Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials

For the First Quarter of the Fiscal Year Ending March 31, 2018
(Based on Japanese GAAP)

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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. Net sales for the azbil Group tend to be concentrated in the second quarter and fourth quarter consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the first quarter and third quarter consolidated accounting periods are typically lower than those in the other two quarters.

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.

1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018

Consolidated Financial Results

<Compared to the same period last year>

- Despite a fall in BA business orders received compared to the same period last year when multi-year contracts for large-scale projects had been recorded, orders received increased for the AA and LA businesses, leading to an overall increase in orders received.
- Sales for the AA business fell compared to the same period last year when large-scale projects had been recorded, leading to an overall decrease in net sales.
- Operating income increased significantly partly owing to further progress made with initiatives aimed at improving the profit structure that started in the previous fiscal year.
- In addition to the improved operating income, ordinary income benefited from foreign exchange gains, there having been foreign exchange losses in the same period last year. As a result, ordinary income increased significantly.
- Like ordinary income, net income attributable to owners of parent increased significantly.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference *% Change*
Orders received	83.4	82.2	1.2	*1.5*
Net sales	54.7	56.1	(1.3)	*(2.4)*
Japan	44.5	46.0	(1.5)	*(3.3)*
Overseas	10.2	10.0	0.1	*1.7*
Gross profit	19.0	18.1	0.9	*5.3*
%	*34.8*	*32.3*	*2.5P*	
SG & A	17.3	17.3	(0.0)	*(0.0)*
[include amortization of goodwill]	[0.0]	[0.0]	[(0.0)]	
Operating income (loss)	1.7	0.7	0.9	*124.2*
%	*3.2*	*1.4*	*1.8P*	
Ordinary income (loss)	2.0	0.1	1.8	-
Income (loss) before income taxes	2.0	0.0	1.9	-
Net income (loss) attributable to owners of parent	1.1	(0.0)	1.2	-
%	2.2	*(0.1)*	*2.3P*	

Segment Information – ■ BA Business

<Compared to the same period last year>

- Orders received fell, partly owing to the fact that in the same period last year multi-year contracts for large-scale projects* had been recorded.
- Despite the impact of transferring all shares in a subsidiary in the previous year, overseas sales increased thanks to the steady progress achieved in developing local markets in Asia and China. However, domestic sales fell compared to the same period last year when there was a concentration of sales for large-scale projects. Overall BA business sales were at a similar level to the same period last year.
- Segment profit improved compared to the same period last year when it was affected by temporary expenses for provision.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received	44.8	48.9	(4.1)	*(8.4)*
Sales	23.3	23.3	(0.0)	*(0.0)*
Segment profit (loss)	(0.1)	(0.3)	0.1	-
%	*(0.7)*	*(1.3)*	*0.6P*	

(Reference) Amortization of goodwill	–	–	–	

* Multi-year contracts for large-scale projects ("market testing"):
The total value of an order for a multi-year service project is recorded as a lump sum in the first year of the contract. In the same period last year, orders were recorded for large-scale service projects with multi-year contracts received through the system of public-private competitive tendering called "market testing". The principal contractor decided by such market testing is then responsible for providing a variety of services related to the building in question using vendors selected for the purpose. Also, the contracts won through market testing cover periods ranging from 3 to 5 years, and thus they can significantly increase the orders received by the principal contractor, although these contracts have limited impact on profits for any individual fiscal year.

Segment Information – ■ AA Business

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<Compared to the same period last year>

- From the previous fiscal year progress has been made with strengthening operating systems for the three business sub-segments (CP, IAP & SS). To achieve business expansion for each of them, emphasis has been placed on implementing sales promotion activities for targeted products and regions. Owing to this initiative, overall AA business orders received increased significantly compared to the same period last year.
- Sales fell compared to the same period last year when there were large-scale projects that, because of the characteristic of the transaction, generated significant sales although the profit margin was limited.
- Segment profit continued to achieve significant growth, aided by various measures being implemented from the previous fiscal year to improve the profit structure.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received	26.5	22.4	4.1	*18.3*
Sales	21.5	22.6	(1.1)	*(5.1)*
Segment profit (loss)	1.7	1.0	0.7	*71.3*
%	*8.1*	*4.5*	*3.6P*	

(Reference) Amortization of goodwill	0.0	0.0	(0.0)	

