azbil
Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For the Q3 Ended Dec. 31, 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. The current status regarding newly consolidated companies is as follows.

Newly consolidated companies	FY2012 Q1	Q2	Q3	Q4	FY2013 Q1	Reason for consolidation
① Beijing YTYH Intelli-Technology Co., Ltd.	●	●	■	■	■	Stock acquisition
② Azbil TA Co., Ltd.			●	■	■	Stock acquisition
③ Azbil Telstar, S.L.				●	■	Stock acquisition
④ Azbil VorTek, LLC				●	■	Stock acquisition
⑤ Azbil Brazil Limited					■	Increased significance

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

1. Financial Results for the Q3 Ended Dec. 31, 2013 (Apr. 1, 2013 to Dec. 31, 2013)

Consolidated Financial Results

[Compared to the same period last year]

- **Because of the ongoing global initiative, overseas business has grown significantly. Figures for both orders received and sales are up for all the businesses.**
- **Recently the contribution to profits made by the newly consolidated subsidiaries has been limited, due in part to costs associated with upgrading them. Also, with the increased goodwill amortization costs and increase in the cost of retirement benefits Note), operating income decreased, despite the progress made with improving the business structure, primarily in the domestic market.**
- **Net income was similar to the same period last year, primarily due to foreign exchange gains linked to the falling exchange value of the Japanese yen.**

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received	195.8	174.4	21.4	*12.3*
Net sales	169.6	157.0	12.6	*8.0*
Gross profit	57.4	53.0	4.4	*8.3*
%	*33.9*	*33.8*	*0.1P*	
SG & A	53.3	47.6	5.6	*11.9*
Operating income	4.0	5.3	(1.2)	*(24.1)*
%	*2.4*	*3.4*	*(1.0P)*	
Ordinary income	5.0	5.7	(0.7)	*(12.4)*
Income before income taxes and minority interests	5.3	5.8	(0.4)	*(7.8)*
Net income	2.6	2.5	0.0	*2.1*
%	*1.6*	*1.6*	*(0.1P)*	

Note) A transitory increase (approx. ¥0.9 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 - ■ B A

[Compared to the same period last year]

■ **[Orders Received]**

In the domestic market, there has been significant growth in demand related to energy-saving; this reflects in part higher electricity charges. In overseas markets too, steady growth was achieved compared to the same period last year if the impact of subsidiary consolidation at that time is discounted.

■ **[Sales]**

In the domestic market for new buildings, it should be noted that sales figures for the same period last year included multiple large-scale projects. This, the timing of the large-scale development projects, has meant that sales fell sharply. Thus, despite robust performance for operations involving the refurbishment of existing buildings and for the service business, sales declined. Good performance was achieved in overseas markets, however, particularly in China (Beijing YTYH Intelli-Technology was subject to equity participation last year), Singapore and Vietnam.

■ **[Segment Profit]**

Despite the fact that profits were adversely affected by an increase in the cost of retirement benefits Note) and in goodwill amortization costs, this was offset by sales growth and the enhanced profitability resulting from on-site cost improvements and improved job management. Results were thus similar to the same period last year.

[Billions of yen]

		This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
■ B A	Orders received	86.8	83.9	2.9	*3.6*
	Sales	70.5	69.8	0.6	*0.9*
	Segment profit(loss)	3.3	3.3	(0.0)	*(0.1)*
	%	*4.8*	*4.8*	*(0.0P)*	

Note) A transitory increase 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 same period last year]

■ [Orders Received / Sales]

Helped by the consolidation of new subsidiaries and exchange fluctuations, overseas business showed significant growth and overall sales increased. Domestically, however, despite demand showing signs of recovery in certain markets – such as those for industrial furnace and semiconductor equipment manufacturers – lackluster capital investment for chemical and other plants continued to make business conditions very challenging.

■ [Segment Profit]

Although the cost of sales ratio was improved due to the increase in sales, only a limited contribution to profits was made by the newly acquired subsidiaries; and with the impact of the increase in overseas business and the increase in cost of retirement benefits Note), in increased goodwill amortization costs, profits were down.

