azbil
Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For the First Half Ended September 30, 2013 (Japan GAAP)

<Contents>

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Notes:

1. Financial data and financial statements have been prepared based on Japan 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

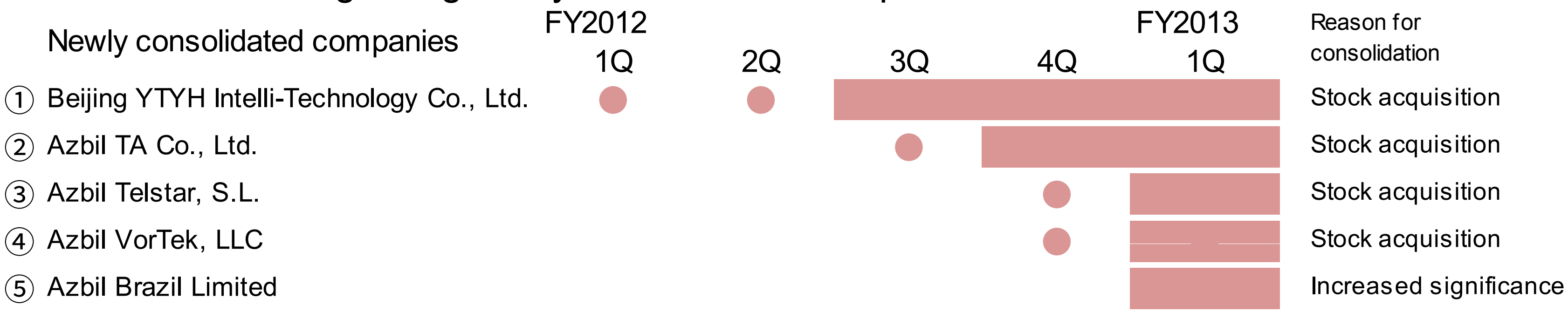
3. Each segment amounts include internal transactions between business segments.

4. From FY2012, some of the business (Importing, buying-in and marketing of inspection and measurement equipment, etc.) previously categorized as “Other” has been transferred to the “AA” business segment. The figures for FY2011 have been reclassified to take account of the new segment divisions.

5. Sales for the azbil Group tend to be concentrated in the second half accounting period, while fixed costs are generated constantly. This means that profits in the first half accounting period is typically lower than the second half.

6. The financial plan are 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.

7. The current status regarding newly consolidated companies is as follows.



●: B/S consolidation (simultaneously, order backlog at the time of consolidationis recorded under orders)

1. Results for the First Half Ended September 30, 2013

Consolidated Financial Results

	[Compared to the plan(5/10/2013)]	[Compared to the same period last year]
Orders Received		The LA business grew significantly due to the consolidation of Azbil Telstar group. The BA and AA businesses also grew.
Net Sales	The AA business failed to achieve its plan, however the BA and LA businesses outperformed. Thus overall there was a slight upturn.	The LA business grew significantly in the overseas market due to the consolidation of Azbil Telstar group same as orders received. The BA and AA businesses also grew in the overseas market, but as this was offset by a fall in the domestic market, their results was similar to last year. Overall net sales increased.
Income	The BA business outperformed, however the AA and LA businesses failed to achieve their plan. Operating income fell slightly short of the planned figure. Planned net income was achieved .	As a result of strengthening the corporate structure, progress was made with improving the cost rate and curbing expenditures. However, the impact of goodwill amortization costs associated with the addition of new subsidiaries as well as a transient increase* in the payment of retirement benefits resulted in a decrease in operating income. Foreign exchange gains and other factors helped to check the fall in net income.

[Billions of yen]

	This period (A)	Plan (5/10/2013) (B)	Difference		Same period last year (C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Orders received	137.6				126.7	10.8	8.6
Net sales	111.2	110.0	1.2	1.2	104.7	6.5	6.2
Gross profit	37.4				35.0	2.3	6.6
%	33.6				33.5	0.1P	
SG & A	34.9				31.5	3.4	10.8
Operating Income	2.4	2.7	(0.2)	(9.0)	3.5	(1.0)	(30.7)
%	2.2	2.5	(0.2P)		3.4	(1.2P)	
Ordinary Income	2.7	2.4	0.3	15.1	3.3	(0.5)	(16.5)
Income before income taxes and minority interests	2.6				3.1	(0.5)	(17.2)
Net income	1.0	0.9	0.1	13.4	1.4	(0.4)	(31.5)
%	0.9	0.8	0.1P		1.4	(0.5P)	

* A transitory increase (approx. ¥0.6 billion) recorded for the payment of retirement benefits in the first half; this reflects the fall in bond rates and changes in the personnel structure.

Segment Information

[Billions of yen]

		This period (A)	Plan (5/10/2013) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
BA	Orders received	64.4				63.9	0.5	0.8
	Sales	45.0	44.0	1.0	2.5	45.3	(0.2)	(0.5)
	Segment profit(loss)	1.5	1.3	0.2	15.7	1.7	(0.2)	(13.4)
	%	3.3	3.0	0.4P		3.8	(0.5P)	
AA	Orders received	46.5				45.2	1.2	2.9
	Sales	42.4	44.0	(1.5)	(3.5)	42.6	(0.1)	(0.4)
	Segment profit(loss)	1.2	1.5	(0.2)	(16.7)	1.9	(0.6)	(35.7)
	%	2.9	3.4	(0.5P)		4.6	(1.6P)	
LA	Orders received	27.6				18.3	9.2	50.7
	Sales	24.2	23.0	1.2	5.4	17.5	6.7	38.4
	Segment profit(loss)	(0.3)	(0.1)	(0.2)	-	(0.1)	(0.1)	-
	%	(1.3)	(0.4)	(0.8P)		(0.8)	(0.4P)	
Consolidated	Orders received	137.6				126.7	10.8	8.6
	Net sales	111.2	110.0	1.2	1.2	104.7	6.5	6.2
	Operating Income	2.4	2.7	(0.2)	(9.0)	3.5	(1.0)	(30.7)
	%	2.2	2.5	(0.2P)		3.4	(1.2P)	

Segment Information - ■ B A

[Compared to the plan(5/10/2013)]

Both sales and segment profit outperformed the plan in Japan and overseas.

