Azbil Corporation RIC: 6845.T, Sedol: 6985543

Human-centered Automation

Presentation Materials

For the First Quarter of the Fiscal Year Ending March 31, 2019
(Based on Japanese GAAP)

<Contents>

August 3, 2018

We would like to express our deep sympathy for all those who have suffered as a result of the torrential rains and flooding that took place in Japan this July. It is our earnest hope that the areas affected will recover as soon as possible. Everyone in the azbil Group is committed to our continued efforts to ensure the rapid restoration of lifelines and of our customers' buildings, factories and infrastructure.

Impact on the azbil Group:
There are 30 azbil Group sites (offices, service centers and factories) located in Japan's Kinki, Chugoku, Shikoku and Kyushu districts. These were not affected by the heavy rains and normal sales and service operations continue uninterrupted.

Notes:

1. Financial data and financial statements have been prepared based on Japanese GAAP and the amounts have been rounded down.

2. The following are the Group's segments (each identified by abbreviation) together with the various sub-segments and their principal business focus.

   B A： Building Automation
   A A： Advanced Automation
   - CP (Control Product) business: Supplying factory automation products such as controllers and sensors, etc.
   - IAP (Industrial Automation Product) business: Supplying process automation products such as differential pressure & pressure transmitters, and control valves, etc.
   - SS (Solution & Service) business: Offering control systems, engineering service, maintenance service, energy-saving solution service, etc.

   L A： Life Automation
   - Lifeline field: Provision of gas meters and water meters, safety equipment such as alarms and automatic shut-off valves, regulators and other products for industry.
   - Life Science Engineering (LSE) field: Development of lyophilizers, sterilizers, and clean environment equipment for pharmaceutical companies and research laboratories. Provision of an integrated solution from engineering to sales and service.
   - Lifestyle-related field: Provision of residential central air-conditioning systems for houses.

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.

5. Revision in how orders received are calculated

   Previously, figures for orders received included the translation gains and losses associated with contracts denominated in foreign currencies incorporated within the order backlog at the beginning of the fiscal year. However, from the previous consolidated accounting year these translation gains and losses are no longer included in orders received.
   This revision is aimed at providing investors with useful information for their investment judgement, by reporting our business performance in a manner to conform with the azbil Group's business activities in each local currency, as our overseas business strategies are increasingly implemented.

1. Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2019

Consolidated Financial Results

- Orders received decreased compared with the same period last year. While there has been no significant change to the business environment, orders received fell for the AA and LA businesses mainly because there had been large-scale projects in the same period last year.
- Net sales were on a par with the same period last year. There was a dip in BA business sales, but the AA and LA businesses achieved steady sales growth.
- Operating income was virtually unchanged from the same period last year. However, owing mainly to the recording of foreign exchange gains, ordinary income increased, and net income attributable to owners of parent also increased.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received *	80.2	83.5	(3.2)	*(3.9)*
(See: previous calculation method)	79.4	83.4	(4.0)	*(4.8)*
Net sales	54.8	54.7	0.0	*0.0*
Japan	44.1	44.5	(0.3)	*(0.8)*
Overseas	10.6	10.2	0.3	*3.6*
Gross profit	20.0	19.0	0.9	*5.0*
%	*36.5*	*34.8*	*1.7P*	
SG & A	18.2	17.3	0.9	*5.2*
Operating income (loss)	1.7	1.7	0.0	*2.6*
%	*3.2*	*3.2*	*0.1P*	
Ordinary income (loss)	2.4	2.0	0.4	*20.7*
Income (loss) before income taxes	2.3	2.0	0.3	*18.3*
Net income (loss) attributable to owners of parent	1.5	1.1	0.3	*28.2*
%	*2.8*	*2.2*	*0.6P*	

* From the previous fiscal year, orders received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. For details, refer to page 2 of this material.

Segment Information – ■ BA Business

- Benefitting from a robust business environment, in Japan and abroad, we made efforts to secure a steady stream of orders, with some weight given to profitability. Emphasis has been placed on conducting efficient operations, particularly on site.
- Thanks in part to the robust business environment, orders received remained at a level equivalent to that of the same period last year.
- Sales fell compared with the same period last year. The business plan sees sales growth and profit growth for this fiscal year, but it is expected that recording of sales will be concentrated in the second half; thus, sales for this quarter were lower than for the same period last year.
- Impacted by the fall in sales and also higher R&D expenses, etc., segment profit decreased compared with the same period last year.
- Seasonal factors affecting the BA business typically lead to lower sales and segment profits in the first quarter. There is no change in the medium/long-term outlook for the business environment. Large-scale redevelopment projects are planned for 2020 and beyond. Also, an increase is expected in profitable retrofit demand for existing buildings.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received *	45.0	44.7	0.3	*0.7*
(See: previous calculation method)	44.7	44.8	(0.0)	*(0.2)*
Sales	21.8	23.3	(1.5)	*(6.6)*
Segment profit (loss)	(0.9)	(0.1)	(0.7)	-
%	*(4.2)*	*(0.7)*	*(3.5P)*	

* From the previous fiscal year, orders received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. For details, refer to page 2 of this material.