[Billions of yen]

		This period (A)	Same period last year (B)	Difference	
				(A) - (B)	% Change
■ A A	Orders received	70.3	65.3	4.9	*7.6*
	Sales	63.7	62.3	1.4	*2.3*
	Segment profit(loss)	1.4	2.1	(0.7)	*(32.7)*
	%	*2.3*	*3.5*	*(1.2P)*	

Note) A transitory increase 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 same period last year]

■ [Orders Received / Sales]

Overall, the business grew strongly, mainly due to the new Life Science Engineering business – which effectively means the Azbil Telstar group. In the field of gas and water meters (Azbil Kimmon), efforts have been made to improve profitability, although sales declined. In the fields of residential central air conditioning systems and nursing care and health support, measures to expand sales have succeeded.

■ [Segment Profit]

Azbil Kimmon increased its profits Note). Nevertheless, for the LA business as a whole profits fell because of the impact of consolidating the Azbil Telstar group – including restructuring costs and increased goodwill amortization costs – and because of the cost of upgrading systems for business expansion in the nursing care and health support field.

[Billions of yen]

		This period (A)	Same period last year (B)	Difference (A) - (B)	Difference *% Change*
■ L A	Orders received	39.9	26.1	13.8	*52.8*
	Sales	36.1	25.8	10.3	*40.0*
	Segment profit(loss)	(0.8)	(0.2)	(0.5)	-
	%	*(2.3)*	*(1.0)*	*(1.3P)*	

Note) The goodwill amortization costs for Azbil Kimmon have been halved from the current fiscal year.

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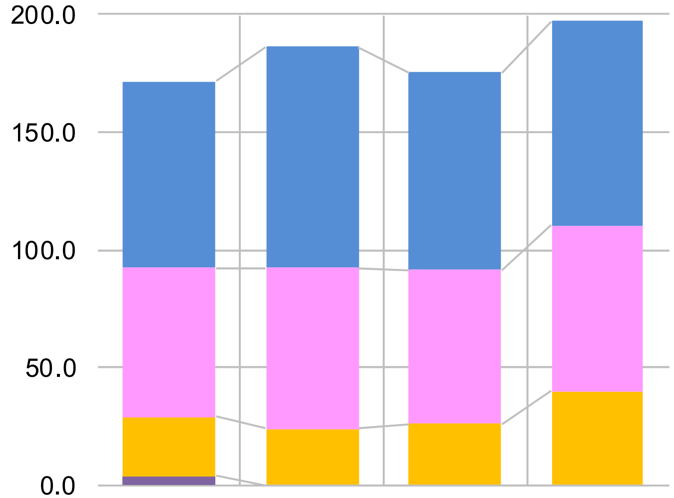
[Reference] Orders Received by Segment

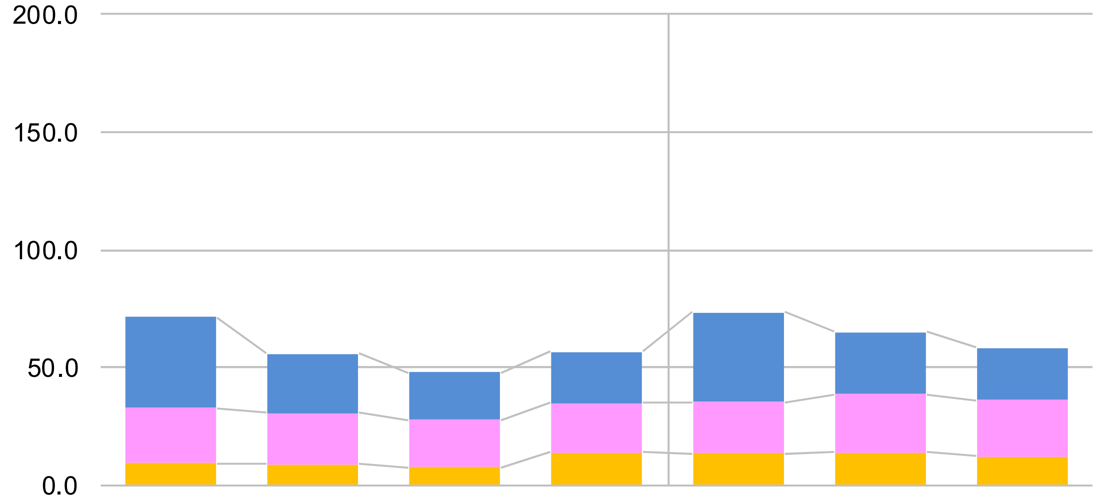
[Billions of yen]

