Translation

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

November 1, 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 Group Chief Executive Officer
Contact:	Masatoshi Yamada, Head of Group Management Headquarters
Phone:	+81-3-6810-1009
Scheduled date to file Quarterly Securities Report:	November 11, 2019
Scheduled date to commence dividend payments:	December 6, 2019
Preparation of supplementary materials 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, 2019 (from April 1, 2019 to September 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	%
Six months ended September 30, 2019	118,652	(0.9)	8,862	8.5	9,007	1.3	5,946	1.9
Six months ended September 30, 2018	119,754	1.6	8,166	5.6	8,889	9.5	5,833	9.6

Note: Comprehensive income Six months ended September 30, 2019 6,746 million yen 12.3 %
Six months ended September 30, 2018 6,006 million yen (22.0)%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2019	41.99	—
Six months ended September 30, 2018	40.55	—

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 September 30, 2019	252,721	177,576	69.5
As of March 31, 2019	275,518	183,097	65.7

Reference: Shareholders' equity As of September 30, 2019 175,711 million yen
As of March 31, 2019 181,142 million yen

2. Dividends

	Dividend 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	—	25.00			
Year ending March 31, 2020 (Forecast)			—	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
Fiscal year 2019	262,000	(0.0)	27,000	1.2	27,000	(2.4)	19,000	0.3	135.78

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

The Company conducted a cancellation of its treasury shares and a repurchase of 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 September 30, 2019 is considered. For details, please see "Notes regarding significant change in shareholders' equity" in "2. Consolidated financial statements and related notes (4) Notes to the consolidated financial statements" on page 16 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 financial statements and related notes (4) Notes to the consolidated financial statements" on page 16 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 September 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 September 30, 2019	5,267,474 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)

Six months ended September 30, 2019	141,620,750 shares	Six months ended September 30, 2018	143,862,354 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 (1,980,891 shares as of September 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 (1,985,017 shares for the six months ended September 30, 2019; 1,994,517 shares for the six months ended September 30, 2018).
For details, please see "Additional information" in "2. Consolidated financial statements and related notes (4) Notes to the consolidated financial statements" on page 17 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 financial results (3) Forecast of consolidated financial results" on page 8 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 financial results

(1) Consolidated 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 six months ended September 2019 were as follows.

Overall orders received were 145,111 million yen, on a par with the same period last year, when a figure of 145,083 million yen was recorded. Whereas orders received for the Advanced Automation (AA) business decreased owing to adverse market conditions, the Building Automation (BA) business maintained a high number of orders received, and the Life Automation (LA) business achieved an increase. Net sales were 118,652 million yen, virtually unchanged from the same period last year when a figure of 119,754 million yen was recorded. By segment, sales were down for the AA and LA businesses, but the BA business succeeded in increasing sales thanks to the steady progress in carrying out the numerous projects on its order book.

As regards profits, due to the success of measures to strengthen business profitability, operating income was 8,862 million yen, up 8.5% on the 8,166 million yen recorded for the same period last year. This increase in operating income meant that, despite the recording of foreign exchange losses on appreciation of the yen, ordinary income rose by 1.3% to 9,007 million yen (compared with the 8,889 million yen recorded for the same period last year). Also, net income attributable to owners of parent rose by 1.9% to 5,946 million yen (compared with the 5,833 million yen for the same period last year).

(Millions of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	145,083	145,111	27	0.0%
Net sales	119,754	118,652	(1,101)	(0.9)%
Operating income [Margin]	8,166 [6.8%]	8,862 [7.5%]	695 [0.6pp]	8.5%
Ordinary income	8,889	9,007	117	1.3%
Net income attributable to owners of parent [Margin]	5,833 [4.9%]	5,946 [5.0%]	112 [0.1pp]	1.9%

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 business environment has

remained 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 conclusion.

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.

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 execution, particularly on site, that meet the requirements of Japanese government's work-style reform. 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 six months ended September 2019 were as follows.

