azbil

Translation

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

May 10, 2019

Company name: Azbil Corporation
Stock exchange listing: Tokyo Stock Exchange 1st Section (CODE 6845)
URL: https://www.azbil.com/
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Scheduled date of ordinary general meeting of shareholders: June 25, 2019
Scheduled date to file Securities Report: June 25, 2019
Scheduled date to commence dividends payments: June 26, 2019
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated financial results

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	%
Year ended March 31, 2019	262,054	0.6	26,690	11.1	27,664	13.8	18,951	5.9
Year ended March 31, 2018	260,384	2.2	24,026	19.3	24,316	18.8	17,890	36.0

Note: Comprehensive income
Year ended March 31, 2019 16,694 million yen (24.2)%
Year ended March 31, 2018 22,010 million yen 55.5%

	Net income per share	Diluted net income per share	Return on equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	132.03	–	10.6	10.1	10.2
Year ended March 31, 2018	123.08	–	10.5	9.1	9.2

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.
If the stock split were not taken into account, “Net income per share (pre-split conversion)” would be as follows.
Year ended March 31, 2019 264.06 yen Year ended March 31, 2018 246.16 yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders’ equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	275,518	183,097	65.7	1,264.88
As of March 31, 2018	273,805	177,962	64.3	1,213.14

Reference: Shareholders’ equity
As of March 31, 2019 181,142 million yen
As of March 31, 2018 175,995 million yen

Notes: 1. “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 current consolidated fiscal year and have also been retrospectively applied to the consolidated financial position as of March 31, 2018.
2. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. “Net assets per share” has been calculated as if the stock split had been implemented at the beginning of the previous fiscal year.
If the stock split were not taken into account, “Net assets per share (pre-split conversion)” would be as follows.
As of March 31, 2019 2,529.77 yen As of March 31, 2018 2,426.29 yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	16,112	(4,075)	(12,024)	68,134
Year ended March 31, 2018	19,481	(48)	(10,851)	68,640

2. Dividends

	Dividends per share					Total amount of cash dividends (Annual)	Payout ratio (Consolidated)	Dividends on equity (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	―	41.00	―	41.00	82.00	6,029	33.3	3.5
Year ended March 31, 2019	―	46.00	―	23.00	―	6,679	34.8	3.7
Year ending March 31, 2020 (Forecast)	―	25.00	―	25.00	50.00		38.7	

Notes: 1. The total amount of cash dividends include the dividends for the stock of the Company held by Trust & Custody Services Bank, Ltd. (Trust E) as assets in the trust of "Employee Stock Ownership Plan (J-ESOP)" (81 million yen for the year ended March 31, 2018; 91 million yen for the year ended March 31, 2019).

2. The Company implemented a 2-for-1 common stock split effective on October 1, 2018. The dividends for the year ended March 31, 2018 and 2nd quarter-end for the year ended March 31, 2019 are applied to shares held prior to the stock split. If the stock split were not taken into account, the fiscal year-end dividends for the year ended March 31, 2019 would be 46 yen (pre-split conversion), and the total dividends (ditto) including the 2nd quarter-end dividends would be 92 yen.

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)	34.22
Full year	262,000	(0.0)	26,500	(0.7)	26,200	(5.3)	18,500	(2.4)	129.18

Note: The Company has resolved, at the Board of Directors meeting held on May 10, 2019, to repurchase its own shares. For "Net income per share" in the forecast of consolidated financial results, the impact of this matter is not considered.

* 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) 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

(3) Number of issued shares (Common stock)

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

As of March 31, 2019	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 March 31, 2019	5,291,816 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)

Year ended March 31, 2019	143,535,250 shares	Year ended March 31, 2018	145,355,172 shares

Notes: 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 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 (1,988,258 shares as of March 31, 2019; 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 (1,992,804 shares for the year ended March 31, 2019; 1,681,000 shares for the year ended March 31, 2018).
For details, please see "4. Consolidated financial statements and related notes (5) Notes to the consolidated financial statements (Additional information)" on page 24 of the accompanying materials.

* This consolidated financial results report is not subject to the audit 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. Overview of financial results and others (1) Overview of financial results 2) Forecast for the next period" on page 7 of the accompanying materials.

(How to obtain supplementary materials on financial results)

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

Accompanying Materials

Contents

1. Overview of financial results and others

(1) Overview of financial results

1) Financial results for the current fiscal year

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 slowdown seen in domestic and overseas market for manufacturing equipment for semiconductors—there has been continued demand for rationalization and labor-saving in response to the current labor shortage.

Turning to the financial results for the current consolidated fiscal year, overall orders received were 264,252 million yen, down 0.8% from the 266,262 million yen recorded in the previous consolidated fiscal year. Thanks to robust market conditions, the Building Automation (BA) business achieved solid growth in orders, but orders for the Advanced Automation (AA) business and the Life Automation (LA) business fell, partly because of a downturn in some markets, but mainly because large-scale projects had been recorded in the previous consolidated fiscal year.

Regarding sales, increases were achieved by the AA and LA businesses. Overall net sales were thus 262,054 million yen, up 0.6% on the previous consolidated fiscal year, when net sales of 260,384 million yen were recorded.

Turning to profits, operating income was 26,690 million yen, an increase of 11.1% from the 24,026 million yen recorded in the previous consolidated fiscal 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 13.8% to 27,664 million yen (compared with the 24,316 million yen for the previous consolidated fiscal year). Net income attributable to owners of parent was 18,951 million yen, up 5.9% from the 17,890 million yen recorded in the previous consolidated fiscal year. This result reflects the increase in operating income and gain on sales of investment securities, which more than offset the recording of a loss on final settlement of the defined benefit corporate pension plan for accounting purposes [Note 1], and the effect of a temporary reduction in tax expenses for the previous consolidated fiscal year following a reappraisal of the recoverability of a subsidiary's deferred tax assets.

Note 1: Loss on final settlement of the defined benefit corporate pension plan for accounting purposes

Regarding the defined benefit corporate pension plan (in other words, a closed pension fund) for beneficiaries associated with the Company and a domestic consolidated subsidiary, final settlement of the retirement benefit plan for accounting purposes was completed, with reference to the following two documents issued by the Accounting Standards Board of Japan: "Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No.1), and "Practical Solution on Accounting for Transfer between Retirement Benefits Plans" (ASBJ PITF No.2). The loss on abolishment of retirement benefit plan was recorded as an extraordinary loss. Note that the defined benefit corporate pension plan continues to operate as a closed pension fund, and its beneficiaries still receive benefits as before.

