



Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For the Third Quarter of the Fiscal Year Ending March 31, 2016
(Based on Japanese GAAP)

<Contents>

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016
2. Financial Plan for the Fiscal Year Ending March 31, 2016
→ **No revision from the recent announcement**
3. Return to Shareholders
→ **No revision from the recent announcement**



Azbil Corporation
celebrates its 110th anniversary
in 2016 .

IR, Group Management
Headquarters

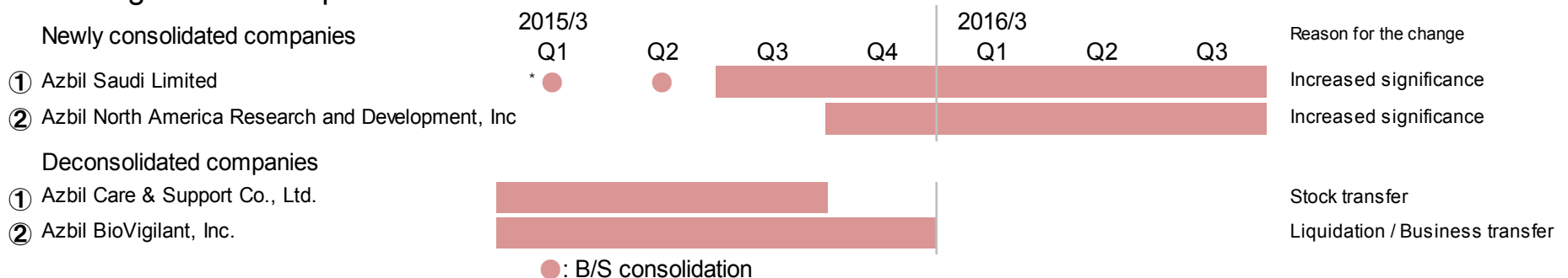
Email: azbil-ir@azbil.com
URL: <http://www.azbil.com/ir/>

Notes:



1. Financial data and financial statements have been prepared based on Japanese 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. To coincide with the introduction of the new core information system, a change has been made to the way in which internal sales and transfers between segments are calculated from this fiscal year. Figures for the same period last year have been recalculated accordingly so as to enable meaningful comparisons to be made.
4. Sales for the azbil Group tend to be concentrated in the second quarter and the fourth quarter consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the first quarter and the third quarter consolidated accounting periods are typically lower than those in the other two quarters.
5. The financial plans are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore this plan is not a guarantee of future performance. Due to various factors, actual results may differ from those discussed in this material.

6. Changes in the scope of consolidation are as follows:



* Simultaneously, order backlog at the time of consolidation is recorded under orders received.

Notes:



7. To coincide with the introduction of the new core information system, from this fiscal year the following changes in accounting policies and strengthening of the administrative system have been made:

1) The way to record orders received for multi-year contracts. (■ The impact from this change is below. / Now we record all multi-year contracts. [Previously, some large-scale service projects such as under “market testing” were recorded])

[Billions of Yen]

	2016/3 Q3	2015/3 Q3	Difference
The figure recorded for large-scale service projects such as “market testing”.	1.4	7.6	(6.2)
The figure recorded for the change.	8.5	-	+8.5
The orders received in this period	4.5	-	+4.5
The orders received in the prior period	3.9	-	+3.9
Total	10.0	7.6	+2.3

2) The timing of recognizing sales for goods in Japan. (■ Marginal impact / Now based on the day of arrival [Previously, based on the day of shipping])

3) The way to calculate internal sales and transfers between segments. (■ Marginal impact / Figures for the same period last year have been recalculated accordingly so as to enable meaningful comparisons to be made.)

4) Unifying of job profit-and-loss management procedures (■ Mainly affects BA business / Temporary increase in costs engendered by revision to the accounting standard for loss provision, etc.)

The segment affected	
■ BA	■ AA

8. From the year ending March 31, 2016, “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013) etc., have been applied, and “net income” is now termed “net income attributable to owners of parent”.

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016



Consolidated Financial Results

<Compared to the same period last year>

Orders Received / Net Sales

Orders increased thanks to the Building Automation (BA) business, which benefitted from not only a favorable domestic business environment but also a revision ^{Note 7} made to the way multi-year contracts are recorded. The BA business achieved sales growth, but overall sales remained on a par with the same period last year mainly because the LA business saw a fall in sales as a result of transferring part of its business ^{*1} in the previous fiscal year.

*1 The impact on orders received and sales of the period is about 3.4 billion yen; however, the impact on segment profit has been small.

Income

There was some negative impact resulting from changes to the sales mix in the BA business, higher costs ^{*2} associated with business expansion and strengthening the business foundation, and strengthening of the administrative structure ^{*3} to coincide with the introduction of the new core information system. Nevertheless, LA business profits increased thanks to reduced amortization of goodwill and the effect of business structure reforms. Consequently, operating income increased. Ordinary income was reduced owing mainly to the fact that foreign exchange gains in the same period last year switched to foreign exchange losses. Extraordinary losses were reduced. Yet, because of an increase in income taxes-deferred, net income attributable to owners of parent fell.