[Compared to the same period last year]

Whereas an increase in sales was achieved in overseas markets, this was offset by a decrease in the domestic market for new buildings mainly due to the timing of the projects. Overall performance was thus similar to last year. Stable performance was achieved for existing buildings (power/energy-saving solutions) and service operations. Profitability was improved as a result of on-site cost improvements, and while this offset a transient increase in the payment of retirement benefits, the impact of adding new subsidiaries led to a decrease in the segment profit.

[Billions of yen]

		This period (A)	Plan (5/10/2013) (B)	Difference		Same period last year (C)	Difference	
				(A) - (B)	% Change		(A) - (C)	% Change
■ B A	Orders received	64.4				63.9	0.5	0.8
	Sales	45.0	44.0	1.0	2.5	45.3	(0.2)	(0.5)
	Segment profit(loss)	1.5	1.3	0.2	15.7	1.7	(0.2)	(13.4)
	%	3.3	3.0	0.4P		3.8	(0.5P)	

∗ A transitory increase (approx. ¥0.3 billion) recorded for the payment of retirement benefits in the first half; this reflects the fall in bond rates and changes in the personnel structure.

Segment Information - ■ A A

[Compared to the plan(5/10/2013)]

Both sales and profit were lower than planned figures because the domestic demand was weaker than the assumption.

[Compared to the same period last year]

Sales of control products for equipment manufacturers, in Japan and overseas, showed signs of recovery, and progress was made with business measures involving new products and solutions. However, the capital investment for the factories/plants were still weak in Japanese market from the second half of last year. Owing to the increase in overseas market, sales were at the same level as the same period last year.
Segment profit was decreased because the sales in Japanese market fell and the increase in retirement benefit costs.

[Billions of yen]

		This period (A)	Plan (5/10/2013) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
■ A A	Orders received	46.5				45.2	1.2	*2.9*
	Sales	42.4	44.0	(1.5)	*(3.5)*	42.6	(0.1)	*(0.4)*
	Segment profit(loss)	1.2	1.5	(0.2)	*(16.7)*	1.9	(0.6)	*(35.7)*
	%	*2.9*	*3.4*	*(0.5P)*		*4.6*	*(1.6P)*	

＊ A transitory increase (approx. ¥0.3 billion) recorded for the payment of retirement benefits in the first half; this reflects the fall in bond rates and changes in the personnel structure.

Segment Information - ■ L A

[Compared to the plan(5/10/2013)]

Sales were outperformed the plan, however the segment profit was lower than the planned figure mainly due to the costs for the business expansion of life assist field.

[Compared to the same period last year]

Both orders received and sales grew significantly mainly due to the addition of Azbil Telstar group.
Although profitability was improved in the gas and water meter fields, segment profit fell because of the prior costs for expanding the business of residential air-conditioning field and also the goodwill amortization cost for the consolidation of Azbil Telstar group.

[Billions of yen]

		This period (A)	Plan (5/10/2013) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
■ L A	Orders received	27.6				18.3	9.2	*50.7*
	Sales	24.2	23.0	1.2	*5.4*	17.5	6.7	*38.4*
	Segment profit(loss)	(0.3)	(0.1)	(0.2)	-	(0.1)	(0.1)	-
	%	*(1.3)*	*(0.4)*	*(0.8P)*		*(0.8)*	*(0.4P)*	

