Translation

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

February 6, 2019

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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Scheduled date to file Quarterly Securities Report:	February 12, 2019
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 nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	%
Nine months ended December 31, 2018	185,359	1.2	15,260	10.4	16,023	10.8	11,249	19.5
Nine months ended December 31, 2017	183,103	2.3	13,825	39.5	14,465	36.7	9,413	41.2

Note: Comprehensive income Nine months ended December 31, 2018 9,391 million yen (32.4)%
Nine months ended December 31, 2017 13,893 million yen 116.7%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2018	78.31	—
Nine months ended December 31, 2017	64.72	—

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 156.63 yen for the nine months ended December 31, 2018, and 129.44 yen for the nine months ended December 31, 2017.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2018	260,918	175,790	66.6
As of March 31, 2018	273,805	177,962	64.3

Reference: Shareholders' equity As of December 31, 2018 173,883 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: No

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 December 31, 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 December 31, 2018	5,295,057 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)

Nine months ended December 31, 2018	143,642,447 shares	Nine months ended December 31, 2017	145,447,276 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 (1,991,615 shares as of December 31, 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 (1,993,824 shares for the nine months ended December 31, 2018; 1,577,504 shares for the nine months ended December 31, 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 13 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 of the 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 7 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

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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. As regards capital investment in production equipment, despite there being signs of change – such as the domestic and overseas semiconductor manufacturing equipment markets leveling off for the time being – overall there has been continued demand for rationalization and labor-saving measures in response to the current labor shortage.

Looking at financial results for the third quarter of the current consolidated cumulative period, overall orders received were 204,144 million yen, down 2.3% from the 208,906 million yen recorded for the same period last year. However, net sales were 185,359 million yen, up 1.2% from the 183,103 million yen for the same period last year. The decrease in orders received was owing to the fact that large-scale projects had been recorded in the same period last year for the Advanced Automation (AA) business and the Life Automation (LA) business. Sales for the AA and LA businesses made steady gains, and for the Group overall net sales increased compared to the same period last year.

As regards profits, operating income was 15,260 million yen, up 10.4% from the 13,825 million yen recorded for the same period last year. This result reflects sales growth and the success of measures to strengthen the profit structure. With the increase in operating income, ordinary income grew by 10.8% to 16,023 million yen (compared with 14,465 million yen for the same period last year). Net income attributable to owners of parent was 11,249 million yen, up 19.5% from the 9,413 million yen recorded for the same period last year.

(Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Difference	Difference (%)
Orders received	208,906	204,144	(4,761)	(2.3)
Orders received (Before revision)	209,902	203,692	(6,209)	(3.0)
Net sales	183,103	185,359	2,255	1.2
Operating income	13,825	15,260	1,434	10.4
Ordinary income	14,465	16,023	1,558	10.8
Net income attributable to owners of parent	9,413	11,249	1,836	19.5

Note: Orders received

Figures for orders received in the same period last year 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 third 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. (Continued on the next page.)

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 capabilities and efficiencies of accomplishing work-related tasks, 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 third quarter of the current consolidated cumulative period BA business orders received rose steadily to 101,037 million yen, up 3.1% from the 97,956 million yen recorded for the same period last year. However, sales fell to 79,823 million yen, down 2.3% on the 81,734 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 to the recording of temporary expenses for provision incurred in the first half, segment profit of 4,902 million yen was recorded, down 18.3% on the 5,998 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, especially in the fourth quarter. In the current consolidated fiscal year, thanks to the robust business environment, sales and profits in the second half are expected to be higher than for the same period last year. As for the 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)

	Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Difference	Difference (%)
Orders received	97,956	101,037	3,081	3.1
Orders received (Before revision)	97,846	100,905	3,059	3.1
Sales	81,734	79,823	(1,910)	(2.3)
Segment profit	5,998	4,902	(1,095)	(18.3)

Advanced Automation (AA) Business

Looking at trends in domestic and overseas markets for the AA business, it is true that changes have been observed; for example, the markets related to semiconductor manufacturing equipment have leveled off for the time being. However, the demand for automation aimed at rationalization and labor-saving measures has continued at a high level, reflecting labor shortage and other factors. Based on these conditions, we have engaged in streamlining operations for the three AA business sub-segments (CP, IAP and 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 third quarter of the current consolidated cumulative period AA business orders received were 74,794 million yen, down 2.6% on the 76,827 million yen for the same period last year, when the recording of large-scale projects in energy-related markets boosted orders received. Nevertheless, sales grew steadily, increasing to 73,064 million yen, up 4.1% from the 70,217 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 8,872 million yen, up 29.6% from the 6,846 million yen recorded for the same period last year.

