Consolidated Financial Results
For the Third Quarter Ended December 31, 2013
(Japan GAAP)

February 5, 2014

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	:	February 13, 2014
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 Third quarter ended December 31, 2013 (April 1, 2013 to December 31, 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	%
Nine months ended December 31, 2013	169,642	8.0	4,046	(24.1)	5,035	(12.4)	2,632	2.1
Nine months ended December 31, 2012	157,028	1.4	5,331	(18.4)	5,751	(13.3)	2,577	(20.0)

Note: Comprehensive income As of December 31, 2013 5,603 million yen 116.4%
As of December 31, 2012 2,589 million yen (2.4)%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2013	35.64	—
Nine months ended December 31, 2012	34.90	—

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2013	232,960	141,525	60.1
As of March 31, 2013	243,418	141,197	57.1

Note : Shareholders' equity As of December 31, 2013 139,930 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	—	31.50	—		
Fiscal year 2013 (Forecast)				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
Fiscal year 2013	250,000	9.8	13,700	2.2	13,200	(9.4)	7,800	(6.1)	105.61

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 December 31, 2013 75,116,101 shares
   - As of March 31, 2013 75,116,101 shares
2. Number of Treasury stock
   - As of December 31, 2013 1,263,049 shares
   - As of March 31, 2013 1,262,123 shares
3. Average number of shares (cumulative quarterly period)
   - Nine months ended December 31, 2013 73,853,485 shares
   - Nine months ended December 31, 2012 73,854,457 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 forecast of consolidated financial results 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 document.

[Effects of seasonality reporting]

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. Sales for the azbil Group tend to be more concentrated in the fourth quarter consolidated accounting period than in the second quarter. For this reason, profits in the first half (combining first & second quarter consolidated accounting periods) tend to be lower than in the second half (combining third & fourth quarter consolidated accounting periods).

Accompanying Materials

Contents

1. Qualitative information on consolidated quarterly financial results

(1) Qualitative information on consolidated financial results

In the third quarter of the current consolidated cumulative period, spurred by the Japanese government's economic policies and the Bank of Japan's monetary easing measures, Japan's economy made a mild recovery. Looking overseas, despite the fact that there is some uncertainty regarding the economic growth of China and other emerging countries, recently the US economy has turned around and is recovering, while in Europe too business confidence has improved.

As for the business environment of the azbil Group, this has been better in some markets than others, but nonetheless signs of improvement have been evident.

Against this backdrop, aiming to achieve the targets of the Medium-term Plan, the azbil Group has adopted the following three initiatives: (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) taking global operations to the next level. Global initiative: Expansion into new regions and a qualitative change of focus (3) implementing organizational reforms to create a corporate entity that can respond flexibly and continuously to change in the business environment. The business plan targets three growth fields: 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.

Overall orders received for the third quarter of the current consolidated cumulative period were 195,883 million yen, up 12.3% on the same period last year. This increase follows the launch, as a new solutions initiative, of the Life Science Engineering (LSE) business [Note] in the first quarter of the current consolidated accounting period and the inclusion of the Azbil Telstar group in the results of the Life Automation (LA) business. In addition to the resulting sharp growth in orders received for the LA business, orders were also up for the Building Automation (BA) business and the Advanced Automation (AA) business. In sales too, all 3 businesses achieved increases, with the LA business taking the lead. The overall figure for net sales was 169,642 million yen, up 8.0% on the same period last year.

Overseas, reflecting progress made in implementing global initiatives aimed at expansion into new regions and a qualitative change of focus, as well as the effect of exchange rates, there was growth in existing regions and markets. Additionally, sales doubled mainly due to the LA business with the addition of new LSE operations in Europe, Asia, and Central and South America.

Looking at profits, sales were up for each business, and as regards reinforcing the business structure there was evidence of steady progress. Nevertheless, profits have been impacted not only by a transient increase in the cost of retirement benefits, but also by the increased goodwill amortization costs associated with the addition of several new subsidiaries. Furthermore, only a limited contribution to profits was made by the subsidiaries, including those newly consolidated. Consequently, there was an operating income of 4,046 million yen (down 24.1% on the same period last year). Ordinary income was 5,035 million yen (down 12.4% on the same period last year), exceeding operating income, primarily due to foreign exchange gains; and net income was 2,632 million yen (up 2.1% on the same period last year).

