



Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials

For the First Quarter of the Fiscal Year Ending March 31, 2017
(Based on Japanese GAAP)

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→ **No revision from the recent announcement**



Azbil Corporation
celebrates its 110th anniversary
in 2016 .

Investor Relations,
Group Management Headquarters

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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:
BA - Building Automation AA - Advanced Automation LA - Life Automation
3. Sales for the azbil Group tend to be concentrated in the second quarter and fourth quarter accounting periods, while fixed costs are generated constantly. This means that profits in the first quarter and third quarter accounting periods are typically lower than those in the other two quarters. However, as a consequence of the build-up of order backlogs at the end of the previous fiscal year, sales in the first quarter consolidated accounting period increased.
4. The financial plan is 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.
5. To coincide with the introduction of the new core information system, from the fiscal year ended Mar. 2016, 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. (Affects BA business. Not only large-scale service projects such as those awarded under "market testing" previously, but now all multi-year contracts are recorded.)
 - 2) The timing of recognizing sales for goods in Japan. (Affects BA & AA businesses. Impact is negligible. 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. (Affects BA & AA businesses. Impact is negligible. In this document, figures for orders and sales in the fiscal year ended Mar. 2015 have been recompiled to take account of these changes so as to enable direct comparison.)
 - 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.)

1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017

Consolidated Financial Results

<Compared to the same period last year>

■ Orders Received / Net Sales

Orders received fell for the BA business as a result of the revision made in the previous fiscal year to the way multi-year contracts are recorded but also because there had been large-scale projects in the previous year. Orders received similarly fell for the LA business since large-scale projects had been recorded in the same period last year. Overall orders received thus decreased. However, sales increased for all businesses, and especially for the BA and AA businesses which benefited from the build-up of order backlogs at the end of the previous fiscal year.

■ Income (loss)

In addition to the substantial boost to sales resulting from the build-up of order backlogs, operating income improved significantly thanks to a rebound from the negative impact of unifying job profit-and-loss management procedures in the same period last year as well as a reduction in goodwill amortization expenses. These brought the business back into the black. In spite of foreign exchange losses (0.8 billion yen), ordinary income also increased significantly compared to the same period last year. Loss attributable to owners of parent was less than 0.1 billion yen.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	82.2	87.8	(5.6)	(6.4)
Net sales	56.1	49.2	6.8	13.9
Japan	46.0	38.8	7.1	18.5
Overseas	10.0	10.4	(0.3)	(3.2)
Gross profit	18.1	15.9	2.1	13.4
%	32.3	32.4	(0.1P)	
SG & A	17.3	17.8	(0.5)	(3.0)
[include amortization of goodwill]	[0.0]	[0.1]	[(0.1)]	
Operating income (loss)	0.7	(1.9)	2.6	-
%	1.4	(3.9)	5.2P	
Ordinary income (loss)	0.1	(1.6)	1.8	-
Income (loss) before income taxes	0.0	(1.4)	1.5	-
Net income (loss) attributable to owners of parent	(0.0)	(1.3)	1.3	-
%	(0.1)	(2.8)	2.7P	

Segment Information – ■ BA Business

<Compared to the same period last year>

■ Orders Received / Sales

Orders received fell not only as a result of the revision made in the previous fiscal year to the way multi-year contracts are recorded but also because there had been orders received for large-scale projects in the same period last year. Order backlogs – built up as a result of sustained investment in domestic construction – was steadily converted into sales in the first quarter of the current consolidated cumulative period, leading to a substantial increase in sales overall.

■ Segment Profit (Loss)

In addition to increased sales in the profitable market for existing buildings, thanks to a rebound from the negative impact of unifying job profit-and-loss management procedures to coincide with the introduction of the new core information system in the same period last year, segment profit (loss) improved substantially.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	48.9	51.4	(2.4)	(4.8)
Sales	23.3	19.8	3.5	17.6
Segment profit (loss)	(0.3)	(1.7)	1.4	-
%	(1.3)	(8.7)	7.4P	

(Reference) Amortization of goodwill	-	-	-	
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Segment Information – ■ AA Business

<Compared to the same period last year>

■ Orders Received / Sales

Although both domestic and foreign capital investment have been treading water, orders received were on a par with the same period last year. Overseas sales decreased, partly due to the effect of foreign exchange rates, but in Japan there have been signs of recovery in certain markets such as those involving semiconductor and battery-related manufacturing equipment. In the materials-related field, sales grew steadily and substantially owing to the build-up of order backlogs for system and service projects at the end of the previous fiscal year. Overall sales for the business also increased.