<Cumulative>



Fiscal year	2010 Q3	2011 Q3	2012 Q3	**2013 Q3**
B A	79.4	93.9	83.9	**86.8**
A A	63.4	68.1	65.3	**70.3**
L A	25.0	24.1	26.1	**39.9**
Other	3.9	0.0	0.0	**0.0**
Consolidated	170.6	184.8	174.4	**195.8**

<Quarterly>



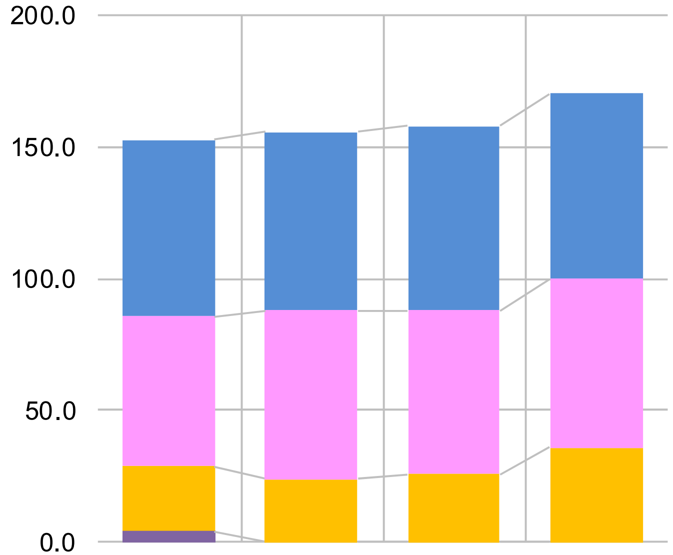
Fiscal year	2012 Q1	Q2	Q3	Q4	2013 Q1	Q2	**Q3**
B A	38.5	25.3	20.0	21.8	38.0	26.4	**22.4**
A A	23.6	21.6	20.1	21.2	21.9	24.6	**23.7**
L A	9.3	8.9	7.8	13.9	13.4	14.1	**12.3**
Consolidated	71.3	55.4	47.6	56.6	73.0	64.6	**58.2**

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

[Reference] Sales by Segment

[Billions of yen]

<Cumulative>



Fiscal year	2010 Q3	2011 Q3	2012 Q3	**2013 Q3**
BA	66.9	67.9	69.8	**70.5**
AA	56.7	63.9	62.3	**63.7**
LA	25.0	24.0	25.8	**36.1**
Other	4.0	0.0	0.0	**0.0**
Consolidated	151.6	154.8	157.0	**169.6**

