Azbil Corporation RIC: 6845.T, Sedol: 6985543

azbil
Human-centered Automation

Presentation Materials

For the First Half Ended September 30, 2018 (Based on Japanese GAAP)

<Contents>

November 2, 2018

We would like to express our deep sympathy for all those who have suffered as a result of Typhoon Jebi (No.21) and the Hokkaido Eastern Iburi earthquake that took place in Japan this September. 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 in support of the rapid restoration of our customers' buildings, factories and infrastructure. Also, to provide additional assistance, we are offering equipment-recovery and power-saving support services for buildings, and an energy-efficiency diagnostic service for factories.

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: Provision of an integrated solution from the development, engineering, installation, and sale of lyophilizers, sterilizers, and clean environment equipment to after-sales services for pharmaceutical companies and research laboratories.
   - Lifestyle-related field: Provision of residential central air-conditioning systems for houses.

3. Net sales for the azbil Group tend to be concentrated in the second half of fiscal year, while fixed costs are generated constantly. This means that profits in the first half of fiscal year 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.

5. Revision in how orders received are calculated

   Previously, figures for orders received included the translation gains and losses associated with currency conversions for contracts denominated in foreign currencies incorporated within the order backlog at the beginning of the fiscal year. However, from the previous consolidated fiscal year these translation gains and losses are no longer included in orders received.
   With the expansion of the azbil Group’s overseas business, this revision has been made to provide investors with useful information for their investment judgement by reporting the Group's performance in line with our overseas business activities.

1. Financial Results for the First Half Ended September 30, 2018

Consolidated Financial Results

- Orders received decreased owing mainly to the fact that there were large-scale projects in the same period last year.
- Compared with the same period last year, sales for the AA and LA businesses grew steadily, and overall net sales increased. These results fell just short of the plan.
- Operating income increased compared with the same period last year. While there was a drop in the BA business, the AA and LA businesses achieved significantly higher operating income thanks to increased sales and the effect of measures to improve profitability. Overall operating income thus very nearly achieved the plan.
- Compared with the same period last year, ordinary income increased as did net income attributable to owners of parent. This owed partly to the recording of foreign exchange gains. The plan was exceeded.

[Billions of yen]

	This period (A)	Plan (5/11/2018) (B)	Difference		Same period last year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Orders received *	145.0				149.4	(4.3)	*(2.9)*
(See: previous calculation method)	144.0				149.4	(5.4)	*(3.6)*
Net sales	119.7	121.0	(1.2)	*(1.0)*	117.8	1.8	*1.6*
Japan	96.0				96.7	(0.7)	*(0.7)*
Overseas	23.7				21.1	2.5	*12.2*
Gross profit	44.6				42.6	1.9	*4.5*
%	*37.3*				*36.2*	*1.1P*	
SG & A	36.4				34.9	1.5	*4.3*
Operating income (loss)	8.1	8.3	(0.1)	*(1.6)*	7.7	0.4	*5.6*
%	*6.8*	*6.9*	*(0.0P)*		*6.6*	*0.3P*	
Ordinary income (loss)	8.8	8.0	0.8	*11.1*	8.1	0.7	*9.5*
Income (loss) before income taxes	8.8				8.0	0.7	*9.3*
Net income (loss) attributable to owners of parent	5.8	5.0	0.8	*16.7*	5.3	0.5	*9.6*
%	*4.9*	*4.1*	*0.7P*		*4.5*	*0.4P*	

* 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 orders with a view to enhanced profitability. At the same time, we have striven to enhance job fulfillment capabilities and efficiencies, particularly on site.

- Orders received made steady growth in Japan, thanks to the robust business environment, and also overseas. As a result, overall orders received were higher than the same period last year.
- Sales decreased compared with the same period last year, when the level was high owing partly to the recording of large-scale projects. Partly due to additional installation works in the service field that extend into the second half, sales fell just short of the plan.
- Owing to decreased sales and also to temporary expenses for provision, segment profit was lower than for the same period last year, falling short of the plan.

