Azbil Corporation RIC: 6845.T, Sedol: 6985543

Analyst Meeting Materials

For the Fiscal Year Ended March 31, 2016 (Japanese GAAP)

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Azbil Corporation celebrates its 110th anniversary in 2016 .

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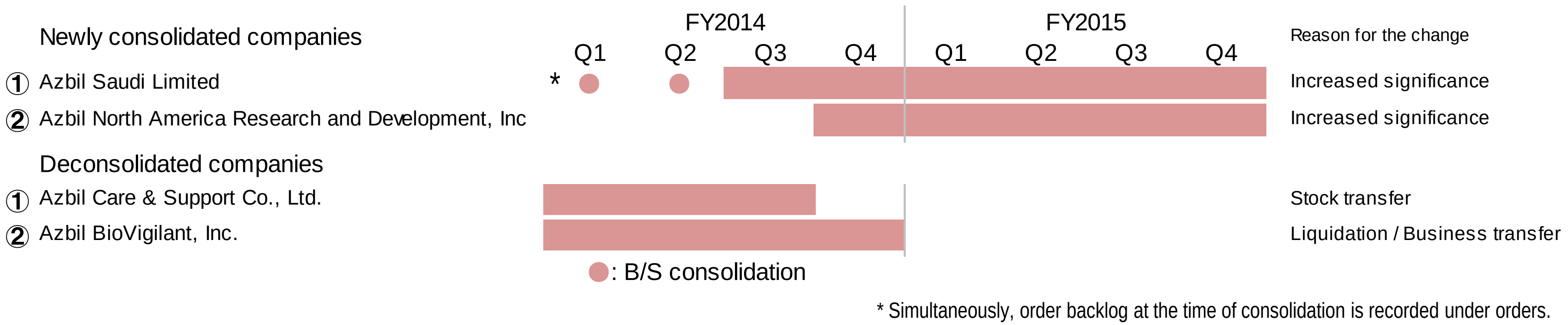
Notes:

1. Financial data and financial statements have been prepared based on Japanese 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. Changes in the scope of consolidation are as follows:



4. From the fiscal year ended March 31, 2016, "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) etc., have been applied, and "net income" is now termed "net income attributable to owners of parent".

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.

Notes:

6. To coincide with the introduction of the new core information system, from this fiscal year the following changes in accounting policies and strengthening of the administrative system have been made:

1) The way to record orders received for multi-year contracts. (Affects BA business: Not only large-scale service projects such as those awarded under “market testing” previously, but now all multi-year contracts are recorded.)

[Billions of Yen]

		Current fiscal year	Previous fiscal year	Difference
The figure recorded for large-scale service projects such as "market testing".		1.4	7.6	(6.2)
The figure recorded for the change.		8.7	-	+8.7
	The orders received in this period	4.7	-	+4.7
	The orders received in the prior period	4.0	-	+4.0
Total		10.1	7.6	+2.5

2) The timing of recognizing sales for goods in Japan. (Affects BA & AA businesses. Impact is negligible. Now based on the day of arrival [Previously, based on the day of shipping])

3) The way to calculate internal sales and transfers between segments. (Affects BA & AA businesses. Impact is negligible. In this document, figures for orders and sales in the previous year have been recompiled to take account of these changes so as to enable direct comparison.)

4) Unifying of job profit-and-loss management procedures. (Mainly affects BA business. Temporary increase in costs engendered by revision to the accounting standard for loss provision, etc.)

1. Financial Results for the Fiscal Year Ended March 31, 2016

Consolidated Financial Results

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Compared to the plan (10/30/2015)

Sales, operating income and ordinary income published in the previous plan of October 30, 2015 were all attained. Net income attributable to owners of parent exceeded the figure published in the revised plan of March 30, 2016.*

Compared to the previous fiscal year

The BA business made steady progress. Orders and sales both increased for the Group as a whole. In spite of an increase in expenses associated with R&D activities and with upgrading the core information system, operating income grew considerably owing to cost improvement thanks to the effect of business structure reforms and reduced goodwill amortization expenses.

- Refer to page 9 for details of non-operating income & expenses, extraordinary income & losses and income taxes.

[Billions of yen]

	Current fiscal year (A)	Plan (3/30/2016) (B)	Difference (A) - (B)	Difference % Change	Plan (10/30/2015) (C)	Difference (A) - (C)	Difference % Change	Previous fiscal year (D)	Difference (A) - (D)	Difference % Change
Orders received	273.6							266.9	6.6	2.5
Net sales	256.8	256.0	0.8	0.3	256.0	0.8	0.3	254.4	2.4	1.0
Japan	207.8							207.7	0.1	0.1
Overseas	48.9							46.7	2.2	4.8
Gross profit	91.0							89.8	1.2	1.3
%	35.5							35.3	0.1P	
SG & A	73.9							74.5	(0.5)	(0.8)
[include amortization of goodwill]	[0.6]	[0.7]	[(0.0)]		[0.7]	[(0.0)]		[1.8]	[(1.1)]	
Operating income	17.1	17.0	0.1	0.8	17.0	0.1	0.8	15.3	1.7	11.7
%	6.7	6.6	0.0P		6.6	0.0P		6.0	0.6P	
Ordinary income	16.6	16.6	0.0	0.2	16.6	0.0	0.2	17.1	(0.5)	(3.0)
Income before income taxes	13.1							11.6	1.5	13.3
Net income attributable to owners of parent	8.2	6.7	1.5	23.4	9.5	(1.2)	(13.0)	7.1	1.0	15.3
%	3.2	2.6	0.6P		3.7	(0.5P)		2.8	0.4P	

* It was expected that a goodwill impairment loss (3 billion yen) would be recorded for Azbil Telstar in the Life Science Engineering (LSE) field of the LA business. Thus, as of March 30, 2016, net income attributable to owners of parent alone was revised to 6.7 billion yen from the figure published in the previous plan (October 30, 2015).

Segment Information - ■ BA Business

Compared to the plan (10/30/2015)

The domestic market performed well, and sales for the whole segment were generally in line with the plan. Segment profit exceeded the plan thanks to increased sales in the profitable service field and to the effect of efforts to enhance construction profitability.

Compared to the previous fiscal year

Domestic orders increased significantly thanks to active urban redevelopment plans for the Tokyo metropolitan area and to robust demand for energy-saving solutions, but also as a result of a revision to the way multi-year contracts are recorded. Overseas orders also grew steadily. Sales too increased in the domestic market for new buildings and overseas, while remaining at a high level in the market for existing buildings and in the service field. For the segment as a whole, sales thus increased. Segment profit decreased owing to several factors, including changes to the sales mix, and increased expenses for measures and system development aimed at strengthening business expansion capabilities, for R&D activities, and for operating the new core information system. Profit was further impacted as a result of unifying job profit-and-loss management procedures to coincide with the introduction of the aforementioned system.

[Billions of yen]

	Current fiscal year (A)	Plan (10/30/2015) (B)	Difference (A) - (B)	Difference % Change	Previous fiscal year (C)	Difference (A) - (C)	Difference % Change
Orders received	133.8				122.3	11.5	*9.4*
Sales	118.8	119.0	(0.1)	*(0.1)*	114.3	4.5	*3.9*
Segment profit	12.0	11.8	0.2	*1.8*	12.2	(0.2)	*(1.9)*
%	*10.1*	*9.9*	*0.2P*		*10.7*	*(0.6P)*	
(Reference) Amortization of goodwill	–	–	–		0.1	(0.1)	

Segment Information - ■ AA Business

■ Compared to the plan (10/30/2015)

Overseas sales were below the level set in the plan, mainly due to sluggish market conditions in China. But initiatives focused on the HA/FA field*, a priority field, and on high value-added solutions did result in raising domestic sales to achieve the level set in the plan. Segment profit too exceeded the plan thanks to improved profitability in the domestic market.