■ Segment Profit (Loss)

Profits were impacted by the higher value of the yen but, thanks to domestic sales growth and the progress of initiatives aimed at improving the profit structure both in Japan and abroad, segment profit increased.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	22.4	22.4	0.0	0.1
Sales	22.6	19.3	3.3	17.2
Segment profit (loss)	1.0	(0.1)	1.1	-
%	4.5	(0.6)	5.0P	
(Reference) Amortization of goodwill	0.0	0.0	(0.0)	

Segment Information – ■ LA Business

<Compared to the same period last year>

■ Orders Received / Sales

Orders received for the Life Science Engineering (LSE) field decreased, partly due to the effect of foreign exchange rates but mainly owing to the fact that there had been orders received for large-scale projects in the same period last year. This meant that overall orders received decreased. Sales increased in the field of residential central air-conditioning systems but decreased in the LSE field, depressed by foreign exchange rates, so overall sales were on a par with the same period last year.

■ Segment Profit (Loss)

In the field of gas and water meters, profits fell owing to the impact of reduced sales of town gas meters. However, thanks to a reduction in goodwill amortization expenses and improved profits in the LSE field and in the residential central air-conditioning systems field, the business went into the black overall.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Orders received	11.1	14.0	(2.9)	(20.8)
Sales	10.3	10.2	0.0	0.3
Segment profit (loss)	0.0	(0.0)	0.1	-
%	0.5	(0.8)	1.3P	

(Reference) Amortization of goodwill	-	0.1	(0.1)	
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1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017

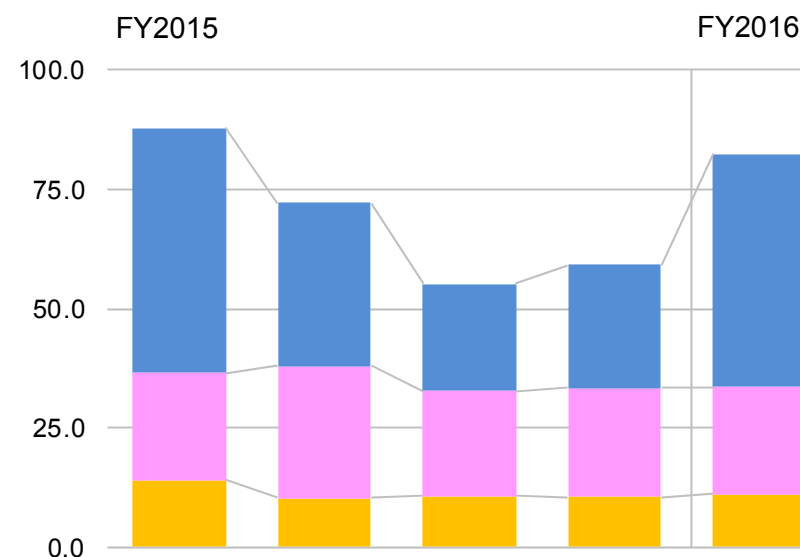
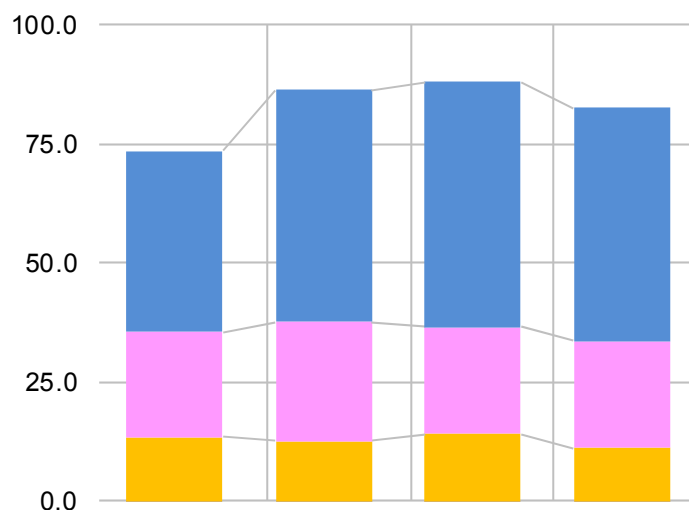