In the AA business we will continue initiatives designed to improve profitability and to develop business overseas for each of the three sub-segments. At the same time, we will actively foster and strengthen our product development capabilities, create new automation fields that tap into the latest technical trends, and provide our customers in Japan and abroad with high

added-value products and services unique to azbil.

(Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Difference	Difference (%)
Orders received	76,827	74,794	(2,033)	(2.6)
Orders received (Before revision)	77,186	74,792	(2,394)	(3.1)
Sales	70,217	73,064	2,847	4.1
Segment profit	6,846	8,872	2,026	29.6

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

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

IAP business: Industrial Automation Product business (supplying process automation products such as differential pressure & pressure transmitters, 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 third quarter of the current consolidated cumulative period LA business orders received were 29,458 million yen, down 16.1% from the 35,102 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 33,622 million yen, up 4.9% from the 32,056 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 1,489 million yen, up 53.6% from the same period last year when segment profit of 969 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)

	Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Difference	Difference (%)
Orders received	35,102	29,458	(5,644)	(16.1)
Orders received (Before revision)	35,848	29,198	(6,649)	(18.5)
Sales	32,056	33,622	1,566	4.9
Segment profit	969	1,489	519	53.6

Other Business

In Other business, principally our insurance agent business, orders received in the third quarter of the current consolidated cumulative period were 48 million yen (compared with 51 million yen for the same period last year), sales were 49 million yen (compared with 52 million yen for the same period last year), and segment profit was 5 million yen (compared with 9 million yen for the same period last year).

(2) Qualitative information on consolidated quarterly financial position

(Assets)

Total assets at the end of the third quarter of fiscal year 2018 stood at 260,918 million yen, a decrease of 12,886 million yen from the previous fiscal year-end. This was mainly due to a decrease of 7,131 million yen in notes and accounts receivable-trade as well as a decrease of 6,700 million yen in securities.

(Liabilities)

Total liabilities at the end of the third quarter of fiscal year 2018 stood at 85,128 million yen, a decrease of 10,713 million yen from the previous fiscal year-end. This was mainly due to a decrease of 4,719 million yen in provision for bonuses, a decrease of 4,294 million yen in income taxes payable as well as a decrease of 3,480 million yen in notes and accounts payable-trade.

(Net assets)

Net assets at the end of the third quarter of fiscal year 2018 stood at 175,790 million yen, a decrease of 2,172 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 6,354 million yen as the payment of dividends, a decrease of 4,999 million yen by repurchasing own shares based on a resolution in the Board of Directors meeting as well as a decrease of 1,653 million yen in valuation difference on available-for-sale securities, despite an increase of 11,249 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 66.6% compared with 64.3% at 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, no revision is made to the forecast published on November 2, 2018. Some regional and market differences have been noted in the business environment for the azbil Group, such as the fact that the semiconductor manufacturing equipment market has leveled off for the time being. Nevertheless, domestic construction demand continues at a high level and, as regards capital investment, it is clear that in Japan and overseas there is steady demand for automation to facilitate rationalization and labor-/energy-saving measures.

Taking these business conditions into account, all members of the Group will work in unison to achieve our full-year performance forecast and to thoroughly implement various measures aimed at further improving performance.

Also, to achieve the goals set out in the medium-term plan (FY2017–FY2019) we will make progress with investments and initiatives aimed at strengthening the business foundation to realize sustained growth in the future by implementing business structure reforms, enhancing the profit structure, and upgrading and expanding R&D and production systems.

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, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	46,128	42,822
Notes and accounts receivable - trade	91,420	84,288
Securities	36,406	29,705
Merchandise and finished goods	4,968	6,057
Work in process	7,787	10,925
Raw materials	11,079	11,684
Other	9,520	9,656
Allowance for doubtful accounts	(596)	(343)
Total current assets	206,714	194,797
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	11,439	12,881
Other, net	14,039	14,040
Total property, plant and equipment	25,479	26,922
Intangible assets	5,279	5,277
Investments and other assets		
Investment securities	26,746	24,300
Net defined benefit asset	3	—
Other	10,148	10,112
Allowance for doubtful accounts	(566)	(491)
Total investments and other assets	36,331	33,921
Total non-current assets	67,090	66,121
Total assets	273,805	260,918

