azbil
Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For the First Half Ended September 30, 2014 (Japan GAAP)

<Contents>

IR, Group Management Headquarters

Email: azbil-ir@azbil.com
URL: http://www.azbil.com/ir/

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.

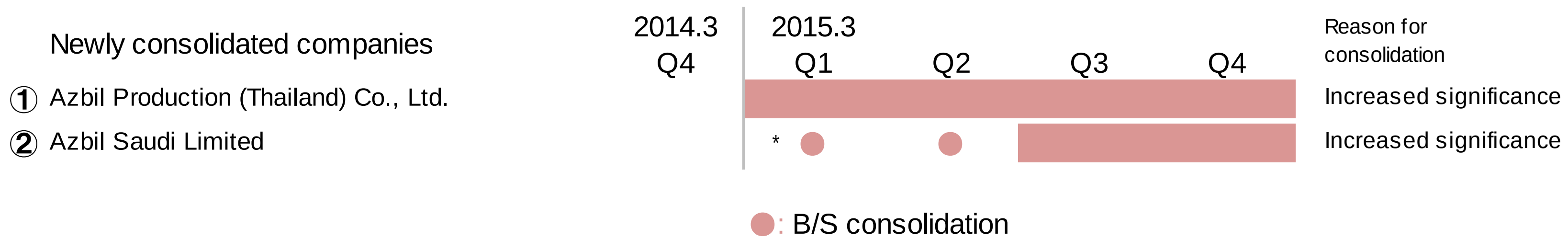
   B A: Building Automation
   A A: Advanced Automation
   L A: Life Automation

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

4. 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 are typically lower than the second half.

5. The financial plans 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.

6. The current status regarding newly consolidated companies is as follows. (There is no change in specified subsidiaries)



* Simultaneously, order backlog at the time of consolidation is recorded under orders.

1. Financial Results for the First Half Ended September 30, 2014

1. Financial Results for the First Half Ended September 30, 2014

Consolidated Financial Results

azbil

■ Compared to the plan (5/12/2014)

Both overall sales and operating income were in line with the plan. Ordinary income and net income were higher than the plan owing to foreign exchange gains, etc. Looking at the segments, the LA business performed below the plan because of the worsening business conditions abroad, but the AA business results were as planned. The BA business achieved sales above target; its profits in particular were well above the plan.

■ Compared to the same period last year

Orders for the LA business decreased, but orders increased significantly for the BA and AA businesses. Sales grew for all 3 businesses, increasing 4% overall. Segment profit was down for the LA business due to the effect of unprofitable projects, etc. But for the BA and AA businesses, despite the expenses incurred for updating core information systems and increased R&D expenses, each segment profit grew significantly. Overall operating income was up 46%.

[Billions of yen]

	This period (A)	Plan (5/12/2014) (B)	Difference		Same period last year (C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Orders received	* 148.7				137.6	* 11.0	8.1
Net sales	115.6	116.0	(0.3)	(0.3)	111.2	4.4	4.0
Japan	93.5				90.1	3.3	3.8
Overseas	22.1				21.1	1.0	4.8
Gross profit	39.4				37.4	2.0	5.5
%	34.1				33.6	0.5P	
SG & A	35.9				34.9	0.9	2.7
[include amortization of goodwill]	[0.9]	[0.9]	[0.0]		[0.9]	[0.0]	
Operating income	3.5	3.4	0.1	5.6	2.4	1.1	46.1
%	3.1	2.9	0.2P		2.2	0.9P	
Ordinary income	4.4	3.2	1.2	40.0	2.7	1.7	62.2
Income before income taxes and minority interests	4.1				2.6	1.4	57.1
Net income	2.1	1.6	0.5	35.7	1.0	1.1	112.6
%	1.9	1.4	0.5P		0.9	1.0P	

* In the BA business, orders resulting from the renewal of a number of large-scale service contracts that span several years (totaling about 7.6 billion yen) have been included in the period's orders received.

Segment Information - ■ BA Business

■ Compared to the plan (5/12/2014)

Sales continued to be robust in the domestic market, exceeding the plan. In addition to the new buildings field, growth in profitable projects involving the existing buildings and service fields led to increased sales. This, combined with successful efforts to improve construction profitability, meant that segment profit significantly exceeded the plan.

■ Compared to the same period last year

Economic recovery and growing power/energy-saving needs following a rise in electricity charges meant that the domestic market continued to be robust. In addition, large-scale service contracts spanning several years (orders received through "market testing") were renewed,* and as a result there was strong 18% growth in orders received. Sales too grew thanks to favorable conditions in the domestic market. Reflecting not only increased sales but also the success of efforts to improve construction profitability, segment profit increased considerably.

[Billions of yen]

		This period (A)	Plan (5/12/2014) (B)	Difference		Same period last year (C)	Difference	
				(A) - (B)	% Change		(A) - (C)	% Change
■ B A	Orders received	* 76.2				64.4	* 11.8	18.3
	Sales	46.6	46.0	0.6	1.5	45.0	1.6	3.6
	Segment profit	2.4	1.7	0.7	41.7	1.5	0.9	+60.2
	%	5.2	3.7	1.5P		3.3	1.8P	

(Reference) Amortization of goodwill	0.0	0.0	0.0		0.0	0.0

* Orders resulting from the renewal of a number of large-scale service contracts that span several years (totaling about 7.6 billion yen) have been included in the period's orders received.

Segment Information - ■ AA Business

azbil

■ Compared to the plan (5/12/2014)

As anticipated in the plan, capital investment in Japan's core industries continued to be stagnant. However, thanks to a recovery in some domestic markets, mainly for equipment manufacturers, and an expansion of the scope of business, as well as good performance in overseas markets, the business achieved the plan.

■ Compared to the same period last year

In addition to an improvement in the market for control products for equipment manufacturers, orders were received for a large-scale project. Also, steady business expansion was achieved overseas and, with the addition of a new subsidiary, orders received grew by 6%. Primarily due to increased sales of control products to equipment manufacturers in Japan and abroad, overall sales grew by almost 6%. Segment profit also increased significantly, mainly as a result of sales growth.