(Millions of yen)

	Fiscal year 2017 (April 1, 2017 to March 31, 2018)	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	266,262	264,252	(2,009)	(0.8%)
Net sales	260,384	262,054	1,670	0.6%
Operating income [Margin]	24,026 [9.2%]	26,690 [10.2%]	2,663 [1.0P]	11.1%
Ordinary income	24,316	27,664	3,348	13.8%
Net income attributable to owners of parent [Margin]	17,890 [6.9%]	18,951 [7.2%]	1,060 [0.4P]	5.9%

Guided by the philosophy of "human-centered automation", the azbil Group drew up its medium-term plan (FY2017–FY2019) based on three fundamental policies [Note 2] 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.

Note 2: 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 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 job fulfillment, 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 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 current consolidated fiscal year were as follows.

Orders received rose steadily to reach 123,766 million yen, up 5.1% on the 117,811 million yen recorded in the previous consolidated fiscal year. Sales remained at approximately the same level: 119,500 million yen, compared to the 120,233 million yen in the previous consolidated fiscal year. Segment profit was 12,421 million yen, down 1.3% from the 12,583 million yen in the previous consolidated fiscal year, owing partly to the recording of temporary expenses for provision incurred in the first half.

As for the business environment of the BA business, 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 revenue 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)

	Fiscal year 2017 (April 1, 2017 to March 31, 2018)	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	117,811	123,766	5,954	5.1%
Sales	120,233	119,500	(732)	(0.6%)
Segment profit [Margin]	12,583 [10.5%]	12,421 [10.4%]	(162) [(0.1P)]	(1.3%)

Advanced Automation (AA) Business

As regards market trends in Japan and abroad that concern the AA business, although there are signs of change—such as decreased investment in the market for manufacturing equipment for semiconductors—the demand for automation has continued at a high level in order to meet the need for rationalization and labor-saving in response to the current labor shortage. Based on these conditions, we have engaged in streamlining operations for the three AA business sub-segments (CP, IAP and SS) [Note 3] 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, the financial results of the AA business for the current consolidated fiscal year were as follows.

Orders received were 98,331 million yen, down 3.3% from the 101,737 million yen for the previous consolidated fiscal year. This was because large-scale projects in energy-related markets had been recorded last year and there has been a downturn in some markets. Nevertheless, sales grew steadily, increasing to 99,389 million yen, up 2.2% on the 97,231 million yen recorded in the previous consolidated fiscal year. Thanks to sales growth and the success of initiatives to further strengthen business profitability, segment profit increased to 12,211 million yen, up 23.0% on the 9,931 million yen for the previous consolidated fiscal year.

In the AA business we will continue initiatives for each of the three business sub-segments designed to improve profitability and to develop business growth including expansion of overseas business. At the same time, to ensure that our business realizes high profits and strong growth, 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)

	Fiscal year 2017 (April 1, 2017 to March 31, 2018)	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	101,737	98,331	(3,405)	(3.3%)
Sales	97,231	99,389	2,158	2.2%
Segment profit [Margin]	9,931 [10.2%]	12,211 [12.3%]	2,280 [2.1P]	23.0%

Note 3: 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 & pressure transmitters, and control valves)

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 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 in the current consolidated fiscal year were as follows.

Orders received were 43,867 million yen, down 8.6% from the 48,013 million yen for the previous consolidated fiscal year, when large-scale projects were recorded in the LSE field, although there were increased orders received in the Lifeline and Lifestyle-related fields. Sales grew in the Lifeline and Lifestyle-related fields, reaching 44,840 million yen, up 1.4% on the previous consolidated fiscal year, when sales of 44,208 million yen were recorded. Thanks to this sales growth and the improved profitability resulting from business structure reforms, segment profit was 2,060 million yen, up 37.3% from the 1,501 million yen of the previous consolidated fiscal 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)

	Fiscal year 2017 (April 1, 2017 to March 31, 2018)	Fiscal year 2018 (April 1, 2018 to March 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	48,013	43,867	(4,146)	(8.6%)
Sales	44,208	44,840	631	1.4%
Segment profit [Margin]	1,501 [3.4%]	2,060 [4.6%]	559 [1.2P]	37.3%

Other

In Other business, principally our insurance agent business, orders received for the current consolidated fiscal year were 60 million yen (compared with 64 million yen for the previous consolidated fiscal year), sales were 61 million yen (compared with 65 million yen for the previous consolidated fiscal year), and segment profit was 2 million yen (compared with 9 million yen for the previous consolidated fiscal year).

2) Forecast for the next period

The azbil Group has adopted the philosophy of striving to realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation." By putting this philosophy into action, we aim to continue and develop as a corporate entity that is distinctive and characteristic of the azbil Group.

Guided by this philosophy, we have set out long-term goals for FY2021 (ending March 2022), including net sales about 300 billion yen and operating income of 30 billion yen or more. Furthermore, by raising profitability and capital efficiency, we aim to achieve ROE of 10% or more.

The current medium-term plan (FY2017-FY2019) represents the second phase in achieving our long-term goals. In FY2018, the halfway mark for this three-year plan, there were signs of a downturn in some markets, such as that for semiconductor manufacturing equipment. However, in addition to taking advantage of having a business portfolio that encompasses multiple markets with differing conditions, our initiatives aimed at strengthening profitability have made progress. While overall net sales did not achieve the plan, we were able to make sufficient performance gains for profits to exceed the plan.

As regards FY2019, it is true that there are grounds for concern, such as uncertainty in the economic outlook for Japan and abroad. Nevertheless, while continuing to invest in improvements to the business foundation that are necessary for future growth—including R&D activities to harness such new technologies as IoT, AI and cloud computing—we will further advance those measures to strengthen business profitability that proved so successful in FY2018. Consequently, we forecast net sales of 262 billion yen, the same level of the previous consolidated fiscal year. As regards profits, we forecast operating income of 26.5 billion yen, down 0.7% on the previous consolidated fiscal year; ordinary income of 26.2 billion yen, down 5.3%; and net income attributable to owners of parent of 18.5 billion yen, down 2.4%.