*2 R&D expenses and the amortization associated with operating the core information system.

*3 There was a temporary increase in costs resulting from revisions made to the standards for recording the provision for loss on orders received and so on, as a result of the unification of procedures for job profit-and-loss management.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	214.6	208.2	6.4	3.1
Net sales	176.4	176.5	(0.0)	(0.0)
Japan	141.5	144.1	(2.6)	(1.8)
Overseas	34.9	32.4	2.5	7.8
Gross profit	61.4	61.2	0.1	0.3
%	34.8	34.7	0.1P	
SG & A	54.4	54.7	(0.2)	(0.5)
[include amortization of goodwill]	[0.5]	[1.4]	[(0.8)]	
Operating income	6.9	6.5	0.4	6.3
%	4.0	3.7	0.2P	
Ordinary income	7.0	8.6	(1.5)	(18.3)
Income before income taxes	6.6	6.0	0.6	10.1
Net income attributable to owners of parent	3.4	4.0	(0.5)	(14.5)
%	2.0	2.3	(0.3P)	

Segment Information - ■ BA Business

<Compared to the same period last year>

■ Orders Received / Sales

Benefitting not only from the redevelopment activity in the Tokyo metropolitan area and the robust demand for energy-saving solutions, but also from a revision made to the way multi-year contracts are recorded, the BA business saw significant growth in domestic orders. Overseas too orders grew steadily. Overall sales increased thanks to domestic market for new buildings and overseas growth, but there was a slight fall in the market for existing buildings, which has a relatively high impact on earnings, and service sales were virtually unchanged from the same period last year.

■ Segment Profit

In addition to the change in the sales mix, segment profit was impacted by several factors, including the effect of measures and system development aimed at generating future business opportunities. Extra expenses were incurred by R&D activities, and there were also increased expenses associated with operating the new core information system as well as with unifying job profit-and-loss management procedures to coincide with the introduction of the new core information system. As a result, segment profit was down overall.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	108.0	100.4	7.5	7.6
Sales	77.6	74.9	2.7	3.6
Segment profit	4.4	5.3	(0.8)	(16.7)
%	5.7	7.1	(1.4P)	
(Reference) Amortization of goodwill	-	0.1	(0.1)	

Segment Information - ■ AA Business

<Compared to the same period last year>

■ Orders Received / Sales

While orders did grow in the domestic market, they fell overseas due to the retroaction of consolidating a new overseas subsidiary ^{Note 6} in the same period last year, and also the slowdown in Asia, including China. Overall orders were thus slightly down. As for sales, the picture has improved with domestic system projects recently. But domestic sales fell, partly due to the fact that large-scale projects boosted sales figures for the same period last year, although overseas sales increased. Consequently, overall sales were slightly lower.

■ Segment Profit

As regards profit, although there was an improvement following the optimum deployment of resources within the azbil Group during the previous fiscal year, segment profit fell overall. This was due to the increase in R&D expenses and the expenses associated with operating the new core information system.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	72.1	72.5	(0.4)	(0.6)
Sales	66.0	66.4	(0.4)	(0.7)
Segment profit	2.4	2.9	(0.4)	(16.3)
%	3.7	4.4	(0.7P)	
(Reference) Amortization of goodwill	0.1	0.2	(0.0)	

Segment Information - ■ LA Business

<Compared to the same period last year>

■ Orders Received / Sales

The Life Science Engineering (LSE) field saw an increase in orders as a result of securing large-scale projects, but this was not sufficient to offset the drop resulting from transferring the business^{*1} in the health, welfare, and nursing care field in the previous fiscal year. Thus overall orders fell slightly. LSE sales increased, and the other fields maintained performance on a par with the same period last year; however, the impact of the aforementioned business transfer meant that overall sales decreased.

■ Segment Profit (Loss)

Segment profit increased thanks to reduced amortization of goodwill and the effect of structural reforms implemented throughout the LA business.

*1 On 4th Feb. 2015, all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were sold to SOHGO SECURITY SERVICES CO., LTD. The impact on orders received and sales for the period is about 3.4 billion yen; however, the impact on segment profit has been small.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	35.1	35.9	(0.7)	(2.0)
Sales	33.5	35.6	(2.1)	(5.9)
Segment profit (loss)	0.0	(1.7)	1.7	-
%	0.2	(4.8)	5.0P	
(Reference) Amortization of goodwill	0.3	1.0	(0.6)	

