azbil

Translation

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Summary of Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019 (Based on Japanese GAAP)

November 2, 2018

Company name:	Azbil Corporation
Stock exchange listing:	Tokyo Stock Exchange 1st Section (CODE 6845)
URL:	https://www.azbil.com/
Representative:	Hirozumi Sone, President and Chief Executive Officer
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TEL:	+81-3-6810-1009
Scheduled date to file Quarterly Securities Report:	November 12, 2018
Scheduled date to commence dividend payments:	December 6, 2018
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, 2018 (from April 1, 2018 to September 30, 2018)

(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, 2018	119,754	1.6	8,166	5.6	8,889	9.5	5,833	9.6
Six months ended September 30, 2017	117,890	0.2	7,735	57.0	8,115	92.8	5,320	129.5

Note: Comprehensive income
Six months ended September 30, 2018 6,006 million yen (22.0)%
Six months ended September 30, 2017 7,701 million yen ―%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2018	40.55	―
Six months ended September 30, 2017	36.53	―

Note: Azbil Corporation ("the Company") implemented a 2-for-1 common stock split effective on October 1, 2018. "Net income per share" has been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.
Please note that if the stock split were not taken into account, "Net income per share (pre-split conversion)" would be 81.10 yen for the six months ended September 30, 2018, and 73.06 yen for the six months ended September 30, 2017.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	257,274	175,767	67.6
As of March 31, 2018	273,805	177,962	64.3

Reference: Shareholders' equity
As of September 30, 2018 173,864 million yen
As of March 31, 2018 175,995 million yen

Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018), etc. have been applied from the beginning of the first quarter of the consolidated accounting period and have also been retrospectively applied to the consolidated financial position as of March 31, 2018.

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, 2018	－	41.00	－	41.00	82.00
Year ending March 31, 2019	－	46.00			
Year ending March 31, 2019 (Forecast)			－	23.00	－

(pre-split conversion 46.00)

Note: Revisions to the dividends forecast most recently announced: No

The Company implemented a 2-for-1 common stock split effective on October 1, 2018. As regards dividends per share, the 2nd quarter-end dividends for the year ending March 31, 2019 are applied to shares held prior to the stock split, while the fiscal year -end dividends for the year ending March 31, 2019 (forecast) are applied to shares held after the stock split.
If the stock split were not taken into account, the fiscal year-end dividends for the year ending March 31, 2019 (forecast) would be 46 yen (pre-split conversion), and the total dividends (ditto) including the 2nd quarter-end dividends would be 92 yen. This effectively represents no change to the dividend level in the initial forecast announced on May 11, 2018.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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 2018	267,000	2.5	26,000	8.2	26,500	9.0	18,500	3.4	129.19

Note: Revisions to the consolidated financial results forecast most recently announced: Yes

The Company implemented a 2-for-1 common stock split effective on October 1, 2018. For “Net income per share” in the forecast of consolidated financial results, the impact of the stock split is considered.
Please note that if the stock split were not taken into account, “Net income per share (pre-split conversion)” would be 258.37 yen.

* 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, 2018	148,500,884 shares	As of March 31, 2018	148,500,884 shares

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

As of September 30, 2018	5,296,092 shares	As of March 31, 2018	3,426,574 shares

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

Six months ended September 30, 2018	143,862,354 shares	Six months ended September 30, 2017	145,635,426 shares

Note 1. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The total number of issued shares, the number of treasury shares and the average number of shares during the period have been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

2. 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 (1,993,030 shares as of September 30, 2018; 1,996,566 shares as of March 31, 2018). 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 (1,994,517 shares for the six months ended September 30, 2018; 1,365,972 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 16 of the accompanying materials.

* This consolidated quarterly financial results report is not subject to the quarterly review procedures by certified public accountants or auditing firms.

* 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 low in the first quarter consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

The projections of the 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 8 of the accompanying materials.

(How to obtain supplementary material on quarterly financial results)

Supplementary materials on quarterly financial results are available on the company’s website.

Accompanying Materials

Contents

1. Qualitative information on consolidated quarterly financial results

(1) Qualitative information on consolidated quarterly business performance

The business environment for the azbil Group has benefitted from active investment in domestic urban redevelopment underpinning continued robust demand for equipment and systems for large-scale buildings. Capital investment in production equipment has also remained robust in the manufacturing industry in general.