■ Compared to the previous fiscal year

While there was growth in orders domestically, overseas orders fell owing to the slackening demand in China and other parts of Asia and also to the effect of consolidating a new subsidiary in the previous fiscal year. For the segment as a whole, orders decreased. Although sales fell slightly overseas, domestic sales maintained the same level as the previous fiscal year thanks to efforts to expand growth areas. For the segment as a whole, sales were on a par with the previous fiscal year. As regards profits, there was an increase in expenses incurred by operating the new core information system, but this was offset by improving the profit structure through providing high value-added solutions, etc. , so that segment profit was virtually unchanged from the previous fiscal year.

[Billions of yen]

	Current fiscal year	Plan (10/30/2015)	Difference		Previous fiscal year	Difference	
	(A)	(B)	(A) - (B)	*% Change*	(C)	(A) - (C)	*% Change*
Orders received	94.8				97.0	(2.1)	*(2.2)*
Sales	93.5	93.0	0.5	*0.6*	93.6	(0.1)	*(0.2)*
Segment profit	5.0	4.5	0.5	*11.8*	5.0	0.0	*0.3*
%	*5.4*	*4.8*	*0.5P*		*5.4*	*0.0P*	

(Reference) Amortization of goodwill	0.1	0.2	(0.0)		0.3	(0.1)	

* The azbil Group has identified as a priority area automation in advanced industries such as electrical/electronics, semiconductors, automobiles, and chemicals (downstream) as well as domestic demand-oriented industries such as food and pharmaceuticals, together with the companies that produce manufacturing equipment for the aforesaid industries. Automation for these industries is referred to collectively as HA/FA (Hybrid Automation / Factory Automation), and the azbil Group is actively engaged in growing this HA/FA business.

Segment Information - ■ LA Business

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Compared to the plan (10/30/2015)

Sales performance was in line with the plan. Owing to a decline in the results of two operating companies in the Life Science Engineering (LSE) field, located in the Netherlands and Brazil, overall segment profit was below the level set in the plan.

Compared to the previous fiscal year

An improvement was achieved in the LSE field after securing a large-scale project, etc., and orders increased in the residential central air-conditioning field thanks to the effect of reforms to the business model/systems. However, overall orders decreased owing to the negative impact of transferring its business in the health, welfare and nursing care field in the previous fiscal year*. And despite an increase in sales in the LSE field, overall segment sales too were down, mainly due to the aforesaid business transfer. Note that if the negative effect of this business transfer (3.4 billion yen) is subtracted, figures for overall segment orders and sales would both exceed those for the previous fiscal year. In spite of the decline in operating company results seen in the LSE field, segment profit increased thanks to reduced goodwill amortization expenses as well as business structure reforms and measures to enhance the business infrastructure.

➢ Refer to page 21,22 for details of business structure reforms in the LA business and the LSE field.

[Billions of yen]

		Current fiscal year (A)	Plan (10/30/2015) (B)	Difference (A) - (B)	Difference % Change	Previous fiscal year (C)	Difference (A) - (C)	Difference % Change
	Orders received	45.7				48.4	(2.6)	*(5.5)*
	Sales	45.6	45.0	0.6	*1.4*	47.3	(1.6)	*(3.6)*
	Segment profit	0.0	0.7	(0.6)	*(88.6)*	(1.9)	2.0	-
	%	*0.2*	*1.6*	*(1.4P)*		*(4.1)*	*4.3P*	
(Reference)	Amortization of goodwill	0.5	0.5	–		1.3	(0.8)	

* On February 4, 2015, all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITIY SERVICES CO., LTD.

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

[Compared to the previous fiscal year]

- Ordinary income decreased mainly because, while foreign exchange gains (1.7 billion yen) had been recorded in the previous fiscal year, this year recognized exchange losses (0.8 billion yen).
- Net income attributable to owners of parent increased. This is attributable to a fall in extraordinary losses compared to the previous fiscal year, despite the recording of 3.8 billion yen in extraordinary losses such as goodwill impairment loss associated with a consolidated subsidiary.* Note that in the previous fiscal year expenses and impairment loss were incurred as a result of business reviewing/restructuring; additionally, there was loss on abolishment of retirement benefit plan following changes in the retirement pension plan, leading to extraordinary losses of 7.5 billion yen.

[Billons of yen]

	Current fiscal year (A)	Plan (10/30/2015) (B)	Difference (A) - (B)	Difference % Change	Previous fiscal year (C)	Difference (A) - (C)	Difference % Change
Operating income	17.1	17.0	0.1	*0.8*	15.3	1.7	*11.7*
Non-operating income	1.1				2.6	(1.5)	*(56.3)*
Non-operating expenses	1.6				0.8	0.8	*93.0*
Ordinary income	16.6	16.6	0.0	*0.2*	17.1	(0.5)	*(3.0)*
Extraordinary income	0.3				2.0	(1.6)	*(81.5)*
Extraordinary losses	3.8				7.5	(3.7)	*(49.1)*
Income before income taxes	13.1				11.6	1.5	*13.3*
Income taxes	4.5				4.1	0.4	*9.6*
Net income attributable to non-controlling interests	0.2				0.2	0.0	*15.1*
Net income attributable to owners of parent	8.2	9.5	(1.2)	*(13.0)*	7.1	1.0	*15.3*

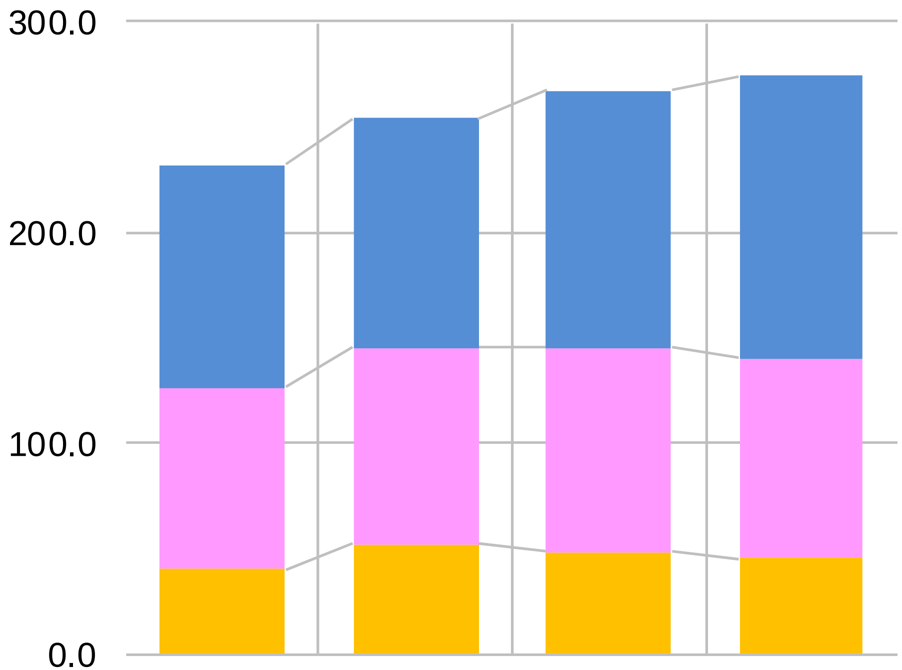
* Goodwill impairment loss associated with a consolidated subsidiary

Within the Azbil Telstar Group in the Life Science Engineering (LSE) field of the LA business, business performance of the group companies in the Netherlands and Brazil declined. As a result of reviewing the earnings forecast of the Azbil Telstar Group, an impairment loss on goodwill of 3 billion yen was recorded with implementing measures based on a sweeping revision of the group's business in problematic regions.

