azbil
Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For FY2012 ended March 31, 2013

IR Dept. Finance Div.

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Contents

Notes:

1. Financial data and financial statements have been prepared based on Japan GAAP and the amounts have been rounded down.

2. Segment names are abbreviated as follows.

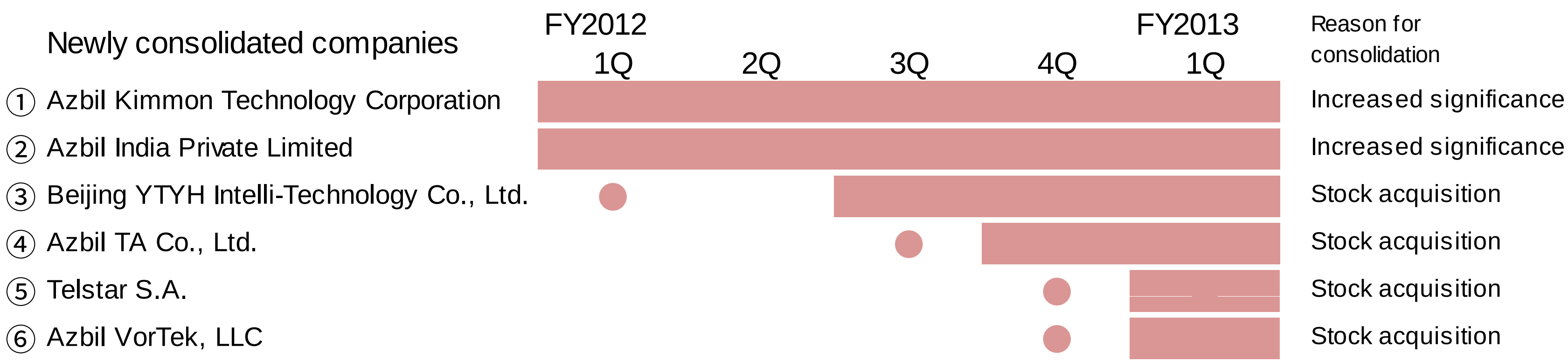
   B A: Building Automation
   A A: Advanced Automation
   L A: Life Automation

3. Each segment amounts include internal transactions between business segments.

4. From FY2012, some of the business(Importing, buying-in and marketing of inspection and measurement equipment, etc.) previously categorized as "Others" has been transferred to the "AA" business segment. The figures for FY2011 have been reclassified to take account of the new segment divisions.

5. The business plans 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 material.

6. The current status regarding newly consolidated companies is as follows. And note that following the absorption merger between the company and Yamatake Control Products Co., Ltd., in which the latter was dissolved, it is excluded from the scope of consolidation.



●: B/S consolidation (simultaneously, order backlog at the time of consolidationis recorded under orders)

1. Financial Results for FY2012

Consolidated Financial Results

[Compared to the previous fiscal year] / **[Compared to the business plan]**

■ Orders Received

Compared to the previous fiscal year: Orders received actually increased if the effect of an atypical factor on BA business for the previous year∗1 was subtracted. AA business orders decreased but those for the BA and LA businesses∗2 were robust.

■ Net Sales

Compared to the previous fiscal year: BA sales grew thanks to overseas performance and proactive energy-saving proposals in the domestic market; LA sales also remained strong. And while the AA business saw a drop in orders owing to a stagnant control products market for equipment manufacturers, overall net sales grew.

Compared to the business plan: BA business revenue increased in the domestic market and the LA business was robust, so that overall performance surpassed the plan.

■ Income

Compared to the previous fiscal year: Operating income fell as a result of lower BA profitability (mainly 1st half) and a fall in AA sales of control products to equipment manufacturers; SG&A expenses were reduced, but nonetheless operating income fell. Benefitting from foreign exchange profits, etc. the fall in net income was limited.

Compared to the business plan: Improvement in the BA business (mainly 2nd half) offset the fall in AA business revenue, so that operating income was in line with the plan. Thanks to foreign exchange profits, etc., net income surpassed the plan.

[Billions of yen]

	Current fiscal year (A)	Previous fiscal year (B)	Difference		Plan (2012/11/1) (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Orders received	231.1	233.9	(2.7)	*(1.2)*			
Net sales	227.5	223.4	4.0	*1.8*	225.0	2.5	*1.1*
Gross profit	77.8	80.8	(2.9)	*(3.7)*			
%	*34.2*	*36.2*	*(2.0P)*				
SG&A	64.4	66.4	(2.0)	*(3.1)*			
Operating income	13.4	14.3	(0.9)	*(6.5)*	13.5	(0.0)	*(0.7)*
%	*5.9*	*6.4*	*(0.5P)*		*6.0*	*(0.1P)*	
Ordinary income	14.5	14.5	(0.0)	*(0.2)*	13.1	1.4	*11.2*
Income before income taxes and minority interests	14.0	14.8	(0.7)	*(4.8)*			
Net income	8.3	8.5	(0.2)	*(2.5)*	7.4	0.9	*12.3*
%	*3.7*	*3.8*	*(0.2P)*		*3.3*	*0.4P*	

∗1: An atypical factor on BA business for the previous year: A number of large-scale service contracts("market testing") spanning 3 to 5 years were recorded in the 1st half of FY2011.
∗2: Since Telstar was included within the Group's consolidated accounts at the end of FY2012, their order backlog has been recorded under LA business orders for FY2012.

Segment Information

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[Compared to the previous fiscal year]

■ B A

Orders received increased, mainly overseas. If the effect of an atypical factor behind the surge in orders last year is subtracted, sales actually grew in overseas markets and in the domestic market for existing buildings and service. However, profits fell as a result of reduced profitability∗ in the 1st half.

∗An upward trend in profitability was observed in the 2nd half, thanks in part to on-site cost improvements.

[Compared to the business plan]

In domestic markets (mainly new & existing buildings), revenue grew. Both sales and segment profit exceeded planned figures.

■ A A

[Compared to the previous fiscal year]

Although overseas orders grew for field instruments and control valves, such was the impact of the stagnant market in control products for equipment manufacturers in Japan and abroad that both overall revenue and profits fell, despite the healthy business performance seen in other markets.

[Compared to the business plan]

While revenue increased with the addition of newly consolidated companies, the level of performance planned for existing business domains was not achieved, principally owing to the above-mentioned stagnation in sales of control products.

■ L A

[Compared to the previous fiscal year]

Performance was robust for existing businesses (meters, health/welfare & nursing care, residential central air conditioning systems). Orders were significantly higher, thanks in part to the addition of new subsidiaries. There was also steady sales growth for existing businesses. Segment profit fell owing to the prior investment in residential central air conditioning systems.

[Compared to the business plan]

Demand remained strong, mainly for town gas meters. Both sales and segment profit surpassed the plan.

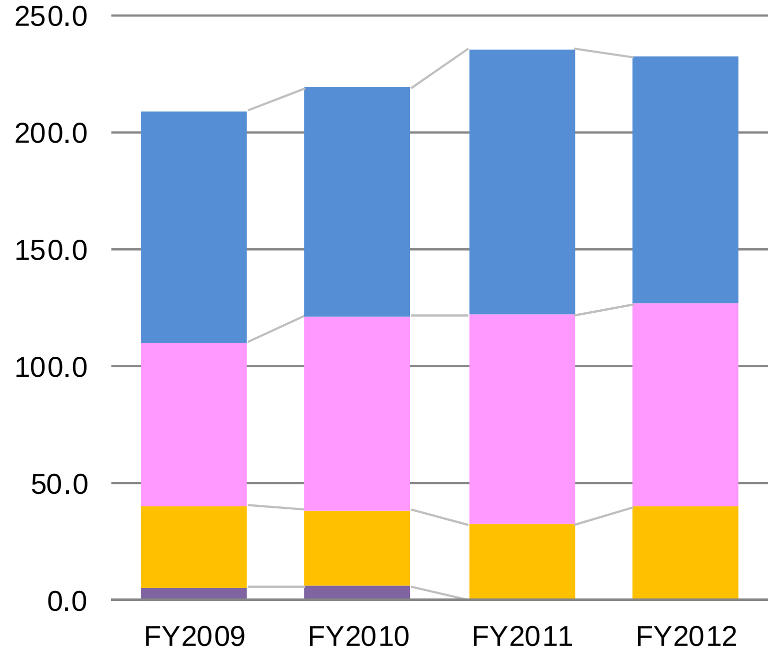
[Billions of yen]

		Current fiscal year (A)	Previous fiscal year (B)	Difference		Plan (2012/11/1) (C)	Difference		2nd half (D)	Same period previous fiscal year (E)	Difference	
				(A) - (B)	% Change		(A) - (C)	% Change			(D) - (E)	% Change
■ B A	Orders received	105.7	113.3	(7.6)	(6.8)				41.8	37.2	4.6	12.4
	Sales	107.4	103.8	3.5	3.4	105.0	2.4	2.3	62.0	59.5	2.5	4.3
	Segment Profit	10.1	10.3	(0.1)	(1.7)	9.8	0.3	3.6	8.4	8.0	0.3	4.6
	%	9.5	9.9	(0.5P)		9.3	0.1P		13.6	13.5	0.0P	
■ A A	Orders received	86.6	89.8	(3.1)	(3.5)				41.4	43.0	(1.6)	(3.8)
	Sales	87.6	88.8	(1.1)	(1.3)	88.0	(0.3)	(0.4)	45.0	45.4	(0.4)	(0.9)
	Segment Profit	3.6	4.1	(0.5)	(12.3)	4.2	(0.5)	(13.2)	1.7	1.6	0.0	0.6
	%	4.2	4.7	(0.5P)		4.8	(0.6P)		3.8	3.7	0.1P	
■ L A	Orders received	40.1	32.4	7.6	23.7				21.8	15.8	5.9	37.4
	Sales	33.9	32.5	1.4	4.5	33.5	0.4	1.5	16.4	16.3	0.1	0.9
	Segment Profit	(0.3)	(0.1)	(0.2)	-	(0.5)	0.1	-	(0.2)	(0.0)	(0.1)	-
	%	(1.2)	(0.4)	(0.8P)		(1.5)	0.3P		(1.5)	(0.5)	(1.0P)	
■ Other	Orders received	0.0	0.0	(0.0)	(23.0)				0.0	0.0	(0.0)	(34.5)
	Sales	0.0	0.0	(0.0)	(21.8)	0.1	(0.0)	(26.5)	0.0	0.0	(0.0)	(33.1)
	Segment Profit	0.0	(0.0)	0.0	-	0.0	0.0	-	(0.0)	(0.0)	0.0	-
	%	13.2	(8.0)	21.2P		0.0	13.2P		(5.4)	(31.7)	26.3P	
Consolidated	Orders received	231.1	233.9	(2.7)	(1.2)				104.3	95.3	8.9	9.4
	Net sales	227.5	223.4	4.0	1.8	225.0	2.5	1.1	122.8	120.2	2.5	2.1
	Operating income	13.4	14.3	(0.9)	(6.5)	13.5	(0.0)	(0.7)	9.8	9.6	0.2	2.3
	%	5.9	6.4	(0.5P)		6.0	(0.1P)		8.0	8.0	0.0P	