Segment Information – ■ AA Business

- Operations for the three AA business sub-segments*1 have been streamlined, and measures to achieve business growth and strengthen business profitability have been implemented. We are also developing a new automation field and launching new products for it.
- The business environment continues to be favorable, while there appears to be a lull in the markets related to semiconductor manufacturing equipment, etc.
- Orders received fell compared with the same period last year, when large-scale projects were recorded, but there was steady sales growth. Segment profit also increased compared with the same period last year, reflecting sales growth and the success of initiatives designed to strengthen business profitability.
- While continuing to engage in initiatives to strengthen business profitability, we are advancing the development and launch of products/services that reflect such new trends in technology as IoT. In these ways, we aim to achieve business expansion by increasing the number of fields in which we have a competitive edge.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference % Change
Orders received *2	24.9	26.5	(1.6)	*(6.3)*
(See: previous calculation method)	24.6	26.5	(1.9)	*(7.2)*
Sales	22.3	21.5	0.8	*4.1*
Segment profit (loss)	2.2	1.7	0.5	*32.0*
%	*10.2*	*8.1*	*2.2P*	

*1 Three AA business sub-segments:
CP (Control Product) business, IAP (Industrial Automation Product) business, and SS (Solution & Service) business

*2 From the previous fiscal year, order received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. For details, refer to page 2 of this material.

Segment Information – ■ LA Business

- The Lifeline field (gas/water meters, etc.) is a relatively stable business environment since it is focused on meeting the cyclical meter replacement demand, as required by law. However, in the two other fields – LSE and Lifestyle-related (residential central air-conditioning systems) – we are proactively seeking to stabilize profit structure by implementing business structure reforms.
- In the LSE field, orders received fell compared with the same period last year, when large-scale projects were recorded. Overall orders received also decreased.
- Sales grew in all three fields. Thanks to this sales growth and the success of business structure reforms designed to improve profitability, segment profit was also up.
- While continuing to engage in initiatives designed to improve and stabilize profit in each of the three fields, we are making progress with developing and launching new products/services that mesh with such revolutionary technological trends as IoT, aiming to ensure business growth into the future.

[Billions of yen]

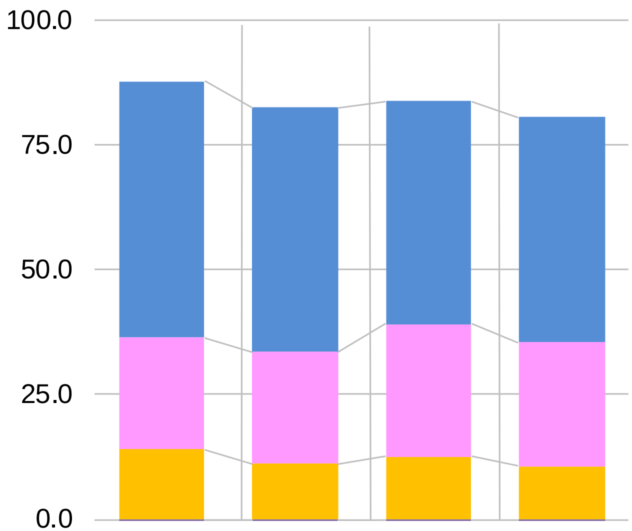
	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	*% Change*
Orders received *	10.6	12.5	(1.9)	*(15.3)*
(See: previous calculation method)	10.3	12.3	(2.0)	*(16.7)*
Sales	10.8	10.1	0.6	*6.4*
Segment profit (loss)	0.4	0.1	0.2	*180.0*
%	*3.7*	*1.4*	*2.3P*	

* From the previous fiscal year, orders received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. For details, refer to page 2 of this material.

[Reference] Orders Received by Segment

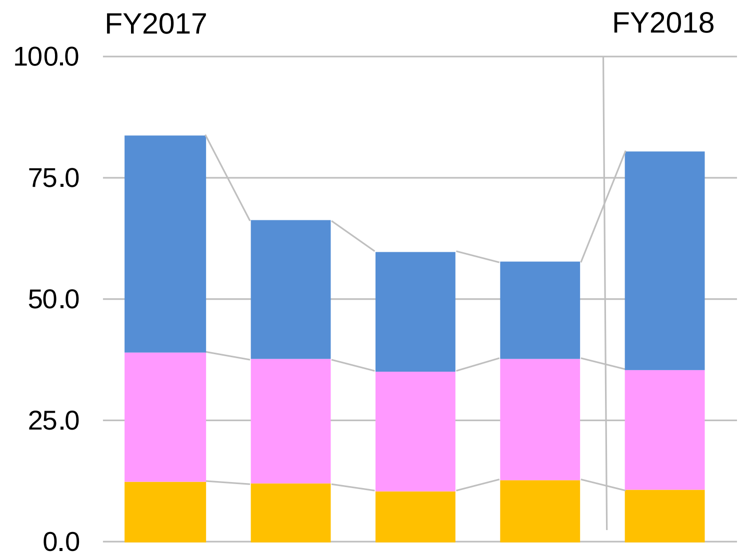
[Billions of yen]

< Same period comparison >



	FY2015 Q1	FY2016 Q1	FY2017*2 Q1	**FY2018*2 Q1**
B A	51.4 *1	48.9	44.7	**45.0**
A A	22.4	22.4	26.5	**24.9**
L A	14.0	11.1	12.5	**10.6**
Consolidated	87.8	82.2	83.5	**80.2**

< Quarterly >



	FY2017*2 Q1	Q2	Q3	Q4	**FY2018*2 Q1**
B A	44.7	28.5	24.6	19.8	**45.0**
A A	26.5	25.6	24.5	24.9	**24.9**
L A	12.5	11.9	10.5	12.9	**10.6**
Consolidated	83.5	65.8	59.4	57.3	**80.2**

