Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials

For the Fiscal Year Ended March 31, 2017 (Japanese GAAP)

<Contents>

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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:

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

3. 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.

4. The following company is no longer included in consolidated financial results:

Beijing YTYH Intelli-Technology Co., Ltd.:	All shares in Beijing YTYH Intelli-Technology Co., Ltd. have been transferred and the company was excluded from the scope of consolidation at the end of the third quarter of the current consolidated accounting period.

1. Financial Results for the FY2016 (Ended March 31, 2017)

Consolidated Financial Results

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- **Orders received** The business environment was largely unchanged; however, because a revision had been made in the previous fiscal year to the way multi-year contracts are recorded, leading to a transient jump in the amount of orders received that year, and because orders received for large-scale projects had been recorded last year, overall orders received fell compared to the previous fiscal year. Another major factor was a decrease in overseas orders received owing to exchange rates and a business reassessment.
- **Net sales** AA business sales grew owing to an improvement in market conditions and measures taken to secure sales performance, but sales for the BA business and LA business decreased, mainly due to overseas business structure reforms and the negative impact of exchange rates, and they fell short of last year's results and the business plan.
- **Profits** Operating income significantly exceeded the previous fiscal year's results and also exceeded the plan, reflecting not only an improved profit structure and the success of business structure reforms but also a reduction in amortization of goodwill. Net income attributable to owners of parent was the highest ever recorded.

[Billions of yen]

	Current fiscal year	Plan	Difference		Previous fiscal year	Difference	
		(11/2/2016)					
	(A)	(B)	(A) - (B)	% Change	(C)	(A) - (C)	% Change
Orders received	252.3				273.6	(21.2)	*(7.8)*
Net sales	254.8	260.0	(5.1)	*(2.0)*	256.8	(2.0)	*(0.8)*
Japan	211.4				207.8	3.5	*1.7*
Overseas	43.3				48.9	(5.6)	*(11.5)*
Gross profit	91.4				91.0	0.4	*0.4*
%	*35.9*				*35.5*	*0.4P*	
SG & A	71.3				73.9	(2.6)	*(3.5)*
[include amortization of goodwill]	[0.0]	[0.0]	[-]		[0.6]	[(0.6)]	
Operating income	20.1	19.0	1.1	*6.0*	17.1	3.0	*17.6*
%	*7.9*	*7.3*	*0.6P*		*6.7*	*1.2P*	
Ordinary income	20.4	18.0	2.4	*13.8*	16.6	3.8	*23.1*
Income before income taxes	18.6				13.1	5.4	*41.6*
Net income attributable to owners of parent	13.1	11.5	1.6	*14.4*	8.2	4.8	*59.1*
%	*5.2*	*4.4*	*0.7P*		*3.2*	*1.9P*	

1. Financial Results for the FY2016 (Ended March 31, 2017)

Segment Information - ■ BA Business

- The domestic business environment remained robust, but orders received were negatively impacted by the recording of a lump sum due to the revision*1 made in the previous fiscal year to the way multi-year contracts are recorded, which led to a transient spike in orders received, and because there had also been orders received for large-scale projects last year. Domestic orders received were further impacted by a temporary dip in new building projects and by order-taking to prioritize profitability. Overseas orders received were also down because of the higher yen and business reassessments.*2 Overall orders received were thus lower than the previous fiscal year.
- Service sales increased and in the market for existing buildings sales continued at a high level, but there was a drop in sales in the market for new buildings and also in overseas sales as a result of exchange rates and a business reassessment.*2 Overall sales were thus lower than the previous fiscal year, and also lower than the plan.
- Turning to segment profits, while the profitable service market did see increased sales, this was offset by the impact of assigning additional staff to reinforce structures for ensuring on-site job processing capabilities. Segment profit was thus lower than the previous fiscal year and it was also lower than the plan because of the costs associated with enhancing job processing capabilities and a slight fall in sales in the market for existing buildings.

[Billions of yen]

	Current fiscal year (A)	Plan (11/2/2016) (B)	Difference (A) - (B)	Difference % Change	Previous fiscal year (C)	Difference (A) - (C)	Difference % Change
Orders received	117.6				133.8	(16.2)	*(12.1)*
Sales	116.4	120.0	(3.5)	*(3.0)*	118.8	(2.4)	*(2.0)*
Segment profit	11.5	12.5	(0.9)	*(7.9)*	12.0	(0.5)	*(4.2)*
%	*9.9*	*10.4*	*(0.5P)*		*10.1*	*(0.2P)*	

(Reference) Amortization of goodwill	-	-	-		-	-	

*1 In the fiscal year ended March 31, 2016 , a revision was made to the way domestic orders received for multi-year contracts are recorded. This revision led to a transient jump in the value of orders received for multi-year contracts recorded in the fiscal year ended March 31, 2016. (Owing to the existence of previous multi-year contracts in the fiscal year ended March 31, 2015 and earlier, this revision resulted in the recording of a lump sum of approx. 4 billion yen in the fiscal year ended March 31, 2016.)

*2 Considering the changing BA business environment in China, a reassessment of our business in that country was conducted. As a result, all shares in one Chinese subsidiary were transferred, and it was removed from the scope of consolidation, thus leading to a fall in orders received and sales. The impact was especially large on the figure for orders received owing to the elimination of the subsidiary's order backlog.

Segment Information - ■ AA Business

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- Orders received benefitted from a market recovery starting from the third quarter, and from sales promotion activities – focused on selected targets in Japan and abroad – carried out by the three sub-segments.* As a result, orders received actually increased if the impact of exchange rates is excluded.
- Despite the negative impact on overseas sales of exchange rate fluctuations, growth was achieved in domestic and foreign markets related to semiconductor manufacturing equipment. Further support was provided by the sales promotion activities that were actively implemented for targeted products and regions. Overall sales thus grew compared to the previous fiscal year and also exceeded the plan.
- Thanks to domestic sales growth and initiatives aimed at improving the profit structure, the negative impact of exchange rate fluctuations was more than offset and, as a result, segment profit significantly exceeded both the previous fiscal year's results and the plan.

[Billions of yen]

	Current fiscal year (A)	Plan (11/2/2016) (B)	Difference (A) - (B)	Difference *% Change*	Previous fiscal year (C)	Difference (A) - (C)	Difference *% Change*
Orders received	93.7				94.8	(1.1)	*(1.2)*
Sales	95.4	94.0	1.4	*1.6*	93.5	1.9	*2.1*
Segment profit	7.2	5.0	2.2	*44.1*	5.0	2.1	*43.3*
%	*7.5*	*5.3*	*2.2P*		*5.4*	*2.2P*	

(Reference) Amortization of goodwill	0.0	0.0	-		0.1	(0.1)	

* **CP business :** Control Products business (component business handling digital instrumentation equipment, micro-switches, sensors, combustion control devices, etc.)
IAP business : Industrial Automation Products business (component business handling industrial instruments, transmitters, control valves, etc.)
SS business : Solution & Service business (control systems and service/maintenance business)

Segment Information - ■ LA Business

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- Although orders received were up for the gas/water meters as well as residential central air-conditioning systems fields, overall orders received were down. This was because large-scale projects had been recorded in the previous fiscal year and because of the negative impact of exchange rates and reforms of the cleanroom business*, etc. in the Life Science Engineering (LSE) field.
- Although sales were up for the gas/water meters and residential central air-conditioning systems fields, overall sales were lower than the previous fiscal year, owing to the decrease in LSE field sales due to the abovementioned business reforms and the negative impact of exchange rates. Overall sales were also lower than the plan, mainly due to the drop in LSE field sales.
- As regards segment profits, the gas/water meter field was on a par with the previous year, but reflecting the progress of business structure reforms segment profits were up for the LSE and residential central air-conditioning systems fields. This, plus a reduction in amortization of goodwill, meant that segment profit was significantly higher than the previous fiscal year, and generally in line with the plan.