[Reference] Orders Received by Segment

[Billions of yen]

< Same period comparison >

< Quarterly >



	FY2013 Q1	FY2014 Q1	FY2015 Q1	FY2016 Q1
B A	38.0	*1 48.6	51.4	48.9
A A	21.9	25.0	22.4	22.4
L A	13.4	*2 12.4	14.0	11.1
Consolidated	73.0	86.0	87.8	82.2

	FY2015 Q1	FY2015 Q2	FY2015 Q3	FY2015 Q4	FY2016 Q1
B A	51.4	34.1	22.4	25.8	48.9
A A	22.4	27.7	21.9	22.7	22.4
L A	14.0	10.3	10.8	10.5	11.1
Consolidated	87.8	71.8	54.8	58.9	82.2

*1 Orders resulting from the renewal of a number of large-scale service contracts that span several years have been included.

*2 In the fourth quarter of the fiscal year ended March 31, 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017

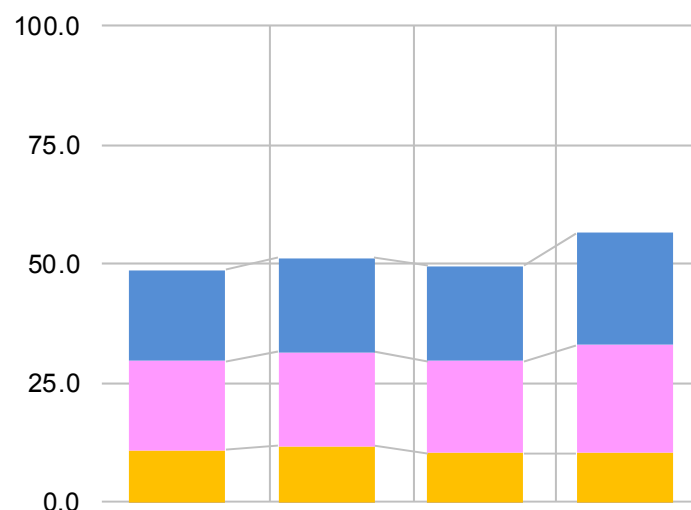


[Reference] Sales by Segment

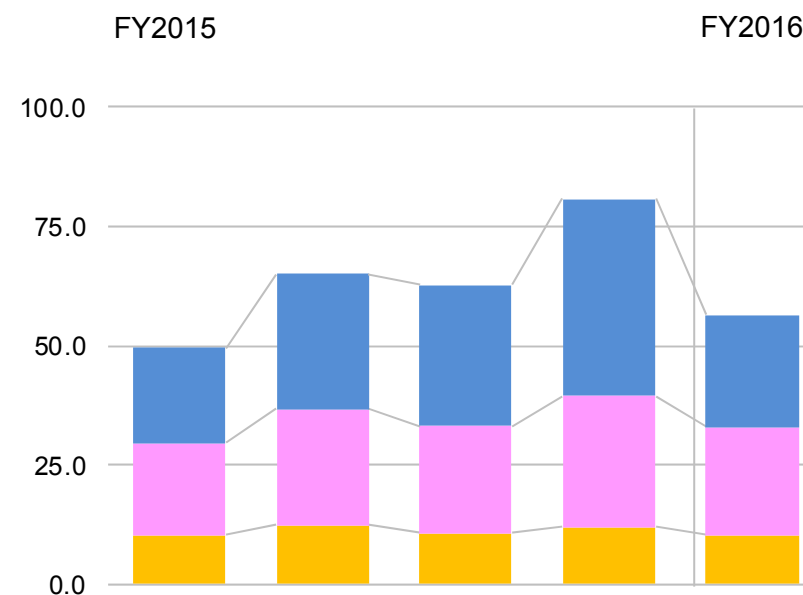
[Billions of yen]

< Same period comparison >

< Quarterly >



	FY2013 Q1	FY2014 Q1	FY2015 Q1	FY2016 Q1
■ B A	19.1	19.7	19.8	23.3
■ A A	18.6	19.7	19.3	22.6
■ L A	10.9	*	10.2	10.3
Consolidated	48.5	51.0	49.2	56.1