Looking at financial results for the second quarter of the current consolidated cumulative period, overall orders received were 145,083 million yen, down 2.9% from the 149,426 million yen recorded for the same period last year. However, net sales were 119,754 million yen, up 1.6% from the 117,890 million yen for the same period last year. Orders received fell but this was owing to the fact that there were large-scale projects recorded in the same period last year for the Advanced Automation (AA) business and the Life Automation (LA) business. Thus, there are no significant changes in the outlook for the Group's business environment. As for sales, the AA and LA businesses made steady growth and the Group as a whole achieved an increase compared with the same period last year.

As regards profits, operating income was 8,166 million yen, up 5.6% from the 7,735 million yen recorded for the same period last year. This result reflects sales growth and the success of measures to strengthen the profit structure, despite there having been increased R&D expenses and temporary expenses for provision. Owing mainly to an increase in foreign exchange gains, ordinary income grew by 9.5 % to 8,889 million yen (compared with 8,115 million yen for the same period last year). Net income attributable to owners of parent was 5,833 million yen, up 9.6% from the 5,320 million yen recorded for the same period last year.

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Difference	Difference (%)
Orders received	149,426	145,083	(4,342)	(2.9)
Orders received (Before revision)	149,438	144,000	(5,438)	(3.6)
Net sales	117,890	119,754	1,864	1.6
Operating income	7,735	8,166	430	5.6
Ordinary income	8,115	8,889	773	9.5
Net income attributable to owners of parent	5,320	5,833	513	9.6

Note: Orders received

Previously, figures for orders received included the translation gains and losses associated with currency conversions for contracts denominated in foreign currencies incorporated within the order backlog at the beginning of the fiscal year. However, the figures for orders received for the second quarter of the current consolidated cumulative period excluding aforesaid translation gains and losses have been posted. This revision is aimed at providing investors with useful information for their investment judgement, by reporting our business performance in line with the Group's business activities, as our overseas business is expanding.

To facilitate comparison, orders received for the same period last year have been recalculated using this method.

Guided by the philosophy of “human-centered automation”, the azbil Group drew up its medium-term plan (FY2017–FY2019) based on the three fundamental policies [Note 1] and we are currently implementing measures to realize sustained growth. So that we may respond rapidly and decisively to changes in the business environment, thus ensuring growth into the future, we are now advancing business structure reforms and improvements to the profit structure in each segment. Also, we have been actively engaged in those areas where continuing/increasing demand is anticipated for the medium/long-term – providing solutions throughout the life cycle, developing new automation opportunities, and focusing on environmental and energy issues – while investing in upgrading and expanding R&D and production systems to strengthen the business foundation with a view to developing these areas and realizing sustained growth. What follows are management’s assessment of the results for each segment, together with our analysis and conclusions.

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

Building Automation (BA) Business

The market environment for the BA business has continued to be robust. In the domestic market, in addition to urban redevelopment plans for the Tokyo metropolitan area, demand for solutions for energy saving and operational cost reduction has been high. Overseas, there has been active investment of domestic and foreign capital in large-scale buildings in the Asian region, where economic growth continues.

In this business environment, we have not only engaged in securing orders with a view to enhanced profitability, but also striven to ensure enhanced job fulfillment capabilities and efficiencies, particularly on site, that meet the requirements of Japan’s work-style reform. Moreover, we have made progress with the development and strengthening of our products to better meet the needs of clients, in Japan and abroad, who are interested in harnessing such technologies as IoT.

Consequently, in the second quarter of the current consolidated cumulative period BA business orders received rose steadily to 75,227 million yen, up 2.6% from the 73,297 million yen recorded for the same period last year. However, sales fell to 49,531 million yen, down 2.7% on the 50,894 million yen recorded for the same period last year because the level of sales in the same period last year was high, owing partly to the recording of large-scale projects. Owing to this fall in sales and also to temporary expenses for provision, etc., segment profit of 1,196 million yen was recorded, down 48.2% on the 2,307 million yen for the same period last year.