[Billions of yen]

	Current fiscal year (A)	Plan (11/2/2016) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Orders received	42.0				45.7	(3.7)	*(8.1)*
Sales	44.1	46.0	(1.8)	*(4.1)*	45.6	(1.5)	*(3.4)*
Segment profit	1.4	1.5	(0.0)	*(5.3)*	0.0	1.3	-
%	*3.2*	*3.3*	*(0.0P)*		*0.2*	*3.0P*	

(Reference) Amortization of goodwill	-	-	-		0.5	(0.5)	

* As part of the business structure reforms in the LSE field, in addition to Azbil Telstar itself, from the fiscal year ended March 31, 2017, significant reforms were made mainly in the cleanroom businesses of its Dutch and Brazilian affiliated subsidiaries.

Consolidated Financial Position

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■ **Assets** Total assets increased by 4.1 billion yen compared to the end of the previous fiscal year despite decreases in notes and accounts receivable-trade and inventories. This was due to increases in cash and deposits as well as in held-for-trading securities.

■ **Liabilities** Total liabilities decreased by 4.5 billion yen compared to the end of the previous fiscal year owing to a decrease in notes and accounts payable-trade.

■ **Net assets** Despite payment of dividends, due to the recording of net income attributable to owners of parent in the current period, net assets grew overall by 8.7 billion yen compared to the end of the previous fiscal year.

[Billions of yen]

	As of Mar. 31, 2017 (A)	As of Mar. 31, 2016 (B)	Difference (A) - (B)
Current assets	**204.1**	**200.8**	**3.2**
Cash and deposits	53.9	48.2	5.7
Notes and accounts receivable-trade	88.5	91.7	(3.2)
Inventories	22.1	24.1	(1.9)
Others	39.4	36.6	2.7
Non-current assets	**59.2**	**58.3**	**0.9**
Property, plant and equipment	23.2	24.3	(1.1)
Intangible assets	5.3	5.6	(0.2)
Investments and other assets	30.5	28.2	2.3
Total assets	**263.3**	**259.1**	**4.1**

	As of Mar. 31, 2017 (A)	As of Mar. 31, 2016 (B)	Difference (A) - (B)
Liabilities	**97.5**	**102.1**	**(4.5)**
Current liabilities	**84.0**	**88.9**	**(4.8)**
Notes and accounts payable-trade	40.4	45.5	(5.1)
Short-term loans and bonds	10.6	12.0	(1.3)
Others	32.9	31.3	1.5
Non-current liabilities	**13.4**	**13.2**	**0.2**
Long-term loans and bonds	0.5	0.6	(0.1)
Others	12.9	12.6	0.3
Net assets	**165.7**	**156.9**	**8.7**
Shareholders' equity	**154.6**	**146.6**	**7.9**
Capital stock	10.5	10.5	-
Capital surplus	12.3	12.3	0.0
Retained earnings	136.4	128.4	7.9
Treasury shares	(4.6)	(4.6)	(0.0)
Accumulated other comprehensive income	**9.1**	**8.3**	**0.8**
Non-controlling interests	**1.9**	**1.9**	**(0.0)**
Total liabilities and net assets	**263.3**	**259.1**	**4.1**

（Reference）Shareholders' equity ratio: 62.2%(as of Mar. 31, 2017), 59.8%(as of Mar. 31, 2016)

Consolidated Cash Flows

- Cash flows from operating activities increased mainly due to a rise in income before income taxes. Cash flows from investing activities decreased due to an increase in disbursements on the purchase of held-for-trading securities and payments into time deposits. Free cash flow decreased by 4.4 billion yen compared to the previous fiscal year.
- Cash flows from financing activities increased by 4.0 billion yen compared to the previous fiscal year owing to a decrease in expenditure resulting from purchase of treasury shares and repayments of loans payable.

[Billions of yen]

	Current fiscal year (A)	Previous fiscal year (B)	Difference (A) - (B)	Difference %
Cash flows from operating activities	19.9	11.0	8.8	*80.2*
Cash flows from investing activities	(9.0)	4.2	(13.3)	-
Free cash flow (FCF)	10.8	15.3	(4.4)	*(29.0)*
Cash flows from financing activities	(6.4)	(10.5)	4.0	-
Effect of exchange rate change on cash and cash equivalents	(0.5)	(0.7)	0.2	-
Net increase in cash and cash equivalents	3.8	4.0	(0.1)	*(3.4)*
Cash and cash equivalents at beginning of period	55.9	51.9	4.0	*7.8*
Cash and cash equivalents at end of period	59.8	55.9	3.8	*7.0*

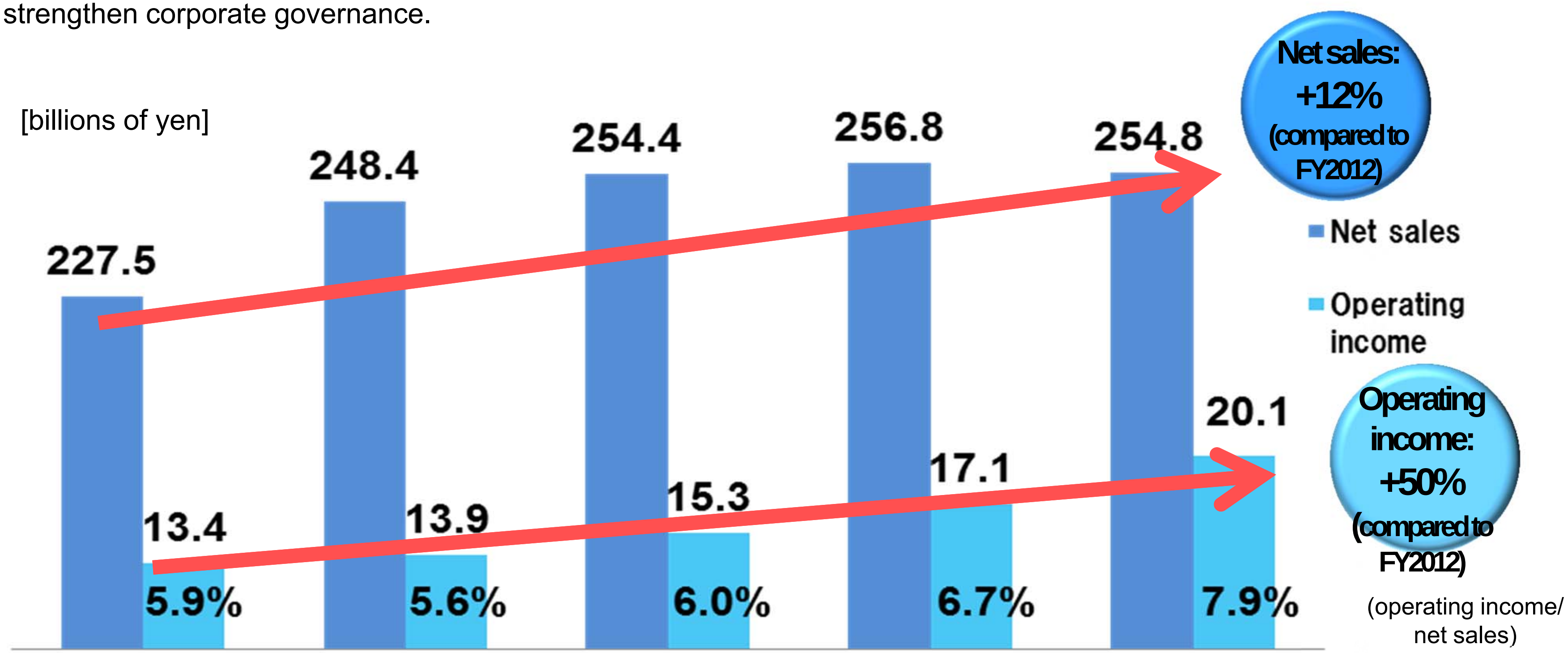
(Reference)