	FY2015 Q1	FY2015 Q2	FY2015 Q3	FY2015 Q4	FY2016 Q1
■ B A	19.8	28.3	29.4	41.1	23.3
■ A A	19.3	24.2	22.4	27.4	22.6
■ L A	10.2	12.4	10.8	12.0	10.3
Consolidated	49.2	64.8	62.4	80.3	56.1

* In the fourth quarter of the fiscal year ended March 31, 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

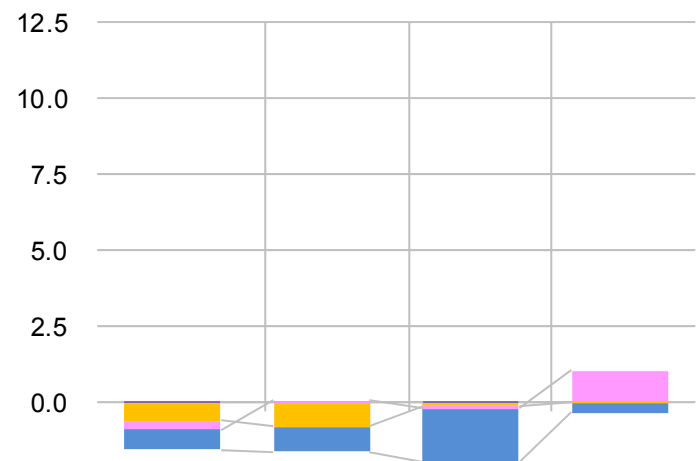
1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2017



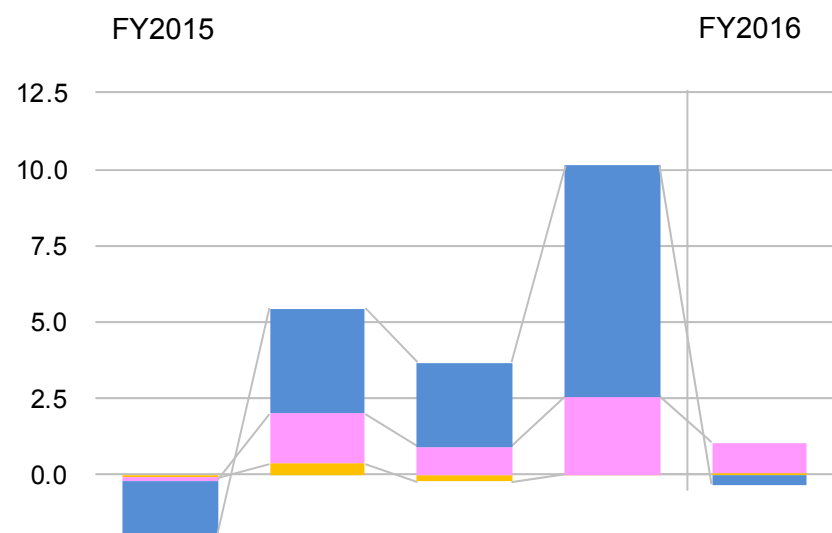
[Reference] Segment Profit (Operating Income)

[Billions of yen]

< Same period comparison >



< Quarterly >



	FY2013 Q1	FY2014 Q1	FY2015 Q1	FY2016 Q1
B A	(0.6)	(0.8)	(1.7)	(0.3)
A A	(0.2)	0.0	(0.1)	1.0
L A	(0.5)	* (0.7)	(0.0)	0.0
Consolidated	(1.5)	(1.5)	(1.9)	0.7

	FY2015 Q1	FY2015 Q2	FY2015 Q3	FY2015 Q4	FY2016 Q1
B A	(1.7)	3.4	2.7	7.5	(0.3)
A A	(0.1)	1.6	0.9	2.5	1.0
L A	(0.0)	0.3	(0.2)	0.0	0.0
Consolidated	(1.9)	5.4	3.4	10.1	0.7

