Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For the Q3 Ended Dec. 31, 2014 (Japan GAAP)

<Contents>

1. Financial Results for the Q3 Ended Dec. 31, 2014 (Apr. 1, 2014 to Dec. 31, 2014)
2. Financial Plan for the Fiscal Year Ending Mar. 31, 2015
   →No revision from the recent announcement
3. Return to Shareholders
   →No revision from the recent announcement

Investor Relations,
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.

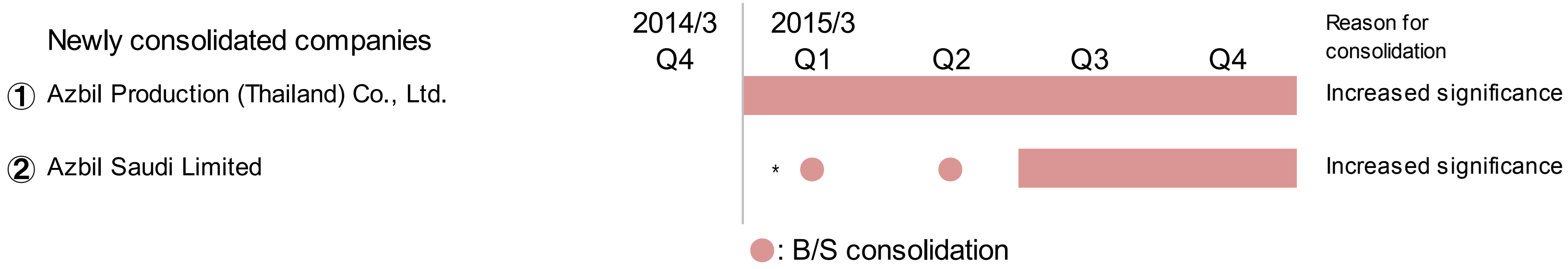
2. Segment names are abbreviated as follows.

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

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

4. The financial plan is 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.

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



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

azbil

1. Financial Results for the Q3 Ended Dec. 31, 2014 (Apr. 1, 2014 to Dec. 31, 2014)

Consolidated Financial Results

[Compared to the same period last year]

- Both orders received and net sales increased mainly due to the growth of the BA* and AA businesses. Orders received and net sales for the LA business decreased because of the worsening business conditions abroad, etc.
- Despite increased R&D expenses and the expenses incurred for updating core information systems, operating income increased significantly due to the growth in net sales and the initiatives aimed at cost improvement.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference *% Change*
Orders received	* 208.2	195.8	* 12.3	*6.3*
Net sales	176.5	169.6	6.9	*4.1*
Japan	144.1	136.9	7.1	*5.2*
Overseas	32.4	32.6	(0.2)	*(0.7)*
Gross profit	61.2	57.4	3.8	*6.7*
%	*34.7*	*33.9*	*0.9P*	
SG & A	54.7	53.3	1.3	*2.5*
[include amortization of goodwill]	[1.4]	[1.4]	[0.0]	
Operating income	6.5	4.0	2.5	*62.8*
%	*3.7*	*2.4*	*1.3P*	
Ordinary income	8.6	5.0	3.6	*72.2*
Income before income taxes and minority interests	6.0	5.3	0.6	*12.9*
Net income	4.0	2.6	1.4	*53.4*
%	*2.3*	*1.6*	*0.7P*	

* 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.

azbil

Segment Information - ■ B A Business

[Compared to the same period last year]

- Economic recovery and growing power/energy-saving needs following a rise in electricity charges meant that the Japanese 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 growth in orders received. Sales too grew thanks to favorable conditions in the Japanese market.
- Segment profit increased significantly. This can be attributed to increased sales in the Japanese market resulting from growth in the new buildings field, as well as in more profitable fields as existing buildings and service, and also the success of efforts to improve construction profitability.

[Billions of yen]

		This period (A)	Same period last year (B)	Difference	
				(A) - (B)	*% Change*
■ B A	Orders received	* 100.6	86.8	* 13.7	*15.8*
	Sales	75.0	70.5	4.5	*6.4*
	Segment profit	5.3	3.3	1.9	*58.1*
	%	*7.1*	*4.8*	*2.3P*	

(Reference) Amortization of goodwill	0.1	0.1	0.0	

* 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 - ■ A A Business

[Compared to the same period last year]

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

[Billions of yen]

		This period (A)	Same period last year (B)	Difference	
				(A) - (B)	*% Change*
■ A A	Orders received	72.9	70.3	2.6	*3.8*
	Sales	66.8	63.7	3.0	*4.8*
	Segment profit	2.9	1.4	1.4	*99.0*
	%	*4.4*	*2.3*	*2.1P*	

(Reference) Amortization of goodwill	0.2	0.2	0.0	

Segment Information - ■ L A Business

[Compared to the same period last year]

- With the economic slowdown in emerging countries and increasing competition, the business environment of the Life Science Engineering (LSE) field continued to be challenging. Owing mainly to the decline in the LSE field's performance, overall orders received and sales for this segment were down, although recently there have been signs of recovery brought about by the ongoing, radical reforms of the business structure*.