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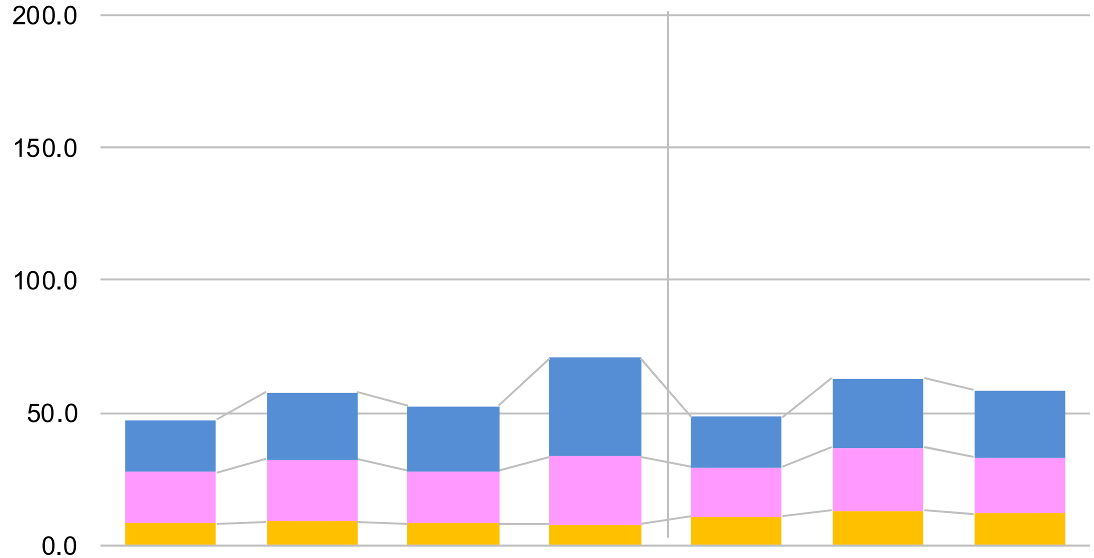


Fiscal year	2012 Q1	Q2	Q3	Q4	2013 Q1	Q2	**Q3**
BA	19.9	25.3	24.5	37.5	19.1	25.9	**25.4**
AA	19.3	23.2	19.7	25.3	18.6	23.7	**21.3**
LA	8.2	9.2	8.3	8.1	10.9	13.2	**11.9**
Consolidated	47.1	57.5	52.2	70.5	48.5	62.7	**58.3**

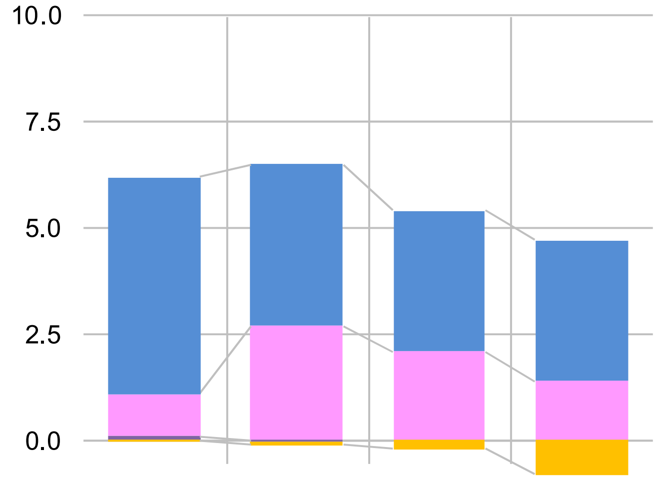
Note1) From FY2012, some of the business (Importing, buying-in and marketing of inspection and measurement equipment, etc.) previously categorized as “Others” has been transferred to the “AA” business segment. The figures for FY2011 have been reclassified to take account of the new segment divisions.

Note2) 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.

[Reference] Segment Profit (Operating Income)

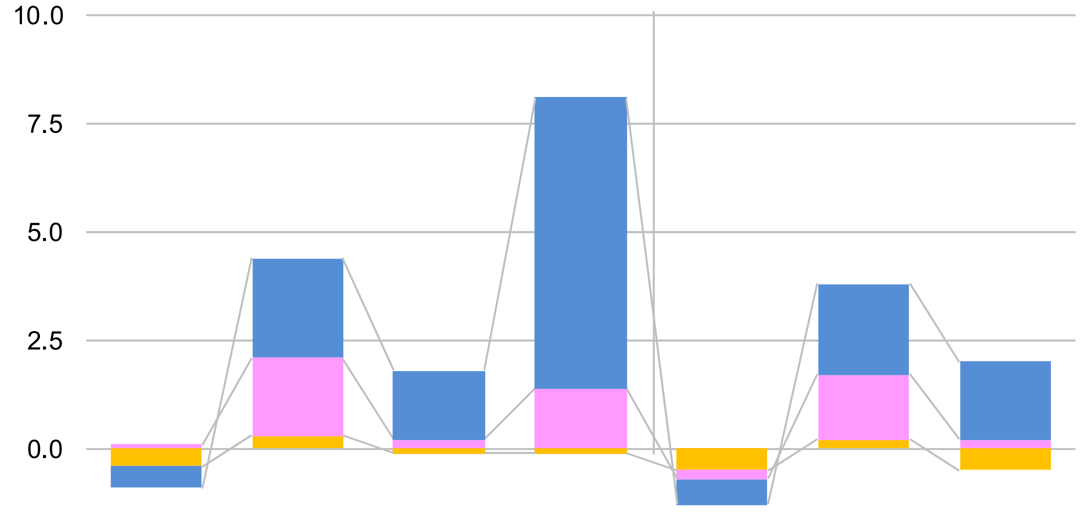
[Billions of yen]