[Billions of yen]

	This period (A)	Plan (5/11/2018) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
Orders received *	75.2				73.2	1.9	*2.6*
(See: previous calculation method)	75.0				73.1	1.9	*2.6*
Sales	49.5	50.0	(0.4)	*(0.9)*	50.8	(1.3)	*(2.7)*
Segment profit (loss)	1.1	2.0	(0.8)	*(40.2)*	2.3	(1.1)	*(48.2)*
%	*2.4*	*4.0*	*(1.6P)*		*4.5*	*(2.1P)*	

* 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. Although business conditions have changed in some markets, the need for automation in Japan and abroad remains firm, and overall the business environment has continued to be robust.

- Orders received were lower; this was mainly because large-scale projects in energy-related markets had been recorded in the same period last year.
- Sales grew steadily compared with the same period last year, thanks to the overall robust business environment, and the plan was very nearly achieved.
- Thanks to sales growth plus the success of initiatives designed to strengthen business profitability, segment profit was higher than for the same period last year, and indeed exceeded the plan.

[Billions of yen]

	This period (A)	Plan (5/11/2018) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
Orders received *2	50.3				52.2	(1.9)	*(3.7)*
(See: previous calculation method)	49.9				52.0	(2.1)	*(4.1)*
Sales	47.7	48.0	(0.2)	*(0.5)*	46.2	1.5	*3.4*
Segment profit (loss)	5.8	5.3	0.5	*9.7*	4.5	1.2	*28.6*
%	*12.2*	*11.0*	*1.1P*		*9.8*	*2.4P*	

*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, 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 - ■ 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. On the other hand, in the two other fields – LSE and Lifestyle-related (residential central air-conditioning systems) – we are continuing initiatives 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 too, orders received were down.
- Although the plan was not achieved, sales grew in all three fields – Lifeline, LSE and Lifestyle-related – compared with the same period last year.
- Thanks to this sales growth plus improved profitability resulting from business structure reforms, segment profit was higher than for the same period last year, achieving the plan.

[Billions of yen]

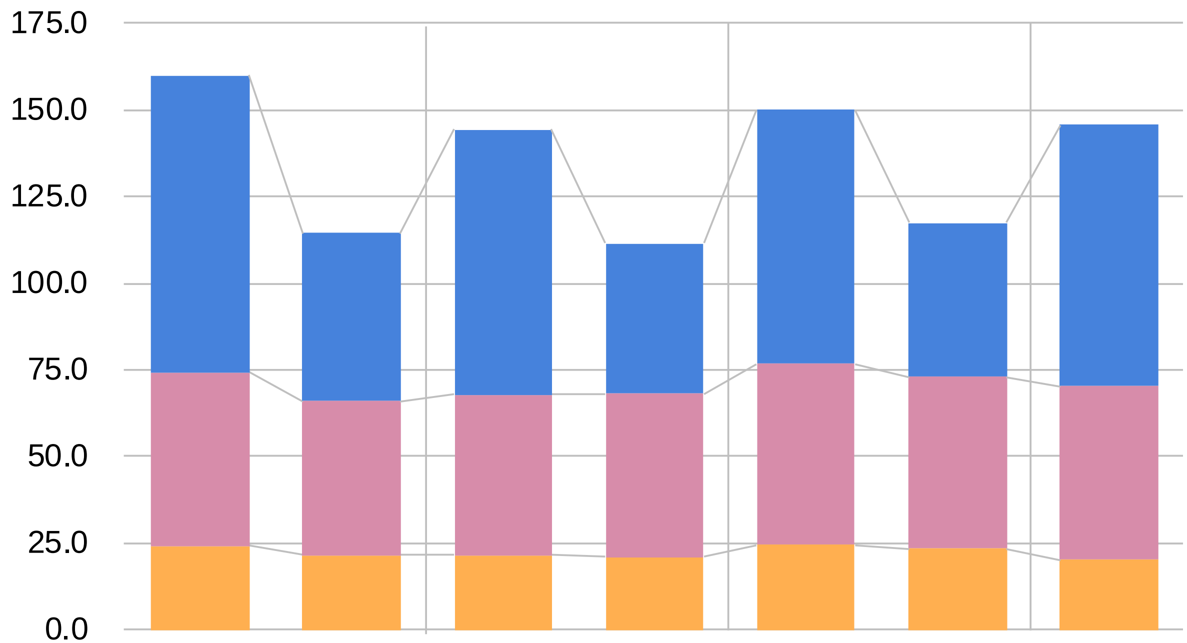
	This period (A)	Plan (5/11/2018) (B)	Difference (A) - (B)	Difference % Change	Same period last year (C)	Difference (A) - (C)	Difference % Change
Orders received *	20.1				24.5	(4.3)	*(17.8)*
(See: previous calculation method)	19.7				24.9	(5.2)	*(21.0)*
Sales	23.0	23.5	(0.4)	*(1.8)*	21.4	1.6	*7.8*
Segment profit (loss)	1.1	1.0	0.1	*16.1*	0.8	0.2	*30.6*
%	*5.0*	*4.3*	*0.8P*		*4.1*	*0.9P*	