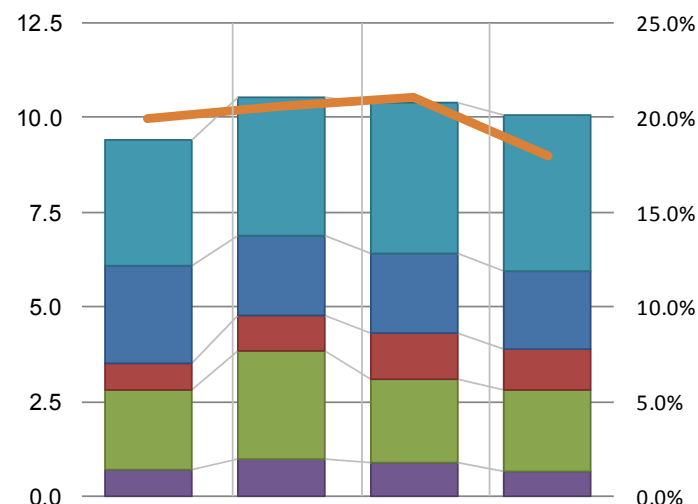
* In the fourth quarter of the fiscal year ended March 31, 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

Overseas Sales by Region

Overseas sales fell as a result of the slowdown in capital investment by the manufacturing industry and as a result of the negative impact of foreign exchange rates.

- In the Asian region, sales growth for system products led to increased sales for the AA business but BA business sales fell. Overall there was a slight increase in sales.
- In China, BA sales increased thanks to large-scale projects, but AA business sales decreased mainly due to a fall in revenue for the materials-related field. Overall sales were on a par with the same period last year.
- In North America sales fell compared with the same period last year owing to reduced demand from semiconductor equipment manufacturers.
- In Europe, sales for the AA business and LSE field (LA business) were on a par with the same period last year.

[Billions of yen]



	FY2013 Q1	FY2014 Q1	FY2015 Q1	FY2016 Q1
Asia	3.3	3.6	4.0	4.1
China	2.6	2.1	2.0	2.0
North America	0.7	0.9	1.2	1.0
Europe	2.1	2.8	2.1	2.1
Others	0.7	1.0	0.9	0.6
Consolidated	9.6	10.5	10.4	10.0

[Reference information]

Overseas sales/ Net sales	19.9%	20.6%	21.1%	18.0%
Average exchange rate - USD/JPY	92.47	102.78	119.17	115.33
Average exchange rate - EUR/JPY	122.06	140.80	134.00	127.11

* 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 First Quarter of the Fiscal Year Ending March 31, 2017



Consolidated Financial Position

- **Assets** Overall assets fell by 15.5 billion yen from the previous fiscal year-end, mainly due to a sharp fall of 12.6 billion yen in notes and accounts receivable-trade. Seasonal factors typically lead to sales concentrating in the 2nd and 4th quarters, with a corresponding decline in the 1st and 3rd quarters. Thus notes and accounts receivable-trade normally decrease in the 1st quarter following the processing of payments.
- **Liabilities** As a result of a decrease in notes and accounts payable-trade, as well as a decrease in income taxes payable due to the payment of income taxes, and a decrease in provision for bonuses due to bonus payments, overall these amounted to a decrease in liabilities of 11.3 billion yen.
- **Net assets** Retained earnings fell mainly due to the payment of a dividend. In addition, chiefly due to a decrease in valuation difference on available-for-sale securities, total accumulated other comprehensive income fell. Overall these amounted to a decrease in net assets of 4.2 billion yen.

	As of Jun. 30, 2016 (A)	As of Mar. 31, 2016 (B)	Difference (A) - (B)		As of Jun. 30, 2016 (A)	As of Mar. 31, 2016 (B)	Difference (A) - (B)
Current assets	187.4	200.8	(13.3)	Liabilities	90.8	102.1	(11.3)
Cash and deposits	52.1	48.2	3.9	Current liabilities	78.1	88.9	(10.7)
Notes and accounts receivable-trade	79.1	91.7	(12.6)	Notes and accounts payable-trade	40.4	45.5	(5.1)
Inventories	24.6	24.1	0.5	Short-term loans and bonds	12.0	12.0	0.0
Others	31.4	36.6	(5.2)	Others	25.7	31.3	(5.5)
Noncurrent assets	56.1	58.3	(2.1)	Noncurrent liabilities	12.6	13.2	(0.5)
Property, plant and equipment	24.0	24.3	(0.2)	Long-term loans and bonds	0.5	0.6	(0.0)
Intangible assets	5.5	5.6	(0.1)	Others	12.0	12.6	(0.5)
Investments and other assets	26.4	28.2	(1.7)	Net assets	152.7	156.9	(4.2)
				Shareholders' equity	144.1	146.6	(2.5)
				Capital stock	10.5	10.5	-
				Capital surplus	12.3	12.3	0.0
				Retained earnings	125.9	128.4	(2.5)
				Treasury shares	(4.6)	(4.6)	(0.0)
				Total accumulated other comprehensive income	6.6	8.3	(1.6)
				Non-controlling interests	1.9	1.9	(0.0)
Total assets	243.5	259.1	(15.5)	Total liabilities and net assets	243.5	259.1	(15.5)