* For more detailed information, go on to the next page (P.8).

- Segment loss increased owing mainly to a fall in profits caused by lower sales and projects for which profit margins were slim in the LSE field.

[Billions of yen]

		This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
■ L A	Orders received	35.9	39.9	(4.0)	*(10.2)*
	Sales	35.6	36.1	(0.4)	*(1.3)*
	Segment profit (loss)	(1.7)	(0.8)	(0.8)	-
	%	*(4.8)*	*(2.3)*	-	

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
(Reference) Amortization of goodwill	1.0	1.0	(0.0)	

Progress of the Business Structure Reforms in the LSE field

azbil

Life Science Engineering

Now we are actively implementing sweeping measures to reinforce the business structure. These include radical business structure reforms and the reorganization of Azbil Telstar, S. L., the core of the LSE field.

The LSE field

Aims & Progress

- For global expansion, targeting pharmaceutical formulation, research and the production of functional foods markets, a new business field was established within the LA business that combines manufacturing processes and automation.
- The company now known as Azbil Telstar already possessed expertise in pharmaceutical manufacturing processes as well business contacts within this sector when it was purchased to form the core of the LSE business field.
- In the year ending Mar. 2015, because of the economic slowdown in emerging countries, orders decreased and increasing competition intensified, led to a worsening of profitability. Also, a result of actively expanding the business and scope, problems in the organizational structure were revealed, and loss was recorded. This led to the implementation of sweeping measures aimed at recovery in the business performance.

Within this fiscal year, steps will be taken to strengthen the business structure of Azbil Telstar – the core of the LSE field – to ensure a recovery in performance in the year ending Mar. 2016.

2015/3 Q3

Implementation measures

- Structural reforms through business restructuring and regional integration.
  - ✓ EPC (engineering, procurement, and construction) business structure reforms (Europe, South America)
  - ✓ Liquidation of unprofitable subsidiaries (Europe, South America)
  - ✓ Staff cutbacks and drastic reductions in administrative cost through business consolidation and operational base consolidation (Europe, South America, North America, China)
- Strengthening the core business of providing manufacturing equipment to pharmaceutical manufacturers
  - ✓ Strengthen the products and related technology for the manufacturing equipment business in cooperation with the R&D department of Azbil Corporation.
- Ensuring profitability through the thoroughgoing job management
  - ✓ Dispatch staff from Azbil; create an integrated business structure – spanning proposal, design, production, delivery and maintenance – and raise the total level of business administration.

As extraordinary losses, a restructuring loss (approx. 0.4 billion yen) and a goodwill impairment loss (approx. 1.7 billion yen) were recorded through the measures in this Q3. An additional 20% of Azbil Telstar's investments in capital was acquired. Taking into account the current situation, plans are being reviewed; while, there is no change in management expectations regarding the medium- to long-term viability and growth potential of a business centered on the pharmaceutical manufacturing market.

Non-operating Income & Expenses, Extraordinary Income & Losses and Income Taxes

azbil

[Compared to the same period last year]

- Non-operating income increased due to foreign exchange gains (about 1.0 billion yen) resulting from the lower value of Japanese yen.
- Recorded extraordinary losses and reduced tax expenses as a result of the process of business reevaluation and restructuring under our medium-term plan*. * For more detailed information, go on to the next page (P.10).

[Billons of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	% Change
Operating income	6.5	4.0	2.5	*62.8*
Non-operating income	2.5	1.4	1.1	*75.5*
Non-operating expenses	0.5	0.4	0.0	*3.7*
Ordinary income	8.6	5.0	3.6	*72.2*
Extraordinary income	0.1	0.5	(0.4)	*(77.4)*
Extraordinary losses	2.7	0.2	2.5	*1,141.7*
Income before income taxes and minority interests	6.0	5.3	0.6	*12.9*
Income taxes	1.8	2.7	(0.9)	*(33.2)*
Minority interests in income (loss)	0.1	(0.0)	0.2	-
Net income	4.0	2.6	1.4	*53.4*

Non-operating Income & Expenses, Extraordinary Income & Losses and Income Taxes

< Notes >

1) LSE field: Business structure reforms

As mentioned previously (page 8), we are actively implementing sweeping measures to reinforce the business structure in the field. Through the radical business structure reforms of Azbil Telstar, S. L. - the core of the LSE field – , extraordinary losses, a restructuring loss (approx. 0.4 billion yen) and a goodwill impairment (approx. 1.7 billion yen), were recorded in this Q3.