Segment Information – ■ LA Business

<Compared to the same period last year>

- Orders received increased sharply in the Life Science Engineering (LSE) field compared to the same period last year when reforms of part of the business and structural reforms led to a fall in orders received. Overall LA business orders received also increased.
- Sales were up in the Lifeline field thanks to increased sales of LP gas meters and industrial city gas meters, but since orders received in the LSE field fell during the previous fiscal year for the abovementioned reasons, sales were down for the current quarter, leading to a decrease in overall sales.
- Segment profit increased mainly due to sales growth in the Lifeline field.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference *% Change*
Orders received	12.3	11.1	1.2	*11.4*
Sales	10.1	10.3	(0.1)	*(1.3)*
Segment profit (loss)	0.1	0.0	0.0	*166.6*
%	*1.4*	*0.5*	*0.9P*	

(Reference) Amortization of goodwill	–	–	–	

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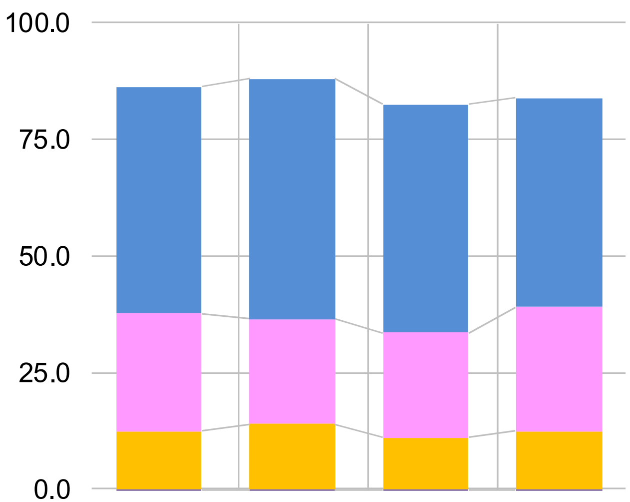
[Reference] Orders Received by Segment

[Billions of yen]

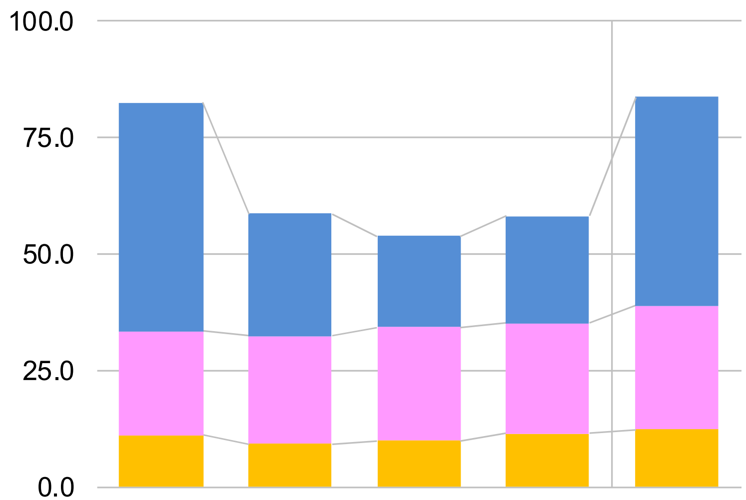
< Same period comparison >



	FY2014 Q1	FY2015 Q1	FY2016 Q1	**FY2017 Q1**
B A	48.6 *1	51.4 *2	48.9	**44.8**
A A	25.0	22.4	22.4	**26.5**
L A	12.4	14.0	11.1	**12.3**
Consolidated	86.0	87.8	82.2	**83.4**

< Quarterly >

FY2016 FY2017



	FY2016 Q1	Q2	Q3	Q4	**FY2017 Q1**
B A	48.9	26.2	19.5 *3	22.9	**44.8**
A A	22.4	23.2	24.3	23.6	**26.5**
L A	11.1	9.3	10.0	11.5	**12.3**
Consolidated	82.2	58.4	53.6	57.9	**83.4**

*1 Orders 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 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.