(Reference) Shareholders' equity ratio: 61.9% (as of June 30, 2016), 59.8% (as of March 31, 2016)

2. Financial Plan for the Fiscal Year Ending March 31, 2017

→No revision from the recent announcement

2. Financial Plan for the Fiscal Year Ending March 31, 2017



Consolidated Financial Plan

- Consolidated results for the first quarter of the current cumulative period reflect a significant increase in sales and profits as a consequence of the steady conversion into sales of the build-up of order backlogs for the BA and AA businesses at the end of the previous fiscal year. Nevertheless, these results were within the range expected and generally in line with the earnings forecast for the first half of the fiscal year. Consequently, no changes will be made to the forecasts previously published (May 13, 2016), either for the second quarter of the current consolidated cumulative period or for the full fiscal year.

BA Business

Due to the build-up of order backlogs, sales projected for the first half of this fiscal year have been concentrated in the first quarter (April-June) and consequently a decrease in sales and profits is expected in the second quarter (July-September) compared with the same period last year. However, BA business results are expected to remain firm thanks to a favorable outlook for domestic construction investment.

AA Business

The steady conversion into sales of order backlogs in the first quarter (April-June) produced good results for the AA business, but it is expected that uncertainty regarding the future of the world economy will lead to sluggish capital investment demand in Japan and abroad, and that appreciation of the yen will have an impact.

LA Business

A steady improvement in profits is expected to result from the progress of business structure reforms and a reduction in goodwill amortization expenses.

[Billions of yen]

	This year			Previous fiscal year (B)	Difference	
	1st half	2nd half	Full year (A)		(A) - (B)	% Change
Net sales	115.5	144.5	260.0	256.8	3.1	1.2
[Amortization of goodwill]	[0.0]	[0.0]	[0.0]	[0.6]	[(0.6)]	
Operating income	3.8	15.2	19.0	17.1	1.8	10.9
%	3.3	10.5	7.3	6.7	0.6P	
Ordinary income	3.6	14.9	18.5	16.6	1.8	11.3
Net income attributable to owners of parent	2.0	9.5	11.5	8.2	3.2	39.1
%	1.7	6.6	4.4	3.2	1.2P	

2. Financial Plan for the Fiscal Year Ending March 31, 2017



Segment Information

[Billions of yen]