2) Real-time microbial sensing field: Review and restructure the business

We transferred the real-time microbial sensing technology that has been advanced by the US subsidiary Azbil BioVigilant Inc. to Azbil Corporation, and we will seek to expand the target market and develop new business opportunities directly. Azbil BioVigilant is to be liquidated. This will have a negligible impact on our consolidated financial results, orders received, sales and profits. This transaction including liquidation has brought about the reduction of tax expenses in this Q3.

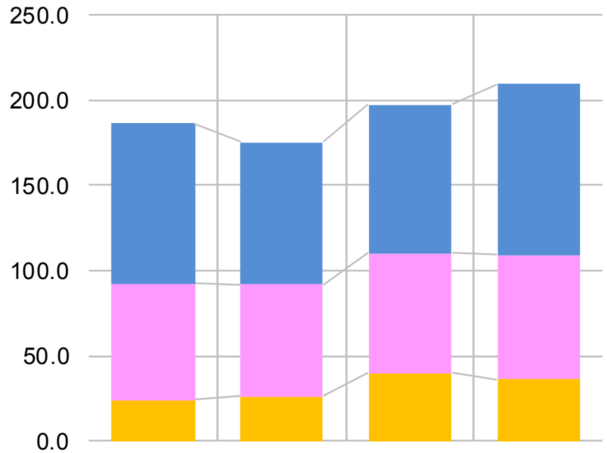
(Subsequent event for this Q3)
Health, welfare, and nursing care field: Transfer the business

As of Feb. 4, 2015, We are withdrawing from the health, welfare, and nursing care field; all shares in Azbil Care & Support, the company that has provided services in the field, were being transferred to SOHGO SECURITIY SERVICES CO., LTD. As a result of this transfer, extraordinary income (including some related expenses) will be recorded in the Q4 (the amount is currently under review).

[Reference] Orders Received by Segment

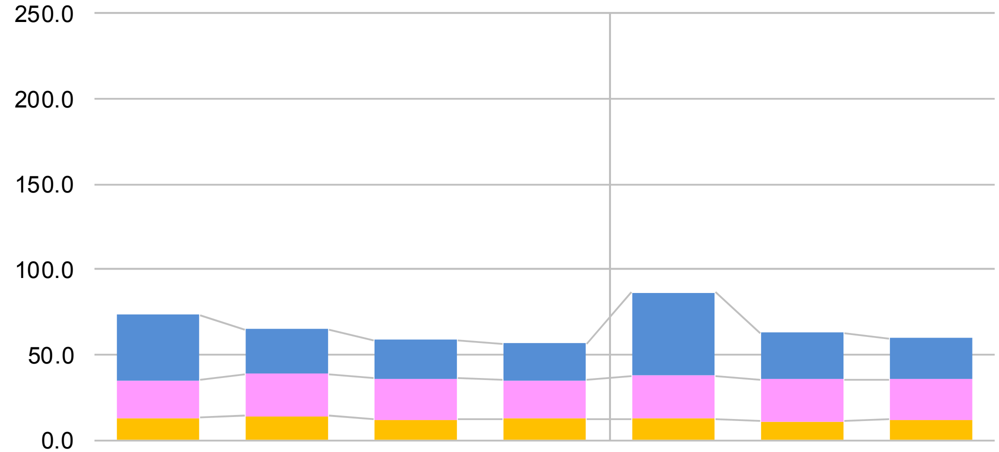
[Billions of yen]

<Cumulative period (9 months)>



	2012/3 Q3	2013/3 Q3	2014/3 Q3	**2015/3 Q3**
B A	93.9	83.9	86.8	**100.6**
A A	68.1	65.3	70.3	**72.9**
L A	24.1	26.1	39.9	**35.9**
Consolidated	184.8	174.4	195.8	**208.2**

<Quarterly (3 months)>



	2014/3 Q1	Q2	Q3	Q4	2015/3 Q1	Q2	**Q3**
B A	38.0	26.4	22.4	21.5	48.6	27.5	**24.3**
A A	21.9	24.6	23.7	22.7	25.2	24.2	**23.4**
L A	13.4	14.1	12.3	12.6	12.4	11.3	**12.0**
Consolidated	73.0	64.6	58.2	56.5	86.0	62.6	**59.4**