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. Sales for the azbil Group tend to be more concentrated in the fourth quarter consolidated accounting period than in the second quarter. For a similar reason, profits in the first half (combining first & second quarter consolidated accounting periods) tend to be lower than in the second half (combining third & fourth quarter consolidated accounting periods).

Note: As of January 2013, the azbil Group acquired a stake in Telstar, S.A (located in Spain), 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 a LSE 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

There was a decrease in domestic sales, reflecting a fall in the market for new buildings – mainly due to the trend in large-scale development projects. However, thanks to an increase in sales overseas, sales grew slightly for the BA business as a whole.

On the domestic scene, the service business continued to perform well, thanks to a steadily growing track record. In addition, demand has been growing for power/energy-saving solutions (i.e. energy management) and there has been growth in sales in related fields that benefit from our engineering experience and extensive long-term data. As a result, sales for existing buildings increased. However, the above-mentioned fall in sales for new buildings resulted in lower sales overall for the domestic market.

Abroad, sales grew as a result of measures focused on developing the local building market. There was significant sales growth in China following the addition of a new subsidiary, a company involved in construction and engineering, while sales also grew in Singapore, Vietnam, etc.

Consequently, BA business sales for the third quarter of the current consolidated cumulative period were 70,502 million yen, up 0.9% on the same period last year. Profits were impacted by a transient increase in the cost of retirement benefits and the addition of a new subsidiary with the associated goodwill amortization costs etc. Nevertheless, profitability improved thanks to on-site cost improvements and improved job management, resulting in a segment profit (operating income) of 3,384 million yen, similar to the same period last year.

Advanced Automation (AA) Business

As a result of the decline in capital investment among Japan's manufacturing industries, there was a fall in domestic sales. However, overseas sales grew, so for the AA business overall there was an increase in sales.

In Japan, demand is gradually recovering in the markets for equipment manufacturers, such as industrial furnace and semiconductor. In addition to this upturn, activities such as the release of new products and business development by solutions along with the addition of a new subsidiary, led to growth in sales of control products to equipment manufacturers. On the other hand, despite investments in the markets related to energy field involving LNG and operational safety as well as replacement demand being brisk, sales were adversely affected by curbs on new capital investment in the chemical market, particularly related to functional materials, where demand has hitherto been robust. In response, a concerted effort was made to generate replacement demand, but this was not sufficient to offset the impact of the restraints on new capital investment. Consequently, there was a fall in sales of field instruments, control valves and system products to plants. Domestically, overall sales declined.

In overseas markets, there was growth in sales of control products to equipment manufacturers in Europe and the US. Also, a new subsidiary has been acquired, a company that develops and sells flowmeters. This addition, combined with the effect of exchange rates, resulted in increased international sales, leading to overall sales growth overseas.

As a result, AA business sales for the third quarter of the current consolidated cumulative period were 63,779 million yen, up 2.3% on the same period last year. Despite efforts to rationalize and curb expenditures, such factors as lower domestic sales and a transient increase in the cost of retirement benefits resulted in a segment profit (operating income) of 1,479 million yen, down 32.7% on the same period last year.

Life Automation (LA) Business

In the gas and water meter field, efforts have been made to develop solutions for energy supply lines, but sales of gas meters fell because of the demand cycle. As regards water meters, thanks to efforts aimed at enhancing profitability and proactively developing the market, the fall in sales was moderate and profitability improved.

In the nursing care and health support field, 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 as a result sales have increased.

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 approach has succeeded in increasing sales.

The new Life Science Engineering (LSE) business, launched in the first quarter of the current consolidated cumulative period, serves overseas pharmaceutical markets, and these are doing well. The Azbil Telstar group that is now included in the consolidated results, supplies a variety of equipment to these markets, and consequently sales have risen significantly.