* In the current fiscal year, expenses of 0.3 billion yen were also recorded for the reorganizing of Azbil Kimmon production facilities as part of business structure reforms.

[Reference] Orders Received by Segment

[Billions of yen]



	2013/3	2014/3	2015/3	**2016/3**
B A	105.7	108.4	*1 122.3	**133.8**
A A	86.6	93.1	97.0	**94.8**
L A	*2 40.1	52.6	*3 48.4	**45.7**
Consolidated	231.1	252.4	266.9	**273.6**

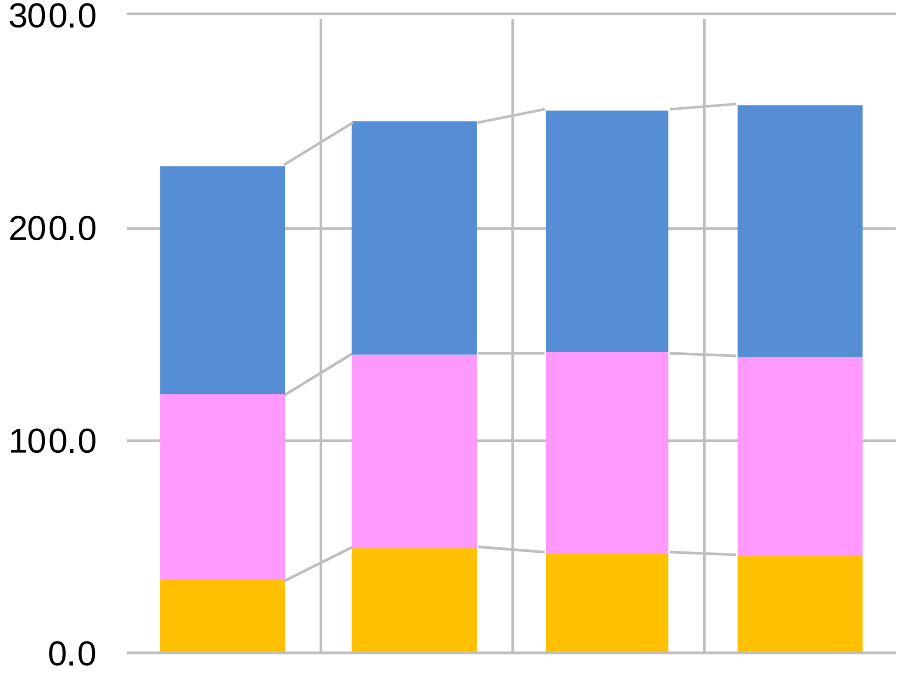
*1 Orders resulting from the renewal of a number of large-scale service contracts that span several years have been included.

*2 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a subsidiary. Simultaneously, its order backlog at the time of consolidation is recorded under orders.

*3 In the fourth quarter of the previous fiscal year (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the previous fiscal year.

[Reference] Sales by Segment

[Billions of yen]



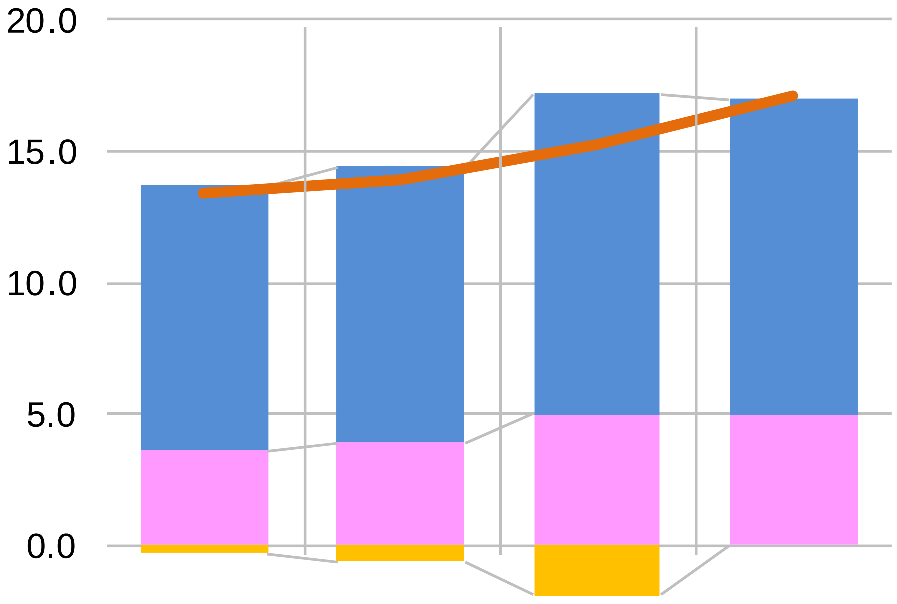
	2013/3	2014/3	2015/3	**2016/3**
B A	107.4	109.5	114.3	**118.8**
A A	87.6	90.8	93.6	**93.5**
L A	33.9	*1 49.5	*2 47.3	**45.6**
Consolidated	227.5	248.4	254.4	**256.8**

*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

*2 In the fourth quarter of the previous fiscal year (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the previous fiscal year.

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	2013/3	2014/3	2015/3	2016/3
B A	10.1	10.5	12.2	**12.0**
A A	3.6	3.9	5.0	**5.0**
L A	(0.3)	*1 (0.6)	*2 (1.9)	**0.0**
Consolidated	13.4	13.9	15.3	**17.1**

*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

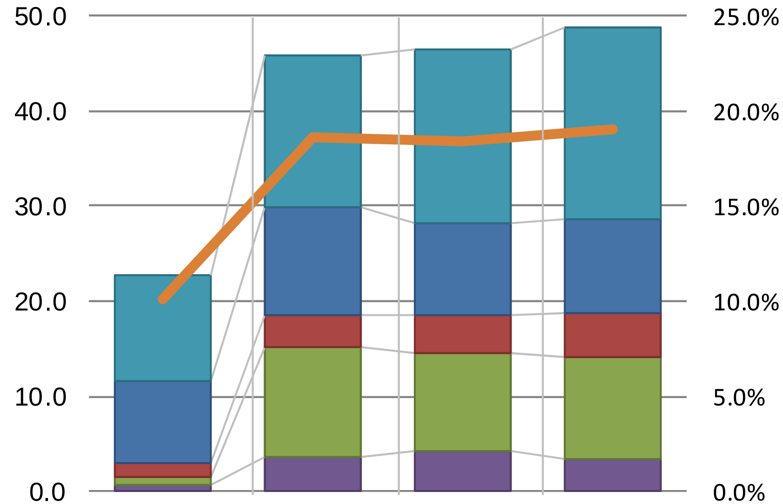
*2 In the fourth quarter of the previous fiscal year (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the previous fiscal year.

Overseas Sales by Region

Overseas sales increased overall. While demand fell in China and other emerging economies, and the business environment grew more challenging, this increase is attributed to the contribution to sales made by orders for large-scale projects in the BA business, which has made progress developing local capital projects, and in the LA business, which has benefitted from structural reforms. Despite initiatives to expand business by providing solutions, the AA business suffered a drop in sales mainly due to falling demand in China, especially in petrochemicals.

- In Asia, sales increased overall mainly due to growth in the LA business (LSE field).
- In China, though AA business sales fell, overall sales increased thanks mainly to revenue growth of the BA business.
- In North America, sales grew thanks to the success of AA business solutions for equipment manufacturers.
- In Europe, sales grew due to an improvement in the LA business (LSE field).