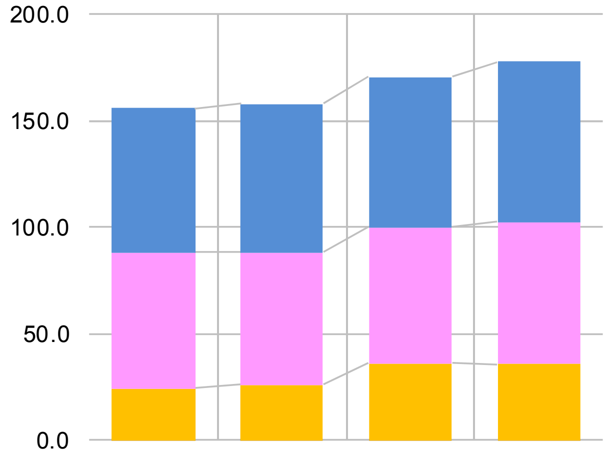
1. Financial Results for the Q3 Ended Dec. 31, 2014(Apr. 1, 2014 to Dec. 31, 2014)

azbil

[Reference] Sales by Segment

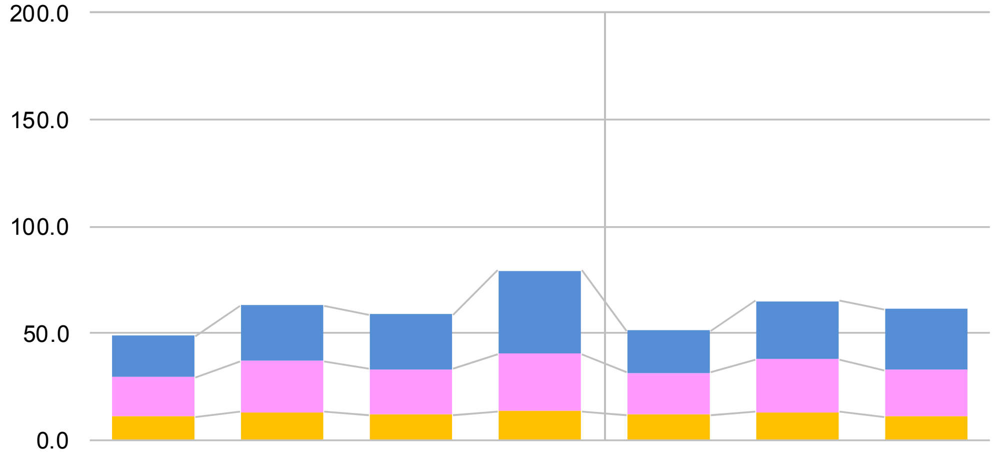
[Billions of yen]

<Cumulative period (9 months)>



	2012/3	2013/3	2014/3	**2015/3**
	Q3	Q3	Q3	**Q3**
B A	67.9	69.8	70.5	**75.0**
A A	63.9	62.3	63.7	**66.8**
L A	24.0	25.8	36.1	**35.6**
Consolidated	154.8	157.0	169.6	**176.5**

<Quarterly (3 months)>



	2014/3				2015/3		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	19.1	25.9	25.4	39.0	19.7	26.9	**28.3**
A A	18.6	23.7	21.3	27.0	19.8	24.9	**21.9**
L A	10.9	13.2	11.9	13.4	11.7	13.0	**10.9**
Consolidated	48.5	62.7	58.3	78.7	51.0	64.6	**60.8**

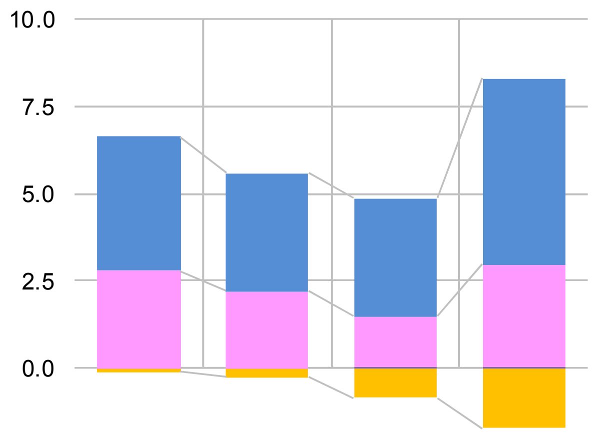
* Sales for the azbil Group tend to be concentrated in the Q2 and Q4 consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the Q1 and Q3 consolidated accounting periods are typically lower than those in the other two quarters.