Capital expenditure	4.1	3.4	0.7	*21.9*
Depreciation	4.0	4.1	(0.0)	*(1.7)*

2. Review of Medium-term Plan (FY2013-2016)

Business performance Trends

- In the medium-term plan (FY2013–FY2016), we have pursued business development in line with the three key initiatives based on the corporate philosophy of "human-centered automation". In adjusting to changing market conditions and reviewing our business portfolio, we have not achieved our initial goals,[*1] but business performance has steadily improved: operating income has increased over 4 consecutive periods, and ROE has risen to 8.3%. (FY2012: 6.1% → FY2016: 8.3%)
- Overseas sales ratio were less than 20% of the goal of the initial plan, but nevertheless they still doubled. ➢ Refer to page 17
- Measures have been implemented to further enhance business performance, to increase the return to shareholders, and to strengthen corporate governance.



2012	2013	2014	2015	2016	(fiscal year)
63 yen	63 yen	63 yen	67 yen	74 yen*2	(dividends per share)
			600,000 shares		(repurchase of own shares)

*1 Net sales of 280 billion yen, operating income of 22 billion yen (May 2013 plan)

*2 Publication anticipated in May 2016

Measures Implemented and Results Achieved, by Segment

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Through implementing measures in line with the three key initiatives based on the corporate philosophy of "human-centered automation", we have achieved increased sales and profits in each segment.

BA business

- Strengthened the foundation of the domestic BA business, including human resources (to meet demand for redevelopment centered in the Tokyo metropolitan area and for the Tokyo 2020 Olympics; reinforced capability to offer refurbishment proposals for existing buildings).
- Strengthened the energy management business (to counter a post-Olympic drop in demand).
- Put greater weight on local performance, and implemented lifecycle business development in our overseas business (to establish a profit-creation model).

FY2016

Sales **116.4** billion yen (+8.4%)

Segment profit **11.5** billion yen (+13.4%)

FY2012

Sales **107.4** billion yen

Segment profit **10.1** billion yen

AA business

- Built business development systems for each sub-segment.
- Shifted to growth fields, strengthening the business structure, and implementing a high value-added business in mature fields.
- Strengthened product development capabilities.
- Strengthened overseas business infrastructure (development, production, sales, service).

FY2016

Sales **95.4** billion yen (+8.9%)

Segment profit **7.2** billion yen (+97.6%)

FY2012

Sales **87.6** billion yen

Segment profit **3.6** billion yen

LA business

- Upgraded the foundation of the Azbil Kimmon business (rationalization of production facilities in Japan, new products).
- Implemented business structure reforms for Azbil Telstar (business restructuring, reorganizing subsidiaries).
- Implemented business structure reforms in the residential central air-conditioning field (strengthening the profit structure).
- Transferred all shares in Azbil Care & Support Co., Ltd.

FY2016

Sales **44.1** billion yen (+29.8%)

Segment profit **1.4** billion yen (–)

FY2012

Sales **33.9** billion yen

Segment profit **(0.3)** billion yen

3 Key Initiatives

- Becoming 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, with global expansion by moving into new regions and making a qualitative change of focus
- Becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure

Progress with Strengthening the Business Foundation

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Steady progress was achieved with the introduction of systems that comprise the business foundation, upgrading equipment and other infrastructure, and the training/reassignment of human resources.

Business segment

BA business	AA business	LA business

Redeployment of personnel within the Group (promoting greater efficiency in mature fields and shifting into growth fields)

Group-wide functions

Upgrading/Establishing the global service infrastructure and system including remote maintenance, strengthening local development capabilities for global customers, optimizing the global production system

- Establishing a technical development center in North America (Azbil North America R&D)
- Starting to upgrade R&D resources at Fujisawa Technology Center
- Upgrading overseas production facilities, including new factory in Thailand (Azbil Production (Thailand), Azbil Control Instruments (Dalian))
- Starting to integrate Shonan and Isehara factories
- Upgrading remote service & IT foundation
- Production facilities in Saudi Arabia and upgrading regional maintenance centers

Group management

- Launch of Group-wide core information system (Phase 1: beginning May 2015); expansion to domestic & overseas subsidiaries initiated
- Moving to a defined contribution pension plan (started in June 2015)
- Decision made to adopt Employee Stock Ownership Plan
- Promotion of work-style reform initiatives
- Promotion of optimal personnel deployment within Japan and overseas, and enhancement of human resource development programs
- Strengthening of global governance and compliance

Orders Received by Segment

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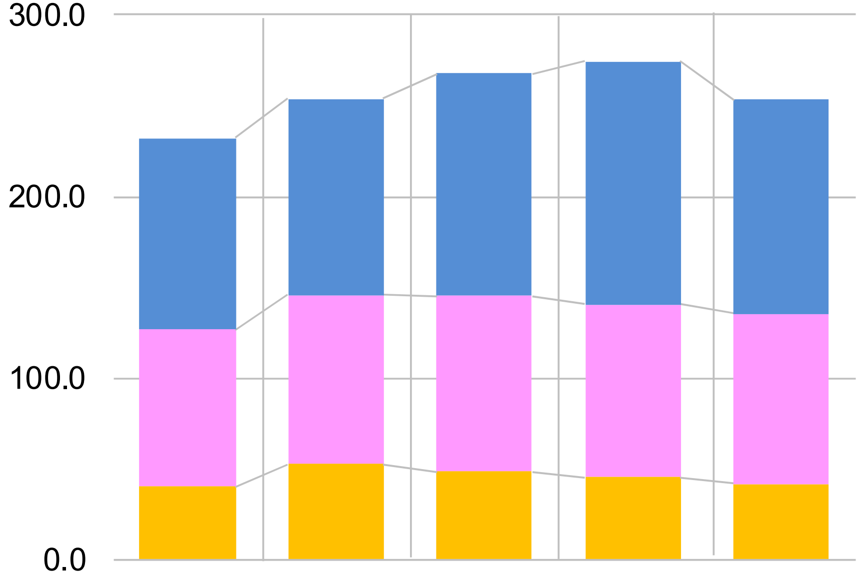
[Billions of yen]



	FY2012	FY2013	FY2014	FY2015	**FY2016**
B A	105.7	108.4	122.3[*1]	133.8[*4]	**117.6**[*5]
A A	86.6	93.1	97.0	94.8	**93.7**
L A	40.1[*2]	52.6	48.4[*3]	45.7	**42.0**[*5]
Consolidated	231.1	252.4	266.9	273.6	**252.3**

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

*2 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a consolidated subsidiary. Simultaneously, its order backlog at the time of consolidation is recorded under orders received.