[Billions of yen]



	2013/3	2014/3	2015/3	2016/3
Asia	11.1	16.0	18.3	**20.0**
China	8.6	11.2	9.6	**9.9**
North America	1.5	3.4	4.1	**4.7**
Europe	0.8	11.5	10.2	**10.6**
Others	0.7	3.7	4.3	**3.5**
Total	22.9	46.1	46.7	**48.9**

[Reference information]

Overseas sales/ Net sales	10.1%	18.6%	18.4%	**19.1%**
Average exchange rate - USD/JPY	79.81	97.73	105.79	**121.11**
Average exchange rate - EUR/JPY	102.56	129.78	140.35	**134.31**

* 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.
* In the fiscal year ended Mar. 2013, Azbil Telstar, S. L U. became a subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

1. Financial Results for the Fiscal Year Ended March 31, 2016

Consolidated Financial Position

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■ Assets Total assets fell by 6.5 billion yen from the previous fiscal year-end, despite increases in securities, in notes and accounts receivable-trade, and in inventories. The reduction was due to decreases in cash and deposits as a result of loan repayments, in goodwill as a result of impairment loss, and in investment securities as a result of the fall in the stock market.

■ Liabilities Total liabilities fell by 3.2 billion yen from the previous fiscal year due to a decrease in short-term loans payable following repayments.

■ Net assets Net assets fell by 3.3 billion yen overall from the previous fiscal year-end. While there was an increase in net assets from the recording of profits*1, this was countered by decreases due to the payment of a dividend, to the purchasing of own shares, and to valuation difference on available-for-sale securities. Additionally, the application of an accounting standard revision led to a decrease*2 in net assets at the beginning of the fiscal year to reflect the unamortized goodwill balance resulting from past acquisitions.

*1 Net income attributable to owners of parent *2 Application of the accounting standard for business combinations, etc.

[Billions of yen]

	As of Mar. 31, 2016 (A)	As of Mar. 31, 2015 (B)	Difference (A) - (B)
Current assets	**200.8**	**197.9**	**2.8**
Cash and deposits	48.2	58.8	(10.6)
Notes and accounts receivable-trade	91.7	88.9	2.8
Inventories	24.1	21.6	2.4
Others	36.6	28.5	8.1
Noncurrent assets	**58.3**	**67.7**	**(9.4)**
Property, plant and equipment	24.3	25.6	(1.3)
Intangible assets	5.6	11.5	(5.8)
Investments and other assets	28.2	30.4	(2.2)
Total assets	**259.1**	**265.7**	**(6.5)**

	As of Mar. 31, 2016 (A)	As of Mar. 31, 2015 (B)	Difference (A) - (B)
Liabilities	**102.1**	**105.4**	**(3.2)**
Current liabilities	**88.9**	**89.6**	**(0.7)**
Notes and accounts payable-trade	45.5	42.6	2.8
Short-term loans and bonds	12.0	15.8	(3.8)
Others	31.3	31.1	0.1
Noncurrent liabilities	**13.2**	**15.7**	**(2.5)**
Long-term loans and bonds	0.6	0.8	(0.2)
Others	12.6	14.8	(2.2)
Net assets	**156.9**	**160.2**	**(3.3)**
Shareholders' equity	**146.6**	**146.6**	**0.0**
Capital stock	10.5	10.5	-
Capital surplus	12.3	17.1	(4.8)
Retained earnings	128.4	121.5	6.9
Treasury shares	(4.6)	(2.6)	(2.0)
Total accumulated other comprehensive income	**8.3**	**11.6**	**(3.3)**
Non-controlling interests	**1.9**	**2.0**	**(0.0)**
Total liabilities and net assets	**259.1**	**265.7**	**(6.5)**

(Reference) Shareholders' equity ratio: 59.8%(as of Mar. 31, 2016), 59.6%(as of Mar. 31, 2015)

Consolidated Cash Flows

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- Cash flows from operating activities decreased mainly due to a rise in notes and accounts receivable-trade according to an increase in sales, etc., despite a decrease in the amount paid in income taxes. Cash flows from investing activities increased due to an increase in proceeds from withdrawal of time deposits coupled with a decrease in purchase of securities. Free cash flow increased by 15.1 billion yen compared to the previous fiscal year.
- Cash flows from financing activities decreased by 4.4 billion yen compared to the previous fiscal year owing to the increase in expenditure resulting from purchase of own shares and increase in loans payable.

[Billions of yen]

	Current fiscal year (A)	Previous fiscal year (B)	Difference	
			(A) - (B)	%
Cash flows from operating activities	11.0	13.6	(2.6)	(19.2)
Cash flows from investing activities	4.2	(13.4)	17.7	-
Free cash flow(FCF)	15.3	0.2	15.1	-
Cash flows from financing activities	(10.5)	(6.0)	(4.4)	-
Effect of exchange rate change on cash and cash equivalents	(0.7)	1.4	(2.2)	(153.9)
Net increase(decrease) in cash and cash equivalents	4.0	(4.4)	8.4	-
Cash and cash equivalents at beginning of period	51.9	55.8	(3.9)	(7.0)
Increase in cash and cash equivalents from newly consolidated subsidiary	-	0.4	(0.4)	(100.0)
Cash and cash equivalents at end of period	55.9	51.9	4.0	7.8

(Reference)

Capital expenditure	3.4	6.3	(2.8)	(45.8)
Depreciation	4.1	3.7	0.3	9.6

2. Financial Plan for the Fiscal Year Ending March 31, 2017

Consolidated Financial Plan

Sales of 260 billion yen, operating income of 19 billion yen – We are aiming for a 4th consecutive period of increased sales and profits thanks to a diversified business portfolio focused on automation and the success of business structure reforms.

- Owing to growth for the BA business, which will continue to benefit from a robust business environment in Japan, and the effect of structural reforms in the LA business, the plan anticipates growth in both sales and profits.
- The business environment for the AA business is expected to be challenging, both in Japan and abroad, so in addition to implementing measures aimed at bolstering sales and profits, we will aim to transform the segment into a highly profitable business that is well attuned to changes in environmental and customer needs.
- Looking ahead to FY2017 and beyond we will reorganize development/production systems,* making steady progress with enhancing the business foundation.

[Billions of yen]

	2017/3 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
Net sales	115.5	144.5	260.0	256.8	3.1	*1.2*
[Amortization of goodwill]	[0.0]	[0.0]	[0.0]	[0.6]	[(0.6)]	
Operating income	3.8	15.2	19.0	17.1	1.8	*10.9*
%	*3.3*	*10.5*	*7.3*	*6.7*	*0.6P*	
Ordinary income	3.6	14.9	18.5	16.6	1.8	*11.3*
Net income attributable to owners of parent	2.0	9.5	11.5	8.2	3.2	*39.1*
%	*1.7*	*6.6*	*4.4*	*3.2*	*1.2P*	

* Integration of Shonan and Isehara factories, expansion of overseas production, rationalization of Azbil Kimmon's factories in Japan, upgrading R&D facilities at the Fujisawa Technology Center, etc.

Segment Information - ■ BA Business

Highest ever level of profits is anticipated thanks to robust market conditions.

- Taking into account robust orders in the previous fiscal year, the plan anticipates sales growth in the profitable domestic market for existing buildings. (Orders for new buildings will continue at a high level, but this fiscal year will see a temporary dip in building completions.)
- As a result of our growing track record for large-scale local projects, overseas market inquiries have been increasing, leading to sales growth.
- Make sure to secure sales and profits by enhancing the job fulfillment system and through sound construction profit management.