[Reference] Orders Received by Segment

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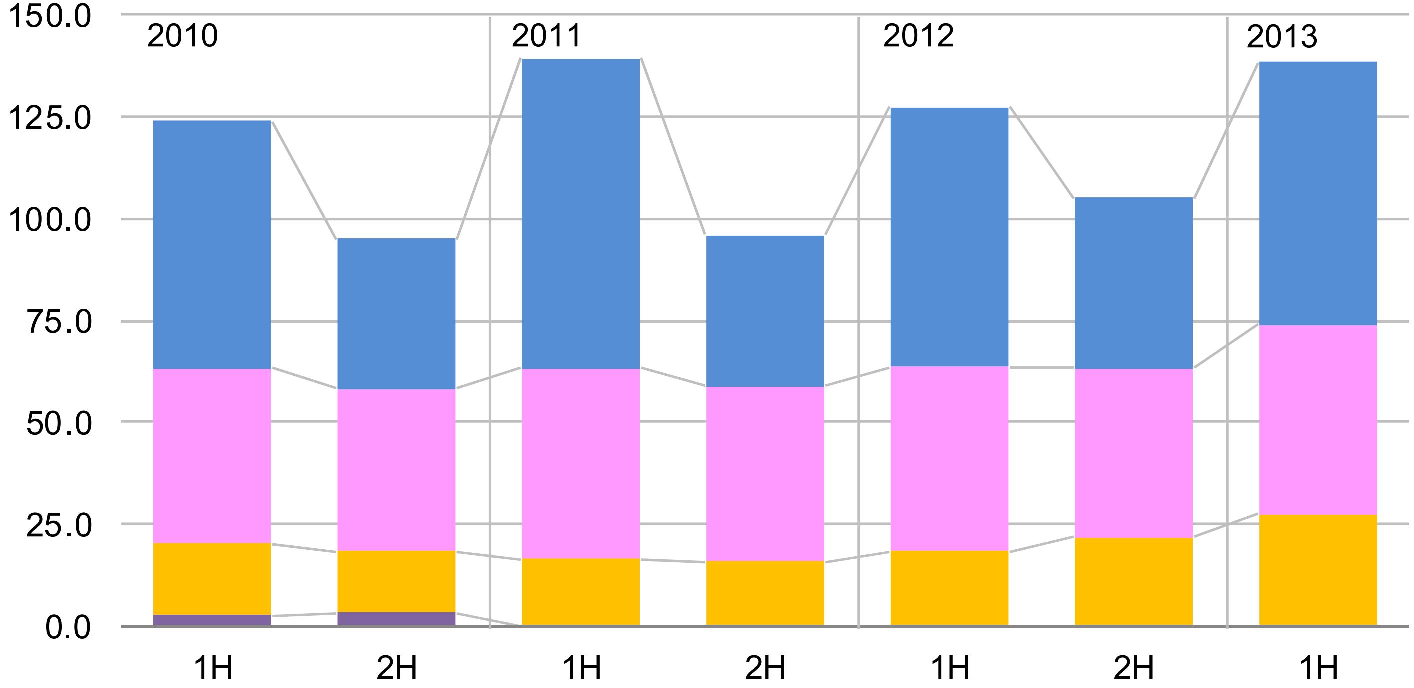
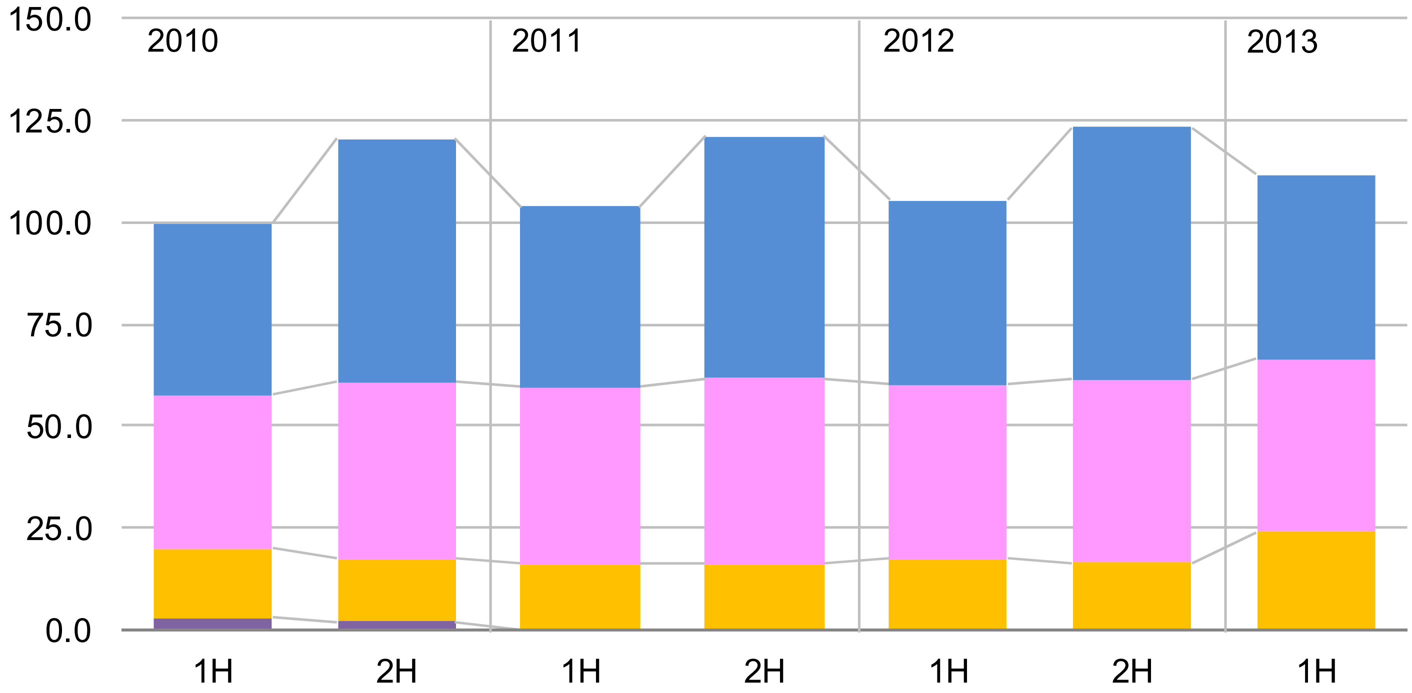
[Billions of yen]



Fiscal year	2010		2011		2012		2013
	1H	2H	1H	2H	1H	2H	1H
B A	60.6	36.6	76.1	37.2	63.9	41.8	**64.4**
A A	43.0	39.9	46.8	43.0	45.2	41.4	**46.5**
L A	17.5	15.2	16.5	15.8	18.3	21.8	**27.6**
Other	2.8	3.3	0.0	0.0	0.0	0.0	**0.0**
Consolidated	123.2	94.1	138.5	95.3	126.7	104.3	**137.6**

[Reference] Sales by Segment

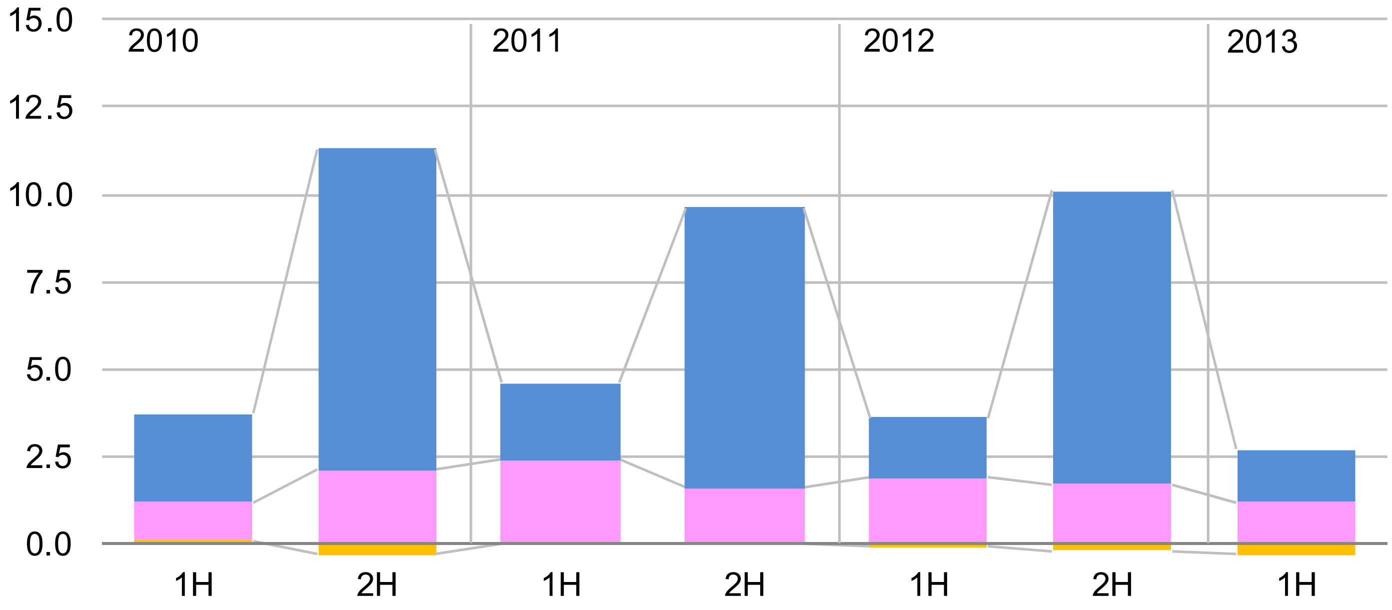
[Billions of yen]



