Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials

For the Third Quarter of the Fiscal Year Ending March 31, 2018
(Based on Japanese GAAP)

<Contents>

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2018
2. Financial Plan for the Fiscal Year Ending March 31, 2018
   →**No revision from the announcement published on November 2, 2017**
3. Returning Profits to Shareholders
   →**No revision from the initial plan**

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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 low in the first quarter consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

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 Third Quarter of the Fiscal Year Ending March 31, 2018

Consolidated Financial Results

<Compared to the same period last year>

- Orders received increased for the BA, AA and LA businesses.
- While there was a fall in LA business sales owing to the structural and business reforms undertaken in the previous fiscal year, this was more than offset by sales growth in the BA and AA businesses. As a result, overall net sales increased.
- Progress made, particularly in the AA business, with initiatives aimed at improving the profit structure, as well as steady improvements in the BA and LA businesses, led to a significant increase in overall operating income.
- Owing mainly to the growth in operating income, ordinary income and net income attributable to owners of parent increased substantially.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	*% Change*
Orders received	209.9	194.3	15.5	*8.0*
Net sales	183.1	178.9	4.1	*2.3*
Japan	150.5	147.6	2.8	*1.9*
Overseas	32.5	31.2	1.3	*4.2*
Gross profit	67.2	62.5	4.7	*7.6*
%	*36.8*	*34.9*	*1.8P*	
SG & A	53.4	52.6	0.8	*1.6*
Operating income (loss)	13.8	9.9	3.9	*39.5*
%	*7.6*	*5.5*	*2.0P*	
Ordinary income (loss)	14.4	10.5	3.8	*36.7*
Income (loss) before income taxes	14.0	9.4	4.5	*48.4*
Net income (loss) attributable to owners of parent	9.4	6.6	2.7	*41.2*
%	*5.1*	*3.7*	*1.4P*	

Segment Information - ■ BA Business

<Compared to the same period last year>

- Thanks to a robust business environment, orders received increased even though large-scale multi-year contracts* had been recorded in the same period last year.
- Steady progress was made with on-site construction using the job fulfilment system that was upgraded in the previous fiscal year. This, together with the mounting number of detailed proposals for solutions, led to increased sales for new buildings, existing buildings and service in the domestic market. Sales also grew overseas, and overall sales for the BA business thus increased.
- Despite an increased cost burden, an initiative to improve profits was successful and thus segment profit grew compared to the same period last year when profits were reduced by temporary expenses for provision.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received	97.8	94.6	3.1	*3.4*
Sales	81.7	78.7	3.0	*3.8*
Segment profit (loss)	5.9	4.7	1.2	*26.2*
%	*7.3*	*6.0*	*1.3P*	

* Large-scale multi-year contracts ("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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<Compared to the same period last year>

- From the previous fiscal year we have engaged in strengthening operating systems for the three AA business sub-segments (CP, IAP & SS)* and we have also implemented measures for realizing our growth strategy and strengthening profitability. Progress has been made with developing the customer base in Japan and abroad, and developing new automation fields with new products.
- Overall, the business environment continued to be favorable. In Japan the wide range of markets continued to be relatively robust, and overseas there was increasing demand for controllers and sensors primarily for semiconductor manufacturing equipment. Thanks to this, and the success of the measures listed above, steady growth was achieved in both orders received and sales.
- Thanks to initiatives designed to strengthen business profitability, the profit structure for each of the three AA business sub-segments was improved and segment profit increased significantly.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received	77.1	70.0	7.1	*10.2*
Sales	70.2	68.5	1.6	*2.4*
Segment profit (loss)	6.8	4.4	2.3	*53.5*
%	*9.7*	*6.5*	*3.2P*	

*** Three AA business sub-segments (CP, IAP & SS):**

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) azbil

Segment Information - ■ LA Business

<Compared to the same period last year>

- Overall orders received for the LA business increased significantly, owing mainly to a recovery in the Life Science Engineering (LSE) field in which selection and concentration of business areas were promoted.
- Sales were up in the Lifeline field (gas & water meters), but mainly due to the fall in orders received in the LSE field during the previous fiscal year, sales were down for this period, leading to a decrease in overall sales for the LA business.
- Segment profit increased, mainly due to the profit structure improvement achieved in the LSE field.