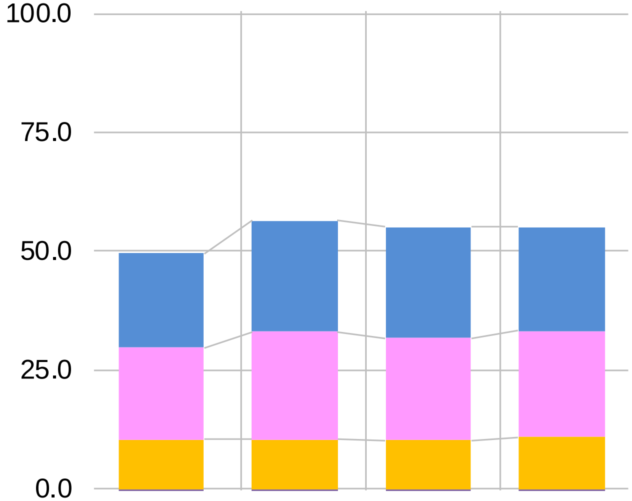
*1 A revision was made to the way domestic orders received for multi-year contracts are recorded. This revision led to a transient jump in the value of orders received for multi-year contracts.

*2 From the fiscal year ended March 31, 2018, orders received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. For details, refer to page 2 of this material.

[Reference] Sales by Segment

[Billions of yen]

< Same period comparison >



	FY2015 Q1	FY2016 Q1	FY2017 Q1	**FY2018 Q1**
B A	19.8	23.3	23.3	**21.8**
A A	19.3	22.6	21.5	**22.3**
L A	10.2	10.3	10.1	**10.8**
Consolidated	49.2	56.1	54.7	**54.8**

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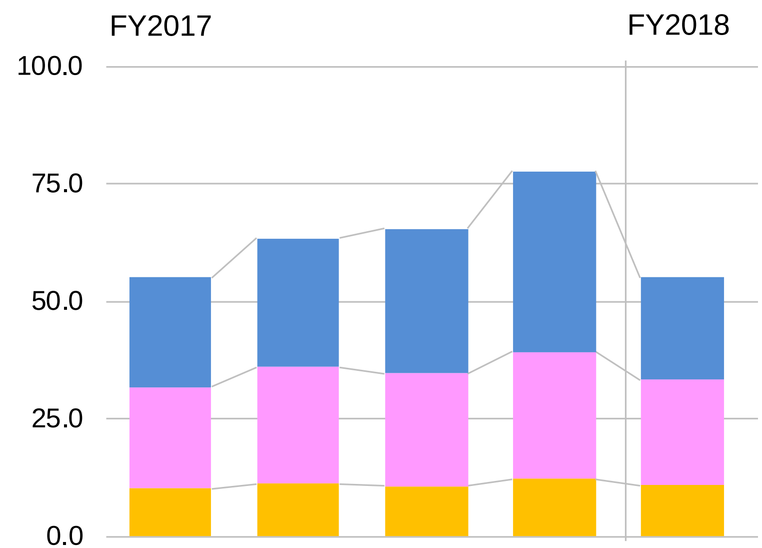
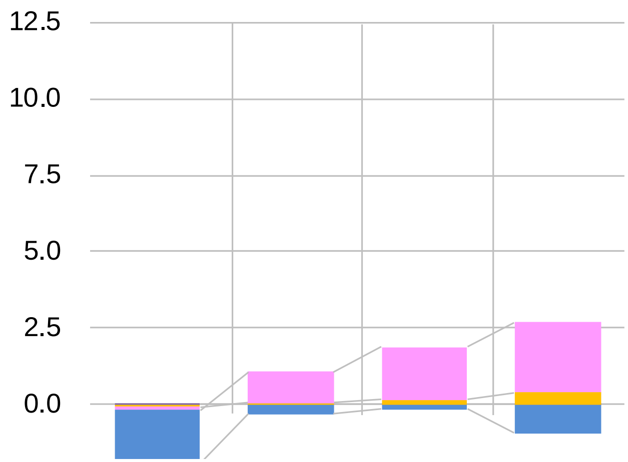


	FY2017 Q1	Q2	Q3	Q4	**FY2018 Q1**
B A	23.3	27.5	30.8	38.4	**21.8**
A A	21.5	24.7	23.9	27.0	**22.3**
L A	10.1	11.2	10.6	12.1	**10.8**
Consolidated	54.7	63.0	65.2	77.2	**54.8**

[Reference] Segment Profit (Operating Income)

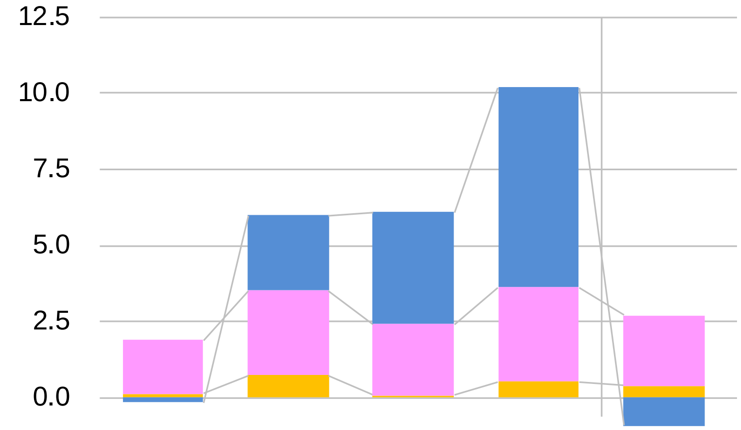
[Billions of yen]

