Consolidated Financial Results For the First Quarter Ended June 30, 2013 (Japan GAAP)

August 1, 2013

Company name	:	Azbil Corporation
URL	:	http://www.azbil.com/
Stock exchange listing	:	Tokyo Stock Exchange 1st Section (CODE 6845)
Representative	:	Hirozumi Sone, President and Chief Executive Officer
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Planned quarterly report filing date	:	August 8, 2013
Planned dividend starting date	:	—
Preparation of supplementary references regarding quarterly results	:	Yes
Holding the briefing of quarterly results	:	No

Notes: 1. The Japanese financial accounting standards are applied for this statement of accounts.
2. Amounts indicated are rounded down.

1. Results for the First quarter ended June 30, 2013 (April 1, 2013 to June 30, 2013)
(1) Consolidated financial results (Cumulative)

(Percentage shows the increase (decrease) from the previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2013	48,577	2.9	(1,523)	—	(991)	—	(942)	—
Three months ended June 30, 2012	47,186	5.8	(925)	—	(977)	—	(976)	—

Note: Comprehensive income As of June 30, 2013 670 million yen −%
As of June 30, 2012 (1,173) million yen −%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2013	(12.76)	—
Three months ended June 30, 2012	(13.22)	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2013	229,121	139,540	59.9
As of March 31, 2013	243,418	141,197	57.1

Note : Shareholders' equity As of June 30, 2013 137,278 million yen
As of March 31, 2013 139,041 million yen

2. Dividends

	Dividends per Share				
	1Q	2Q	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year 2012	—	31.50	—	31.50	63.00
Fiscal year 2013	—				
Fiscal year 2013 (Forecast)		31.50	—	31.50	63.00

Note : Revision of dividends forecast for during this period : No

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2014 (April 1, 2013 to March 31, 2014)

(Percentage shows the increase (decrease) from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2013	110,000	5.0	2,700	(23.9)	2,400	(27.4)	900	(39.6)	12.19
Fiscal year 2013	250,000	9.8	14,200	5.9	13,500	(7.3)	8,000	(3.7)	108.32

Note : Revision of consolidated financial results forecast for during this period : No

***Notes**

(1) Changes in significant subsidiaries during the period (Changes in specified subsidiaries due to changes in the scope of consolidation) : No

New consolidation : None (Company name:)
Exclusion : None (Company name:)

(2) Adoption of accounting methods specific to preparation of the consolidated quarterly financial statements : No

(3) Changes in accounting policies, accounting estimates, and retrospective restatements

1. Changes associated with revision in accounting standards : No
2. Other changes : No
3. Changes in accounting estimates : No
4. Retrospective restatements : No

(4) Number of shares issued (common stock)

1. Number of shares issued (including treasury stock)
   - As of June 30, 2013 75,116,101 shares
   - As of March 31, 2013 75,116,101 shares
2. Number of Treasury stock
   - As of June 30, 2013 1,262,480 shares
   - As of March 31, 2013 1,262,123 shares
3. Average number of shares (cumulative quarterly period)
   - Three months ended June 30, 2013 73,853,745 shares
   - Three months ended June 30, 2012 73,854,525 shares

* Description of the situation of the procedures for reviewing quarterly results

This quarterly financial results is not subject to the procedures for reviewing quarterly reports specified in the Financial Instruments and Exchange Act. As of the disclosure of this quarterly financial results, the procedures for reviewing consolidated quarterly financial statements are in progress.

* Regarding the appropriate use of forecast and other special matters

The projections of azbil Group are based on currently available information and some reasonable assumptions. Due to various factors, actual results may differ from those discussed in this doctment.

[Effects of seasonality reporting]

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.

Accompanying Materials

Contents

1.Qualitative information on consolidated quarterly financial results

(1) Qualitative information on consolidated financial results

In the first quarter of the current consolidated cumulative period, expectations regarding the Bank of Japan's proactive monetary easing measures led to a rapid correction in the exchange value of the yen, which had remained high for a considerable time. Some business improvement has thus been observed, particularly for export industries.

Looking overseas, fresh job data has demonstrated the underlying strength of the US economic recovery. However, in China, Brazil and other major emerging countries growth has slowed, and there are concerns about what impact this may have on the world economy.

