azbil
Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials

For the First Half Ended September 30, 2017 (Based on Japanese GAAP)

<Contents>

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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. Net 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.

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.

1. Financial Results for the First Half Ended September 30, 2017

1. Financial Results for the First Half Ended September 30, 2017

Consolidated Financial Results

- Orders received grew for the AA and LA businesses. Overall orders received increased significantly.
- Sales grew for the BA business, but fell for the LA business owing to the structural and business reforms in the previous fiscal year. As a result, overall net sales were on a par with the same period last year, approximately the same as the initial plan.
- Operating income increased significantly compared to the same period last year; it was also much larger than the initial plan. This was mainly due to the AA business, which benefitted from an improvement in the business environment and which also achieved a conspicuous success with initiatives aimed at strengthening profitability. Additionally, the BA and LA businesses have made steady progress with improving profits.
- Thanks to the improvement in operating income and to the lower exchange value of the yen, both ordinary income and net income attributable to owners of parent increased compared to the same period last year; they also exceeded the initial plan.

[Billions of yen]

	This period (A)	Revised Plan (9/28/2017) (B) *	Difference (A) - (B)	Difference % Change	Initial Plan (5/19/2017) (C)	Difference (A) - (C)	Difference % Change	Same period last year (D)	Difference (A) - (D)	Difference % Change
Orders received	149.4							140.7	8.7	6.2
Net sales	117.8	118.0	(0.1)	(0.1)	119.0	(1.1)	(0.9)	117.6	0.2	0.2
Japan	96.7							96.3	0.3	0.4
Overseas	21.1							21.2	(0.0)	(0.3)
Gross profit	42.6							39.7	2.9	7.4
%	36.2							33.8	2.4P	
SG & A	34.9							34.8	0.1	0.4
Operating income (loss)	7.7	7.3	0.4	6.0	5.8	1.9	33.4	4.9	2.8	57.0
%	6.6	6.2	0.4P		4.9	1.7P		4.2	2.4P	
Ordinary income (loss)	8.1	7.5	0.6	8.2	5.7	2.4	42.4	4.2	3.9	92.8
Income before income taxes	8.0							3.2	4.8	151.7
Net income (loss) attributable to owners of parent	5.3	5.0	0.3	6.4	3.5	1.8	52.0	2.3	3.0	129.5
%	4.5	4.2	0.3P		2.9	1.6P		2.0	2.5P	

* Taking into consideration recent business performance, the forecast for consolidated results (initially published on May 19, 2017) has been adjusted as of September 28, 2017, as follows:
Net sales: 118 billion yen (-1.0 billion yen compared to the initial plan); operating income: 7.3 billion yen (+1.5 billion yen); ordinary income: 7.5 billion yen (+1.8 billion yen); and net income attributable to owners of parent: 5 billion yen (+1.5 billion yen).

Segment Information - ■ BA Business

- Orders received decreased from the same period last year when multi-year contracts for large-scale projects* were recorded. But the business environment continued to be robust, and orders received increased in real terms both in Japan and overseas.
- Sales increased compared with the same period last year and exceeded the plan. Thanks to the favorable business environment such as urban redevelopment plans for the Tokyo metropolitan area, steady progress was made with job processing using the job fulfilment system that was upgraded in the previous fiscal year.
- Despite an increased cost burden, an initiative to improve profits was successful and this, together with improved job fulfillment efficiency, led to an increase in segment profit compared to the same period last year when results were affected by temporary expenses for provision. Segment profit also exceeded the plan.

[Billions of yen]

	This period (A)	Initial Plan (5/19/2017) (B)	Difference		Same period last year (C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Orders received	73.1				75.1	(2.0)	(2.7)
Sales	50.8	50.0	0.8	1.8	49.4	1.4	2.9
Segment profit (loss)	2.3	1.7	0.6	35.7	1.6	0.6	+37.6
%	4.5	3.4	1.1P		3.4	1.1P	

* Multi-year contracts for large-scale projects ("market testing"):
The total value of an order for a multi-year service project is recorded as a lump sum in the first year of the contract. In the same period last year, orders were recorded for large-scale service projects with multi-year contracts received through the system of public-private competitive tendering called "market testing". The principal contractor decided by such market testing is then responsible for providing a variety of services related to the building in question using vendors selected for the purpose. Also, the contracts won through market testing cover periods ranging from 3 to 5 years, and thus they can significantly increase the orders received by the principal contractor, although these contracts have limited impact on profits for any individual fiscal year.

Segment Information - ■ AA Business

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- From the previous fiscal year we have engaged in enhancing operating systems for the three AA business sub-segments (CP, IAP & SS). Also, in order to grow each business, we have actively conducted sales promotion activities for targeted products and regions. Market conditions have been robust for semiconductor manufacturing equipment, etc.
- Orders received were significantly higher and, despite the recording of sales for large-scale projects in the same period last year, sales this quarter were virtually unchanged, approximately the same as the initial plan.
- Segment profit was significantly higher than the same period last year thanks to initiatives designed to strengthen business profitability. It also exceeded the plan. Business structure has greatly improved, achieving a segment profit ratio of 9.8%.

[Billions of yen]

	This period (A)	Initial Plan (5/19/2017) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
Orders received	52.0				45.7	6.3	*13.8*
Sales	46.2	46.5	(0.2)	*(0.6)*	46.0	0.1	*0.4*
Segment profit (loss)	4.5	3.4	1.1	*33.0*	2.5	1.9	*74.2*
%	*9.8*	*7.3*	*2.5P*		*5.6*	*4.1P*	