[Billions of yen]

	2017/3 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
Sales	47.0	73.0	120.0	118.8	1.1	*1.0*
Segment profit	1.7	11.3	13.0	12.0	0.9	*8.2*
%	*3.6*	*15.5*	*10.8*	*10.1*	*0.7P*	

[Reference] Amortization of goodwill	-	-	-	-	-	

Segment Information - ■ AA Business

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Fall in profits is forecast as a result of continued sluggishness in capital investment and the effect of exchange rates.

- Owing to the slackening seen in both domestic and overseas markets, and also the appreciation of the yen, it is expected that the business environment will be challenging. The plan anticipates sales at the same level as the previous fiscal year, though lower profits are forecast.
- We will implement reforms to the profit structure aimed at achieving a highly profitable business.
- For each of the AA business units (CP, IAP and SS)*, we will create an integrated system that handles everything from business planning and product development to production, sales and service. Amidst the sweeping changes taking place with today's technological trends, we will take advantage of the technologies unique to azbil, aiming to become a leading company in each of these automation fields.

[Billions of yen]

	2017/3 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	% Change
Sales	46.0	48.0	94.0	93.5	0.4	0.5
Segment profit	1.4	2.9	4.3	5.0	(0.7)	(14.5)
%	3.0	6.0	4.6	5.4	(0.8P)	

[Reference] Amortization of goodwill	0.0	0.0	0.0	0.1	(0.1)	

* **CP business**: Control Products business (component business handling digital instrumentation equipment, micro-switches, sensors, combustion control devices, etc.)
IAP business: Industrial Automation Products business (component business handling industrial instruments, transmitters, control valves, etc.)
SS business: Solution & Service business (control systems and service/maintenance business)

Segment Information - ■ LA Business

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Significant improvement in profits is expected thanks to the effect of business reforms.

- A significant improvement in segment profit is expected thanks to business structure reforms implemented in each field within the LA business, especially increased LSE profits (see page 22) and a reduction in goodwill amortization expenses of approx. 0.5 billion yen.

➢ **Lifeline field (gas/water meters, etc.)**

- Strengthening competitiveness and solution proposal capabilities following the restructuring of domestic production facilities (Aizu in November 2015, Karatsu scheduled for June 2016) and the launch of new products in 2015 suited to changes in the business environment.

➢ **Life Science Engineering field (pharmaceutical manufacturing equipment, etc.)**

- Business restructuring in the Netherlands and Brazil, finalization of radical business structure reforms involving integration of operating companies, and certainly tapping into demand in the equipment manufacturing field which continues to benefit from a favorable market environment.

➢ **Life style field (residential central air-conditioning systems, etc.)**

- Effect of continuing business model/system reforms, and launching new products.

[Billions of yen]

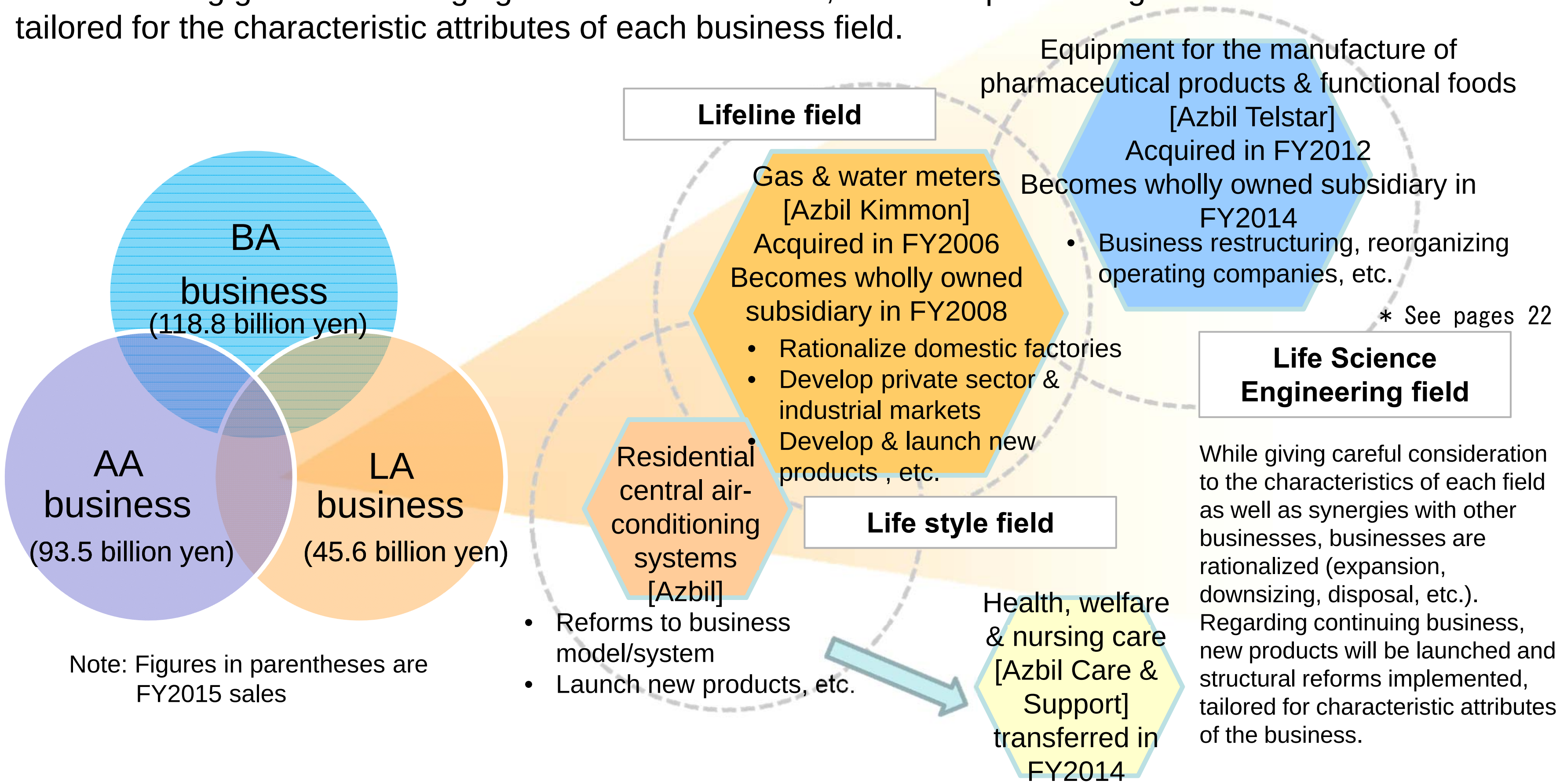
	2017/3 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	% Change
Sales	22.5	23.5	46.0	45.6	0.3	*0.8*
Segment profit	0.7	1.0	1.7	0.0	1.6	-
%	*3.1*	*4.3*	*3.7*	*0.2*	*3.5P*	

[Reference] Amortization of goodwill	-	-	-	0.5	(0.5)	

Initiative to strengthen the foundation of the LA business

LA Business Objectives and Evolution

- While focusing on automation, we have till now avoided overconcentration on a single market by creating a diversified portfolio – composed of three businesses (BA, AA and LA) that focus on differing markets – and thus aiming to realize sustainability and stability for the whole Group.
- While advancing investment in new businesses and goodwill amortization associated with new acquisitions, performance has been sluggish amidst changes in the business environment such as the slackening growth in emerging economies. However, we are implementing structural reforms tailored for the characteristic attributes of each business field.