*3 In the fourth quarter of the fiscal year ended Mar. 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 SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended Mar. 2015.

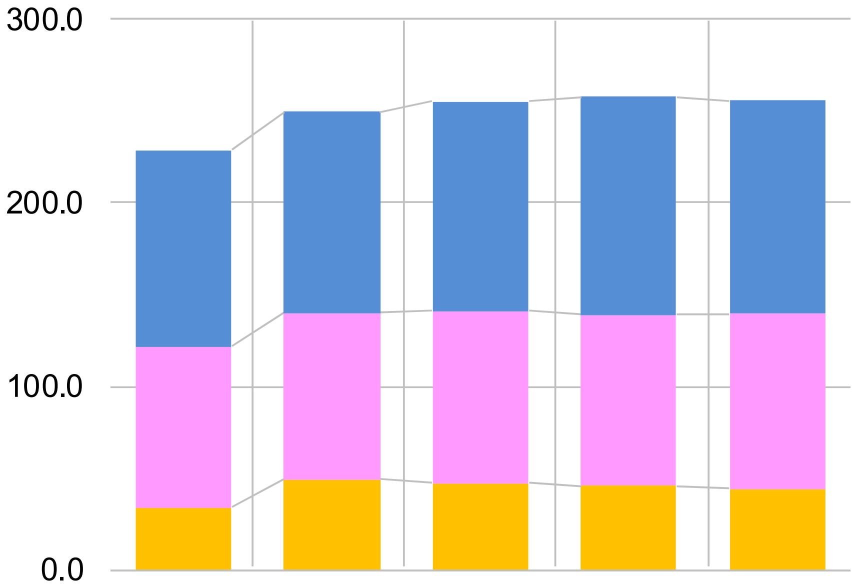
*4 A review was implemented of the way multi-year contracts in the domestic market are recorded. This resulted in a transient spike in the value of orders received for multi-year contracts recorded for the fiscal year ended Mar. 2016. (This review led to approximately 4 billion yen being added to the results for the fiscal year ended Mar. 2016 because of existing contracts for the fiscal year ended Mar. 2015 and earlier.)

*5 As a result of a reassessment of the overseas businesses, orders received fell for both BA and LA businesses.

2. Review of Medium-term Plan (FY2013-FY2016)

Sales by Segment

[Billions of yen]



	FY2012	FY2013	FY2014	FY2015	FY2016
BA	107.4	109.5	114.3	118.8	**116.4**
AA	87.6	90.8	93.6	93.5	**95.4**
LA	33.9	49.5*1	47.3*2	45.6	**44.1**
Consolidated	227.5	248.4	254.4	256.8	**254.8**

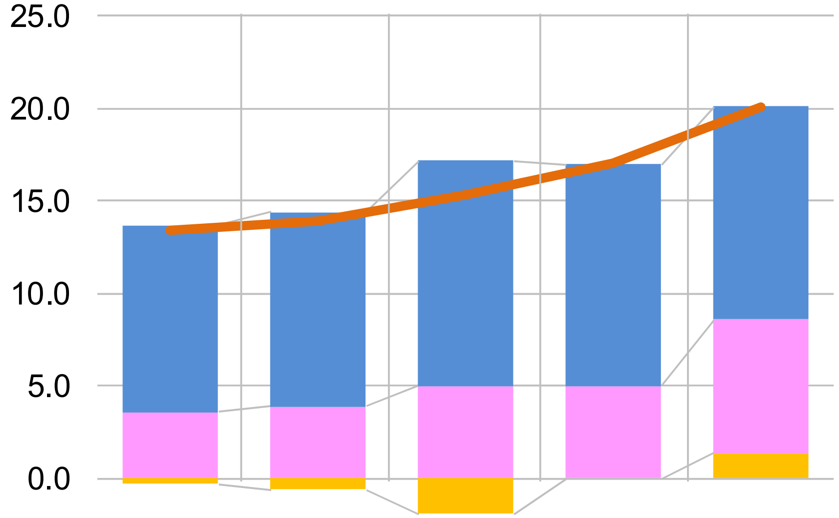
*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

*2 In the fourth quarter of the fiscal year ended Mar. 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 SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended Mar. 2015.

2. Review of Medium-term Plan (FY2013-FY2016)

Segment Profit (Operating Income)

[Billions of yen]



	FY2012	FY2013	FY2014	FY2015	**FY2016**
B A	10.1	10.5	12.2	12.0	**11.5**
A A	3.6	3.9	5.0	5.0	**7.2**
L A	(0.3)	(0.6)*1	(1.9)*2	0.0	**1.4**
Consolidated	13.4	13.9	15.3	17.1	**20.1**

*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 fiscal year ended Mar. 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 SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended Mar. 2015.

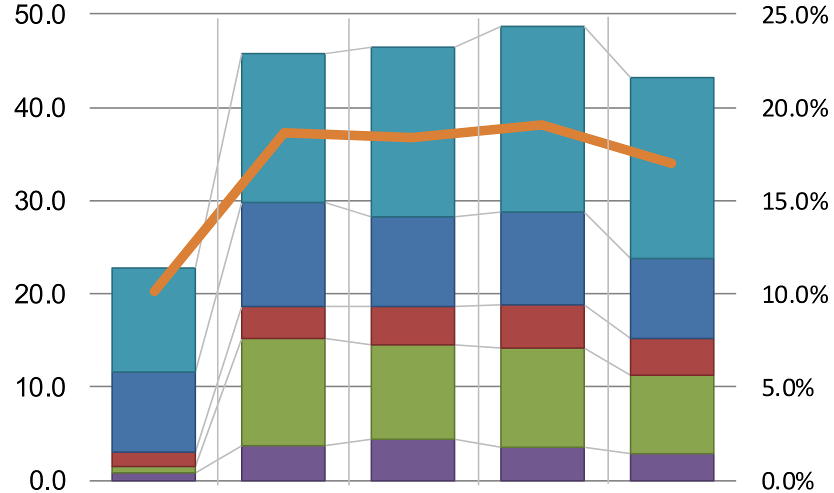
Overseas Sales by Region

Overseas sales fell short of the planned medium-term goal (published in May 2013), which was set at 20% of total sales, owing to a slowdown in the economic growth of emerging nations, the impact of business reassessment, and exchange rate fluctuations; however, progress was achieved with improved profitability, clarification of regional strategies, new product launches, and reinforcement of the service system, etc.