Segment Information - LA Business

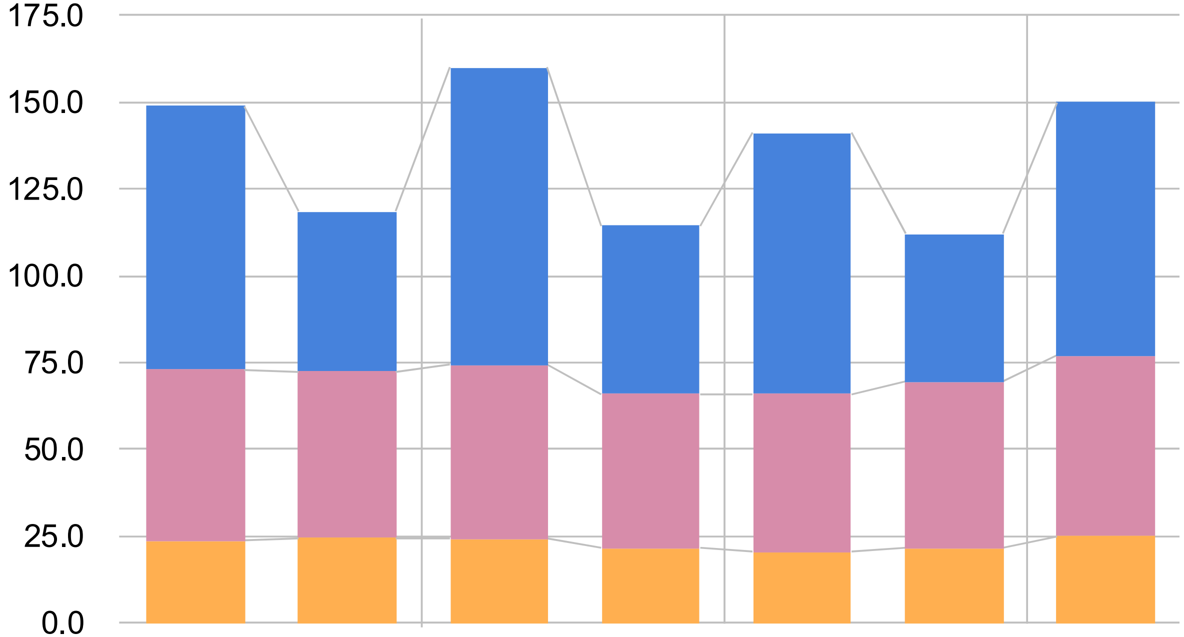
- LA business orders received were significantly higher than the same period last year. In the Life Science Engineering (LSE) field, as a result of structural reforms undertaken to improve profitability, we expanded performance this period in the business areas in which selection and concentration were promoted. Orders received remained steady in the other fields, too.
- Sales were lower than the same period last year. The main reason for this was the fall in LSE sales owing to a decrease in orders received in the previous fiscal year. In the other fields sales were on a par with the previous year, and thus overall sales did not achieve the plan.
- Mainly owing to the successful business structure reforms in the LSE field, profits improved in each field. Segment profit was higher than the same period last year, achieving the plan.

[Billions of yen]

	This period				Same period last year		
		Initial Plan (5/19/2017)	Difference			Difference	
	(A)	(B)	(A) - (B)	*% Change*	(C)	(A) - (C)	*% Change*
Orders received	24.9				20.4	4.5	*22.2*
Sales	21.4	23.0	(1.5)	*(6.9)*	22.6	(1.2)	*(5.4)*
Segment profit (loss)	0.8	0.7	0.1	*26.9*	0.6	0.2	*37.3*
%	*4.1*	*3.0*	*1.1P*		*2.9*	*1.3P*	

[Reference] Orders Received by Segment

[Billions of yen]



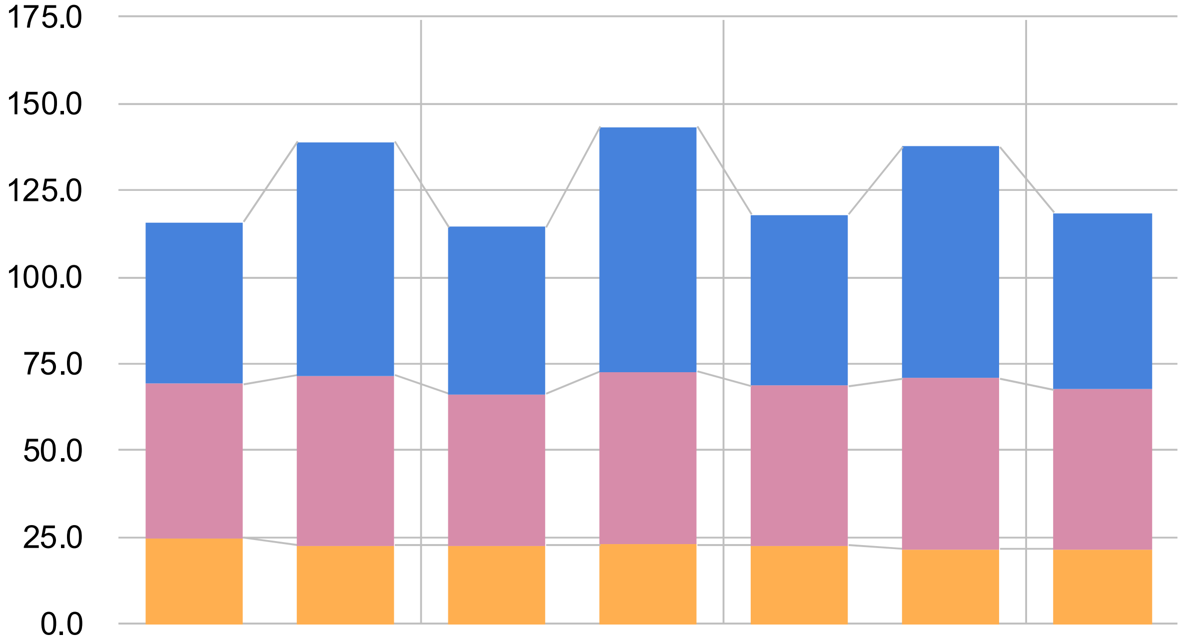
	FY2014 H1	FY2014 H2	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	**FY2017 H1**
BA	76.1 *1	46.1	85.5 *3	48.3	75.1	42.5 *4	**73.1**
AA	49.1	47.9	50.1	44.7	45.7	48.0	**52.0**
LA	23.8	24.6 *2	24.3	21.4	20.4	21.6	**24.9**
Consolidated	148.7	118.1	159.7	113.8	140.7	111.6	**149.4**

*1 Orders received resulting from the renewal of a number of large-scale service contracts that span several years have been included.
*2 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2015.
*3 In the fiscal year ended March 31, 2016 , a revision was made to the way domestic orders received for multi-year contracts are recorded. This revision led to a transient jump in the value of orders received for multi-year contracts recorded in the fiscal year ended March 31, 2016.
*4 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. Accordingly, we eliminated the subsidiary's order backlog, and it was removed from consolidated orders received.