Urban redevelopment projects and the Tokyo Olympic and Paralympic Games are contributing to a robust business environment and strong orders for the BA business. By employing an upgraded system for job execution of these projects, it will be possible to achieve a high level of domestic sales. This, together with an expansion of our overseas business, is expected to result in overall growth of sales and profits.

As regards the AA business, there are signs of a decline in the business environment in some markets, such as the progressive downturn in domestic and overseas markets related to equipment manufacturers. On the other hand, there is strong demand for automation—both in Japan, where there is a labor shortage, and overseas, where productivity improvements are sought. Investment in automation remains solid thanks to those demands in domestic and overseas markets. While making the best use of qualities unique to the azbil Group, which serves a wide range of markets, we will streamline operations for the three sub-segments (CP, IAP and SS), implementing further measures to expand our business scope and strengthen profitability. In these ways, we will continually strive to secure profits at a high level.

Supported by the relatively stable demand for meters whose replacement is required by law, we expect to achieve an overall improvement in revenue for the LA business, principally in the Lifeline field (gas/water meters, etc.) in which we plan to achieve expansion through developing new demand.

These projections are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance. Due to various factors, actual results may differ from those discussed in this document.

(Billions of yen)

		Fiscal year 2018 Actual	Fiscal year 2019 Forecast	Difference (Amount)	Difference (Rate)
Building Automation	Sales	119.5	125.0	5.4	4.6%
	Segment profit [Margin]	12.4 [10.4%]	13.7 [11.0%]	1.2 [0.6P]	10.3% -
Advanced Automation	Sales	99.3	94.0	(5.3)	(5.4%)
	Segment profit [Margin]	12.2 [12.3%]	10.6 [11.3%]	(1.6) [(1.0P)]	(13.2%) -
Life Automation	Sales	44.8	45.0	0.1	0.4%
	Segment profit [Margin]	2.0 [4.6%]	2.2 [4.9%]	0.1 [0.3P]	6.7% -
Other	Sales	0.0	0.1	0.0	61.6%
	Segment profit [Margin]	0.0 [3.7%]	0.0 [0.0%]	(0.0) [(3.7P)]	- -
Consolidated	Net sales	262.0	262.0	(0.0)	(0.0%)
	Operating income [Margin]	26.6 [10.2%]	26.5 [10.1%]	(0.1) [(0.1P)]	(0.7%)
	Ordinary income	27.6	26.2	(1.4)	(5.3%)
	Net income attributable to owners of parent [Margin]	18.9 [7.2%]	18.5 [7.1%]	(0.4) [(0.2P)]	(2.4%)

(2) Overview of financial position

Analysis of assets, liabilities, net assets and cash flows.

Assets

Total assets at the end of the current consolidated fiscal year stood at 275,518 million yen, an increase of 1,713 million yen from the previous consolidated fiscal year-end.

This was mainly due to increases of 2,032 million yen in deferred tax assets, 2,328 million yen in notes and accounts receivable-trade and 1,843 million yen in buildings and structures following investments for integration and expansion of domestic production facilities, despite there being a decrease of 5,165 million yen in investment securities following a fall in the value of shares and sales of investment securities held.

Liabilities

Total liabilities at the end of the current consolidated fiscal year stood at 92,421 million yen, a decrease of 3,421 million yen from the previous consolidated fiscal year-end.

This was mainly due to a decrease of 3,587 million yen in net defined benefit liability following the final settlement of the defined benefit corporate pension plan for accounting purposes and the setting up of a retirement benefit trust for the lump-sum payment plan of a domestic consolidated subsidiary, as well as a decrease of 1,396 million yen in notes and accounts payable-trade, despite there being an increase of 1,353 million yen in income taxes payable.

Net assets

Net assets at the end of the current consolidated fiscal year stood at 183,097 million yen, an increase of 5,134 million yen from the previous consolidated fiscal year-end.

This was mainly due to an increase of 18,951 million yen by the recording of net income attributable to owners of parent, despite there being a decrease of 3,179 million yen in valuation difference on available-for-sale securities as well as the reduction in shareholders' equity, which was attributed to a decrease of 6,354 million yen as the payment of dividends and a decrease of 4,999 million yen by repurchasing own shares based on a resolution in the Board of Directors meeting.

As a result, the shareholders' equity ratio was 65.7% compared with 64.3% at the previous consolidated fiscal year-end.

Net cash provided by (used in) operating activities

Cash and cash equivalents (hereinafter "net cash") provided by operating activities in the current consolidated fiscal year were 16,112 million yen, a decrease of 3,368 million yen compared to the previous consolidated fiscal year.

This was principally owing to increased expenditures for income taxes payable as well as expenditures related to the setting up of a retirement benefit trust for the lump-sum payment plan of a domestic consolidated subsidiary, despite an increase in income before income taxes.

Net cash provided by (used in) investing activities

Net cash used in investing activities (expenditure) in the current consolidated fiscal year was 4,075 million yen, an increase in expenditure of 4,026 million yen compared to the previous consolidated fiscal year, despite there being an increase in gain following sales of investment securities.

This was mainly due to partially refunds of time deposits in the previous consolidated fiscal year in correspondence to increased expenditures for purchase of property, plant and equipment required for integration and expansion of domestic production facilities.

<u>Net cash provided by (used in) financing activities</u>

Net cash used in financing activities (expenditure) in the current consolidated fiscal year was 12,024 million yen, an increase in expenditure of 1,173 million yen compared to the previous consolidated fiscal year.

This was mainly due to an increase in expenditure resulting from repurchase of own shares based on the resolution in the Board of Directors meeting.

As a result of the above factors, net cash at the end of the current consolidated fiscal year was 68,134 million yen, a decrease of 505 million yen from the previous consolidated fiscal year-end.

(3) Basic policy regarding profit sharing and the dividends for the current and next period

For the azbil Group, returning profits to our shareholders is an important priority for management. While striving to raise the dividends level, we would also like to maintain stable dividends, taking into consideration the consolidated financial results and such indicators as levels of dividends on equity (DOE), return on equity (ROE), and retained earnings required for future business development and strengthening the business structure.

