



Translation

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Summary of Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ending March 31, 2015  
(Based on Japanese GAAP)

August 1, 2014

Company name: Azbil Corporation  
 Stock exchange listing: Tokyo Stock Exchange 1st Section (CODE 6845)  
 URL: <http://www.azbil.com/>  
 Representative: Hirozumi Sone, President and Chief Executive Officer  
 Contact: Takayuki Yokota, Executive Officer, Head of Group  
 Management Headquarters  
 TEL: +81-3-6810-1009  
 Scheduled date to file Quarterly Securities Report: August 8, 2014  
 Scheduled date to commence dividend payments: —  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

(1) Consolidated financial results (Cumulative) Percentages indicate year-on-year changes

	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, 2014	51,060	5.1	(1,534)	—	(1,500)	—	(1,272)	—
Three months ended June 30, 2013	48,577	2.9	(1,523)	—	(991)	—	(942)	—

Note: Comprehensive income As of June 30, 2014 (416) million yen —%  
 As of June 30, 2013 670 million yen —%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended June 30, 2014	(17.23)		—	
Three months ended June 30, 2013	(12.76)		—	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2014	237,244	147,212	61.4
As of March 31, 2014	253,448	144,978	56.5

Note : Shareholders' equity As of June 30, 2014 145,654 million yen  
 As of March 31, 2014 143,316 million yen

2. Dividends

	Dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2014	—	31.50	—	31.50	63.00
Year ending March 31, 2015	—				
Year ending March 31, 2015 (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, 2015 (from April 1, 2014 to March 31, 2015)

Percentages indicate year-on-year changes

	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, 2014	116,000	4.2	3,400	38.3	3,200	15.9	1,600	56.7	21.66
Fiscal year 2014	260,000	4.7	15,500	11.5	15,000	2.7	8,500	10.8	115.09

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) Application of special accounting methods for preparing quarterly consolidated financial statements: No

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

1. Changes associated with revision in accounting standards: Yes

2. Other changes: No

3. Changes in accounting estimates: No

4. Retrospective restatements: No

Note: For details, please refer to “2. Matters concerning summary information (notes) (2) Changes in accounting policies, accounting estimates, and retrospective restatements” on page 7 of the financial results (appendix).

(4) Number of issued shares (Common stock)

1. Total number of issued shares at the end of the period (Including treasury stock)

As of June 30, 2014	75,116,101 shares	As of March 31, 2014	75,116,101 shares
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2. Number of treasury stock at the end of the period

As of June 30, 2014	1,263,335 shares	As of March 31, 2014	1,263,194 shares
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3. Average number of shares during the period (Cumulative from the beginning of the fiscal year)

Three months ended June 30, 2014	73,852,829 shares	Three months ended June 30, 2013	73,853,745 shares
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\* 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

(Attention to the description of the future)

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.

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 document. Please see “1. Qualitative information on consolidated quarterly financial results (3) Qualitative information on forecast of consolidated financial results” on page 5 of the appendix for preconditions underlying these projections and precautions to follow in using these projections.

(How to obtain supplementary material on quarterly financial results)

Supplementary material on quarterly financial results will be published on the company’s website on the same day.

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## 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, Japan's economy continued to make a modest recovery. After the initial fall in consumer spending following the increase in the consumption tax, there have been signs that personal consumption is returning to previous levels. However, capital investment showed no equivalent uptick; this was due to the contraction in domestic demand caused by the aforesaid tax increase, by a turnaround in the depreciation of the yen, and stagnant exports. Overseas, although there has been some slackening evident in the growth of emerging economies, a moderate recovery has continued in Europe and the US.

Amid this business environment, 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 the global operations to the next level. Global expansion into new regions and a qualitative change of focus; (3) aiming to become a corporate organization that never stops learning so that it can continuously strengthen its corporate structure. The business plan targets three growth fields: next-generation solutions, energy management solutions, and safety solutions. For this, progress has been being made, in Japan and overseas, to implement distinctively azbil solutions utilizing our products, technologies and services.

As a result, orders increased for the Building Automation (BA)<sup>Note</sup> and Advanced Automation (AA) businesses, and overall orders for the first quarter of the current consolidated cumulative period were 86,077 million yen, up 17.8% on the same period last year. All three businesses achieved sales growth, resulting in an overall figure of 51,060 million yen, up 5.1% on the same period last year.