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016

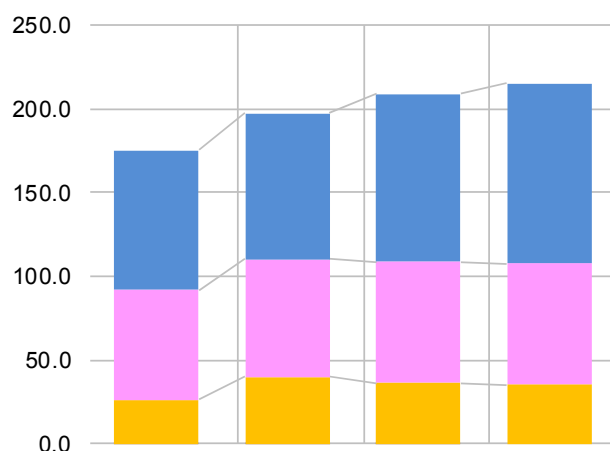


[Reference] Orders Received by Segment

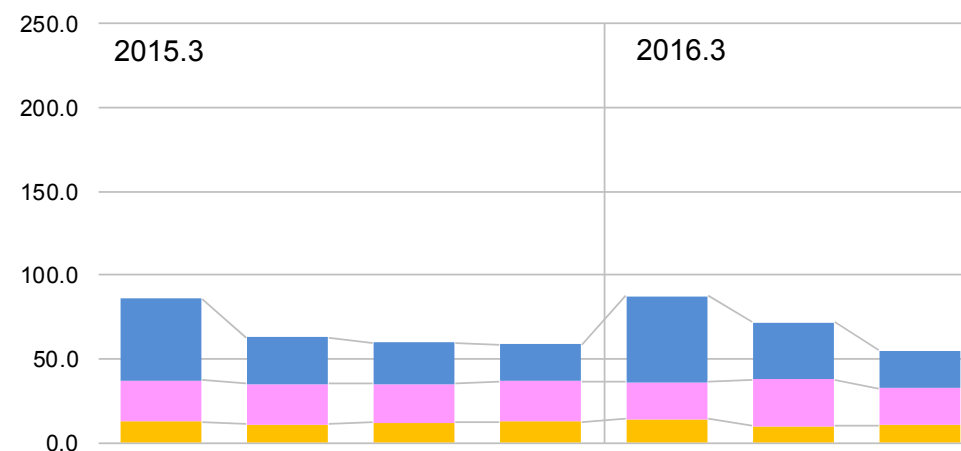
[Billions of yen]

< Same period comparison (9 months) >

< Quarterly (3 months) >



	2013/3 Q3	2014/3 Q3	2015/3 Q3	2016/3 Q3
■ B A	83.9	86.8	100.4	108.0
■ A A	65.3	70.3	72.5	72.1
■ L A	26.1	39.9	35.9	35.1
Consolidated	174.4	195.8	208.2	214.6



	2015/3				2016/3		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
■ B A	48.6	27.4	24.2	21.9	51.4	34.1	22.4
■ A A	25.0	24.0	23.3	24.5	22.4	27.7	21.9
■ L A	12.4	11.3	12.0	12.5	14.0	10.3	10.8
Consolidated	86.0	62.6	59.4	58.7	87.8	71.8	54.8

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016

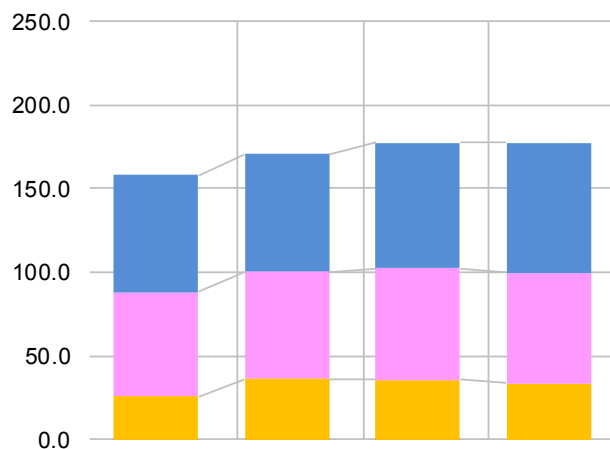


[Reference] Sales by Segment

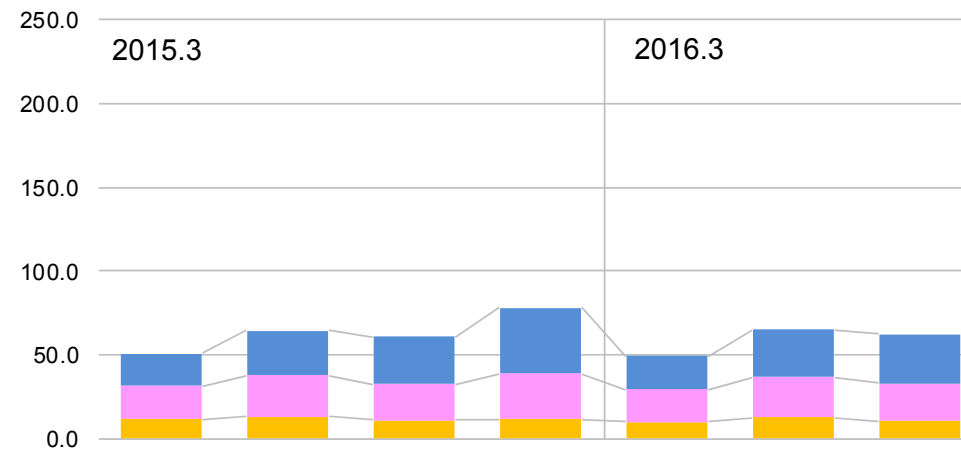
[Billions of yen]