Based on the above policy, it is planned to issue year-end dividends of 23 yen per share [Note 1] for the year ended March 2019 (FY2018), as previously announced. The plan for FY2019 sees continued growth in profits, exceeding the goal for the final year of the medium-term plan, reflecting the result of business structure reforms and measures to strengthen the profit structure. Steady progress is being expected aimed at achieving our long-term goals (FY2021) [Note 2] based on strategy development and outlook of business environment of each segment in a view of medium and long term. Consequently, in order to further the redistribution of profits to our shareholders and to further increase of the level of stable dividends, it is planned to raise the dividends level, increasing the ordinary dividends by 4 yen to produce annual dividends of 50 yen per share.

Additionally, taking into consideration business results and the outlook for future business performance, while ensuring a disciplined capital policy and further improving capital efficiency, in order to enable the development of flexible capital policy that can accommodate changes in business environment and further enhancement to shareholder return, we will cancel almost the entirety of our 3.3 million treasury shares held as of March 31, 2019 [Note 3], and we are repurchasing – between May 13 and October 31, 2019 – the Company's own shares up to the value of 10 billion yen or up to a total of 3.8 million shares. For details see page 30 (5) Notes to the consolidated financial statements (Significant subsequent events).

Regarding expenditures for strengthening the management system and investing in the sustained growth that is essential for enhancing enterprise value, we will make effective use of capital, including retained earnings, to further increase shareholder value: enhancing our products/services, implementing structural reforms for leading-edge global production/development facilities to promote growth for future as well as strengthening and expanding business foundation. Meanwhile, we ensure we can continue our business even in the event of a major natural disaster or other unforeseen circumstances.

Notes: 1. The value of the year-end dividend is based on the number of shares held after the 2-for-1 stock split implemented on Oct. 1, 2018. If the stock split were not taken into account, the year-end dividends would be 46 yen (pre-split conversion), and the annual dividends (ditto) including the interim dividends would be 92 yen. Therefore, this effectively represents no change to the dividend level in the initial plan announced on May 11, 2018.

2. Long-term goals (FY2021 financial results): net sales about 300 billion yen, operating

profit of 30 billion yen or more, and ROE of 10% or more.

3. Number of treasury shares held as of March 31, 2019: 3,303,558 shares

   The above number of treasury shares does not include shares owned by a trust account for Trust for Employee Stock Ownership Plan (J-ESOP), which owned 1,988,258 shares as of March 31, 2019.

2. Activities (present situation) of the azbil Group

The azbil Group consists of the Company, 58 subsidiaries and 4 affiliates, and is pursuing "human-centered automation" that aims to realize safety, comfort and fulfillment in people's lives and contribute to global environmental preservation. The Group operates in three core business segments: Building Automation (BA) business in the building market, Advanced Automation (AA) business in the industrial market, and Life Automation (LA) business in markets closely related to lifelines and everyday life. The BA business develops and manufactures a comprehensive lineup, from building management and security systems to application software, controllers, valves and sensors, and also provides instrumentation design, sales, engineering, maintenance, energy-saving solutions, and operation and management of facilities. The Group also draws on its original environmental control technologies to create comfortable and productive office and factory spaces and to develop business that contributes to environmental load reduction. The AA business is focused on solving issues in the materials industries such as oil, chemical, steel, and pulp and paper, as well as in the processing and assembly industries including automobiles, electrical and electronic, semiconductors and food, through the provision of products, solutions, instrumentation, engineering and maintenance to support the optimum operation of equipment and facilities throughout their lifecycle. The Group develops advanced measurement and control technologies, aims to create production spaces that are safe and enhance human capabilities, and conducts business to create new value by collaboration with customers. The LA business applies measurement, control and metering technologies cultivated over many years in the building and industrial markets, as well as to lifelines such as gas and water, living spaces, the pharmaceutical and medical fields and life science research. The Group conducts business to support active lifestyles.

As for the previously mentioned business contents, our company and other companies are positioned as shown in the following business chart.

Customers in Japan, overseas

Japan

Production, Engineering, Sales

Advanced Automation business/Others

Azbil Trading Co., Ltd.*1
(Sales of control, measurement, testing, safety, environmental equipment, design, Instrumentation; sales, engineering management services)

Azbil TA Co.,Ltd. *1
and 1 unconsolidated subsidiary *2
(Manufacture and sale of pneumatic equipment and related equipment)

Tem-Tech Lab. *3
(Production, sales and entrusted R&D of various sensors)

Life Automation business

Azbil Kimmon Co., Ltd.
and 4 consolidated subsidiaries *1
(R&D, manufacture and sales of gas/water meters and related equipment)

R&D, Manufacturing, Sales, Installation, Maintenance
Azbil Corporation

Japan

Production

Azbil Taishin Co., Ltd. *1
(R&D and manufacture of electronic and precision equipment)

Azbil Kyoto Co., Ltd. *1
(Manufacture of electronic and precision equipment)

Japan

Others

Azbil Yamatake Friendly Co., Ltd. *2
(Cleaning; safety management; collection and delivery; assembly of control and measurement components)

Azbil SecurityFriday Co.,Ltd. *2
(R&D and sales of software)

Overseas

Others

Azbil North America Research and Development, Inc. *1
(R&D and entrusted services of technological research)

Overseas

Production, Engineering, Sales

Building Automation business

Yamatake Environmental Control Technology (Beijing) Co., Ltd. *1
(Instrumentation; sales of control and measurement equipment)

CECEP Building Energy Management Co., Ltd. *3
(Sales of control and measurement equipment and provision of energy management services)

Advanced Automation business

Shanghai Azbil Automation Co., Ltd. *1
(Instrumentation; software development; production and sales of control measurement equipment)

Yamatake Automation Products (Shanghai) Co., Ltd. *1
(Sales of control equipment)

Azbil North America, Inc. *1
(Sales of control and measurement equipment)

Azbil Mexico, S. de R. L. de C.V. *2
(Sales of control and measurement equipment)

Azbil Mexico Services, S. de R. L. de C.V. *2
(Provision of maintenance service for control and measurement equipment)

Azbil VorTek, LLC *1
(R&D, manufacturing, sales of flow instrument)

Azbil Europe NV *1
(Sales of control equipment)

Azbil Brazil Limited *1
(Instrumentation; sales of control and measurement equipment)

Azbil Saudi Limited *1
(Production and sales of control valves)

