Translation

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Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2020 (Based on Japanese GAAP)

August 2, 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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Phone:	+81-3-6810-1009
Scheduled date to file Quarterly Securities Report:	August 9, 2019
Scheduled date to commence dividend payments:	—
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of quarterly financial results meeting:	No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

(1) Consolidated financial results (Cumulative) Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2019	54,358	(0.8)	2,292	29.0	2,434	0.8	1,470	(3.6)
Three months ended June 30, 2018	54,803	0.0	1,777	2.6	2,415	20.7	1,525	28.2

Note: Comprehensive income Three months ended June 30, 2019 2,180 million yen 34.1%
Three months ended June 30, 2018 1,625 million yen (29.4)%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2019	10.32	—
Three months ended June 30, 2018	10.56	—

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.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	255,257	177,204	68.6
As of March 31, 2019	275,518	183,097	65.7

Reference: Shareholders' equity As of June 30, 2019 175,110 million yen
As of March 31, 2019 181,142 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, 2019	—	46.00	—	23.00	—
Year ending March 31, 2020	—				
Year ending March 31, 2020 (Forecast)		25.00	—	25.00	50.00

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. The dividends for the 2nd quarter-end for the year ended March 31, 2019 are applied to shares held prior to the stock split.

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	117,000	(2.3)	7,700	(5.7)	7,600	(14.5)	4,900	(16.0)	34.66
Full year	262,000	(0.0)	26,500	(0.7)	26,200	(5.3)	18,500	(2.4)	130.84

Note: Revisions to the consolidated financial results forecast most recently announced: No

The Company conducted a cancellation of its treasury shares and is repurchasing its own shares pursuant to resolutions at the Board of Directors meeting held on May 10, 2019. For "Net income per share" in the forecast of consolidated financial results, the impact of these matters as of June 30, 2019 is considered. For details, please see "Notes regarding significant change in shareholders' equity" in "2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements" on page 12 of the Accompanying Document.

* 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: Yes
2. Other changes: No
3. Changes in accounting estimates: No
4. Retrospective restatements: No

Note: For details, please see "Changes in accounting policies" in "2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements" on page 13 of the Accompanying Document.

(4) Number of issued shares (Common stock)

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

As of June 30, 2019	145,200,884 shares	As of March 31, 2019	148,500,884 shares

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

As of June 30, 2019	3,807,906 shares	As of March 31, 2019	5,291,816 shares

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

Three months ended June 30, 2019	142,556,553 shares	Three months ended June 30, 2018	144,527,754 shares

Notes: 1. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The number of shares has been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.

2. The Company has introduced an 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 (1,986,468 shares as of June 30, 2019; 1,988,258 shares as of March 31, 2019). 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 (1,987,403 shares for the three months ended June 30, 2019; 1,995,340 shares for the three months ended June 30, 2018).
For details, please see "Additional information" in "2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements" on page 13 of the Accompanying Document.

* 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

(Note regarding future projections)

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 Document.

(How to obtain supplementary material on quarterly financial results)

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

Accompanying Document

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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 the stagnation in the domestic and overseas markets for semiconductor manufacturing equipment, there has been continued demand for rationalization and labor-saving in response to the current labor shortage.

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

Overall orders received were 81,447 million yen, up 1.5% from the 80,265 million yen recorded for the same period last year. This was mainly due to growth in Building Automation (BA) business orders received, reflecting robust market conditions, despite a decrease in Advanced Automation (AA) business orders received. Net sales, however, were down by 0.8% to 54,358 million yen (compared with the 54,803 million yen for the same period last year) owing to decreased sales for the AA business and the Life Automation (LA) business, despite sales growth achieved by the BA business.

As regards profits, due to the success of measures to strengthen business profitability, operating income was 2,292 million yen, up 29.0% on the 1,777 million yen recorded for the same period last year. However, owing mainly to the recording of foreign exchange losses on appreciation of the yen, ordinary income remained virtually unchanged at 2,434 million yen (compared with the 2,415 million yen for the same period last year). Also, net income attributable to owners of parent was 1,470 million yen, virtually unchanged from the 1,525 million yen recorded for the same period last year.

(Millions of yen)

	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	80,265	81,447	1,181	1.5%
Net sales	54,803	54,358	(445)	(0.8)%
Operating income [Margin]	1,777 [3.2%]	2,292 [4.2%]	514 [1.0pp]	29.0%
Ordinary income	2,415	2,434	19	0.8%
Net income attributable to owners of parent [Margin]	1,525 [2.8%]	1,470 [2.7%]	(54) [(0.1)pp]	(3.6)%

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. The current business environment is comparatively robust, but in case there should be a decline in the economy we are advancing business structure reforms and improvements to the profit structure in each segment to ensure

growth into the future. 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.