<Cumulative>



Fiscal year	2010 Q3	2011 Q3	2012 Q3	**2013 Q3**
B A	5.1	3.8	3.3	**3.3**
A A	1.0	2.7	2.1	**1.4**
L A	(0.0)	(0.1)	(0.2)	**(0.8)**
Other	0.1	(0.0)	0.0	**0.0**
Consolidated	6.2	6.5	5.3	**4.0**

<Quarterly>



Fiscal year	2012				2013		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	(0.5)	2.3	1.6	6.7	(0.6)	2.1	**1.8**
A A	0.1	1.8	0.2	1.4	(0.2)	1.5	**0.2**
L A	(0.4)	0.3	(0.1)	(0.1)	(0.5)	0.2	**(0.5)**
Consolidated	(0.9)	4.4	1.7	8.0	(1.5)	3.9	**1.5**

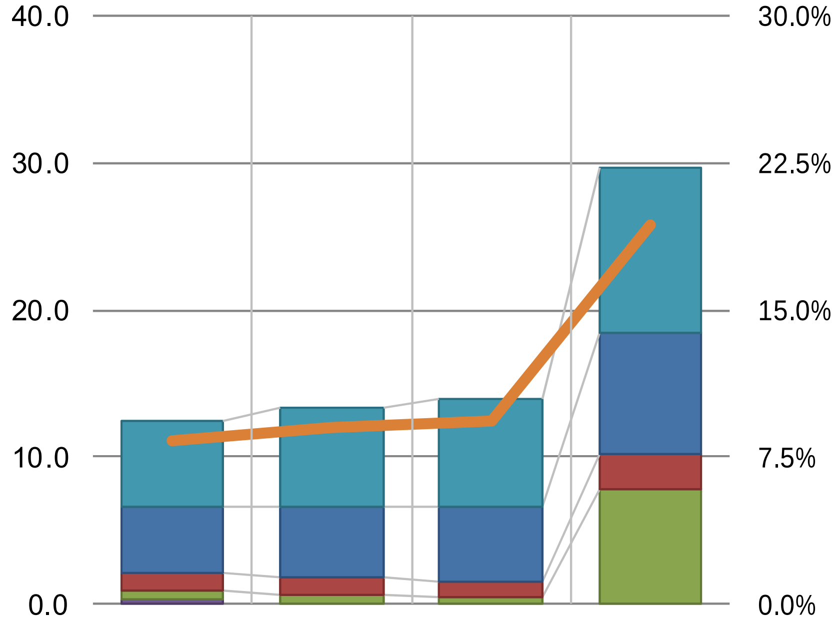
Note1) From FY2012, some of the business (Importing, buying-in and marketing of inspection and measurement equipment, etc.) previously categorized as “Others” has been transferred to the “AA” business segment. The figures for FY2011 have been reclassified to take account of the new segment divisions.

Note2) 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.

Overseas Sales by Region

[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 grew strongly in Europe and Others(Central & South America).