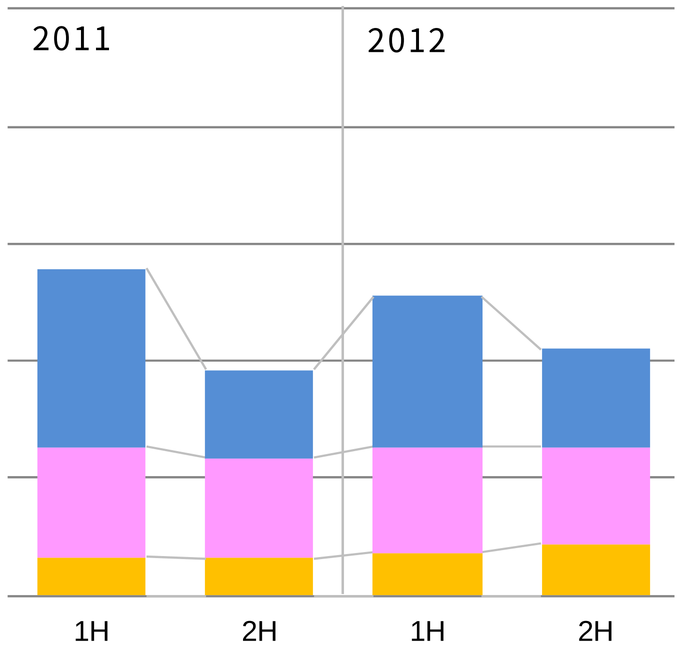
[Reference] Orders Received by Segment

[Billions of yen]

■ Annual



■ Half year



Annual

	FY2009	FY2010	FY2011	FY2012
B A	98.9	97.2	113.3	**105.7**
A A	69.7	82.9	89.8	**86.6**
L A	35.1	32.7	32.4	**40.1**
Other	5.5	6.1	0.0	**0.0**
Consolidated	207.9	217.3	233.9	**231.1**

Half year

FY2011 1H	FY2011 2H	FY2012 1H	FY2012 2H
*1 76.1	37.2	63.9	**41.8**
46.8	43.0	45.2	**41.4**
16.5	15.8	18.3	*2 **21.8**
0.0	0.0	0.0	**0.0**
138.5	95.3	126.7	**104.3**

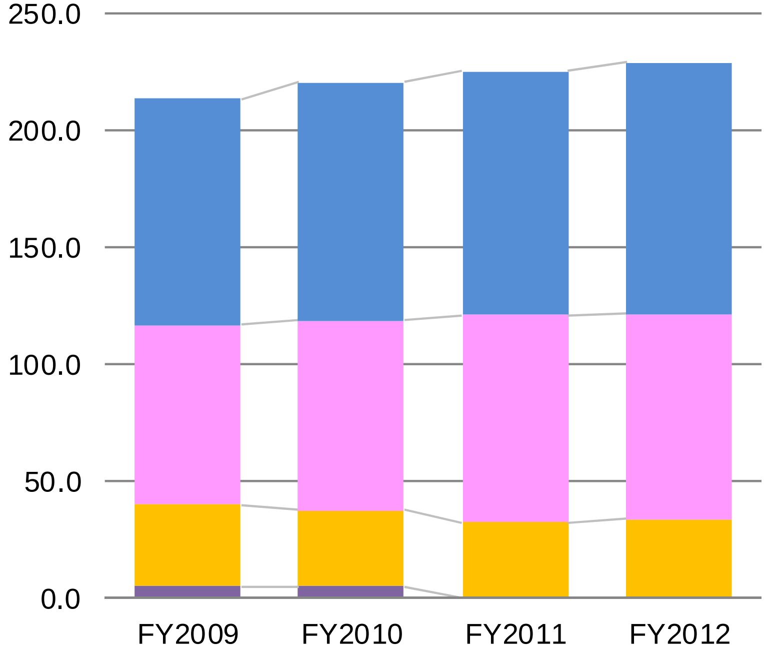
*1 Multiple BA business orders received in the 1st half of FY2011 for large-scale service contracts (market testing) spanning 3 to 5 years were recorded.

*2 Since Telstar was included within the Group's consolidated accounts at the end of FY2012, their order backlog has been recorded under LA business orders for FY2012.

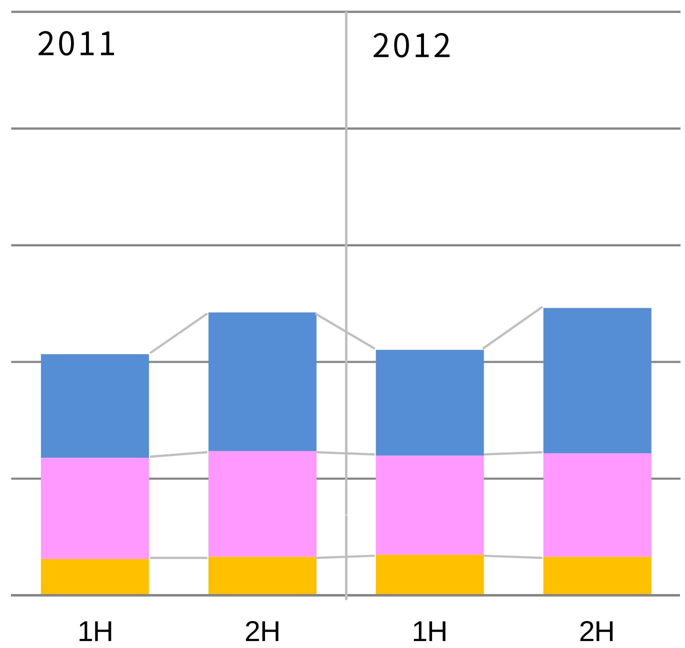
[Reference] Sales by Segment

[Billions of yen]

■ Annual



■ Half year



Annual

	FY2009	FY2010	FY2011	**FY2012**
B A	96.6	102.1	103.8	**107.4**
A A	76.9	80.9	88.8	**87.6**
L A	34.7	32.6	32.5	**33.9**
Other	5.3	5.1	0.0	**0.0**
Consolidated	212.2	219.2	223.4	**227.5**

Half year

FY2011		FY2012	
1H	2H	1H	**2H**
44.3	59.5	45.3	**62.0**
43.3	45.4	42.6	**45.0**
16.2	16.3	17.5	**16.4**
0.0	0.0	0.0	**0.0**
103.2	120.2	104.7	**122.8**

[Reference] Segment Profit(Operating Income)

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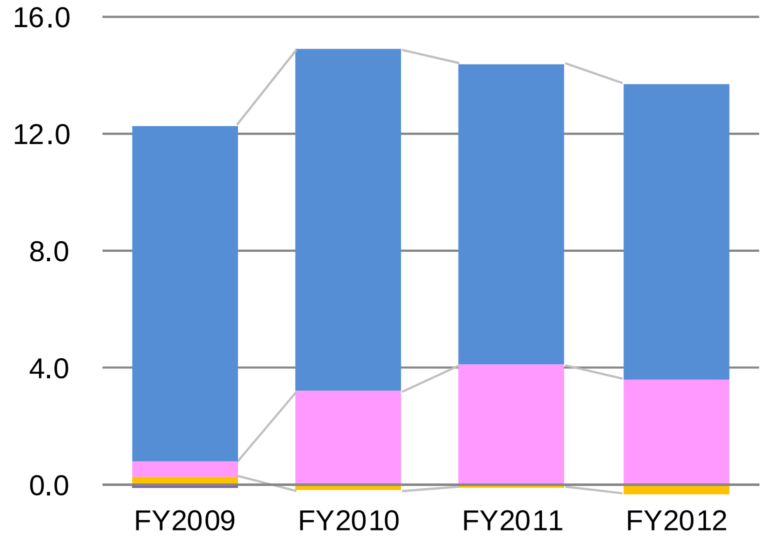
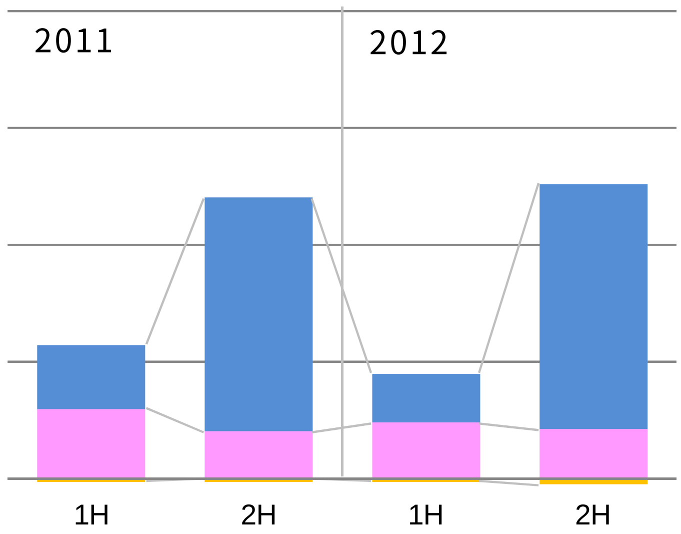
[Billions of yen]

■ Annual



■ Half year



Annual

	FY2009	FY2010	FY2011	**FY2012**
BA	11.5	11.7	10.3	**10.1**
AA	0.5	3.2	4.1	**3.6**
LA	0.3	(0.2)	(0.1)	**(0.3)**
Other	(0.0)	0.1	(0.0)	**0.0**
Consolidated	12.3	14.8	14.3	**13.4**

Half year

FY2011		FY2012	
1H	2H	1H	**2H**
2.2	8.0	1.7	**8.4**
2.4	1.6	1.9	**1.7**
(0.0)	(0.0)	(0.1)	**(0.2)**
0.0	(0.0)	0.0	**(0.0)**
4.7	9.6	3.5	**9.8**