Further initiatives to stabilize business in the LSE field and generate profits

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1. Business development objectives & progress in the Life Science Engineering (LSE) field

- In the LSE field, business development will be focused around Azbil Telstar and target the markets for pharmaceutical manufacture, research and functional food manufacture (Life Science field) which have global growth potential.
- In FY2014 a loss was recorded as a result of a fall in orders following the slowdown in the growth of emerging economies, and because of decreasing profitability owing to increasingly fierce competition. In the second half of FY2014, three radical measures were devised and a restructuring of the business begun.
  - **Creation of an appropriate operation system**: Upgrading system through business restructuring and local consolidation (reducing personnel/admin expenses)
  - **Strengthening the manufacturing equipment business**: Reorganizing the sales system by concentrating on the manufacturing equipment business; strengthening technologies/products in coordination with Azbil Corp.
  - **Reviewing/strengthening the job processing system**: Raising the admin level with an integrated business structure ranging from proposals and design to production, delivery and maintenance.

2. Further business structure reforms targeting subsidiaries to improve profits and return to the black

- As regards Azbil Telstar itself, a degree of improvement has been achieved but results for the operating companies in the Netherlands and Brazil have declined. In view of this, the following additional measures will be implemented aiming to achieve a significant improvement in profits for the LSE field and to bring the business into the black.

The Netherlands	Significant reform of cleanroom and equipment businesses
Brazil	Significant reform of cleanroom business

In coping with the future risk factors envisaged through implementing these measures and recording impairment loss, we will aim at a rapid recovery in profits and sustainable growth.

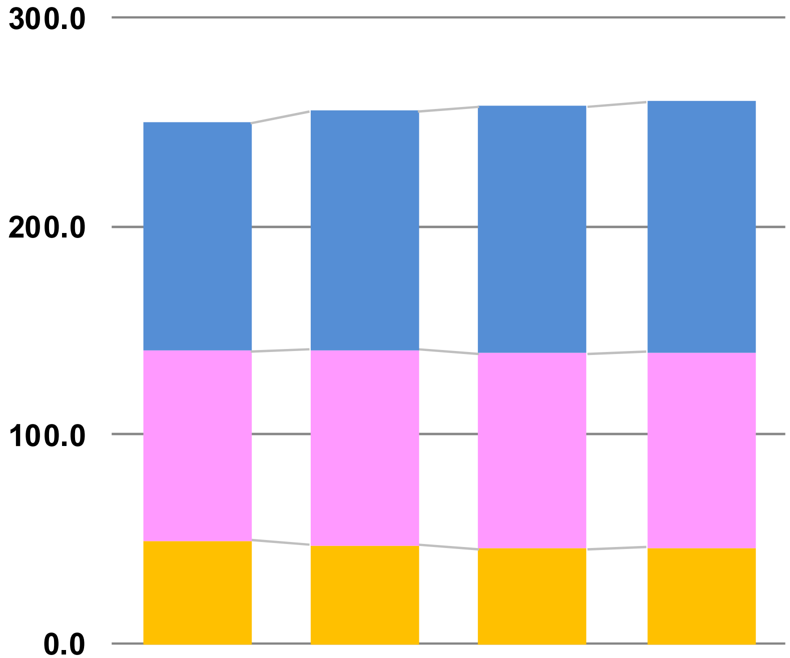
Impact of the above business structure reforms on financial results

1. Recording of extraordinary losses
   Goodwill impairment loss (consolidated): 3,012 million yen
2. Capital increase/reduction of subsidiaries
   Capital in Azbil Telstar will be increased/reduced to improve its financial situation and comply with local capital requirements. A capital increase of approximately 15 million euros is expected.

2. Financial Plan for the Fiscal Year Ending March 31, 2017

[Reference] Sales by Segment

[Billions of yen]



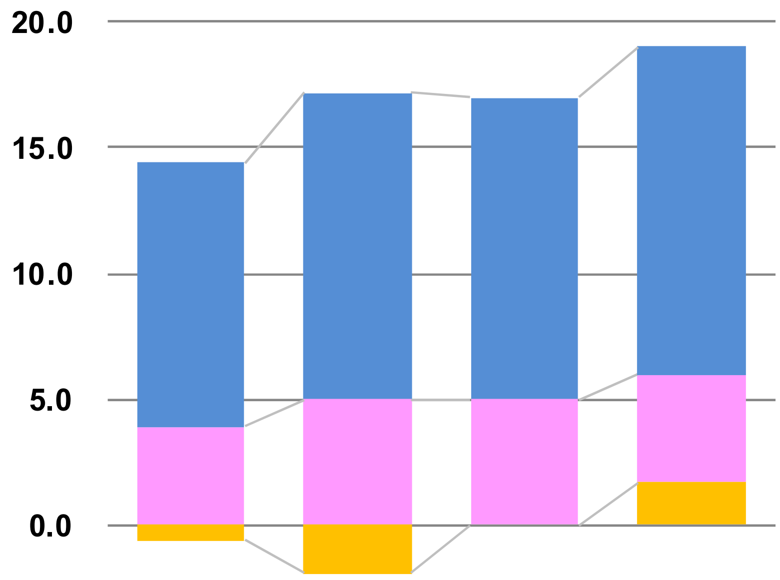
	2014/3	2015/3	2016/3	**2017/3 (Plan)**
BA	109.5	114.3	118.8	**120.0**
AA	90.8	93.6	93.5	**94.0**
LA	*1 49.5	*2 47.3	45.6	**46.0**
Consolidated	248.4	254.4	256.8	**260.0**

*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

*2 In the fourth quarter of the fiscal year ended Mar. 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the tfiscal year ended Mar. 2015.

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	2014/3	2015/3	2016/3	**2017/3 (Plan)**
B A	10.5	12.2	12.0	**13.0**
A A	3.9	5.0	5.0	**4.3**
L A	*1 (0.6)	*2 (1.9)	0.0	**1.7**
Consolidated	13.9	15.3	17.1	**19.0**

*1 In the fiscal year ended Mar. 2013, Azbil Telstar, S.L.U. became a consolidated subsidiary. And its profit & loss figures have been included from the fiscal year ended Mar. 2014.

*2 In the fourth quarter of the fiscal year ended Mar. 2015 (Feb. 2015), all shares in Azbil Care & Support Co., Ltd. – which had been providing services in the health, welfare, and nursing care field – were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures are consolidated until the third quarter of the fiscal year ended Mar. 2015.

3. Return to Shareholders

Dividends Plan

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Dividends Plan for the fiscal year ending March 2017

～to enhance the return of profits to shareholders～

Annual Dividend: 74 yen per share

(Ordinary dividend raised by 2 yen, additional commemorative dividend of 5 yen)

[Basic policy]

We place great importance on the distribution of profits to shareholders, and would like to maintain stable dividends while striving to increase its dividends payout, taking into account comprehensively its consolidated performance, levels of ROE (Return On Equity), DOE (Dividends On Equity), as well as retained earnings for strengthening the corporate structure and developing future business.

For FY2016 our intention is to increase the distribution of profits to our shareholders by raising the dividend level; we therefore plan to raise the ordinary dividend by 2 yen per share. Also, to mark the 110th anniversary of our founding and the 10th anniversary of our new name, “azbil”, we plan to issue a commemorative dividend of 5 yen per share.