Against this backdrop, signs of improvement have been observed in the business environment for the azbil Group from the end of this quarter, but overall the Group has continued to face challenging conditions.

To implement the new medium-term plan that was announced at the start of this fiscal year, the azbil Group has adopted the following three basic policies; (1) aiming to become a long-term partner for both the customer and the community through offering solutions based on azbil technologies and products; (2) implementing global initiatives for expansion into new regions and a qualitative change of focus; and (3) aiming to become an organization that never stops learning so that it can continuously strengthen its corporate structure. The plan targets three fields for growth: next-generation solutions, energy management solutions, and safety solutions. For this, progress is being made, in Japan and overseas, to implement distinctively azbil solutions utilizing our products, technologies and services.

As a result, overall orders received for the first quarter of the current consolidated cumulative period were 73,061 million yen, up 2.4% on the same period last year. Orders received for the Advanced Automation (AA) business were down. However, a Life Science Engineering (LSE) business has been launched to develop new solutions, and results for Azbil Telstar S.L. (with its subsidiaries) are now included in the Group's consolidated financial statement. [Note 1] This has led to a significant increase in orders received for the Life Automation (LA) business.

As regards sales too, the LA business saw growth. Despite a fall in sales for both the Building Automation (BA) business and the AA business, the overall figure was 48,577 million yen, up 2.9% on the same period last year. Overseas, sales doubled for the LA business thanks to robust business performance in established regions and markets as a result of progress made in implementing global initiatives for expansion into new regions and a qualitative change of focus, and also with the addition of new LSE operations in Europe, Asia, and Central and South America.

Looking to profits, the Group is committed to reinforcing the business structure, with a new emphasis on profitability; we strive to rationalize and curb expenditures; and the cost rate has been improved. Nevertheless, profits have been impacted by the reduced sales for the BA and AA businesses, by the increased goodwill amortization costs associated with the addition of several new subsidiaries, and by a transient increase in the cost of retirement benefits. Consequently, there was an operating loss of 1,523 million yen (operating loss for the same period last year was 925 million yen); an ordinary loss of 991 million yen (ordinary loss for the same period last year was 977 million yen), primarily due to foreign exchange gains; and a quarterly net loss of 942 million yen (quarterly net loss for the same period last year was 976 million yen).

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.

Note 1: As of January 2013, the azbil Group acquired a stake in Telstar, S.A., which develops, manufactures and markets manufacturing and environmental equipment for pharmaceutical formulation plants, research labs, and hospitals. This is now a subsidiary with the new name Azbil Telstar S.L. In conjunction with this acquisition, the Group launched Life Science Engineering business designed to serve markets that contribute to people’s health, providing next-generation solutions inspired by automation technologies that integrate manufacturing equipment with environmental systems.

The results for the individual reportable segments are as follows.

Building Automation (BA) Business

In the domestic market, the service business continued to perform well, thanks to a steadily growing track record. However, sales fell for operations targeting new and existing buildings, resulting in lower sales overall for the domestic market. As regards new buildings, it should be noted that sales figures for the same period last year included multiple large-scale projects; because of this, sales were lower this quarter. For existing buildings too, sales fell this year compared to sales figures for the same period last year, which similarly included large-scale projects. However, there has been a gradual rise in demand for power/energy-saving solutions (i.e. energy management) and good progress was achieved with proactive energy-saving proposals – including equipment upgrades – that leverage our strengths in extensive historical data and our on-site engineering expertise.

Overseas, sales grew as a result of measures mainly aimed at developing the local, non-Japanese building market. There was conspicuous sales growth in China following the addition of a new subsidiary, a company involved in construction and engineering, while sales also grew in Thailand, Singapore and Indonesia, and so on.

This increase in sales from overseas markets was insufficient to offset the domestic fall in sales. Consequently, BA business sales for the first quarter of the current consolidated cumulative period were 19,107 million yen, down 4.3% on the same period last year. Despite this fall in sales, however, segment loss (operating loss) was 652 million yen, which is similar to the previous year (a loss of 598 million yen was recorded for the same period last year). This is the result of a significant increase in profitability based on on-site cost improvements and improved job management.