Fiscal year	2010 1H	2010 2H	2011 1H	2011 2H	2012 1H	2012 2H	**2013 1H**
B A	42.1	59.9	44.3	59.5	45.3	62.0	**45.0**
A A	37.8	43.1	43.3	45.4	42.6	45.0	**42.4**
L A	17.1	15.5	16.2	16.3	17.5	16.4	**24.2**
Other	2.9	2.1	0.0	0.0	0.0	0.0	**0.0**
Consolidated	99.3	119.8	103.2	120.2	104.7	122.8	**111.2**

[Reference] Segment Profit (Operating Income)

[Billions of yen]



Fiscal year	2010 1H	2010 2H	2011 1H	2011 2H	2012 1H	2012 2H	**2013 1H**
B A	2.5	9.2	2.2	8.0	1.7	8.4	**1.5**
A A	1.1	2.1	2.4	1.6	1.9	1.7	**1.2**
L A	0.1	(0.3)	(0.0)	(0.0)	(0.1)	(0.2)	**(0.3)**
Other	0.0	0.0	0.0	(0.0)	0.0	(0.0)	**0.0**
Consolidated	3.7	11.1	4.7	9.6	3.5	9.8	**2.4**

1. Results for the First Half Ended September 30, 2013

Overseas Sales by Region

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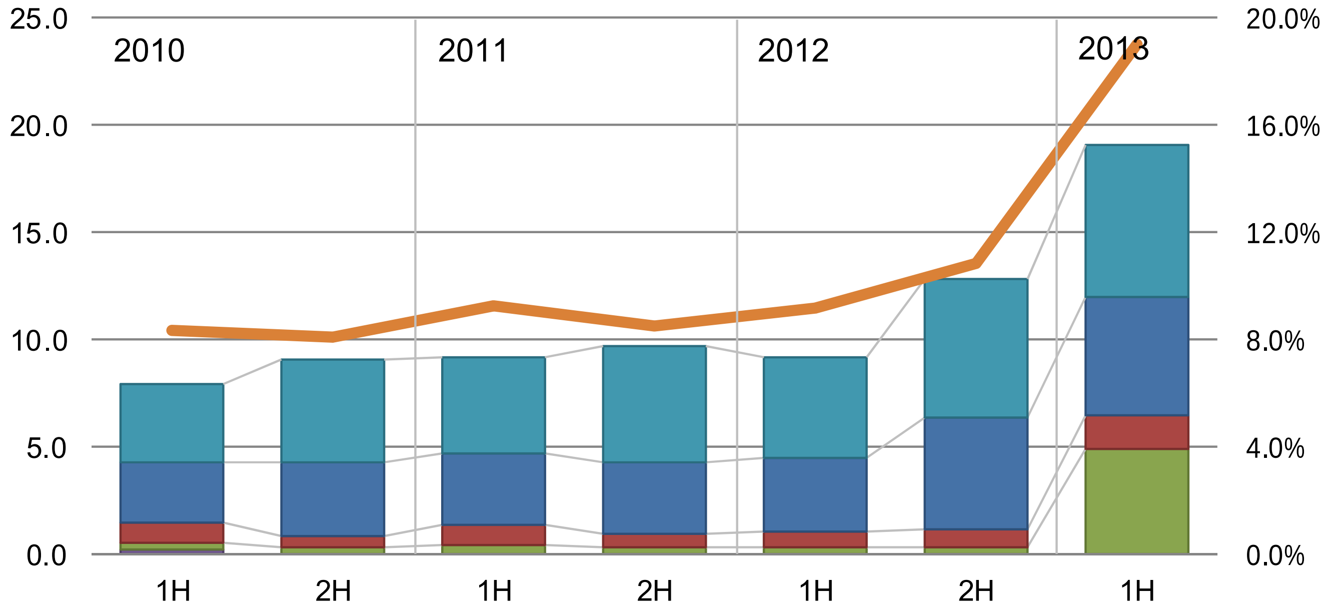
[Billions of yen]



- Robust business performance was achieved. This, together with the effect of adding new subsidiaries and exchange-rate gains, meant that there was a sharp growth in sales.
- In China and other countries in Asia, the BA business expanded. Included was the winning of contracts for landmark projects.
- The AA business performed well in North America thanks to its product line-up and solutions initiative.
- As a result of the consolidation of Azbil Telstar group, the LA business strongly growth in Europe and Others(Central & South America).

Fiscal year	2010		2011		2012		2013
	1H	2H	1H	2H	1H	2H	1H
Asia	3.7	4.8	4.5	5.4	4.7	6.4	**7.1**
China	2.8	3.4	3.3	3.3	3.4	5.2	**5.5**
North America	0.9	0.6	0.9	0.7	0.7	0.8	**1.6**
Europe	0.4	0.3	0.5	0.3	0.4	0.4	**4.9**
Others	0.2	0.3	0.2	0.3	0.3	0.3	**1.8**
Consolidated	8.3	9.7	9.5	10.2	9.5	13.3	**21.1**

[Reference information]

Overseas sales/ Net sales	8.4%	8.1%	9.3%	8.5%	9.2%	10.9%	**19.0%**
Average exchange rate - USD/JPY (USDJPY=X)	91.36	87.79	82.02	79.79	79.78	79.81	**95.73**
Average exchange rate - EUR/JPY (EURJPY=X)	121.24	116.28	115.05	111.11	103.49	102.56	**125.63**

＊ 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

Owing to the seasonal factors, the assets and liabilities of the azbil Group tend to be lower at the end of second quarter, than at the end of the previous fiscal year.