1. Financial Results for the First Half Ended September 30, 2017

[Reference] Sales by Segment

[Billions of yen]



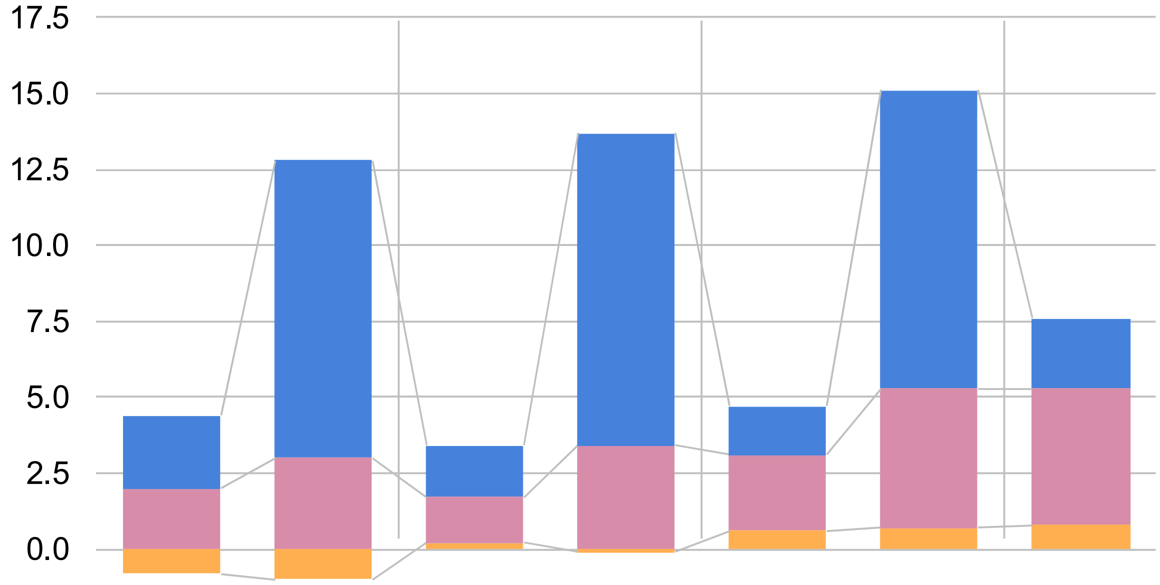
	FY2014 H1	FY2014 H2	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	**FY2017 H1**
B A	46.6	67.6	48.1	70.6	49.4	66.9*2	**50.8**
A A	44.5	49.0	43.6	49.8	46.0	49.4	**46.2**
L A	24.7	22.5*1	22.7	22.9	22.6	21.4	**21.4**
Consolidated	115.6	138.7	114.0	142.8	117.6	137.2	**117.8**

*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2015.

*2 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2017.

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	FY2014 H1	FY2014 H2	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	FY2017 H1
BA	2.4	9.8	1.7	10.3	1.6	9.8 *2	**2.3**
AA	2.0	3.0	1.5	3.4	2.5	4.6	**4.5**
LA	(0.8)	(1.0) *1	0.2	(0.1)	0.6	0.7	**0.8**
Consolidated	3.5	11.7	3.5	13.5	4.9	15.2	**7.7**

*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2015.

*2 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2017.

Overseas Sales by Region

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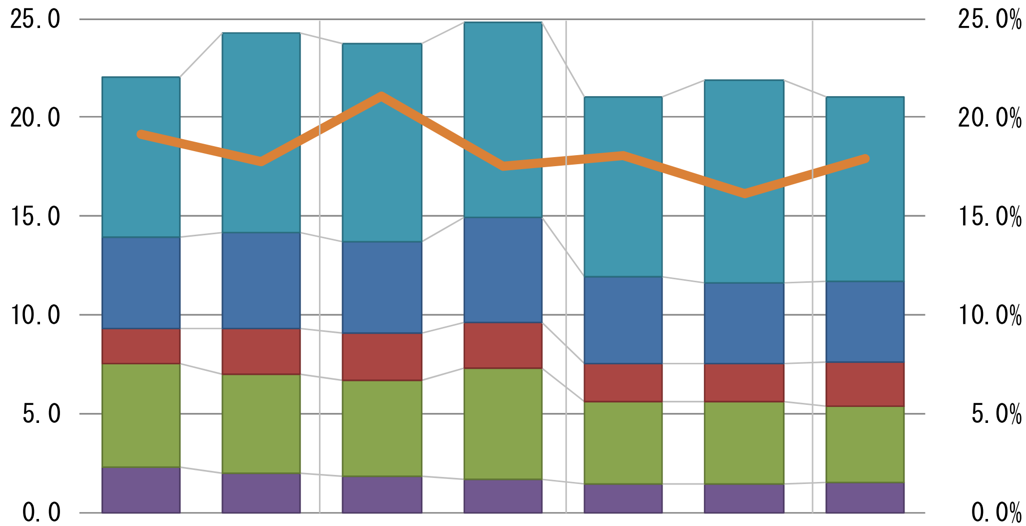
[Billions of yen]

<Compared to the same period last year>

Overseas sales grew in the Asian and North American regions, offsetting the negative impact of business reforms in China and Europe. Overall, they were at the same level as the same period last year.

- In Asia, overall sales increased owing to growth in the CP business (AA business sub-segment) and also in the BA business, which has been increasingly winning orders for local projects.
- In China, the AA business expanded but overall sales were down due to the impact of transferring all shares in a BA business subsidiary.
- In North America, overall sales were up owing to brisk AA business sales to equipment manufacturers.
- In Europe, sales in the LSE field (LA business) were down because of a decrease in orders received following reforms of part of the business and structural reforms conducted in the previous fiscal year. Overall sales were also down.



	FY2014 H1	H2	FY2015 H1	H2	FY2016 H1	H2	**FY2017 H1**
Asia	8.1	10.1	10.0	9.9	9.1	10.3	**9.3**
China	4.6	4.9	4.6	5.3	4.4	4.1	**4.1**
North America	1.8	2.3	2.4	2.3	1.9	1.9	**2.2**
Europe	5.2	5.0	4.9	5.6	4.2	4.2	**3.9**
Others	2.3	2.0	1.8	1.7	1.4	1.4	**1.5**
Consolidated	22.1	24.5	24.0	24.9	21.2	22.1	**21.1**

[Reference information]

	FY2014 H1	H2	FY2015 H1	H2	FY2016 H1	H2	**FY2017 H1**
Overseas sales/ Net sales	19.1%	17.7%	21.0%	17.5%	18.0%	16.1%	**17.9%**
Average exchange rate - USD/JPY	102.46	105.79	120.31	121.11	111.74	108.81	**112.34**
Average exchange rate - EUR/JPY	140.42	140.35	134.10	134.31	124.58	120.30	**121.66**

* 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

Seasonal factors affecting business typically lead to a decrease in the azbil Group's assets and liabilities at the end of the first half when compared to the end of the previous fiscal year.