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

What follows are management's assessment of the results for each segment, together with our analysis and conclusions.

Building Automation (BA) Business

The domestic market environment for the BA business has continued to be robust. 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, including China.

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 job fulfillment, particularly on site, that meet the requirements of Japan's work-style reform legislation. Moreover, we have made progress with the development and strengthening of our products and services to better meet the needs of clients, in Japan and abroad, who are interested in harnessing such technologies as IoT. Consequently, the financial results of the BA business for the first quarter of the current consolidated cumulative period were as follows.

Orders received were 47,588 million yen, up 5.6% on the 45,044 million yen recorded for the same period last year, thanks especially to growth in fields related to sales and installation of equipment/system for new large-scale buildings, reflecting a robust market environment. Driven by this growth related to new building projects, BA business sales rose to 22,451 million yen, 2.9% higher than the 21,828 million yen recorded for the same period last year. Also, an improvement was achieved in segment loss, which was 262 million yen (compared with a segment loss of 920 million yen for the same period last year).

Seasonal factors affecting the BA business typically lead to lower sales and segment profits in the first quarter, and this quarter was no exception: a segment loss was recorded. However, a segment profit is expected for the full year and there is no significant change in our assessment of the business environment. As for the medium-/long-term outlook, in addition to the demand generated by the Tokyo Olympic and Paralympic Games, large-scale urban redevelopment projects are planned for 2020 and beyond. Additionally, large-scale buildings constructed around

1990 and the early 2000s will be coming up for retrofit, so from 2020 onwards it is expected that growth in demand for retrofit of these existing buildings will provide increased profit opportunities. The BA business aims to secure these demands and accordingly increase revenue by ensuring that the demands are translated into sales with steady job fulfillment, while continuously progressing initiatives such as business process reforms to further ensure that a high profit structure is established.

(Millions of yen)

	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	45,044	47,588	2,543	5.6%
Sales	21,828	22,451	622	2.9%
Segment profit (loss)	(920)	(262)	658	―

Advanced Automation (AA) Business

In Japan and overseas, the business environment for the AA business has been affected by the ongoing lull in capital investment in markets related to semiconductor manufacturing equipment, but there has been continuing robust demand for automation aimed at solving labor shortages, responding to the needs for environmental preservation, and achieving further increases in productivity. 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 for these three sub-segments and worked to strengthen profitability through diverse initiatives. As a result, AA business financial results for the first quarter of the current consolidated cumulative period are as follows.

Orders received were 22,586 million yen, down 9.3% from the 24,900 million yen for the same period last year, due to the sluggish manufacturing equipment markets in Japan and overseas. Despite developing new customers and expanding sales of strategic products, because of the fall in sales in the domestic and overseas manufacturing equipment markets, sales for the AA business were down by 2.0% at 21,933 million yen, compared with the 22,381 million yen recorded for the same period last year. Nevertheless, thanks to the continued success of measures to strengthen profitability, it was possible to achieve a segment profit of 2,317 million yen, slightly higher than the 2,290 million yen for the same period last year, despite the dip in revenue resulting from the market downturn.

In the AA business we will continue to implement growth strategies, particularly those aimed at overseas business expansion employing each of the three sub-segments. We will also continue initiatives to strengthen profitability for each sub-segment. In addition, we will focus on strengthening our product development capabilities, aiming to ensure high profitability and growth potential for the AA business by creating new automation fields that exploit recent trends in technology and by supplying our customers in Japan and abroad with products and services offering the sort of high added value that is unique to azbil.

(Millions of yen)

	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	24,900	22,586	(2,313)	(9.3)%
Sales	22,381	21,933	(448)	(2.0)%
Segment profit [Margin]	2,290 [10.2%]	2,317 [10.6%]	27 [0.3pp]	1.2%

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)

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

SS business: Solution and 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 Lifestyle-related – we are continuously seeking to realize and enhance stabilized profit by implementing business structure reforms. Reflecting these business conditions and initiatives, the financial results of the LA business for the first quarter of the current consolidated cumulative period were as follows.

Orders received rose by 8.9% to 11,599 million yen (compared with the 10,647 million yen recorded for the same period last year). However, owing to a fall in orders in the previous fiscal year, sales were 10,257 million yen, down 5.4% from the 10,844 million yen for same period last year. This fall in revenue mainly meant that segment profit was 231 million yen, down 42.5% from the 403 million yen for the same period last year.

In the LA business we will continue initiatives designed to stabilize and improve profit in each of the three fields. In parallel with this, we will advance initiatives aimed at future business expansion. For example, we will create new business opportunities that capitalize on emerging demand in the energy markets following the liberalization of gas sales, while also developing and launching new products that mesh with transformational technologies such as IoT.