- **Assets** Principally owing to a sharp drop in accounts receivable-trade, total assets were down by 13.3 billion yen compared to the end of the previous fiscal year.
- **Liabilities** Principally owing to a decrease in notes and accounts payable-trade and an increase in the payment of income taxes, total liabilities were down by 13.8 billion yen compared to the end of the previous fiscal year.
- **Net assets** While retained earnings fell as a result of dividend payments, net assets rose by 0.4 billion yen compared to the end of the previous fiscal year owing to increases in the valuation difference on available-for-sale securities and foreign currency translation adjustment.

[Billions of yen]

	As of Sep. 30, 2013 (A)	As of Mar. 31, 2013 (B)	Difference (A) - (B)
Current assets	**167.4**	**181.7**	**(14.2)**
Cash and deposits	52.6	48.4	4.2
Notes and accounts receivable-trade	72.1	88.8	(16.7)
Inventories	18.4	16.5	1.9
Others	24.2	27.9	(3.7)
Noncurrent assets	**62.6**	**61.7**	**0.9**
Property, plant and equipment	24.4	24.6	(0.2)
Intangible assets	12.8	12.6	0.2
Investments and other assets	25.3	24.4	0.9
Total assets	**230.0**	**243.4**	**(13.3)**

	As of Sep. 30, 2013 (A)	As of Mar. 31, 2013 (B)	Difference (A) - (B)
Liabilities	**88.3**	**102.2**	**(13.8)**
Current liabilities	**69.2**	**82.8**	**(13.5)**
Notes and accounts payable-trade	33.2	40.5	(7.2)
Short-term loans and bonds	14.7	13.3	1.3
Others	21.2	28.8	(7.6)
Noncurrent liabilities	**19.1**	**19.3**	**(0.2)**
Long-term loans and bonds	3.5	4.5	(0.9)
Others	15.5	14.8	0.6
Net assets	**141.6**	**141.1**	**0.4**
Shareholder's equity	**135.0**	**136.2**	**(1.1)**
Capital stock	10.5	10.5	-
Capital surplus	17.1	17.1	-
Retained earnings	109.9	111.1	(1.1)
Treasury stock	(2.6)	(2.6)	(0.0)
Accumulated other comprehensive income	**5.0**	**2.8**	**2.2**
Subscription rights to shares and Minority interests	**1.6**	**2.1**	**(0.5)**
Total liabilities and net assets	**230.0**	**243.4**	**(13.3)**

(Reference) Shareholders' equity ratio: As of Sep. 30, 2013 60.9%, As of March 31, 2013 57.1%

Consolidated Cash Flows

- Owing to a decrease in income before income taxes and minority interests and an increase in income taxes paid, free cash flow fell by just 0.8 billion yen compared to the same period last year.
- Owing principally to the increase in loans payable related to the new subsidiaries, net cash used for financing activities grew by just 0.3 billion yen compared to the same period last year.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Net cash provided by (used in) operating activities	5.8	7.3	(1.5)	*(21.3)*
Net cash provided by (used in) investing activities	(1.3)	(1.9)	0.6	-
Free cash flow(FCF)	4.5	5.3	(0.8)	*(16.2)*
Net cash provided by (used in) financing activities	(3.1)	(3.4)	0.3	-
Effect of exchange rate change on cash and cash equivalents	0.9	0.0	0.9	-
Net increase(decrease) in cash and cash equivalents	2.2	1.9	0.3	*17.6*
Cash and cash equivalents at beginning of period	56.0	55.3	0.6	*1.3*
Increase in cash and cash equivalents from newly consolidated subsidiary	0.0	0.0	(0.0)	*(27.8)*
Cash and cash equivalents at end of period	58.3	57.3	1.0	*1.8*

[Reference information]

Capital expenditure	2.3	1.4	0.9	*65.1*
Depreciation	1.7	1.7	0.0	*3.5*

2. Financial Plan for FY2013, Ending March 31, 2014

Revised Plan

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According to the revised plan, there will be sales of 250.0 billion yen (unchanged from the initial plan) and operating income of 13.7 billion yen (0.5 billion yen or 3.5% lower than the initial plan).

- As regards net sales, despite the impact of lackluster domestic capital investment in the first half, taking into account overseas expansion (including the consolidation of new subsidiaries), there is no change from the initial plan.
- The figure for operating income has been revised to reflect mainly the AA business results for the first half and the costs for the business expansion of the LA business.

[Billions of yen]

	Revised plan (A)	Initial plan (5/10/2013) (B)	Difference		Last year (C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Net sales	250.0	250.0	-	-	227.5	22.4	9.8
Operating income	13.7	14.2	(0.5)	(3.5)	13.4	0.2	2.2
%	5.5	5.7	(0.2P)		5.9	(0.4P)	
Ordinary income	13.2	13.5	(0.3)	(2.2)	14.5	(1.3)	(9.4)
Net income	7.8	8.0	(0.2)	(2.5)	8.3	(0.5)	(6.1)
%	3.1	3.2	(0.1P)		3.7	(0.5P)	

Segment Information

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- **B A** In accordance with the initial plan, sales and profits are expected to be higher than the previous fiscal year. Profit has been revised upwards by 0.1 billion yen. Growth is expected in the markets for existing buildings, service (reflecting increased demand for power/energy-saving prompted by higher electricity charges) and local capital building markets overseas.

- **A A** Owing to seasonal factors, control systems and service sales to plants are expected to be higher in the second half than the first half. Also, sales of control products for equipment manufacturers are expected to benefit from the recent market recovery and from the measures implemented in the first half. Overall, performance in the second half will be as in the initial plan. Reflecting first-half business results, the plan for the whole fiscal year has been revised.

- **L A** As a result of the consolidation of Azbil Telstar group*, sales will increase significantly compared to the assumptions. And considering the cost of strengthening the corporate structure of Azbil Telstar group over the first and second halves, as well as the impact of investment for the business expansion of life assist field segment profit plan has been revised.