< Same period comparison (9 months) >

< Quarterly (3 months) >



	2013/3 Q3	2014/3 Q3	2015/3 Q3	2016/3 Q3
■ B A	69.8	70.5	74.9	77.6
■ A A	62.3	63.7	66.4	66.0
■ L A	25.8	36.1	35.6	33.5
Consolidated	157.0	169.6	176.5	176.4



	2015/3				2016/3		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
■ B A	19.7	26.9	28.2	39.3	19.8	28.3	29.4
■ A A	19.7	24.8	21.8	27.2	19.3	24.2	22.4
■ L A	11.7	13.0	10.9	11.6	10.2	12.4	10.8
Consolidated	51.0	64.6	60.8	77.9	49.2	64.8	62.4

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016

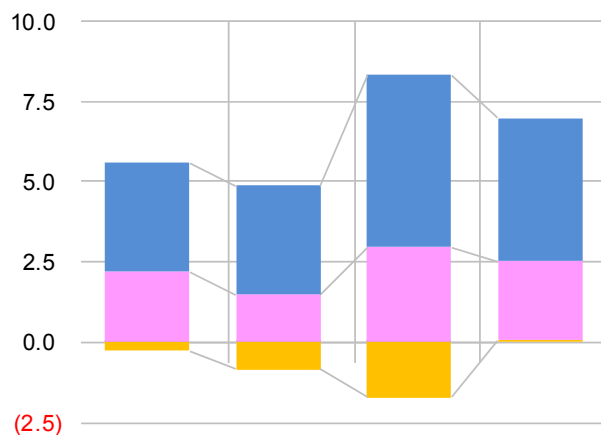


[Reference] Segment Profit (Operating Income)

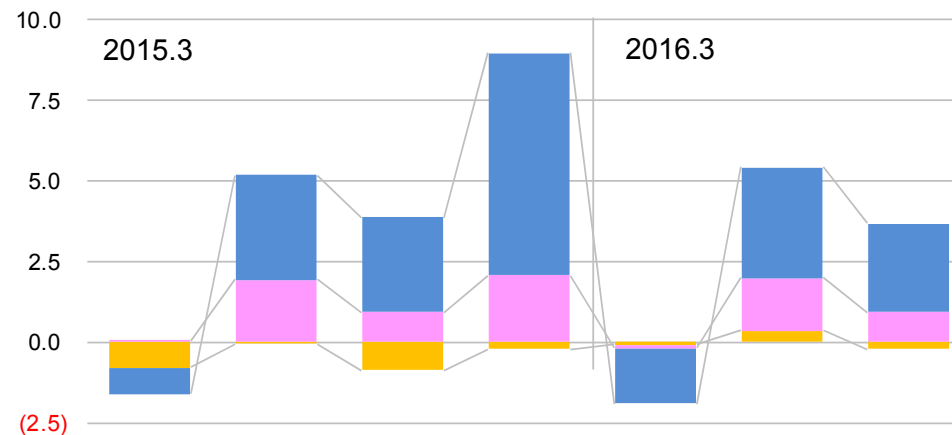
[Billions of yen]

< Same period comparison (9 months) >

< Quarterly (3 months) >



	2013/3 Q3	2014/3 Q3	2015/3 Q3	2016/3 Q3
■ B A	3.3	3.3	5.3	4.4
■ A A	2.1	1.4	2.9	2.4
■ L A	(0.2)	(0.8)	(1.7)	0.0
Consolidated	5.3	4.0	6.5	6.9



	2015/3				2016/3		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
■ B A	(0.8)	3.2	2.9	6.8	(1.7)	3.4	2.7
■ A A	0.0	1.9	0.9	2.0	(0.1)	1.6	0.9
■ L A	(0.7)	(0.0)	(0.8)	(0.2)	0.0	0.3	(0.2)
Consolidated	(1.5)	5.1	2.9	8.7	(1.9)	5.4	3.4