1. Financial Results for the Q3 Ended Dec. 31, 2014(Apr. 1, 2014 to Dec. 31, 2014)

[Reference] Segment Profit (Operating Income)

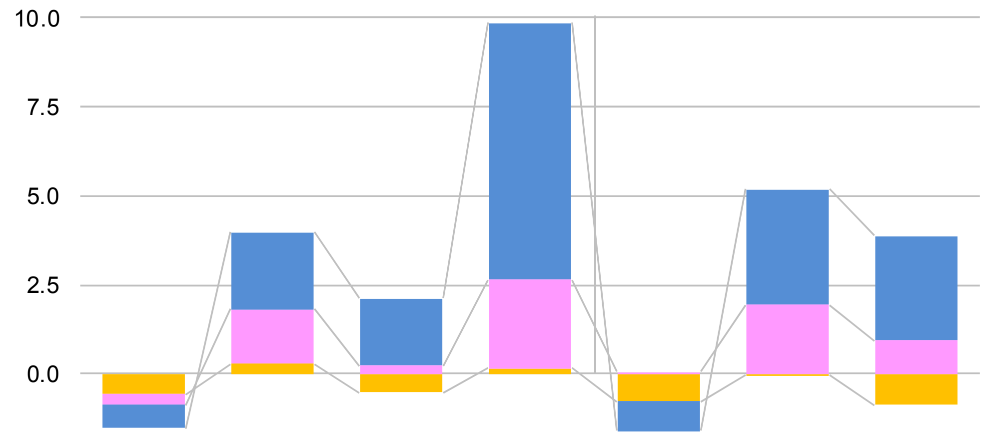
[Billions of yen]

<Cumulative period (9 months)>



	2012/3 Q3	2013/3 Q3	2014/3 Q3	**2015/3 Q3**
B A	3.8	3.3	3.3	**5.3**
A A	2.7	2.1	1.4	**2.9**
L A	(0.1)	(0.2)	(0.8)	**(1.7)**
Consolidated	6.5	5.3	4.0	**6.5**

<Quarterly (3 months)>



	2014/3 Q1	Q2	Q3	Q4	2015/3 Q1	Q2	**Q3**
B A	(0.6)	2.1	1.8	7.2	(0.8)	3.2	**2.9**
A A	(0.2)	1.5	0.2	2.4	0.0	1.9	**0.9**
L A	(0.5)	0.2	(0.5)	0.1	(0.7)	(0.0)	**(0.8)**
Consolidated	(1.5)	3.9	1.5	9.8	(1.5)	5.1	**2.9**

* Sales for the azbil Group tend to be concentrated in the Q2 and Q4 consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the Q1 and Q3 consolidated accounting periods are typically lower than those in the other two quarters.

Overseas Sales by Region

Regarding overseas sales, although there are a segment, regions and countries in which the business environment has worsened, elsewhere there has been steady business growth. Overall, sales became parallel with the same period last year.

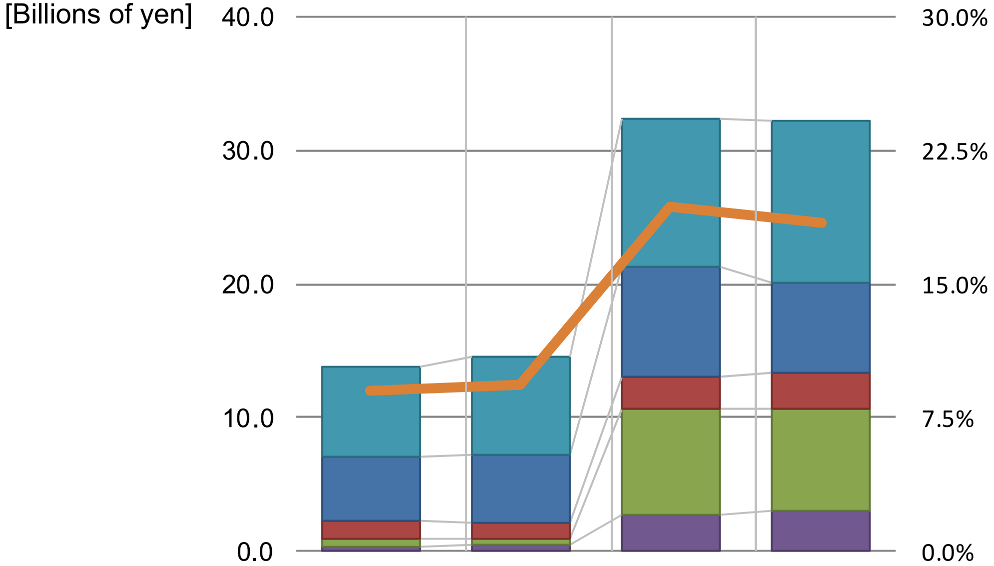
- In the Asian region, as a result of political unrest, etc. in certain countries, such as Thailand, sales fell, but overall steady growth in sales was achieved.

- In China, owing to such factors as a slowdown in the property market, BA business sales fell. The LA business also saw a drop in the sales. Overall, sales in China decreased.

- In North America, growth was achieved, mainly driven by solutions to equipment manufacturers offered by the AA business.

- In Europe, the AA business demonstrated robust performance; however, LA business sales fell, and overall there was a decrease in sales.