< Same period comparison >



	FY2015 Q1	FY2016 Q1	FY2017 Q1	**FY2018 Q1**
B A	(1.7)	(0.3)	(0.1)	**(0.9)**
A A	(0.1)	1.0	1.7	**2.2**
L A	(0.0)	0.0	0.1	**0.4**
Consolidated	(1.9)	0.7	1.7	**1.7**

< Quarterly >



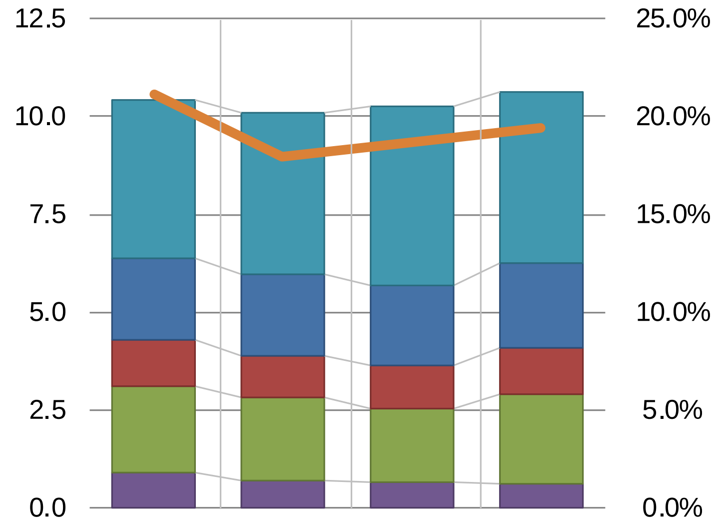
	FY2017 Q1	Q2	Q3	Q4	**FY2018 Q1**
B A	(0.1)	2.4	3.6	6.5	**(0.9)**
A A	1.7	2.7	2.3	3.0	**2.2**
L A	0.1	0.7	0.0	0.5	**0.4**
Consolidated	1.7	6.0	6.0	10.2	**1.7**

Overseas Sales by Region

Overseas sales increased by 3.6% overall compared with the same period last year, particularly in Europe.

- In the Asian region, overall sales decreased. BA business sales fell, partly because of large-scale projects in the same period last year.
- In China, overall sales increased principally due to growth in the BA business.
- In North America, AA business sales grew, leading to an increase in overall sales.
- In Europe, overall sales increased thanks to an improvement in the LA business (LSE field) and sales growth in the AA business.

[Billions of yen]



	FY2015 Q1	FY2016 Q1	FY2017 Q1	**FY2018 Q1**
Asia	4.0	4.1	4.5	**4.3**
China	2.0	2.0	2.0	**2.1**
North America	1.2	1.0	1.0	**1.1**
Europe	2.1	2.1	1.8	**2.3**
Others	0.9	0.6	0.6	**0.6**
Consolidated	10.4	10.0	10.2	**10.6**

[Reference information]

Overseas sales/ Net sales	21.1%	18.0%	18.7%	**19.4%**
Average exchange rate - USD/JPY	119.17	115.33	113.60	**108.23**
Average exchange rate - EUR/JPY	134.00	127.11	121.05	**133.15**

* 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

- **Assets** Total assets decreased by 17.2 billion yen. Seasonal factors typically lead to sales concentrating in the fourth quarters, with a corresponding decline in accounts receivable in the first quarters due to the processing of collections. Thus, there is a sharp fall in notes and accounts receivable-trade at the end of the first quarter.
- **Liabilities** Overall there was a 10.8 billion yen decrease in liabilities owing mainly to a decrease in income taxes payable due to the payment of income taxes, and a decrease in the provision for bonuses due to bonus payments.
- **Net assets** Net assets fell overall by 6.3 billion yen, despite an increase resulting from the recording of net income attributable to owners of parent. This decrease was mainly due to a repurchase of company's own shares and payment of dividends.

[Billions of yen]

	As of Jun. 30, 2018 (A)	As of Mar. 31, 2018 (B)	Difference (A) - (B)
Current assets	**187.5**	**206.7**	**(19.1)**
Cash and deposits	52.0	46.1	5.9
Notes and accounts receivable-trade	76.6	91.4	(14.7)
Inventories	26.3	23.8	2.5
Others	32.4	45.3	(12.8)
Non-current assets	**69.0**	**67.0**	**1.9**
Property, plant and equipment	26.7	25.4	1.2
Intangible assets	5.2	5.2	(0.0)
Investments and other assets	37.0	36.3	0.7
Total assets	**256.5**	**273.8**	**(17.2)**