Comparison with FY2012 (the fiscal year preceding the start of the medium-term plan)

- There was steady growth in the Asian region and, with the addition of a newly consolidated subsidiary (LA business, LSE field), sales doubled.
- In China, capital investment was sluggish due to slowing economic growth; with the added impact of a business reassessment, sales were unchanged.
- In North America, sales grew with AA business solutions targeting equipment manufacturers.
- In Europe, with the addition of a newly consolidated subsidiary (LA business, LSE field), sales increased.

[Billions of yen]



	FY2012	FY2013	FY2014	FY2015	FY2016
Asia	11.1	16.0	18.3	20.0	**19.5**
China	8.6	11.2	9.6	9.9	**8.5**
North America	1.5	3.4	4.1	4.7	**3.9**
Europe	0.8	11.5	10.2	10.6	**8.4**
Others	0.7	3.7	4.3	3.5	**2.9**
Consolidated	22.9	46.1	46.7	48.9	**43.3**

[Reference information]

Overseas sales/ Net sales	10.1%	18.6%	18.4%	19.1%	**17.0%**
Average exchange rate - USD/JPY	79.81	97.73	105.79	121.11	**108.81**
Average exchange rate - EUR/JPY	102.56	129.78	140.35	134.31	**120.30**

* 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.
* 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. Review of Medium-term Plan (FY2013-FY2016)
Strengthening Corporate Governance and Promoting Return to Shareholders

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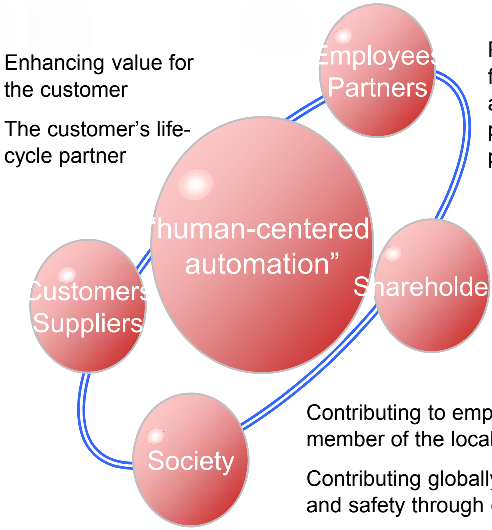
Corporate governance and CSR management in the azbil Group

- Establishment and implementation of an effective governance system that complies with the Corporate Governance Code
- Establishment of internal controls and a culture of thorough compliance; comprehensive risk management backed by the firm trust of society
- Actively reducing CO_2 emissions and conserving resources in our own activities and operations; meeting society's expectations through a proactive social action program, and contributing to global environmental preservation



	FY2006 ～	FY2013	FY2014	FY2015	FY2016
Corporate philosophy	2006: "human-centered automation" adopted as the Group philosophy				
Progress with governance	2000: Introduction of executive director system				Corporate governance guidelines established Evaluation of the effectiveness of the Board of Directors started
	2007: Remuneration Meeting reorganized as the Nomination and Remuneration Meeting				Reorganized as the Nomination and Remuneration Committee (more than 50% of members are outside directors)
(outside directors)	2007: 1 director; 2010: 2 directors		Increased to 3 directors		Criteria established for assessing the independence of the outside directors
(outside auditors)	2011: Increased to 3 auditors				
					Guidelines established for policy-based holdings of shares
Engagement promotion	2007: Unified report format adopted for the Annual Report		IR Dept. established (exclusively for investor relations)		Director in charge of corporate communications appointed (system for promoting constructive engagement enhanced)
Shareholder returns (dividends per share)	2006: 50 yen ⇒ 2007: 60 yen ⇒ 2008: 62 yen ⇒ 2010: 63 yen	63 yen	63 yen	67 yen	74 yen (publication anticipated in May 2016)
(repurchase of own shares)	2008: 1,000,000 shares repurchased			600,000 shares repurchased	
CSR management (risk management)	2006: CSR Promotion Committee set up for the entire Group 2007: Risk management system established				Risk management upgraded to comprehensive risk management system

3. New Medium-term Plan (FY2017-FY2019)

Policies & Goals

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A New Medium-term Plan (FY2017-FY2019) has been drawn up to promote corporate operations based on the philosophy of “human-centered automation”, and as a second step toward achieving our long-term goals (FY2021).

- Corporate operations based on the three key initiatives have successfully resulted in customers adopting our products in growth fields, the development of a lifecycle-based business, and the upgrading of systems, etc. We will strive to continue to implement the key initiatives and, by further incorporating them into our operations, we will pursue business development in the automation field, unique to azbil.
- As laid out in the new medium-term plan, achievements up to and including FY2016 (business structure reforms, upgrading infrastructure, cultivating growth fields) will be used as a springboard for implementing measures designed to ensure that our FY2019 goals are attained and to realize our long-term goals.
- We will put emphasis on making steady progress with investing and upgrading systems to expand “the life cycle solutions business”, “new automation fields” and “environmental and energy fields” where sustainable growth is anticipated.

Medium-term Plan (FY2013～FY2016)	New Medium-term Plan (FY2017～FY2019)	Long-term targets
FY2016 (financial results)	FY2019 (performance targets)	FY2021
Operating income: 20.1 billion yen	Operating income: 25.0 billion yen	Operating income: 30.0 billion yen or more
Net sales: 254.8 billion yen	Net sales: 270.0 billion yen	Net sales: about 300.0 billion yen
ROE: 8.3%	ROE: 9% or more	ROE: 10% or more

3 Key Initiatives

- Becoming 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, with global expansion by moving into new regions and making a qualitative change of focus
- Becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure

Expanding Business Areas to Secure Sustainable Growth

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Provide solutions throughout the life cycle

Supplying value matched to each stage in the life cycle of a customer's business

- Prepare systems/products in anticipation of emerging needs such as a growing demand for the retrofit of large-scale buildings in Japan and for the provision of advanced plant protection support.
  - Realize greater efficiencies by expanding the use of IT in our engineering, design and other operations in time for the mass retrofit of buildings mainly constructed in the Tokyo metropolitan area at the beginning of this century.
  - Make our service business more advanced and knowledge-intensive to facilitate the transmission of skilled operators' expertise and to meet the lifecycle needs of a customer's facilities.
  - Develop this business globally.

Develop new automation opportunities

Adapting to transformative structural changes in industry by combining "things" and information

- Draw on our measurement & control technologies and our first-hand on-site knowledge to enhance our factory/building management capabilities with additional technological innovations (to a level approaching that of corporate management) to offer to our customer.
  - Provide solutions for specific issues faced by customers at different stages of business development, ranging from device/equipment measurement & control technologies to operational/management information.
  - Develop products that incorporate new technological innovations (IoT, AI, big data, etc.) and strengthen our business systems with first-hand knowledge of customers' on-site operations.