Advanced Automation (AA) Business

In Japan, in the latter half of the first quarter of the current consolidated cumulative period, signs appeared of a recovery in demand among semiconductor and related equipment manufacturers. Overall, however, capital investment remained lackluster and, despite the addition of a new subsidiary, sales of control products were largely unchanged from the previous year. Robust demand was observed in the energy and pharmaceutical markets, as well as in the functional materials-related markets, where Japanese companies enjoy a competitive edge internationally. However, owing to curbs on capital investment throughout the chemical- and materials-related industries, there was a drop in sales of field instruments, control valves and system products to these markets. Domestically, overall sales declined.

In overseas markets, sales of field instruments and control valves grew. Additionally, sales of control products for equipment manufacturers bottomed out and began to improve. Total overseas sales grew, particularly in Southeast Asia, Europe and the US.

Owing to the sales decline within Japan, however, AA business sales for the first quarter of the current consolidated cumulative period were 18,686 million yen, down 3.2% on the same period last year. Mainly as a result of this decreasedsales, and despite efforts to rationalize and curb expenditures, there was a segment loss (operating loss) of 290 million yen; for comparison, in the same period last year a segment profit (operating income) of 111 million yen was recorded.

Life Automation (LA) Business

Sales of gas meters fell, reflecting the demand cycle. As regards water meters, however, because of the fall in profitability that occurred in the same period last year, profitability was given more weight this year when preparing bids; as a result, there was a slight fall in sales but profits improved.

Turning to the nursing care and health support field, it is true that the market is growing as Japan's population ages; however, with cutbacks in welfare budgets by local governments, etc., the business environment continues to be challenging. In response, various measures have been adopted, such as increasing the number of care centers and expanding the scope of services offered, and this approach has succeeded in increasing sales.

As regards residential central air-conditioning systems, we continue to strengthen our development and sales capabilities, adopting an aggressive strategy targeting both house builders and individual owners. This has borne fruit in sales growth.

As explained above, as part of the newly launched Life Science Engineering field, a new subsidiary has been included in the consolidated results from the first quarter of the current consolidated cumulative period, and this has led to a marked jump in sales.

Consequently, LA business sales in the first quarter of the current consolidated cumulative period were 10,965 million yen, up 32.7% on the same period last year. As regards profits, however, despite the increased profitability of projects involving water meter tenders, because of the increased goodwill amortization costs associated with the new subsidiary, there was a segment loss (operating loss) of 587 million yen; for comparison, a loss of 445 million yen was recorded for the same period last year.

Other

In other businesses, sales in the first quarter of the current consolidated cumulative period were 24 million yen (compared with 29 million yen for the same period last year). Segment profit (operating income) was 11 million yen, up 37.0% on the same period last year.

(2) Qualitative information on consolidated financial position

(Assets)

Total assets at the end of the first quarter of fiscal year 2013 were 229,121 million yen, a decrease of 14,297 million yen from the previous fiscal year-end. This was mainly owing to a decrease of 18,390 million yen in notes and accounts receivable-trade, despite an increase of 1,141 million yen in investment securities due to the rise in the Japanese stock market.

(Liabilities)

Total liabilities at the end of the first quarter of fiscal year 2013 were 89,581 million yen, a decrease of 12,640 million yen from the previous fiscal year-end. This was mainly owing to a decrease of 6,306 million yen in notes and accounts payable-trade, a decrease of 5,359 million yen in income taxes payable due to the payment of income taxes, and a decrease of 4,762 million yen in the provision for bonuses due to the payment of bonuses.

(Net assets)

Net assets at the end of the first quarter of fiscal year 2013 were 139,540 million yen, a decrease of 1,656 million yen from the previous fiscal year-end. This was mainly owing to dividend payments and recording a net loss for the first quarter of the current consolidated cumulative period, despite an increase in valuation difference on available-for-sale securities due to the rise in the Japanese stock market.

As a result, the shareholders' equity ratio was 59.9% compared with 57.1% at the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

As regards the consolidated financial results for the first half of the current fiscal year and for the full year to March 31, 2014, no changes will be made to the forecast previously published on May 10, 2013.