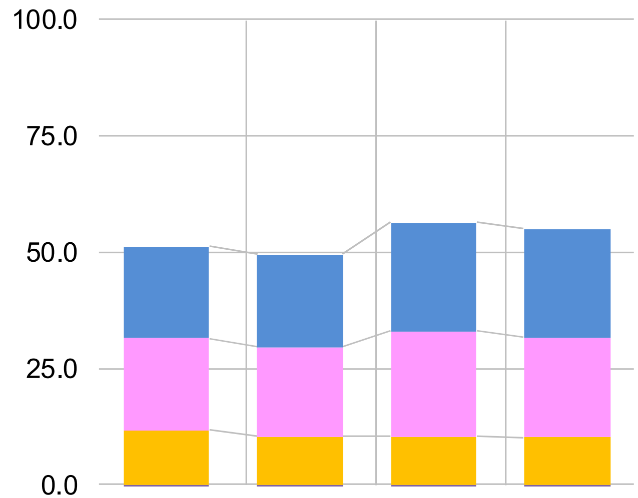
*3 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. Accordingly, we have eliminated the subsidiary's order backlog.

1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2018

[Reference] Sales by Segment

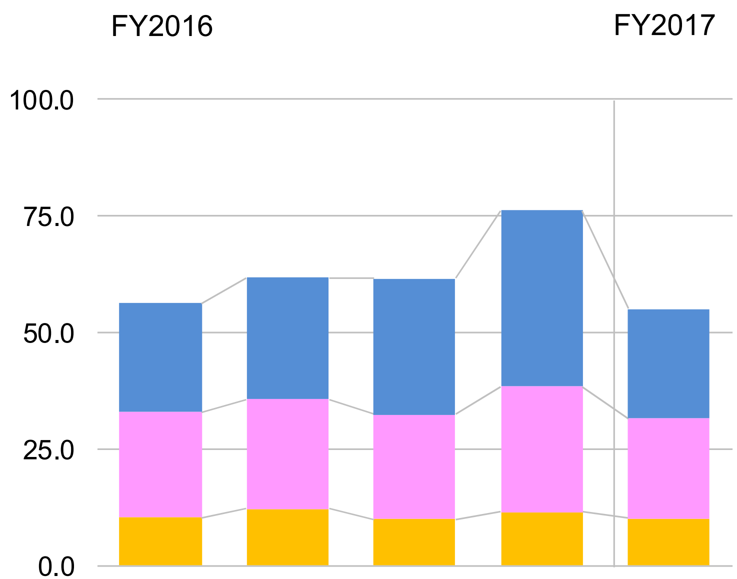
[Billions of yen]

< Same period comparison >



	FY2014 Q1	FY2015 Q1	FY2016 Q1	**FY2017 Q1**
B A	19.7	19.8	23.3	**23.3**
A A	19.7	19.3	22.6	**21.5**
L A	11.7	10.2	10.3	**10.1**
Consolidated	51.0	49.2	56.1	**54.7**

< Quarterly >



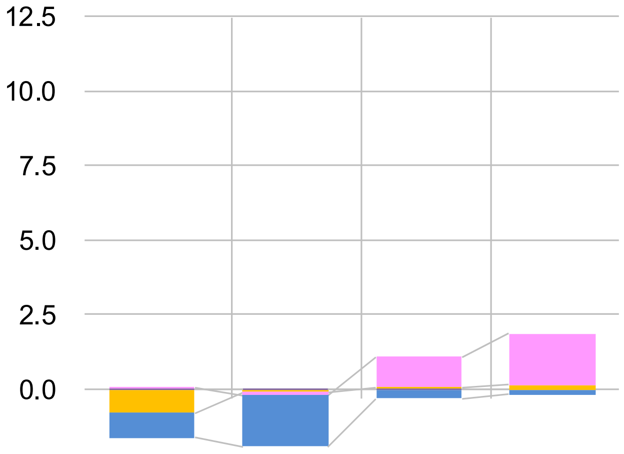
	FY2016 Q1	Q2	Q3	Q4	**FY2017 Q1**
B A	23.3	26.0	29.2 *	37.7	**23.3**
A A	22.6	23.3	22.4	26.9	**21.5**
L A	10.3	12.3	9.9	11.5	**10.1**
Consolidated	56.1	61.4	61.3	75.8	**54.7**

* In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2017.

