss on liquidation of subsidiaries and associates. Consequently, ordinary income increased significantly to 8,115 million yen from 4,209 million

yen recorded for the same period last year. Similarly, net income attributable to owners of parent increased substantially to 5,320 million yen, compared to 2,318 million yen recorded 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. Although orders received fell from the same period last year, when large-scale projects were recorded, thanks to the favorable market environment orders received increased in real terms. Steady progress was made with job processing using the job fulfilment system that was upgraded in the previous fiscal year. This, together with the growing number of detailed proposals for solutions based on an intimate knowledge of on-site issues, has led to increased sales for both new buildings and service. There was overall sales growth in the domestic market. Overseas too, 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 second quarter of the current consolidated cumulative period were 50,894 million yen, up 2.9% from the 49,452 million yen recorded for the same period last year. Despite an increased cost burden, an initiative to improve profits was successful and thus segment profit was 2,307 million yen, up 37.6% from the 1,677 million yen recorded for 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 the overall business environment has been relatively favorable. Under 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 we have also implemented measures for growth strategy and strengthening profitability.

Consequently, figures for AA business orders received, both in Japan and overseas, were significantly higher than for the same period last year. Also, despite the recording of sales for large-scale projects in the same period last year, AA business sales in the second quarter of the current consolidated cumulative period were 46,219 million yen, virtually unchanged from the 46,047 million yen recorded for the same period last year. Profits improved thanks to the abovementioned initiatives designed to strengthen business profitability: segment profit was 4,521 million yen, up 74.2% from the 2,596 million yen recorded for the same period last year.

Note 3: Three AA business sub-segments (CP, IAP & SS)

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 LSE field, orders received increased in the business areas in which selection and concentration were promoted in order to improve profitability. Orders received remained steady in the other fields too, and thus LA business orders received increased significantly. However, LSE sales fell owing to a decrease in orders received in the previous fiscal year resulting from the abovementioned selection and concentration process. This led to a decline in overall LA business sales.

Consequently, LA business sales for the second quarter of the current consolidated cumulative period were 21,416 million yen, down 5.4% on the same period last year, when sales of 22,628 million yen were recorded. Profits improved, however, mainly due to the improvement in the LSE field. Segment profit was 888 million yen, up 37.3% from the 647 million yen recorded for the same period last year.

## **Other**

In Other business, sales in the second quarter of the current consolidated cumulative period were 41 million yen (compared with 43 million yen for the same period last year). Segment profit was 13 million yen; for comparison, in the same period last year segment profit was 18 million yen.

## (2) Qualitative information on consolidated quarterly financial position

### (Assets)

Total assets at the end of the second quarter of fiscal year 2017 stood at 253,290 million yen, a decrease of 10,026 million yen from the previous fiscal year-end. This was mainly due to a decrease of 10,743 million yen in notes and accounts receivable-trade.

### (Liabilities)

Total liabilities at the end of the second quarter of fiscal year 2017 stood at 86,595 million yen, a decrease of 10,969 million yen from the previous fiscal year-end. This was mainly due to a decrease of 3,665 million yen in notes and accounts payable-trade, a decrease of 3,461 million yen in income taxes payable as well as a decrease of 2,647 million yen in provision for bonuses.

### (Net assets)

Net assets at the end of the second quarter of fiscal year 2017 stood at 166,694 million yen, an increase of 942 million yen from the previous fiscal year-end. This was mainly due to the increase in shareholders' equity, which was attributed to an increase of 5,320 million yen by the recording of net income attributable to owners of parent and an increase of 2,455 million yen in valuation difference on available-for-sale securities, despite a decrease of 2,930 million yen as the payment of dividends as well as a decrease of 2,999 million yen by repurchasing of own shares based on a decision in the Board of Directors meeting.

As a result, the shareholders' equity ratio was 65.1% compared with 62.2% at the previous fiscal year-end.

### (Cash Flows)

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

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the second quarter of fiscal year 2017 were 6,223 million yen, down 599 million yen, remaining virtually unchanged compared to the same period last year. This, despite an increase in income before income taxes, was mainly due to a decrease in the amount of accounts receivable-trade collected (the last day of the second quarter of the current consolidated period having fallen on a holiday of financial institutions) and also to an increase in income taxes paid.