Consolidated financial results for the first quarter of the current consolidated cumulative period were disappointing, mainly for the BA and AA businesses. Nevertheless, it has been decided not to adjust the forecast after giving careful consideration to the following factors: (1) the first quarter typically represents a gap period for the BA business in which some sales, particularly those related to new building projects, are not yet recorded; (2) the downturn in the AA business market was to a certain extent already anticipated when the plan was published; (3) the volume of orders received and inquiries now being received by the BA business; (4) there have been recent signs of a turnaround in demand among domestic equipment manufacturers for control products sold by the AA business; and (5) AA business sales overseas have been growing steadily.

Conditions do not yet warrant optimism regarding the azbil Group's business environment in Japan and overseas. However, aiming to achieve the objectives of the new medium-term plan – the final year of which will be fiscal year 2016 ending in March 31, 2017 – we will progressively implement measures in the current year to expand sales and reinforce the business structure so as to achieve the financial results detailed in the current forecast.

These projections are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance. Due to various factors, actual results may differ from those discussed in this document.

2. Matters concerning summary information (notes)

(1) Changes in significant subsidiaries during the period:

From the first quarter of the current consolidated cumulative period, Azbil Brazil Limited is included in the scope of consolidation due to its growing weight.

In the first quarter of the current consolidated cumulative, a merger and acquisition was carried out, with Azbil RoyalControls Co., Ltd. and Azbil Trading Co., Ltd. being a merging company and a merged company, respectively. With its dissolution, Azbil Trading Co., Ltd. is excluded from the scope of consolidation. Also, Azbil RoyalControls Co., Ltd. has changed its name to "Azbil Trading Co., Ltd." on April 1, 2013.

(2) Adoption of accounting methods specific to preparation of the consolidated quarterly financial statements:

No

(3) Changes in accounting policies, accounting estimates, and retrospective restatements:

No

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31, 2013	**As of June 30, 2013**
Assets		
Current assets		
Cash and deposits	48,411	49,204
Notes and accounts receivable-trade	88,874	70,484
Securities	13,251	12,351
Merchandise and finished goods	4,186	4,425
Work in process	5,263	7,827
Raw materials	7,053	7,239
Other	15,036	15,518
Allowance for doubtful accounts	(362)	(389)
Total current assets	181,714	166,663
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,133	12,952
Other, net	11,543	11,601
Total property, plant and equipment	24,677	24,554
Intangible assets		
Goodwill	9,662	9,314
Other	2,963	3,289
Total intangible assets	12,625	12,604
Investments and other assets		
Investment securities	15,304	16,445
Other	9,535	9,129
Allowance for doubtful accounts	(438)	(275)
Total investments and other assets	24,401	25,299
Total noncurrent assets	61,704	62,458
Total assets	243,418	229,121
Liabilities		
Current liabilities		
Notes and accounts payable-trade	40,548	34,242
Short-term loans payable	13,308	13,850
Income taxes payable	5,625	266
Provision for bonuses	7,838	3,075
Provision for directors' bonuses	96	41
Provision for product warranties	583	553
Provision for loss on order received	443	367
Other	14,384	17,508
Total current liabilities	82,828	69,906
Noncurrent liabilities		
Bonds payable	90	90
Long-term loans payable	4,441	4,381
Provision for retirement benefits	12,719	13,077
Provision for directors' retirement benefits	105	113
Other	2,036	2,011
Total noncurrent liabilities	19,393	19,674
Total liabilities	102,221	89,581
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	17,197
Retained earnings	111,141	107,875
Treasury stock	(2,644)	(2,644)
Total shareholders' equity	136,217	132,951
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,776	4,572
Deferred gains or losses on hedges	0	(1)
Foreign currency translation adjustment	(952)	(243)
Total accumulated other comprehensive income	2,824	4,326
Subscription rights to shares	2	2
Minority interests	2,152	2,260
Total net assets	141,197	139,540
Total liabilities and net assets	243,418	229,121

(2) Consolidated quarterly statements of income and Consolidated quarterly statements of comprehensive income
(Consolidated quarterly statements of income)
(The first quarter of the current consolidated cumulative period)

(Millions of yen)