	As of Jun. 30, 2018 (A)	As of Mar. 31, 2018 (B)	Difference (A) - (B)
Liabilities	**85.0**	**95.8**	**(10.8)**
Current liabilities	**76.4**	**87.5**	**(11.0)**
Notes and accounts payable-trade	38.0	41.4	(3.4)
Short-term loans payable	10.0	10.1	(0.1)
Others	28.3	35.8	(7.5)
Non-current liabilities	**8.5**	**8.3**	**0.2**
Long-term loans payable	0.5	0.5	(0.0)
Others	8.0	7.8	0.2
Net assets	**171.5**	**177.9**	**(6.3)**
Shareholders' equity	**156.4**	**162.9**	**(6.4)**
Capital stock	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	146.2	147.7	(1.4)
Treasury shares	(11.9)	(6.9)	(4.9)
Accumulated other comprehensive income	**13.1**	**13.0**	**0.0**
Non-controlling interests	**1.9**	**1.9**	**0.0**
Total liabilities and net assets	**256.5**	**273.8**	**(17.2)**

(Reference) Shareholders' equity ratio: 66.1% (as of June 30, 2018), 64.3% (as of March 31, 2018)

* Following Partial Amendments to Accounting Standard for Tax Effect Accounting, deferred tax assets within current assets and deferred tax liabilities within current liabilities now appear under "Investments and other assets" and "Non-current liabilities" (Others), respectively. Figures for the previous fiscal year-end have been reclassified accordingly.

2. Financial Plan for the Fiscal Year Ending March 31, 2019

→No revision from the recent announcement

Consolidated Financial Plan

azbil

Net sales of 267 billion yen, operating income of 26 billion yen – Aiming for increased sales and profits* by steadily implementing business measures while strengthening/upgrading the business foundation for sustainable growth, including production and technology development.

- We will aim to achieve sales growth in all three segments by implementing measures to expand sales.
- Drawing on the success of the initiative taken in the previous fiscal year to improve the profit structure, we will implement further improvements aiming to achieve profits that exceed the goals for the final year of the current medium-term plan (FY2019).
- We will continue steadily investing to strengthen R&D and production systems with a view to achieving sustainable growth from FY2019 onwards as well as our long-term goals for FY2021.

[Billions of yen]

	FY2018 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
Net sales	121.0	146.0	267.0	260.3	6.6	*2.5*
Operating income	8.3	17.7	26.0	24.0	1.9	*8.2*
%	*6.9*	*12.1*	*9.7*	*9.2*	*0.5P*	
Ordinary income	8.0	17.5	25.5	24.3	1.1	*4.9*
Net income attributable to owners of parent	5.0	12.5	17.5	17.8*	(0.3)	*(2.2)*
%	*4.1*	*8.6*	*6.6*	*6.9*	*(0.3P)*	

* The figures for FY2017 net income attributable to owners of parent include effect of a reduction in tax expenses following a reappraisal of the recoverability of a subsidiary's deferred tax assets (Azbil Kimmon's deferred tax assets increased by 1.2 billion yen).

Segment Information

azbil

BA Owing to robust demand, we will maintain the high level of domestic sales by making steady progress with on-site operations which is forecasted to increase from the second quarter onwards, employing our upgraded system for reallocating human resources, etc. At the same time, we aim to expand overseas sales by leveraging our track record. Thus, increased sales and profits are expected.

AA Although there may be a lull in some markets, such as that for semiconductor manufacturing equipment, we will make further efforts to implement measures aimed at achieving business growth and strengthened profitability, which proved effective in the previous fiscal year. Thus, increased sales and profits are expected.

LA With continuing improvements to the profit structure, strengthening of selected business areas in the LSE field, and an expected increase in cyclic demand in the LP gas meter, the segment can look forward to increased sales and profits.

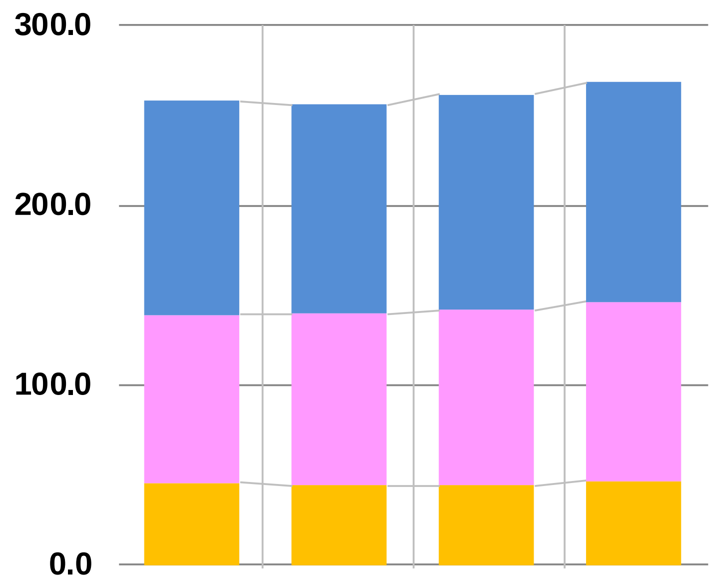
[Billions of yen]

			FY2018 (Plan)			Previous fiscal year	Difference	
			1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
BA	Sales		50.0	72.0	122.0	120.2	1.7	*1.5*
	Segment profit		2.0	11.0	13.0	12.5	0.4	*3.3*
		%	*4.0*	*15.3*	*10.7*	*10.5*	*0.2P*	
AA	Sales		48.0	52.0	100.0	97.2	2.7	*2.8*
	Segment profit		5.3	5.7	11.0	9.9	1.0	*10.8*
		%	*11.0*	*11.0*	*11.0*	*10.2*	*0.8P*	
LA	Sales		23.5	23.0	46.5	44.2	2.2	*5.2*
	Segment profit		1.0	1.0	2.0	1.5	0.4	*33.2*
		%	*4.3*	*4.3*	*4.3*	*3.4*	*0.9P*	
Consolidated	Net sales		121.0	146.0	267.0	260.3	6.6	*2.5*
	Operating income		8.3	17.7	26.0	24.0	1.9	*8.2*
		%	*6.9*	*12.1*	*9.7*	*9.2*	*0.5P*	