Seasonal factors affecting the BA business typically lead to an increase in sales and segment profits in the second half. In the current consolidated fiscal year, sales and profits for the first half were lower compared with the same period last year; however, in the second half it is expected that sales will be concentrated even more than are seen in a typical year, thanks to the robust business environment. Thus, sales and profits are forecast to be significantly higher than for the second half of the previous fiscal year. As for the medium/long-term outlook for the business environment, in addition to the demand generated by the Tokyo Olympics, large-scale redevelopment projects are planned for 2020 and beyond. Demand for new buildings is thus expected to continue. Furthermore, large-scale buildings constructed around 1990 and early 2000s will be coming up for retrofit, so from 2020 onwards there will be growth in demand for retrofit of these existing buildings and it is expected that the healthy margins associated with such work will contribute to improved profitability.

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Difference	Difference (%)
Orders received	73,297	75,227	1,929	2.6
Orders received (Before revision)	73,107	75,021	1,913	2.6
Sales	50,894	49,531	(1,363)	(2.7)
Segment profit	2,307	1,196	(1,111)	(48.2)

Advanced Automation (AA) Business

Looking at trends in domestic and overseas markets for the AA business, despite changes that the markets related to semiconductor manufacturing equipment have entered an adjustment phase, the need for automation in Japan and abroad has remained firm, and overall the business environment has continued to be robust. Based on these conditions, we have engaged in streamlining operations for the three AA business sub-segments (CP, IAP & SS) [Note 2] aiming to achieve global competitiveness with an integrated system that stretches from marketing and development through to production, sales and service. At the same time, we have implemented measures to achieve business growth, including business expansion overseas, and improve business profitability.

Consequently, in the second quarter of the current consolidated cumulative period AA business orders received were 50,322 million yen, down 3.7% on the 52,233 million yen for the same period last year, when large-scale projects in energy-related markets were recorded. However, sales grew steadily, increasing to 47,782 million yen, up 3.4% from the 46,219 million yen for the same period last year. Thanks to this sales growth plus the expanded success of initiatives designed to improve business profitability, segment profit grew to 5,815 million yen, up 28.6% from the 4,521 million yen recorded for the same period last year.

In the AA business we will continue initiatives designed to improve profitability and to strengthen marketing capabilities in Japan and abroad. We will also focus on developing and launching products and services that reflect such new trends in technology as IoT, big data and AI. At the same time, by targeting fields in which the azbil Group can leverage its strengths both in Japan and abroad, we aim to achieve business expansion and high added value.

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Difference	Difference (%)
Orders received	52,233	50,322	(1,910)	(3.7)
Orders received (Before revision)	52,042	49,930	(2,111)	(4.1)
Sales	46,219	47,782	1,563	3.4
Segment profit	4,521	5,815	1,293	28.6

Note 2：Three AA business sub-segments (management accounting sub-segments)

CP business: Control Product business (supplying factory automation products such as controllers and sensors, etc.)

IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure & pressure transmitters, and control valves, etc.)

SS business: Solution & Service business (offering control systems, engineering service, maintenance service, energy-saving solution service, etc.)

Life Automation (LA) Business

The LA business covers three fields: Lifeline (gas/water meters, etc.), Life Science Engineering (LSE: pharmaceutical/laboratory fields), and Lifestyle-related (residential central air-conditioning systems). The business environment differs in each field.

The Lifeline field (gas/water meters, etc.), which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. While some impacts from the liberalization of gas sales are observed, we expect stable demand to continue in this field. On the other hand, in the two other fields – LSE and residential central air-conditioning systems – we are continuously seeking to stabilize profit structure by implementing business structure reforms.

Reflecting these business conditions and initiatives, in the second quarter of the current consolidated cumulative period LA business orders received were 20,197 million yen, down 17.8% from the 24,559 million yen for the same period last year, when large-scale projects in the LSE field were recorded. However, sales grew in all three fields, increasing to 23,076 million yen, up 7.8% from the 21,416 million yen recorded for the same period last year. Thanks to this sales growth plus improved profitability resulting from business structure reforms, segment profit was 1,160 million yen, up 30.6% from the same period last year when segment profit of 888 million yen was recorded.