(Millions of yen)

	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	10,647	11,599	951	8.9%
Sales	10,844	10,257	(586)	(5.4)%
Segment profit [Margin]	403 [3.7%]	231 [2.3%]	(171) [(1.5pp)]	(42.5)%

Other

In Other business, principally our insurance agent business, orders received in the first quarter of the current consolidated cumulative period were 24 million yen (compared with the 22 million yen for the same period last year), sales were 24 million yen (compared with the 23 million yen for the same period last year), and segment profit was 10 million yen (compared with the 8 million yen for the same period last year).

(2) Qualitative information on consolidated quarterly financial position

Assets

Total assets at the end of the first quarter of fiscal year 2019 stood at 255,257 million yen, a decrease of 20,260 million yen from the previous fiscal year-end. This was mainly due to a decrease of 17,950 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities at the end of the first quarter of fiscal year 2019 stood at 78,053 million yen, a decrease of 14,367 million yen from the previous fiscal year-end. This was mainly due to a decrease of 7,074 million yen in income taxes payable as well as a decrease of 6,887 million yen in provision for bonuses.

Net assets

Net assets at the end of the first quarter of fiscal year 2019 stood at 177,204 million yen, a decrease of 5,893 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 3,339 million yen as the payment of dividends and a decrease of 4,665 million yen by repurchasing own shares based on a decision in the Board of Directors meeting, despite an increase of 1,470 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 68.6% compared with 65.7% at the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

The financial results of the azbil Group for the first quarter of the current consolidated cumulative period are largely in line with the projections made at the start of this fiscal year. As regards the remainder of FY2019, there are no changes to the forecasts for consolidated financial results published on May 10, 2019 for the second quarter of the current consolidated cumulative period and for the full year to March 31, 2020.

With the continuing weakness in the manufacturing equipment markets in Japan and overseas, the AA business is facing a difficult environment, but the BA business environment has continued to be robust. The azbil Group will continue to engage in reforming the business structure and strengthening business profitability – while also responding rapidly and decisively to changes in the business environment – in order to achieve the forecasts for consolidated financial results for FY2019, the final year of the medium-term plan.

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, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	46,457	41,917
Notes and accounts receivable - trade	93,748	75,797
Securities	36,405	34,505
Merchandise and finished goods	5,829	6,104
Work in process	7,417	8,792
Raw materials	11,667	11,897
Other	8,760	9,838
Allowance for doubtful accounts	(379)	(370)
Total current assets	209,907	188,483
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,743	15,113
Other, net	14,221	13,103
Total property, plant and equipment	26,965	28,216
Intangible assets	5,147	5,146
Investments and other assets		
Investment securities	21,580	21,991
Other	12,372	11,883
Allowance for doubtful accounts	(455)	(463)
Total investments and other assets	33,497	33,410
Total non-current assets	65,610	66,774
Total assets	275,518	255,257

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,101	35,388
Short-term borrowings	9,866	8,613
Income taxes payable	7,667	592
Provision for bonuses	10,468	3,580
Provision for bonuses for directors (and other officers)	130	27
Provision for product warranties	565	540
Provision for loss on order received	684	600
Other	17,488	22,317
Total current liabilities	86,972	71,661
Non-current liabilities		
Long-term borrowings	161	85
Retirement benefit liability	1,975	2,005
Provision for retirement benefits for directors (and other officers)	120	127
Provision for share-based remuneration	987	1,072
Other	2,203	3,100
Total non-current liabilities	5,448	6,391
Total liabilities	92,421	78,053
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	160,325	150,278
Treasury shares	(11,952)	(8,501)
Total shareholders' equity	170,566	163,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,727	10,005
Deferred gains or losses on hedges	3	(18)
Foreign currency translation adjustment	935	1,239
Remeasurements of defined benefit plans	(91)	(84)
Total accumulated other comprehensive income	10,576	11,140
Non-controlling interests	1,954	2,093
Total net assets	183,097	177,204
Total liabilities and net assets	275,518	255,257

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

(Consolidated quarterly statements of income)

(The first quarter of the consolidated cumulative period)

(Millions of yen)

	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)
Net sales	54,803	54,358
Cost of sales	34,790	34,033
Gross profit	20,013	20,324
Selling, general and administrative expenses	18,236	18,031
Operating income	1,777	2,292
Non-operating income		
Interest income	21	30
Dividend income	282	328
Foreign exchange gains	318	—
Rental income from real estate	10	9
Reversal of allowance for doubtful accounts	46	—
Other	31	51
Total non-operating income	711	420
Non-operating expenses		
Interest expenses	27	36
Foreign exchange losses	—	188
Commitment fee	5	5
Rental expenses on real estate	17	13
Provision of allowance for doubtful accounts	—	4
Other	22	29
Total non-operating expenses	73	278
Ordinary income	2,415	2,434
Extraordinary income		
Gain on sales of non-current assets	1	11
Gain on sales of investment securities	3	0
Total extraordinary income	4	11
Extraordinary losses		
Loss on sales and retirement of non-current assets	29	40
Impairment loss	20	—
Loss on valuation of investment securities	—	2
Total extraordinary losses	50	43
Income before income taxes	2,369	2,403
Income taxes - current	358	412
Income taxes - deferred	418	389
Total income taxes	777	801
Net income	1,592	1,601
Net income attributable to non-controlling interests	66	130
Net income attributable to owners of parent	1,525	1,470

