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

February 5, 2020

Company name: Azbil Corporation
 Stock exchange listing: Tokyo Stock Exchange 1st Section (Code 6845)
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 Scheduled date to file Quarterly Securities Report: February 10, 2020
 Scheduled date to commence dividend payments: —
 Preparation of supplementary materials on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	183,048	(1.2)	15,656	2.6	16,114	0.6	11,021	(2.0)
Nine months ended December 31, 2018	185,359	1.2	15,260	10.4	16,023	10.8	11,249	19.5

Note: Comprehensive income
 Nine months ended December 31, 2019 13,330 million yen 41.9%
 Nine months ended December 31, 2018 9,391 million yen (32.4)%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2019	78.20	—
Nine months ended December 31, 2018	78.31	—

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 December 31, 2019	258,445	179,332	68.6
As of March 31, 2019	275,518	183,097	65.7

Reference: Shareholders' equity
 As of December 31, 2019 177,365 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

Notes: 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	136.20

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

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 December 31, 2019 is considered. For details, please see “Notes regarding significant change in shareholders’ equity” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 12 of the Accompanying document.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1. Changes associated with revision in accounting standards: Yes

2. Other changes: No

3. Changes in accounting estimates: No

4. Retrospective restatements: No

Note: For details, please see “Changes in accounting policies” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 12 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 December 31, 2019	145,200,884 shares	As of March 31, 2019	148,500,884 shares
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2. Number of treasury shares at the end of the period

As of December 31, 2019	5,701,743 shares	As of March 31, 2019	5,291,816 shares
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3. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2019	140,936,450 shares	Nine months ended December 31, 2018	143,642,447 shares
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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 (1,979,865 shares as of December 31, 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 (1,983,466 shares for the nine months ended December 31, 2019; 1,993,824 shares for the nine months ended December 31, 2018).

For details, please see “Additional information” in “2. Consolidated quarterly financial statements and related notes (3) Notes to the consolidated quarterly financial statements” on page 13 of the Accompanying document.

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

* Regarding the appropriate use of forecasts, etc.

Net sales for the azbil Group tend to be low in the first quarter of the consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

The projections of the azbil Group are based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this document. For information on the forecast of financial results, please see “1. Qualitative information on consolidated quarterly financial results (3) Forecast of consolidated financial results” on page 7 of the Accompanying document.

* How to obtain supplementary material on quarterly financial results

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

Accompanying document

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1. Qualitative information on consolidated quarterly financial results

(1) 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 there being steady demand for rationalization and labor-saving in response to labor shortages, conditions differed by region and market, and overall demand remained sluggish.

Financial results for the nine months ended December 2019 were as follows.

Overall orders received were 200,878 million yen, down 1.6% from the 204,144 million yen recorded for the same period last year. This was partially because of a decrease in orders received for the Building Automation (BA) business owing to the fact that in the same period last year large-scale service projects covering several years were recorded. Also, a major contributing factor was the situation faced by the Advanced Automation (AA) business: while there is recent evidence of a pickup in the semiconductor manufacturing equipment market, over the current cumulative period orders from the markets for manufacturing equipment, including machine tools, remained weak overall. Net sales were down 1.2% at 183,048 million yen (compared with the 185,359 million yen for the same period last year). This reflects a drop in AA business sales owing to sluggish market conditions, despite the fact that the BA business achieved sales growth thanks to the steady progress it has achieved in carrying out the numerous projects on its order book.

As regards profits, thanks to improved profit margins – resulting from the success of measures to strengthen business profitability – operating income also improved: it was 15,656 million yen, up 2.6% on the 15,260 million yen recorded for the same period last year. Owing to the recording of foreign exchange losses on appreciation of the yen, ordinary income was 16,114 million yen, on a par with the same period last year, when a figure of 16,023 million yen was recorded. Also, net income attributable to owners of parent fell by 2.0% to 11,021 million yen (compared with the 11,249 million yen for the same period last year) due to an increase in tax expenses.