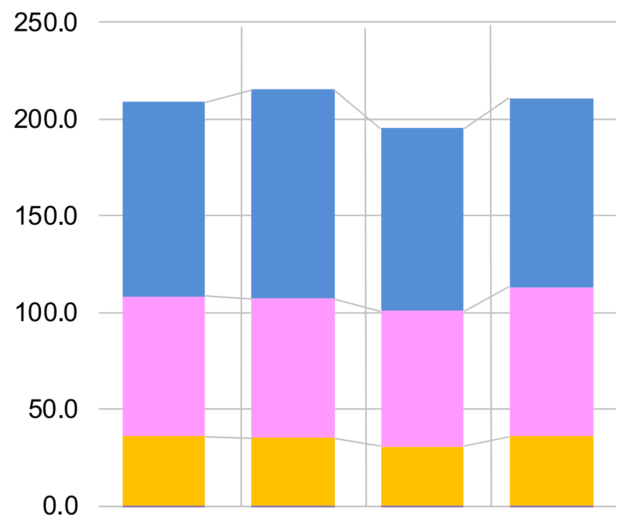
[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	*% Change*
Orders received	35.8	30.4	5.3	*17.6*
Sales	32.0	32.5	(0.5)	*(1.6)*
Segment profit (loss)	0.9	0.7	0.2	*37.6*
%	*3.0*	*2.2*	*0.9P*	

[Reference] Orders Received by Segment

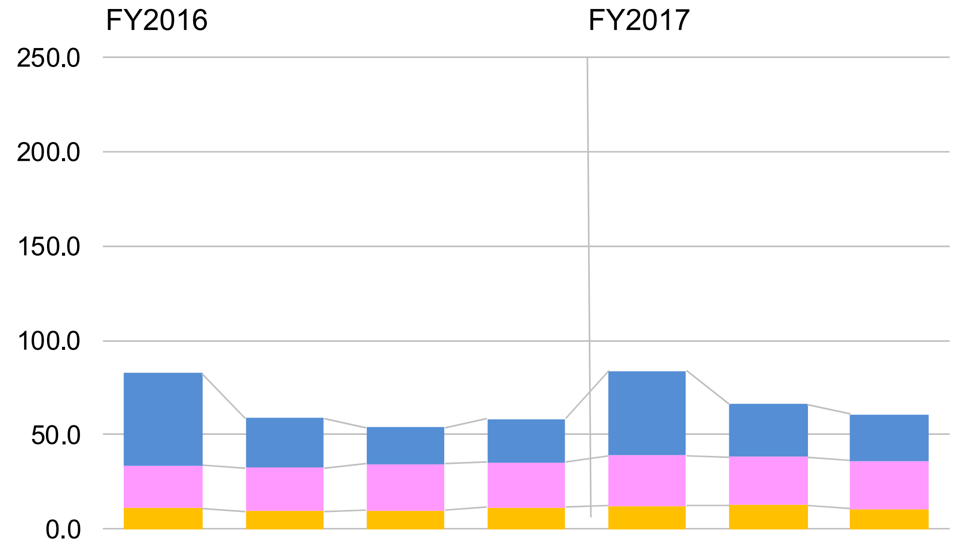
[Billions of yen]

< Same period comparison (9 months) >



	FY2014 Q3	FY2015 Q3	FY2016 Q3	FY2017 Q3
B A	100.4 *1	108.0 *3	94.6 *4	**97.8**
A A	72.5	72.1	70.0	**77.1**
L A	35.9 *2	35.1	30.4	**35.8**
Consolidated	208.2	214.6	194.3	**209.9**

< Quarterly (3 months) >



	FY2016 Q1	Q2	Q3	Q4	FY2017 Q1	Q2	Q3
B A	48.9	26.2	19.5	22.9	44.8	28.2	**24.7**
A A	22.4	23.2	24.3	23.6	26.5	25.4	**25.1**
L A	11.1	9.3	10.0	11.5	12.3	12.5	**10.8**
Consolidated	82.2	58.4	53.6	57.9	83.4	65.9	**60.4**