Overseas Sales by Region

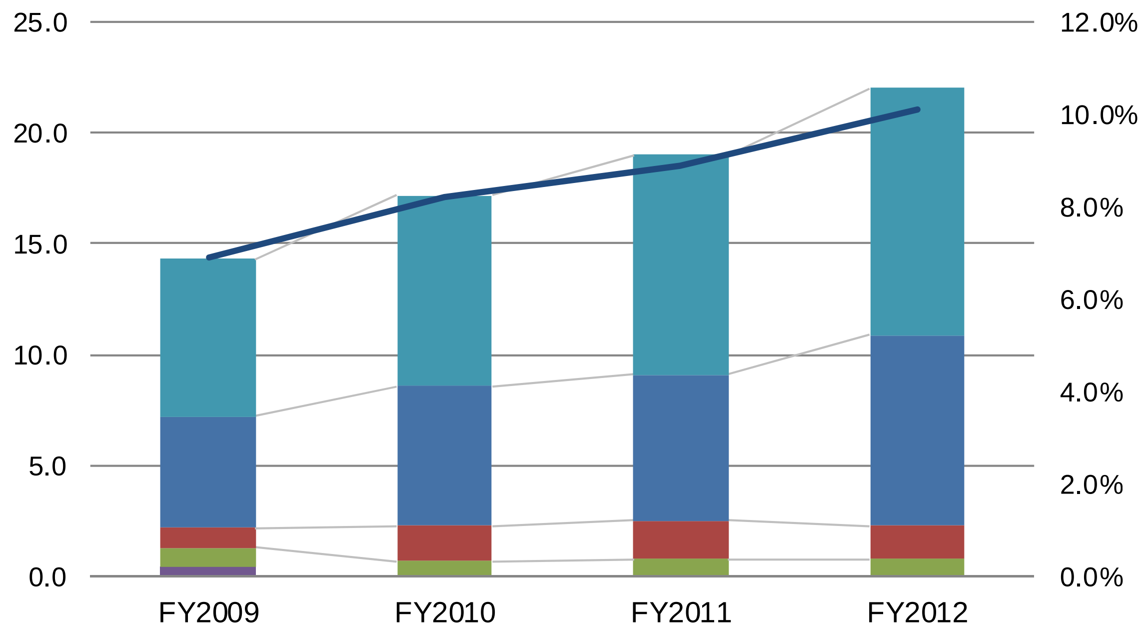
- Despite the fall in sales to equipment manufacturers resulting from stagnant demand for semiconductors, there continued to be robust investment, mainly among emerging economies, in upgrading infrastructure (factories, buildings) and in energy saving.
- Sales grew significantly in China (business expansion in local markets) and other parts of Asia (increased capital expenditure).
- Overseas sales have grown to more than 10% of net sales.

[Billions of yen]

	FY2009	FY2010	FY2011	FY2012
Asia	7.1	8.6	9.9	**11.1**
China	5.0	6.3	6.6	**8.6**
North America	0.9	1.6	1.7	**1.5**
Europe	0.9	0.7	0.8	**0.8**
Others	0.4	0.6	0.6	**0.7**
Total	14.5	18.0	19.8	**22.9**
Overseas sales/ Net sales	6.9%	8.2%	8.9%	**10.1%**

Average Exchange Rate

	FY2009	FY2010	FY2011	FY2012
Yen - 1USD	93.65	87.79	79.79	**79.81**
Yen - 1Euro	130.36	116.28	111.11	**102.56**



＊Overseas sales figures include only the sales of overseas affiliates and direct exports; indirect exports are excluded.
＊The accounting year used by overseas affiliates mainly ends on December 31.

Consolidated Financial Position

- Assets and liabilities increased with the addition of newly consolidated companies, such as Telstar.
- Goodwill increased with the addition of newly consolidated companies.

[Billions of yen]

	Current fiscal year (A)	Previous fiscal year (B)	Difference (A) - (B)
Current assets	**181.7**	**172.9**	**8.7**
Cash and deposits	48.4	45.0	3.3
Notes and accounts receivable-trade	88.8	85.5	3.3
Inventories	16.5	16.1	0.3
Others	27.9	26.2	1.6
Noncurrent assets	**61.7**	**50.4**	**11.2**
Property, plant and equipment	24.6	24.1	0.5
Intangible assets	12.6	4.4	8.2
Investments and other assets	24.4	21.9	2.4
Total assets	**243.4**	**223.4**	**19.9**

	Current fiscal year (A)	Previous fiscal year (B)	Difference (A) - (B)
Liabilities	**102.2**	**88.3**	**13.8**
Current liabilities	**82.8**	**69.2**	**13.5**
Notes and accounts payable-trade	40.5	37.1	3.3
Short-term loans and bonds	13.3	5.5	7.8
Others	28.8	26.5	2.3
Noncurrent liabilities	**19.3**	**19.1**	**0.2**
Long-term loans and bonds	4.5	4.6	(0.1)
Others	14.8	14.4	0.4
Net assets	**141.1**	**135.0**	**6.1**
Shareholder's equity	**136.2**	**132.6**	**3.6**
Capital stock	10.5	10.5	-
Capital surplus	17.1	17.1	-
Retained earnings	111.1	107.5	3.6
Treasury stock	(2.6)	(2.6)	(0.0)
Accumulated other comprehensive income	**2.8**	**0.9**	**1.8**
Subscription rights to shares and Minority	**2.1**	**1.5**	**0.6**
Total liabilities and net assets	**243.4**	**223.4**	**19.9**

（Reference）Shareholders' equity ratio: FY2012 57.1%, FY2011 59.8%

Consolidated Cash Flows

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- Despite an increase in net cash used for investment activities resulting from the acquisition of subsidiaries, the accelerated collection of receivables led to increased cash flow, and so it was possible to maintain free cash flow at the same level as the previous fiscal year.
- Increased loans payable led to a fall in net cash used for financing activities.

[Billions of yen]

	Current fiscal year (A)	Previous fiscal year (B)	Difference	
			(A) - (B)	%
Net cash provided by operating activities	15.0	5.6	9.3	*166.4*
Net cash provided by investing activities	(12.7)	(3.5)	(9.1)	-
Free cash flow(FCF)	2.2	2.0	0.2	*10.0*
Net cash provided by financing activities	(2.4)	(6.3)	3.9	-
Effect of exchange rate change on cash and cash equivalents	0.8	(0.1)	1.0	-
Net increase(decrease) in cash and cash equivalents	0.6	(4.4)	5.1	-
Cash and cash equivarents at beginning of period	55.3	59.8	(4.4)	*(7.5)*
Increase in cash and cash equivarents from newly consolidated subsidiary	0.0	-	0.0	-
Cash and cash equivarents at end of period	56.0	55.3	0.6	*1.3*

(Reference)

Capital expenditure	3.1	3.0	0.1	*3.7*
Depreciation	3.6	4.0	(0.4)	*(10.1)*

Progress of 3 Initiatives in FY2012

Initiative #1

Aiming to become **a long-term partner for both the customer and the community** through offering solutions based on azbil technologies and products

Initiative #2

Taking global operations to the next level. **Global initiative: Expansion into new regions and a qualitative change of focus**

Implement new business initiatives worldwide × Strengthen ties with partners in Japan & abroad

- Energy/Environment Solutions
  - ・Ranging from buildings to factories
    ENEOPT
  - ・Remote control service for HVAC equipment
    「Web-Infilex」
    METI Minister's Awards
- Safety solutions
- Expand product portfolio

- Capital participation in TACO (specialist in pneumatic technologies)

- Capital participation in US firm VorTek (expansion of flow meter product range)

- Established joint venture for sales of building automation systems: CECEP Building Energy Management

- Capital participation in Beijing YTYH Intelli-Technology (construction & engineering firm in the building market)
- Established Azbil Saudi Arabia (control valve business expansion)

- Capital participation in Spanish firm Telstar (Life Science Engineering business)

- Upgrade production systems
  - ・Integrate production with YCP
  - ・Established a Thai production subsidiary
- Established Azbil Trading
- Established Azbil Academy

Initiative #3

Implementing organizational reforms **to create a corporate entity that can respond flexibly and continuously to changes in the business environment**

2. Business Plan for FY2013

Consolidated Financial Plan

- Building on the achievements of FY2012 measures implemented to expand business and upgrade the business infrastructure, we will aim to boost growth of our business in Japan and abroad. Although there will be an increase in cost∗1 and goodwill amortization∗2, we will make progress with steps to increase revenue and reinforce the business structure so as to ensure higher operating income∗3.
- In domestic markets, business will be expanded through sales growth in the markets for existing buildings (including energy saving), service, energy, and new materials industries, as well as through expansion of our range of industrial products and services, including energy saving. We will thus ensure robust business performance domestically, including a stable LA business foundation.
- As regards overseas business, in addition to those operations already conducted in Korea, China and other Asian countries, we will promote local building projects; expand the energy-saving business; meet demand in the Middle East, Europe and the US for equipment manufacture and plant equipment; and expand the LA business using a new subsidiary to target pharmaceutical formulation facilities and hospitals.

[Billions of yen]

	1st Half	2nd Half	Full year (A)	Previous fiscal year (B)	Difference	
					(A) - (B)	%
Net sales	110.0	140.0	250.0	227.5	22.4	9.8
Operating income	2.7	11.5	14.2	13.4	0.7	5.9
%	2.5	8.2	5.7	5.9	(0.2P)	
Ordinary income	2.4	11.1	13.5	14.5	(1.0)	(7.3)
Net income	0.9	7.1	8.0	8.3	(0.3)	(3.7)
%	0.8	5.1	3.2	3.7	(0.5P)	

∗1 Through the new consolidation of multiple operating companies for the purpose of business expansion, and despite the reduced amortization for existing businesses, a total figure of approximately ¥1.8 billion is forecast.

∗2 A transitory increase (approx. ¥1.2 billion) is forecast for the payment of retirement benefits in the current fiscal year; this reflects the fall in bond rates and changes in the personnel structure.

∗3 Ordinary income is forecast to fall as a result of the foreign exchange profit (approx. ¥900 million) that was recorded for the previous fiscal year.

2．Business Plan for FY2013

Segment Information

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■ **B A**

The business involving local building markets overseas is expected to expand. In Japan, although there may be a small decline in the market for new buildings, it is planned to increase revenue and profits for the BA business as a whole by achieving growth in the existing building market, including energy-saving proposals, and in the service business.

■ **A A**

While it is difficult to forecast a rapid recovery in capital expenditure in domestic markets, we plan to steadily implement business initiatives where there is demand, such as the energy and functional materials-related markets. At the same time, we will expand business related to equipment manufacturers and plants in overseas markets. Taking into the account the benefits of having new subsidiaries, it is planned to increase overall revenue and profits for the AA business.

■ **L A**

The scope of business will expand significantly as a result of the addition of the new subsidiaries. The positive effect of this new consolidation on profits in the current fiscal year has been limited owing to goodwill amortization, but helped by the reduced goodwill amortization for existing businesses, it is planned to increase revenue and profits for the LA business as a whole.