As regards profits, there was an operating loss of 1,534 million yen (operating loss for the same period last year was 1,523 million yen). Reasons for this are the increased R&D costs required to develop new products for growth fields, costs related to updating core information systems, and projects undertaken by some businesses for which profit margins were slim. Ordinary loss was 1,500 million yen (ordinary loss for the same period last year was 991 million yen, primarily due to recording 410 million yen as foreign exchange gains). There was a net loss of 1,272 million yen (net loss for the same period last year was 942 million yen).

Note: In addition to the growth in orders in the existing building and service fields, a number of large-scale service contracts that span several years came up for renewal, and the total value of these multi-year contracts was recorded as a lump sum of approximately 7,600 million for this quarter.

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.

The results for the individual reportable segments are as follows.

### **Building Automation (BA) Business**

While the domestic market saw sales grow, overseas there was a slight fall in sales. Nevertheless, sales increased for the BA business as a whole.

In the domestic market, the new building business made a robust recovery and sales increased. In the field of existing buildings too there has been increasing investment in power/energy-saving solutions, but this trend was too late to be reflected in this quarter's sales, which were thus on a par with last year. Service business sales continued to do well, thanks to a steadily growing track record.

Abroad, sales grew in Asian countries as a result of measures mainly aimed at developing local, non-Japanese projects. However, sales were impacted by a slowdown in building projects – following transfer of power to the new leadership in China last year, and in the wake of political unrest in Thailand. Consequently, overseas sales fell overall.

As a result, BA business sales for the first quarter of the current consolidated cumulative period were 19,754 million yen, up 3.4% on the same period last year. Owing to such factors as increased R&D costs for new product development, segment loss (operating loss) was 822 million yen (a loss of 652 million yen was recorded for the same period last year).

### **Advanced Automation (AA) Business**

Sales grew in the domestic market, and with continuing robust performance in overseas markets the AA business overall achieved an increase in sales.

In Japan, the sales of control products to equipment manufacturers remained at a slight increase. Sales and service of field instruments, control valves and system products for plants were still scarce. Nevertheless, sales increased thanks to successful efforts to develop markets, and also to large-scale periodic maintenance projects in the service field.

In overseas markets, sales dipped as a result of the political uncertainty in Thailand. However, in Europe, the US, China and Korea control products continued to sell well to

equipment manufacturers. Total overseas sales grew as a result.

Consequently, AA business sales for the first quarter of the current consolidated cumulative period were 19,867 million yen, up 6.3% on the same period last year. Segment profit (operating income) was 63 million yen; for comparison, in the same period last year a segment loss (operating loss) of 290 million yen was recorded.

### **Life Automation (LA) Business**

In the field of gas and water meters, sales of town gas meters and water meters grew, but sales of LP gas meters fell reflecting the demand cycle. Nevertheless, overall sales increased.

In the Life Science Engineering field sales grew mainly as a result of exchange rates, but in South America and other regions the business environment continued to be challenging owing to an economic slowdown and intensified competition.

In the health and welfare and nursing care field, initiatives designed to win new contracts and deploy a new comprehensive service bore fruit, and sales increased.

As regards residential central air-conditioning systems, we continue to strengthen our development and sales capabilities. An aggressive sales strategy targeting house builders has resulted in sales growth.

Consequently, LA business sales in the first quarter of the current consolidated cumulative period were 11,718 million yen, up 6.9% on the same period last year. As regards profits, because margins were slim for some projects in Japan and overseas, there was a segment loss (operating loss) of 788 million yen; for comparison, in the same period last year a segment loss (operating loss) of 587 million yen was recorded.

### **Other**

In Other business, sales in the first quarter of the current consolidated cumulative period were 26 million yen (compared with 24 million yen for the same period last year). Segment profit (operating income) was 13 million yen; for comparison, a profit of 11 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 first quarter of fiscal year 2014 stood at 237,244 million yen, a decrease of 16,204 million yen from the previous fiscal year-end. This was mainly due to a decrease of 17,367 million yen in notes and accounts receivable-trade.

### (Liabilities)

Total liabilities at the end of the first quarter of fiscal year 2014 were 90,031 million yen, a decrease of 18,438 million yen from the previous fiscal year-end. This was mainly owing to a decrease of 4,885 million yen in notes and accounts payable-trade, a decrease of 5,887 million yen in income taxes payable due to the payment of income taxes, a decrease of 5,236 million yen in the provision for bonuses due to bonus payments, and a decrease of 8,328 million yen in net defined benefit liability resulting from changes in the Retirement Benefits Accounting Standard ,etc.