<Cumulative period (9 months)>



	2012/3 Q3	2013/3 Q3	2014/3 Q3	**2015/3 Q3**
Asia	6.7	7.3	11.1	**12.1**
China	4.8	5.1	8.3	**6.7**
North America	1.3	1.1	2.4	**2.8**
Europe	0.6	0.5	7.8	**7.5**
Others	0.4	0.5	2.8	**3.1**
Consolidated	13.9	14.7	32.6	**32.4**

[Reference information]

	2012/3 Q3	2013/3 Q3	2014/3 Q3	**2015/3 Q3**
Overseas sales/ Net sales	9.0%	9.4%	19.3%	**18.4%**
Average exchange rate - USD/JPY	80.59	79.40	96.84	**102.94**
Average exchange rate - EUR/JPY	113.38	101.73	127.48	**139.50**

* 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.

azbil

Consolidated Financial Position

■ **Assets** Total assets decreased 6.3billion yen from the previous fiscal year-end (As of Mar. 31, 2014). This was mainly due to a decrease in cash and deposits owing to the payment of income taxes and bonuses, and a decrease in accounts receivable – trade. At the same time, inventories increased as a result of an increase in orders received.

■ **Liabilities** Total liabilities decreased 12.5 billion yen from the previous fiscal year-end. This was mainly owing to a decrease in net defined benefit liability resulting from changes in the Retirement Benefits Accounting Standard, etc., as well as a decrease in income taxes payable following payment of income taxes and a decrease in provision for bonuses following the payment of bonuses.

■ **Net assets** Net assets increased 6.2 billion yen from the previous fiscal year-end. Although a dividend was paid, there was an increase in retained earnings as a result of net income being recorded in the third quarter of the current consolidated cumulative period and from changes in the Retirement Benefits Accounting Standard. Additionally, there was in an increase in the valuation difference on available-for-sale securities.

[Billions of yen]

	As of Dec. 31, 2014 (A)	As of Mar. 31, 2014 (B)	Difference (A) - (B)
Current assets	**181.2**	**189.3**	**(8.1)**
Cash and deposits	46.4	52.4	(5.9)
Notes and accounts receivable-trade	82.7	88.2	(5.4)
Inventories	24.4	18.1	6.2
Others	27.4	30.5	(3.1)
Noncurrent assets	**65.8**	**64.0**	**1.8**
Property, plant and equipment	25.2	24.5	0.7
Intangible assets	12.5	12.9	(0.3)
Investments and other assets	28.0	26.6	1.4
Total assets	**247.0**	**253.4**	**(6.3)**

	As of Dec. 31, 2014 (A)	As of Mar. 31, 2014 (B)	Difference (A) - (B)
Liabilities	**95.8**	**108.4**	**(12.5)**
Current liabilities	**82.0**	**87.3**	**(5.2)**
Notes and accounts payable-trade	38.8	41.4	(2.5)
Short-term loans and bonds	16.2	15.4	0.8
Others	26.9	30.4	(3.4)
Noncurrent liabilities	**13.7**	**21.1**	**(7.3)**
Long-term loans and bonds	1.6	2.2	(0.6)
Others	12.1	18.8	(6.6)
Net assets	**151.2**	**144.9**	**6.2**
Shareholders' equity	**143.5**	**139.3**	**4.1**
Capital stock	10.5	10.5	-
Capital surplus	17.1	17.1	0.0
Retained earnings	118.4	114.2	4.1
Treasury stock	(2.6)	(2.6)	(0.0)
Accumulated other comprehensive income	**5.8**	**3.9**	**1.8**
Subscription rights to shares and Minority interests	**1.8**	**1.6**	**0.2**
Total liabilities and net assets	**247.0**	**253.4**	**(6.3)**

（Reference）Shareholders' equity ratio: 60.4％(as of Dec. 31, 2014), 56.5%(as of Mar. 31, 2014)

2. Financial Plan for the Fiscal Year Ending Mar. 31, 2015

→No revision from the recent announcement

Consolidated Financial Plan

azbil

- While there is a disparity in the degree to which the different businesses have improved their profits, consolidated results for this period have remained, overall, within the range of the plan. Consequently, no changes will be made to the financial plan previously published on Oct. 30, 2014.

[Billions of yen]

	This year		Previous fiscal year	Difference	
	Q3 (Cumulative)	Full year plan (Oct. 30, 2014) (A)	(B)	(A) - (B)	*% Change*
Net sales	176.5	255.0	248.4	6.5	*2.7*
Operating income	6.5	15.0	13.9	1.0	*7.9*
%	*3.7*	*5.9*	*5.6*	*0.3P*	
Ordinary income	8.6	15.3	14.5	0.7	*4.8*
Net income	4.0	8.5	7.6	0.8	*10.8*
%	*2.3*	*3.3*	*3.1*	*0.2P*	

* Sales for the azbil Group tend to be concentrated in the Q2 and Q4 consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the Q1 and Q3 consolidated accounting periods are typically lower than those in the other two quarters.