- Dividends for FY2015 (year-end) and FY2016 (interim & year-end) will be as follows:

	2016/3		2017/3	
	Interim	Year-end	Interim	Year-end
Dividend per share [Yen]	33.5	33.5(Plan)	37.0(Plan)	37.0(Plan)
Payout ratio	59.4%		47.1%	
Dividend on equity （DOE）	3.1%		3.4%	

（Reference）Dividends yield: 2.3% (as of March 31, 2016)

4. Final Year of the Medium-term Plan

4. Final Year of the Medium-term Plan

Medium-term Plan (2013/4-2017/3)

10 Years of Human-Centered Automation and azbil

This year – the 10th anniversary of the adoption of “human-centered automation” and the 110th anniversary of our founding – is designated for implementing sweeping reforms and for further strengthening initiatives.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016

Adoption of the “human-centered automation” Group philosophy and the azbil Group symbol

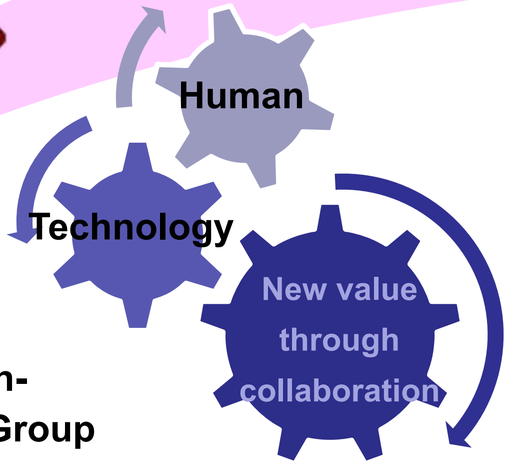
Group name changed to the azbil Group

Overseas subsidiaries add “Azbil” to their company names

Domestic Group members of the azbil Group add “Azbil” to their company names

110th anniversary of founding

10th anniversary of “human-centered automation” and “azbil”



Harnessing collaboration between human and technology, we have cherished the founder’s determination to contribute to society – even when the social environment changes and what is asked of businesses changes.
With the dawning of Industry 4.0, or the fourth industrial revolution, automation technologies are changing. Such technological innovations as IoT, big data and AI have given rise to a new concept, that of cyber-physical systems. Guided by the philosophy of “human-centered automation”, the azbil Group is furthering the evolution of automation in response to these changing times.

Medium-term Plan (2013/4-2017/3)

Fundamental objectives of the medium-term plan

Through the pursuit of “human-centered automation”,

- Shift to the business that supports customers throughout the lifecycle of their facilities;
- Acceleration of global business development making use of group synergy;
- Enhancement of the corporate structure and reallocation of human resources to structural changes in domestic markets.

3 Key Initiatives	• Becoming a long-term partner for the customer and the community by offering solutions based on our technologies and products • Taking global operations to the next level, with global expansion by moving into new regions and making a qualitative change of focus • Becoming a corporate organization that never stops learning, so that it can continuously strengthen its corporate structure
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

4. Final Year of the Medium-term Plan

Medium-term Plan (2013/4-2017/3)

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Business reforms, continued strengthening of business structure

Business segment

BA business

- Strengthening the foundations of the domestic BA business (redevelopment centered in the Tokyo metropolitan area, demand for the Tokyo 2020 Olympic and Paralympic Games)
- Strengthening the energy management business (for sustainable growth with a view after the Olympic and Paralympic Games)
- Implementing lifecycle business development in our overseas business (establishing a profit creation model)

AA business

- Shifting to priority fields (HA/FA field), strengthening the business structure
- Implementing a high value-added service business in mature fields (PA field)
- Strengthening product development capabilities
- Strengthening overseas business infrastructure (development, production, sales, service)

LA business

- Upgrading the foundation of the Azbil Kimmon business (rationalization of production facilities in Japan, new products)
- Implementing business structure reforms for Azbil Telstar (business restructuring, reorganizing subsidiaries)
- Implementing business structure reforms in the residential central air conditioning field (strengthening the profit structure)
- Transferring of all shares in Azbil Care & Support Co., Ltd.

Redeployment of personnel within the Group (promoting greater efficiency in mature fields and shifting into growth fields)

Group-wide functions

Upgrading/Establishing the global service infrastructure and system including remote maintenance, strengthening local development capabilities for global customers, optimizing the global production system

- Establishing a technical development center in North America (Azbil North America R&D)
- Starting to upgrade R&D resources at Fujisawa Technology Center
- Upgrading overseas production facilities, including new factory in Thailand (Azbil Production Thailand, Azbil Control Instruments (Dalian))
- Integrating Shonan and Isehara factories
- Upgrading remote service & IT foundation
- Upgrading production facilities in Saudi Arabia and regional maintenance centers

Group management

- Launch of the Group-wide core information system (Phase 1: beginning May 2015)
- Moving to a defined contribution pension plan (started in June 2015)
- Promotion of optimal personnel deployment within Japan and overseas, and enhancement of human resource development programs
- Strengthening of global governance and compliance

4. Final Year of the Medium-term Plan

Medium-term Plan (2013/4-2017/3)

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Medium-term business plan: numerical targets & review

Note: Figures in parentheses show the amount by which the initial plan has been revised

	FY2012(2013/4) (actual results)	FY2016(2017/3) (plan published on May 13, 2016)
Sales	227.5 billion yen	260 billion yen (down 20 billion yen)
Operating income	13.4 billion yen	19 billion yen (down 3 billion yen)

- Outline of the Medium-term plan (2013/4-2017/3)

Aiming at global growth (Japan/Overseas) .

Developing solutions based on technologies & products for fields that are common to azbil's domestic & overseas businesses.

Japan: Markets are maturing while a qualitative shift is underway.

- Enhance efficiency and offer added value in existing businesses
- Expand product/service portfolios, develop & expand growth fields

Overseas: Basic needs are common, even if requirements vary by region.

- Deploy globally (including Japan) products/services for growth areas and also expand business with proven track record
- Strengthen solutions system (sales, development, engineering & service) for each region

Progress of the plan

1. Business environment (expected vs. actual)

- Sluggish capital investment in domestic manufacturing industry continued.
- Slowdown in emerging economies (China, South America, etc.)
- In addition to brisk domestic urban redevelopment, Tokyo was chosen to host the 2020 Olympics, stimulating the economy.
- Emergence of new markets triggered by technological innovation (IoT, Industrial 4.0, big data).

2. Performance outlook for FY2016

- The BA business is expected to achieve profits that exceed the initial plan, but the AA business will not achieve the initial plan owing to sluggish capital investment in Japan and abroad. The LA business is expected to achieve its profit target, despite disposals and delays in implementing the business plan.
- Steady progress will be made with business reforms and business structure improvements.

4. Final Year of the Medium-term Plan

FY2016 priority measures – Looking beyond the current Medium-term plan

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Strengthening & accelerating the generation of results in growth areas

- Steady progress is being made with business structure reforms and strengthening the business infrastructure, but since there are wide-ranging changes in the business environment these efforts need to be raised a notch.
- FY2016 marks the 10th anniversary of the start of “human-centered automation”.
- The 110th anniversary of the founding is designated for implementing sweeping reforms and for further strengthening initiatives to reform the business structure and reinforce the business infrastructure. We will identify growth areas and ensure that we generate results from them.