[Reference] Segment Profit (Operating Income)

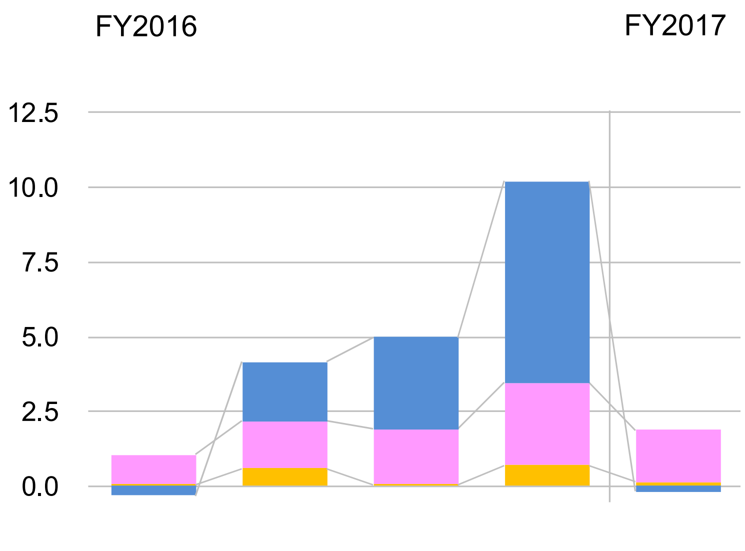
[Billions of yen]

< Same period comparison >



	FY2014 Q1	FY2015 Q1	FY2016 Q1	**FY2017 Q1**
B A	(0.8)	(1.7)	(0.3)	**(0.1)**
A A	0.0	(0.1)	1.0	**1.7**
L A	(0.7)	(0.0)	0.0	**0.1**
Consolidated	(1.5)	(1.9)	0.7	**1.7**

< Quarterly >



	FY2016 Q1	Q2	Q3	Q4	**FY2017 Q1**
B A	(0.3)	1.9	3.0 *	6.7	**(0.1)**
A A	1.0	1.5	1.8	2.7	**1.7**
L A	0.0	0.5	0.0	0.7	**0.1**
Consolidated	0.7	4.1	4.9	10.2	**1.7**

* In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2017.

Overseas Sales by Region

Overseas sales increased by 1.7% compared to the same period last year, driven by growth in the Asian region.

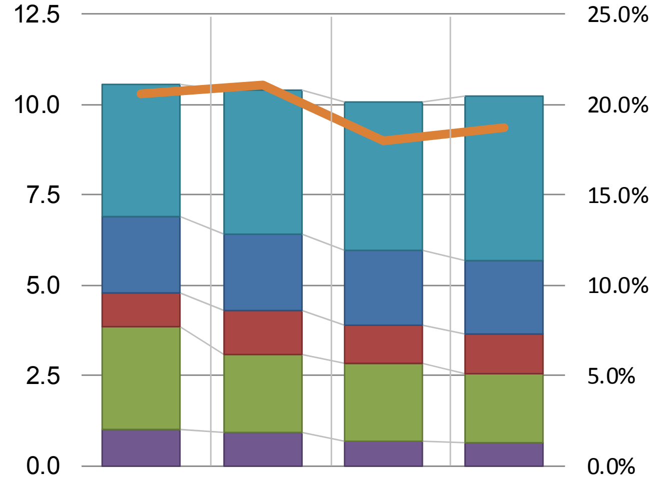
- In the Asian region, thanks mainly to growth in the BA business, the CP (AA) business also made steady gains, leading to an increase in overall sales.

- In China, AA business sales made steady gains and the BA business also grew; however, owing to the impact of transferring all shares in one subsidiary in the BA business, overall sales were largely unchanged from the same period last year.

- In North America, CP (AA) business sales grew but overall sales were on a par with the same period last year.

- In Europe, sales in the LSE field (LA business) were down because of a decrease in orders received following reforms of part of the business and structural reforms conducted in the previous fiscal year. Overall sales were also down.

[Billions of yen]



	FY2014 Q1	FY2015 Q1	FY2016 Q1	**FY2017 Q1**
Asia	3.6	4.0	4.1	**4.5**
China	2.1	2.0	2.0	**2.0**
North America	0.9	1.2	1.0	**1.0**
Europe	2.8	2.1	2.1	**1.8**
Others	1.0	0.9	0.6	**0.6**
Consolidated	10.5	10.4	10.0	**10.2**

[Reference information]

Overseas sales/ Net sales	20.6%	21.1%	18.0%	**18.7%**
Average exchange rate - USD/JPY	102.78	119.17	115.33	**113.60**
Average exchange rate - EUR/JPY	140.80	134.00	127.11	**121.05**

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

Consolidated Financial Position

■ **Assets** Overall assets decreased by 13.8 billion yen. Seasonal factors typically lead to sales concentrating in the second and fourth quarters, with a corresponding decline in the first and third quarters due to the processing of collections. Thus, there is a sharp fall in notes and accounts receivable-trade at the end of the first quarter.