[Billions of yen]

		This period	Plan (5/12/2014)	Difference		Same period last year	Difference	
		(A)	(B)	(A) - (B)	*% Change*	(C)	(A) - (C)	*% Change*
■ AA	Orders received	49.4				46.5	2.9	*6.2*
	Sales	44.8	45.0	(0.1)	*(0.3)*	42.4	2.3	*5.6*
	Segment profit	2.0	1.9	0.1	*5.8*	1.2	0.7	*60.9*
	%	*4.5*	*4.2*	*0.3P*		*2.9*	*1.5P*	

	This period (A)	Plan (B)	(A) - (B)	% Change	Same period last year (C)	(A) - (C)	% Change
(Reference) Amortization of goodwill	0.1	0.1	0.0		0.1	0.0	

Segment Information - ■ LA Business

azbil

■ Compared to the plan (5/12/2014)

Sales did not achieve the forecast level, mainly because the Life Science Engineering (LSE) business environment deteriorated owing to flagging economies and increasing competition in regions such as South America. Performance was further impacted by unprofitable LSE projects, resulting in segment profit falling far short of the plan, by as much as 0.6 billion yen.

■ Compared to the same period last year

Mainly due to the business environment growing increasingly difficult, LSE orders were down. Overall orders for the business declined. Sales grew in all fields other than LSE, achieving a slight increase overall. Segment profit decreased, primarily due to LSE operating deficit.

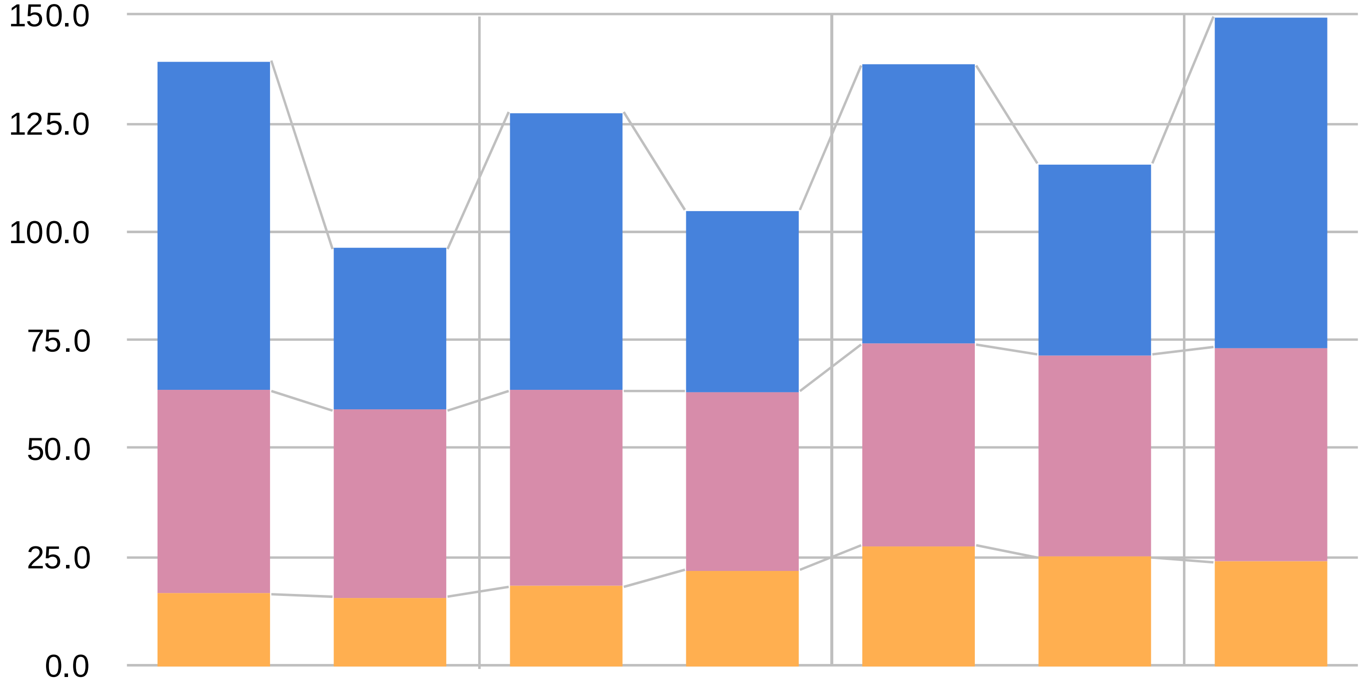
[Billions of yen]

		This period (A)	Plan (5/12/2014) (B)	Difference		Same period last year (C)	Difference	
				(A) - (B)	% Change		(A) - (C)	% Change
■ LA	Orders received	23.8				27.6	(3.7)	*(13.7)*
	Sales	24.7	26.0	(1.2)	*(4.7)*	24.2	0.5	*2.1*
	Segment profit (loss)	(0.8)	(0.2)	(0.6)	-	(0.3)	(0.5)	-
	%	*(3.4)*	-	-		*(1.3)*	*(2.1P)*	

(Reference) Amortization of goodwill	0.6	0.6	0.0		0.6	(0.0)	

[Reference] Orders Received by Segment

[Billions of yen]