Orders received were 76,512 million yen, up 1.7% on the 75,227 million yen for the same period last year, when large-scale service projects covering several years were recorded. This was the result of growth in fields related to sales and installation of equipment/systems for new large-scale buildings, reflecting a robust market environment. Driven by this growth related to new building projects, BA business sales rose to 52,113 million yen, 5.2% higher than the 49,531 million yen recorded for the same period last year. Also, segment profit rose by 150.1% to 2,991 million yen (compared with the 1,196 million yen for the same period last year), benefiting not only from increased revenue and the success of initiatives designed to improve profitability, but also from the fact that in the same period last year temporary expenses for provision were recorded.

As for the medium-/long-term outlook, in addition to the demand generated by the Tokyo

Olympic and Paralympic Games, large-scale 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 execution, while continuously progressing initiatives such as business process reforms to further ensure that a high profit structure is established.

(Millions of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	75,227	76,512	1,285	1.7%
Sales	49,531	52,113	2,582	5.2%
Segment profit [Margin]	1,196 [2.4%]	2,991 [5.7%]	1,795 [3.3pp]	150.1%

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 manufacturing equipment, but there has been continued 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 strengthen profitability. As a result, AA business financial results for the six months ended September 2019 were as follows.

As regards orders received and sales, there was a sharp fall for the CP business due to the sluggish manufacturing equipment markets in Japan and overseas, although results for the IAP and SS businesses, which mainly target the process automation market, remained relatively robust. Consequently, AA business orders received were 45,076 million yen, down 10.4% from the 50,322 million yen recorded for the same period last year, and sales were 44,863 million yen, down 6.1% from the 47,782 million yen for the same period last year. Owing to the market downturn and resulting fall in revenue, segment profit fell by 15.7% to 4,903 million yen (compared with the 5,815 million yen for the same period last year). However, thanks to continuing measures to strengthen profitability, the segment profit margin – which serves as an index of profitability – still exceeds 10%.

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)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	50,322	45,076	(5,246)	(10.4)%
Sales	47,782	44,863	(2,919)	(6.1)%
Segment profit [Margin]	5,815 [12.2%]	4,903 [10.9%]	(912) [(1.2)pp]	(15.7)%

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 transmitters, 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 six months ended September 2019 were as follows.

Orders received jumped by 20.0% to 24,233 million yen (compared with the 20,197 million yen recorded for the same period last year). However, owing to a fall in orders received in the previous fiscal year, sales were 22,322 million yen, down 3.3% from the 23,076 million yen for the same period last year. Mainly as a result of this fall in revenue, segment profit was 960 million yen, down 17.3% from the 1,160 million yen recorded 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)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)	Difference (Amount)	Difference (Rate)
Orders received	20,197	24,233	4,035	20.0%
Sales	23,076	22,322	(753)	(3.3) %
Segment profit [Margin]	1,160 [5.0%]	960 [4.3%]	(200) [(0.7)pp]	(17.3)%

Other

In Other business, principally our insurance agent business, orders received in the six months ended September 2019 were 36 million yen (compared with the 37 million yen for the same period last year), sales were 37 million yen (compared with the 37 million yen for the same period last year), and segment profit was 10 million yen (compared with the 9 million yen for the same period last year).

(2) Consolidated financial position

Assets

Total assets at the end of the second quarter of fiscal year 2019 stood at 252,721 million yen, a decrease of 22,797 million yen from the previous fiscal year-end. This was mainly due to a decrease of 19,023 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities at the end of the second quarter of fiscal year 2019 stood at 75,144 million yen, a decrease of 17,276 million yen from the previous fiscal year-end. This was mainly due to a decrease of 6,475 million yen in income taxes payable, a decrease of 5,973 million yen in notes and accounts payable-trade as well as a decrease of 3,186 million yen in provision for bonuses.

Net assets

Net assets at the end of the second quarter of fiscal year 2019 stood at 177,576 million yen, a decrease of 5,520 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 8,648 million yen by repurchasing own shares based on a resolution in the Board of Directors meeting and a decrease of 3,339 million yen as the payment of dividends, despite an increase of 5,946 million yen by the recording of net income attributable to owners of parent.

As a result, the shareholders' equity ratio was 69.5% compared with 65.7% at the previous fiscal year-end.

Net cash flow from operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the six months ended September 2019 were 9,896 million yen, up 5,183 million yen compared to the same period last year. This was mainly due to an increase in the amount of accounts receivable-trade collected, despite an increase in income taxes paid.