[Billions of yen]

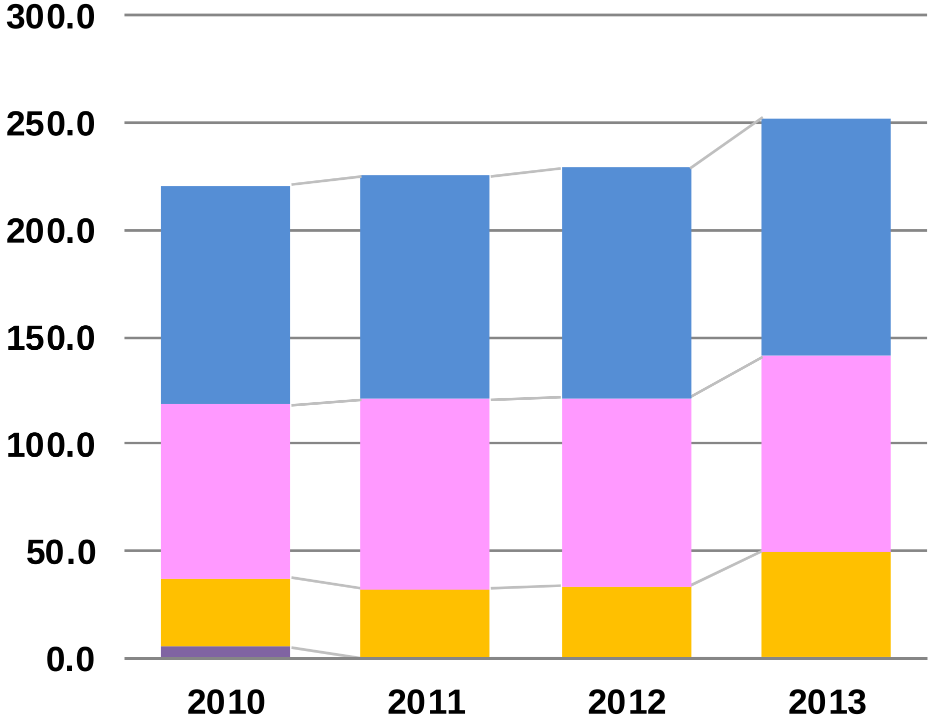
		Revised plan (A)	Initial plan (5/10/2013) (B)	Difference		Last year (C)	Difference	
				(A) - (B)	% Change		(A) - (C)	% Change
B A	Sales	111.0	111.0	-	-	107.4	3.5	3.3
	Segment profit(loss)	10.4	10.3	0.1	1.0	10.1	0.2	2.4
	%	9.4	9.3	0.1P		9.5	(0.1P)	
A A	Sales	91.0	93.0	(2.0)	(2.2)	87.6	3.3	3.8
	Segment profit(loss)	3.6	3.8	(0.2)	(5.3)	3.6	(0.0)	(1.3)
	%	4.0	4.1	(0.1P)		4.2	(0.2P)	
L A	Sales	50.0	48.0	2.0	4.2	33.9	16.0	47.1
	Segment profit(loss)	(0.3)	0.1	(0.4)	-	(0.3)	0.0	-
	%	(0.6)	0.2	(0.8P)		(1.2)	0.6P	
Consolidated	Net sales	250.0	250.0	-	-	227.5	22.4	9.8
	Operating income	13.7	14.2	(0.5)	(3.5)	13.4	0.2	2.2
	%	5.5	5.7	(0.2P)		5.9	(0.4P)	

* Sales for the group tend to concentrate in the second half, and similarly second-half profits tend to be higher than those for the first half.

2. Financial Plan for the FY2013, Ending March 31, 2014

[Reference] Sales by Segment

[Billions of yen]



Fiscal year	2010	2011	2012	2013 (Plan)
B A	102.1	103.8	107.4	**111.0**
A A	80.9	88.8	87.6	**91.0**
L A	32.6	32.5	33.9	**50.0**
Other	5.1	0.0	0.0	**0.1**
Consolidated	219.2	223.4	227.5	**250.0**

[Reference] Segment Profit (Operating Income)

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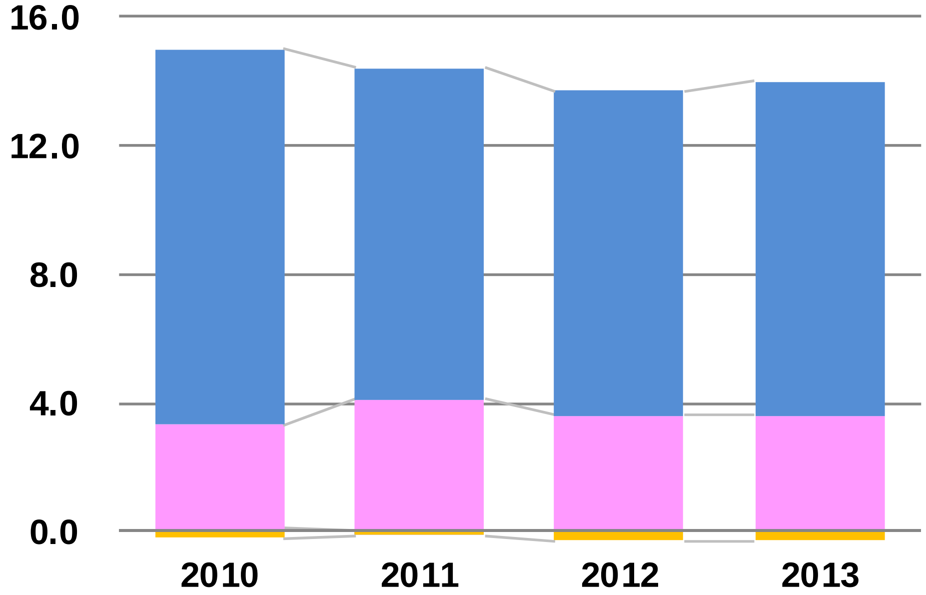
[Billions of yen]



Fiscal year	2010	2011	2012	**2013 (Plan)**
B A	11.7	10.3	10.1	**10.4**
A A	3.2	4.1	3.6	**3.6**
L A	(0.2)	(0.1)	(0.3)	**(0.3)**
Other	0.1	(0.0)	0.0	**0.0**
Consolidated	14.8	14.3	13.4	**13.7**

3. Return to Shareholders

Dividends Plan

- Putting priority on the interests of our shareholders, we will maintain stable dividends while striving to increase its dividends payout, taking into account comprehensively its consolidated performance, level of Return On Equity(ROE), Dividends On Equity(DOE), as well as retained earnings for strengthening its business base and developing future business.
- Taking into consideration progress achieved with the initiatives and measures, we will issue an interim dividend of 31.5 yen per share, as announced on May 10. Also, as previously announced, it is planned to issue a year-end dividend of 31.5 yen per share, making an annual dividend of 63 yen per share.