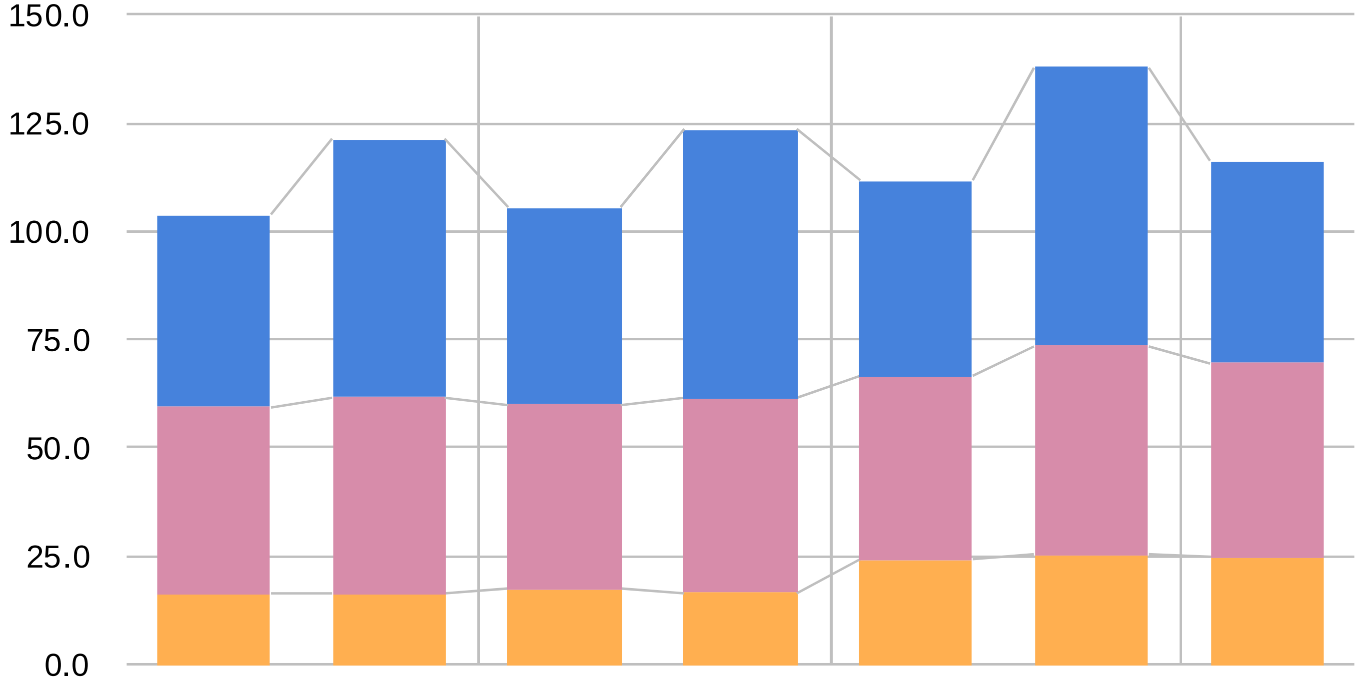
	2012/3 H1	2012/3 H2	2013/3 H1	2013/3 H2	2014/3 H1	2014/3 H2	**2015/3 H1**
BA	* 76.1	37.2	63.9	41.8	64.4	44.0	* **76.2**
AA	46.8	43.0	45.2	41.4	46.5	46.5	**49.4**
LA	16.5	15.8	18.3	21.8	27.6	25.0	**23.8**
Consolidated	138.5	95.3	126.7	104.3	137.6	114.7	**148.7**

* Orders resulting from a number of large-scale service contracts that span several years have been included.

1. Financial Results for the First Half Ended September 30, 2014

[Reference] Sales by Segment

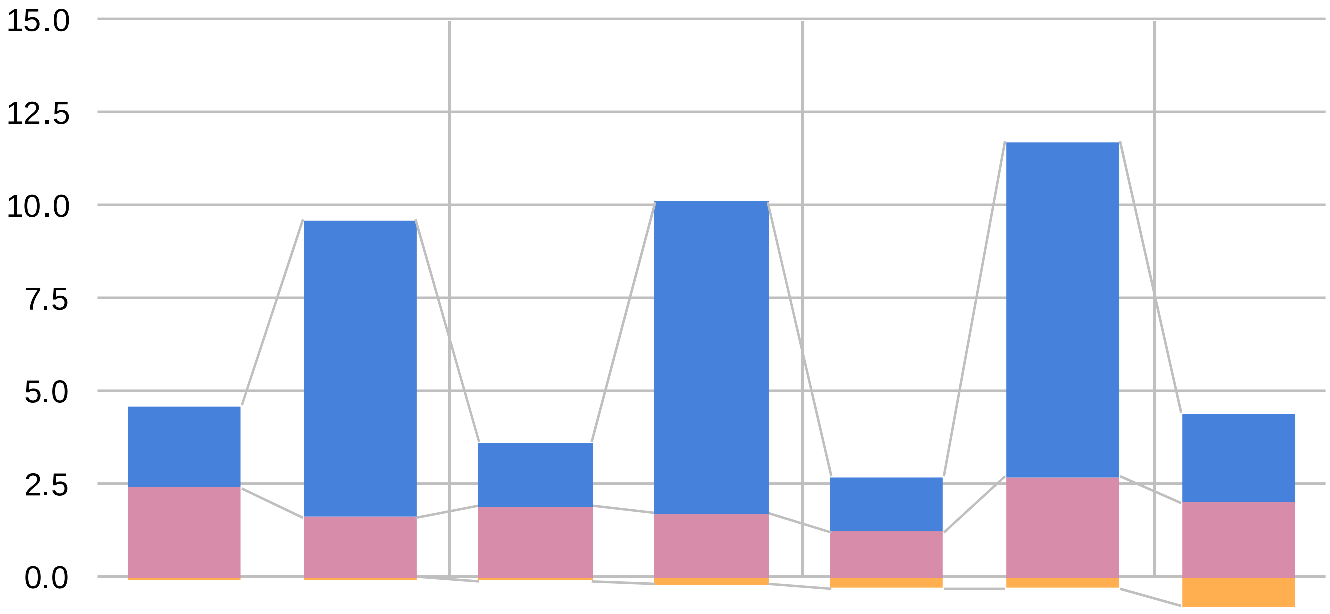
[Billions of yen]



	2012/3 H1	2012/3 H2	2013/3 H1	2013/3 H2	2014/3 H1	2014/3 H2	**2015/3 H1**
B A	44.3	59.5	45.3	62.0	45.0	64.4	**46.6**
A A	43.3	45.4	42.6	45.0	42.4	48.3	**44.8**
L A	16.2	16.3	17.5	16.4	24.2	25.3	**24.7**
Consolidated	103.2	120.2	104.7	122.8	111.2	137.1	**115.6**

[Reference] Segment Profit (Operating Income)

[Billions of yen]