[Billions of yen]

		1st Half	Same period previous fiscal year	Difference		2nd Half	Same period previous fiscal year	Difference		Full year	Previous fiscal year	Difference	
		(A)	(B)	(A) - (B)	%	(C)	(D)	(C) - (D)	%	(E)	(F)	(E) - (F)	%
■ B A	Sales	44.0	45.3	(1.3)	(2.9)	67.0	62.0	4.9	7.9	111.0	107.4	3.5	3.3
	Segment Profit	1.3	1.7	(0.4)	(25.1)	9.0	8.4	0.5	6.9	10.3	10.1	0.1	1.5
	%	3.0	3.8	(0.9P)		13.4	13.6	(0.1P)		9.3	9.5	(0.2P)	
■ A A	Sales	44.0	42.6	1.3	3.3	49.0	45.0	3.9	8.7	93.0	87.6	5.3	6.1
	Segment Profit	1.5	1.9	(0.4)	(22.9)	2.3	1.7	0.5	35.2	3.8	3.6	0.1	4.2
	%	3.4	4.6	(1.2P)		4.7	3.8	0.9P		4.1	4.2	(0.1P)	
■ L A	Sales	23.0	17.5	5.4	31.2	25.0	16.4	8.5	51.8	48.0	33.9	14.0	41.2
	Segment Profit	(0.1)	(0.1)	0.0	-	0.2	(0.2)	0.4	-	0.1	(0.3)	0.4	-
	%	(0.4)	(0.8)	0.4P		0.8	(1.5)	2.3P		0.2	(1.2)	1.4P	
■ Other	Sales	-	0.0	-	-	-	0.0	-	-	0.1	0.0	0.0	36.0
	Segment Profit	-	0.0	-	-	-	(0.0)	-	-	0.0	0.0	-	-
	%	-	23.8	-		-	(5.4)	-		0.0	13.2	(13.2P)	
Consolidated	Net sales	110.0	104.7	5.2	5.0	140.0	122.8	17.1	14.0	250.0	227.5	22.4	9.8
	Operating income	2.7	3.5	(0.8)	(23.9)	11.5	9.8	1.6	16.6	14.2	13.4	0.7	5.9
	%	2.5	3.4	(0.9P)		8.2	8.0	0.2P		5.7	5.9	(0.2P)	

[Reference] Sales by Segment

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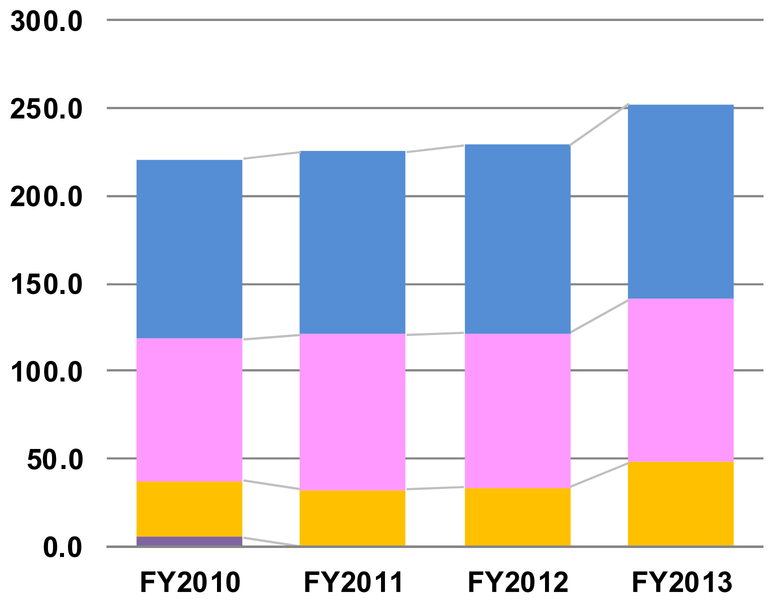
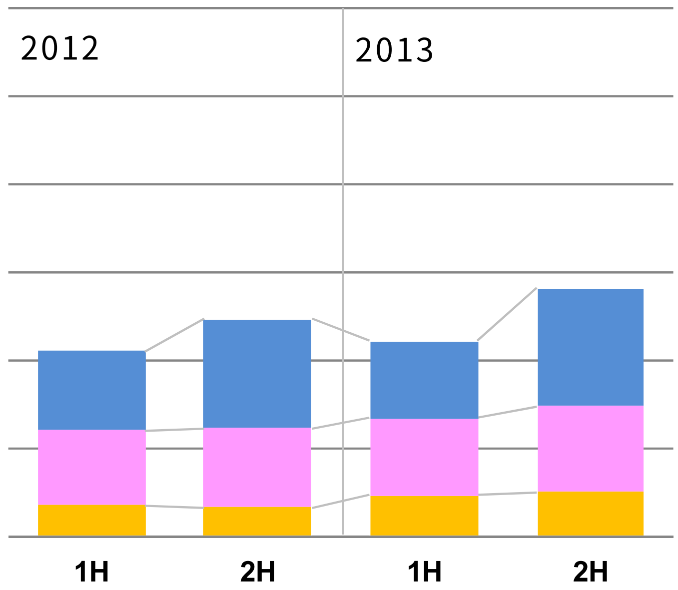
[Billions of yen]

■ Annual



■ Half year



Annual

	FY2010	FY2011	FY2012	**FY2013**
B A	102.1	103.8	107.4	**111.0**
A A	80.9	88.8	87.6	**93.0**
L A	32.6	32.5	33.9	**48.0**
Other	5.1	0.0	0.0	**0.1**
Consolidated	219.2	223.4	227.5	**250.0**

Half year

FY2012		**FY2013**	
1H	2H	**1H**	**2H**
45.3	62.0	**44.0**	**67.0**
42.6	45.0	**44.0**	**49.0**
17.5	16.4	**23.0**	**25.0**
0.0	0.0	**-**	**-**
104.7	122.8	**110.0**	**140.0**

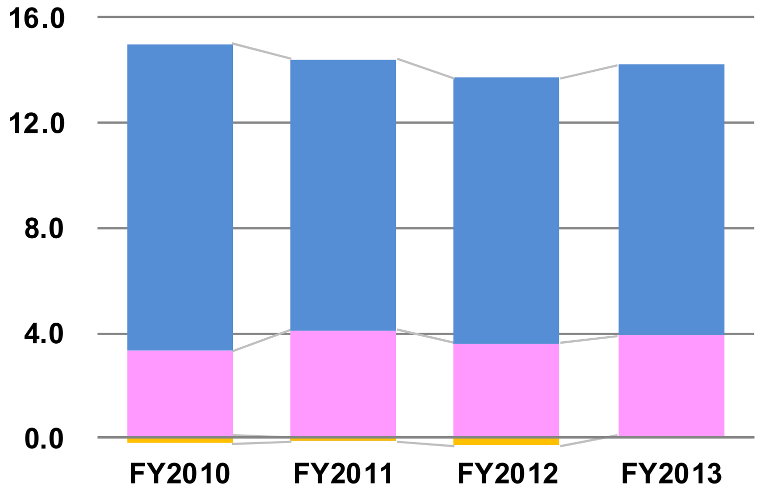
（Reference） Overseas sales/Net sales **8.2%** **8.9%** **10.1%** **Over 15%**

2．Business Plan for FY2013

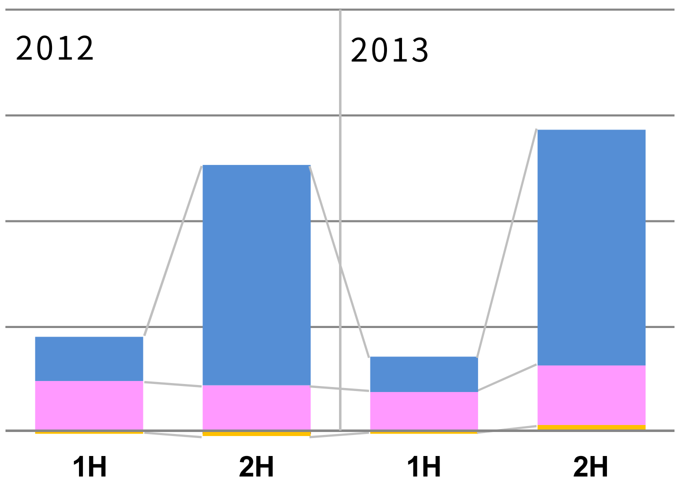
[Reference] Segment Profit(Operating Income)

[Billions of yen]

Annual



Half year



Annual

	FY2010	FY2011	FY2012	**FY2013**
B A	11.7	10.3	10.1	**10.3**
A A	3.2	4.1	3.6	**3.8**
L A	(0.2)	(0.1)	(0.3)	**0.1**
Other	0.1	(0.0)	0.0	**0.0**
Consolidated	14.8	14.3	13.4	**14.2**

Half year

	FY2012		**FY2013**	
	1H	2H	**1H**	**2H**
B A	1.7	8.4	**1.3**	**9.0**
A A	1.9	1.7	**1.5**	**2.3**
L A	(0.1)	(0.2)	**(0.1)**	**0.2**
Other	0.0	(0.0)	**-**	**-**
Consolidated	3.5	9.8	**2.7**	**11.5**

（Reference） Prior to amortization of goodwill: **16.2** **15.6** **14.7** **16.0**

3. Return to Shareholders

Dividends Plan

- Putting priority on the interests of our shareholders, we will maintain a stable dividend while working to improve both consolidated business performance and capital net income and net asset dividend rates.
- Dividends for FY2012 (year-end)＊ and FY2013 (interim/year-end) are planned as follows.

＊The FY2012 dividend is unchanged from that announced at the start of the fiscal year.

	FY2012		FY2013	
	Interim	Year-end	Interim	Year-end
Dividend per share [Yen]	31.5	31.5（Plan）	31.5（Plan）	31.5（Plan）
Payout ratio	56.0%		58.2%	
Dividend on equity （DOE）	3.4%		3.3%	

（Reference） Dividends yield: 3.2%(as of March 29, 2013)

4．New Medium-term Plan(FY2013-2016)

Group Philosophy and Long-term Goals

FY2021 will mark 10 years since the birth of the new azbil (115th anniversary of the company's founding) and the start of a 10-year plan aimed at achieving long-term goals.

< azbil Group Philosophy >

To realize **safety, comfort, and fulfillment** in people's lives and contribute to **global environmental preservation** through **"human-centered automation"**

azbil : **A**utomation・**Z**one・**B**uil**d**er

Long-term Goals

azbil's Vision for the Future

By focusing on the human, and realizing a world of automation created by human ingenuity and technology, we will become a top-class global corporate group that enhances the safety and security of its customers, helps to improve their corporate value, and contributes to solving global environmental issues.