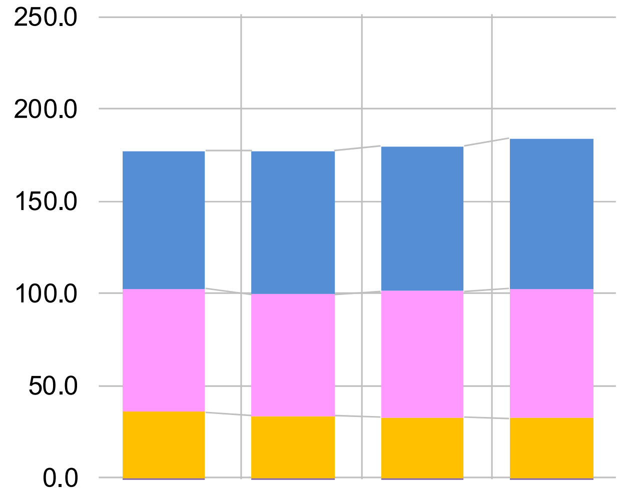
*1 Orders received resulting from the renewal of a number of large-scale service contracts that span several years have been included.
*2 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. and the company was removed from the range of consolidation. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 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 Third Quarter of the Fiscal Year Ending March 31, 2018

[Reference] Sales by Segment

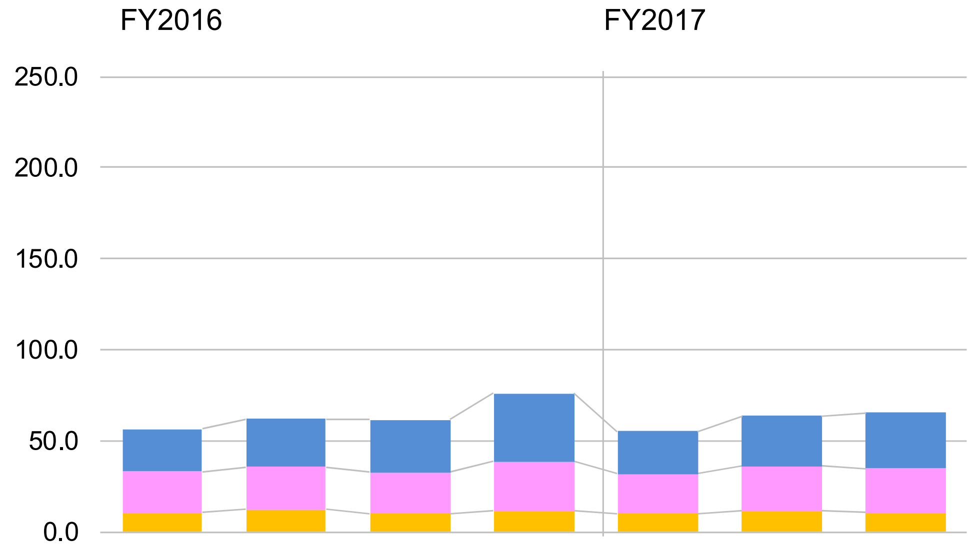
[Billions of yen]

< Same period comparison (9 months) >



	FY2014 Q3	FY2015 Q3	FY2016 Q3	**FY2017 Q3**
B A	74.9	77.6	78.7 *2	**81.7**
A A	66.4	66.0	68.5	**70.2**
L A	35.6 *1	33.5	32.5	**32.0**
Consolidated	176.5	176.4	178.9	**183.1**

< Quarterly (3 months) >



	FY2016 Q1	Q2	Q3	Q4	**FY2017** Q1	Q2	**Q3**
B A	23.3	26.0	29.2	37.7	23.3	27.5	**30.8**
A A	22.6	23.3	22.4	26.9	21.5	24.7	**23.9**
L A	10.3	12.3	9.9	11.5	10.1	11.2	**10.6**
Consolidated	56.1	61.4	61.3	75.8	54.7	63.0	**65.2**

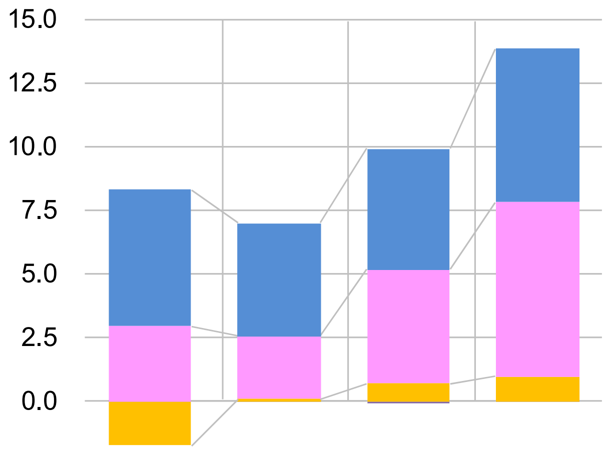
*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. and the company was removed from the range of consolidation. The figures had been consolidated until the third quarter of the fiscal year ended March 31, 2015.