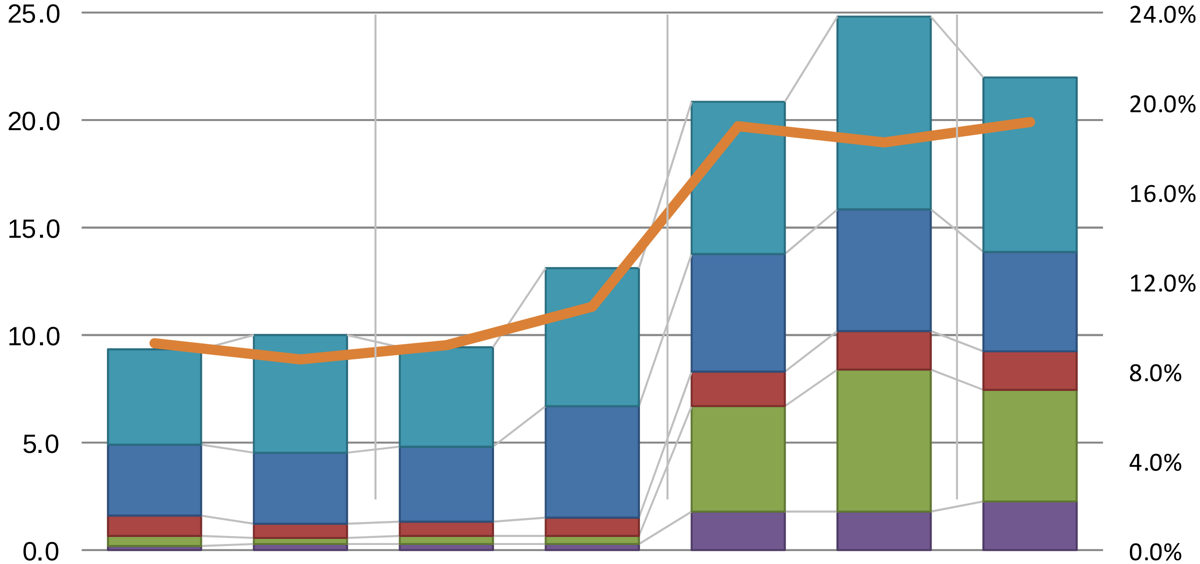
	2012/3 H1	2012/3 H2	2013/3 H1	2013/3 H2	2014/3 H1	2014/3 H2	**2015/3 H1**
B A	2.2	8.0	1.7	8.4	1.5	9.0	**2.4**
A A	2.4	1.6	1.9	1.7	1.2	2.7	**2.0**
L A	(0.0)	(0.0)	(0.1)	(0.2)	(0.3)	(0.3)	**(0.8)**
Consolidated	4.7	9.6	3.5	9.8	2.4	11.4	**3.5**

Overseas Sales by Region

[Billions of yen]

Compared to the same period last year

- In the Asian region, sales were down in Thailand and Indonesia owing to political uncertainty, but sales grew in other countries. Overall sales were up in the region.
- In China, although manufacturing-related demand was robust, the property market slackened. Because of this, AA sales increased but BA sales decreased. Overall sales were down.
- In North America, sales grew mainly owing to solutions for equipment manufacturers.
- In the European region, AA business performance was robust. Overall sales were up in the region.



	2012/3 H1	2012/3 H2	2013/3 H1	2013/3 H2	2014/3 H1	2014/3 H2	2015/3 H1
Asia	4.5	5.4	4.7	6.4	7.1	8.9	**8.1**
China	3.3	3.3	3.4	5.2	5.5	5.7	**4.6**
North America	0.9	0.7	0.7	0.8	1.6	1.8	**1.8**
Europe	0.5	0.3	0.4	0.4	4.9	6.6	**5.2**
Others	0.2	0.3	0.3	0.3	1.8	1.8	**2.3**
Consolidated	9.5	10.2	9.5	13.3	21.1	24.9	**22.1**

[Reference information]

	2012/3 H1	2012/3 H2	2013/3 H1	2013/3 H2	2014/3 H1	2014/3 H2	2015/3 H1
Overseas sales/ Net sales	9.3%	8.5%	9.2%	10.9%	19.0%	18.2%	**19.1%**
Average exchange rate - USD/JPY	82.02	79.79	79.78	79.81	95.73	97.73	**102.46**
Average exchange rate - EUR/JPY	115.05	111.11	103.49	102.56	125.63	129.78	**140.42**

∗ 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

azbil

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

- **Assets** Principally owing to a drop in notes and accounts receivable-trade, total assets were down by 13.6 billion yen compared to the end of the previous fiscal year.
- **Liabilities** Owing to a decrease in notes and accounts payable-trade and in income taxes payable, as well as a reduced net defined benefit liability, total liabilities were down by 18.8 billion yen compared to the end of the previous fiscal year.
- **Net assets** Despite the payment of a dividend, the recording of net income for the first half and an increase in retained earnings following changes in the Retirement Benefits Accounting Standard resulted in there being an overall increase in net assets of 5.1 billion yen compared to the end of the previous fiscal year.

[Billions of yen]

	As of Sep. 30, 2014 (A)	As of Mar. 31, 2014 (B)	Difference (A) - (B)
Current assets	**174.9**	**189.3**	**(14.4)**
Cash and deposits	50.2	52.4	(2.1)
Notes and accounts receivable-trade	76.0	88.2	(12.2)
Inventories	20.6	18.1	2.4
Others	28.0	30.5	(2.4)
Noncurrent assets	**64.7**	**64.0**	**0.7**
Property, plant and equipment	24.9	24.5	0.4
Intangible assets	12.8	12.9	(0.0)
Investments and other assets	26.9	26.6	0.3
Total assets	**239.7**	**253.4**	**(13.6)**

	As of Sep. 30, 2014 (A)	As of Mar. 31, 2014 (B)	Difference (A) - (B)
Liabilities	**89.6**	**108.4**	**(18.8)**
Current liabilities	**75.3**	**87.3**	**(11.9)**
Notes and accounts payable-trade	35.9	41.4	(5.4)
Short-term loans and bonds	15.5	15.4	0.1
Others	23.8	30.4	(6.6)
Noncurrent liabilities	**14.2**	**21.1**	**(6.8)**
Long-term loans and bonds	1.3	2.2	(0.8)
Others	12.8	18.8	(5.9)
Net assets	**150.1**	**144.9**	**5.1**
Shareholders' equity	**144.1**	**139.3**	**4.8**
Capital stock	10.5	10.5	-
Capital surplus	17.1	17.1	0.0
Retained earnings	119.1	114.2	4.8
Treasury stock	(2.6)	(2.6)	(0.0)
Accumulated other comprehensive income	**4.6**	**3.9**	**0.6**
Subscription rights to shares and Minority interests	**1.3**	**1.6**	**(0.3)**
Total liabilities and net assets	**239.7**	**253.4**	**(13.6)**

（Reference）Shareholders' equity ratio: 62.1％(as of Sep. 30, 2014), 56.5%(as of Mar. 31, 2014)

azbil

Consolidated Cash Flows

- Since the sales of the azbil Group are concentrated in the second half of the fiscal year, cash flow tends to increase in the first half when notes and accounts receivable-trade recorded in the previous half is recovered. However, in the first half of this year a drop in notes and accounts receivable-trade from sales growth meant that the figure was smaller than the same period last year; as a result, the increase in net cash provided by operating activities was less. Also, net cash used in investing activities was 3.6 billion yen up than the same period last year due mainly to the acquisition of short-term securities, and free cash flow(FCF) was 6.5 billion yen less than the same period last year.
- Net cash used in financing activities was at about the same level as the same period last year (excess over expenditure of 2.9 billion yen, primarily due to the payment of a dividend).