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

Net cash used in investment activities (expenditure) in the second quarter of fiscal year 2017 was 7,599 million yen, an increase in expenditure of 6,605 million yen compared to the same period last year. This was mainly due to increased expenditures for purchase of securities and also for purchase of property, plant and equipment required for the integration of domestic production facilities.

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

Net cash used in financing activities (expenditure) in the second quarter of fiscal year 2017 was

7,328 million yen, an increase in expenditure of 4,790 million yen compared to the same period last year. This was mainly due to an increase in expenditure resulting from purchase of own shares.

As a result of the above factors, net cash at the end of the second quarter of the current consolidated cumulative period stood at 51,071 million yen, a decrease of 8,765 million yen from the previous fiscal year-end.

### (3) Qualitative information on forecast of consolidated financial results

Based on the financial results for the second quarter of the current consolidated cumulative period and on currently available information regarding the business climate, etc., the forecast for consolidated financial results for the fiscal year ending March 31, 2018 – initially published at the start of the fiscal year on May 19, 2017 – has been revised.

We continue to plan for increased sales and profits compared to the previous fiscal year, but, reflecting the first-half business performance, we now expect net sales to be 1 billion yen (0.4%) lower at 260 billion yen. However, profit forecasts have been revised upwards: operating income up 1.5 billion yen (6.8%) to 23.5 billion yen; ordinary income up 2 billion yen (9.3%) to 23.5 billion yen; and net income attributable to owners of parent up 2.5 billion yen (17.9%) to 16.5 billion yen.

As regards the BA business, it is expected that the domestic business environment will remain robust, thanks in part to urban redevelopment plans for the Tokyo metropolitan area, and steady growth will be achieved overseas too. Continued progress will be made with job processing using the job fulfilment system that was upgraded in the previous fiscal year, leading to profit growth.

The AA business will benefit from capital investment demand, which continues to be robust in Japan and overseas. Operating with the three AA business sub-segments (CP, IAP & SS), we will further implement growth strategy and strengthen profitability, and in this way grow the business and improve profits.

As regards the LA business, we are revising the sales forecast to reflect the decline in the first half that resulted from the structural and business reforms. However, definite progress is being made with improvements to the profit structure, and we continue to expect increased sales and profits for the full fiscal year.

Guided by the philosophy of “human-centered automation”, the azbil Group has announced the three fundamental policies<sup>Note</sup> and in order to realize sustainable growth we are currently engaged in strengthening our business for providing solutions, unique to azbil, throughout the life cycle, in developing new automation opportunities, and in focusing more on environmental and energy issues. In the current fiscal year, which is the first year of the medium-term plan (FY2017–FY2019), the entire Group is working in unison to achieve the performance targets for this fiscal year. And we are pushing ahead with reforming and strengthening the business structure, developing new products, etc. that will enable us to achieve our goals for FY2019, the final year of the plan – namely, net sales of 270 billion yen, operating income of 25 billion yen, and ROE of 9% or more.



Note: 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

Forecasts for the individual reportable segments are as follows.

(Billions of yen)

		Revised forecast (November 2, 2017)	Initial forecast (May 19, 2017)	Difference	%	(Reference) FY2016 Actual
Building Automation	Sales	119.0	119.0	-	-	116.4
	Operating income	12.5	12.0	0.5	4.2	11.5
Advanced Automation	Sales	97.0	97.0	-	-	95.4
	Operating income	9.2	8.3	0.9	10.8	7.2
Life Automation	Sales	44.5	46.0	(1.5)	(3.3)	44.1
	Operating income	1.8	1.7	0.1	5.9	1.4
Other	Sales	0.1	0.1	-	-	0.0
	Operating income	0.0	0.0	-	-	0.0
Consolidated	Net sales	260.0	261.0	(1.0)	(0.4)	254.8
	Operating income	23.5	22.0	1.5	6.8	20.1
	Ordinary income	23.5	21.5	2.0	9.3	20.4
	Net income attributable to owners of parent	16.5	14.0	2.5	17.9	13.1

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.