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016



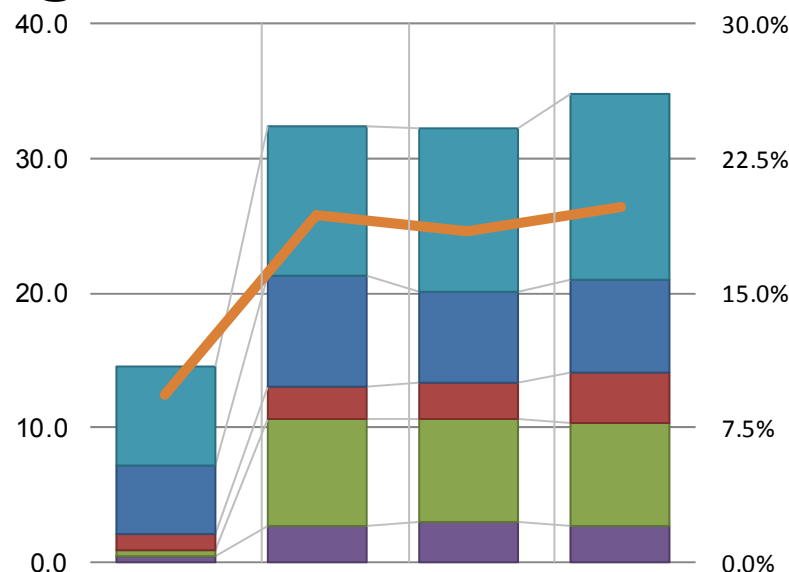
[Billions of yen]

Overseas Sales by Region

<Compared to the same period last year>

Overseas sales grew for all 3 businesses, thanks in part to favorable exchange rates.

- In Asia, all businesses achieved sales growth, especially for the AA business and the LA business (LSE field).
- In China, the improvement seen in the BA and LA businesses was sufficient to offset the slowdown in the AA business, and sales grew.
- In North America, sales growth was achieved thanks to continued robust performance by the AA business in supplying solutions for equipment manufacturers.
- In Europe, sales grew following an improvement in the LA business (LSE field).



	2013/3 Q3	2014/3 Q3	2015/3 Q3	2016/3 Q3
Asia	7.3	11.1	12.1	13.7
China	5.1	8.3	6.7	6.9
North America	1.1	2.4	2.8	3.7
Europe	0.5	7.8	7.5	7.7
Others	0.5	2.8	3.1	2.7
Consolidated	14.7	32.6	32.4	34.9

[Reference information]

Overseas sales/ Net sales	9.4%	19.3%	18.4%	19.8%
Average exchange rate - USD/JPY	79.40	96.84	102.94	120.99
Average exchange rate - EUR/JPY	101.73	127.48	139.50	134.75

* 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.

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2016



Consolidated Financial Position

- **Assets** Total assets decreased by 19.6 billion yen from the previous fiscal year-end mainly as a result of a decrease in cash and deposits as well as a fall in notes and accounts receivable-trade.
- **Liabilities** Total liabilities decreased by 13.8 billion yen from the previous fiscal year-end, primarily due to decreases in provision for bonuses, notes and accounts payable-trade and income taxes payable, as well as a fall in short-term loans payable.
- **Net assets** In the current period there was an overall decrease in net assets of 5.7 billion yen compared the previous fiscal year-end. While there was an increase due to the posting of net income ^{*1}, this was offset by a dividend payment and the repurchasing of own shares and a decrease resulting from the revision made to net assets at the start of this period ^{*2} – specifically, to the unamortized goodwill balance resulting from additional acquisitions in the past.

*1 Net income attributable to owners of parent

*2 Application of the accounting standard for business combinations, etc.

[Billions of yen]

	As of Dec. 31, 2015 (A)	As of Mar. 31, 2015 (B)	Difference (A) - (B)		As of Dec. 31, 2015 (A)	As of Mar. 31, 2015 (B)	Difference (A) - (B)
Current assets	180.7	197.9	(17.2)	Liabilities	91.5	105.4	(13.8)
Cash and deposits	45.3	58.8	(13.4)	Current liabilities	77.4	89.6	(12.2)
Notes and accounts receivable-trade	81.3	88.9	(7.6)	Notes and accounts payable-trade	38.5	42.6	(4.1)
Inventories	25.6	21.6	3.9	Short-term loans and bonds	13.5	15.8	(2.2)
Others	28.3	28.5	(0.1)	Others	25.4	31.1	(5.7)
Noncurrent assets	65.3	67.7	(2.3)	Noncurrent liabilities	14.0	15.7	(1.6)
Property, plant and equipment	24.6	25.6	(1.0)	Long-term loans and bonds	0.7	0.8	(0.1)
Intangible assets	9.0	11.5	(2.4)	Others	13.3	14.8	(1.4)
Investments and other assets	31.6	30.4	1.1	Net assets	154.5	160.2	(5.7)
				Shareholders' equity	141.8	146.6	(4.7)
				Capital stock	10.5	10.5	-
				Capital surplus	12.3	17.1	(4.8)
				Retained earnings	123.6	121.5	2.0
				Treasury shares	(4.6)	(2.6)	(2.0)
				Accumulated other comprehensive income	10.7	11.6	(0.8)
				Non-controlling interests	1.9	2.0	(0.1)
Total assets	246.0	265.7	(19.6)	Total liabilities and net assets	246.0	265.7	(19.6)

2. Financial Plan for the Fiscal Year Ending March 31, 2016

→No revision from the recent announcement



Consolidated Financial Plan

- The consolidated financial results for the third quarter of the current cumulative period vary by business and region, yet they are broadly in line with the plan. As a result, there is no change to the previous forecast for the fiscal year (published on October 30, 2015).