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference %
Net cash provided by operating activities	2.8	5.8	(2.9)	*(50.9)*
Net cash provided by (used in) investing activities	(4.9)	(1.3)	(3.6)	-
Free cash flow (FCF)	(2.0)	4.5	(6.5)	-
Net cash provided by (used in) financing activities	(2.9)	(3.1)	0.2	-
Effect of exchange rate change on cash and cash equivalents	(0.2)	0.9	(1.1)	-
Net increase (decrease) in cash and cash equivalents	(5.2)	2.2	(7.4)	-
Cash and cash equivalents at beginning of period	55.8	56.0	(0.2)	*(0.4)*
Increase in cash and cash equivalents from newly consolidated subsidiary	0.4	0.0	0.3	-
Cash and cash equivalents at end of period	51.0	58.3	(7.2)	*(12.5)*

(Reference)

Capital expenditure	2.8	2.3	0.5	*22.7*
Depreciation	1.8	1.7	0.0	*1.4*

2. Financial Plan for the Year Ending March 31, 2015

2. Financial Plan for the Year Ending March 31, 2015

Revised Plan

According to the revised plan, sales is set at 255.0 billion yen (5.0 billion yen lower than the initial plan) and operating income is set at 15.0 billion yen (0.5 billion yen lower than the initial plan).

- Based on the financial results for this first half, the plan for the BA and AA businesses has been revised upward. However, due to the fact that the business environment is becoming challenging for part of the LA business, its plan has been revised downward. Consequently, overall a small decrease is predicted in both sales and profits compared to the initial plan.
- Compared to last year, the BA and AA businesses have made steady progress; overall, an increase in sales and profits is predicted.

[Billions of yen]

	Revised plan (A)	Initial plan (5/12/2014) (B)	Difference		Last year (C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Net sales	255.0	260.0	(50.0)	(1.9)	248.4	6.5	2.7
Operating income	15.0	15.5	(0.5)	(3.2)	13.9	1.0	7.9
%	5.9	6.0	(0.1P)		5.6	0.3P	
Ordinary income	15.3	15.0	0.3	2.0	14.5	0.7	4.8
Net income	8.5	8.5	-	-	7.6	0.8	10.8
%	3.3	3.3	0.1P		3.1	0.2P	

2. Financial Plan for the Year Ending March 31, 2015

Segment Information (1)

azbil

[Billions of yen]

		Revised plan (A)	Initial plan (5/12/2014) (B)	Difference (A) - (B)	Difference % Change	Last year (C)	Difference (A) - (C)	Difference % Change
B A	Sales	115.0	114.0	1.0	*0.9*	109.5	5.4	*5.0*
	Segment profit	11.8	11.1	0.7	*6.3*	10.5	1.2	*11.4*
	%	*10.3*	*9.7*	*0.5P*		*9.7*	*0.6P*	
A A	Sales	94.0	95.0	(1.0)	*(1.1)*	90.8	3.1	*3.5*
	Segment profit	4.7	4.6	0.1	*2.2*	3.9	0.7	*18.5*
	%	*5.0*	*4.8*	*0.2P*		*4.4*	*0.6P*	
L A	Sales	48.0	53.0	(5.0)	*(9.4)*	49.5	(1.5)	*(3.2)*
	Segment profit (loss)	(1.5)	(0.2)	(1.3)	-	(0.6)	(0.8)	-
	%	-	-	-		*(1.4)*	-	
Consolidated	Net sales	255.0	260.0	(5.0)	*(1.9)*	248.4	6.5	*2.7*
	Operating income	15.0	15.5	(0.5)	*(3.2)*	13.9	1.0	*7.9*
	%	*5.9*	*6.0*	*(0.1P)*		*5.6*	*0.3P*	

Segment Information (2)

BA
Building Automation

BA: Plan is revised upward for both sales and segment profit.

- The business environment for the second half is expected to remain robust, as in the initial plan. Based on the financial results for this first half, the plan for the whole fiscal year has been revised upward.
- Adequate sales and segment profit will be ensured by upgrading the job processing system (inter-business relocation of HR, etc.) and improving the management of construction profitability.
- Steady growth is predicted for new buildings, existing buildings and service. Overseas too, growth is expected in the second half to result in an increase for the whole fiscal year, compared to last year.

AA
Advanced Automation

AA: Performance is predicted to be in line with the initial plan. Segment profit is planned to increase by 0.1 billion yen.

- The business performed virtually as planned in this first half. The business environment is also expected to be more or less unchanged in the second half.
- As in this first half, overseas sales are predicted to continue steady, growth in the second half.
- It is expected that difficult conditions will continue in the field of control systems & instruments for domestic plants. But continued steady growth is predicted in business related to the energy switch over (gas market, etc.), in the service field (MRO) [Note 1] and in the processing & assembly industry (HA/FA) [Note 2] including semiconductor equipment manufacturers.

Note 1 MRO: Maintenance, Repair and Operation   Note 2 HA/FA: Hybrid Automation/Factory Automation

LA
Life Automation

LA: Sales & segment profit fall short of plan mainly due to the decline in the LSE field.

- Some improvement from this first half is expected in the Life Science Engineering(LSE) field, but it is predicted that the difficult business environment will continue through the second half.
- To achieve a recovery in LSE performance in the next fiscal year, necessary measures will be implemented speedily during the second half. *(For details, see p.17.)*
- As regards the other fields within the LA business, some revisions will be made to the plans of individual companies, but performance is expected to be more or less as the initial plan.