## 2. Consolidated quarterly financial statements and related notes

### (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Assets</b>		
Current assets		
Cash and deposits	53,940	45,373
Notes and accounts receivable - trade	88,500	77,757
Securities	25,607	29,106
Merchandise and finished goods	4,905	4,901
Work in process	7,723	8,809
Raw materials	9,555	10,346
Other	14,787	13,828
Allowance for doubtful accounts	(907)	(876)
Total current assets	204,113	189,245
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,406	11,463
Other, net	11,817	13,225
Total property, plant and equipment	23,223	24,689
Intangible assets		
Goodwill	73	32
Other	5,318	5,244
Total intangible assets	5,392	5,277
Investments and other assets		
Investment securities	22,163	25,617
Net defined benefit asset	2	-
Other	8,733	8,771
Allowance for doubtful accounts	(311)	(310)
Total investments and other assets	30,587	34,078
Total non-current assets	59,203	64,044
Total assets	263,317	253,290

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	40,456	36,790
Short-term loans payable	10,669	10,348
Income taxes payable	4,730	1,269
Provision for bonuses	9,414	6,766
Provision for directors' bonuses	115	67
Provision for product warranties	647	545
Provision for loss on order received	1,222	1,039
Other	16,810	16,016
Total current liabilities	84,066	72,842
Non-current liabilities		
Long-term loans payable	505	486
Net defined benefit liability	5,704	5,461
Provision for directors' retirement benefits	112	108
Provision for stock payment	311	491
Other	6,865	7,204
Total non-current liabilities	13,499	13,752
Total liabilities	97,565	86,595
<b>Net assets</b>		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	12,333	11,670
Retained earnings	136,465	138,173
Treasury shares	(4,652)	(6,969)
Total shareholders' equity	154,669	153,396
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,553	12,009
Deferred gains or losses on hedges	32	55
Foreign currency translation adjustment	1,303	1,036
Remeasurements of defined benefit plans	(1,737)	(1,655)
Total accumulated other comprehensive income	9,152	11,444
Non-controlling interests	1,929	1,852
Total net assets	165,751	166,694
<b>Total liabilities and net assets</b>	<b>263,317</b>	<b>253,290</b>

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

(Millions of yen)

	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Net sales	117,600	117,890
Cost of sales	77,860	75,201
Gross profit	39,740	42,688
Selling, general and administrative expenses	34,811	34,952
Operating income	4,928	7,735
Non-operating income		
Interest income	64	50
Dividend income	237	312
Foreign exchange gains	-	99
Real estate rent	21	21
Reversal of allowance for doubtful accounts	20	-
Other	74	69
Total non-operating income	417	553
Non-operating expenses		
Interest expenses	125	84
Foreign exchange losses	932	-
Commitment fee	10	10
Rent expenses on real estates	38	37
Other	29	40
Total non-operating expenses	1,136	173
Ordinary income	4,209	8,115
Extraordinary income		
Gain on sales of non-current assets	3	3
Gain on sales of investment securities	11	77
Total extraordinary income	15	81
Extraordinary losses		
Loss on sales and retirement of non-current assets	21	115
Loss on sales of investment securities	-	0
Loss on liquidation of subsidiaries and associates	931	-
Loss on valuation of investment securities	61	-
Total extraordinary losses	1,014	115
Income before income taxes	3,211	8,081
Income taxes - current	868	1,279
Income taxes - deferred	(65)	1,350
Total income taxes	803	2,629
Net income	2,407	5,452
Net income attributable to non-controlling interests	89	131
Net income attributable to owners of parent	2,318	5,320

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

(Millions of yen)

	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)
Net income	2,407	5,452
Other comprehensive income		
Valuation difference on available-for-sale securities	33	2,455
Deferred gains or losses on hedges	0	22
Foreign currency translation adjustment	(2,082)	(311)
Remeasurements of defined benefit plans, net of tax	32	82
Total other comprehensive income	(2,016)	2,248
Comprehensive income	391	7,701
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	475	7,612
Comprehensive income attributable to non-controlling interests	(84)	88