Fiscal year (Cumulative)	2010 Q3	2011 Q3	2012 Q3	**2013 Q3**
Asia	5.8	6.7	7.3	**11.1**
China	4.4	4.8	5.1	**8.3**
North America	1.3	1.3	1.1	**2.4**
Europe	0.5	0.6	0.5	**7.8**
Others	0.4	0.4	0.5	**2.8**
Consolidated	12.7	13.9	14.7	**32.6**

[Reference information]

	2010 Q3	2011 Q3	2012 Q3	2013 Q3
Overseas sales/ Net sales	8.4%	9.0%	9.4%	**19.3%**
Average exchange rate - USD/JPY (USDJPY=X)	89.49	80.59	79.40	**96.84**
Average exchange rate - EUR/JPY (EURJPY=X)	117.62	113.38	101.73	**127.48**

Note1) Overseas sales figures include only the sales of overseas affiliates and direct exports; indirect exports are excluded.
Note2) The accounting year used by overseas affiliates mainly ends on December 31.

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Consolidated Financial Position

- **Assets** Sales tend to be concentrated in the second and fourth quarters, so for the third quarter accounts receivable-trade typically fall sharply. Because of the rise in stock prices, the valuation of investment securities increased, but overall there was a fall of 10.4 billion yen compared to the end of the previous fiscal year.
- **Liabilities** Because of the decrease in notes and accounts payable-trade and the decrease in taxes payable due to the payment of income taxes, and the decrease in the provision for bonuses due to the payment of bonuses, liabilities decreased 10.7 billion yen compared to the end of the previous fiscal year.
- **Net assets** Although there was a decline in retained earnings resulting from the issuing of a dividend, quarterly net income has been recorded. Also, there were increases in the net unrealized holding gains on securities and in foreign currency translation adjustments. As a result, overall there was an increase of 0.3 billion yen compared to the end of the previous fiscal year.

[Billions of yen]

	As of Dec. 31, 2013 (A)	As of Mar. 31, 2013 (B)	Difference (A) - (B)
Current assets	**169.3**	**181.7**	**(12.3)**
Cash and deposits	47.6	48.4	(0.7)
Notes and accounts receivable-trade	76.3	88.8	(12.5)
Inventories	21.2	16.5	4.7
Others	24.1	27.9	(3.7)
Noncurrent assets	**63.6**	**61.7**	**1.8**
Property, plant and equipment	24.3	24.6	(0.3)
Intangible assets	12.7	12.6	0.1
Investments and other assets	26.4	24.4	2.0
Total assets	**232.9**	**243.4**	**(10.4)**

	As of Dec. 31, 2013 (A)	As of Mar. 31, 2013 (B)	Difference (A) - (B)
Liabilities	**91.4**	**102.2**	**(10.7)**
Current liabilities	**72.2**	**82.8**	**(10.6)**
Notes and accounts payable-trade	34.1	40.5	(6.4)
Short-term loans and bonds	15.3	13.3	1.9
Others	22.7	28.8	(6.1)
Noncurrent liabilities	**19.2**	**19.3**	**(0.1)**
Long-term loans and bonds	3.2	4.5	(1.3)
Others	16.0	14.8	1.1
Net assets	**141.5**	**141.1**	**0.3**
Shareholders' equity	**134.3**	**136.2**	**(1.9)**
Capital stock	10.5	10.5	-
Capital surplus	17.1	17.1	-
Retained earnings	109.2	111.1	(1.9)
Treasury stock	(2.6)	(2.6)	(0.0)
Accumulated other comprehensive income	**5.6**	**2.8**	**2.7**
Subscription rights to shares and Minority interests	**1.5**	**2.1**	**(0.5)**
Total liabilities and net assets	**232.9**	**243.4**	**(10.4)**

(Reference) Shareholders' equity ratio: 60.1%(as of Dec. 31, 2013), 57.1%(as of Mar. 31, 2013)

2. Financial Plan for the Fiscal Year Ending Mar. 31, 2014

→No revision from the recent announcement

Consolidated Financial Plan

■ **As regards the consolidated financial results for the Q3 of the current fiscal year and for the full year to Mar. 31, 2014, no revision will be made to the revised plan previously published, on Nov. 1, 2013.**