LSE structure enhancement and concentration on the core business

azbil

Life Science Engineering

LSE aims and progress

- Targeting markets for pharmaceutical formulation, research and the production of functional foods, a new business field was established within the LA business that combines manufacturing processes and automation. To provide the initial core for this new business, Telstar S.A. was purchased (Feb 2013).
- In the year ended March 2014, certain improvement were made regarding future enhancement of the administration and business management of Telstar, which had previously been a family-owned company. Also assessed were regional factors and ways to strengthen product technologies.

1st half

- In the year ending March 2015, slackening economic growth in South America and other regions led to the postponement or cancellation of construction projects, causing a big drop in orders. The unprofitable jobs that resulted from the increasingly stiff competition in emerging economies had another negative impact on the business. Consequently, an operating loss was recorded due to the business structure of pursuing business growth and regional expansion.
- At the same time, as a result of initiatives taken in the previous fiscal year, we gained a clear idea of organizational and functional duplication, and also of the need for reassignment & reorganization of human resources.

Within this fiscal year, steps will be taken to strengthen the business structure of Azbil Telstar, S.L. – the company that plays a central role in the LSE field – to ensure a recovery in performance in the year ending March 2016.

2nd half (Going forward)

■ Business structural reform:

Reassessing the strengths and future potential of Azbil Telstar, S.L., management resources will be concentrated on the pharmaceutical formulation equipment business (No.3 in the world), and clean manufacturing environmental systems (advanced technology).

- Strengthening the R&D functions of the core business (consolidating R&D functions, adopting next-generation technologies, etc.)
- Reduction of manufacturing costs for core business.

■ Business operation reform:

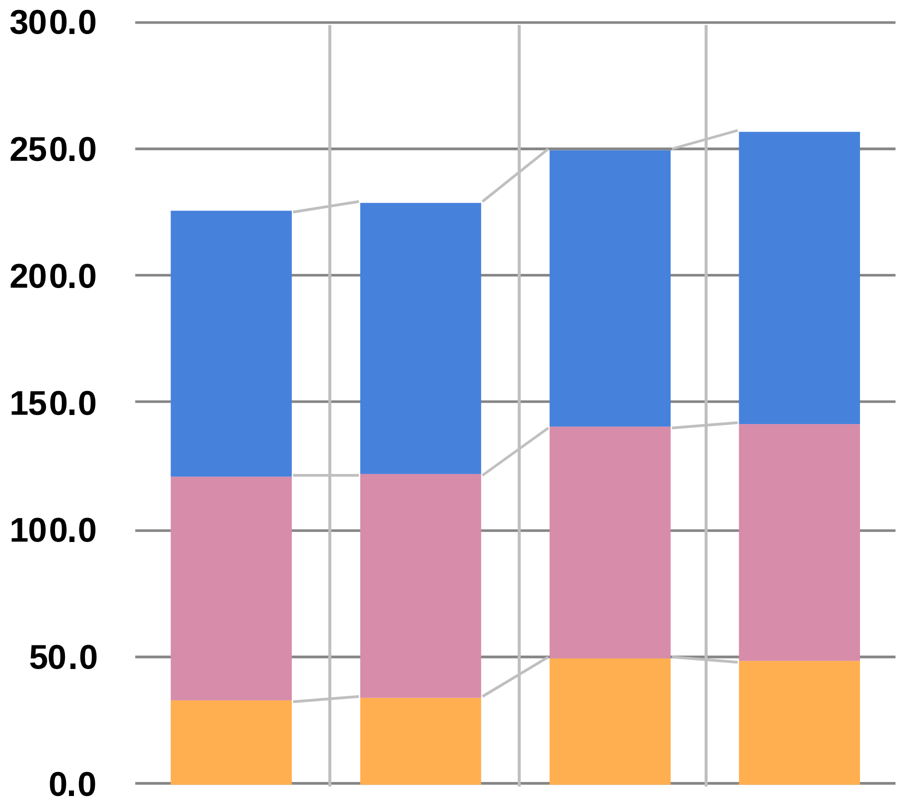
Business adjustment and system development through regional integration

- Sharp reductions in management costs achieved through business integration and assimilation of operational bases
- Creating a seamless business structure – from proposals, design, and production through to delivery and maintenance – enhancing management, and increasing profitability

2. Financial Plan for the Year Ending March 31, 2015

[Reference] Sales by Segment

[Billions of yen]

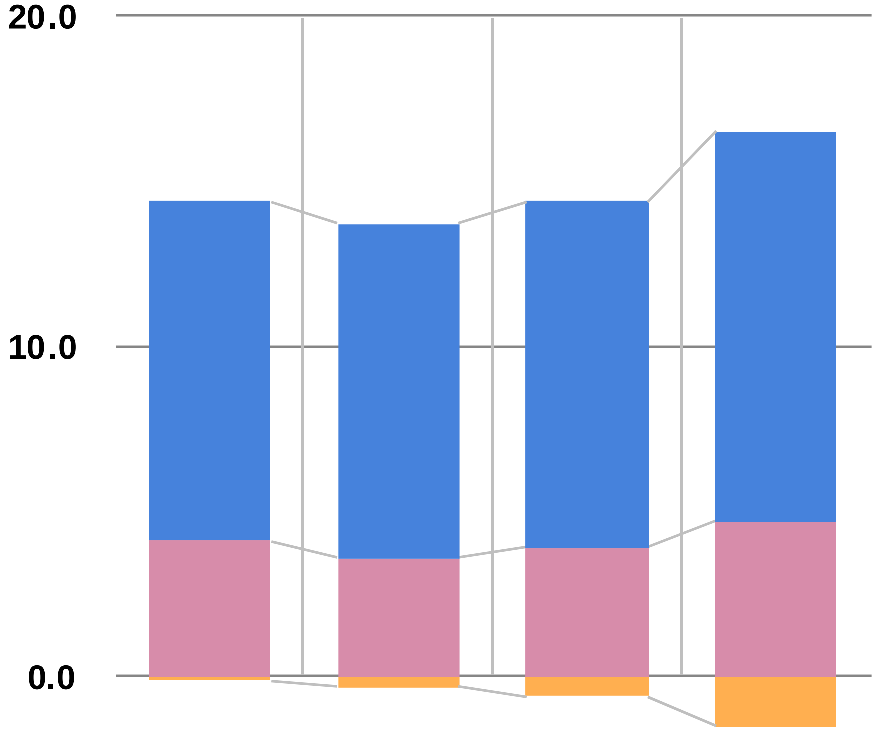


	2012/3	2013/3	2014/3	**2015/3 (Plan)**
B A	103.8	107.4	109.5	**115.0**
A A	88.8	87.6	90.8	**94.0**
L A	32.5	33.9	49.5	**48.0**
Consolidated	223.4	227.5	248.4	**255.0**