	Three months ended June 30, 2012 (April 1, 2012 to June 30, 2012)	**Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)**
Net sales	47,186	48,577
Cost of sales	32,091	32,818
Gross profit	15,094	15,758
Selling, general and administrative expenses	16,020	17,282
Operating loss	(925)	(1,523)
Non-operating income		
Interest income	34	33
Dividends income	149	159
Foreign exchange gains	―	410
Real estate rent	13	12
Equity in earnings of affiliates	―	4
Reversal of allowance for doubtful accounts	―	56
Other	32	40
Total non-operating income	230	717
Non-operating expenses		
Interest expenses	23	136
Foreign exchange losses	185	―
Commitment fee	5	5
Rent expenses on real estates	19	16
Office transfer expenses	16	18
Provision of allowance for doubtful accounts	17	―
Other	14	9
Total non-operating expenses	282	186
Ordinary loss	(977)	(991)
Extraordinary income		
Gain on sales of noncurrent assets	1	0
Gain on sales of investment securities	0	18
Total extraordinary income	1	18
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	11	8
Impairment loss	52	12
Loss on valuation of investment securities	33	14
Loss on sales of investment securities	―	1
Total extraordinary losses	97	36
Loss before income taxes and minority interests	(1,073)	(1,010)
Income taxes-current	72	102
Income taxes-deferred	(226)	(149)
Total income taxes	(153)	(46)
Loss before minority interests	(919)	(964)
Minority interests in income	57	(21)
Net loss	(976)	(942)

(Consolidated quarterly statements of comprehensive income)
(The first quarter of the current consolidated cumulative period)

(Millions of yen)

	Three months ended June 30, 2012 (April 1, 2012 to June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)
Loss before minority interests	(919)	(964)
Other comprehensive income		
Valuation difference on available-for-sale securities	(880)	796
Deferred gains or losses on hedges	1	(1)
Foreign currency translation adjustment	625	840
Total other comprehensive income	(253)	1,634
Comprehensive income	(1,173)	670
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,283)	559
Comprehensive income attributable to minority interests	109	111

(3) Notes to the consolidated quarterly financial statements

(Notes regarding assumptions of continuing operations)

Non applicable

(Notes if there is a remarkable change in the amount of shareholders' equity)

Non applicable

(Segment information)

Three months ended June 30, 2012 (From April 1, 2012 to June 30, 2012)

1. Sales and profit (loss) information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	19,914	19,019	8,228	47,162	23	47,186
Inter-segment	49	293	32	375	5	381
Total	19,964	19,313	8,261	47,538	29	47,567
Segment Profit (loss)	(598)	111	(445)	(932)	8	(924)

* "Other" includes insurance agent business.

2. The main contents of the difference between reportable segment profit (loss) and operating income (loss).

(Millions of yen)

Income (loss)	Amount
Total of reportable segment	(932)
Profit in Other	8
Elimination	(1)
Operating income (loss)	(925)

Three months ended June 30, 2013 (From April 1, 2013 to June 30, 2013)

1.Sales and profit (loss) information about each segment

(Millions of yen)

	Reportable Segment				Other*	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Sales						
Customers	19,070	18,540	10,943	48,554	22	48,577
Inter-segment	36	145	22	204	1	205
Total	19,107	18,686	10,965	48,758	24	48,783
Segment Profit (loss)	(652)	(290)	(587)	(1,531)	11	(1,519)

* "Other" includes insurance agent business.

2.The main contents of the difference between reportable segment profit (loss) and operating income (loss).

(Millions of yen)

Income (loss)	Amount
Total of reportable segment	(1,531)
Profit in Other	11
Elimination	(3)
Operating income (loss)	(1,523)

4. Supplementary information

Orders received condition

(Millions of yen)

Reportable segment	Three months ended June 30, 2012 (April 1, 2012 to June 30, 2012)	Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	38,579	38,003	(576)	(1.5)
Advanced Automation	23,630	21,950	(1,680)	(7.1)
Life Automation	9,371	13,446	4,075	43.5
Total of reportable segments	71,580	73,399	1,818	2.5
Other	29	24	(5)	(17.5)
Elimination	(274)	(362)	(87)	—
Consolidated	71,335	73,061	1,726	2.4