Segment Information

azbil

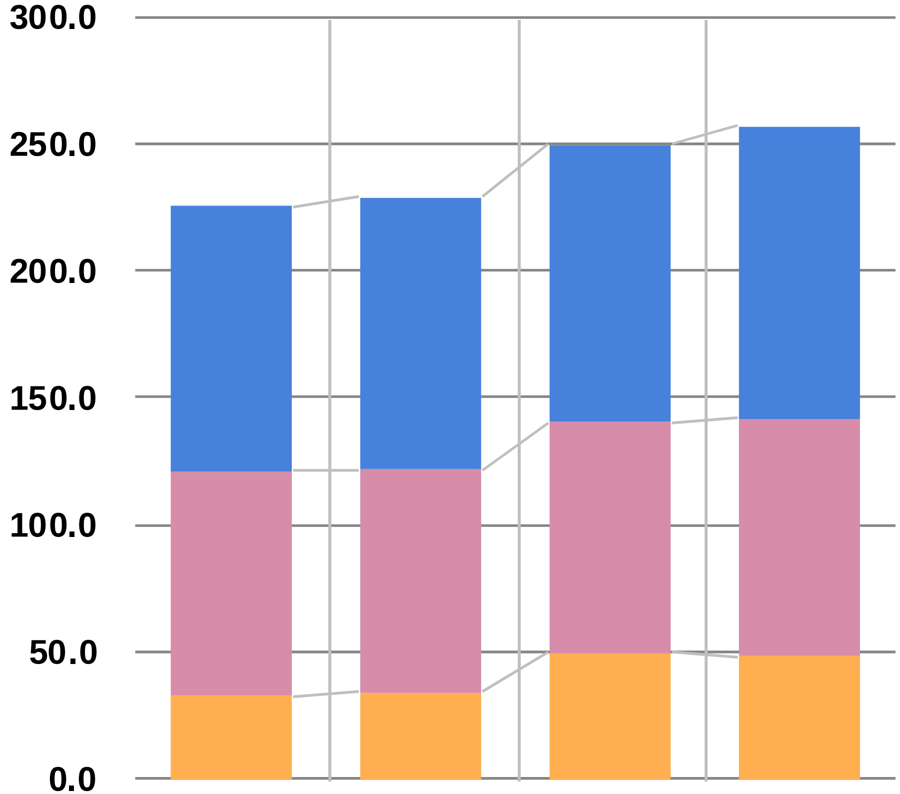
[Billions of yen]

		This year		Previous fiscal year	Difference	
		Q3 (Cumulative)	Full year plan (Oct. 30, 2014) (A)	(B)	(A) - (B)	% Change
B A	Sales	75.0	115.0	109.5	5.4	5.0
	Segment profit	5.3	11.8	10.5	1.2	11.4
	%	7.1	10.3	9.7	0.6P	
A A	Sales	66.8	94.0	90.8	3.1	3.5
	Segment profit	2.9	4.7	3.9	0.7	18.5
	%	4.4	5.0	4.4	0.6P	
L A	Sales	35.6	48.0	49.5	(1.5)	(3.2)
	Segment profit (loss)	(1.7)	(1.5)	(0.6)	(0.8)	-
	%	(4.8)	(3.1)	(1.4)	-	
Consolidated	Net sales	176.5	255.0	248.4	6.5	2.7
	Operating income	6.5	15.0	13.9	1.0	7.9
	%	3.7	5.9	5.6	0.3P	

* Sales for the azbil Group tend to be concentrated in the Q2 and Q4 consolidated accounting periods, while fixed costs are generated constantly. This means that profits in the Q1 and Q3 consolidated accounting periods are typically lower than those in the other two quarters.

[Reference] Sales by Segment

[Billions of yen]