2. Financial Plan for the Year Ending March 31, 2015

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	2012/3	2013/3	2014/3	**2015/3 (Plan)**
B A	10.3	10.1	10.5	**11.8**
A A	4.1	3.6	3.9	**4.7**
L A	(0.1)	(0.3)	(0.6)	**(1.5)**
Consolidated	14.3	13.4	13.9	**15.0**

3. Return to Shareholders

Dividends Plan

- Putting priority on the interests of our shareholders, we will maintain stable dividends while striving to increase the dividend payout, comprehensively taking into account consolidated performance, level of Return On Equity (ROE), Dividends On Equity (DOE), as well as retained earnings for strengthening our business base and developing future business.
- Dividend for the year ended March 2015 (Interim dividend / Year-end dividend) is planned as follows. There is no change from the last announcement on May 12, 2014.

	2014/3		2015/3	
	Interim	Year-end	Interim	Year-end
Dividend per share [Yen]	31.5	31.5	31.5	31.5 (Plan)
Payout ratio	60.7%		54.7%	
Dividend on equity (DOE)	3.3%		3.2%	

(Reference) Dividend yield: 2.3% (as of September 30, 2014)

4. Toward Future Business Development

~ Looking beyond the medium-term plan
while adjusting to changes in the business environment ~

Medium-term Plan (2014/3-2017/3)

Since establishing the medium-term plan in 2013, the azbil Group has been implementing the following:

1. Shift to the business that supports customers throughout the lifecycle of their facilities;
2. Acceleration of global business development;
3. Enhancement of the corporate structure and reallocation of human resources to facilitate globalization and structural changes in domestic markets.

Outline of the Medium-term Plan

Target for the year ending March 2017:
Net sales ¥280.0 billion, Operating income ¥22.0 billion

3 Initiatives

- Becoming a long-term partner for both the customer and the community
- Global expansion
- Becoming a corporate organization that never stops learning

3 Growth fields

- Next-generation solutions
- Safety solutions
- Energy management solutions

3 Corporate structures to strengthen

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

✓ Aiming at global growth (Japan & overseas)

Solutions based on technologies and products will be implemented in fields that are common to domestic and overseas markets.

Japan: The market is maturing, but there will be a qualitative shift

- Increase efficiency in existing businesses, increase added value
- Expand portfolio of products and services; cultivate and expand growth sectors

Overseas: Even if the requirements vary by region, fundamental needs and the demand for value supply are the same

- Deploy globally (Japan included) proven products and services appropriate for business/growth fields
- Strengthen the solution structure (sales, development, production, engineering, service) for each region

Business foundation	CSR management, Healthy financial base, Corporate governance [azbil Group Philosophy] “human-centered automation”

Progress of the Medium-term Plan (1)

azbil

BA
Building Automation

Stable improvement in performance achieved through tapping into domestic demand growth, job process improvement, and job management. Expansion of the service business and growth of overseas business expected to boost profits. The business now accelerating toward achieving the plan.

- For the first half of the year ending March 2015, the market environment (demand growth) has remained robust. Orders received in the immediate future and anticipated orders continue to demonstrate strong growth.
- In addition, demand is expected to remain firm with the construction of facilities for the upcoming Tokyo Olympics & Paralympics and the knock-on effect (transport systems, accommodation, commercial facilities, etc.). In connection with this, we forecast growth in demand related to service and energy-saving for existing buildings.
- Job process improvement, which has been implemented for the last few years, has contributed to stable performance. Also, as a result of the reassignment of engineering staff from the AA business, as well as the optimized assignment of personnel nationwide, we are now in a position to take full advantage of demand growth. We are preparing for further business expansion.
- As regards profits, we will expand the service business and anticipate profit contribution from overseas business growth.

Progress of the Medium-term Plan (2)

azbil

AA
Advanced Automation

Progress achieved with global expansion and adjusting the business structure to changes in the domestic market. Further enhancement to be implemented in view of market structural changes.

- Sales and profit growth achieved through overseas business growth, improved profitability, and adjustments to both product lineup and business structure to meet structural changes in the domestic market.
- Orders in the immediate future and anticipated orders are robust for the business targeting domestic equipment manufacturers and the FA industry, for the business that taps into energy switch over demand, and for the overseas business.
- We plan to transform the domestic business structure which faces a maturing/contracting market, and ensure stable, continued growth for the AA business line, including the overseas business.
- To support this transformation, progress will be made with production (Thailand, Middle East), service (Asia, Middle East, North America), and global expansion for customer-oriented development (America & Europe).
- In the PA field, which is a mature domain, further steps will be taken in the second half to enhance customer relations though integrating everything from sales to service, enhancing customer support capabilities and increasing efficiency, and adjusting to market structural changes.