[Billions of yen]

	This year		Previous fiscal year (B)	Difference	
	Q3 (Cumulative)	Full year plan (Oct. 30, 2015) (A)		(A) - (B)	% Change
Net sales	176.4	256.0	254.4	1.5	0.6
[Amortization of goodwill]	[0.5]	[0.7]	[1.8]	[(1.1)]	
Operating income	6.9	17.0	15.3	1.6	10.8
%	4.0	6.6	6.0	0.6P	
Ordinary income	7.0	16.6	17.1	(0.5)	(3.2)
Net income attributable to owners of parent	3.4	9.5	7.1	2.3	32.5
%	2.0	3.7	2.8	0.9P	

2. Financial Plan for the Fiscal Year Ending March 31, 2016



Segment Information

[Billions of yen]

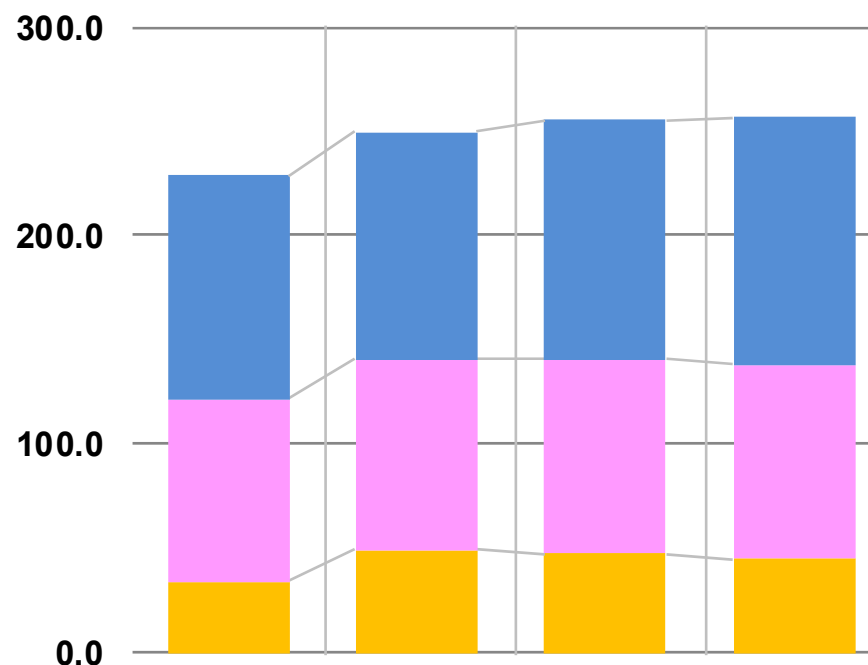
	This year		Previous fiscal year (B)	Difference	
	Q3 (Cumulative)	Full year plan (Oct. 30, 2015) (A)		(A) - (B)	% Change
B A Sales	77.6	119.0	114.3	4.6	4.1
[Amortization of goodw ill]	[-]	[-]	[0.1]	[(0.1)]	
Segment profit	4.4	11.8	12.2	(0.4)	(3.6)
%	5.7	9.9	10.7	(0.8P)	
A A Sales	66.0	93.0	93.6	(0.6)	(0.7)
[Amortization of goodw ill]	[0.1]	[0.2]	[0.3]	[(0.1)]	
Segment profit	2.4	4.5	5.0	(0.5)	(10.2)
%	3.7	4.8	5.4	(0.5P)	
L A Sales	33.5	45.0	47.3	(2.3)	(4.9)
[Amortization of goodw ill]	[0.3]	[0.5]	[1.3]	[(0.8)]	
Segment profit (loss)	0.0	0.7	(1.9)	2.6	-
%	0.2	1.6	(4.1)	5.6P	
Consolidated Net sales	176.4	256.0	254.4	1.5	0.6
[Amortization of goodw ill]	[0.5]	[0.7]	[1.8]	[(1.1)]	
Operating income	6.9	17.0	15.3	1.6	10.8
%	4.0	6.6	6.0	0.6P	

2. Financial Plan for the Fiscal Year Ending March 31, 2016

[Reference] Sales by Segment



[Billions of yen]



	2013/3	2014/3	2015/3	2016/3 *3 (Plan)
■ B A	107.4	109.5	114.3	119.0
■ A A	87.6	90.8	93.6	93.0
■ L A	33.9	*1 49.5	*2 47.3	45.0
Consolidated	227.5	248.4	254.4	256.0