In the LA business we will continue initiatives designed to improve and stabilize profit in each of the three fields. In parallel with this, we will advance initiatives aimed at future business expansion. In the Lifeline field, we will engage in initiatives to create new business opportunities in the gas and other energy markets by developing and launching new products that mesh with trending technological advances such as IoT, and by participating in validation projects. In the LSE field we will accelerate the development of new products and services that correspond to the manufacturing innovations taking place in the global pharmaceutical market. Thirdly, for the Lifestyle-related field, in the market for residential central air-conditioning systems we will launch new products/technologies to enhance user comfort and convenience.

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Difference	Difference (%)
Orders received	24,559	20,197	(4,361)	(17.8)
Orders received (Before revision)	24,976	19,740	(5,235)	(21.0)
Sales	21,416	23,076	1,660	7.8
Segment profit	888	1,160	271	30.6

Other Business

In Other business, principally our insurance agent business, orders received in the second quarter of the current consolidated cumulative period were 37 million yen (compared with 40 million yen for the same period last year), sales were 37 million yen (compared with 41 million yen for the same period last year), and segment profit was 9 million yen (compared with 13 million yen for the same period last year).

(2) Qualitative information on consolidated quarterly financial position

(Assets)

Total assets at the end of the second quarter of fiscal year 2018 stood at 257,274 million yen, a decrease of 16,531 million yen from the previous fiscal year-end. This was mainly due to a decrease of 12,658 million yen in notes and accounts receivable-trade.

(Liabilities)

Total liabilities at the end of the second quarter of fiscal year 2018 stood at 81,506 million yen, a decrease of 14,335 million yen from the previous fiscal year-end. This was mainly due to a decrease of 5,223 million yen in notes and accounts payable-trade, a decrease of 5,068 million yen in income taxes payable as well as a decrease of 3,331 million yen in provision for bonuses.

(Net assets)

Net assets at the end of the second quarter of fiscal year 2018 stood at 175,767 million yen, a decrease of 2,195 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 3,014 million yen as the payment of dividends and a decrease of 4,999 million yen by repurchasing own shares based on a resolution in the Board of Directors meeting, despite an increase of 5,833 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 67.6% compared with 64.3% at the previous fiscal year-end.

(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 2018 were 4,713 million yen, down 1,509 million yen compared to the same period last year. This was mainly due to an increase in income taxes paid.

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

Net cash used in investment activities (expenditure) in the second quarter of fiscal year 2018 was 6,793 million yen, a decrease in expenditure of 806 million yen compared to the same period last year. This was mainly due to decreased payments into time deposits in correspondence to continuing capital expenditures for integration and expansion of domestic production facilities.

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

Net cash used in financing activities (expenditure) in the second quarter of fiscal year 2018 was 8,080 million yen, an increase in expenditure of 751 million yen compared to the same period last year. This was mainly due to an increase in expenditure resulting from the repurchase of own shares based on a resolution in the Board of Directors meeting.

As a result of the above factors, net cash at the end of the second quarter of the current consolidated cumulative period stood at 58,185 million yen, a decrease of 10,454 million yen from the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

As regards the forecast of consolidated financial results for the fiscal year ending March 31, 2019, after taking into consideration consolidated results for the second quarter of the current consolidated cumulative period, the initial forecasts (announced on May 11, 2018) for ordinary income and net income attributable to owners of parent have been revised upward. At the same time, we will accelerate measures for achieving business growth and strengthening business profit structure, despite there being some cause for concern, such as the sense of uncertainty regarding the economic climate in Japan and abroad. Thus the initial forecasts for net sales and operating income, including the targets for each segment, will remain unchanged from the initial forecasts of May 11, 2018, and we will continue to strive for increased sales and profits.

Consequently, the forecasts for net sales of 267 billion yen and operating income of 26 billion yen remain unchanged, while that for ordinary income is revised upward by 1 billion yen to 26.5 billion yen, and that for net income attributable to owners of parent is also revised upward by 1 billion yen to 18.5 billion yen.

The BA business has achieved steady growth for orders received in a robust business environment, and its sales in the second half are expected to significantly exceed those for the same period last year. A steady increase in jobs is expected and, by processing these efficiently with the upgraded job fulfilment system, both sales and profits will be secured. Thus, we expect sales and segment profit as presented in the initial full-year forecasts.