### (Net assets)

Net assets at the end of the first quarter of fiscal year 2014 were 147,212 million yen, an increase of 2,234 million yen from the previous fiscal year-end. This was mainly due to the fact that retained earnings rose by 5,148 million yen following changes in the Retirement Benefits Accounting Standard, offsetting the impact of the dividend payment and the recording of net loss of the first quarter of the current consolidated cumulative period.

As a result, the shareholders' equity ratio was 61.4% compared with 56.5% at the previous fiscal year-end.

## (3) Qualitative information on forecast of consolidated financial results

Although not all businesses achieved the same level of improved earnings, the azbil Group's financial results for the first quarter of the current consolidated cumulative period were overall in line with the forecast published at the start of the new fiscal year. Consequently, no changes will be made to the forecasts previously published (May 12, 2014), either for the second quarter of the consolidated cumulative period or for the full fiscal year.

While the LA business has been adversely affected by intensified competition, the environment for the BA business has been steadily improving, resulting in growth. As for the AA business, a return to upward momentum in domestic capital investment is

expected through the second half of the fiscal year. While vigilantly tracking such changes in the business environment, the azbil Group will continue to implement reforms to strengthen the business structure in accordance with the medium-term plan.

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 there is no change in specified subsidiaries, from the first quarter of the current consolidated cumulative period, Azbil Saudi Arabia Limited and Azbil Production (Thailand) Co.,Ltd. are included in the scope of consolidation due to their growing weight.

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

(Application of Accounting Standard for Retirement Benefits, etc.)

“Accounting Standard for Retirement Benefits” (ASBJ statement No. 26, May 17, 2012; hereinafter called “the Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ guidance No. 25, May 17, 2012; hereinafter called “the Retirement Benefits Application Guidance”) were applied from the first quarter of the current consolidated accounting period, regarding Section 35 of the Retirement Benefits Accounting Standard and Section 67 of the Retirement Benefits Application Guidance. The method is changed to the benefit formula basis. For the method of determining the discount rate, a single weighted average discount rate which reflects the estimated period and amount of benefit payment, is used.

As for the application of the Retirement Benefits Accounting Standard, etc., effect of the changes in calculation method of retirement benefit obligations and service costs were posted in retained earnings at the beginning of the first quarter of the current consolidated accounting period, in accordance with the provision for transitional handling set forth in Section 37 of the Retirement Benefits Accounting Standard.

As a result, net defined benefit liabilities decreased 7,985 million yen and retained earnings increased 5,148 million yen at the beginning of the first quarter of the current consolidated accounting period. This produces minor effects on the operating loss, ordinary loss, and loss before income taxes and minority interests for the first quarter of the current term.

### 3. Consolidated quarterly financial statements

#### (1) Consolidated quarterly balance sheets

(Millions of yen)

	As of March 31,2014	As of June 30,2014
<b>Assets</b>		
Current assets		
Cash and deposits	52,402	51,581
Notes and accounts receivable - trade	88,227	70,860
Securities	14,937	15,013
Merchandise and finished goods	4,236	4,722
Work in process	5,958	7,730
Raw materials	7,998	8,543
Other	16,110	15,239
Allowance for doubtful accounts	(494)	(522)
Total current assets	189,377	173,168
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,951	12,721
Other, net	11,549	11,822
Total property, plant and equipment	24,501	24,543
Intangible assets		
Goodwill	8,083	7,817
Other	4,866	5,173
Total intangible assets	12,950	12,990
Investments and other assets		
Investment securities	16,841	18,215
Other	10,153	8,615
Allowance for doubtful accounts	(375)	(289)
Total investments and other assets	26,618	26,541
Total non-current assets	64,070	64,075
<b>Total assets</b>	<b>253,448</b>	<b>237,244</b>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	41,456	36,570
Short-term loans payable	15,380	15,370
Income taxes payable	6,247	360
Provision for bonuses	8,600	3,363
Provision for directors' bonuses	109	45
Provision for product warranties	567	548
Provision for loss on order received	370	601
Other	14,625	18,055
Total current liabilities	87,356	74,916

( Millions of yen )