■ **Liabilities** Overall there was a 9.4 billion yen decrease in liabilities owing mainly to a decrease in income taxes payable due to the payment of income taxes, and a decrease in the provision for bonuses due to bonus payments.

■ **Net assets** Net assets fell overall by 4.3 billion yen, despite an increase resulting from the recording of net income attributable to owners of parent. This decrease was mainly due to repurchase of own shares and payment of dividends.

[Billions of yen]

	As of Jun. 30, 2017 (A)	As of Mar. 31, 2017 (B)	Difference (A) - (B)
Current assets	**188.3**	**204.1**	**(15.8)**
Cash and deposits	56.0	53.9	2.0
Notes and accounts receivable-trade	73.7	88.5	(14.7)
Inventories	24.3	22.1	2.1
Others	34.1	39.4	(5.3)
Noncurrent assets	**61.1**	**59.2**	**1.9**
Property, plant and equipment	23.3	23.2	0.0
Intangible assets	5.3	5.3	(0.0)
Investments and other assets	32.5	30.5	1.9
Total assets	**249.4**	**263.3**	**(13.8)**

	As of Jun. 30, 2017 (A)	As of Mar. 31, 2017 (B)	Difference (A) - (B)
Liabilities	**88.0**	**97.5**	**(9.4)**
Current liabilities	**74.1**	**84.0**	**(9.9)**
Notes and accounts payable-trade	37.8	40.4	(2.6)
Short-term loans payable	10.3	10.6	(0.2)
Others	25.8	32.9	(7.0)
Noncurrent liabilities	**13.9**	**13.4**	**0.4**
Long-term loans payable	0.4	0.5	(0.0)
Others	13.4	12.9	0.4
Net assets	**161.3**	**165.7**	**(4.3)**
Shareholders' equity	**149.2**	**154.6**	**(5.4)**
Capital stock	10.5	10.5	-
Capital surplus	11.6	12.3	(0.6)
Retained earnings	134.0	136.4	(2.4)
Treasury shares	(6.9)	* (4.6)	(2.3)
Total accumulated other comprehensive income	**10.2**	**9.1**	**1.1**
Non-controlling interests	**1.8**	**1.9**	**(0.0)**
Total liabilities and net assets	**249.4**	**263.3**	**(13.8)**

（Reference）Shareholders' equity ratio: 63.9% (as of June 30, 2017), 62.2% (as of March 31, 2017)

* Treasury shares included Azbil's own shares (1 million shares worth 3.97 billion yen) held by the J-ESOP trust.

2. Financial Plan for the Fiscal Year Ending March 31, 2018

→No revision from the recent announcement

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 research and development, etc. and necessary measures.

No revisions are to be made to the financial plans for the second quarter of the cumulative period nor for the whole fiscal year. These remain as published on May 19, 2017.

[Billions of yen]

	This year (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	Full year (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]	[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*	

Segment Information

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[Billions of yen]

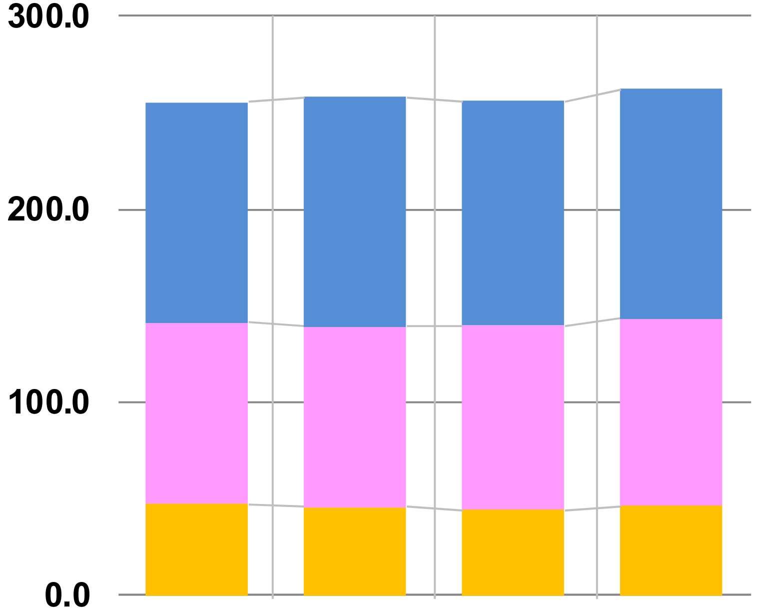
		This year (Plan)			Previous fiscal year	Difference	
		1st half	2nd half	Full year (A)	(B)	(A) - (B)	% Change
B A	Sales	50.0	69.0	119.0	116.4	2.5	*2.2*
	[Amortization of goodwill]	[-]	[-]	[-]	[-]	[-]	
	Segment profit	1.7	10.3	12.0	11.5	0.4	*4.2*
	%	*3.4*	*14.9*	*10.1*	*9.9*	*0.2P*	
A A	Sales	46.5	50.5	97.0	95.4	1.5	*1.6*
	[Amortization of goodwill]	[0.0]	[0.0]	[0.0]	[0.0]	[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]	[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 are allocated more to the BA business and less to the AA business.