In the AA business environment, though there are markets such as that related to semiconductor manufacturing equipment which are undergoing correction, the need for automation in Japan and abroad remains firm. Also, in the process automation field for chemicals, etc., continued demand is forecast. As the azbil Group leverages its unique advantages of operating in a wide range of markets, we aim to achieve the initial forecasts for sales and segment profit by accelerating measures to expand business fields and improve profitability while streamlining operations for the three sub-segments (CP business, IAP business, and SS business), even if the market environment does change.

In the LA business, sales growth is forecast, mainly in the Lifeline field (gas/water meters, etc.), which can count on relatively stable cyclical demand for meter replacement as required by law. As regards profits, improved profitability is expected to result from continued business structure reforms, as in the first half, and thus we aim to achieve the initial forecasts for sales and segment profit.

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)

		Revised forecast (November 2, 2018)	Initial forecast (May 11, 2018)	Difference	Difference (%)	(Reference) FY2017 Actual
Building Automation	Sales	122.0	122.0	-	-	120.2
	Segment profit	13.0	13.0	-	-	12.5
Advanced Automation	Sales	100.0	100.0	-	-	97.2
	Segment profit	11.0	11.0	-	-	9.9
Life Automation	Sales	46.5	46.5	-	-	44.2
	Segment profit	2.0	2.0	-	-	1.5
Other	Sales	0.1	0.1	-	-	0.0
	Segment profit	0.0	0.0	-	-	0.0
Consolidated	Net sales	267.0	267.0	-	-	260.3
	Operating income	26.0	26.0	-	-	24.0
	Ordinary income	26.5	25.5	1.0	3.9	24.3
	Net income attributable to owners of parent	18.5	17.5	1.0	5.7	17.8

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	46,128	44,972
Notes and accounts receivable - trade	91,420	78,762
Securities	36,406	30,205
Merchandise and finished goods	4,968	5,624
Work in process	7,787	8,926
Raw materials	11,079	11,392
Other	9,520	8,805
Allowance for doubtful accounts	(596)	(379)
Total current assets	206,714	188,309
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,439	13,015
Other, net	14,039	13,395
Total property, plant and equipment	25,479	26,411
Intangible assets	5,279	5,292
Investments and other assets		
Investment securities	26,746	27,899
Net defined benefit asset	3	2
Other	10,148	9,820
Allowance for doubtful accounts	(566)	(462)
Total investments and other assets	36,331	37,260
Total non-current assets	67,090	68,964
Total assets	273,805	257,274

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	41,498	36,274
Short-term loans payable	10,171	10,105
Income taxes payable	6,313	1,244
Provision for bonuses	10,211	6,880
Provision for directors' bonuses	157	66
Provision for product warranties	552	707
Provision for loss on order received	792	865
Other	17,828	15,573
Total current liabilities	87,525	71,718
Non-current liabilities		
Long-term loans payable	514	487
Net defined benefit liability	5,563	5,288
Provision for directors' retirement benefits	122	105
Provision for stock payment	654	822
Other	1,460	3,084
Total non-current liabilities	8,316	9,787
Total liabilities	95,842	81,506
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	147,728	150,547
Treasury shares	(6,966)	(11,960)
Total shareholders' equity	162,955	160,780
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,906	13,711
Deferred gains or losses on hedges	45	16
Foreign currency translation adjustment	1,837	1,013
Remeasurements of defined benefit plans	(1,749)	(1,657)
Total accumulated other comprehensive income	13,040	13,084
Non-controlling interests	1,967	1,902
Total net assets	177,962	175,767
Total liabilities and net assets	273,805	257,274

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

(Consolidated quarterly statements of income)

(The second quarter of the consolidated cumulative period)