As a result, LA business sales in the third quarter of the current consolidated cumulative period were 36,159 million yen, up 40.0% on the same period last year. As regards profit for the LA business as a whole, however, despite improved profitability in the gas and water meter field, owing to the costs for the business expantion and the generation of goodwill amortization cost, etc. Associated with the new consolidation, there was a segment loss (operating loss) of 832 million yen; for comparison, a loss of 260million yen was recorded for the same period last year.

Other

In Other business, sales in the third quarter of the current consolidated cumulative period were 53 million yen (compared with 59 million yen for the same period last year). Segment profit (operating income) was 16 million yen; for comparison, a profit of 8 million yen was recorded for the same period last year.

(2) Qualitative information on consolidated financial position

(Assets)

Total assets at the end of the third quarter of fiscal year 2013 stood at 232,960 million yen, a decrease of 10,458 million yen from the previous fiscal year-end. This was mainly due to a decrease of 12,534 million yen in notes and accounts receivable-trade, despite there being an increase of 2,778 million yen in investment securities due to the rise in the Japanese stock market.

(Liabilities)

Total liabilities at the end of the third quarter of fiscal year 2013 were 91,435 million yen, a decrease of 10,786 million yen from the previous fiscal year-end. This was mainly owing to a decrease of 6,421 million yen in notes and accounts payable-trade, a decrease of 4,577 million yen in income taxes payable due to the payment of income taxes, and a decrease of 3,371 million yen in the provision for bonuses due to bonus payments.

(Net assets)

Net assets at the end of the third quarter of fiscal year 2013 were 141,525 million yen, an increase of 327 million yen from the previous fiscal year-end. This was mainly due to the posting of net income of the current consolidated cumulative period, and to increases in valuation difference on available-for-sale securities and foreign currency translation adjustment, which more than offset a decrease in retained earnings resulting from dividend payments.

As a result, the shareholders' equity ratio was 60.1% compared with 57.1% at the previous fiscal year-end.

(3) Qualitative information on forecast of consolidated financial results

Although some of the businesses performed better than others, the azbil Group's financial results for the third quarter of the current consolidated cumulative period have been within the range envisaged by the forecast published on November 1, 2013. Consequently, the forecast for the whole fiscal year remains unchanged.

Thanks in part to the Japanese government's policies, the domestic economy is expected to continue its gradual recovery; moreover, the various economic indicators encourage a positive view regarding the business outlook. Based on our three key initiatives, the azbil Group continues to work on reforming business structures and strengthening the corporate structure so as to ensure medium- to long-term growth. Additionally, we will keep a close watch on changes in the business environment, and steadily implement measures designed to expand sales and profits, aiming to achieve the performance 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:

Although this is not a change in specified subsidiaries, from the first quarter of the current consolidated accounting period, Azbil Brazil Limited is included in the scope of consolidation due to its growing weight.

In the first quarter of the current consolidated accounting period, 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 December 31, 2013
Assets		
Current assets		
Cash and deposits	48,411	47,619
Notes and accounts receivable-trade	88,874	76,340
Securities	13,251	11,105
Merchandise and finished goods	4,186	4,674
Work in process	5,263	8,859
Raw materials	7,053	7,719
Other	15,036	13,581
Allowance for doubtful accounts	(362)	(544)
Total current assets	181,714	169,356
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	13,133	12,788
Other, net	11,543	11,551
Total property, plant and equipment	24,677	24,339
Intangible assets		
Goodwill	9,662	8,452
Other	2,963	4,328
Total intangible assets	12,625	12,781
Investments and other assets		
Investment securities	15,304	18,082
Other	9,535	8,660
Allowance for doubtful accounts	(438)	(259)
Total investments and other assets	24,401	26,483
Total noncurrent assets	61,704	63,604
Total assets	243,418	232,960
Liabilities		
Current liabilities		
Notes and accounts payable-trade	40,548	34,127
Short-term loans payable	13,308	15,271
Income taxes payable	5,625	1,048
Provision for bonuses	7,838	4,466
Provision for directors' bonuses	96	57
Provision for product warranties	583	575
Provision for loss on order received	443	434
Other	14,384	16,245
Total current liabilities	82,828	72,226
Noncurrent liabilities		
Bonds payable	90	60
Long-term loans payable	4,441	3,141
Provision for retirement benefits	12,719	13,801
Provision for directors' retirement benefits	105	106
Other	2,036	2,099
Total noncurrent liabilities	19,393	19,208
Total liabilities	102,221	91,435
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	17,197
Retained earnings	111,141	109,237
Treasury stock	(2,644)	(2,646)
Total shareholders' equity	136,217	134,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,776	5,735
Deferred gains or losses on hedges	0	2
Foreign currency translation adjustment	(952)	(119)
Total accumulated other comprehensive income	2,824	5,618
Subscription rights to shares	2	2
Minority interests	2,152	1,592
Total net assets	141,197	141,525
Total liabilities and net assets	243,418	232,960