	FY2012		FY2013	
	Interim	Year-end	Interim	Year-end
Dividened per share [Yen]	31.5	31.5	31.5	31.5 (Plan)
Payout ratio	56.0%		59.7%	
Dividened on equity (DOE)	3.4%		3.3%	

(Reference) Dividends yield: 2.8% (as of September 30, 2013)

4. Progress of the Medium-term Plan (FY2013 - 2016)

Long-term Goals and Medium-term Plan

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- FY2013 sees the start of the medium-term plan(FY2013-2016) aimed at achieving long-term goals.
- Measures have been implemented based on the following three initiatives, steadily reforming the business and operational structures.
- Amidst changes in the business environment, efforts aimed at achieving the performance targets for FY2016 will be redoubled.

New company name adopted (FY2012) | 110th anniversary (FY2016) | 115th anniversary (FY2021)

Medium-term Plan(FY2013-2016)

【3 Initiatives】	FY2012 – FY2016 ・・・ FY2021
Become a long-term partner for both the customer and the community	• Strengthen product development capability/portfolio and engineering/service • Energy management solutions (ENEOPT) • Develop next-generation solutions for production and working / living space
Expansion into new regions and a qualitative change of focus	• Regional expansion (India, Brazil, Saudi Arabia) • Strengthen system for customized development (North America, Europe, China) • Find new partner companies worldwide
Creating a corporate entity that can respond flexibly and continuously to change in the business environment	• Production reorganization and human resources reform • Operational structure reforms (sales integration, overseas production subsidiaries) • Establishment of the Azbil Academy

Medium-term Plan

Net sales: ¥280.0 billion

Operating income: ¥22.0 billion

Long-term Goals

Net sales: ¥300.0 billion

Operating income: ¥30.0 billion

ROE: Over 10%

Outline of the Medium-term Plan

azbil

Target for FY2016
Net sales ¥280.0 billion, Operating income ¥22.0 billion

3 Initiatives

- Aiming to become **a long-term partner for both the customer and the community** through offering solutions based on azbil's technologies and products
- Taking global operations to the next level. **Global initiative: Expansion into new regions and a qualitative change of focus**
- Implementing organizational reforms **to create a corporate entity that can respond flexibly and continuously to change in the business environment**

3 Growth fields

- **Safety solutions**
- **Next-generation solutions** for production, working / living spaces
- **Energy management solutions** ENEOPT

Strengthening product development capability

3 Corporate structures to strengthen

- Structural reform of global production/development
- Structural reform of engineering and service business
- Human resources reform

Business foundation

CSR management, Healthy financial base, Corporate governance

[azbil Group Philosophy] To realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation" azbil

Strengthen the Corporate Structures

Shift toward overseas production and optimal deployment of human resources to growth fields

- Structural reform of global production/development
- Structural reform of engineering and service business
- Human resources reform

Progress

- Accelerate the shift toward overseas production (China, Thailand), aiming to build the optimal production system globally and reduce costs. Close some domestic factories.
- Initiate optimal deployment of human resources – throughout the Group and not limited to production – appropriate for growth fields.
  (Total of approx. 250 employees from FY2012 to the first half of FY2013)
- Making use of the Azbil Academy for staff to develop skills and acquire qualifications, enabling them to move into different jobs; expanding this initiative globally.

FY2012
Cumulative total number of employees taking Azbil Academy courses: 12,000

Azbil Production (Thailand) Co., Ltd.
(Started production in July 2013)

Total: 250 approx.

Reorganization of production (80%)

Operational restructuring (10%)

job posting system(10%)

Human resources reform by the Azbil Academy. Redeployment to growth fields

Strengthening solutions & service (25%)

Global initiative (5%)

New growth fields (5%)

Strengthening corporate structure (10%)

Business expansion in growth fields
- Energy management
- Safety
- Overseas, etc.

＊ Above percentages refer to the total of 250 persons .
＊ The number of employees was reduced by about half through retirement and the completion of part-time contracts.

Business Strategy (BA)

azbil

- Expand business in fields involving customers' crucial facilities (upgrading of equipment etc. for improved energy-saving, etc.).
- Expand into overseas markets using new partners and energy-saving business models.
- Ensure profit for domestic businesses through expanding value-added service offerings and improving processes.

FY2013 Plan
→ FY2016 Target
Sales:
111.0 → 120.0 Billion
Segment Profit:
10.4 → 12.5 Billion

Progress

- **Progress in winning overseas landmark projects. Expanding the BA presence in local markets.**
  - Achievements: international airport in Vietnam, Singapore University of Technology and Design , commercial facilities in Thailand (ESCO using bilateral credits), etc.
  - Strengthening project execution capabilities by enhancing quality/quantity of engineers. Building local business networks by enhancing azbil brand awareness.
- **Strengthen systems in order to expand the refurbishment business making proposals for saving power/energy. Orders received has been steadily.**
  - Specialty: business structure that can deliver everything from energy measurement to data-based instrumentation works and service offering continued monitoring of energy savings. Developing overseas business model.
  - Hiring & training qualified staff required for making energy-saving proposals and for actual operations.
    - Energy consultants: 413; 3rd class electric works specialists: 232 (as of June 2013)
- **In addition to the domestic service business base, the service model is being progressively expanded overseas.**
  - Domestic service business demonstrates steady, continued growth.
  - Overseas, progress achieved with winning service contracts of landmark projects, and with remote monitoring service (Indonesia) that leverages azbil's track record. Further strengthening of global service base(skills, network infrastructure).

Business Strategy (AA)

azbil

- Shift staff to growth fields and reinforce; ensure profit in domestic business.
- Offer a one-stop solution to customers looking for improved quality and productivity, operational safety, and energy management.
- Expand the valve business field globally and strengthen the product portfolio.

FY2013 Plan
→ FY2016 Target

Sales:
91.0 → 105.0 Billion

Segment Profit:
3.6 → 8.0 Billion

Progress

- Create new business fields with new products/applications and instrumentation proposals aimed at equipment manufacturers.
  - NX network instrumentation module: adopt LCD kiln and extruder, realizing a 70% increase in orders compared to the same period last year.
  - New HP7 photoelectric sensor: expand the market with semi-transparent detector solution suited for physical distribution equipment.