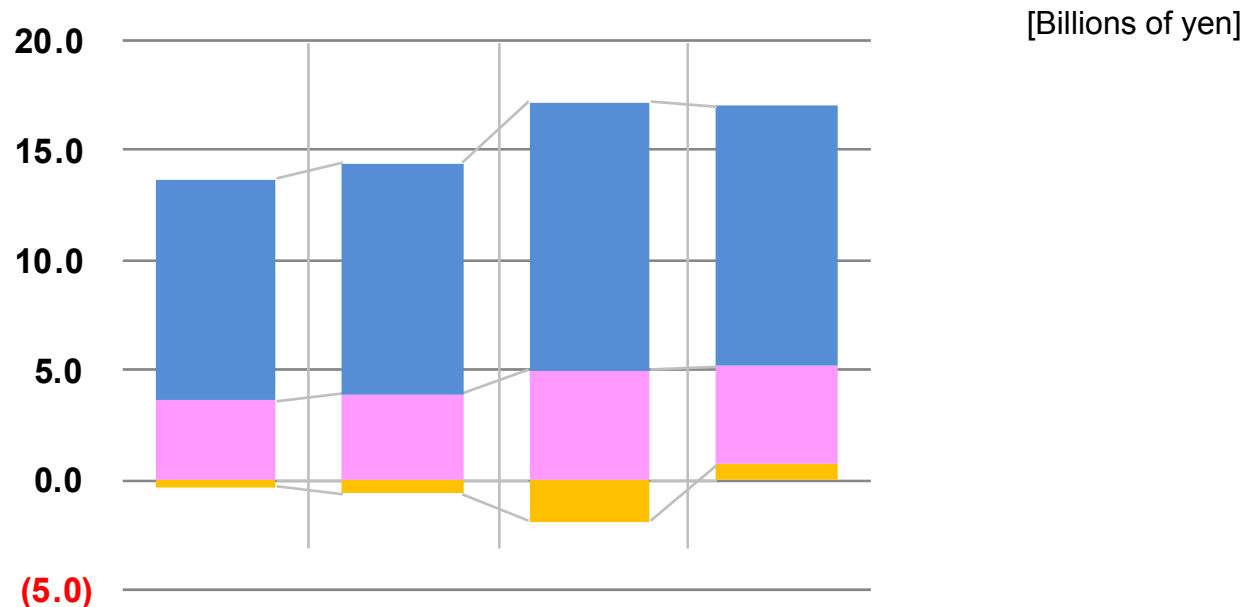
*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S. L. U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

*2 In the fourth quarter of the previous fiscal year (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were sold to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the previous fiscal year.

*3 The plan published on October 30, 2015

2. Financial Plan for the Fiscal Year Ending March 31, 2016

[Reference] Segment Profit (Operating Income)



	2013/3	2014/3	2015/3	2016/3 *3 (Plan)
■ B A	10.1	10.5	12.2	11.8
■ A A	3.6	3.9	5.0	4.5
■ L A	(0.3)	*1 (0.6)	*2 (1.9)	0.7
Consolidated	13.4	13.9	15.3	17.0

*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S. L. U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

*2 In the fourth quarter of the previous fiscal year (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were sold to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the previous fiscal year.

*3 The plan published on October 30, 2015

3. Return to Shareholders

→ No revision from the recent announcement

Dividend Plan for the Fiscal Year Ending March 2016

→No change from the initial plan

Annual Dividend: 67 yen per share

(Increase annual dividend of 63 yen by 4 yen in ordinary dividend in fiscal year ended March 2015)

[Basic policy]

We place great importance on the distribution of profits to shareholders, and would like to maintain stable dividends while striving to increase the dividends payout, comprehensively taking into account consolidated performance, levels of ROE (Return On Equity), DOE (Dividend On Equity), as well as retained earnings for strengthening our business base and developing future business.

[Reference] Dividends for the year ending March 2016 (interim/year-end) are planned as follows.

	2015/3		2016/3	
	Interim	Year-end	Interim	Year-end
Dividend per share [Yen]	31.5	31.5	33.5	33.5(Plan)
Payout ratio	64.9%		51.7%	
Dividend on equity (DOE)	3.1%		3.1%	

Repurchase of Own Shares

Repurchase of Own Shares

→Carried out according to the initial plan

Total amount of repurchase: **approx. 1,998 million yen**

Total number of shares to be repurchased: **600,000 shares**

Period of repurchase: **May 14, 2015 - June 8, 2015**

Taking into consideration the future business performance forecast, the Company aims not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop capital policies in response to changes in the corporate environment.