- **Assets** Owing to a fall in notes and accounts receivable-trade, total assets decreased by 10 billion yen compared to the end of the previous fiscal year.
- **Liabilities** In addition to a fall in notes and accounts payable-trade, there was a decrease in income taxes payable and a decrease in provision for bonuses. Thus, total liabilities decreased by 10.9 billion yen compared to the end of the previous fiscal year.
- **Net assets** Net assets were reduced by the payment of dividends and also by the repurchase of own shares. Overall, however, net assets rose by 0.9 billion yen compared to the end of the previous fiscal year owing to the recording of profits* and an increase in valuation difference on available-for-sale securities.

* Net income attributable to owners of parent.

[Billions of yen]

	As of Sep. 30, 2017 (A)	As of Mar. 31, 2017 (B)	Difference (A) - (B)
Current assets	**189.2**	**204.1**	**(14.8)**
Cash and deposits	45.3	53.9	(8.5)
Notes and accounts receivable-trade	77.7	88.5	(10.7)
Inventories	24.0	22.1	1.8
Others	42.0	39.4	2.5
Non-current assets	**64.0**	**59.2**	**4.8**
Property, plant and equipment	24.6	23.2	1.4
Intangible assets	5.2	5.3	(0.1)
Investments and other assets	34.0	30.5	3.4
Total assets	**253.2**	**263.3**	**(10.0)**

	As of Sep. 30, 2017 (A)	As of Mar. 31, 2017 (B)	Difference (A) - (B)
Liabilities	**86.5**	**97.5**	**(10.9)**
Current liabilities	**72.8**	**84.0**	**(11.2)**
Notes and accounts payable-trade	36.7	40.4	(3.6)
Short-term loans payable	10.3	10.6	(0.3)
Others	25.7	32.9	(7.2)
Non-current liabilities	**13.7**	**13.4**	**0.2**
Long-term loans payable	0.4	0.5	(0.0)
Others	13.2	12.9	0.2
Net assets	**166.6**	**165.7**	**0.9**
Shareholders' equity	**153.3**	**154.6**	**(1.2)**
Capital stock	10.5	10.5	-
Capital surplus	11.6	12.3	(0.6)
Retained earnings	138.1	136.4	1.7
Treasury shares	(6.9)	(4.6)	(2.3)
Accumulated other comprehensive income	**11.4**	**9.1**	**2.2**
Non-controlling interests	**1.8**	**1.9**	**(0.0)**
Total liabilities and net assets	**253.2**	**263.3**	**(10.0)**

（Reference）Shareholders' equity ratio: 65.1％(as of Sep. 30, 2017), 62.2%(as of Mar. 31, 2017)

Consolidated Cash Flows

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- Cash flows from operating activities were virtually unchanged from the same period last year. However, cash flows from investing activities were impacted by increased expenditures for the purchase of securities as well as for the purchase of property, plant and equipment required for the integration of domestic production facilities. As a result, free cash flow was down 7.2 billion yen from the same period last year.
- Net cash used in financing activities (expenditure) grew by 4.7 billion yen compared to the same period last year due mainly to increased expenditure resulting from repurchase of own shares.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	%
Cash flows from operating activities	6.2	6.8	(0.5)	*(8.8)*
Cash flows from investing activities	(7.5)	(0.9)	(6.6)	-
Free cash flow (FCF)	(1.3)	5.8	(7.2)	-
Cash flows from financing activities	(7.3)	(2.5)	(4.7)	-
Effect of exchange rate change on cash and cash equivalents	(0.0)	(1.5)	1.5	-
Net increase in cash and cash equivalents	(8.7)	1.7	(10.4)	-
Cash and cash equivalents at beginning of period	59.8	55.9	3.8	*7.0*
Cash and cash equivalents at end of period	51.0	57.6	(6.5)	*(11.4)*

(Reference)

Capital expenditure	3.7	1.6	2.0	*128.6*
Depreciation	1.9	1.9	(0.0)	*(1.1)*

2. Financial Plan for the Year Ending March 31, 2018

2. Financial Plan for the Year Ending March 31, 2018

Revised Plan

In consideration of financial results for the first half and the business outlook for the second half, the financial plan for the year ending March 31, 2018 has been revised as follows. Net sales will be 1 billion yen lower at 260 billion yen. However, profit forecasts have been revised upwards: operating income of 23.5 billion yen (+1.5 billion yen); ordinary income of 23.5 billion yen (+2.0 billion yen); and net income attributable to owners of parent of 16.5 billion yen (+2.5 billion yen).

The business environment remains within the range envisaged at the start of the fiscal year, and steady progress is being made with the appropriate business measures. While developing products and upgrading our overseas business infrastructure to secure sustainable growth, we aim to achieve sales and profits that are higher than the previous fiscal year.

[Billions of yen]

	Revised plan (A)	Initial plan (5/19/2017) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Net sales	260.0	261.0	(1.0)	*(0.4)*	254.8	5.1	*2.0*
Operating income	23.5	22.0	1.5	*6.8*	20.1	3.3	*16.7*
%	*9.0*	*8.4*	*0.6P*		*7.9*	*1.1P*	
Ordinary income	23.5	21.5	2.0	*9.3*	20.4	3.0	*14.8*
Net income attributable to owners of parent	16.5	14.0	2.5	*17.9*	13.1	3.3	*25.4*
%	*6.3*	*5.4*	*1.0P*		*5.2*	*1.2P*	

Revised Plan by Segment

BA Given the robust business environment, we will make steady progress with job processing – using the job fulfilment system that was upgraded in the previous fiscal year – to achieve profits higher than the same period last year, exceeding the initial plan.

AA Operating with the three sub-segments, we will make further progress with growth strategy and profitability strengthening to continue with expanding the business and improving the profit ratio.

LA We will continue to focus on improving and firmly establishing the profit structure.