(Millions of yen)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	204,144	200,878	(3,266)	(1.6)%
Net sales	185,359	183,048	(2,310)	(1.2)%
Operating income [Margin]	15,260 [8.2%]	15,656 [8.6%]	396 [0.3pp]	2.6%
Ordinary income	16,023	16,114	91	0.6%
Net income attributable to owners of parent [Margin]	11,249 [6.1%]	11,021 [6.0%]	(227) [(0.0)pp]	(2.0)%

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. In this final fiscal year of the current medium-term plan, we are continuing to advance business structure reforms and improvements to the profit structure in each segment. At the same time, we are 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. We are also 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 continued 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 the 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 nine months ended December 2019 were as follows.

Orders received were 98,532 million yen, down 2.5% on the 101,037 million yen recorded for the same period last year, when large-scale service projects covering several years were recorded. This was despite the growth achieved 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 large-scale building projects, BA business sales rose to 83,995 million yen, up 5.2% on the 79,823 million yen recorded for the same period last year. Also, segment profit rose by 43.7% to 7,046 million yen (compared with the 4,902 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, the BA business environment is expected to continue to be robust following the 2020 Tokyo Olympic and Paralympic Games, thanks to the large-scale redevelopment projects that are planned. 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)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	101,037	98,532	(2,504)	(2.5)%
Sales	79,823	83,995	4,172	5.2%
Segment profit [Margin]	4,902 [6.1%]	7,046 [8.4%]	2,143 [2.2pp]	43.7%

Advanced Automation (AA) Business

Regarding the current environment for the AA business, despite sluggish investment in markets related to manufacturing equipment, both in Japan and overseas, a recovery is now evident in the semiconductor manufacturing equipment market. Moreover, demand is expected to continue for automation aimed at solving labor shortages, responding to the needs for environmental preservation, and achieving further increases in productivity. To respond to the changing business environment, 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 and strengthen profitability for these three sub-segments. As a result, AA business financial results for the nine months ended December 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 well. Consequently, AA business orders received were 69,746 million yen, down 6.7% from the 74,794 million yen recorded for the same period last year, and sales were 67,830 million yen, down 7.2% from the 73,064 million yen for the same period last year. Owing to the fall in revenue, segment profit fell by 16.4% to 7,419 million yen (compared with the 8,872 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)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	74,794	69,746	(5,047)	(6.7)%
Sales	73,064	67,830	(5,234)	(7.2)%
Segment profit [Margin]	8,872 [12.1%]	7,419 [10.9%]	(1,453) [(1.2)pp]	(16.4)%

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, which accounts for the bulk of LA sales, depends on cyclical demand for meter replacement as required by law. While some impacts on the business environment from the liberalization of gas sales are observed, we expect stable demand to continue in this field. In the LSE and Lifestyle-related fields, despite fluctuations in demand, success has been achieved with sustained initiatives aimed at realizing/improving stable earnings through business structure reforms. Reflecting these business conditions and initiatives, the financial results of the LA business for the nine months ended December 2019 were as follows.

Orders received rose 14.5% to 33,733 million yen (compared with the 29,458 million yen for the same period last year), owing to an increase in orders received in the LSE field. However, owing to a fall in orders received for the LSE field in the previous fiscal year, sales were 32,298 million yen, down 3.9% from the 33,622 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)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)	Difference (Amount)	Difference (Rate)
Orders received	29,458	33,733	4,275	14.5%
Sales	33,622	32,298	(1,324)	(3.9)%
Segment profit [Margin]	1,489 [4.4%]	1,188 [3.7%]	(300) [(0.7)pp]	(20.2)%

Other

In Other business, principally our insurance agent business, orders received in the nine months ended December 2019 were 47 million yen (compared with the 48 million yen for the same period last year), sales were 48 million yen (compared with the 49 million yen for the same period last year), and segment profit was 7 million yen (compared with the 5 million yen for the same period last year).