*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)

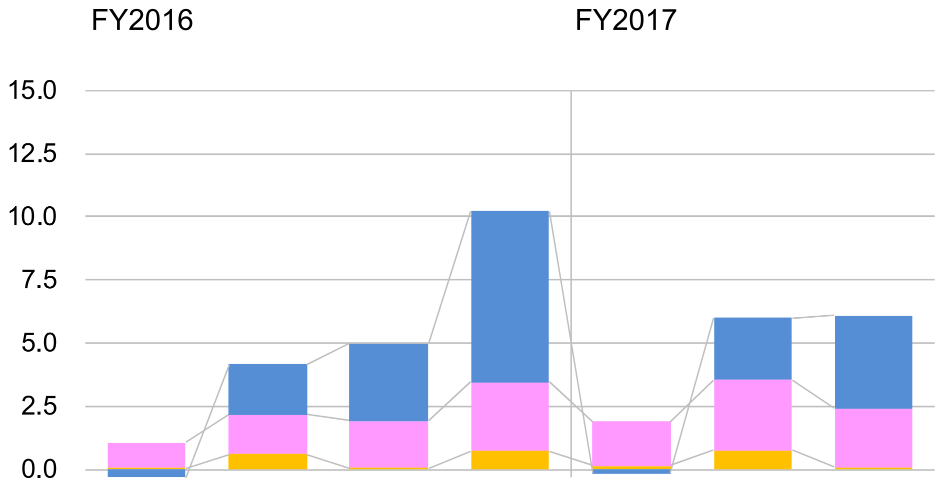
[Billions of yen]

< Same period comparison (9 months) >



	FY2014 Q3	FY2015 Q3	FY2016 Q3	FY2017 Q3
B A	5.3	4.4	4.7 *2	**5.9**
A A	2.9	2.4	4.4	**6.8**
L A	(1.7) *1	0.0	0.7	**0.9**
Consolidated	6.5	6.9	9.9	**13.8**

< Quarterly (3 months) >



	FY2016 Q1	Q2	Q3	Q4	FY2017 Q1	Q2	Q3
B A	(0.3)	1.9	3.0	6.7	(0.1)	2.4	**3.6**
A A	1.0	1.5	1.8	2.7	1.7	2.7	**2.3**
L A	0.0	0.5	0.0	0.7	0.1	0.7	**0.0**
Consolidated	0.7	4.1	4.9	10.2	1.7	6.0	**6.0**

*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. 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, 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.

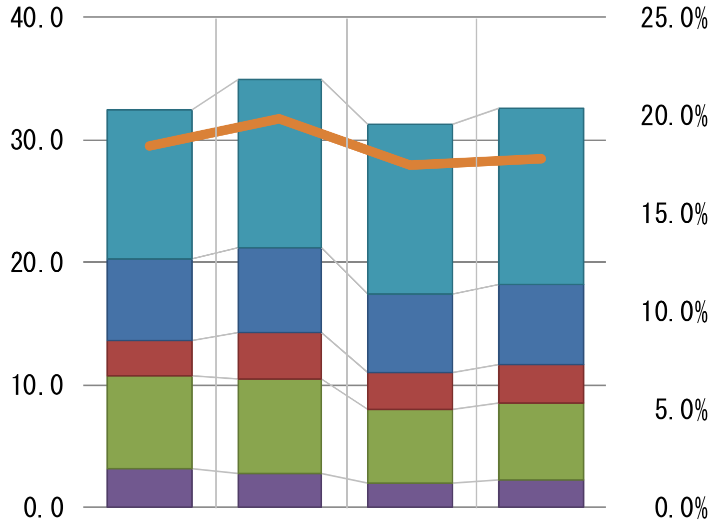
Overseas Sales by Region

[Billions of yen]

<Compared to the same period last year>

Overseas sales increased in all regions, particularly in Asia.

- In the Asian region, overall sales increased thanks to AA business marketing targeted at equipment manufacturers and the success of the BA business in winning more local projects.
- In China, BA business sales fell owing to the impact of transferring all shares in a subsidiary, but AA business sales grew, resulting in overall growth in sales.
- In North America, AA business marketing targeted at equipment manufacturers was successful, leading to increased sales.
- In Europe, sales increased, driven by growth in the AA business.