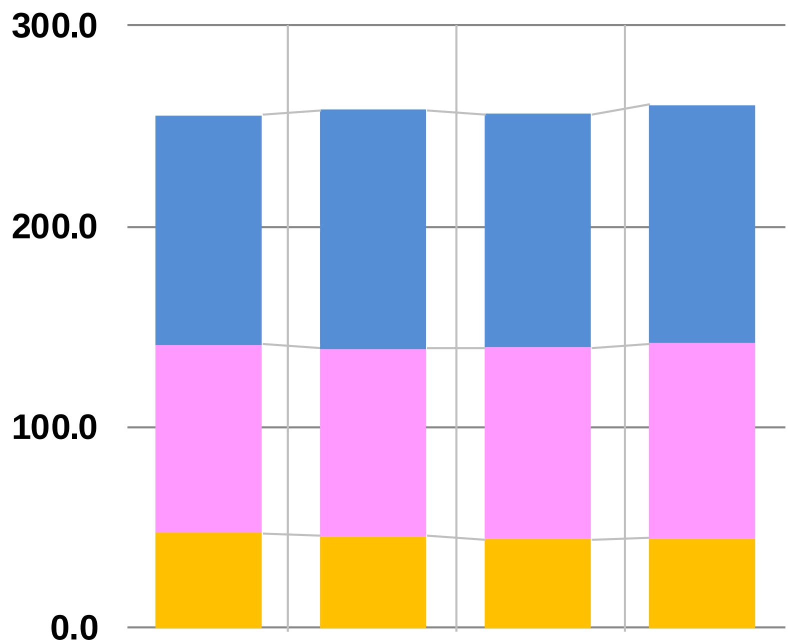
[Billions of yen]

		Revised plan (A)	Initial plan (5/19/2017) (B)	Difference		Previous fiscal year (C)	Difference	
				(A) - (B)	*% Change*		(A) - (C)	*% Change*
BA	Sales	119.0	119.0	-	-	116.4	2.5	*2.2*
	Segment profit	12.5	12.0	0.5	*4.2*	11.5	0.9	*8.6*
	%	*10.5*	*10.1*	*0.4P*		*9.9*	*0.6P*	
AA	Sales	97.0	97.0	-	-	95.4	1.5	*1.6*
	Segment profit	9.2	8.3	0.9	*10.8*	7.2	1.9	*27.7*
	%	*9.5*	*8.6*	*0.9P*		*7.5*	*1.9P*	
LA	Sales	44.5	46.0	(1.5)	*(3.3)*	44.1	0.3	*0.9*
	Segment profit	1.8	1.7	0.1	*5.9*	1.4	0.3	*26.7*
	%	*4.0*	*3.7*	*0.3P*		*3.2*	*0.8P*	
Consolidated	Net sales	260.0	261.0	(1.0)	*(0.4)*	254.8	5.1	*2.0*
	Operating income	23.5	22.0	1.5	*6.8*	20.1	3.3	*16.7*
	%	*9.0*	*8.4*	*0.6P*		*7.9*	*1.1P*	

* In compiling the medium-term plan (FY2017-FY2019), adjustments were made to the proportion of head office expenses shouldered by each segment based primarily on its business size and number of employees. As a result, the expenses are allocated more to the BA business and less to the AA business.

[Reference] Sales by Segment

[Billions of yen]



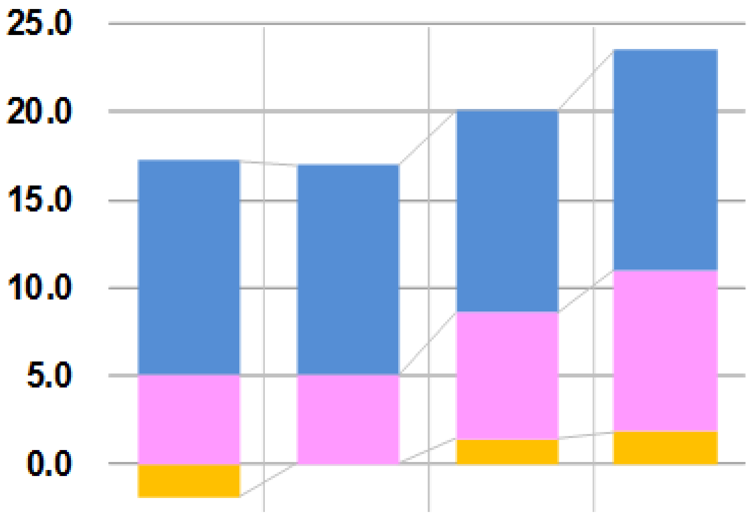
	FY2014	FY2015	FY2016	FY2017 (Plan)
B A	114.3	118.8	116.4 *2	**119.0**
A A	93.6	93.5	95.4	**97.0**
L A	47.3 *1	45.6	44.1	**44.5**
Consolidated	254.4	256.8	254.8	**260.0**

*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2015.
*2 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2017.

2. Financial Plan for the Year Ending March 31, 2018

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	FY2014	FY2015	FY2016	FY2017 (Plan)
B A	12.2	12.0	11.5 *2	**12.5**
A A	5.0	5.0	7.2	**9.2**
L A	(1.9) *1	0.0	1.4	**1.8**
Consolidated	15.3	17.1	20.1	**23.5**

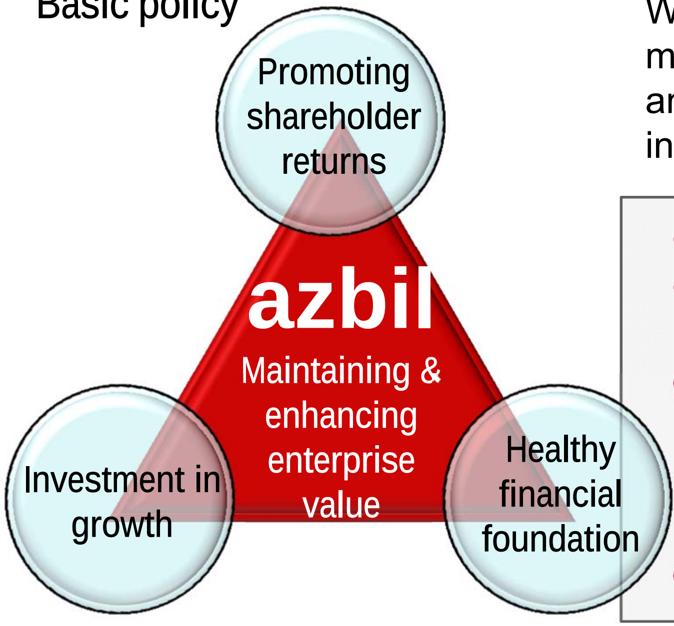
*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2015.

*2 In December 2016, all shares in the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. were transferred and the company was removed from the range of consolidation. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2017.

3. Returning Profits to Shareholders

→No change from the initial plan

Basic policy



We will develop well-disciplined capital policies and aim to maintain/enhance azbil's enterprise value while carefully balancing among three key elements: promoting shareholder returns, investing in growth, and maintaining a healthy financial foundation.

- To treat the return of profits to shareholders as a management priority.
- To return profits to shareholders mainly via dividends, but also to repurchase the company's own shares expeditiously.
- In deciding the level of such returns, to give consideration to consolidated financial results, levels of return on equity (ROE), dividends on equity (DOE), and retained earnings required for future business development and strengthening the corporate structure.
- To maintain a stable dividend level while at the same time striving to raise it.