(2) Consolidated financial position

Assets

Total assets at the end of the third quarter of fiscal year 2019 stood at 258,445 million yen, a decrease of 17,072 million yen from the previous fiscal year-end. This was mainly due to a decrease of 13,039 million yen in notes and accounts receivable-trade.

Liabilities

Total liabilities at the end of the third quarter of fiscal year 2019 stood at 79,112 million yen, a decrease of 13,308 million yen from the previous fiscal year-end. This was mainly due to a decrease of 5,788 million yen in income taxes payable, a decrease of 4,618 million yen in provision for bonuses as well as a decrease of 4,189 million yen in notes and accounts payable-trade.

Net assets

Net assets at the end of the third quarter of fiscal year 2019 stood at 179,332 million yen, a decrease of 3,764 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 9,921 million yen by repurchasing own shares based on a resolution in the Board of Directors meeting and a decrease of 6,887 million yen as the payment of dividends, despite an increase of 11,021 million yen by the recording of net income attributable to owners of parent.

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

(3) Forecast of consolidated financial results

As regards the forecast of consolidated financial results for the fiscal year ending March 31, 2020, no revision is made to the forecast published on November 1, 2019. The business environment for the azbil Group showed variation by region and market: as regards manufacturing, there were signs of recovery in the semiconductor manufacturing equipment market, but at the same time sluggish conditions continued in such market as that for machine tools. Nevertheless, there is steady demand in Japan and overseas for automation aimed at rationalization and labor/energy-saving, and also domestic construction demand remains at a high level.

The azbil Group will continue to engage in reforming the business structure and strengthening business profitability – while also responding rapidly and decisively to changes in the business environment – in order to achieve the forecasts for consolidated financial results for the fiscal year ending March 31, 2020, the final year of the medium-term plan.

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

2. Consolidated quarterly financial statements and related notes

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	46,457	40,890
Notes and accounts receivable - trade	93,748	80,708
Securities	36,405	32,805
Merchandise and finished goods	5,829	5,670
Work in process	7,417	10,106
Raw materials	11,667	12,086
Other	8,760	8,429
Allowance for doubtful accounts	(379)	(311)
Total current assets	209,907	190,385
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,743	14,716
Other, net	14,221	13,102
Total property, plant and equipment	26,965	27,818
Intangible assets	5,147	5,185
Investments and other assets		
Investment securities	21,580	25,348
Other	12,372	10,078
Allowance for doubtful accounts	(455)	(371)
Total investments and other assets	33,497	35,056
Total non-current assets	65,610	68,060
Total assets	275,518	258,445

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	40,101	35,911
Short-term borrowings	9,866	7,964
Income taxes payable	7,667	1,879
Provision for bonuses	10,468	5,849
Provision for bonuses for directors (and other officers)	130	64
Provision for product warranties	565	473
Provision for loss on order received	684	360
Other	17,488	19,339
Total current liabilities	86,972	71,843
Non-current liabilities		
Long-term borrowings	161	367
Retirement benefit liability	1,975	1,968
Provision for retirement benefits for directors (and other officers)	120	141
Provision for share-based remuneration	987	1,228
Other	2,203	3,562
Total non-current liabilities	5,448	7,269
Total liabilities	92,421	79,112
Net assets		
Shareholders' equity		
Share capital	10,522	10,522
Capital surplus	11,670	11,670
Retained earnings	160,325	156,281
Treasury shares	(11,952)	(13,745)
Total shareholders' equity	170,566	164,729
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,727	12,412
Deferred gains or losses on hedges	3	(38)
Foreign currency translation adjustment	935	333
Remeasurements of defined benefit plans	(91)	(72)
Total accumulated other comprehensive income	10,576	12,635
Non-controlling interests	1,954	1,967
Total net assets	183,097	179,332
Total liabilities and net assets	275,518	258,445