Focus on environmental and energy issues

Providing solutions to the long-term issues of environmental impact reduction and energy demand restraint

- Expand the Energy Management System (EMS) field, including Demand Response (DR), and provide solutions that leverage the azbil Group's comprehensive coverage extending from energy production/supply to the user.
  - Strengthen products & services that involve BA/AA/LA businesses in the EMS field.
  - Expand overseas energy management services that utilize IT infrastructure.

Aiming to expand these business areas, we will actively engage in R&D, capital investment, and in the building of partnerships with companies in Japan and abroad (including M&A).

Strategy Details

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	FY2016			FY2019		
Consolidated financial plan	Net sales	254.8 billion yen	→	Net sales	270.0 billion yen	(+6.0%)
	Operating income	20.1 billion yen	→	Operating income	25.0 billion yen	(+24.1%)

We will implement measures tailored to the business environment of each segment while conducting continual reviews of our business portfolio to strengthen the Group's profit-earning capacity, reinforcing the business foundation (promoting the creation of optimized procurement & production systems and innovation in production processes), allotting resources to facilitate growth, and investing (to adjust to technological innovations, and to develop human resources).

BA Building Automation

Forming stronger relationships with the customers, in Japan and abroad, that will endure throughout the product/facility lifecycle

- Utilize the systems that were upgraded as part of the previous medium-term plan to realize steady improvement in job processing for new building projects and to offer proposals directed at the growing demand for retrofit of existing buildings after the Tokyo 2020 Olympics.
- Provide engineering/service with higher added-value.
- Establish a solid position in the Asian region by offering energy-saving automation technologies and by building new partnerships.

FY2016			FY2019		
Sales	116.4 billion yen	→	Sales	124.0 billion yen	(+6.5%)
Segment profit	11.5 billion yen	→	Segment profit	13.0 billion yen	(+12.9%)

Strategy Details

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AA Advanced Automation

Creating profit in mature fields and accelerating the shift to growth fields

- Develop and cultivate a strong automation field, unique to azbil, with an integrated business promotion system – from marketing conducted by the three sub-segments (CP, IAP, SS), to development, production, sales and service. Leverage our track record in Japan to intensify overseas sales promotion for products & services.
- Accelerate development of product solutions, including new products, focusing on growth fields.
- Provide engineering/service with higher added-value (energy management, security field, etc.)

	FY2016		FY2019	
Sales	95.4 billion yen	→	100.0 billion yen	(+4.7%)
Segment profit	7.2 billion yen	→	9.5 billion yen	(+31.9%)

LA Life Automation

From profit structure formation to business expansion

- Continue business structure reforms and establish a stable business foundation.
- Create business opportunities in the energy supply markets (electrical power, gas, etc.) in which deregulation is ongoing.
- Develop automation and service businesses for manufacturing equipment in the pharmaceutical markets.

	FY2016		FY2019	
Sales	44.1 billion yen	→	48.0 billion yen	(+8.8%)
Segment profit	1.4 billion yen	→	2.5 billion yen	(+76.0%)

4. Financial Plan for the FY2017 (Ending March 31, 2018)

Consolidated Financial Plan

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Net sales of 261 billion yen, operating income of 22 billion yen – Aiming to achieve continuous profit growth while making steady progress with investments in technological development, etc. and necessary measures.

- Implement measures to expand sales, taking advantage of a robust business environment, and thus achieve increased earnings in all 3 segments.
- Aim to achieve continuous profit growth through increased earnings and initiatives to further improve the profit structure.
- Make steady progress with investments designed to strengthen the development and production system with a view to achieving sustainable growth in FY2019 and beyond as well as our long-term goals (FY2021).

[Billions of yen]

	FY2017 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
Net sales	119.0	142.0	261.0	254.8	6.1	*2.4*
[Amortization of goodwill]	[0.0]	[0.0]	[0.0]	[0.0]	[-]	
Operating income	5.8	16.2	22.0	20.1	1.8	*9.2*
%	*4.9*	*11.4*	*8.4*	*7.9*	*0.5P*	
Ordinary income	5.7	15.8	21.5	20.4	1.0	*5.0*
Net income attributable to owners of parent	3.5	10.5	14.0	13.1	0.8	*6.4*
%	*2.9*	*7.4*	*5.4*	*5.2*	*0.2P*	

4. Financial Plan for the FY2017 (Ending March 31, 2018)

Segment Information

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BA Domestically a robust business environment will continue, sales will grow, and system development will lead to improved profits. Overseas too growth is projected, reflecting a recognized track record in local markets and the launch of new products.

AA Against the background of a continuation in anticipated capital investment encouraged by the economic recovery in Japan and overseas, growth is projected to result from sales promotion activities for targeted products and regions.

LA Growth is projected, driven mainly by increased sales of gas meters, for which the demand cycle will be on the upswing.

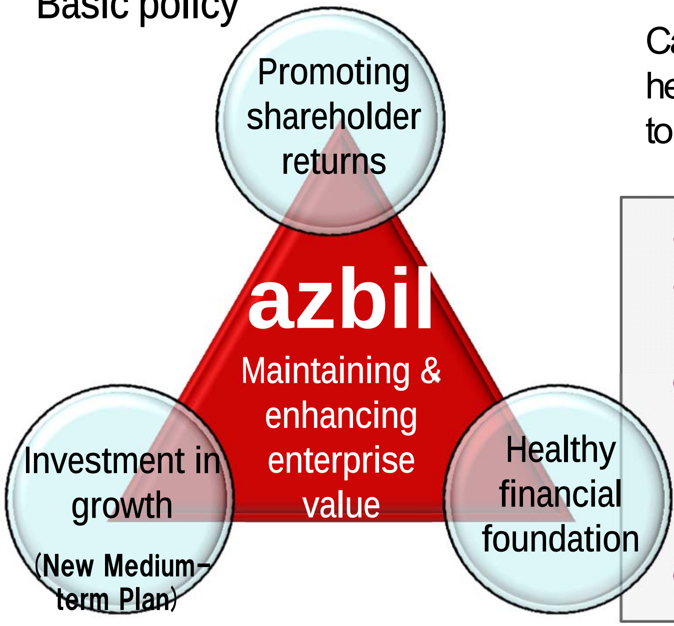
[Billions of yen]

			FY2017 (Plan)			Previous fiscal year	Difference	
			1st half	2nd half	(A)	(B)	(A) - (B)	% Change
B A	Sales		50.0	69.0	119.0	116.4	2.5	2.2
	[Amortization of goodwill]		[-]	[-]	[-]	[-]	[-]	
	Segment profit		1.7	10.3	12.0	11.5	0.4	4.2
		%	3.4	14.9	10.1	9.9	0.2P	
A A	Sales		46.5	50.5	97.0	95.4	1.5	1.6
	[Amortization of goodwill]		[0.0]	[0.0]	[0.0]	[0.0]	[-]	
	Segment profit		3.4	4.9	8.3	7.2	1.0	15.2
		%	7.3	9.7	8.6	7.5	1.0P	
L A	Sales		23.0	23.0	46.0	44.1	1.8	4.3
	[Amortization of goodwill]		[-]	[-]	[-]	[-]	[-]	
	Segment profit		0.7	1.0	1.7	1.4	0.2	19.7
		%	3.0	4.3	3.7	3.2	0.5P	
Consolidated	Net sales		119.0	142.0	261.0	254.8	6.1	2.4
	[Amortization of goodwill]		[0.0]	[0.0]	[0.0]	[0.0]	[-]	
	Operating income		5.8	16.2	22.0	20.1	1.8	9.2
		%	4.9	11.4	8.4	7.9	0.5P	

* In compiling the new medium-term plan (FY2017-FY2019), adjustments were made to the proportion of head office expenses shouldered by each segment based primarily on its business size and number of employees. As a result, the expenses will be allocated more to the BA business and less to the AA business.