2. Financial Plan for the Fiscal Year Ending March 31, 2018

[Reference] Sales by Segment

[Billions of yen]



	FY2014	FY2015	FY2016	**FY2017 (Plan)**
B A	114.3	118.8	116.4 *2	**119.0**
A A	93.6	93.5	95.4	**97.0**
L A	47.3 *1	45.6	44.1	**46.0**
Consolidated	254.4	256.8	254.8	**261.0**

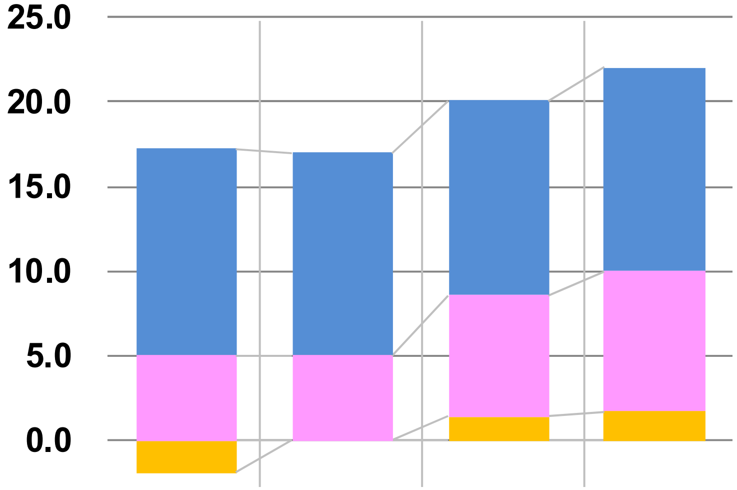
*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

*2 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2017.

2. Financial Plan for the Fiscal Year Ending March 31, 2018

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	FY2014	FY2015	FY2016	FY2017 (Plan)
B A	12.2	12.0	11.5 *2	**12.0**
A A	5.0	5.0	7.2	**8.3**
L A	(1.9)*1	0.0	1.4	**1.7**
Consolidated	15.3	17.1	20.1	**22.0**

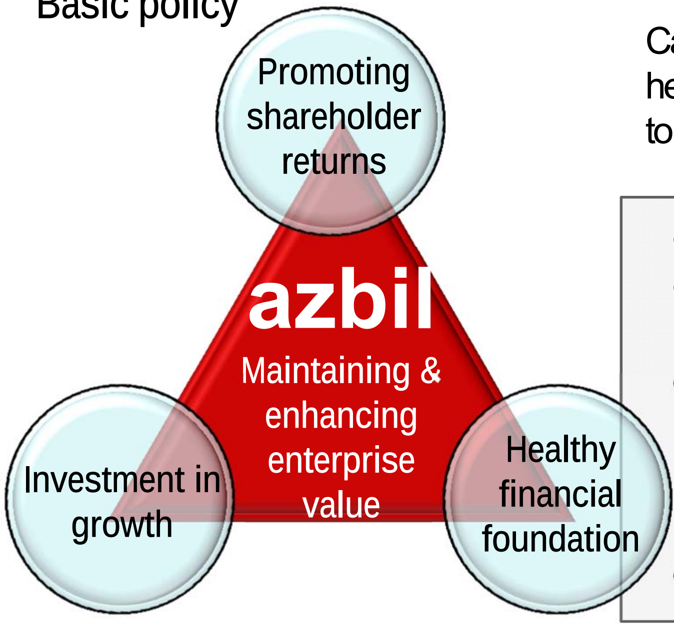
*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2015.