Net cash flow from investing activities

Net cash used in investment activities (expenditure) in the six months ended September 2019 was 4,159 million yen, a decrease in expenditure of 2,633 million yen compared to the same period last year. This was mainly due to the fact there had been capital expenditures for integration and expansion of domestic production facilities in the same period last year.

Net cash flow from financing activities

Net cash used in financing activities (expenditure) in the six months ended September 2019 was 13,503 million yen, an increase in expenditure of 5,422 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 well as the payment of dividends.

As a result of the above factors, net cash at the end of the second quarter stood at 60,004 million yen, a decrease of 8,130 million yen from the previous fiscal year-end.

(3) Forecast of consolidated financial results

As regards the forecast of consolidated financial results for the fiscal year ending March 31, 2020, after taking into consideration the financial results for the six months ended September 2019 as well as the outlook for the business environment in the second half, despite there being causes for concern, such as uncertainty regarding the economic situation in Japan and abroad, no revision is made to the initial forecast for net sales announced on May 10, 2019. As regards operating income, ordinary income and net income attributable to owners of parent, it is expected that the measures aimed at strengthening business profitability, which have been proving successful, will continue to exert a positive effect; therefore, the initial forecasts are revised upwards.

Specifically, no change is made to the initial forecast for net sales of 262.0 billion yen, whereas the initial forecasts for the following have all been revised upwards: operating income up by 0.5 billion yen to 27.0 billion yen, ordinary income up by 0.8 billion yen to 27.0 billion yen, and net income attributable to owners of parent up by 0.5 billion yen to 19.0 billion yen.

As regards the BA business, the robust domestic business environment has been contributing to continued high number of orders received and order backlog, and progress has been made with initiatives to improve profitability. With the upgraded system for job execution, projects will be progressed efficiently and steadily, and it is expected that sales for the whole fiscal year will be in line with the initial forecast. The forecast for segment profit, however, is revised upwards by 0.7 billion yen to 14.4 billion yen.

In the AA business environment, difficult business conditions is expected to continue in the factory automation field due to ongoing uncertainty in markets related to manufacturing equipment, while continued demand is expected in the process automation field, so the aim is to achieve sales and segment profit in line with the initial forecasts.

As for the LA business, supported by the relatively stable demand in the Lifeline field for gas and water meters, whose replacement is required by law, and with expanding sales activities for a new data service, it is anticipated that sales for the whole fiscal year will be in line with the initial forecast. However, in light of the results for the six months ended September 2019, the forecast for segment profit is revised down by 0.2 billion yen to 2.0 billion yen.

These projections are based on management’s assumptions, intent, and expectations in light of the information currently available, 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 1, 2019)	Initial forecast (May 10, 2019)	Difference (Amount)	Difference (Rate)	(Reference) FY2018 results
Building Automation	Sales	125.0	125.0	-	-	119.5
	Segment profit	14.4	13.7	0.7	5.1%	12.4
	[Margin]	[11.5%]	[11.0%]	[0.6pp]	-	[10.4%]
Advanced Automation	Sales	94.0	94.0	-	-	99.3
	Segment profit	10.6	10.6	-	-	12.2
	[Margin]	[11.3%]	[11.3%]	-	-	[12.3%]
Life Automation	Sales	45.0	45.0	-	-	44.8
	Segment profit	2.0	2.2	(0.2)	(9.1)%	2.0
	[Margin]	[4.4%]	[4.9%]	[(0.4)pp]	-	[4.6%]
Other	Sales	0.1	0.1	-	-	0.0
	Segment profit	0.0	0.0	-	-	0.0
	[Margin]	[0.0%]	[0.0%]	-	-	[3.7%]
Consolidated	Net sales	262.0	262.0	-	-	262.0
	Operating income	27.0	26.5	0.5	1.9%	26.6
	[Margin]	[10.3%]	[10.1%]	[0.2pp]	-	[10.2%]
	Ordinary income	27.0	26.2	0.8	3.1%	27.6
	Net income attributable to owners of parent	19.0	18.5	0.5	2.7%	18.9
	[Margin]	[7.3%]	[7.1%]	[0.2pp]	-	[7.2%]