5. Returning Profits to Shareholders

Basic policy



Carefully balancing shareholder returns with investment in growth and ensuring a healthy financial foundation, we will develop well-disciplined capital policies and aim to maintain/enhance azbil's enterprise value.

- To treat the return of profits to shareholders as a management priority.
- To return profits to shareholders mainly via dividends, but also to repurchase the company's own shares expeditiously.
- In deciding the level of such returns, to give consideration to consolidated financial results, levels of return on equity (ROE), dividends on equity (DOE), and retained earnings required for future business development and strengthening the business structure.
- To maintain a stable dividend level while at the same time striving to raise it.

Overview of Planned Return to Shareholders

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FY2016 resolution

Close of the previous medium-term plan (FY2013-FY2016)
Steady progress has been observed in business growth and strengthening of the corporate structure, so the following measures have been decided.

- Revision of year-end dividends (increase) 77 yen
- Disposal/cancellation of treasury shares

I. For the Employee Stock Ownership Plan starting in FY2017, 1 million of treasury shares are to be allocated to a third party. (Purpose: to provide employees with an incentive to have the same stakeholder perspective as the other shareholders and raise our enterprise value.)
II. The remainder of treasury shares (865,659 shares) will all be cancelled.

FY2017 plan

Start of new medium-term plan (FY2017-FY2019)
To continue improving the business/corporate structure, shareholder returns and capital efficiency, the following measures are planned.

- Planned FY2017 dividends (increase) 82 yen
- Repurchase of the company’s own shares: 800,000 shares or 3 billion yen (upper limit)

FY2016 resolution: Revision of year-end dividends

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Steady progress has been made with initiatives included in the previous medium-term plan to improve the profit structure. Since it was thus recorded profits that exceeded the plan, the year-end dividends will be increased by 3 yen.

◆Annual dividends per share: 74→77 yen (+10 yen compared to FY2015)

	FY2015	FY2016	
	Results	Initial Plan (published on May 2016)	Revised Plan
Dividends per share (Annual)	67 yen	74 yen →	77 yen
Yearly change	+4 yen	+7 yen	+10 yen the year-end dividends will be increased by 3 yen
Ordinary dividends	67 yen	69 yen	72 yen
Commemorative dividends	—	5 yen	5 yen
Interim	33.5 yen	37 yen	37 yen
Year-end	33.5 yen	37 yen	40 yen
Payout ratio	59.4%		42.9%
Dividends on equity	3.1%		3.5%

（Reference）dividends yield at the end of the current fiscal year (ended March 31, 2017) is 2.1%.

FY2016 resolution: Disposal/cancellation of treasury shares

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Out of the 1,865,659 treasury shares currently held by us, in conjunction with the adoption of Employee Stock Ownership Plan, 1,000,000 treasury shares will be disposed of through allocation to a third party.* Following this, all the remaining 865,659 treasury shares will be cancelled.

Number of treasury shares currently held (as of March 31, 2017)

1.865 million shares

Disposal of treasury shares through allocation to a third party in conjunction with the adoption of Employee Stock Ownership Plan*

1 million shares

Scheduled date of allocation to a third party: May 29, 2017

Cancellation of treasury shares

0.865 million shares

Scheduled date of cancellation: May 31, 2017

* For reference: Disposal of treasury shares through allocation to a third party in conjunction with the adoption of Employee Stock Ownership Plan

- The Employee Stock Ownership Plan (J-ESOP) is a measure for an employee benefit package using treasury shares. Details were announced on May 12, 2017.
- As a result of this disposal of treasury shares to the employees in the form of a stock ownership plan, the employees will have the same stakeholder perspective as the other shareholders. By thus giving the employees' a greater incentive to realize improved corporate financial performance and share value, we aim to raise our enterprise value.
- The disposed treasury shares of the Company (total: 1 million shares) will be acquired by a trust bank that subscribes for them with the money placed in trust. The shares will be gradually paid out to employees on their retirement (when they acquire the right to receive them). This system ensures that these shares will not enter the stock market at one time.

FY2017 plan: Planned FY2017 dividends (increase)

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Taking into consideration the business structure reforms and measures to strengthen the profit structure implemented so far, it is expected that stable and sustainable growth will be achieved under the new medium-term plan. As a result, it is planned to incorporate the commemorative dividends (5 yen) within the ordinary dividends and furthermore to increase it by 5 yen.

◆Annual dividends per share: 82 yen (+ 5 yen compared to FY2016; including the commemorative dividends this will raise the ordinary dividends by 10 yen.)

	FY2015 Results	FY2016 Revised Plan	FY2017 Plan
Dividends per share (Annual)	67 yen	77 yen	82 yen
Yearly change	+4 yen	+10 yen	+5 yen
Ordinary dividends	67 yen	72 yen	82 yen
Commemorative dividends	—	5 yen	—
Interim	33.5 yen	37 yen	41 yen
Year-end	33.5 yen	40 yen	41 yen
Payout ratio	59.4%	42.9%	42.9%
Dividends on equity	3.1%	3.5%	3.6%