Dividends Plan

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Dividends plan for the fiscal year ending March 2018

→No change from the initial plan

Annual dividends: 82 yen per share

(Incorporating last year's commemorative dividends of 5 yen within the ordinary dividends and furthermore increasing it by 5 yen)

Taking into consideration the business structure reforms and measures to strengthen the profit structure implemented so far, it is expected that stable and sustainable growth will be achieved under the medium-term plan. As a result, it is planned to incorporate last year's commemorative dividends (5 yen) within the ordinary dividends and furthermore to increase it by 5 yen.

- Dividends for the fiscal year ending March 2018 (interim/year-end) are planned as follows.

	FY2016		FY2017	
	Interim	Year-end	Interim	Year-end
Dividends per share [Yen]	37.0	40.0	41.0	41.0(Plan)
Payout ratio	42.9%		36.0%	
Dividends on equity (DOE)	3.5%		3.6%	

(Reference) Dividends yield: 1.7% (as of September 30, 2017)

4. Progress in Implementing the Medium-term Plan (FY2017-FY2019)

Policies & Goals of the Medium-term Plan (FY2017-FY2019)

azbil

The current medium-term plan (FY2017-FY2019) has been drawn up to promote corporate operations based on the philosophy of “human-centered automation”, and as a second step toward achieving our long-term goals (FY2021).

Group philosophy
“human-centered automation”

Three fundamental policies

- Being 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 by expansion into new regions and a qualitative change of focus
- Being a corporate organization that never stops learning, so that it can continuously grow stronger

Previous medium-term plan (FY2013-FY2016)

- Results of business structure reforms, infrastructure improvement, and growth area development

N New automation fields

Adapting to structural changes in industry by combining “things” and information

E Environmental/ energy fields

Providing solutions to the long-term issues of environmental impact reduction and energy demand restraint

L Life cycle solutions business

Supplying value matched to each development stage of a customer's business

Aiming to expand the above three business areas, which all have the potential for sustainable growth, we will make investments, pursue system development, and steadily implement appropriate measures for each business segment. In this way we will realize the current medium-term plan and also our long-term goals.

Performance targets

- Medium-term plan (FY2017–FY2019)

FY2019 (final fiscal year)

Operating income: 25.0 billion yen

Net sales: 270.0 billion yen

ROE: 9% or more

- Long-term goals

FY2021

Operating income: 30.0 billion yen or more

Net sales: about 300.0 billion yen

ROE: 10% or more

4. Progress in Implementing the Medium-term Plan

Building Automation Business

BA

azbil

N L Launch of new building automation system: savic-net™G5

Smart Building EXPO

- Provision of an open network compatible with the latest technological innovations (Cloud, IoT, etc.), advanced user interface, and high-speed monitoring and control.
- Platform supporting customers' long-term business development.
- Following overseas launches (in Thailand, Singapore, Sri Lanka, etc.), we plan to make this available to domestic customers.

▲ Building Automation System savic-net™G5

E High-performance HVAC control valves added to overseas product lineup

Smart Building EXPO

- Large-diameter models that conserve energy in high-capacity HVAC systems.

N Environment control using thermal sensation vote: Start of joint proof-of-concept

Smart Building EXPO

- Using IoT technologies, this system determines how comfortable an office environment feels to those working there, and is able to contribute to increased productivity while saving energy.

- ✓ Upgrade systems to enable job processing within reasonable work hours, and carrying out work-style reforms. As well as steadily progressing with job processing for new building projects, this can also answer the increased demand for refurbishing existing buildings after the 2020 Tokyo Olympics and Paralympics.
- ✓ Develop new products aimed at expanding growth areas (overseas, high-value-added services).

Advanced Automation Business

AA

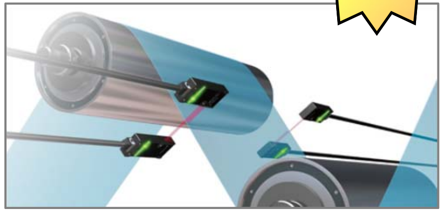
azbil

L **Enhanced lineup of products & applications for hi-tech markets in Japan and overseas with growth potential – semiconductors, FPDs (LCD, touch panels, organic EL), rechargeable batteries, etc.**

SCF/ MCS

– Includes the model K1G Series[*1] of high-accuracy laser sensors for detecting an object's position, depth, width, etc. during the various processing and assembly processes for high-functional film, electronic components, etc.

*1 Offering the highest level of display resolution (0.1μm) and high-speed measurement cycle (250μs).



▲ Film meander measurement applications

N **Smart security using IoT technology (ensuring the knowledge of skilled operators is passed down and improved upon)**

– Using highly functional sensors to deliver optimal maintenance based on equipment diagnostic data.

– Using big data for online detection of anomalies and prediction/warning of irregularities. In tests at a chemical plant, this system detected irregularities 2.5 hours before they were spotted by trained operators.

– Selected as a precedent by the Japanese Government's Future Investment Council. Smart security highlighted at the Symposium on Thailand 4.0 towards Connected Industries, sponsored by the governments of Japan and Thailand.

SCF/ MCS

(Hirozumi Sone, President and CEO, addressing the Symposium)

E **For the 4th year running Azbil is the energy-management service provider, supporting energy conservation at factories and offices**

SCF/ MCS

– Top-class track record for energy management at large-scale factories (top share[*2], twice the national average for selection)

*2 based on all successful subsidy applications.

- ✓ Develop and cultivate the automation field – in which azbil has unique strengths – through the use of a business development framework that integrates marketing, development, production, sales and service in each of the three AA business sub-segments (CP, IAP & SS).
- ✓ Leverage achievements in the domestic market to sell products and services overseas.

Life Automation Business

LA

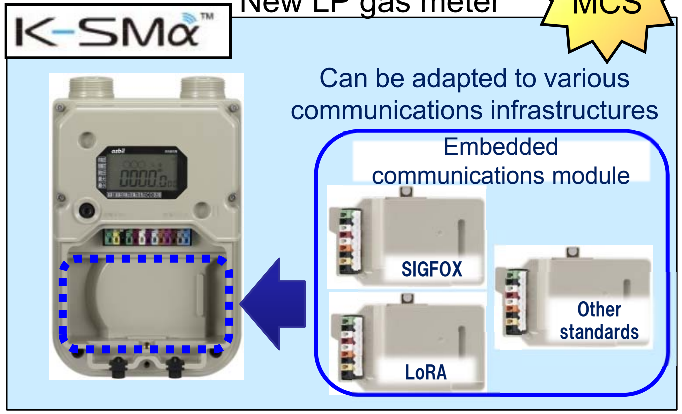
azbil

N Engaged in the verification of IoT-based remote automatic meter reading using LPWA (Low Power Wide Area) networks as a new business field

－Water-meter reading solution using SIGFOX [Sapporo, Himeji]
－Streamlining of LP gas delivery with LoRaWAN (Long Range Wide Area Network)[Fukuoka]
－K-SMα™ is a new meter developed for the future world of IoT, featuring an embedded communications module. Preparations for launching as an Azbil product are complete.