* 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.

1. Financial Results for the First Half Ended September 30, 2018

[Reference] Orders Received by Segment

[Billions of yen]



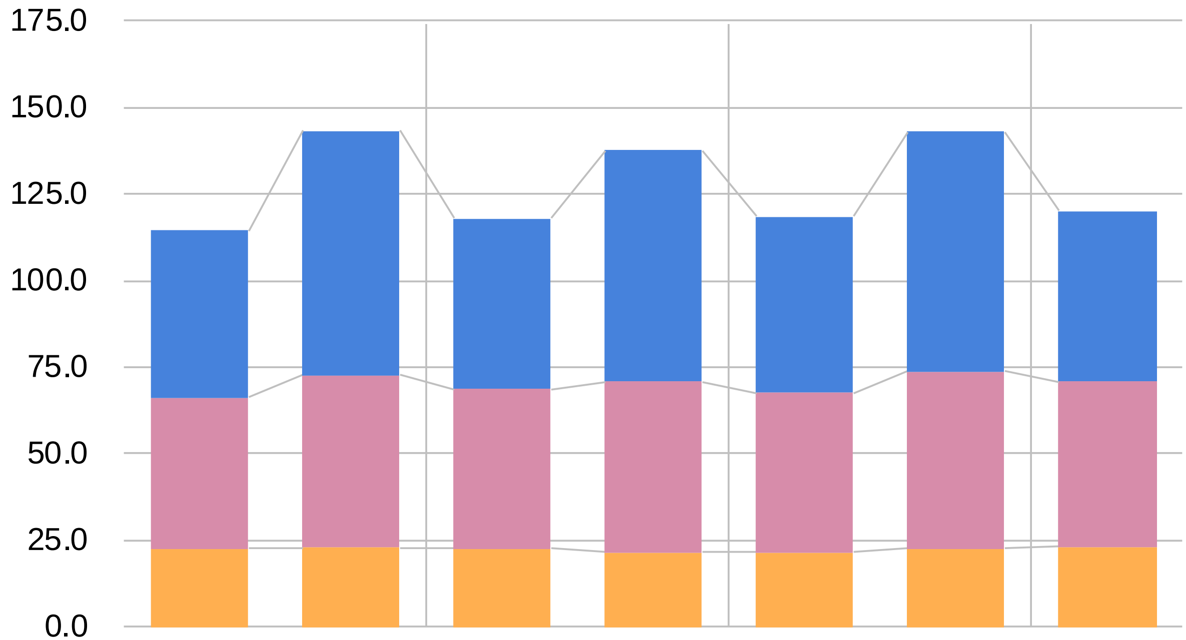
	FY2015		FY2016 *2		FY2017 *2		**FY2018 *2**
	H1	H2	H1	H2	H1	H2	**H1**
B A	85.5 *1	48.3	76.6	43.4	73.2	44.5	**75.2**
A A	50.1	44.7	46.3	47.0	52.2	49.5	**50.3**
L A	24.3	21.4	21.5	21.1	24.5	23.4	**20.1**
Consolidated	159.7	113.8	143.8	111.1	149.4	116.8	**145.0**

*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, 2017, 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. Note that this does not apply to FY2015 figures above, which are based on the previous calculation method before the revision.