2. Financial Plan for the Fiscal Year Ending March 31, 2019

[Reference] Sales by Segment

[Billions of yen]

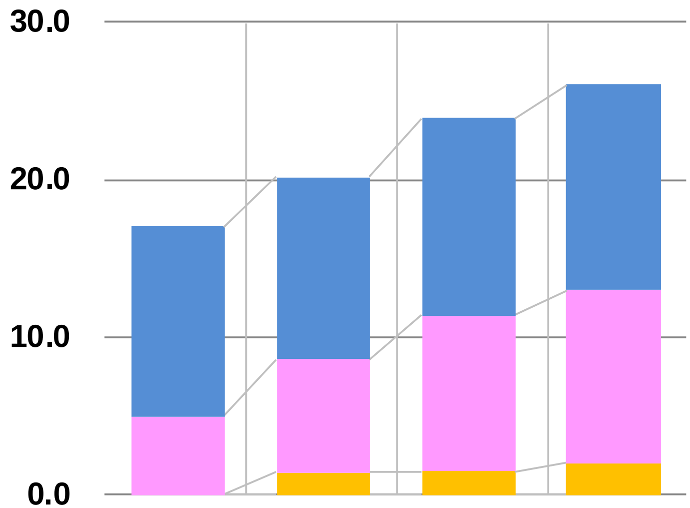


	FY2015	FY2016	FY2017	**FY2018** **(Plan)**
B A	118.8	116.4*	120.2	**122.0**
A A	93.5	95.4	97.2	**100.0**
L A	45.6	44.1	44.2	**46.5**
Consolidated	256.8	254.8	260.3	**267.0**

* Figures for the following subsidiary has been removed from the scope of consolidation.
  • 2016 Dec. Beijing YTYH Intelli-Technology Co., Ltd.

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	FY2015	FY2016	FY2017	**FY2018 (Plan)**
B A	12.0	11.5 *	12.5	**13.0**
A A	5.0	7.2	9.9	**11.0**
L A	0.0	1.4	1.5	**2.0**
Consolidated	17.1	20.1	24.0	**26.0**

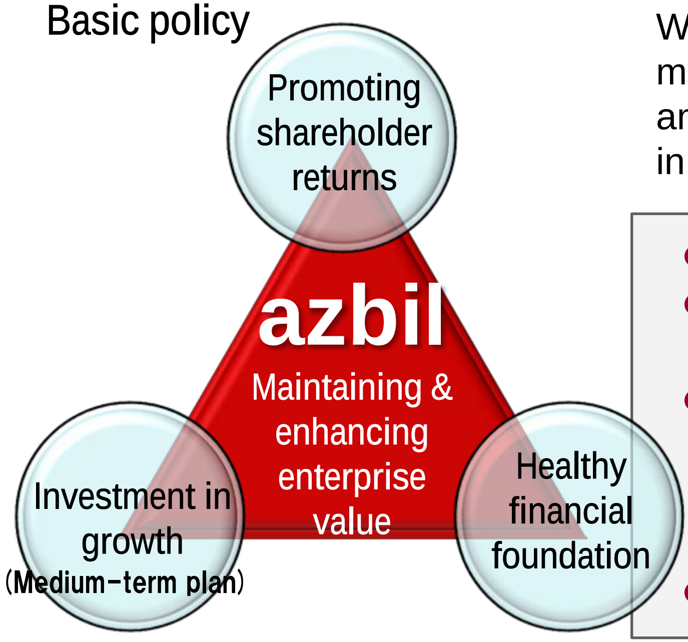
* Figures for the following subsidiary has been removed from the scope of consolidation.
• 2016 Dec. Beijing YTYH Intelli-Technology Co., Ltd.

3. Returning Profits to Shareholders

→No revision from the recent announcement

FY2018	Ordinary dividends raised by 10 yen	92 yen
	Repurchase of the Company's own shares (completed)	0.93 million shares

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

azbil

Dividends Plan for the fiscal year ending March 2019

~To enhance the return of profits to shareholders~

→No change from the initial plan

Annual Dividends: 92 yen per share

(Ordinary dividends raised by 10 yen)

The plan for FY2018 sees continued growth in profits, reflecting the business environment and the result of business structure reforms and measures to strengthen the profit structure. The medium-term plan is expected to produce sustainable growth. Consequently, in order to further the redistribution of profits to our shareholders, it is planned to again raise the dividends level, increasing the ordinary dividends by 10 yen to produce annual dividends of 92 yen per share.

- Dividends for FY2018 (interim/year-end) are planned as follows.

	FY2017		FY2018	
	Interim	Year-end	Interim	Year-end
Dividends per share [Yen]	41.0	41.0	46.0（Plan）	46.0（Plan）
Payout ratio	33.3%		37.6% *	
Dividends on equity (DOE)	3.5%		3.7%	

* In the first quarter of the current consolidated accounting period, we have implemented the repurchase of the company's own shares (see next page). We are taking into account the effect of this repurchase in deciding the payout ratio.