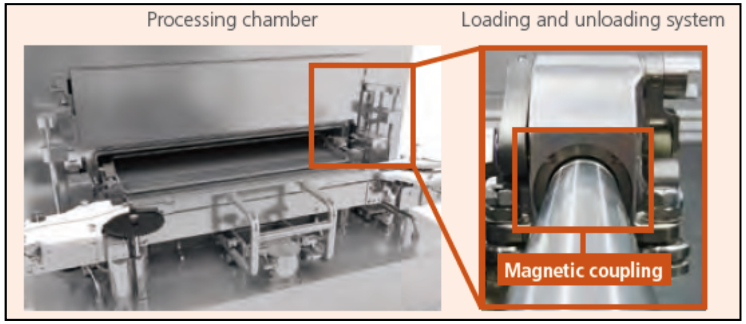
SCF/ MCS

New LP gas meter



L Developed an automatic loading and unloading system with excellent clean and sterility in freeze dryer

－New technologies are being adopted for automatic loading and unloading systems, for which there is an increasing need to improve productivity and safety of production lines. We are also making them more compact.
－As one aspect of structural and business reforms conducted for the LSE (Life Science Engineering) field, we are strengthening our manufacturing equipment business.



- ✓ Promote business structure reforms aimed at improving profitability in each field of the LA business.
- ✓ Create business opportunities in the gas and other energy supply markets where liberalization is ongoing.
- ✓ Develop automation and service businesses in the manufacturing equipment field of the pharmaceutical market.

Further Strengthening/Upgrading of Business Infrastructures

Creating an advanced Group production system – Shonan & Isehara factory integration, Thai factory extension

Azbil: Shonan & Isehara factories

- Production functions of Azbil's Shonan and Isehara factories (Kanagawa Prefecture) will be concentrated at a single factory (Shonan).
- Shonan factory will become the main production site for the azbil Group. We will create an advanced production system appropriate for such a manufacturing center and further enhance efficiency.

▲ Artist's impression of completed Shonan factory (scheduled for 2019)

Azbil Production (Thailand): Thai factory

- Thai factory will become a core overseas production site with expanded manufacturing scale and enhanced capabilities.
- Taking on a key role in our global production system (China, Thailand, Japan), the Thai factory will expand product supply to Thailand, other ASEAN states and neighboring Asian countries.

▲ Artist's impression of completed Thai factory extension (scheduled for 2018)

Allocation/training of human resources to achieve global (domestic, overseas) business growth

- Make use of the Azbil Academy for flexible reallocation of human resources and to create/strengthen a global HR training system.
- Implement comprehensive measures that address the current HR structure and anticipate changes in the employment environment.

Developing products and services that use IoT and AI, and bringing them to market more rapidly

- In preparation for the growing demand for products and services that make use of IoT, AI, big data, etc., and to make the most of the business opportunities this represents, we established IT Solutions Headquarters for development and marketing specialized in advanced technologies. Emphasis to be put on developing new products.

[Reference]

Upcoming Trade Shows

azbil

New products and services featured here can be seen at the following events.

SCF2017 SYSTEM CONTROL FAIR MCS 2017 TOKYO Measurement & Control Show

- Dates: Nov. 29 (Wed) to Dec. 1 (Fri), 2017
- Open: 10am to 5pm
- Venue: Tokyo Big Sight (West Halls 1, 3, 4, and Atrium)
- Azbil booth (No. 4-38) theme/exhibits

  "Azbil + IoT: Realizing a new dimension in manufacturing productivity"

  Introduce our value and solutions utilizing new technologies – smart manufacturing, equipment management, smart security, energy management solutions, etc.

▲ Azbil booth at the SCF2017/MCS2017 (artist's impression)

SMART BUILDING EXPO

- Dates: Dec. 13 (Wed) to 15 (Fri), 2017
- Open: 10am to 6pm (5pm on Friday)
- Venue: Tokyo Big Sight (East Hall 6)
- Azbil booth (No. 3-26) theme/exhibits

  "Connecting the cities and buildings of the future with Azbil + IoT – from high-rise buildings to factories & houses"

  Products and applications that harness the latest technologies – savic-net™G5, cloud-based services for buildings, etc.

▲ Azbil booth at the Smart Building EXPO (artist's impression)

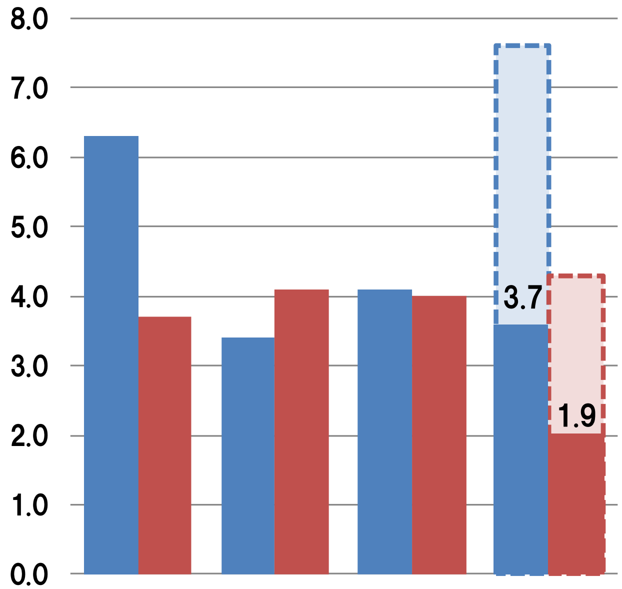
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