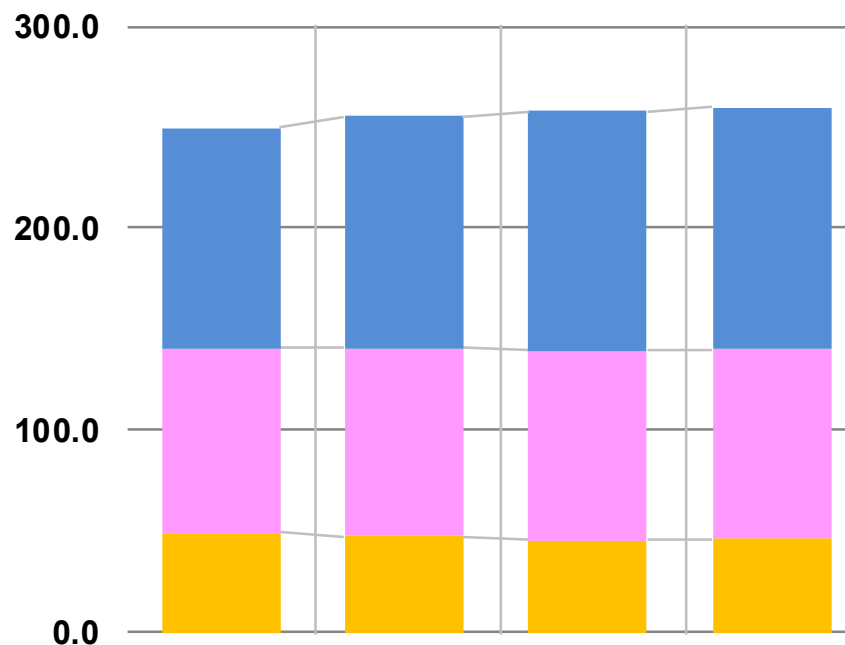
	This year			Previous fiscal year (B)	Difference		
	1st half	2nd half	Full year (A)		(A) - (B)	% Change	
■ B A Sales	47.0	73.0	120.0	118.8	1.1	1.0	
	[Amortization of goodwill]	[-]	[-]	[-]	[-]		
	Segment profit	1.7	11.3	13.0	12.0	0.9	8.2
	%	3.6	15.5	10.8	10.1	0.7P	
■ A A Sales	46.0	48.0	94.0	93.5	0.4	0.5	
	[Amortization of goodwill]	[0.0]	[0.0]	[0.0]	[0.1]	[(0.1)]	
	Segment profit	1.4	2.9	4.3	5.0	(0.7)	(14.5)
	%	3.0	6.0	4.6	5.4	(0.8P)	
■ L A Sales	22.5	23.5	46.0	45.6	0.3	0.8	
	[Amortization of goodwill]	[-]	[-]	[0.5]	[(0.5)]		
	Segment profit	0.7	1.0	1.7	0.0	1.6	—
	%	3.1	4.3	3.7	0.2	3.5P	
Consolidated	Net sales	115.5	144.5	260.0	256.8	3.1	1.2
	[Amortization of goodwill]	[0.0]	[0.0]	[0.0]	[0.6]	[(0.6)]	
	Operating income	3.8	15.2	19.0	17.1	1.8	10.9
	%	3.3	10.5	7.3	6.7	0.6P	

2. Financial Plan for the Fiscal Year Ending March 31, 2017

[Reference] Sales by Segment



[Billions of yen]



	FY2013	FY2014	FY2015	FY2016 (Plan)
■ B A	109.5	114.3	118.8	120.0
■ A A	90.8	93.6	93.5	94.0
■ L A	49.5	* 47.3	45.6	46.0
Consolidated	248.4	254.4	256.8	260.0

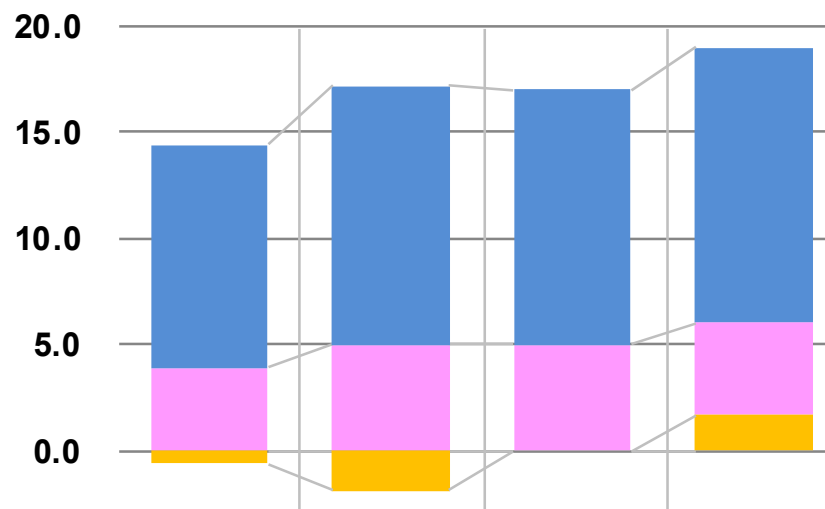
* In the fourth quarter of the fiscal year ended March 31, 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

2. Financial Plan for the Fiscal Year Ending March 31, 2017



[Reference] Segment Profit (Operating Income)

[Billions of yen]



	FY2013	FY2014	FY2015	FY2016 (Plan)
■ B A	10.5	12.2	12.0	13.0
■ A A	3.9	5.0	5.0	4.3
■ L A	(0.6)	* (1.9)	0.0	1.7
Consolidated	13.9	15.3	17.1	19.0

* In the fourth quarter of the fiscal year ended March 31, 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

3. Return to Shareholders

→ No revision from the recent announcement

3. Return to Shareholders Dividend Plan



Dividend plan for the fiscal year ending March 2017

→No change from the initial plan

Annual dividend: 74 yen per share

(Ordinary dividend raised by 2 yen, additional commemorative dividend of 5 yen)

[Basic policy]

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

For FY2016 our intention is to increase the distribution of profits to our shareholders by raising the dividend level; we therefore plan to raise the ordinary dividend by 2 yen per share. Also, to mark the 110th anniversary of our founding and the 10th anniversary of our new name, “azbil”, we plan to issue a commemorative dividend of 5 yen per share.