FY2017 plan: Repurchase of the company's own shares

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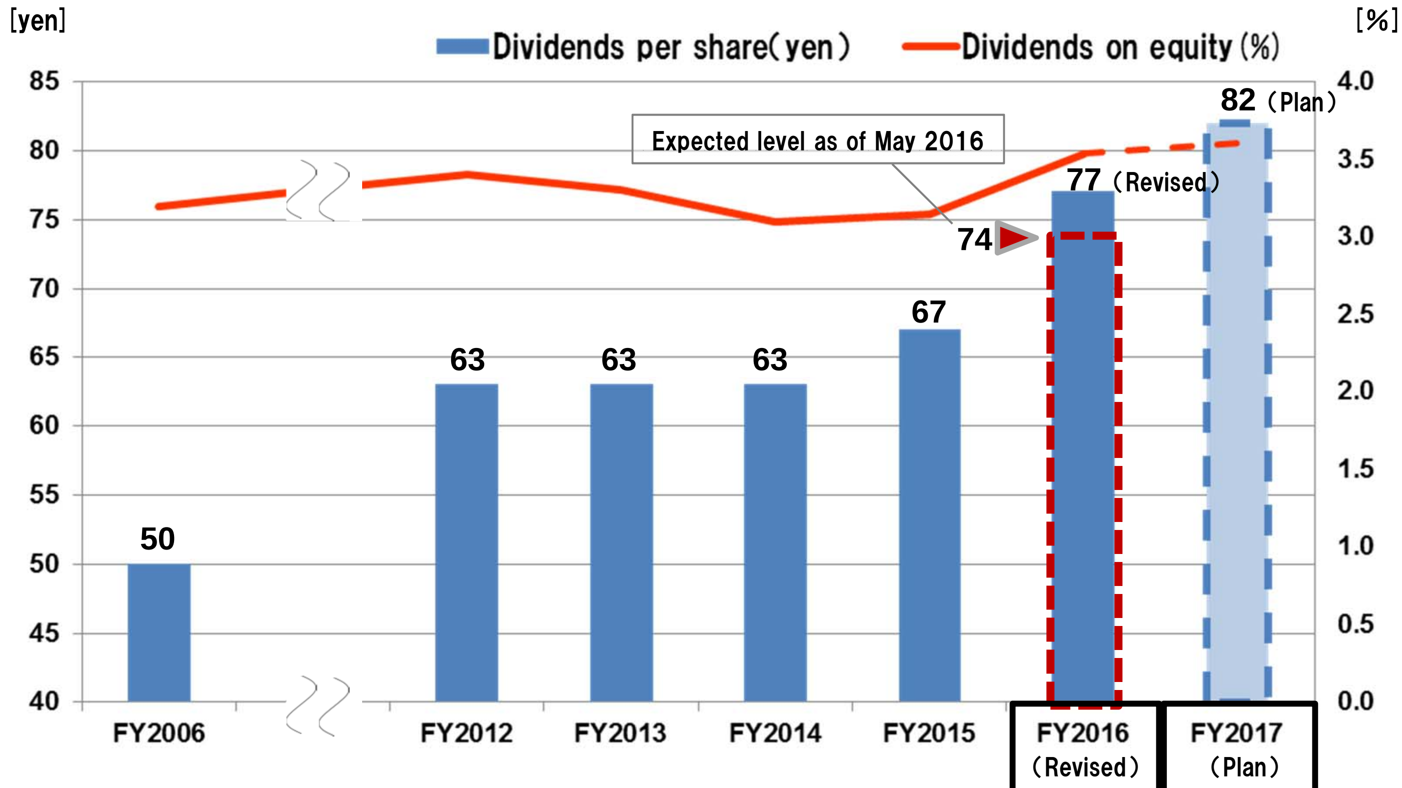
Taking into consideration the outlook for future performance, and striving to improve capital efficiency and further raise the return of profits to our shareholders, we will implement a repurchase of our own shares to enable the development of flexible capital policies responding to the changing in the corporate environment.

- **Type of shares to be repurchased:**
  Common stock of the Company
- **Total number of shares to be repurchased:**
  Up to 800,000 shares
  (1.1% of total number of common stock issued, excluding treasury shares)
- **Total amount of repurchase: Up to 3 billion yen**
- **Period of repurchase:**
  From May 30, 2017 to July 31, 2017
- **Method of repurchase:**
  Purchase in the open market through a trust bank

5. Returning Profits to Shareholders

[Reference] Trends of Return to Shareholders



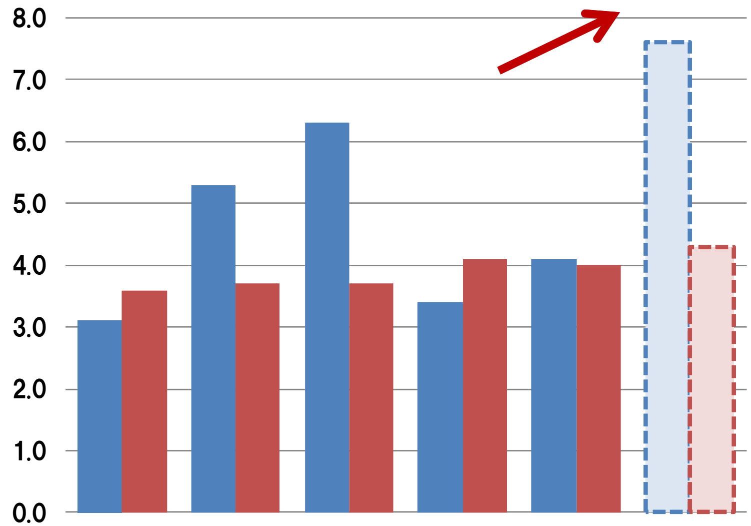
Dividends per share(yen)	50	~	63	63	63	67	77	82
Dividends on equity (%)	3.2	~	3.4	3.3	3.1	3.1	3.5	3.6
Repurchase of own shares (million shares)		~				0.6		0.8

Relevant Information

Relevant Information
Capital Expenditure, Depreciation and R&D Expenses

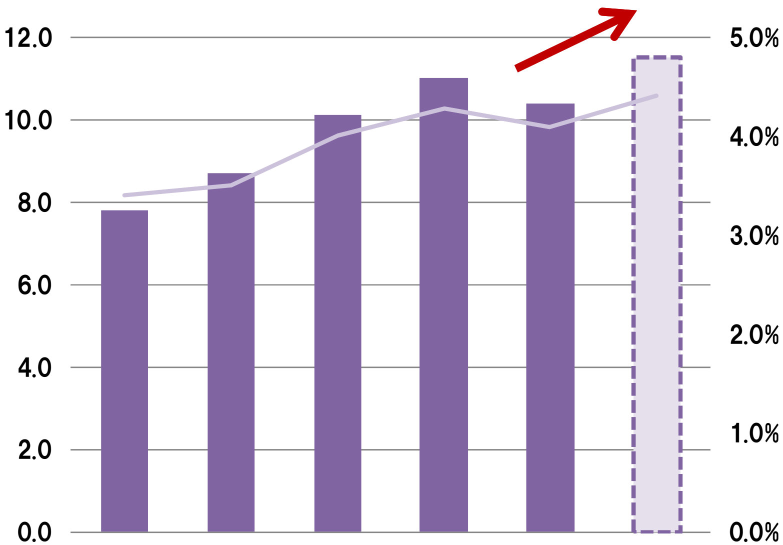
[Billions of yen]

Capital Expenditure, Depreciation



	FY2012 *1	FY2013 *1	FY2014 *1	FY2015	FY2016	FY2017 (Plan) *2
Capital Expenditure	3.1	5.3	6.3	3.4	4.1	**7.6**
Depreciation	3.6	3.7	3.7	4.1	4.0	**4.3**

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



	FY2012	FY2013	FY2014 *3	FY2015 *3	FY2016	FY2017 (Plan) *4
R&D Expenses	7.8	8.7	10.1	11.0	10.4	**11.5**
R&D Expenses/ Net Sales	3.4%	3.5%	4.0%	4.3%	4.1%	**4.4%**

*1 The investment related to upgrading the new core information system, which started operating in May 2015, started in the fiscal year ended Mar. 2013. Additionally, in the fiscal year ended Mar. 2015 the investment was made in overseas production facilities.

*2 The plan for the fiscal year ending Mar. 2018 includes investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center.

*3 Most of the increase in R&D costs was accounted for by development of next-generation BA system products.

*4 Plans call for an increase in product development costs related to new technological innovations (IoT, big data, AI, etc.).

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azbil Group Philosophy

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