Net sales: ¥300.0 billion, Operating income: ¥30.0 billion, ROE: Over 10%

Implementing a Business Plan to Achieve Long-term Goals

- Aiming to achieve our long-term goals, since 2004 we have been implementing reforms in 3 phases over 10 years, with FY2013 marking the final year.
- The business environment was transformed as a result of the Lehman Shock and the Great East Japan Earthquake, etc., making it difficult to achieve our original targets. However, some success has been achieved with operational and business structural reforms designed to raise the azbil Group to the level of a top-class global corporate entity.
- FY2012 has seen new company names adopted and progress made with new business development, establishing partnerships in Japan and abroad, and structural reforms, particularly the reorganizing/upgrading of production. Conditions are now suitable for launching a new plan next year.
- As well as marking the completion of our 10-year plan, FY2013 sees the start of a new medium-term plan (FY2013-2016) aimed at achieving long-term goals.

Medium-term Financial Target

- The new medium-term plan is to be implemented over 4 years, FY2013-2016.
- By developing our unique “human-centered automation” businesses in Japan and abroad, we aim to harness the synergies of the entire Group to achieve sales of ¥280.0 billion and operating income of ¥22.0 billion in FY2016.

[Billions of yen]

	FY2012 (A)	FY2013 Plan	FY2016 Target (B)	Difference (B) - (A)
Net sales	**227.5**	**250.0**	**280.0**	52.5
Operating income	**13.4**	**14.2**	**22.0**	8.6
%	***6***	***6***	***8***	*2P*
B A	**107.4**	**111.0**	**120.0**	12.6
A A	**87.6**	**93.0**	**105.0**	17.4
L A	**33.9**	**48.0**	**56.0**	22.1
Overseas sales / Net sales:	**10.1%**	**Over 15%**	**Over 20%**	

Aiming at Global Growth (Japan & Overseas)

- The 3 key initiatives point the way for azbil to achieve sustainable growth.
- Solutions based on technologies and products will be implemented in fields that are common to domestic and overseas markets.
- When it comes to the actual implementation of measures, those products and structures that suit market characteristics in each region will be selected.

3 Initiatives

Aiming to become **a long-term partner for both the customer and the community** through offering solutions based on azbil technologies and products

Deploy business models suited to regional characteristics

Taking global operations to the next level. **Global initiative: Expansion into new regions and a qualitative change of focus**

Implementing organizational reforms **to create a corporate entity that can respond flexibly and continuously to change in the business environment**

Region	Market awareness and measures
Japan **FY2016 Target** **Net sales: ¥223.0 billion**	**(Market awareness)** The market is maturing and this is reducing potential in some sectors, but there will be a qualitative shift ◆ Increase efficiency in existing businesses, increase added value ◆ Expand portfolio of products and services; cultivate and expand growth sectors
Overseas **FY2016 Target** **Net sales: ¥58.0 billion**	**(Market awareness)** Requirements vary by region depending on economic maturity, regulations, etc. However, fundamental needs and the demand for value supply are the same worldwide (including Japan). ◆ Deploy globally (Japan included) proven products and services appropriate for business/growth fields ◆ Strengthen the solution structure (sales, development, production, engineering, service) for each region

3 Growth Fields for Future Business Expansion

azbil

In offering solutions to become **a long-term partner for both the customer and the community**, we have designated 3 priority fields for growth, developing a new business model that relies on distinctly azbil products, technologies and services; this will be deployed in Japan and overseas.

Aiming to become **a long-term partner for both the customer and the community** through offering solutions based on azbil technologies and products

Focusing on 3 growth fields, strengthening product development capability

Supporting customers' business growth and development of new markets

Next-generation solutions for production and working / living spaces

Supporting customers' stable energy/water supplies and cost-reduction efforts

Energy management solutions

Ensuring customers' safe environment (home, workplace, machinery, combustion, information) and facilitating BCP

Safety solutions

Action Plan for Each Business Segment

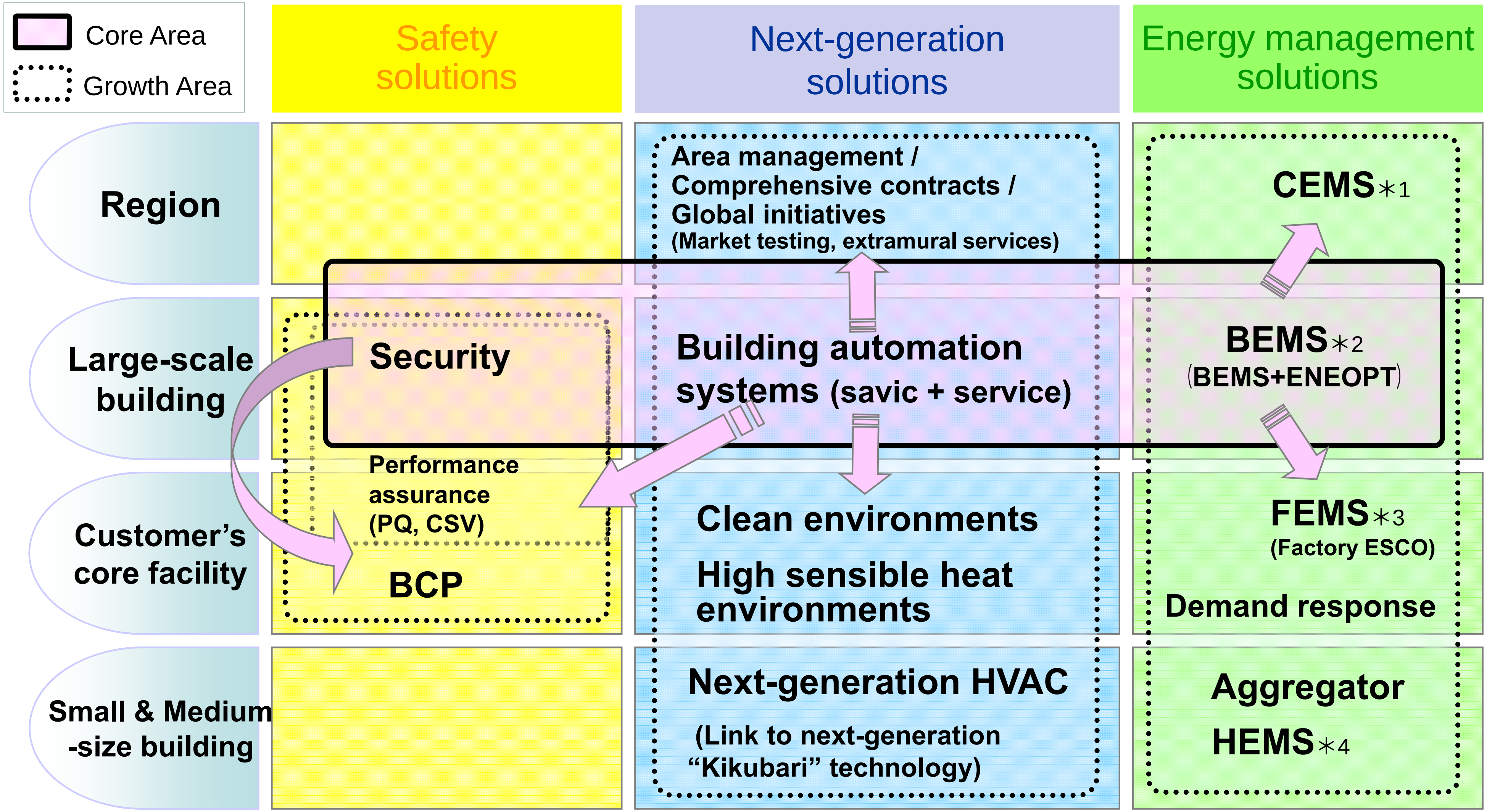
azbil

BA *Building Automation* **FY2016 Target** **Sales:** ¥120.0 billion **Operating income:** ¥12.5 billion	• Expand business through energy-saving refurbishment of facilities and equipment, targeting small- and medium-sized buildings, data centers, research labs and other key customer facilities • Expand into overseas markets with a business model focused on establishing new partnerships and energy saving • Expand range of high value-added services on offer, including remote maintenance; secure profits in domestic business by continuing/strengthening process improvements
AA *Advanced Automation* **FY2016 Target** **Sales:** ¥105.0 billion **Operating income:** ¥8.0 billion	• By enhancing business efficiency through careful monitoring of changing market potential, secure profits in domestic business and also shift human resources into growth fields • Provide one-stop value to customers, offering everything from operational support to improve product quality and productivity to equipment maintenance packages and energy management • Expand scope of global valve business, strengthen global design and customization competences, and enhance product development capability
LA *Life Automation* **FY2016 Target** **Sales:** ¥56.0 billion **Operating income:** ¥1.5 billion	• Develop solution business for energy supply lines (gas, water) • Develop comprehensive business for nursing care and health support services (ranging from staff services to product supply) • Develop the market for central air conditioning systems for custom homes(next-generation solutions for residential spaces) • Develop the Life Science Engineering business (integrating next-generation manufacturing equipment and environmental systems)

4．New Medium-term Plan(FY2013-2016)