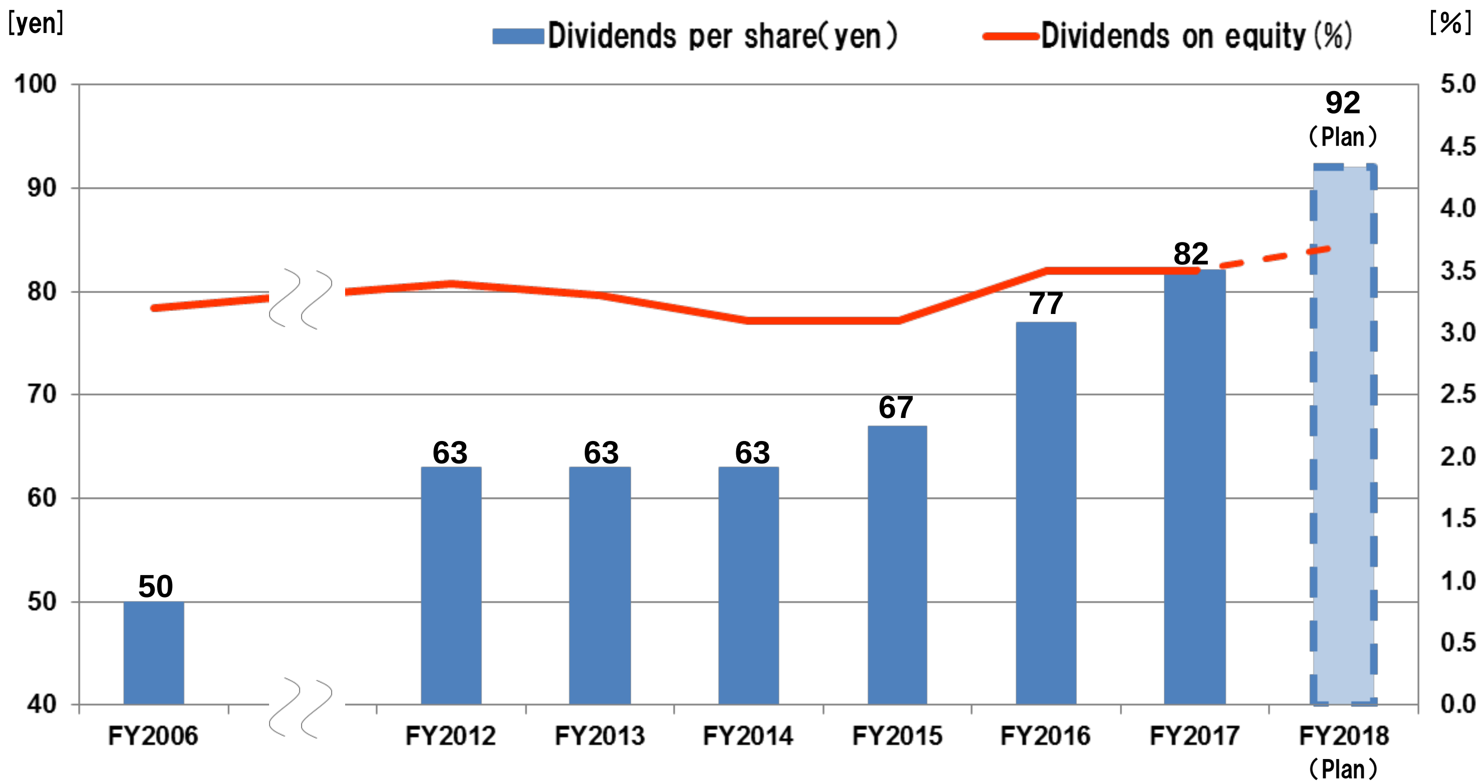
(Reference) Dividends yield: 1.9% (as of June 30, 2018)

Repurchase of the Company's Own Shares

In addition to the dividends, taking into consideration business results and the outlook for future business performance, and striving to improve capital efficiency and further raise the return of profits to our shareholders, we have implemented a repurchase of our own shares to enable the development of flexible capital policies responding to the changing corporate environment.

- Total amount of repurchase:
  4,999 million yen
- Total number of shares repurchased:
  936,200 shares (common stock)
- Period of repurchase:
  From May 14, 2018 to June 19, 2018 (based on trade date)
- Method of repurchase:
  Purchase in the open market through a trust bank

[Reference] Trends of Return to Shareholders



Dividends per share(yen)	50	～	63	63	63	67	77	82	92
Dividends on equity (%)	3.2	～	3.4	3.3	3.1	3.1	3.5	3.5	3.7

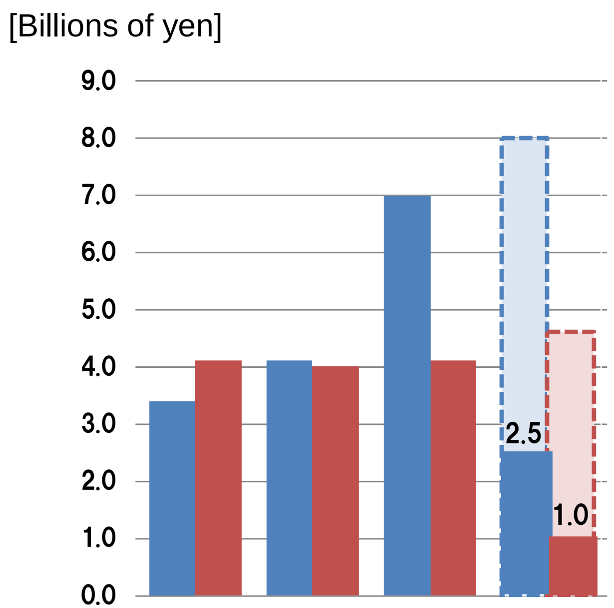
Repurchase of own shares (million shares)		～				0.6		0.7	0.9 *

* Repurchase of own shares was completed on June 19, 2018.