	FY2014 Q3	FY2015 Q3	FY2016 Q3	FY2017 Q3
Asia	12.1	13.7	13.8	**14.4**
China	6.7	6.9	6.4	**6.5**
North America	2.8	3.7	2.9	**3.1**
Europe	7.5	7.7	6.0	**6.2**
Others	3.1	2.7	1.9	**2.2**
Consolidated	32.4	34.9	31.2	**32.5**

[Reference information]

	FY2014 Q3	FY2015 Q3	FY2016 Q3	FY2017 Q3
Overseas sales/ Net sales	18.4%	19.8%	17.5%	**17.8%**
Average exchange rate - USD/JPY	102.94	120.99	108.59	**111.89**
Average exchange rate - EUR/JPY	139.50	134.75	121.10	**124.58**

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

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Consolidated Financial Position

■ **Assets**

Total assets decreased by 2.3 billion yen from the previous fiscal year-end. Although there was an increase in inventories as a result of growth in orders received, and also an increase in investment securities (investments and other assets) following a rise in the value of shares, these were more than offset by decreases in cash and deposits and in notes and accounts receivable-trade.

■ **Liabilities**

Total liabilities decreased by 6.4 billion yen from the previous fiscal year-end primarily due to decreases in provision for bonuses and income taxes payable.

■ **Net assets**

Net assets increased overall by 4.1 billion yen from the previous fiscal year-end. Although there was a decrease due to payment of dividends and repurchase of own shares, this was more than offset by the recording of net income attributable to owners of parent and an increase in valuation difference on available-for-sale securities following a rise in the value of investment securities.

[Billions of yen]

	As of Dec. 31, 2017 (A)	As of Mar. 31, 2017 (B)	Difference (A) - (B)		As of Dec. 31, 2017 (A)	As of Mar. 31, 2017 (B)	Difference (A) - (B)
Current assets	**194.1**	**204.1**	**(9.9)**	**Liabilities**	**91.0**	**97.5**	**(6.4)**
Cash and deposits	47.8	53.9	(6.1)	**Current liabilities**	**76.5**	**84.0**	**(7.5)**
Notes and accounts receivable-trade	84.1	88.5	(4.3)	Notes and accounts payable-trade	38.1	40.4	(2.3)
Inventories	26.1	22.1	3.9	Short-term loans payable	10.2	10.6	(0.3)
Others	36.0	39.4	(3.4)	Others	28.1	32.9	(4.8)
Non-current assets	**66.8**	**59.2**	**7.6**	**Non-current liabilities**	**14.5**	**13.4**	**1.0**
Property, plant and equipment	24.9	23.2	1.6	Long-term loans payable	0.5	0.5	0.0
Intangible assets	5.3	5.3	(0.0)	Others	14.0	12.9	1.0
Investments and other assets	36.6	30.5	6.0	**Net assets**	**169.8**	**165.7**	**4.1**
				Shareholders' equity	**154.4**	**154.6**	**(0.1)**
				Capital stock	10.5	10.5	-
				Capital surplus	11.6	12.3	(0.6)
				Retained earnings	139.2	136.4	2.7
				Treasury shares	(6.9)	(4.6)	(2.3)
				Accumulated other comprehensive income	**13.4**	**9.1**	**4.2**
				Non-controlling interests	**1.9**	**1.9**	**0.0**
Total assets	**260.9**	**263.3**	**(2.3)**	**Total liabilities and net assets**	**260.9**	**263.3**	**(2.3)**

（Reference）Shareholders’ equity ratio: 64.4%(as of Dec. 31, 2017), 62.2%(as of Mar. 31, 2017)

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

→No revision from the announcement published on November 2, 2017

Consolidated Financial Plan

- As regards the business plan for the full 2017 fiscal year, no change is made to the details published on November 2, 2017.
- 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]

	This year		Previous fiscal year	Difference	
	Q3 (Cumulative)	Full year plan (Nov. 2, 2017) (A)	(B)	(A) - (B)	*% Change*
Net sales	183.1	260.0	254.8	5.1	*2.0*
Operating income	13.8	23.5	20.1	3.3	*16.7*
%	*7.6*	*9.0*	*7.9*	*1.1P*	
Ordinary income	14.4	23.5	20.4	3.0	*14.8*
Net income attributable to owners of parent	9.4	16.5	13.1	3.3	*25.4*
%	*5.1*	*6.3*	*5.2*	*1.2P*	

Segment Information

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BA Supported by a robust business environment, steady progress will be made with on-site construction using the job fulfillment system upgraded in the previous fiscal year to realize profit growth compared to the previous fiscal year.