[Reference] Sales by Segment

[Billions of yen]

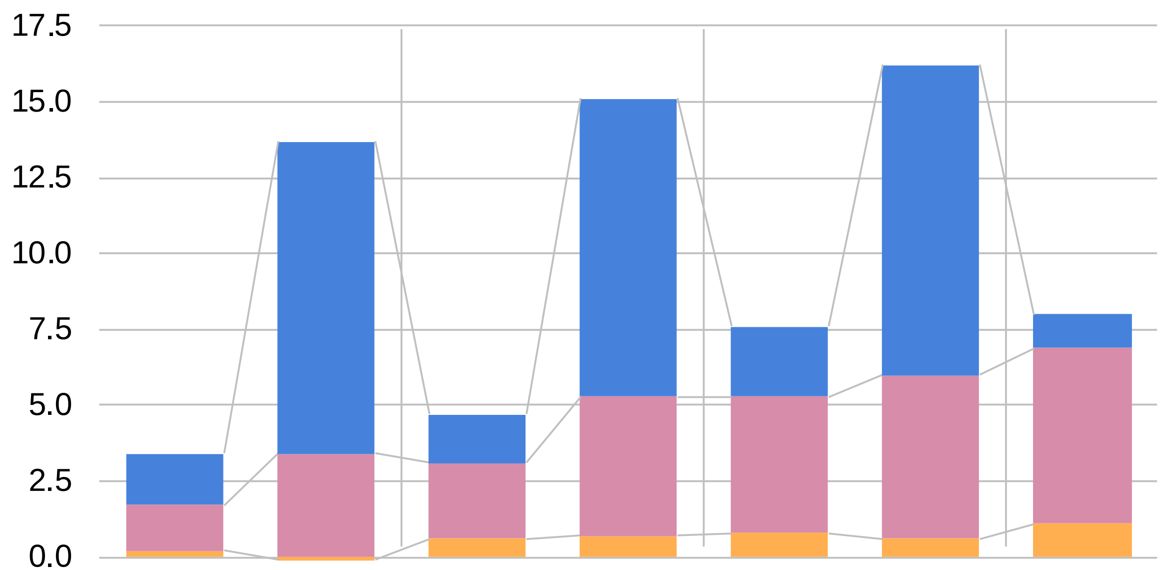


	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	FY2017 H1	FY2017 H2	**FY2018 H1**
B A	48.1	70.6	49.4	66.9*	50.8	69.3	**49.5**
A A	43.6	49.8	46.0	49.4	46.2	51.0	**47.7**
L A	22.7	22.9	22.6	21.4	21.4	22.7	**23.0**
Consolidated	114.0	142.8	117.6	137.2	117.8	142.4	**119.7**

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

[Reference] Segment Profit (Operating Income)

[Billions of yen]



	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	FY2017 H1	FY2017 H2	**FY2018 H1**
BA	1.7	10.3	1.6	9.8*	2.3	10.2	**1.1**
AA	1.5	3.4	2.5	4.6	4.5	5.4	**5.8**
LA	0.2	(0.1)	0.6	0.7	0.8	0.6	**1.1**
Consolidated	3.5	13.5	4.9	15.2	7.7	16.2	**8.1**

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

Overseas Sales by Region

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[Billions of yen]

<Compared to the same period last year>

Overseas sales increased by 12.2% compared with the same period last year, with revenue growth in Asia, China, North America and Europe.

BA Business

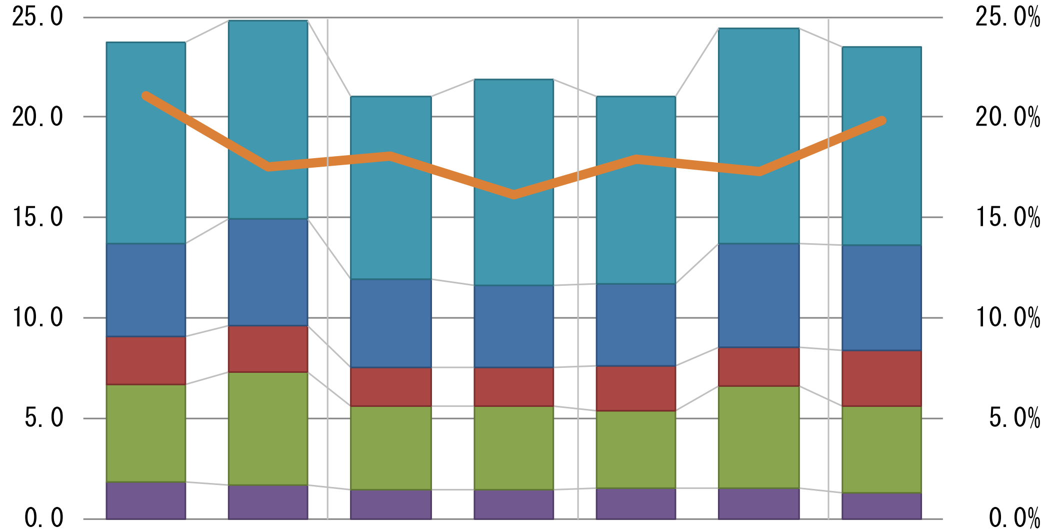
Although sales were lower in the Asian region, which saw large-scale projects in the same period last year, sales in China increased and overall sales were also higher.