[BA] Core & Growth Areas / Products & Services

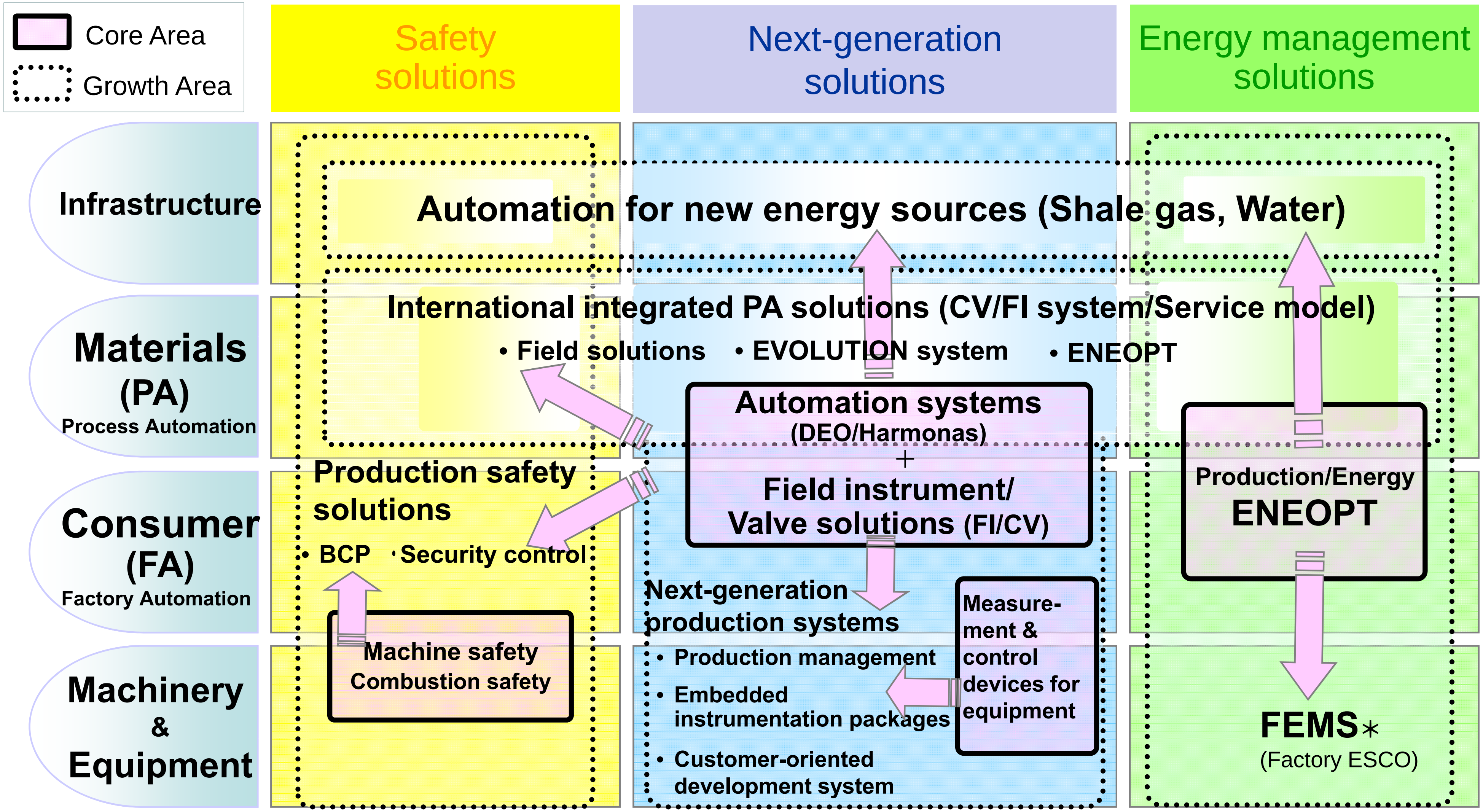
- Exploiting azbil’s energy-management expertise (expanding scope of domestic business, entering overseas markets with new partner for each region).
- New BA initiative targeting customers’ vital facilities (data centers, research labs, etc.) and facilitating BCP.
- Developing high value-added service businesses: remote maintenance and performance assurance.



∗1 CEMS: Cluster/Community Energy Management System
∗2 BEMS: Building Energy Management System
∗3 FEMS: Factory Energy Management System
∗4 HEMS: Home Energy Management System

[AA] Core & Growth Areas / Products & Services

- Global development of production/engineering/service functions (systems, field instruments, control valves, etc.)
- Global development of customized design/development functions to facilitate the supply of customer value (quality & productivity improvements, safety, etc.)
- Development of solutions suited for energy supply lines compatible with such new energy sources as shale gas.

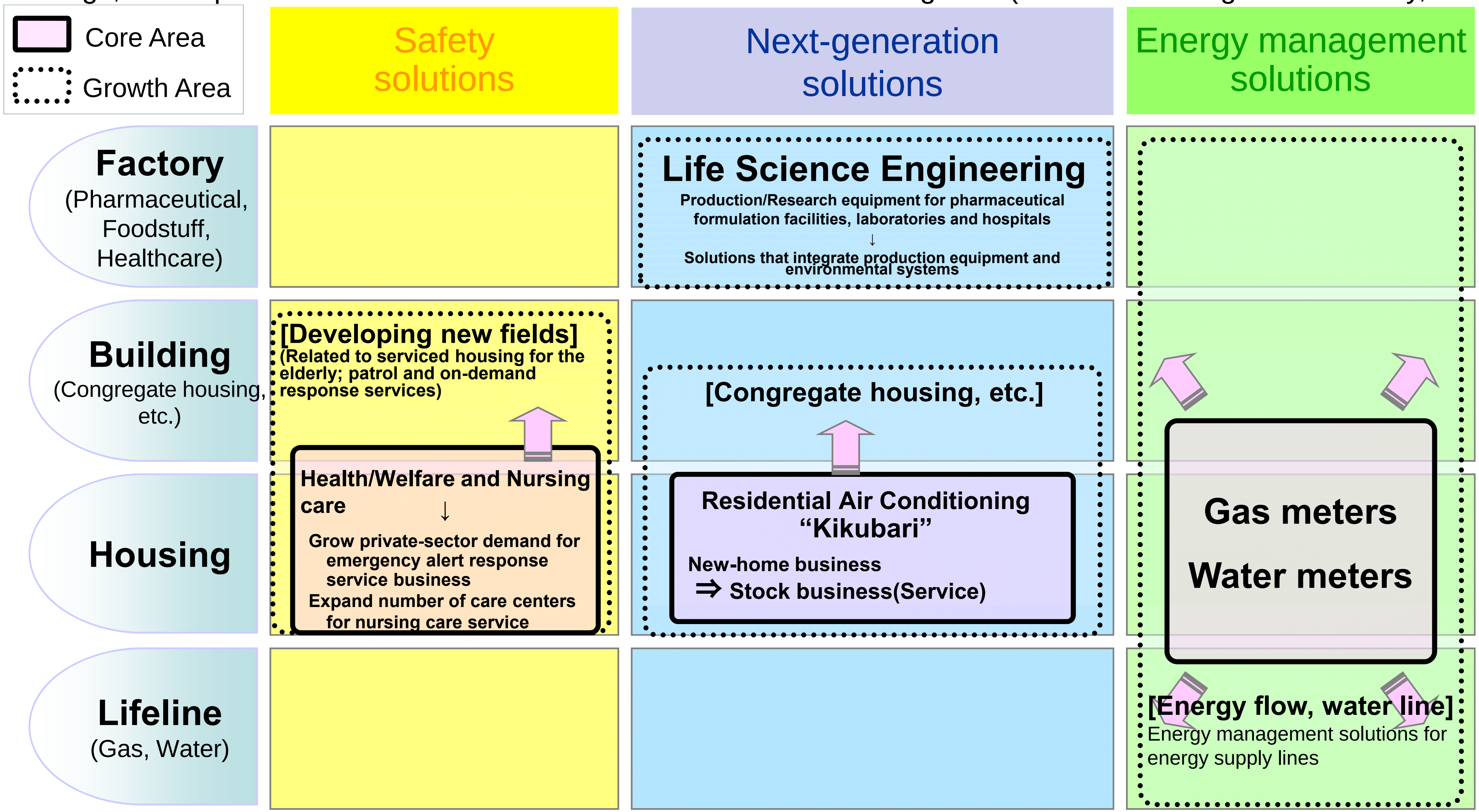


∗ FEMS: Factory Energy Management System

[LA] Core & Growth Areas / Products & Services

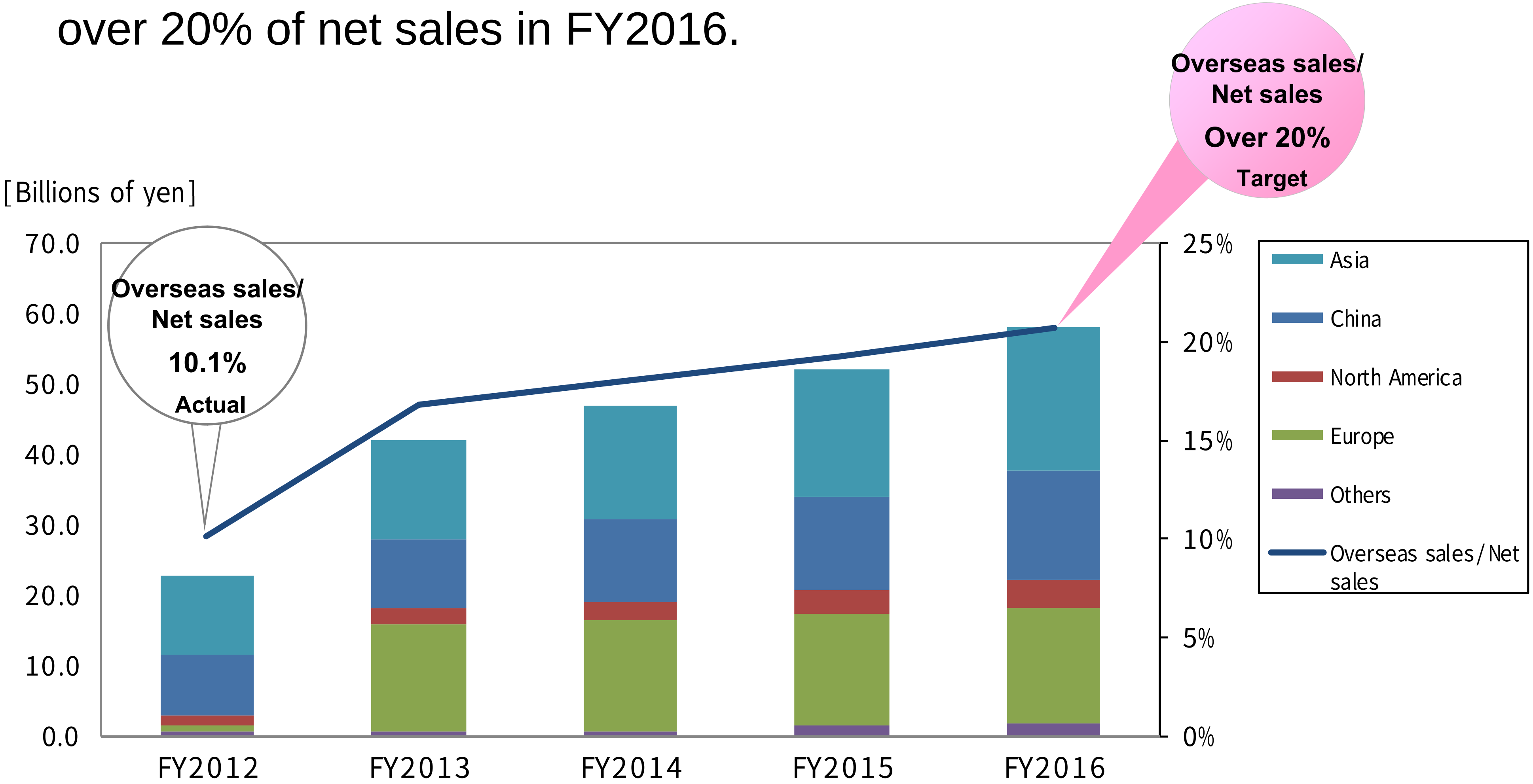
azbil

- New Life Science Engineering (LSE) business initiative (integration of next-generation production equipment and environmental systems).
- Solution business initiative for energy flow and water lines.
- Develop market for residential central air conditioning systems by exploiting azbil's expertise in HVAC systems for buildings; develop new business in the field of health/welfare and nursing care (serviced housing for the elderly, etc.).