(Consolidated quarterly statements of comprehensive income)

(The first quarter of the consolidated cumulative period)

(Millions of yen)

	Three months ended June 30, 2018 (April 1, 2018 to June 30, 2018)	Three months ended June 30, 2019 (April 1, 2019 to June 30, 2019)
Net income	1,592	1,601
Other comprehensive income		
Valuation difference on available-for-sale securities	744	277
Deferred gains or losses on hedges	(14)	(22)
Foreign currency translation adjustment	(743)	317
Remeasurements of defined benefit plans, net of tax	46	6
Total other comprehensive income	33	579
Comprehensive income	1,625	2,180
Comprehensive income attributable to:		
Owners of parent	1,585	2,035
Non-controlling interests	40	145

(3) Notes to the consolidated quarterly financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

The Company is conducting the following matters, based on resolutions at the Board of Directors meeting held on May 10, 2019.

1. Cancellation of treasury shares

The Company cancelled treasury shares pursuant to Article 178 of the Companies Act of Japan as follows. As a result, both retained earnings and treasury shares decreased by 8,113 million yen each.

Details of cancellation

(1) Type of shares cancelled: Common stock of the Company
(2) Number of shares cancelled: 3,300,000 shares
(2.2% of the total number of issued shares before cancellation)
(3) Total number of issued shares after cancellation: 145,200,884 shares
(4) Date of cancellation: May 31, 2019

2. Repurchase of the Company's own shares

The Company is repurchasing its own shares, 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 business results and the outlook for future business performance. Pursuant to the aforementioned resolutions, the Company repurchased 1,817,700 shares from May 16, 2019 to June 26, 2019 (based on delivery date), and treasury shares increased by 4,665 million yen.

Details of share repurchase

(1) Type of shares to be repurchased: Common stock of the Company
(2) Total number of shares to be repurchased: Up to 3,800,000 shares
(3) Total amount of repurchase: Up to 10 billion yen
(4) Period of repurchase: From May 13, 2019 to October 31, 2019 (based on trade date)
(5) Method of repurchase: Market transactions on the Tokyo Stock Exchange

Consequently, capital surplus amounted to 11,670 million yen, retained earnings amounted to 150,278 million yen, and treasury shares amounted to 8,501 million yen for 3,807,906 shares as of June 30, 2019. As described in "Additional information", treasury shares include the Company's stock remaining in the trust (3,943 million yen for 1,986,468 shares).

Changes in accounting policies

Adoption of IFRS 16 "Leases"

Subsidiaries which apply the International Financial Reporting Standards have adopted IFRS 16 "Leases" (hereafter referred to as "IFRS 16") from the current first quarter. Accordingly, lessees recognize all leases, in principle, as assets and liabilities on the balance sheet. On adopting of IFRS 16, in accordance with transitional measures, the subsidiaries recorded an adjustment to retained earnings as the cumulative effect of this change at the beginning of the current first quarter.

As a result, "Other, net" under property, plant and equipment increased by 1,132 million yen, "Other" under current liabilities increased by 255 million yen, and "Other" under non-current liabilities increased by 945 million yen, while the effect of this change on the quarterly consolidated statements of income for the current first quarter is immaterial. Additionally, retained earnings at the beginning of the current first quarter decreased by 65 million yen.

Additional information

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, 2019
- Book value: 3,946 million yen
- Number of shares: 1,988,258 shares

As of June 30, 2019
- Book value: 3,943 million yen
- Number of shares: 1,986,468 shares

Segment information

1. Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	21,755	22,259	10,767	54,782	21	54,803
Inter-segment	73	122	76	272	1	274
Total	21,828	22,381	10,844	55,055	23	55,078
Segment profit (loss)	(920)	2,290	403	1,773	8	1,782

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	1,773
Profit in Other	8
Elimination	(4)
Operating income	1,777

2. Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

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

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	22,367	21,781	10,186	54,335	22	54,358
Inter-segment	83	151	71	306	1	308
Total	22,451	21,933	10,257	54,641	24	54,666
Segment profit (loss)	(262)	2,317	231	2,287	10	2,298

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	2,287
Profit in Other	10
Elimination	(5)
Operating income	2,292