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Net sales	117,890	119,754
Cost of sales	75,201	75,124
Gross profit	42,688	44,629
Selling, general and administrative expenses	34,952	36,463
Operating income	7,735	8,166
Non-operating income		
Interest income	50	58
Dividend income	312	328
Foreign exchange gains	99	383
Real estate rent	21	20
Reversal of allowance for doubtful accounts	—	18
Other	69	61
Total non-operating income	553	869
Non-operating expenses		
Interest expenses	84	64
Commitment fee	10	10
Rent expenses on real estates	37	35
Other	40	36
Total non-operating expenses	173	146
Ordinary income	8,115	8,889
Extraordinary income		
Gain on sales of non-current assets	3	11
Gain on sales of investment securities	77	3
Total extraordinary income	81	15
Extraordinary losses		
Loss on sales and retirement of non-current assets	115	53
Impairment loss	—	20
Loss on sales of investment securities	0	—
Total extraordinary losses	115	73
Income before income taxes	8,081	8,830
Income taxes - current	1,279	1,283
Income taxes - deferred	1,350	1,553
Total income taxes	2,629	2,836
Net income	5,452	5,994
Net income attributable to non-controlling interests	131	160
Net income attributable to owners of parent	5,320	5,833

(Consolidated quarterly statements of comprehensive income)

(The second quarter of the consolidated cumulative period)

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Net income	5,452	5,994
Other comprehensive income		
Valuation difference on available-for-sale securities	2,455	805
Deferred gains or losses on hedges	22	(29)
Foreign currency translation adjustment	(311)	(856)
Remeasurements of defined benefit plans, net of tax	82	93
Total other comprehensive income	2,248	11
Comprehensive income	7,701	6,006
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,612	5,877
Comprehensive income attributable to non-controlling interests	88	128

(3) Consolidated quarterly statements of cash flows

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes	8,081	8,830
Depreciation	1,938	2,062
Amortization of goodwill	39	—
Increase (decrease) in allowance for doubtful accounts	(33)	(280)
Increase (decrease) in net defined benefit liability	6	(21)
Decrease (increase) in net defined benefit asset	(144)	(111)
Increase (decrease) in accrued payments due to change in retirement benefit plan	(794)	(763)
Increase (decrease) in provision for stock payment	181	175
Increase (decrease) in provision for bonuses	(2,651)	(3,304)
Increase (decrease) in provision for directors' bonuses	(48)	(90)
Interest and dividend income	(363)	(386)
Interest expenses	84	64
Foreign exchange losses (gains)	(36)	(259)
Loss (gain) on sales and retirement of non-current assets	111	41
Impairment loss	—	20
Loss (gain) on sales and valuation of investment securities	(77)	(3)
Decrease (increase) in notes and accounts receivable - trade	10,844	12,077
Decrease (increase) in inventories	(1,863)	(2,379)
Increase (decrease) in notes and accounts payable - trade	(3,736)	(4,897)
Decrease (increase) in other assets	(81)	650
Increase (decrease) in other liabilities	(930)	(868)
Subtotal	10,527	10,558
Interest and dividend income received	360	384
Interest expenses paid	(84)	(64)
Income taxes paid	(4,580)	(6,164)
Net cash provided by (used in) operating activities	6,223	4,713
Cash flows from investing activities		
Payments into time deposits	(6,114)	(1,480)
Proceeds from withdrawal of time deposits	4,852	1,025
Purchase of securities	(17,400)	(15,200)
Proceeds from sales of securities	14,901	12,500
Purchase of trust beneficiary right	(5,661)	(5,373)
Proceeds from sales of trust beneficiary right	5,569	5,449
Purchase of property, plant and equipment	(3,474)	(3,347)
Proceeds from sales of property, plant and equipment	15	82
Purchase of intangible assets	(502)	(536)
Purchase of investment securities	(10)	(5)
Proceeds from sales of investment securities	169	8
Purchase of investments in capital of subsidiaries	—	(27)
Other, net	56	111
Net cash provided by (used in) investing activities	(7,599)	(6,793)

(Millions of yen)

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Cash flows from financing activities		
Increase in short-term loans payable	1,096	729
Decrease in short-term loans payable	(1,528)	(511)
Proceeds from long-term loans payable	3	—
Repayments of long-term loans payable	(60)	(19)
Cash dividends paid	(2,928)	(3,014)
Repayments of lease obligations	(59)	(75)
Dividends paid to non-controlling interests	(117)	(183)
Purchase of treasury shares	(6,971)	(5,001)
Proceeds from sales of treasury shares	3,970	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(5)
Payments from changes in ownership interests in investments in capital of subsidiaries that do not result in change in scope of consolidation	(734)	—
Net cash provided by (used in) financing activities	(7,328)	(8,080)
Effect of exchange rate change on cash and cash equivalents	(61)	(294)
Net increase (decrease) in cash and cash equivalents	(8,765)	(10,454)
Cash and cash equivalents at beginning of period	59,837	68,640
Cash and cash equivalents at end of period	51,071	58,185