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income
(Consolidated quarterly statements of income)
(Consolidated cumulative third quarter)

(Millions of yen)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Net sales	185,359	183,048
Cost of sales	114,485	111,163
Gross profit	70,873	71,885
Selling, general and administrative expenses	55,613	56,229
Operating income	15,260	15,656
Non-operating income		
Interest income	87	105
Dividend income	537	580
Foreign exchange gains	219	-
Rental income from real estate	31	29
Reversal of allowance for doubtful accounts	-	43
Other	104	155
Total non-operating income	979	914
Non-operating expenses		
Interest expenses	99	107
Foreign exchange losses	-	93
Commitment fee	15	15
Expenses of real estate	51	120
Provision of allowance for doubtful accounts	4	-
Other	45	118
Total non-operating expenses	216	456
Ordinary income	16,023	16,114
Extraordinary income		
Gain on sales of non-current assets	15	17
Gain on sales of investment securities	57	66
Total extraordinary income	72	83
Extraordinary losses		
Loss on sales and retirement of non-current assets	57	57
Impairment loss	20	-
Loss on valuation of shares of subsidiaries and associates	-	39
Loss on sales of investment securities	0	4
Total extraordinary losses	78	102
Income before income taxes	16,016	16,096
Income taxes - current	3,017	2,945
Income taxes - deferred	1,548	1,838
Total income taxes	4,565	4,783
Net income	11,450	11,312
Net income attributable to non-controlling interests	201	291
Net income attributable to owners of parent	11,249	11,021

(Consolidated quarterly statements of comprehensive income)
(Consolidated cumulative third quarter)

(Millions of yen)

	Nine months ended December 31, 2018 (April 1, 2018 to December 31, 2018)	Nine months ended December 31, 2019 (April 1, 2019 to December 31, 2019)
Net income	11,450	11,312
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,653)	2,684
Deferred gains or losses on hedges	(35)	(41)
Foreign currency translation adjustment	(508)	(644)
Remeasurements of defined benefit plans, net of tax	138	19
Total other comprehensive income	(2,059)	2,017
Comprehensive income	9,391	13,330
Comprehensive income attributable to:		
Owners of parent	9,234	13,080
Non-controlling interests	157	250

(3) Notes to the consolidated quarterly 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 as follows, 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. The repurchase of own shares has been concluded as of October 31, 2019.

Details of share repurchase

- (1) Type of shares repurchased: Common stock of the Company
- (2) Total number of shares repurchased: 3,717,700 shares
- (3) Total amount of repurchase: 9,921,154,782 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 156,281 million yen, and treasury shares amounted to 13,745 million yen for 5,701,743 shares as of December 31, 2019. As described in "Additional information", treasury shares include the Company's stock remaining in the trust (3,930 million yen for 1,979,865 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 1,050 million yen, "Other" under current liabilities increased by 275 million yen, and "Other" under non-current liabilities increased by 837 million yen, while the effect of this change on the consolidated statements of income for the current consolidated cumulative third 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 December 31, 2019

Book value: 3,930 million yen

Number of shares: 1,979,865 shares

Segment information

1. Nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018)

(1) Sales and profit information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	79,577	72,369	33,368	185,314	44	185,359
Inter-segment	246	695	253	1,196	4	1,201
Total	79,823	73,064	33,622	186,510	49	186,560
Segment profit	4,902	8,872	1,489	15,264	5	15,269

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	15,264
Profit in Other	5
Elimination	(9)
Operating income	15,260

2. Nine months ended December 31, 2019 (from April 1, 2019 to December 31, 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	83,773	67,179	32,052	183,005	43	183,048
Inter-segment	221	650	245	1,118	4	1,123
Total	83,995	67,830	32,298	184,124	48	184,172
Segment profit	7,046	7,419	1,188	15,653	7	15,661

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segments	15,653
Profit in Other	7
Elimination	(5)
Operating income	15,656