Global Operations

- To enhance competitiveness and raise customer value, matched to regional characteristics, local solution structures will be further upgraded and strengthened, aiming to achieve overseas sales of over 20% of net sales in FY2016.



▲ European sales will grow significantly as a result of the consolidation of Telstar

Further Reinforcing Business Structures to Realize Sustainable Growth

azbil

Structural reform of global production and development

- Create global production and procurement systems optimized by region/product (production site scrap-and-build)
- As well as integrating development in Japan, strengthen development systems worldwide (including regional development sites)
- Enhance manufacturing methods and local technical expertise to assure quality and keep costs down

Structural reform of engineering and service business

- Knowledge-intensive services based on ample data and proven track record
- Enhance engineering/service systems to be able to deploy solutions globally
- Develop new service fields and expand existing ones

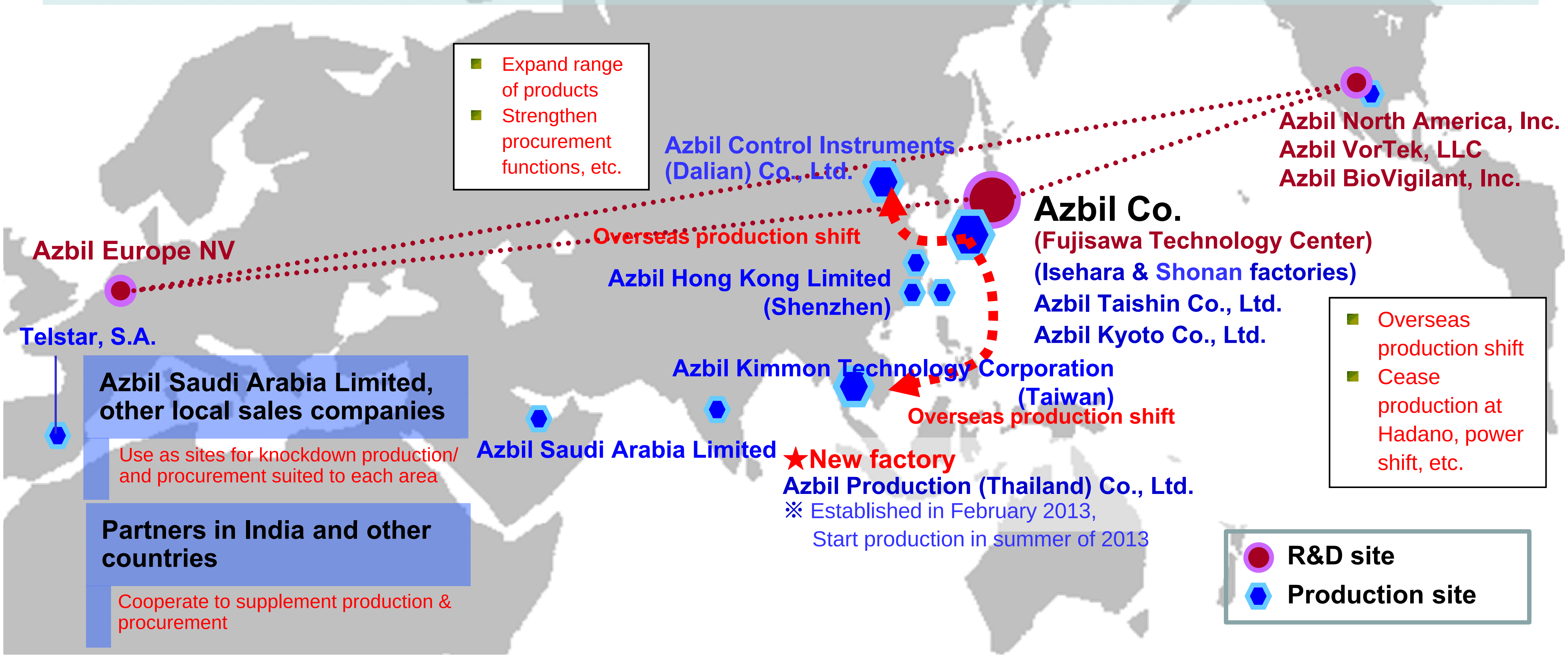
Human resources reform

- Promote the optimal allocation of human resources and enhance working conditions/environment
- Foster global human resources
- Review personnel systems to create a more robust human resources structure

Structural Reform of Global Production and Development

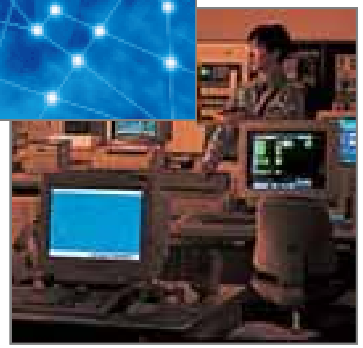
[Establish development, production, procurement and logistics on a global scale]

- **Three-pronged development structure (Japan, USA, Europe):** Accelerate technology and product development under a global development structure including partner companies
- **Three-pronged production structure (Japan, China, Thailand):** Leverage domestic and overseas production functions, including BCP point of view, to meet the emerging growth of Asian economies
- **Raise capabilities to meet customer needs by strengthening development and production functions suited to regional characteristics**
- **Establish global procurement & logistics:** Optimize (Minimize) procurement, delivery SCM



Structural Reform of Engineering and Service Business

azbil



◆ Knowledge-intensive services based on ample data and proven track record

- Expand remote maintenance (BA) and operational support services (AA)
- Develop environment/energy management services (ENEOPT)
- Offer value-added services that bring together data systems and experienced experts

◆ Enhance engineering/service systems to be able to deploy solutions globally

- Expand global service business
  - Services for landmark and DHC projects
  - Control valve maintenance (including other brands)
- Create cooperative working environment for Japanese specialists and international engineers

◆ Develop new service fields and expand existing ones

- Market testing, etc., and comprehensive building management services
- Social infrastructure field, and services for the pharmaceutical market
- Aggregator services

Human Resources Reform

Personnel composition and human resources training to meet the needs of the FY2016 businesses envisaged in the new medium-term plan.

azbil Group's business initiatives

- Strengthen the solutions business based on technologies and products (Enhance sales, engineering and service)
- Develop global business (Regional expansion, qualitative shift)
- Create global development and production structures

Azbil Academy
(Established 2012)
Supporting smooth implementation of measures/policies

Fostering global human resources

- Broad-based expansion of global human resources
- Training of personnel with managerial potential

Reinforcing solution-oriented human resources

- Shifting sales focus from problem-solving to proposal-making

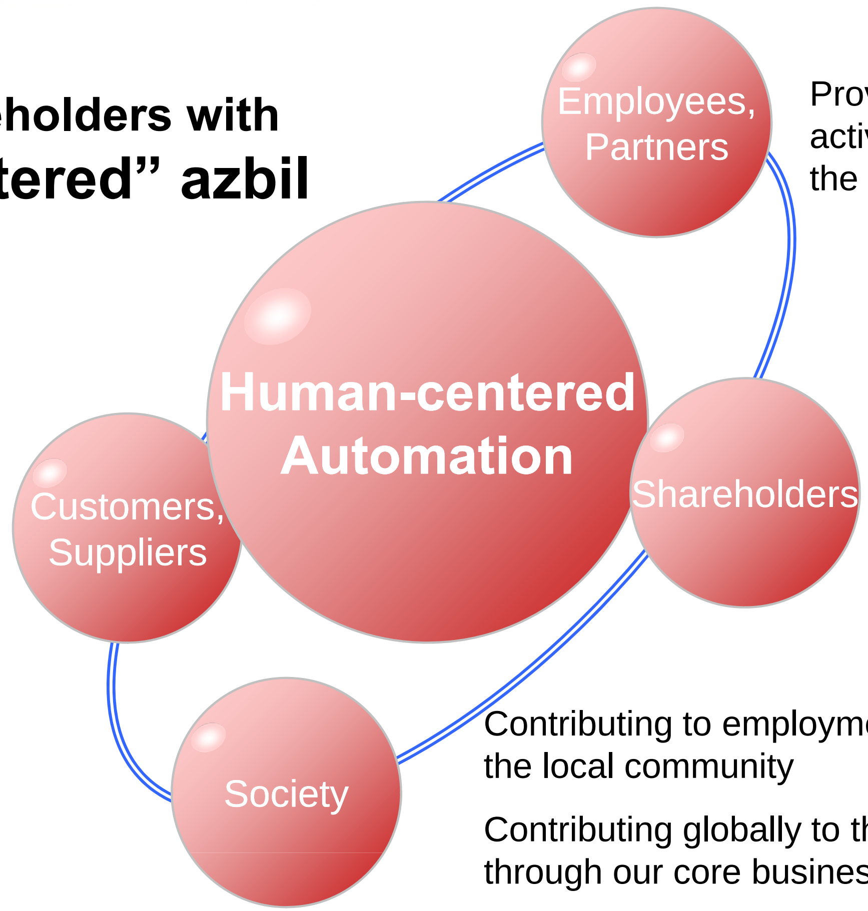
Promoting optimal allocation of human resources

- Systematic reallocation of human resources
- Training for change of occupation, new skills
- Open Challenge system

CSR Management

azbil

Presenting all stakeholders with the "human-centered" azbil Group



Providing opportunities for creative activities and growth through putting the Group philosophy into action

Enhancing the value offered to customers

Customer's life cycle partner

Management and dividend policies that prioritize shareholders

Contributing to employment, etc., as a member of the local community

Contributing globally to the environment and safety through our core businesses

[azbil Group's CSR management as the basis for business activities]

- Strive to reduce CO2emissions and save resources at Group facilities while facilitating customers' efforts to do the same; promote global environmental preservation
- Implement thorough risk management and cultivate a climate of high compliance
- Strengthen governance among Group companies in Japan and abroad through the adoption of appropriate internal controls, accounting practices, etc.
- Establish a healthy financial base and corporate governance