Relevant Information

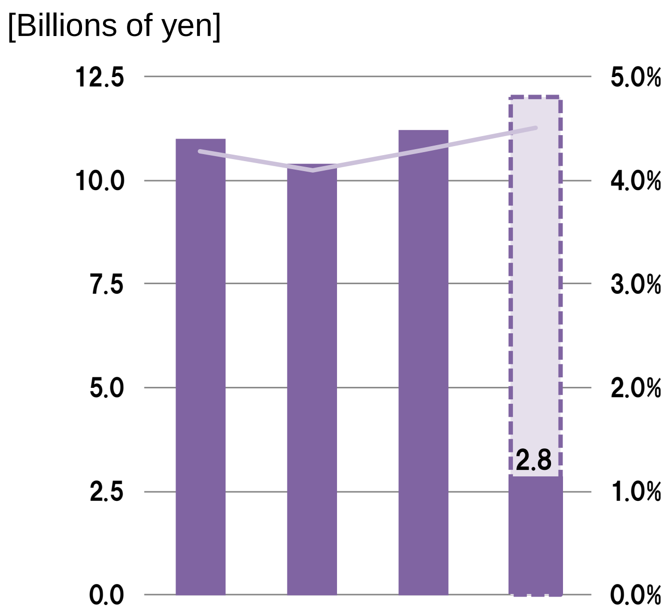
Capital Expenditure, Depreciation and R&D Expenses

Capital Expenditure, Depreciation



	FY2015	FY2016	FY2017*1	FY2018*1 (Plan)
Capital Expenditure	3.4	4.1	7.0	**8.0**
Depreciation	4.1	4.0	4.1	**4.6**

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



	FY2015*2	FY2016	FY2017*3	FY2018*3 (Plan)
R&D Expenses	11.0	10.4	11.2	**12.0**
R&D Expenses/ Net Sales	4.3%	4.1%	4.3%	**4.5%**

*1 Investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center have been incurred from the fiscal year ended March 2018.
*2 Most of the increase in R&D expenses was accounted for by development of next-generation BA system products.
*3 Product development expenses related to new technological innovations (IoT, big data, AI, etc.) have been increasing from the fiscal year ended March 2018.

Relevant Information

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

At the same time as attaining the current medium-term plan goals, we will invest in sustainable growth that includes starting up new business fields, aiming to achieve the growth required to meet our long-term (FY2021) goals.

- ✓ Promoting business structure reforms and upgrading systems, we will ensure that the measures are carried out in each business segment.
- ✓ Aiming to expand new business fields, we will make the investments necessary for strengthening systems for business development, product/service development and production.

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

Expanding the 3 business fields to expedite sustainable growth

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

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).

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

azbil Group Corporate Governance Reforms

azbil

Strengthening corporate governance in 2018: main points

- One independent outside director (Ms. Waka Fujiso) added to the Board * Promoting diversity
- A non-executive director assuming the position of Chairman of the Board
- An outside director assuming the position of Chairman of the Nomination & Remuneration Committee
- The advisor/counselor system abolished (a partial amendment to the articles of association)

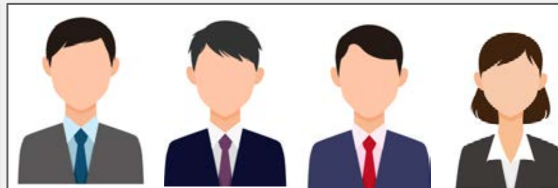
In FY2018, complying with the spirit of the draft revision to the Corporate Governance Code, we will continuously strive for greater objectivity and transparency.

Composition of the Board of Directors

(re-elected following the conclusion of the Ordinary General Meeting of Stockholders on June 26, 2018)

More than 1/3 of the Board are outside directors

Number of inside directors: 6



Number of independent outside directors: 4
(including 1 of foreign nationality and 1 female)

Corporate governance reforms to date

Strengthening of supervisory/auditing functions	• Appointing & increasing outside directors (from 1 in 2007 to 2 in 2010, 3 in 2014, and 4 in 2018) • Increasing outside audit & supervisory board members (3 in 2011) • Establishing criteria for the independence of outside directors (2016) • Initiating evaluation of effectiveness of the Board of Directors (2016)
Making management more transparent and sound	• Remuneration Meeting changed to Nomination & Remuneration Meeting (2008) • Further changed to Nomination & Remuneration Committee. Composed of more than 50% outside directors (2016) • Directors' remuneration scheme revised, increasing the component linked to financial results and also adding a component linked to medium/long-term financial results (2017)
Clarifying responsibilities, promoting dialog	• Executive officer system introduced (2000) • Corporate governance operating guidelines drawn up (2016) • Guidelines established for strategic shareholdings (2016) • Executive officer appointed in charge of corporate communications (2016)

azbil Group Philosophy

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

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