*2 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures are consolidated until the third quarter of the fiscal year ended March 31, 2017.

3. Returning Profits to Shareholders

→No revision from the recent announcement

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 corporate structure.
- To maintain a stable dividend level while at the same time striving to raise it.

Dividends Plan

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Dividends plan for the fiscal year ending March 2018

→No change from the initial plan

Annual dividends: 82 yen per share

(Incorporating last year's commemorative dividends of 5 yen within the ordinary dividends and furthermore increasing it by 5 yen)

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 last year's commemorative dividends (5 yen) within the ordinary dividends and furthermore to increase it by 5 yen.

- Dividends for the year ending March 2018 (interim/year-end) are planned as follows.

	FY2016		FY2017	
	Interim	Year-end	Interim	Year-end
Dividends per share [Yen]	37.0	40.0	41.0（Plan）	41.0（Plan）
Payout ratio	42.9%		42.9%	
Dividends on equity（DOE）	3.5%		3.6%	

（Reference）Dividends yield: 1.9% (as of June 30, 2017)

3. Returning Profits to Shareholders

Disposal/Cancellation of Treasury Shares

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Out of the 1,865,659 treasury shares held by us as of March 31, 2017, in conjunction with the adoption of Employee Stock Ownership Plan, 1,000,000 treasury shares were disposed of through allocation to a third party.* Following this, all the remaining 865,659 treasury shares were cancelled.

Number of treasury shares 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

Date of allocation to a third party: May 29, 2017

Cancellation of treasury shares
0.865 million shares

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. For details, refer to timely disclosure dated 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 share the perspectives of 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) were 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.

Repurchase of the Company's Own Shares

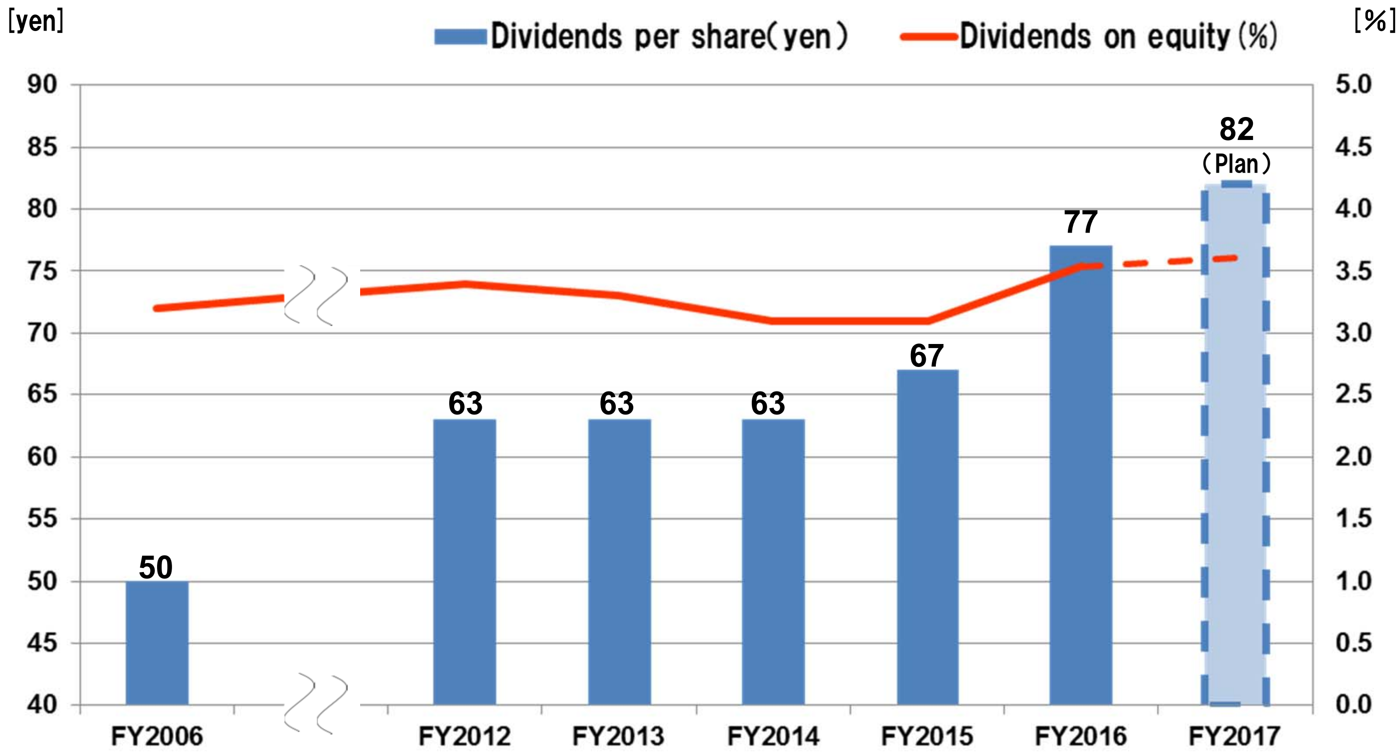
Taking into consideration the outlook for future performance, and striving to improve capital efficiency and further raise the return of profits to our shareholders, we have implemented the following repurchase of own shares to enable the pursuit of an expeditious capitalization strategy in response to the changing corporate environment.