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	41,498	38,018
Short-term loans payable	10,171	10,190
Income taxes payable	6,313	2,019
Provision for bonuses	10,211	5,491
Provision for directors' bonuses	157	65
Provision for product warranties	552	656
Provision for loss on order received	792	795
Other	17,828	19,359
Total current liabilities	87,525	76,597
Non-current liabilities		
Long-term loans payable	514	188
Net defined benefit liability	5,563	5,211
Provision for directors' retirement benefits	122	112
Provision for stock payment	654	903
Other	1,460	2,115
Total non-current liabilities	8,316	8,531
Total liabilities	95,842	85,128
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	147,728	152,623
Treasury shares	(6,966)	(11,958)
Total shareholders' equity	162,955	162,858
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,906	11,253
Deferred gains or losses on hedges	45	9
Foreign currency translation adjustment	1,837	1,373
Remeasurements of defined benefit plans	(1,749)	(1,611)
Total accumulated other comprehensive income	13,040	11,025
Non-controlling interests	1,967	1,906
Total net assets	177,962	175,790
Total liabilities and net assets	273,805	260,918

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

(Consolidated quarterly statements of income)

(The third quarter of the consolidated cumulative period)

(Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)
Net sales	183,103	185,359
Cost of sales	115,804	114,485
Gross profit	67,298	70,873
Selling, general and administrative expenses	53,472	55,613
Operating income	13,825	15,260
Non-operating income		
Interest income	77	87
Dividend income	504	537
Foreign exchange gains	172	219
Real estate rent	31	31
Reversal of allowance for doubtful accounts	18	―
Other	99	104
Total non-operating income	904	979
Non-operating expenses		
Interest expenses	125	99
Commitment fee	15	15
Rent expenses on real estates	56	51
Provision of allowance for doubtful accounts	―	4
Other	67	45
Total non-operating expenses	264	216
Ordinary income	14,465	16,023
Extraordinary income		
Gain on sales of non-current assets	4	15
Gain on sales of investment securities	131	57
Total extraordinary income	135	72
Extraordinary losses		
Loss on sales and retirement of non-current assets	127	57
Impairment loss	32	20
Loss on sales of investment securities	0	0
Loss on liquidation of subsidiaries and associates	346	―
Loss on valuation of investment securities	15	―
Total extraordinary losses	520	78
Income before income taxes	14,079	16,016
Income taxes - current	2,771	3,017
Income taxes - deferred	1,689	1,548
Total income taxes	4,460	4,565
Net income	9,618	11,450
Net income attributable to non-controlling interests	205	201
Net income attributable to owners of parent	9,413	11,249

(Consolidated quarterly statements of comprehensive income)

(The third quarter of the consolidated cumulative period)

(Millions of yen)

	Nine months ended December 31, 2017 (April 1, 2017 to December 31, 2017)	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)
Net income	9,618	11,450
Other comprehensive income		
Valuation difference on available-for-sale securities	4,183	(1,653)
Deferred gains or losses on hedges	26	(35)
Foreign currency translation adjustment	(59)	(508)
Remeasurements of defined benefit plans, net of tax	124	138
Total other comprehensive income	4,275	(2,059)
Comprehensive income	13,893	9,391
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,708	9,234
Comprehensive income attributable to non-controlling interests	185	157

(3) 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 11,958 million yen at the end of the third 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.

(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 an 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 their contribution level 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 December 31, 2018

Book value: 3,953 million yen

Number of shares: 1,991,615 shares

(Note) The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The figure in parentheses above represents the number of the Company's stock calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

(Segment information)

I. Nine months ended December 31, 2017 (from April 1, 2017 to December 31, 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	81,518	69,776	31,760	183,055	47	183,103
Inter-segment	215	441	295	952	4	957
Total	81,734	70,217	32,056	184,008	52	184,060
Segment profit	5,998	6,846	969	13,814	9	13,824

* "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	13,814
Profit in Other	9
Elimination	1
Operating income	13,825

II. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 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	79,577	72,369	33,368	185,314	44	185,359
Inter-segment	246	695	253	1,196	4	1,201
Total	79,823	73,064	33,622	186,510	49	186,560
Segment profit	4,902	8,872	1,489	15,264	5	15,269

* “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	15,264
Profit in Other	5
Elimination	(9)
Operating income	15,260