Two other *2

Building Automation business / Advanced Automation business

Azbil Korea Co., Ltd. *1
Azbil (Thailand) Co., Ltd. *1
Azbil Singapore Pte. Ltd. *1
Azbil Taiwan Co., Ltd. *1
Azbil Control Solutions (Shanghai) Co., Ltd. *1
Azbil Hong Kong Limited *1
PT. Azbil Berca Indonesia *1
Azbil Vietnam Co., Ltd.*1
Azbil Malaysia Sdn. Bhd. *1
Azbil Philippines Corporation *1
Azbil India Private Limited *1
(Above subsidiaries: Instrumentation; sales of control and measurement equipment)
One other *2

Life Automation business

Azbil Telstar, S.L.U. *1
and 15 consolidated subsidiaries, *1
and 2 affiliate companies that are accounted for by the equity method
(R&D, manufacturing, sales, installation, maintenance of manufacturing equipment and environmental equipment for pharmaceutical plant, laboratory, hospital)

Azbil Kimmon Technology Corporation *1
(Manufacture and sales of gas meters)

Overseas

Production

Azbil Control Instruments (Dalian) Co., Ltd. *1
(Manufacture of electronic and precision equipment)

Azbil Information Technology Center (Dalian) Co., Ltd. *2
(Software development)

Azbil Production (Thailand) Co., Ltd. *1
(Manufacture of electronic and precision equipment)

One other *2

Note:
*1 Consolidated subsidiaries
*2 Unconsolidated subsidiaries that are not accounted for by the equity method
*3 Affiliate companies that are not accounted for by the equity method

3. Basic rationale for selection of accounting standards

Group financial statements are prepared according to Japanese standards. In future we plan to continue reviewing procedures, including the possibility of optionally applying International Financial Reporting Standards (IFRS).

4. Consolidated financial statements and related notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	46,128	46,457
Notes and accounts receivable - trade	91,420	93,748
Securities	36,406	36,405
Merchandise and finished goods	4,968	5,829
Work in process	7,787	7,417
Raw materials	11,079	11,667
Other	9,520	8,760
Allowance for doubtful accounts	(596)	(379)
Total current assets	206,714	209,907
Non-current assets		
Property, plant and equipment		
Buildings and structures	42,481	44,324
Accumulated depreciation	(31,041)	(31,580)
Buildings and structures, net	11,439	12,743
Machinery, equipment and vehicles	18,981	18,670
Accumulated depreciation	(16,526)	(16,372)
Machinery, equipment and vehicles, net	2,455	2,298
Tools, furniture and fixtures	20,076	20,292
Accumulated depreciation	(18,189)	(18,046)
Tools, furniture and fixtures, net	1,887	2,245
Land	6,600	6,659
Leased assets	230	239
Accumulated depreciation	(100)	(115)
Leased assets, net	129	124
Construction in progress	2,966	2,893
Total property, plant and equipment	25,479	26,965
Intangible assets		
Software	4,411	4,529
Other	867	617
Total intangible assets	5,279	5,147
Investments and other assets		
Investment securities	26,746	21,580
Long-term loans receivable	102	68
Claims provable in bankruptcy, claims provable in rehabilitation and other	268	275
Deferred tax assets	2,245	4,278
Net defined benefit asset	3	7
Other	7,532	7,741
Allowance for doubtful accounts	(566)	(455)
Total investments and other assets	36,331	33,497
Total non-current assets	67,090	65,610
Total assets	273,805	275,518

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	41,498	40,101
Short-term loans payable	10,171	9,866
Income taxes payable	6,313	7,667
Advances received	3,914	4,195
Provision for bonuses	10,211	10,468
Provision for directors’ bonuses	157	130
Provision for product warranties	552	565
Provision for loss on order received	792	684
Other	13,913	13,292
Total current liabilities	87,525	86,972
Non-current liabilities		
Long-term loans payable	514	161
Deferred tax liabilities for land revaluation	181	181
Net defined benefit liability	5,563	1,975
Provision for directors’ retirement benefits	122	120
Provision for stock payment	654	987
Other	1,279	2,022
Total non-current liabilities	8,316	5,448
Total liabilities	95,842	92,421
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	147,728	160,325
Treasury shares	(6,966)	(11,952)
Total shareholders' equity	162,955	170,566
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,906	9,727
Deferred gains or losses on hedges	45	3
Foreign currency translation adjustment	1,837	935
Remeasurements of defined benefit plans	(1,749)	(91)
Total accumulated other comprehensive income	13,040	10,576
Non-controlling interests	1,967	1,954
Total net assets	177,962	183,097
Total liabilities and net assets	273,805	275,518

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

(Consolidated statements of income)

(Millions of yen)

	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Net sales	260,384	262,054
Cost of sales	162,903	159,716
Gross profit	97,480	102,338
Selling, general and administrative expenses	73,454	75,648
Operating income	24,026	26,690
Non-operating income		
Interest income	128	149
Dividend income	520	552
Foreign exchange gains	—	249
Real estate rent	42	41
Subsidy income	86	87
Reversal of allowance for doubtful accounts	—	20
Other	161	185
Total non-operating income	939	1,285
Non-operating expenses		
Interest expenses	165	135
Foreign exchange losses	295	—
Commitment fee	20	20
Rent expenses on real estates	78	67
Sales discounts	35	36
Other	54	51
Total non-operating expenses	650	310
Ordinary income	24,316	27,664
Extraordinary income		
Gain on sales of non-current assets	6	14
Gain on sales of investment securities	655	2,220
Total extraordinary income	662	2,235
Extraordinary losses		
Loss on sales and retirement of non-current assets	136	158
Impairment loss	342	86
Loss on abolishment of retirement benefit plan	—	3,210
Loss on sales of investment securities	0	1
Loss on liquidation of subsidiaries and associates	297	—
Loss on valuation of investment securities	19	—
Total extraordinary losses	796	3,457
Income before income taxes	24,181	26,442
Income taxes - current	7,211	8,642
Income taxes - deferred	(1,172)	(1,416)
Total income taxes	6,038	7,226
Net income	18,142	19,216
Net income attributable to non-controlling interests	252	264
Net income attributable to owners of parent	17,890	18,951

(Consolidated statements of comprehensive income)

(Millions of yen)

	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Net income	18,142	19,216
Other comprehensive income		
Valuation difference on available-for-sale securities	3,352	(3,179)
Deferred gains or losses on hedges	13	(41)
Foreign currency translation adjustment	523	(966)
Remeasurements of defined benefit plans, net of tax	(21)	1,666
Total other comprehensive income	3,867	(2,521)
Comprehensive income	22,010	16,694
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	21,778	16,486
Comprehensive income attributable to non-controlling interests	232	208