2. Consolidated financial statements and related notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	46,457	44,223
Notes and accounts receivable - trade	93,748	74,724
Securities	36,405	32,305
Merchandise and finished goods	5,829	5,765
Work in process	7,417	8,439
Raw materials	11,667	11,778
Other	8,760	9,574
Allowance for doubtful accounts	(379)	(326)
Total current assets	209,907	186,486
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,743	14,962
Other, net	14,221	13,071
Total property, plant and equipment	26,965	28,033
Intangible assets	5,147	5,221
Investments and other assets		
Investment securities	21,580	22,974
Other	12,372	10,420
Allowance for doubtful accounts	(455)	(414)
Total investments and other assets	33,497	32,980
Total non-current assets	65,610	66,234
Total assets	275,518	252,721

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,101	34,128
Short-term borrowings	9,866	8,725
Income taxes payable	7,667	1,192
Provision for bonuses	10,468	7,281
Provision for bonuses for directors (and other officers)	130	53
Provision for product warranties	565	470
Provision for loss on order received	684	473
Other	17,488	16,537
Total current liabilities	86,972	68,862
Non-current liabilities		
Long-term borrowings	161	74
Retirement benefit liability	1,975	2,018
Provision for retirement benefits for directors (and other officers)	120	134
Provision for share-based remuneration	987	1,146
Other	2,203	2,908
Total non-current liabilities	5,448	6,282
Total liabilities	92,421	75,144
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	160,325	154,754
Treasury shares	(11,952)	(12,474)
Total shareholders' equity	170,566	164,473
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,727	10,692
Deferred gains or losses on hedges	3	(8)
Foreign currency translation adjustment	935	631
Remeasurements of defined benefit plans	(91)	(78)
Total accumulated other comprehensive income	10,576	11,237
Non-controlling interests	1,954	1,865
Total net assets	183,097	177,576
Total liabilities and net assets	275,518	252,721

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

(Consolidated statements of income)

(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Net sales	119,754	118,652
Cost of sales	75,124	73,080
Gross profit	44,629	45,572
Selling, general and administrative expenses	36,463	36,709
Operating income	8,166	8,862
Non-operating income		
Interest income	58	67
Dividend income	328	361
Foreign exchange gains	383	—
Rental income from real estate	20	18
Reversal of allowance for doubtful accounts	18	—
Other	61	121
Total non-operating income	869	569
Non-operating expenses		
Interest expenses	64	68
Foreign exchange losses	—	203
Commitment fee	10	10
Expenses of real estate	35	70
Provision of allowance for doubtful accounts	—	1
Other	36	68
Total non-operating expenses	146	423
Ordinary income	8,889	9,007
Extraordinary income		
Gain on sales of non-current assets	11	14
Gain on sales of investment securities	3	1
Total extraordinary income	15	15
Extraordinary losses		
Loss on sales and retirement of non-current assets	53	46
Impairment loss	20	—
Loss on valuation of investment securities	—	2
Loss on sales of investment securities	—	1
Total extraordinary losses	73	51
Income before income taxes	8,830	8,972
Income taxes - current	1,283	1,295
Income taxes - deferred	1,553	1,565
Total income taxes	2,836	2,860
Net income	5,994	6,111
Net income attributable to non-controlling interests	160	165
Net income attributable to owners of parent	5,833	5,946

(Consolidated statements of comprehensive income)

(Consolidated cumulative second quarter)

(Millions of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Net income	5,994	6,111
Other comprehensive income		
Valuation difference on available-for-sale securities	805	964
Deferred gains or losses on hedges	(29)	(11)
Foreign currency translation adjustment	(856)	(331)
Remeasurements of defined benefit plans, net of tax	93	12
Total other comprehensive income	11	634
Comprehensive income	6,006	6,746
Comprehensive income attributable to:		
Owners of parent	5,877	6,607
Non-controlling interests	128	138