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 structure.

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

[Billions of yen]

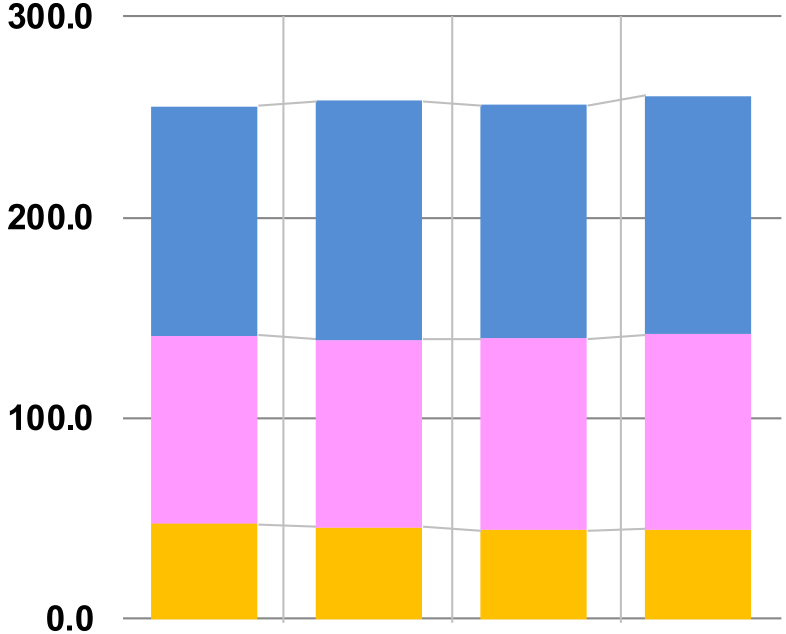
			This year		Previous fiscal year	Difference	
			Q3 (Cumulative)	Full year plan (Nov. 2, 2017) (A)	(B)	(A) - (B)	*% Change*
B A	Sales		81.7	119.0	116.4	2.5	*2.2*
	Segment profit		5.9	12.5	11.5	0.9	*8.6*
		%	*7.3*	*10.5*	*9.9*	*0.6P*	
A A	Sales		70.2	97.0	95.4	1.5	*1.6*
	Segment profit		6.8	9.2	7.2	1.9	*27.7*
		%	*9.7*	*9.5*	*7.5*	*1.9P*	
L A	Sales		32.0	44.5	44.1	0.3	*0.9*
	Segment profit		0.9	1.8	1.4	0.3	*26.7*
		%	*3.0*	*4.0*	*3.2*	*0.8P*	
Consolidated	Net sales		183.1	260.0	254.8	5.1	*2.0*
	Operating income		13.8	23.5	20.1	3.3	*16.7*
		%	*7.6*	*9.0*	*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.

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

[Reference] Sales by Segment

[Billions of yen]



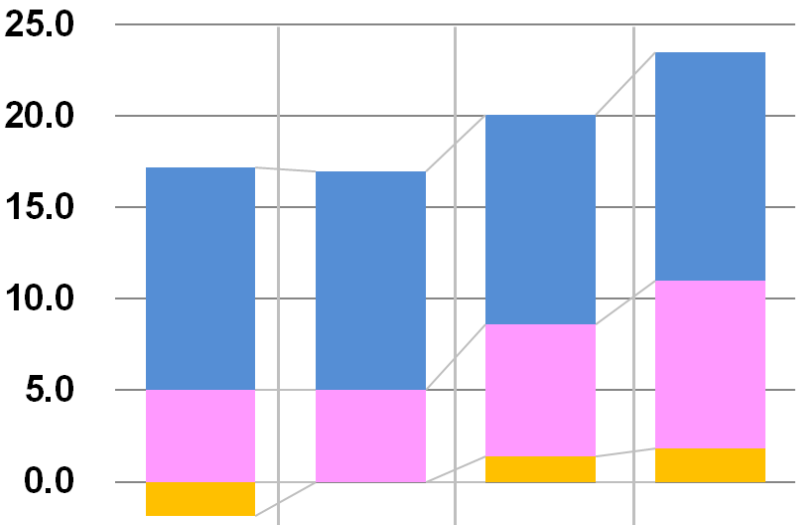
	FY2014	FY2015	FY2016	**FY2017 (Plan)**
B A	114.3	118.8	116.4 *2	**119.0**
A A	93.6	93.5	95.4	**97.0**
L A	47.3 *1	45.6	44.1	**44.5**
Consolidated	254.4	256.8	254.8	**260.0**