Changing response to growing & mature markets	Identifying sustained growth and securing profits	Rationalizing business (selection & concentration)

BA business

- Tapping into the markets for new/existing buildings linked to urban redevelopment and the Olympics
- Securing stable growth and profits in overseas business
- Expanding business in the new instrumentation field

AA business

- Initiating reforms to the profit structure of the business
- Securing global competitive power in each automation field by strengthening the operations of each business unit

LA business

- Implementing reforms to achieve a profitable structure for each business field
- Strengthening product appeal to respond to market changes

Group-wide functions & management

- Developing technologies for the IoT age, bringing products to market more rapidly, and optimizing R&D resources
- Shifting to knowledge-intensive service, strengthening the overseas service business
- Creating the optimum global production system, division of production functions, procurement, logistics; improving operational and production processes
- Reforming the corporate structure and human resources, making use of the core information system

The azbil Group's CSR management

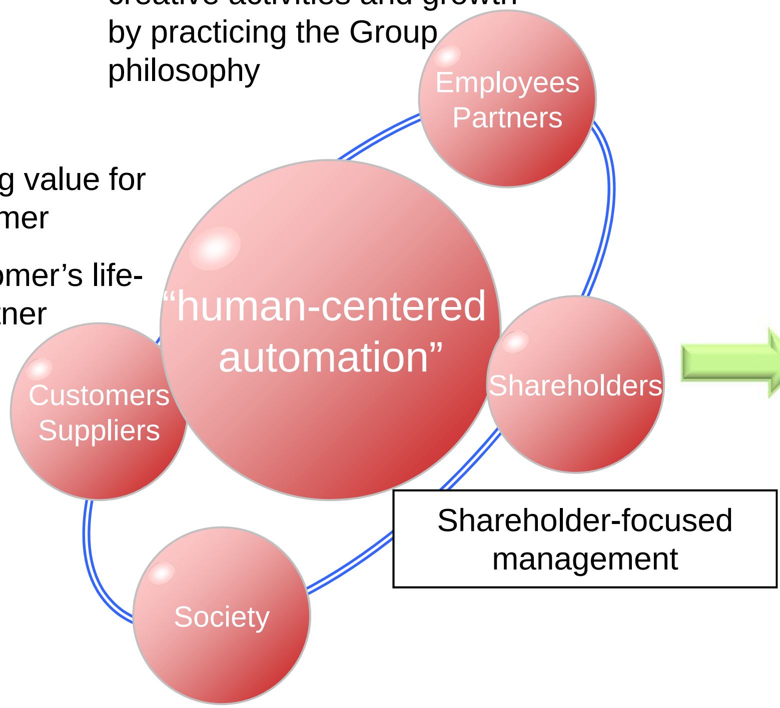
Strengthening CSR management and complying with Japan's Corporate Governance Code

Presenting all stakeholders with the "human-centered" azbil Group

Providing opportunities for creative activities and growth by practicing the Group philosophy

Enhancing value for the customer

The customer's life-cycle partner



Contributing to employment, etc. as a member of the local community

Contributing globally to the environment and safety through our main business

Realizing effective enterprise management

- Continual pursuit, through regular self-improvement, of a structure for growth and profit that adapts to the changing business environment
- Aiming at achieving the long-term goal of attaining ROE of 10% or more by improving profitability and capital efficiency

Return to shareholders

Investing in growth and strengthening the management structure while actively promoting return to shareholders

— FY2016 (Plan) —
Payment of dividend of 74 yen per share
– Ordinary dividend raised by 2 yen
– Commemorative dividend of 5 yen

Implement highly transparent, sound corporate management (enhancing corporate governance)

- Establish in-house criteria for assessing the independence of outside directors
- Stipulate that outside directors make up 50% or more of the committees that decide nomination and compensation
- Enhance the means to promote creative dialog (establishing a managing executive officer in charge of corporate communications)

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azbil Group Philosophy

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

Azbil Corporation celebrates its 110th anniversary in 2016.

110th Since 1906

Yamatake for 100 years, azbil for 10 years. Together 110 years. Through all of this time the azbil Group has put human happiness first with "human-centered automation." We are determined to work closely with our customers in the future as well, using our measurement and control technologies as the basis for ever greater value creation.

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

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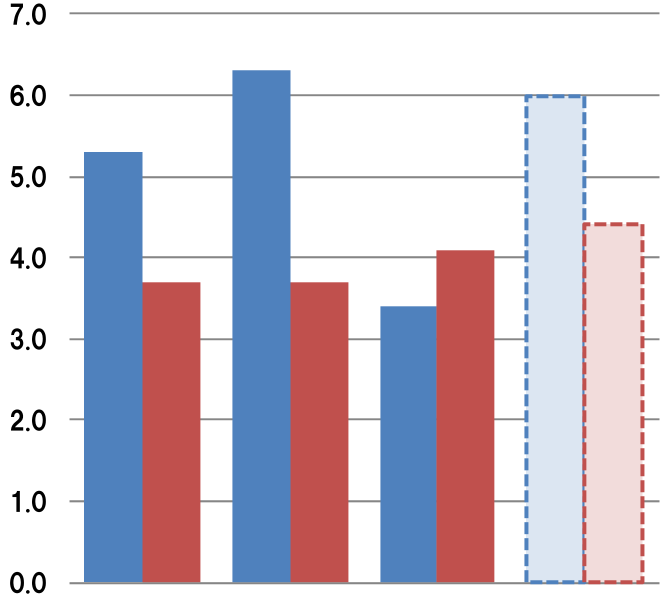
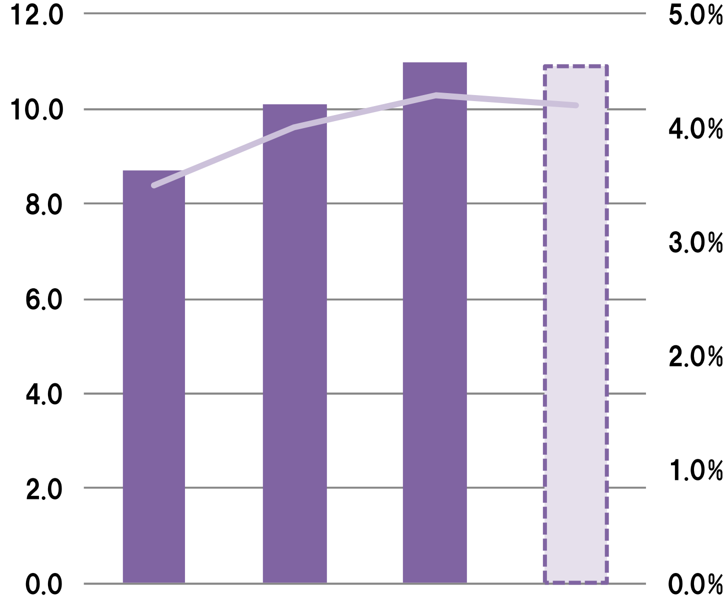
[Billions of yen]

Capital Expenditure, Depreciation



	2014/3 *1	2015/3 *1	2016/3	2017/3 (Plan) *2
Capital Expenditure	5.3	6.3	3.4	**6.0**
Depreciation	3.7	3.7	4.1	**4.4**

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



	2014/3	2015/3	2016/3	2017/3 (Plan)
R&D Expenses	8.7	10.1	11.0	**10.9**
R&D Expenses/ Net Sales	3.5%	4.0%	4.3%	**4.2%**

*1 The investment related to upgrading the new core information system, which started operating in May 2015, started in the fiscal year ended Mar. 2013. Additionally, in the fiscal year ended Mar. 2015 the investment was made in overseas production facilities.

*2 The plan for the fiscal year ending Mar. 2017 includes investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center.

We would like to offer our deepest sympathy to all of those who have suffered as a result of the recent earthquakes in Kumamoto and Oita prefectures, Kyushu.

We hope for a rapid recovery in the affected areas, and the entire azbil Group is pursuing activities – namely, the supply of products and services – to facilitate a speedy recovery for customers' buildings, factories and any lifeline infrastructure impacted by this natural disaster. There are three azbil Group business offices in Kumamoto and Oita prefectures, but fortunately none were affected by the earthquakes and they have continued operating without interruption. Elsewhere in Kyushu the azbil Group has a manufacturing facility in Karatsu city, Saga, but that too was unaffected and has continued normal production activities.

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