Repurchase of the company's own shares

Total amount of repurchase: 2,999 million yen
Total number of shares repurchased: 714,300 shares (common stock)
Period of repurchase: From June 2, 2017 to June 23, 2017 （based on delivery date）
Method of repurchase: Purchase in the open market through a trust bank

3. Returning Profits to Shareholders

[Reference] Trends of Return to Shareholders



								(Plan)
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		0.7*

* Repurchase of own shares was completed on June 23, 2017.

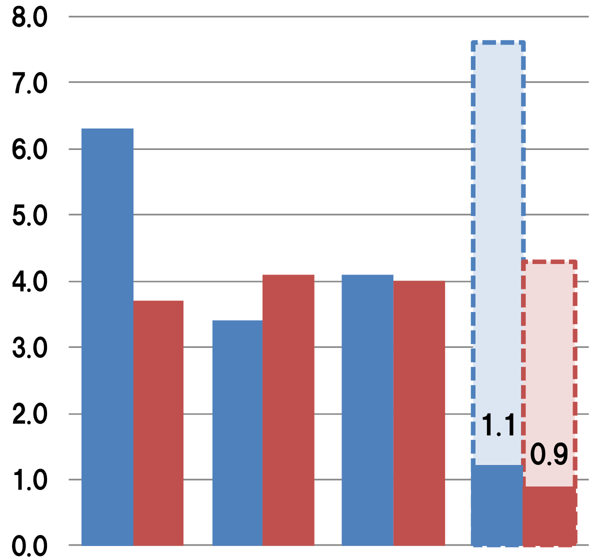
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

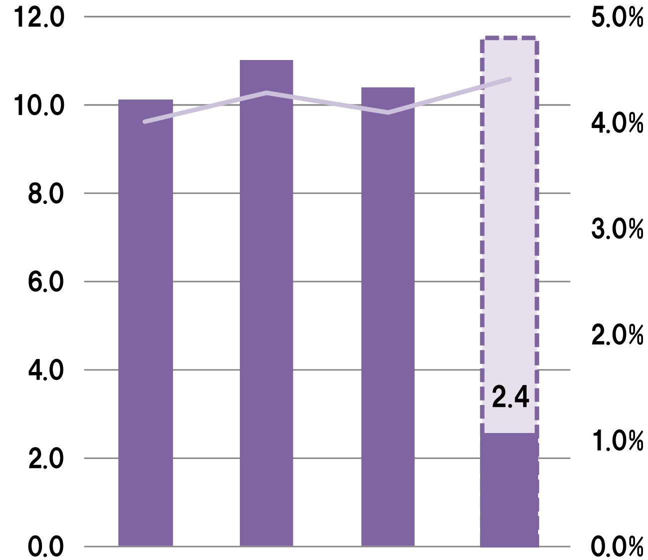
[Billions of yen]

Capital Expenditure, Depreciation



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

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



	FY2014 *3	FY2015 *3	FY2016	FY2017 (Plan) *4
R&D Expenses	10.1	11.0	10.4	**11.5**
R&D Expenses/ Net Sales	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 expenses was accounted for by development of next-generation BA system products.

*4 Plans call for an increase in product development expenses 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”**