- Dividends for the year ending March 2017 (interim/year-end) are planned as follows.

	FY2015		FY2016	
	Interim	Year-end	Interim	Year-end
Dividend per share [Yen]	33.5	33.5	37.0 (Plan)	37.0 (Plan)
Payout ratio	59.4%		47.1%	
Dividend on equity (DOE)	3.1%		3.4%	

(Reference) Dividends yield: 2.5% (as of June 30, 2016)

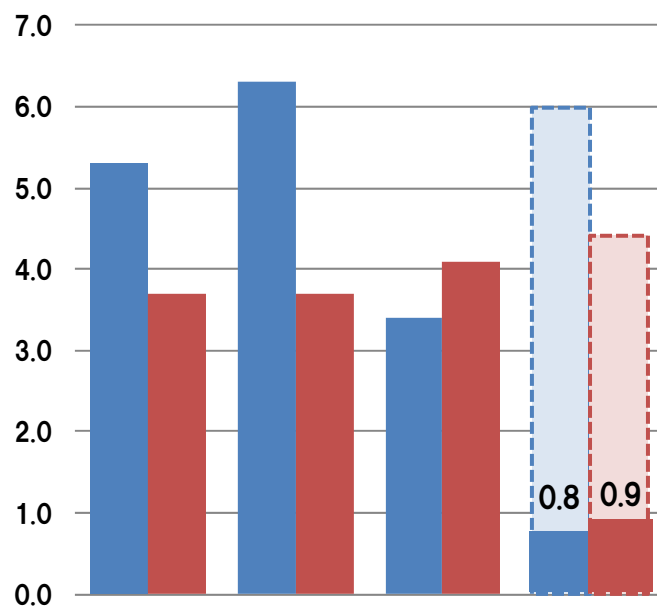
Relevant Information

Capital Expenditure, Depreciation and R&D Expenses



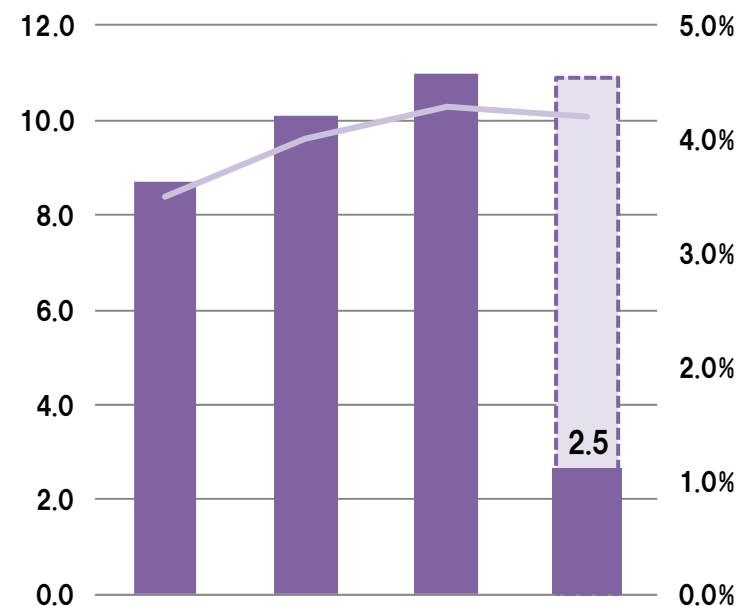
[Billions of yen]

■ Capital Expenditure, Depreciation



	FY2013	FY2014	FY2015	FY2016 (Plan)
■ Capital Expenditure	5.3	6.3	3.4	6.0
■ Depreciation	3.7	3.7	4.1	4.4

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



	FY2013	FY2014	FY2015	FY2016 (Plan)
■ R&D Expenses	8.7	10.1	11.0	10.9
— R&D Expenses/Net Sales	3.5%	4.0%	4.3%	4.2%


* 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.

* The plan for the fiscal year ending Mar. 2017 includes investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center.



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.