(3) Consolidated statements of changes in net assets
Fiscal year 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	12,333	136,465	(4,652)	154,669
Changes of items during period					
Dividends of surplus			(5,944)		(5,944)
Net income attributable to owners of parent			17,890		17,890
Change in ownership interest of parent due to transactions with non-controlling interests		(663)			(663)
Purchase of treasury shares				(6,972)	(6,972)
Disposal of treasury shares		1,476		2,500	3,976
Retirement of treasury shares		(2,158)		2,158	—
Transfer to capital surplus from retained earnings		682	(682)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(663)	11,263	(2,313)	8,285
Balance at end of current period	10,522	11,670	147,728	(6,966)	162,955

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	9,553	32	1,303	(1,737)	9,152	1,929	165,751
Changes of items during period							
Dividends of surplus							(5,944)
Net income attributable to owners of parent							17,890
Change in ownership interest of parent due to transactions with non-controlling interests							(663)
Purchase of treasury shares							(6,972)
Disposal of treasury shares							3,976
Retirement of treasury shares							—
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	3,352	13	533	(11)	3,888	37	3,925
Total changes of items during period	3,352	13	533	(11)	3,888	37	12,211
Balance at end of current period	12,906	45	1,837	(1,749)	13,040	1,967	177,962

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	10,522	11,670	147,728	(6,966)	162,955
Changes of items during period					
Dividends of surplus			(6,354)		(6,354)
Net income attributable to owners of parent			18,951		18,951
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Purchase of treasury shares				(5,002)	(5,002)
Disposal of treasury shares		(0)		16	16
Retirement of treasury shares					—
Transfer to capital surplus from retained earnings		0	(0)		—
Net changes of items other than shareholders' equity					
Total changes of items during period	—	0	12,596	(4,986)	7,611
Balance at end of current period	10,522	11,670	160,325	(11,952)	170,566

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehen-sive income		
Balance at beginning of current period	12,906	45	1,837	(1,749)	13,040	1,967	177,962
Changes of items during period							
Dividends of surplus							(6,354)
Net income attributable to owners of parent							18,951
Change in ownership interest of parent due to transactions with non-controlling interests							0
Purchase of treasury shares							(5,002)
Disposal of treasury shares							16
Retirement of treasury shares							—
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	(3,179)	(41)	(902)	1,658	(2,464)	(12)	(2,476)
Total changes of items during period	(3,179)	(41)	(902)	1,658	(2,464)	(12)	5,134
Balance at end of current period	9,727	3	935	(91)	10,576	1,954	183,097

(4) Consolidated statements of cash flows

(Millions of yen)

	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Cash flows from operating activities		
Income before income taxes	24,181	26,442
Depreciation	4,111	4,166
Amortization of goodwill	71	—
Increase (decrease) in allowance for doubtful accounts	(49)	(277)
Increase (decrease) in net defined benefit liability	14	(3,303)
Decrease (increase) in net defined benefit asset	(298)	(227)
Increase (decrease) in accrued payments due to change in retirement benefit plan	(803)	(763)
Increase (decrease) in provision for stock payment	349	350
Increase (decrease) in provision for bonuses	766	289
Increase (decrease) in provision for directors' bonuses	41	(26)
Interest and dividend income	(649)	(701)
Interest expenses	165	135
Foreign exchange losses (gains)	394	(148)
Loss (gain) on sales and retirement of non-current assets	130	143
Impairment loss	342	86
Loss on abolishment of retirement benefit plan	—	3,210
Loss on liquidation of subsidiaries and associates	297	—
Loss (gain) on sales and valuation of investment securities	(635)	(2,218)
Decrease (increase) in notes and accounts receivable - trade	(2,679)	(3,017)
Decrease (increase) in inventories	(1,569)	(1,394)
Increase (decrease) in notes and accounts payable - trade	762	(1,005)
Decrease (increase) in other assets	(71)	91
Increase (decrease) in other liabilities	(202)	1,040
Subtotal	24,671	22,871
Interest and dividend income received	647	699
Interest expenses paid	(164)	(134)
Income taxes paid	(5,672)	(7,324)
Net cash provided by (used in) operating activities	19,481	16,112

(Millions of yen)

	Year ended March 31, 2018 (April 1, 2017 to March 31, 2018)	Year ended March 31, 2019 (April 1, 2018 to March 31, 2019)
Cash flows from investing activities		
Payments into time deposits	(7,126)	(2,380)
Proceeds from withdrawal of time deposits	10,866	2,171
Purchase of securities	(33,200)	(27,900)
Proceeds from sales of securities	35,201	27,200
Purchase of trust beneficiary right	(11,207)	(10,197)
Proceeds from sales of trust beneficiary right	11,247	10,649
Purchase of property, plant and equipment	(5,794)	(5,705)
Proceeds from sales of property, plant and equipment	78	83
Purchase of intangible assets	(1,030)	(940)
Purchase of investment securities	(16)	(11)
Proceeds from sales of investment securities	909	2,837
Purchase of investments in capital of subsidiaries	(21)	(27)
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	(98)	—
Other, net	141	145
Net cash provided by (used in) investing activities	(48)	(4,075)
Cash flows from financing activities		
Increase in short-term loans payable	1,596	875
Decrease in short-term loans payable	(2,437)	(1,169)
Proceeds from long-term loans payable	62	10
Repayments of long-term loans payable	(106)	(52)
Cash dividends paid	(5,943)	(6,353)
Repayments of lease obligations	(135)	(117)
Dividends paid to non-controlling interests	(149)	(210)
Purchase of treasury shares	(6,972)	(5,002)
Proceeds from sales of treasury shares	3,970	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(5)
Payments from changes in ownership interests in investments in capital of subsidiaries that do not result in change in scope of consolidation	(734)	—
Net cash provided by (used in) financing activities	(10,851)	(12,024)
Effect of exchange rate change on cash and cash equivalents	221	(518)
Net increase (decrease) in cash and cash equivalents	8,802	(505)
Cash and cash equivalents at beginning of period	59,837	68,640
Cash and cash equivalents at end of period	68,640	68,134

(5) Notes to the consolidated financial statements

(Notes regarding going concern assumptions)

Not applicable

(Changes in presentation)

(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 current consolidated fiscal year. Accordingly, deferred tax assets have been classified under investments and other assets, and deferred tax liabilities have been classified under non-current liabilities.