[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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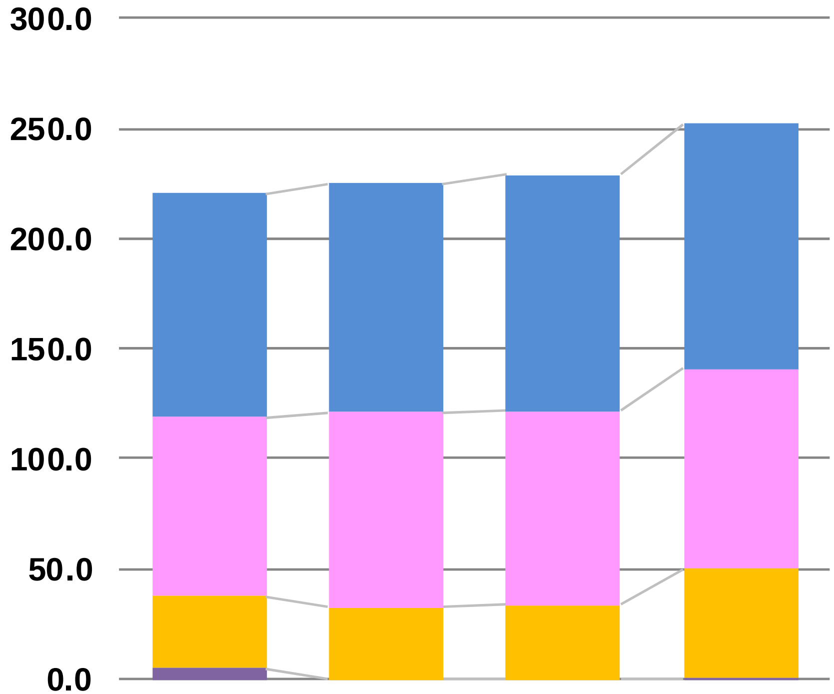
[Billions of yen]

		Revised plan (A)	Initial plan (5/10/2013) (B)	Difference (A) - (B)	Difference % Change	Last year (C)	Difference (A) - (C)	Difference % 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)	

2. Financial Plan for the Fiscal Year Ending Mar. 31, 2014

[Reference] Sales by Segment

[Billions of yen]

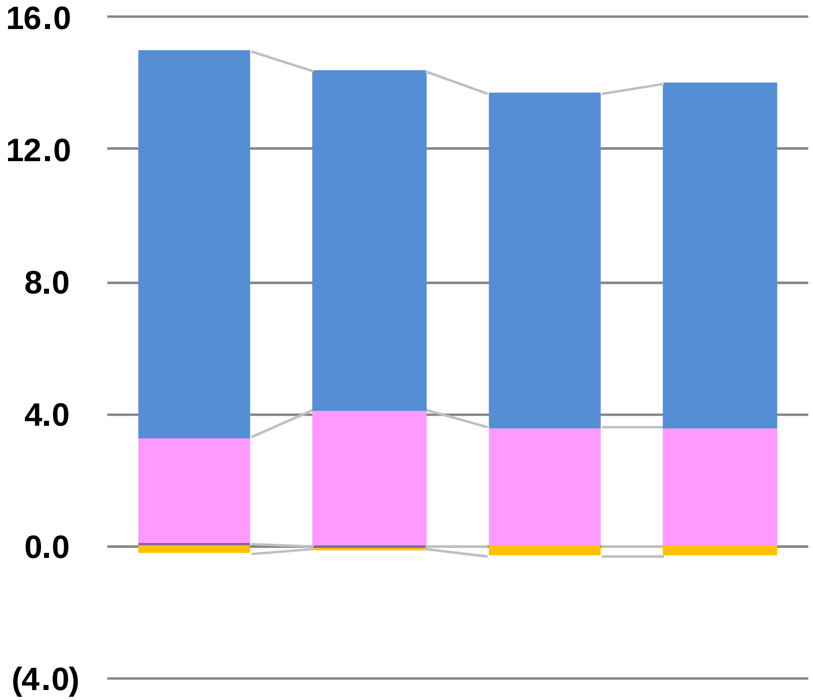


Fiscal year	2010	2011	2012	**2013 (Plan)**
B A	102.1	103.8	107.4	**111.0**
A A	80.9	88.8	87.6	**91.0**
L A	32.6	32.5	33.9	**50.0**
Other	5.1	0.0	0.0	**0.1**
Consolidated	219.2	223.4	227.5	**250.0**

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

[Reference] Segment Profit (Operating Income)

[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**

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

3. Return to Shareholders

→No revision from the recent announcement

Dividends Plan

- Putting priority on the interests of our shareholders, we will maintain stable dividends while working to improve both consolidated business performance and capital net income and net asset dividend rate.
- As regards the dividends for this fiscal year, no revision will be made to the plan previously published, on May 10, 2013.