	As of March 31,2014	As of June 30,2014
<b>Non-current liabilities</b>		
Bonds payable	40	40
Long-term loans payable	2,215	2,135
Net defined benefit liability	16,636	8,307
Provision for directors' retirement benefits	111	118
Other	2,108	4,512
<b>Total non-current liabilities</b>	<b>21,112</b>	<b>15,114</b>
<b>Total liabilities</b>	<b>108,469</b>	<b>90,031</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	10,522	10,522
Capital surplus	17,197	17,197
Retained earnings	114,275	115,663
Treasury shares	(2,646)	(2,646)
<b>Total shareholders' equity</b>	<b>139,349</b>	<b>140,736</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,978	6,164
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	824	506
Remeasurements of defined benefit plans	(1,836)	(1,753)
<b>Total accumulated other comprehensive income</b>	<b>3,966</b>	<b>4,917</b>
Subscription rights to shares	2	2
Minority interests	1,660	1,556
<b>Total net assets</b>	<b>144,978</b>	<b>147,212</b>
<b>Total liabilities and net assets</b>	<b>253,448</b>	<b>237,244</b>

(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 30,2013 (April 1,2013 to June 30,2013)	Three months ended June 30,2014 (April 1,2014 to June 30,2014)
Net sales	48,577	51,060
Cost of sales	32,818	34,775
Gross profit	15,758	16,285
Selling, general and administrative expenses	17,282	17,820
Operating loss	(1,523)	(1,534)
Non-operating income		
Interest income	33	23
Dividend income	159	193
Foreign exchange gains	410	-
Real estate rent	12	12
Share of profit of entities accounted for using equity method	4	-
Reversal of allowance for doubtful accounts	56	16
Other	40	77
Total non-operating income	717	324
Non-operating expenses		
Interest expenses	136	82
Foreign exchange losses	-	152
Commitment fee	5	5
Rent expenses on real estates	16	12
Office transfer expenses	18	15
Share of loss of entities accounted for using equity method	-	1
Other	9	19
Total non-operating expenses	186	290
Ordinary loss	(991)	(1,500)
Extraordinary income		
Gain on sales of non-current assets	0	58
Gain on sales of investment securities	18	10
Total extraordinary income	18	68
Extraordinary losses		
Loss on sales and retirement of non-current assets	8	23
Impairment loss	12	-
Loss on valuation of investment securities	14	-
Loss on sales of investment securities	1	-
Total extraordinary losses	36	23
Loss before income taxes and minority interests	(1,010)	(1,455)
Income taxes - current	102	223
Income taxes - deferred	(149)	(350)
Total income taxes	(46)	(127)
Loss before minority interests	(964)	(1,328)
Minority interests in loss	(21)	(55)
Net loss	(942)	(1,272)

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

( Millions of yen )

	Three months ended June 30,2013 (April 1,2013 to June 30,2013)	Three months ended June 30,2014 (April 1,2014 to June 30,2014)
Loss before minority interests	(964)	(1,328)
Other comprehensive income		
Valuation difference on available-for-sale securities	796	1,186
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	840	(356)
Remeasurements of defined benefit plans, net of tax	-	83
Total other comprehensive income	1,634	911
Comprehensive income	670	(416)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	559	(322)
Comprehensive income attributable to minority interests	111	(94)

(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, 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)

Three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

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	19,705	19,638	11,692	51,036	24	51,060
Inter-segment	49	229	25	304	1	305
Total	19,754	19,867	11,718	51,340	26	51,366
Segment Profit (loss)	(822)	63	(788)	(1,547)	13	(1,533)

\*"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	(1,547)
Profit in Other	13
Elimination	(1)
Operating income (loss)	(1,534)

#### 4. Supplementary information

Orders received condition

(Millions of yen)

Reportable segment	Three months ended June 30, 2013 (April 1, 2013 to June 30, 2013)	Three months ended June 30, 2014 (April 1, 2014 to June 30, 2014)	Change	
	Orders received	Orders received	Orders received	
			Amount	Ratio (%)
Building Automation	38,003	48,680	10,677	28.1
Advanced Automation	21,950	25,225	3,275	14.9
Life Automation	13,446	12,492	(953)	(7.1)
Total of reportable segments	73,399	86,398	12,999	17.7
Other	24	26	1	7.5
Elimination	(362)	(346)	15	—
Consolidated	73,061	86,077	13,016	17.8