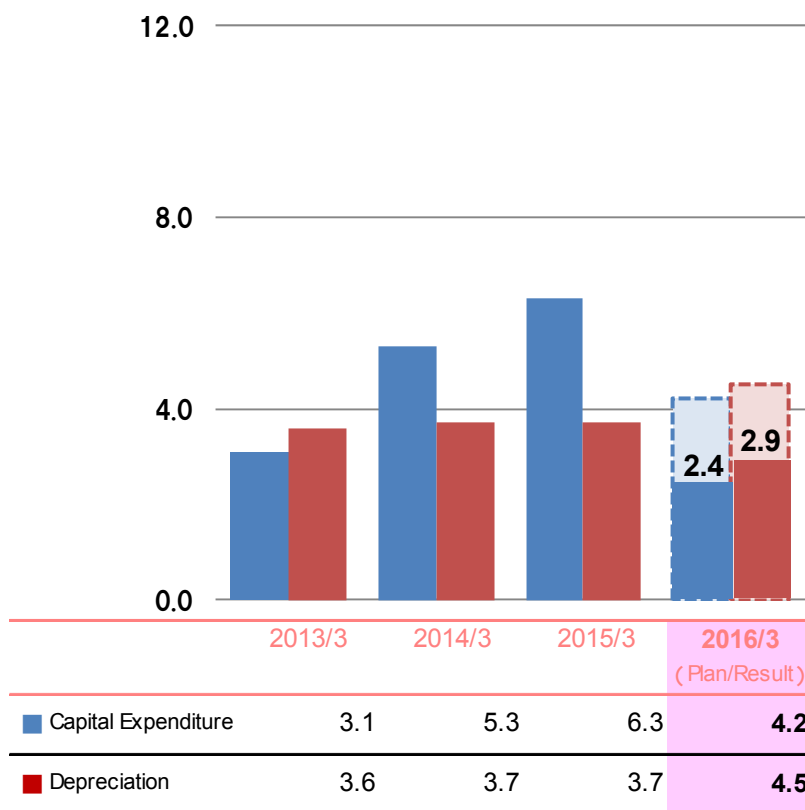
Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

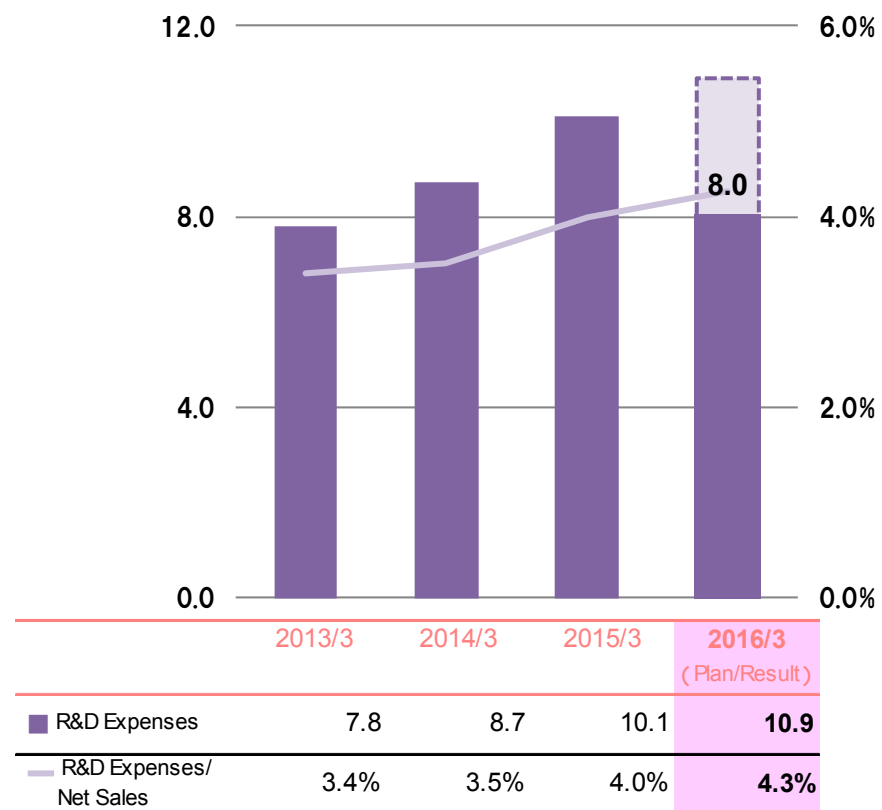


[Billions of yen]

Capital Expenditure, Depreciation



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



- Expenses for updating core information systems were incurred from the fiscal year ended March 2013. Also the investment in overseas production facilities occurred in the fiscal year ended March 2015.

azbil Group Philosophy

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

Azbil Corporation celebrates its 110th anniversary in 2016.



Yamatake for 100 years, azbil for 10 years. Together 110 years. Through all of this time the azbil Group has put human happiness first with “human-centered automation.” We are determined to work closely with our customers in the future as well, using our measurement and control technologies as the basis for ever greater value creation.