AA Business

Overall sales increased, owing to sales growth in China for valves and field instruments.

LA Business

Sales grew in the LA business, with revenue steadily increasing from projects ordered in the previous fiscal year.



	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	FY2017 H1	FY2017 H2	**FY2018 H1**
Asia	10.0	9.9	9.1	10.3	9.3	10.7	**9.9**
China	4.6	5.3	4.4	4.1	4.1	5.2	**5.2**
North America	2.4	2.3	1.9	1.9	2.2	1.9	**2.8**
Europe	4.9	5.6	4.2	4.2	3.9	5.1	**4.3**
Others	1.8	1.7	1.4	1.4	1.5	1.5	**1.3**
Consolidated	24.0	24.9	21.2	22.1	21.1	24.6	**23.7**

[Reference information]

	FY2015 H1	FY2015 H2	FY2016 H1	FY2016 H2	FY2017 H1	FY2017 H2	**FY2018 H1**
Overseas sales/ Net sales	21.0%	17.5%	18.0%	16.1%	17.9%	17.3%	**19.8%**
Average exchange rate - USD/JPY	120.31	121.11	111.74	108.81	112.34	112.17	**108.68**
Average exchange rate - EUR/JPY	134.10	134.31	124.58	120.30	121.66	126.70	**131.55**

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

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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 16.5 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 14.3 billion yen compared to the end of the previous fiscal year.
- **Net assets** Net assets saw a decrease of 2.1 billion yen compared to the end of the previous fiscal year, despite an increase from the recording of net income attributable to owners of parent. This decrease was due to the payment of dividends and the repurchase of own shares.

[Billions of yen]

	As of Sep. 30, 2018 (A)	As of Mar. 31, 2018 (B)	Difference (A) - (B)
Current assets	**188.3**	**206.7**	**(18.4)**
Cash and deposits	44.9	46.1	(1.1)
Notes and accounts receivable-trade	78.7	91.4	(12.6)
Inventories	25.9	23.8	2.1
Others	38.6	45.3	(6.6)
Non-current assets	**68.9**	**67.0**	**1.8**
Property, plant and equipment	26.4	25.4	0.9
Intangible assets	5.2	5.2	0.0
Investments and other assets	37.2	36.3	0.9
Total assets	**257.2**	**273.8**	**(16.5)**

	As of Sep. 30, 2018 (A)	As of Mar. 31, 2018 (B)	Difference (A) - (B)
Liabilities	**81.5**	**95.8**	**(14.3)**
Current liabilities	**71.7**	**87.5**	**(15.8)**
Notes and accounts payable-trade	36.2	41.4	(5.2)
Short-term loans payable	10.1	10.1	(0.0)
Others	25.3	35.8	(10.5)
Non-current liabilities	**9.7**	**8.3**	**1.4**
Long-term loans payable	0.4	0.5	(0.0)
Others	9.3	7.8	1.4
Net assets	**175.7**	**177.9**	**(2.1)**
Shareholders' equity	**160.7**	**162.9**	**(2.1)**
Capital stock	10.5	10.5	-
Capital surplus	11.6	11.6	0.0
Retained earnings	150.5	147.7	2.8
Treasury shares	(11.9)	(6.9)	(4.9)
Accumulated other comprehensive income	**13.0**	**13.0**	**0.0**
Non-controlling interests	**1.9**	**1.9**	**(0.0)**
Total liabilities and net assets	**257.2**	**273.8**	**(16.5)**

（Reference）Shareholders’ equity ratio: 67.6％(as of Sep. 30, 2018), 64.3%(as of Mar. 31, 2018)

*As a result of applying “Partial Amendments to Accounting Standard for Tax Effect Accounting”, total assets at the end of the current period were 3.4 billion yen lower than they would have been before the amendments. Furthermore, these partial amendments have been retrospectively applied to the end of the previous period, resulting in a decrease in total assets of 4.8 billion yen.