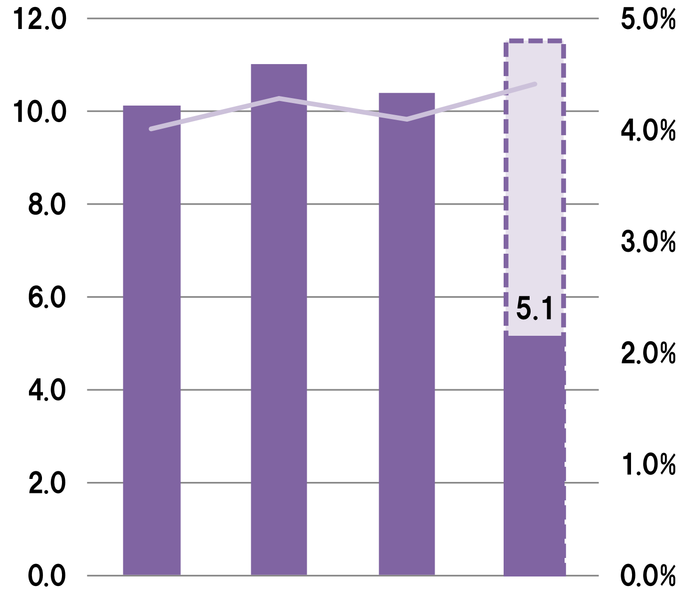
[Billions of yen]

Capital Expenditure, Depreciation



	FY2014 *1	FY2015	FY2016	FY2017 (Plan) *2
Capital Expenditure	6.3	3.4	4.1	**7.6**
Depreciation	3.7	4.1	4.0	**4.3**

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



	FY2014 *3	FY2015 *3	FY2016	FY2017 (Plan) *4
R&D Expenses	10.1	11.0	10.4	**11.5**
R&D Expenses/ Net Sales	4.0%	4.3%	4.1%	**4.4%**

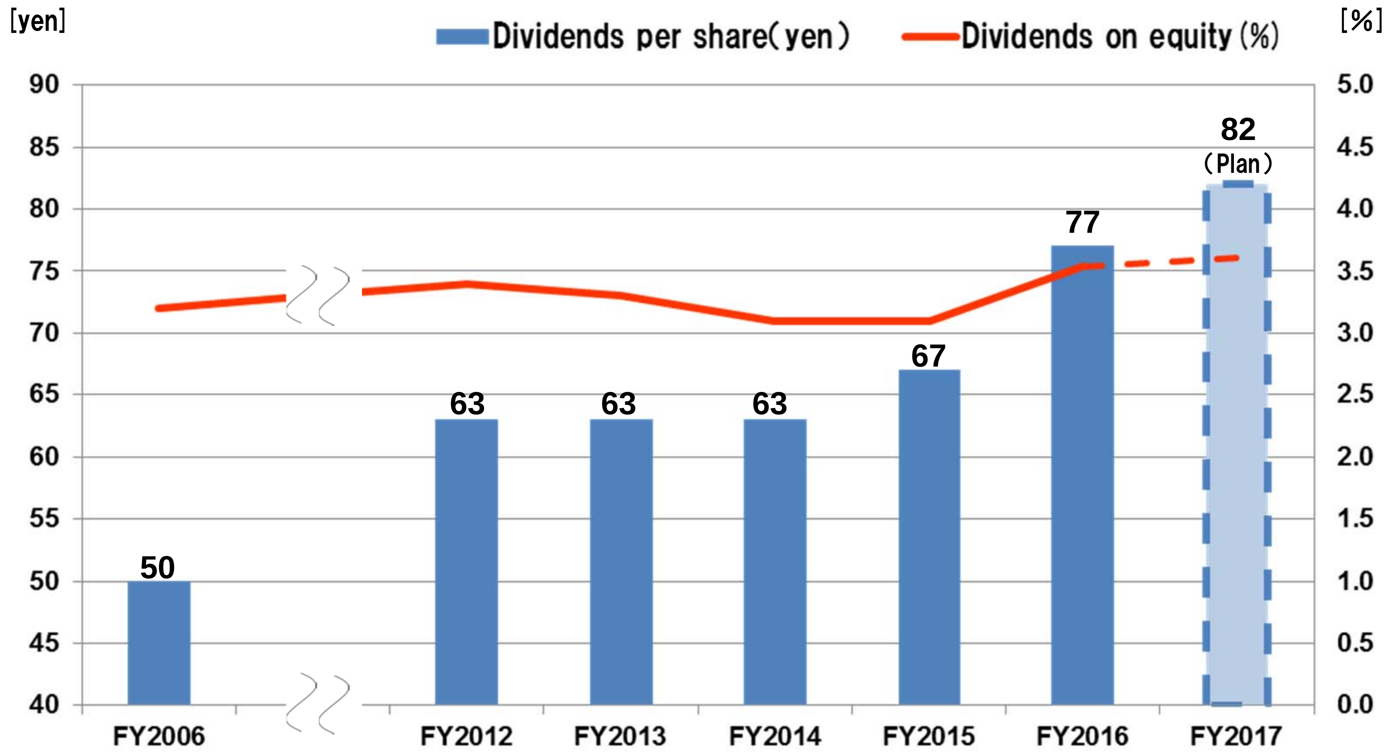
*1 Investments related to upgrading the core information system (which started operation in May 2015) and investments in overseas production facilities were included.

*2 The plan for the fiscal year ending Mar. 2018 includes investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center.

*3 Most of the increase in R&D expenses was accounted for by development of next-generation BA system products.

*4 Plans call for an increase in product development expenses related to new technological innovations (IoT, big data, AI, etc.).

Trends of Return to Shareholders



								(Plan)
Dividends per share(yen)	50	～	63	63	63	67	77	82
Dividends on equity (%)	3.2	～	3.4	3.3	3.1	3.1	3.5	3.6

Repurchase of own shares (million shares)		～				0.6		0.7 *

* Repurchase of own shares was completed on June 23, 2017.

Disposal/Cancellation of Treasury Shares & Repurchase of Own Shares

Disposal of treasury shares in conjunction with the introduction of Employee Stock Ownership Plan	• In conjunction with the introduction of Employee Stock Ownership Plan, intended to give employees greater incentive to raise enterprise value by sharing the perspective of shareholders, 1,000,000 treasury shares were disposed of by allocation to a third party. • Date of allocation to a third party: May 29, 2017
Cancellation of treasury shares	• Following the disposal of these treasury shares through allocation to a third party in conjunction with the introduction of Employee Stock Ownership Plan, all the remaining 865,659 treasury shares held by us were cancelled. • Date of cancellation: May 31, 2017
Repurchase of own shares	• Aiming not only to improve capital efficiency but also to enhance the return of profits to shareholders and develop flexible capital policies responding to changes in the corporate environment, while taking into consideration the outlook for future business performance, we have implemented the repurchase of own shares(total: 714,300 shares/approximately 3 billion yen). • Period of repurchase: From June 2, 2017 to June 23, 2017 （based on delivery date）

azbil Group Philosophy

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