(4) Notes to the consolidated quarterly financial statements

(Notes regarding going concern assumptions)

Not applicable

(Notes regarding significant change in shareholders' equity)

Based on the resolutions at the Board of Directors meeting held on May 11, 2018, the Company repurchased its own shares pursuant to Article 156 and Article 165, paragraph 3 of the Companies Act. Consequently, treasury shares increased by 4,999 million yen in the first quarter of the consolidated accounting period and amounted to 11,960 million yen at the end of the second quarter of the current consolidated accounting period.

Furthermore, the Company implemented a 2-for-1 common stock split effective on October 1, 2018. The above repurchase of its own shares was completed on June 19, 2018, and the total number of shares acquired was 936,200. Following the stock split, this number doubled to 1,872,400 shares. Details of the stock split can be found in "Significant subsequent event."

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc.)

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No.28, February 16, 2018), etc. have been applied from the beginning of the first quarter of the consolidated accounting period. Accordingly, deferred tax assets are classified under investments and other assets, and deferred tax liabilities are classified under non-current liabilities.

Furthermore, these partial amendments have been retrospectively applied to the consolidated financial position and consolidated balance sheets as of March 31, 2018.

(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 plan"), 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 plan, the Company offers the Company's stock to its employees who satisfy certain requirements specified in the Company's predetermined stock granting regulations. The Company awards points to employees according to the contribution level of them and grants 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 is acquired with money previously placed in the trust, including stock to be granted in the future, and is 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 is recorded as treasury shares under net assets at book value in the trust. The book value of the Company's stock in the trust and the number of shares are as below.

As of March 31, 2018

Book value: 3,963 million yen

Number of shares: 998,283 shares (1,996,566 shares following the stock split)

As of September 30, 2018

Book value: 3,956 million yen

Number of shares: 996,515 shares (1,993,030 shares following the stock split)

(Note) The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The figures in parentheses above represent the number of the Company's stock calculated as if the stock split had been implemented at the beginning of the previous fiscal year. Details of the stock split can be found in "Significant subsequent event."

(Segment information)

I. 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

II. Six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

1. Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	49,383	47,418	22,918	119,719	34	119,754
Inter-segment	147	364	158	670	3	673
Total	49,531	47,782	23,076	120,390	37	120,427
Segment profit	1,196	5,815	1,160	8,172	9	8,181

* "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	8,172
Profit in Other	9
Elimination	(14)
Operating income	8,166

(Significant subsequent event)

Based on the resolutions at the Board of Directors meeting held on August 30, 2018, the Company implemented a stock split effective on October 1, 2018.

1. Purpose of the stock split

The purpose of the stock split is to increase share liquidity, prepare an environment that makes it easier for investors to invest and expand the investor base by reducing the price of share-trading units.

2. Overview of the stock split

(1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closed register of shareholders on the record date of Sunday, September 30, 2018 (the shareholder registry administrator was off on this date, so, for practical purposes, the date was Friday, September 28, 2018) was split into two shares.

(2) Increase in the number of shares by the stock split

Total number of issued shares prior to the stock split	: 74,250,442 shares
Increase in the number of shares by the stock split	: 74,250,442 shares
Total number of issued shares after the stock split	: 148,500,884 shares
Total number of authorized shares after the stock split	: 559,420,000 shares

(3) Schedule of the stock split

Date of public notice of record date	: Friday, September 14, 2018
Record Date	: Sunday, September 30, 2018
Effective Date	: Monday, October 1, 2018

(4) Impact on per share information

Per share information as if the stock split had been implemented at the beginning of the previous fiscal year is as below.

	Six months ended September 30, 2017 (April 1, 2017 to September 30, 2017)	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)
Net income per share (Yen)	36.53	40.55

Note: Diluted net income per share is not presented as there is no dilutive shares.