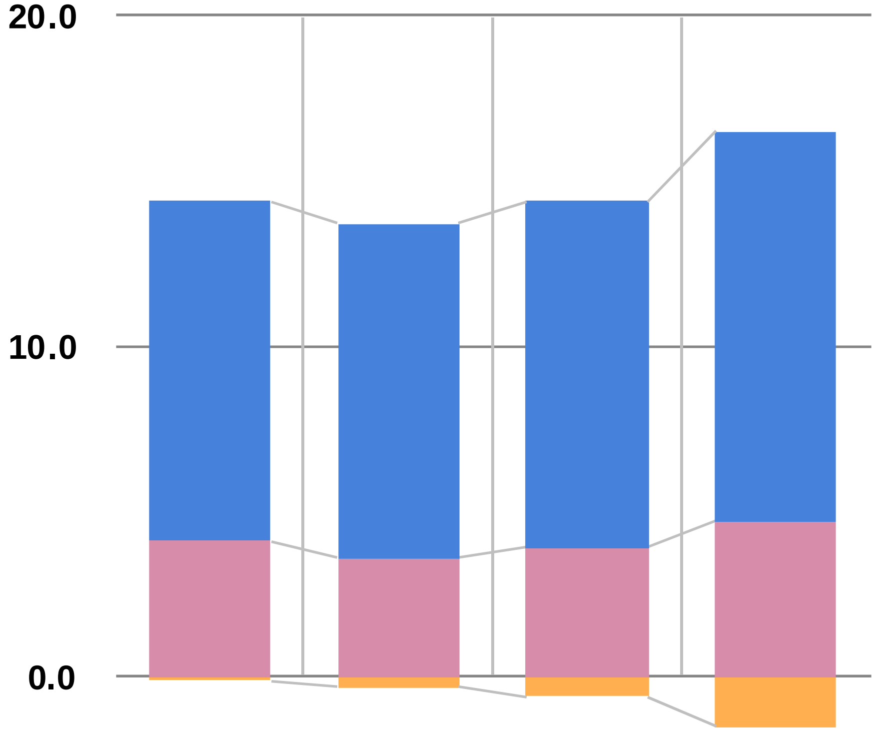


	2012/3	2013/3	2014/3	**2015/3 (Plan)**
B A	103.8	107.4	109.5	**115.0**
A A	88.8	87.6	90.8	**94.0**
L A	32.5	33.9	49.5	**48.0**
Consolidated	223.4	227.5	248.4	**255.0**

2. Financial Plan for the Fiscal 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

→No revision from the recent announcement

Dividends Plan

azbil

- 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.
- The year-end dividend for the year ended Mar. 2015 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）Dividends yield: 2.3% (as the end of Dec., 2014)

Relevant Information

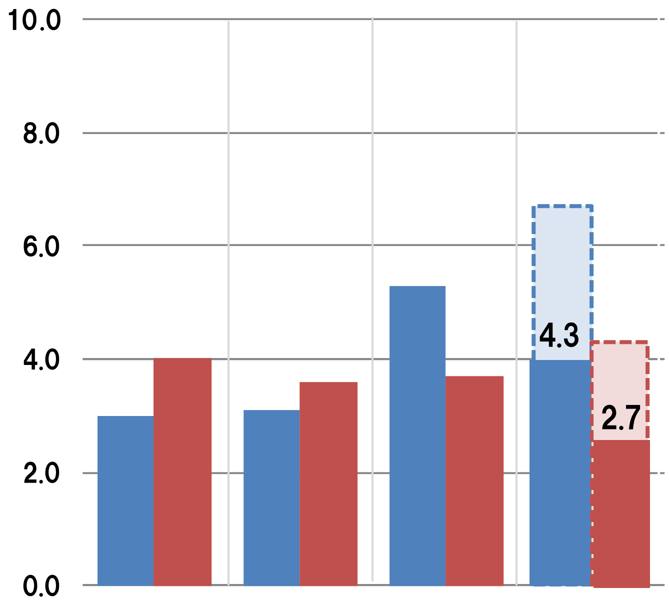
Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

azbil

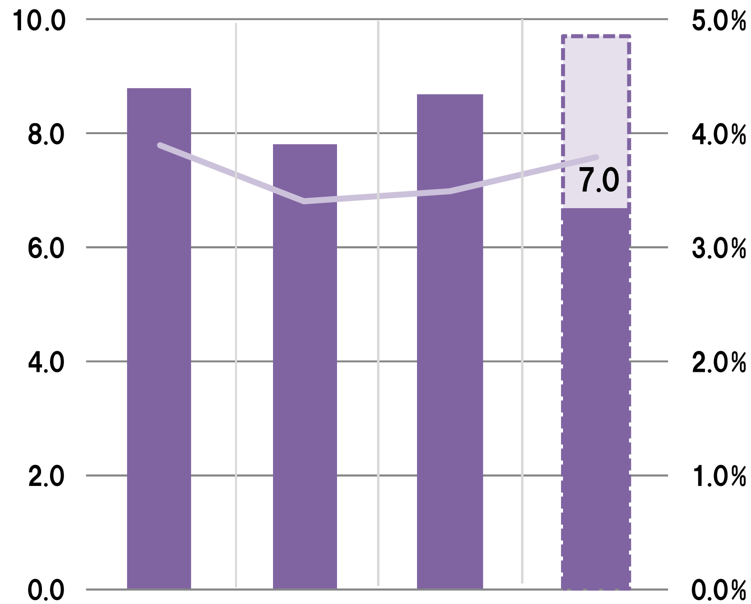
[Billions of yen]

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”**