*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. 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, 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]



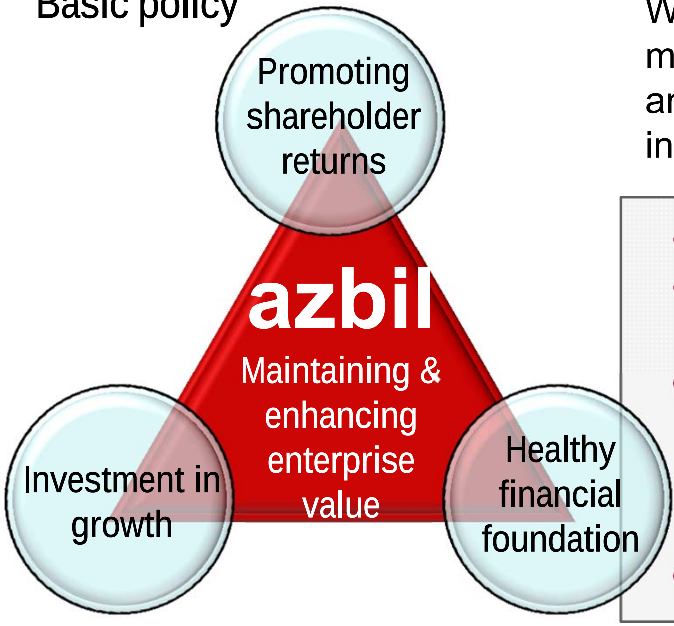
	FY2014	FY2015	FY2016	FY2017 (Plan)
B A	12.2	12.0	11.5	*2 **12.5**
A A	5.0	5.0	7.2	**9.2**
L A	(1.9) *1	0.0	1.4	**1.8**
Consolidated	15.3	17.1	20.1	**23.5**

*1 In February 2015, all shares in Azbil Care & Support Co., Ltd. were transferred to SOHGO SECURITIY SERVICES CO., LTD. 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, 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 revision 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 revision 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）Dividend yield: 1.7% (as of Dec. 31, 2017)

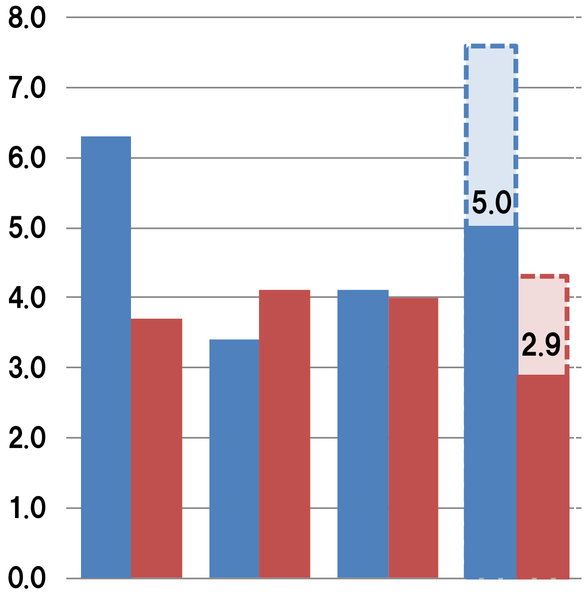
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