## (3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)
<b>Cash flows from operating activities</b>		
Income before income taxes	3,211	8,081
Depreciation	1,961	1,938
Amortization of goodwill	39	39
Increase (decrease) in allowance for doubtful accounts	194	(33)
Increase (decrease) in net defined benefit liability	111	6
Decrease (increase) in net defined benefit asset	(208)	(144)
Increase (decrease) in accrued payments due to change in retirement benefit plan	(820)	(794)
Increase (decrease) in provision for stock payment	-	181
Increase (decrease) in provision for bonuses	(2,627)	(2,651)
Increase (decrease) in provision for directors' bonuses	(31)	(48)
Increase (decrease) in provision for loss on plants reorganization	(112)	-
Interest and dividend income	(302)	(363)
Interest expenses	125	84
Foreign exchange losses (gains)	656	(36)
Loss (gain) on sales and retirement of non-current assets	17	111
Loss (gain) on sales and valuation of investment securities	49	(77)
Decrease (increase) in notes and accounts receivable - trade	14,731	10,844
Decrease (increase) in inventories	274	(1,863)
Increase (decrease) in notes and accounts payable - trade	(8,063)	(3,736)
Decrease (increase) in other assets	447	(81)
Increase (decrease) in other liabilities	729	(930)
Subtotal	10,382	10,527
Interest and dividend income received	306	360
Interest expenses paid	(123)	(84)
Payments for business restructuring	(20)	-
Income taxes paid	(3,722)	(4,580)
Net cash provided by (used in) operating activities	6,822	6,223
<b>Cash flows from investing activities</b>		
Payments into time deposits	(6,693)	(6,114)
Proceeds from withdrawal of time deposits	6,949	4,852
Purchase of securities	(12,400)	(17,400)
Proceeds from sales of securities	12,400	14,901
Purchase of trust beneficiary right	(6,006)	(5,661)
Proceeds from sales of trust beneficiary right	6,369	5,569
Purchase of property, plant and equipment	(1,331)	(3,474)
Proceeds from sales of property, plant and equipment	1	15
Purchase of intangible assets	(381)	(502)
Purchase of investment securities	(21)	(10)
Proceeds from sales of investment securities	63	169
Other, net	56	56
Net cash provided by (used in) investing activities	(994)	(7,599)

(Millions of yen)

	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	2,987	1,096
Decrease in short-term loans payable	(2,747)	(1,528)
Proceeds from long-term loans payable	12	3
Repayments of long-term loans payable	(115)	(60)
Redemption of bonds	(10)	-
Cash dividends paid	(2,451)	(2,928)
Repayments of lease obligations	(61)	(59)
Dividends paid to non-controlling interests	(151)	(117)
Purchase of treasury shares	(0)	(6,971)
Proceeds from sales of treasury shares	0	3,970
Payments from changes in ownership interests in investments in capital of subsidiaries that do not result in change in scope of consolidation	-	(734)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,538)</b>	<b>(7,328)</b>
Effect of exchange rate change on cash and cash equivalents	(1,581)	(61)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,708</b>	<b>(8,765)</b>
Cash and cash equivalents at beginning of period	55,947	59,837
Cash and cash equivalents at end of period	57,655	51,071

#### (4) 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 138,173 million yen, and treasury shares amounted to 6,969 million yen (including 3,968 million yen of the Company's stock remaining in the trust, as described in "Additional information") at the end of the second 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 3,968 million yen for 999,500 shares as of September 30, 2017.

(Segment information)

I. Six months ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

1. Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	49,321	45,782	22,457	117,560	40	117,600
Inter-segment	131	265	171	568	3	571
Total	49,452	46,047	22,628	118,129	43	118,172
Segment Profit	1,677	2,596	647	4,920	18	4,939

\* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	4,920
Profit in Other	18
Elimination	(10)
Operating income	4,928

II. Six months ended September 30, 2017 (from April 1, 2017 to September 30, 2017)

1. Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	50,728	45,933	21,190	117,852	37	117,890
Inter-segment	165	285	225	677	3	680
Total	50,894	46,219	21,416	118,529	41	118,570
Segment Profit	2,307	4,521	888	7,717	13	7,731

\* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	7,717
Profit in Other	13
Elimination	4
Operating income	7,735

### 3. Supplementary information

#### Orders received condition

(Millions of yen)

Reportable segment	Six months ended September 30, 2016 (April 1, 2016 to September 30, 2016)	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	75,145	73,107	(2,037)	(2.7)
Advanced Automation	45,715	52,042	6,327	13.8
Life Automation	20,442	24,976	4,534	22.2
Total of reportable segments	141,303	150,127	8,824	6.2
Other	44	41	(2)	(6.5)
Elimination	(639)	(730)	(91)	—
Consolidated	140,708	149,438	8,730	6.2