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

(Millions of yen)

	Nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)	Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)
Net sales	157,028	169,642
Cost of sales	104,013	112,218
Gross profit	53,015	57,424
Selling, general and administrative expenses	47,684	53,377
Operating loss	5,331	4,046
Non-operating income		
Interest income	97	136
Dividends income	272	284
Foreign exchange gains	354	887
Real estate rent	40	39
Reversal of allowance for doubtful accounts	―	5
Other	112	127
Total non-operating income	876	1,479
Non-operating expenses		
Interest expenses	70	325
Commitment fee	18	15
Rent expenses on real estates	63	48
Office transfer expenses	24	28
Provision of allowance for doubtful accounts	245	―
Equity in losses of affiliates	―	4
Other	32	67
Total non-operating expenses	455	490
Ordinary income	5,751	5,035
Extraordinary income		
Gain on sales of noncurrent assets	186	4
Compensation income	―	506
Gain on sales of investment securities	0	41
Total extraordinary income	186	552
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	30	31
Impairment loss	74	29
Restructuring loss	―	139
Loss on sales of investment securities	―	18
Loss on valuation of investment securities	11	1
Total extraordinary losses	116	220
Income before income taxes and minority interests	5,822	5,367
Income taxes-current	1,270	1,540
Income taxes-deferred	1,788	1,216
Total income taxes	3,059	2,756
Income before minority interests	2,762	2,611
Minority interests in income (loss)	185	(20)
Net income	2,577	2,632

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

(Millions of yen)

	Nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)	**Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)**
Income before minority interests	2,762	2,611
Other comprehensive income		
Valuation difference on available-for-sale securities	(161)	1,959
Deferred gains or losses on hedges	221	1
Foreign currency translation adjustment	(233)	1,030
Total other comprehensive income	(173)	2,992
Comprehensive income	2,589	5,603
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	2,413	5,425
Comprehensive income attributable to minority interests	176	177

(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)

Nine months ended December 31, 2012 (From April 1, 2012 to December 31, 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	69,642	61,614	25,722	156,978	49	157,028
Inter-segment	202	728	102	1,034	9	1,043
Total	69,845	62,342	25,824	158,012	59	158,072
Segment Profit (loss)	3,386	2,198	(260)	5,324	8	5,333

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segment	5,324
Profit in Other	8
Elimination	(2)
Operating income	5,331

Nine months ended December 31, 2013 (From April 1, 2013 to December 31, 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	70,342	63,196	36,055	169,594	48	169,642
Inter-segment	160	582	104	847	5	852
Total	70,502	63,779	36,159	170,441	53	170,495
Segment Profit (loss)	3,384	1,479	(832)	4,031	16	4,048

* "Other" includes insurance agent business.

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

(Millions of yen)

Income	Amount
Total of reportable segment	4,031
Profit in Other	16
Elimination	(1)
Operating income	4,046

4. Supplementary information

Orders received condition

(Millions of yen)

Reportable segment	Nine months ended December 31, 2012 (April 1, 2012 to December 31, 2012)	Nine months ended December 31, 2013 (April 1, 2013 to December 31, 2013)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	83,918	86,899	2,980	3.6
Advanced Automation	65,366	70,310	4,944	7.6
Life Automation	26,178	39,996	13,817	52.8
Total of reportable segments	175,463	197,205	21,741	12.4
Other	58	53	(4)	(8.5)
Elimination	(1,057)	(1,375)	(318)	—
Consolidated	174,465	195,883	21,418	12.3