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

(Reference) Dividends yield: 2.6% (as of Dec. 30, 2013)

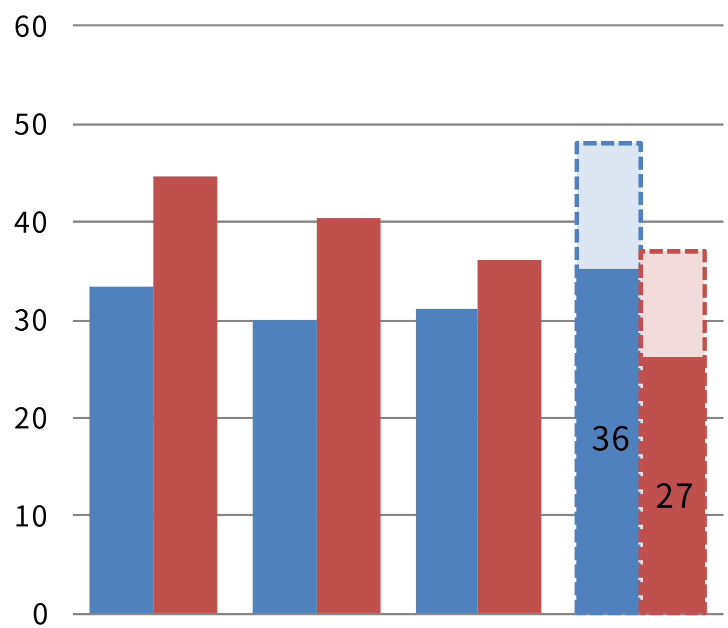
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

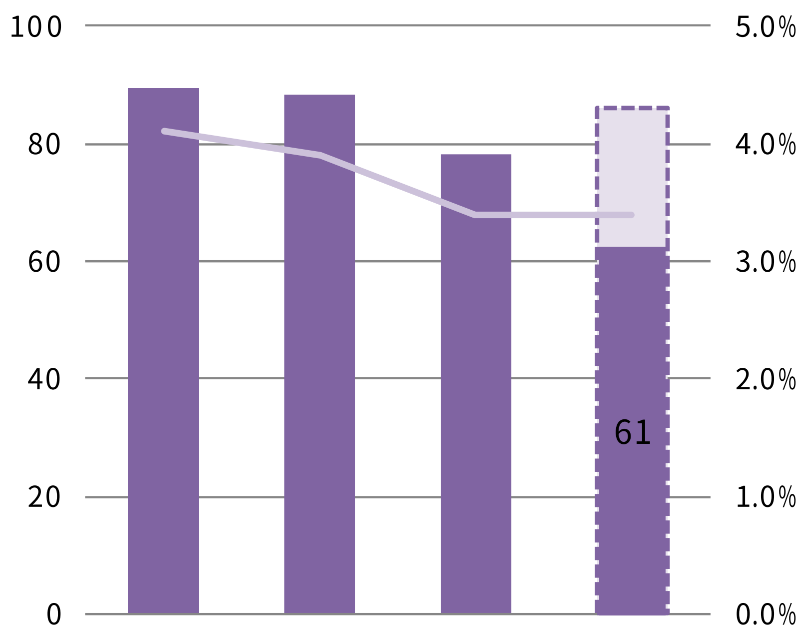
[Billions of yen]

Capital Expenditure, Depreciation



年度	2010	2011	2012	2013 (計画)
設備投資	33	30	31	48
減価償却費	44	40	36	37

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



	2010	2011	2012	2013 (計画)
研究開発費	89	88	78	86
研究開発費率	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"**