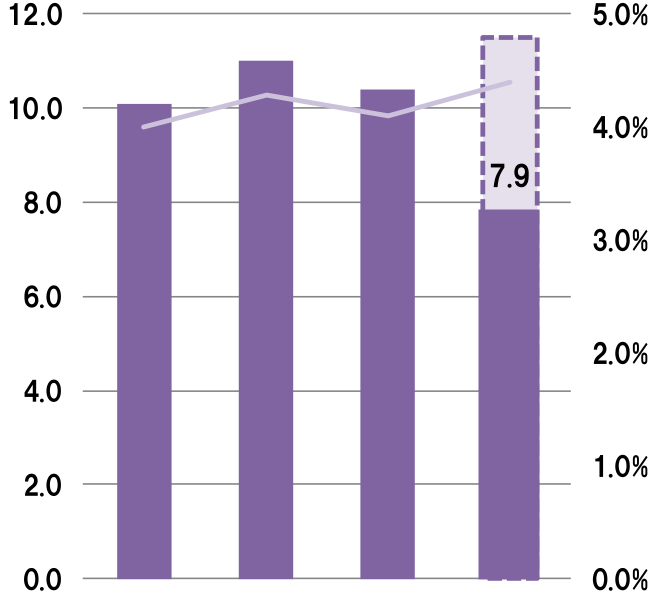
[Billions of yen]

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.

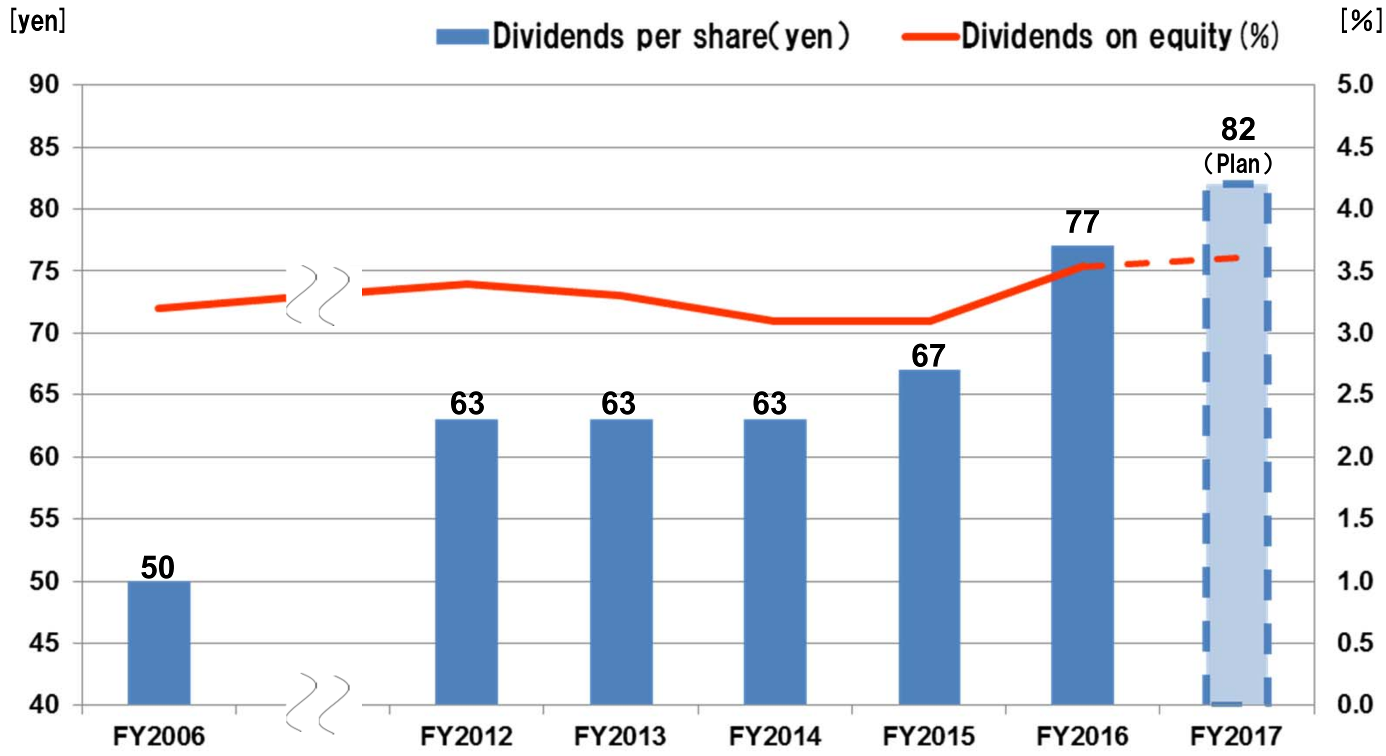
*2 The plan for the fiscal year ending Mar. 2018 includes investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center.

*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.).

Relevant Information

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.

Relevant Information
Disposal/Cancellation of Treasury Shares & Repurchase of Own Shares

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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”**