New Medium-term Plan Summary

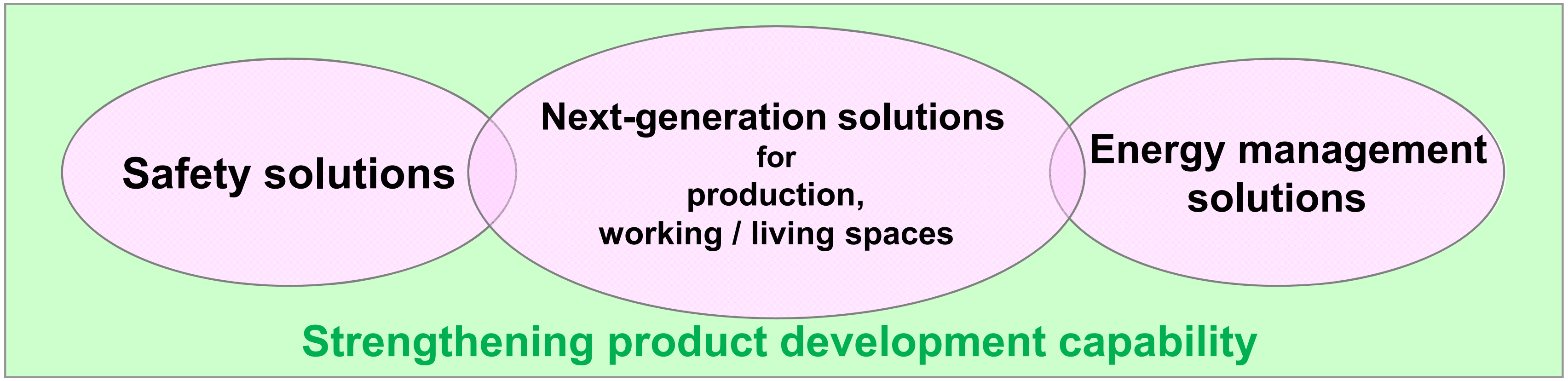
azbil

Target for FY2016
Net sales ¥280.0 billion, Operating income ¥22.0 billion

3 Initiatives

- Aiming to become **a long-term partner for both the customer and the community** through offering solutions based on azbil technologies and products
- Taking global operations to the next level. **Global initiative: Expansion into new regions and a qualitative change of focus**
- Implementing organizational reforms **to create a corporate entity that can respond flexibly and continuously to change in the business environment**

3 Growth fields



3 Corporate structures to strengthen

- Structural reform of global production/development
- Structural reform of engineering and service business
- Human resources reform

Business foundation

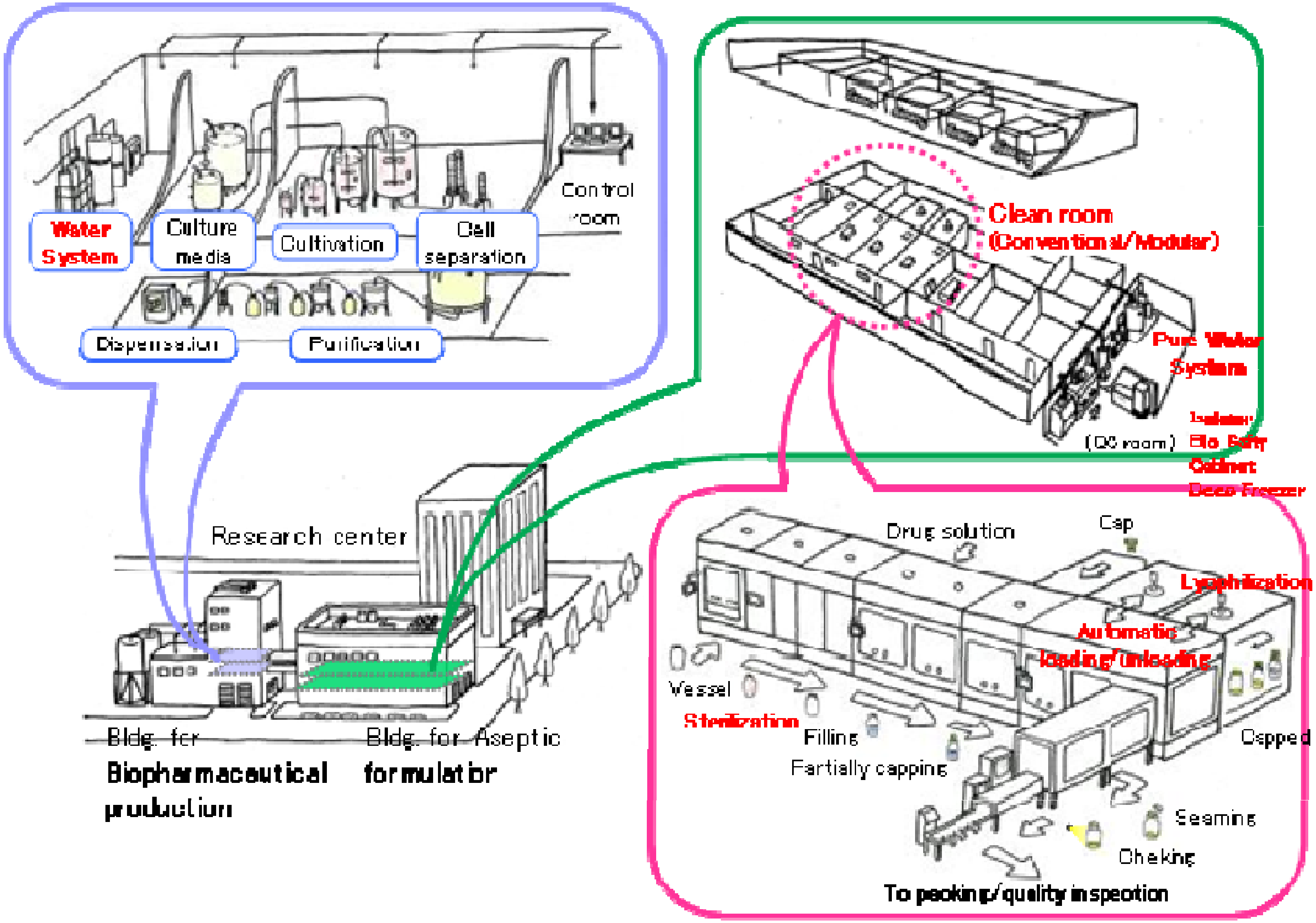
CSR management, Healthy financial base, Corporate governance

[azbil Group Philosophy] To realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation"

Relevant Information

Life Science Engineering Business

To provide new solutions that realize enhanced safety and productivity in the workplace through combining Telstar's design, engineering and manufacturing process knowledge and the azbil Group's automation technologies

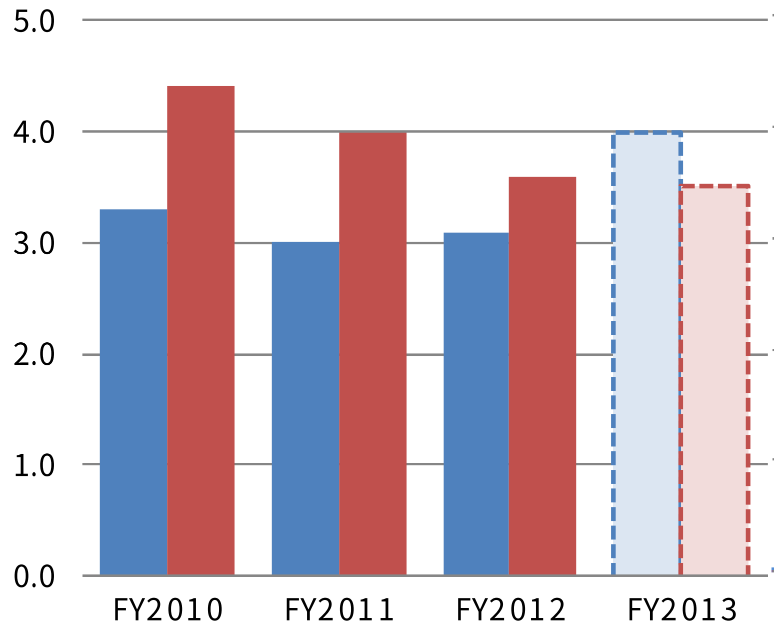


Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

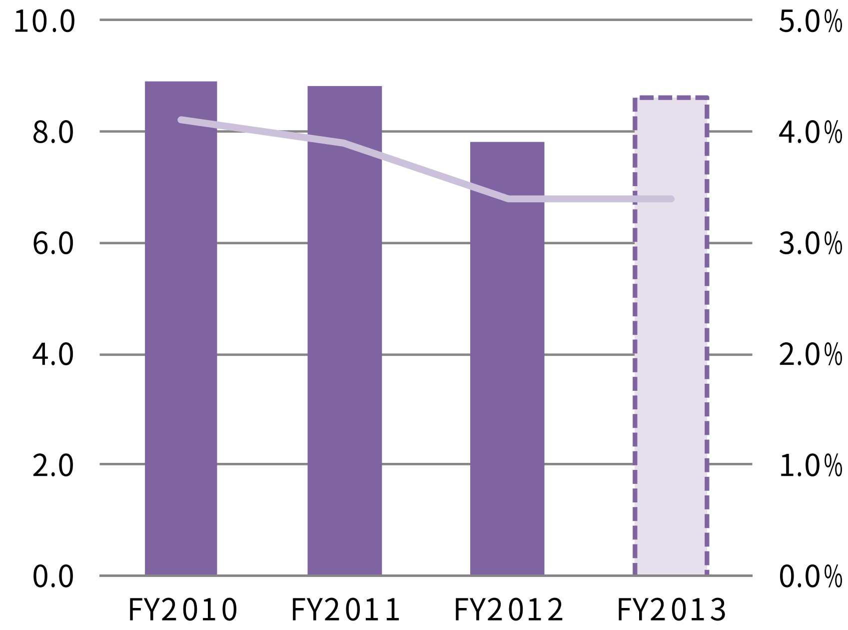
[Billions of yen]

■ Capital Expenditure, Depreciation



	FY2010	FY2011	FY2012	FY2013 (Plan)
Capital Expenditure	3.3	3.0	3.1	**4.0**
Depreciation	4.4	4.0	3.6	**3.5**

■ R&D Expenses, R&D Expenses/Net Sales



	FY2010	FY2011	FY2012	FY2013 (Plan)
R&D Expenses	8.9	8.8	7.8	**8.6**
R&D Expenses/ Net Sales	4.1%	3.9%	3.4%	**3.4%**

azbil Group Philosophy

To realize safety, comfort, and fulfillment in people’s lives and contribute to global environmental preservation through **“human-centered automation”**