Consolidated Cash Flows

- Cash flows from operating activities were lower as a result of increased payments of income tax, etc. In investing activities, the continued capital investment required for the integration and expansion of domestic production facilities meant that free cash flow was down by 0.7 billion yen from the same period last year.
- Net cash used in financing activities (expenditure) grew by 0.7 billion yen compared with the same period last year due mainly to increased expenditure resulting from the repurchase of own shares (4.9 billion yen versus 3 billion yen in the same period last year).

[Billions of yen]

	This period (A)	Same period last year (B)	Difference	
			(A) - (B)	%
Cash flows from operating activities	4.7	6.2	(1.5)	*(24.3)*
Cash flows from investing activities	(6.7)	(7.5)	0.8	-
Free Cash Flow (FCF)	(2.0)	(1.3)	(0.7)	-
Cash flows from financing activities	(8.0)	(7.3)	(0.7)	-
Effect of exchange rate change on cash and cash equivalents	(0.2)	(0.0)	(0.2)	-
Net increase (decrease) in cash and cash equivalents	(10.4)	(8.7)	(1.6)	-
Cash and cash equivalents at beginning of period	68.6	59.8	8.8	*14.7*
Cash and cash equivalents at end of period	58.1	51.0	7.1	*13.9*

(Reference)

Capital expenditure	3.7	3.7	(0.0)	*(0.5)*
Depreciation	2.0	1.9	0.1	*6.4*

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

Consolidated Financial Plan

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- Taking into account the financial results for the first half and the business outlook for the second half, net sales and operating income for the whole fiscal year are expected to be in line with the figures announced in May 2018.
- Figures for ordinary income and net income attributable to owners of parent have been revised upwards to reflect financial results for the first half.
- We will steadily continue to implement business measures and to invest for strengthening and upgrading the business foundation including technology development and production systems with the aim of achieving sustained growth from FY2019 onwards.

[Billions of yen]

	Revised plan (A)	Initial plan (5/11/2018) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Net sales	267.0	267.0	-	-	260.3	6.6	*2.5*
Operating income	26.0	26.0	-	-	24.0	1.9	*8.2*
%	*9.7*	*9.7*	-		*9.2*	*0.5P*	
Ordinary income	26.5	25.5	1.0	*3.9*	24.3	2.1	*9.0*
Net income attributable to owners of parent	18.5	17.5	1.0	*5.7*	17.8*	0.6	*3.4*
%	*6.9*	*6.6*	*0.4P*		*6.9*	*0.1P*	

* 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).

Plan by Segment (1)

- Regarding each segment, while there are changes in the business environment, we aim to achieve the initial plan (announced in May 2018) by steadily implementing appropriate measures.

[Billions of yen]

		FY2018			Previous fiscal year	Difference	
		1st half (results)	2nd half (plan)	Full year (plan) (A)	(B)	(A) - (B)	*% Change*
B A	Sales	49.5	72.4	122.0	120.2	1.7	*1.5*
	Segment profit	1.1	11.8	13.0	12.5	0.4	*3.3*
	%	*2.4*	*16.3*	*10.7*	*10.5*	*0.2P*	
A A	Sales	47.7	52.2	100.0	97.2	2.7	*2.8*
	Segment profit	5.8	5.1	11.0	9.9	1.0	*10.8*
	%	*12.2*	*9.9*	*11.0*	*10.2*	*0.8P*	
L A	Sales	23.0	23.4	46.5	44.2	2.2	*5.2*
	Segment profit	1.1	0.8	2.0	1.5	0.4	*33.2*
	%	*5.0*	*3.6*	*4.3*	*3.4*	*0.9P*	
Consolidated	Net sales	119.7	147.2	267.0	260.3	6.6	*2.5*
	Operating income	8.1	17.8	26.0	24.0	1.9	*8.2*
	%	*6.8*	*12.1*	*9.7*	*9.2*	*0.5P*	