LA
Life Automation

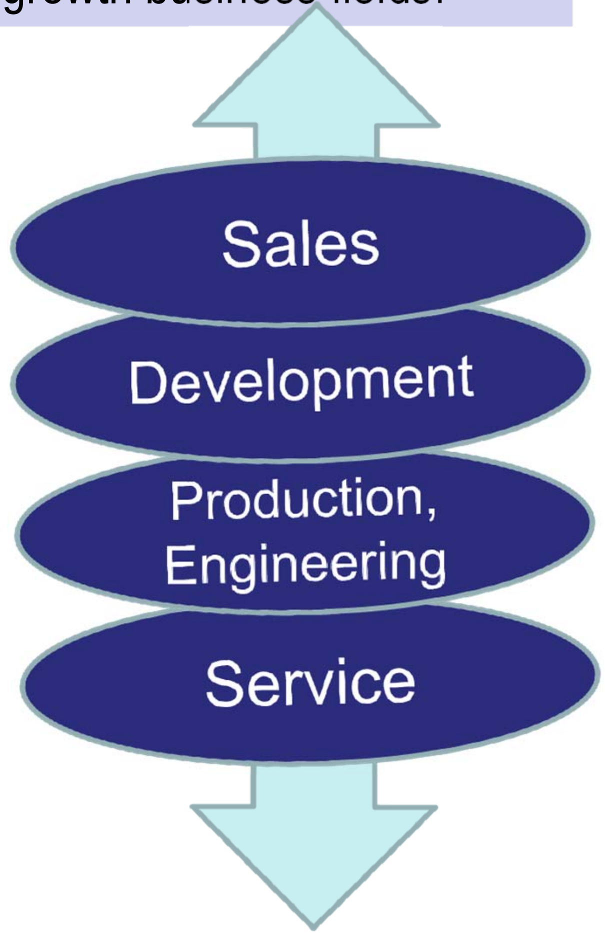
In 2014, losses resulted from LSE's difficult business environment and from its corporate structural factors, but the rest of the LA business performed more or less in line with the plan. Currently the LSE business structure is being strengthened and the primary focus is on improving profitability for the business as a whole, aiming to achieve the targets, profit targets especially, in the plan.

Business restructuring/enhancement to adapt to environmental changes (1)

1. Domestic business and operation structural reforms

Reassignment and optimization of Group resources to adjust to changes in the market environment will be implemented again. Progress will be made with efficient management within a unified structure for mature domains, while shifting to growth business fields.

- To be sure of tapping into the growing demand in the BA-related markets, the job processing structure will be strengthened and upgraded by relocating personnel within the Group.
- In the AA business's PA field, which is a mature domain, progress will be made with creating a "one-stop shop" for customers by integrating marketing, engineering and service functions, enhancing customer support capabilities, and increasing efficiency.
- We will implement organizational improvements and optimum assignment of staff to develop and cultivate the processing & assembly industry (HA/FA) domain.
- We will restructure domestic production, including the LA business, and establish a global production system.



Business restructuring/enhancement to adapt to environmental changes (2)

2. Global expansion

Accelerate business expansion using upgraded overseas operating bases.

- Accelerate the switch to a lifecycle model for the overseas business by establishing and expanding a service base that includes remote maintenance. Also expand the solution valve business.
- Develop and cultivate a global customer base using enhanced development capabilities for customization with a development structure based in Japan, North America and Europe.
- Make products more competitive by enhancing the optimum production, procurement and logistics structures. (Expand production in China and Thailand)

3. Business scope and regional expansion

Through Group synergies, expand the business scope and upgrade regional bases.

- Employ Group coordination to seize opportunities for market expansion afforded by new energy supplies and supply & demand management. (LNG tankers, LNG terminals, pipelines, district cooling systems, FEMS)
- While establishing new operating bases and expanding business, we will continue to strengthen the corporate structure and reassess the business structure with a view to greater profit contribution.

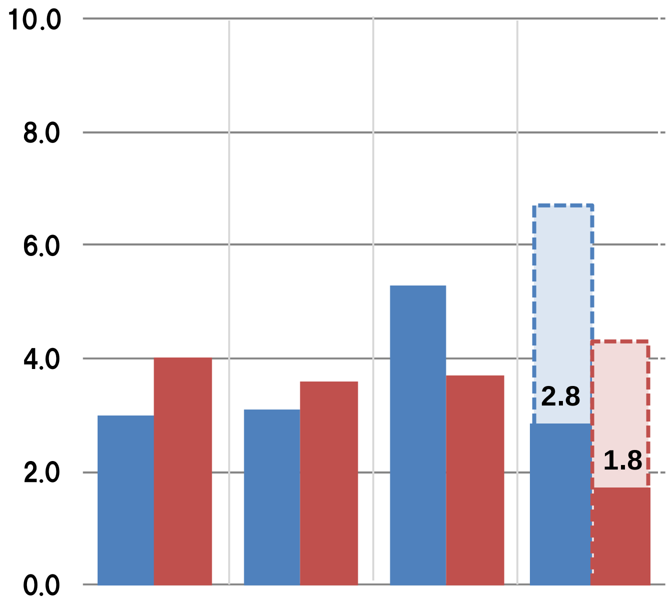
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

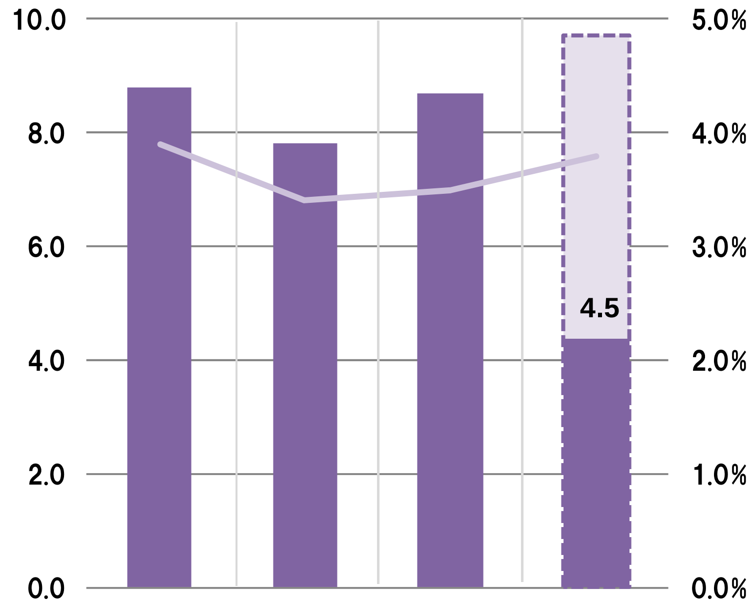
[Billions of yen]

Capital Expenditure, Depreciation



	2012/3	2013/3	2014/3	**2015/3 (Plan)**
Capital Expenditure	3.0	3.1	5.3	**6.7**
Depreciation	4.0	3.6	3.7	**4.3**

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



	2012/3	2013/3	2014/3	**2015/3 (Plan)**
R&D Expenses	8.8	7.8	8.7	**9.7**
R&D Expenses/ Net Sales	3.9%	3.4%	3.5%	**3.8%**

azbil

azbil Group Philosophy

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