As a result, out of “Deferred tax assets” of 5,690 million yen presented under “Current assets” in the previous consolidated fiscal year, 866 million yen have been reclassified to “Deferred tax assets” of 2,245 million yen under “Investments and other assets,” and 4,824 million yen have been offset by “Deferred tax liabilities” under “Non-current liabilities.”

Since deferred tax assets and deferred tax liabilities of the same taxable entity are offset, total assets have decreased by 4,824 million yen compared to the previous method.

(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, 2018

Book value: 3,963 million yen

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

As of March 31, 2019

Book value: 3,946 million yen

Number of shares: 1,988,258 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 consolidated fiscal year.

(Segment information)

[Segment information]

1. The summary of the reportable segments

The reportable segments of the azbil Group - identifiable operating segments of the Group's business structure for which financial information is made separately available - are subject to periodic review by the Board of Directors in order to make decisions on the distribution of management resources and to assess performance.

The azbil Group identifies its operating segments using such criteria as business organization, product lines, service content, and markets. This approach results in three separate reportable segments: the Building Automation business, the Advanced Automation business, and the Life Automation business.

The Building Automation business supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering and related services. The Advanced Automation business supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories. The Life Automation business supplies meters for lifelines, residential central air-conditioning systems and manufacture and sale of manufacturing equipment and environmental equipment for the life science research, pharmaceutical and medical fields as well as related services - all of which are intimately connected with everyday life.

2. Method of calculating sales, profit (loss), assets and other items in each segment

The accounting method for reportable business segments is generally the same as the method adopted for preparation of the consolidated financial statements. Profits of reportable segments are calculated based on operating income. Internal sales among segments and transfers are based on market prices, etc.

3. Information on sales, profit (loss), assets and the other items in each segment

Fiscal year 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	119,939	96,563	43,822	260,325	58	260,384	–	260,384
Inter-segment	294	668	386	1,348	6	1,354	(1,354)	–
Total	120,233	97,231	44,208	261,673	65	261,738	(1,354)	260,384
Segment profit	12,583	9,931	1,501	24,016	9	24,026	0	24,026
Segment assets (Note 4)	64,659	71,724	30,976	167,361	0	167,361	106,443	273,805
Other items								
Depreciation and amortization	1,214	2,027	870	4,111	–	4,111	–	4,111
Increase in property, plant and equipment, and intangible assets	2,351	3,868	818	7,038	–	7,038	–	7,038

Notes: 1. “Other” includes insurance agent business.

2. Details on adjustments are as follows.

(1) The adjustment of segment profit of 0 million yen is elimination of inter-segment transactions.

(2) The adjustment of segment assets of 106,443 million yen includes primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

4. “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 consolidated fiscal year ended March 31, 2019, and have also been retrospectively applied to the segment assets as of March 31, 2018.

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Building Automation	Advanced Automation	Life Automation	Subtotal				
Sales								
Customers	119,163	98,350	44,484	261,999	55	262,054	−	262,054
Inter-segment	337	1,039	356	1,732	6	1,738	(1,738)	−
Total	119,500	99,389	44,840	263,731	61	263,793	(1,738)	262,054
Segment profit	12,421	12,211	2,060	26,693	2	26,695	(5)	26,690
Segment assets	68,622	75,678	29,746	174,047	0	174,048	101,470	275,518
Other items								
Depreciation and amortization	1,280	2,121	765	4,166	−	4,166	−	4,166
Increase in property, plant and equipment, and intangible assets	2,408	3,255	699	6,363	−	6,363	−	6,363

Notes: 1. “Other” includes insurance agent business.

2. Details on adjustments are as follows.

(1) The adjustment of segment profit of (5) million yen is elimination of inter-segment transactions.

(2) The adjustment of segment assets of 101,470 million yen includes primarily cash and deposits, investment securities and so on which are not distributed to any reportable segment.

3. The segment profits are adjusted to operating income stated in the consolidated financial statements.

[Related information]

Fiscal year 2017 (April 1, 2017 to March 31, 2018)

1. Information by product and service

The information disclosed is identical to the segment information. It is therefore omitted.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
214,586	20,047	9,365	4,200	9,086	3,096	260,384

Note: Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
21,940	1,833	960	81	495	167	25,479

Note: Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statement of income, so this information is omitted.

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

1. Information by product and service

The information disclosed is identical to the segment information. It is therefore omitted.

2. Information by region

(1) Sales

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
215,344	20,414	9,763	5,397	8,511	2,623	262,054

Note: Sales, based on the location of customers, are classified by country or region.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	China	North America	Europe	Others	Total
23,445	1,948	869	102	449	150	26,965

Note: Property, plant and equipment, based on the location, are classified by country or region.

3. Information by principal client

No clients accounted for more than 10% of net sales on the consolidated statement of income, so this information is omitted.

[Information on impairment loss in non-current assets in each segment]

Fiscal year 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	―	32	310	342	―	―	342

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Impairment loss	―	20	65	86	―	―	86

[Information on amortization of goodwill and unamortized balance in each segment]

Fiscal year 2017 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Reportable segment				Other	Corporate/ Elimination	Total
	Building Automation	Advanced Automation	Life Automation	Subtotal			
Amortization of goodwill	―	71	―	71	―	―	71
Balance at the end of period	―	―	―	―	―	―	―

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

Not applicable

[Information on gain on negative goodwill in each segment]

Fiscal year 2017 (April 1, 2017 to March 31, 2018)

Not applicable

Fiscal year 2018 (April 1, 2018 to March 31, 2019)

Not applicable

(Per share information)

Item	Fiscal year 2017 (April 1, 2017 to March 31, 2018)	Fiscal year 2018 (April 1, 2018 to March 31, 2019)
Net assets per share (Yen)	1,213.14	1,264.88
Net income per share (Yen)	123.08	132.03

Notes: 1. Diluted net income per share after adjusting for latent shares is not presented.

2. 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 fiscal year 2017.
If the stock split were not taken into account, “Net assets per share (pre-split conversion)” would be 2,426.29 yen as of March 31, 2018 and 2,529.77 yen as of March 31, 2019. Also, “Net income per share (pre-split conversion)” would be 246.16 yen for fiscal year 2017 and 264.06 yen for fiscal year 2018.