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes	8,830	8,972
Depreciation	2,062	2,119
Increase (decrease) in allowance for doubtful accounts	(280)	(30)
Increase (decrease) in retirement benefit liability	(21)	59
Decrease (increase) in retirement benefit asset	(111)	7
Increase (decrease) in accrued payments due to change in retirement benefit plan	(763)	—
Increase (decrease) in provision for share-based remuneration	175	173
Increase (decrease) in provision for bonuses	(3,304)	(3,167)
Increase (decrease) in provision for bonuses for directors (and other officers)	(90)	(77)
Interest and dividend income	(386)	(429)
Interest expenses	64	68
Foreign exchange losses (gains)	(259)	152
Loss (gain) on sales and retirement of non-current assets	41	32
Impairment loss	20	—
Loss (gain) on sales and valuation of investment securities	(3)	3
Decrease (increase) in trade receivables	12,077	18,676
Decrease (increase) in inventories	(2,379)	(1,170)
Increase (decrease) in trade payables	(4,897)	(5,817)
Decrease (increase) in other assets	650	(785)
Increase (decrease) in other liabilities	(868)	(1,710)
Subtotal	10,558	17,077
Interest and dividends received	384	426
Interest paid	(64)	(68)
Income taxes paid	(6,164)	(7,539)
Net cash provided by (used in) operating activities	4,713	9,896
Cash flows from investing activities		
Payments into time deposits	(1,480)	(2,022)
Proceeds from withdrawal of time deposits	1,025	1,451
Purchase of securities	(15,200)	(18,300)
Proceeds from sales of securities	12,500	17,000
Purchase of beneficial interests in trust	(5,373)	(4,635)
Proceeds from sales of beneficial interests in trust	5,449	4,698
Purchase of property, plant and equipment	(3,347)	(1,883)
Proceeds from sales of property, plant and equipment	82	36
Purchase of intangible assets	(536)	(504)
Purchase of investment securities	(5)	(4)
Proceeds from sales of investment securities	8	2
Purchase of investments in capital of subsidiaries	(27)	—
Other, net	111	1
Net cash provided by (used in) investing activities	(6,793)	(4,159)

(Millions of yen)

	Six months ended September 30, 2018 (April 1, 2018 to September 30, 2018)	Six months ended September 30, 2019 (April 1, 2019 to September 30, 2019)
Cash flows from financing activities		
Proceeds from short-term borrowings	729	—
Repayments of short-term borrowings	(511)	(976)
Repayments of long-term borrowings	(19)	(115)
Dividends paid	(3,014)	(3,337)
Repayments of lease obligations	(75)	(198)
Dividends paid to non-controlling interests	(183)	(225)
Purchase of treasury shares	(5,001)	(8,649)
Proceeds from sales of treasury shares	0	—
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5)	—
Net cash provided by (used in) financing activities	(8,080)	(13,503)
Effect of exchange rate change on cash and cash equivalents	(294)	(363)
Net increase (decrease) in cash and cash equivalents	(10,454)	(8,130)
Cash and cash equivalents at beginning of period	68,640	68,134
Cash and cash equivalents at end of period	58,185	60,004

(4) Notes to the consolidated financial statements

Notes regarding going concern assumptions

Not applicable

Notes regarding significant change in shareholders' equity

The Company conducted 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 repurchased 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 3,282,700 shares from May 16, 2019 to September 25, 2019 (based on delivery date), and treasury shares increased by 8,648 million yen.

Details of share repurchase resolved at the Board of Directors meeting

(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 154,754 million yen, and treasury shares amounted to 12,474 million yen for 5,267,474 shares as of September 30, 2019. As described in "Additional information", treasury shares include the Company's stock remaining in the trust (3,932 million yen for 1,980,891 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 first quarter of FY2019. 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 first quarter.

As a result, "Other, net" under property, plant and equipment increased by 1,082 million yen, "Other" under current liabilities increased by 272 million yen, and "Other" under non-current liabilities increased by 874 million yen, while the effect of this change on the consolidated quarterly statements of income for the current consolidated cumulative second quarter is immaterial. Additionally, retained earnings at the beginning of the first quarter decreased by 64 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 follows.

As of March 31, 2019

Book value: 3,946 million yen

Number of shares: 1,988,258 shares

As of September 30, 2019

Book value: 3,932 million yen

Number of shares: 1,980,891 shares

Segment information

1. 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

2. Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

(1) Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	51,960	44,484	22,173	118,618	34	118,652
Inter-segment	153	378	149	681	2	684
Total	52,113	44,863	22,322	119,299	37	119,336
Segment profit	2,991	4,903	960	8,854	10	8,865

* "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	8,854
Profit in Other	10
Elimination	(3)
Operating income	8,862