Plan by Segment (2)

BA

Steadily processing projects expected to contribute to second half sales, so as to achieve the sales and profit targets

- Thanks to a robust business environment, projects on order that will contribute to second half sales are steadily increasing. No revisions have been made to the initial full-year plan. In the second half of this fiscal year we expect to achieve the highest level of sales and profits we have ever recorded.
- As we approach 2020, the year of the Tokyo Olympics, we will process these efficiently by drawing on our strengthened, upgraded job fulfillment systems.
- Service projects with healthy margins will increase overall by getting service projects for large buildings of recent construction. Retrofit and energy-saving installation will both remain at a high level.
- In our overseas business, we anticipate continued growth with increases in orders received.

AA

Taking advantage of market changes through initiatives to strengthen profitability for new record-high profits

- While streamlining operations for the 3 sub-segments (CP business, IAP business, and SS business), we aim to accelerate measures to strengthen business profitability.
- Although there are markets such as that related to semiconductor manufacturing equipment which are now undergoing correction, in the FA* market and also in the PA* market for chemicals etc. continued growth is expected in Japan and abroad.
- In a changing business environment, we will accelerate the cultivation of existing business fields and the development of growth fields, securing sales and achieving the initial plan.

* FA: Factory Automation; PA: Process Automation

LA

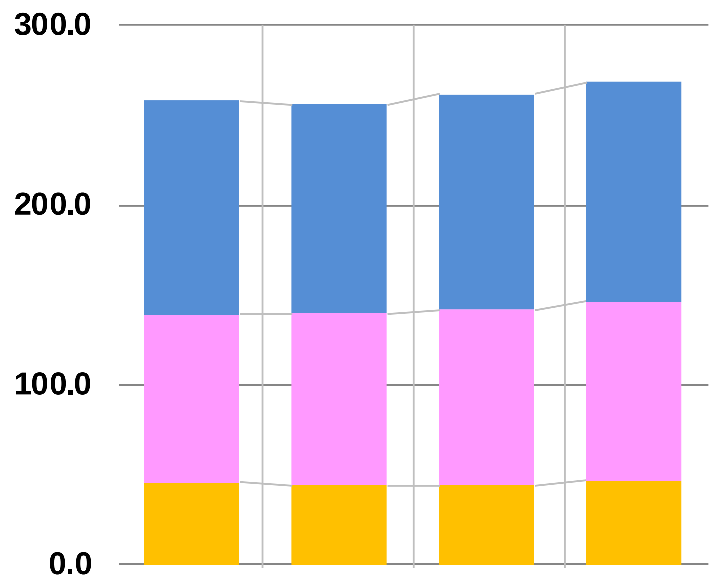
Continuing initiatives designed to stabilize and improve profit

- By continuing initiatives aimed at improving the profit structure, we will achieve the initial plan.
- To achieve future business growth, we will create business opportunities tailored to the qualities of each of the LA business fields. We will also continue development of new products and services.

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

[Reference] Sales by Segment

[Billions of yen]



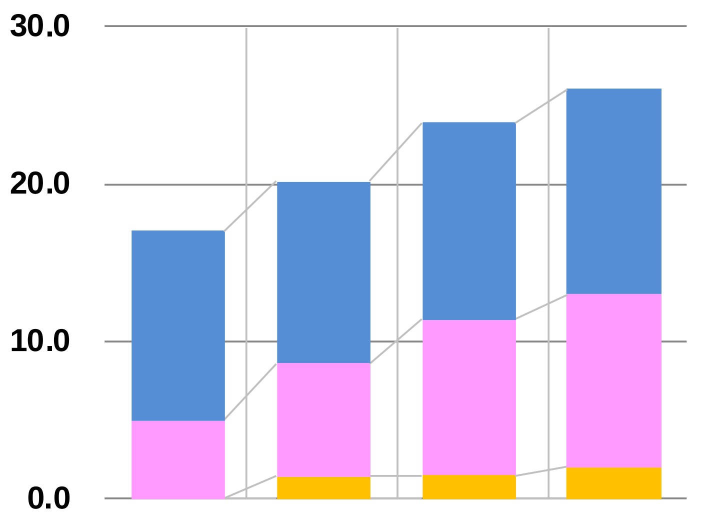
	FY2015	FY2016	FY2017	**FY2018 (Plan)**
B A	118.8	116.4*	120.2	**122.0**
A A	93.5	95.4	97.2	**100.0**
L A	45.6	44.1	44.2	**46.5**
Consolidated	256.8	254.8	260.3	**267.0**