3. The basis for calculating net income per share is as follows.

Item	Fiscal year 2017 (April 1, 2017 to March 31, 2018)	Fiscal year 2018 (April 1, 2018 to March 31, 2019)
Net income attributable to owners of parent (Millions of yen)	17,890	18,951
Amount not attributable to common stock holders (Millions of yen)	–	–
Net income attributable to owners of parent relevant to shares (common stock) (Millions of yen)	17,890	18,951
Average number of shares (Thousands of shares)	145,355	143,535

4. The basis for calculating net assets per share is as follows.

Item	Fiscal year 2017 (As of March 31, 2018)	Fiscal year 2018 (As of March 31, 2019)
Total net assets (Millions of yen)	177,962	183,097
Amount deducted from the total of net assets (Millions of yen)	1,967	1,954
(Of which non-controlling interests) (Millions of yen)	(1,967)	(1,954)
Net assets at the end of the consolidated fiscal year relevant to shares (Millions of yen)	175,995	181,142
Number of shares used to determine net assets per share (Thousands of shares)	145,074	143,209

5. The Company’s own stock held by Trust & Custody Services Bank, Ltd. (Trust E) as assets in the trust of “Employee Stock Ownership Plan (J-ESOP)” is recorded as treasury shares in shareholders’ equity, and included in the number of treasury shares that are deducted from the total number of issued shares at the end of the period for determining net assets per share (1,996 thousands of shares as of March 31, 2018; 1,988 thousands of shares as of March 31, 2019).
It is also included in the number of treasury shares, which is deducted in the calculation of the average number of shares during the period for determining net income per share (1,681 thousands of shares for fiscal year 2017; 1,992 thousands of shares for fiscal year 2018).

(Significant subsequent events)

The Company has resolved the following matters at the Board of Directors meeting held on May 10, 2019.

1. Cancellation of treasury shares

Cancellation of treasury shares pursuant to Article 178 of the Companies Act of Japan

(1) Type of shares to be cancelled: Common shares of the Company

(2) Number of shares to be cancelled: 3,300,000 shares
(2.2% of the total number of issued shares before the cancellation)

(3) Total number of issued shares after the cancellation: 145,200,884 shares

(4) Scheduled cancellation date: May 31, 2019

Reference

Status of treasury shares held as of March 31, 2019

Total number of common stock issued (excluding treasury shares): 145,197,326 shares

Treasury shares: 3,303,558 shares

Note: The above number of treasury shares does not include shares owned by a trust account for Trust for Employee Stock Ownership Plan (J-ESOP), which owned 1,988,258 shares as of March 31, 2019.

2. Repurchase of the Company's own shares

Repurchase of own shares pursuant to Article 156 and Article 165, paragraph 3 of the Companies Act of Japan

(1) Reason for share repurchase:

Taking into consideration business results and the outlook for future business performance, the Company aims 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.

(2) Type of shares to be repurchased: Common shares of the Company

(3) Total number of shares to be repurchased: Up to 3,800,000 shares
(2.6% of the total number of common shares issued, excluding treasury shares)

(4) Total amount of repurchase: Up to 10 billion yen

(5) Period of repurchase: From May 13, 2019 to October 31, 2019

(6) Method of repurchase: Market transactions on the Tokyo Stock Exchange

5. Other

(1) Management changes

1) Newly Appointed Director

Director: Mitsuhiro Nagahama

2) Newly Appointed Audit & Supervisory Board Member

Audit & Supervisory Board Member: Minoru Sakuma
Audit & Supervisory Board Member: Fumitoshi Sato

3) Retiring Audit & Supervisory Board Member

Audit & Supervisory Board Member: Mitsuhiro Nagahama
Audit & Supervisory Board Member: Shigeru Morita

Reference

Azbil Corporation New Management Structure (effective June 25, 2019)

Position	Name	Changes
President and CEO	Hirozumi Sone	Uncontested
Director	Masato Iwasaki	Uncontested
Director	Yoshimitsu Hojo	Uncontested
Director	Takayuki Yokota	Uncontested
Director	Kazuyasu Hamada	Uncontested
Director	Tadayuki Sasaki	Uncontested
Outside Director	Eugene H. Lee	Uncontested
Outside Director	Katsuhiko Tanabe	Uncontested
Outside Director	Takeshi Itoh	Uncontested
Outside Director	Waka Fujiso	Uncontested
Outside Director	Mitsuhiro Nagahama	Newly Appointed
Standing Audit & Supervisory Board Member	Tomohiko Matsuyasu	Reappointed
Standing Audit & Supervisory Board Member	Hisaya Katsuta	Reappointed
Outside Audit & Supervisory Board Member	Kinya Fujimoto	Reappointed
Outside Audit & Supervisory Board Member	Minoru Sakuma	Newly Appointed
Outside Audit & Supervisory Board Member	Fumitoshi Sato	Newly Appointed

Notes: 1. Eugene H. Lee, Katsuhiko Tanabe, Takeshi Itoh and Waka Fujiso are Outside Directors of the Company as prescribed in Article 2, Item 15 of the Companies Act of Japan.

2. Mitsuhiro Nagahama is a candidate to become a Outside Director of the Company as prescribed in Article 2, paragraph 3, Item 7 of Ordinance for Enforcement of the Companies Act of Japan.

3. Kinya Fujimoto, Minoru Sakuma and Fumitoshi Sato are candidates to become Outside Audit & Supervisory Board Members of the Company as prescribed in Article 2, paragraph 3, Item 8 of Ordinance for Enforcement of the Companies Act of Japan.

(2) Status of orders received

(Millions of yen)

	Fiscal year 2017 (April 1, 2017 to March 31, 2018)		Fiscal year 2018 (April 1, 2018 to March 31, 2019)		Change	
	Orders received	Backlog	Orders received	Backlog	Orders received	Backlog
Building Automation	117,811	60,224	123,766	64,204	5,954	3,980
Advanced Automation	101,737	30,789	98,331	28,981	(3,405)	(1,808)
Life Automation	48,013	14,560	43,867	12,998	(4,146)	(1,562)
Total of reportable segments	267,562	105,575	265,965	106,184	(1,597)	609
Other	64	0	60	0	(3)	(0)
Elimination	(1,364)	(70)	(1,773)	(165)	(408)	(94)
Consolidated	266,262	105,504	264,252	106,019	(2,009)	515