- Expanding business fields by strengthening the product portfolio.
  - Expanding sales of Azbil VorTek (vortex flowmeters) and Azbil TA (pneumatic technologies & products) through azbill sales network in Japan and the Asian region.
  - Searching for opportunities in the automotive, semiconductor and energy management markets by taking advantage of various combinations of azbil’s technologies.
- Developing a solution-based valve business that includes maintenance in overseas markets.
  - Offering solutions that may include third-party valve maintenance. Enhancing valve maintenance centers at 6 locations in Asia. Expanding into the Middle East and America.
  - Together with strengthening the maintenance base, achieving growth in orders from non-Japanese global companies (from general-purpose valves for large-scale plants to special valves with high resistance to corrosion, for use in urea plants, etc.)

Business Strategy (LA)

- Develop a solutions business for energy supply lines(gas and water).
- Develop a comprehensive business for nursing care and health support services.
- Develop the market for central air conditioning systems for custom homes.
- Develop the Life Science Engineering (LSE) business.

FY2013 Plan
→ FY2016 Target
Sales:
50.0 → 56.0 Billion
Segment Profit:
(0.3) → 1.5 Billion

Progress

- Strengthening corporate structure in the field of gas & water meters, and expanding the business scope.
  - Enhancing profitability by improving water meter profitability and developing business in the private sector.
  - Implementing organizational reforms aimed at expanding the solutions business tailored for energy supply lines (regulators, high-pressure governors, etc.).
- Achieving growth in orders for central air conditioning systems for residential use; launching new products.
  - Thanks in part to dynamic sales measures, orders have grown by 50% compared to the same period last year. The introduction of new products is expected to further expand sales.
- Progress is being made with strengthening the LSE business base.
  - The management practices and profit structure of Azbil Telstar – central to the LSE business – are being improved. A start has been made to building inter-company synergies and jointly developing technologies & products.
  - Progress is being made with business expansion targeting the promising pharmaceutical markets in South America and Asia (generics, vaccines, etc.)

Future Development

To ensure that the performance goals for FY2016, the final year of the Medium-term Plan, are attained, efforts to strengthen the corporate structure will be redoubled, and planned business measures will be implemented in accordance with the three initiatives, while also taking into account the external environment

- Strengthen the corporate structure globally (Japan & overseas).
- Develop and launch next-generation products based on “human-centered automation” that are essential for achieving success in the three growth fields.
- Strengthen systems for distinctly azbil’s engineering/ service and development so as to serve as the long-term partner of our customers, globally.

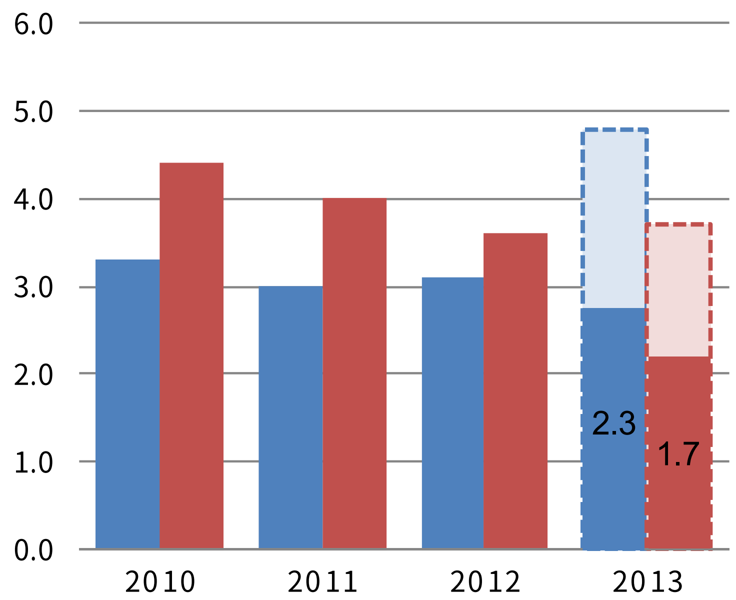
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

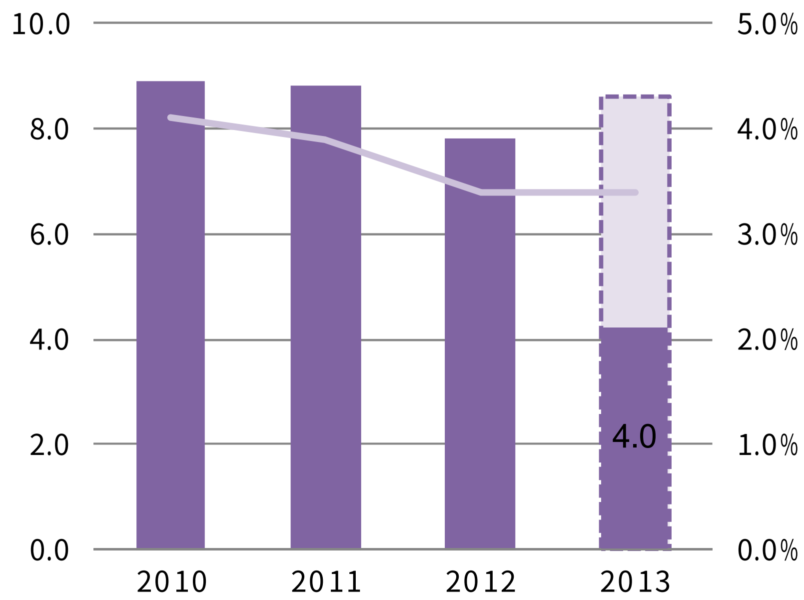
[Billions of yen]

Capital Expenditure, Depreciation



Fiscal year	2010	2011	2012	2013 (Plan)
Capital Expenditure	3.3	3.0	3.1	**4.8**
Depreciation	4.4	4.0	3.6	**3.7**

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



Fiscal year	2010	2011	2012	2013 (Plan)
R&D Expenses	8.9	8.8	7.8	**8.6**
R&D Expenses/ Net Sales	4.1%	3.9%	3.4%	**3.4%**

azbil Group Philosophy

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