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

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

[Reference] Segment Profit (Operating Income)

[Billions of yen]

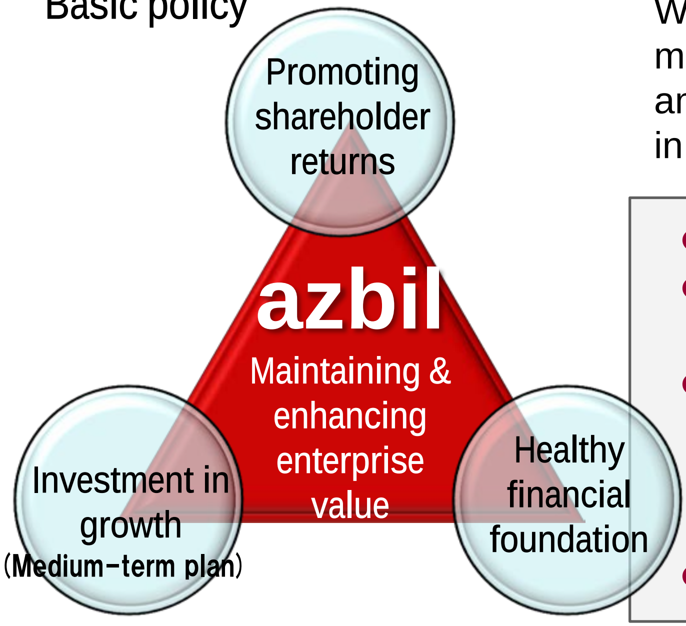


	FY2015	FY2016	FY2017	FY2018 (Plan)
BA	12.0	11.5 *	12.5	**13.0**
AA	5.0	7.2	9.9	**11.0**
LA	0.0	1.4	1.5	**2.0**
Consolidated	17.1	20.1	24.0	**26.0**

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

3. Returning Profits to Shareholders

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.

FY2018 Capital Policy

While striving to make further progress in promoting shareholder returns, we have implemented a stock split for the purpose of increasing share liquidity.

May 11, 2018: Dividends increase and repurchase of own shares announced

- **Dividends increase**

Reflecting the business environment and the success of our business structure reforms as well as initiatives to strengthen the profit structure, continued profit growth is planned. Also, since sustained growth is anticipated with the current medium-term plan, dividends increase is planned so as to further raise the dividend level.

- Ordinary dividends raised by 10 yen per share (annual dividends: 92 yen)

* Pre-split conversion

- **Repurchase of own shares**

Along with improving capital efficiency, we are committed to further enhancing shareholder return and implementing flexible capital policies according to changes in the corporate environment in a manner that reflects our performance situation and outlook. With this in mind, we have implemented a repurchase of own shares (May 14 to June 19, 2018).

- Total value of shares repurchased: 4,999 million yen
- Total number of shares repurchased: 936,200 shares*

* The number of shares at time of repurchase (pre-split conversion)
The number after the stock split is 1,872,400 shares

August 30, 2018: Stock split (2-for-1) announced

- **Stock split**

By lowering the unit price of the company’s shares, we are providing an environment that makes it easier for investors to purchase our shares, and also raising share liquidity. We have therefore implemented a 2-for-1 common stock split.
Effective date: October 1, 2018

Dividends

FY2018 Dividends Plan (No change)*1

(November 2, 2018)

Interim dividends : 46 yen per share

Year-end dividends (planned) : 23 yen per share*1

(Pre-split conversion 46 yen)

*1 The interim dividends per share are issued based on the number of shares held prior to the stock split, while the year-end dividends (planned) are issued based on the number of shares held after the stock split. If the stock split were not taken into account, the year-end dividends would be 46 yen (pre-split conversion), and the annual dividends (ditto) including the interim dividends would be 92 yen. Therefore, this effectively represents no change to the dividend level in the initial plan announced on May 11, 2018.

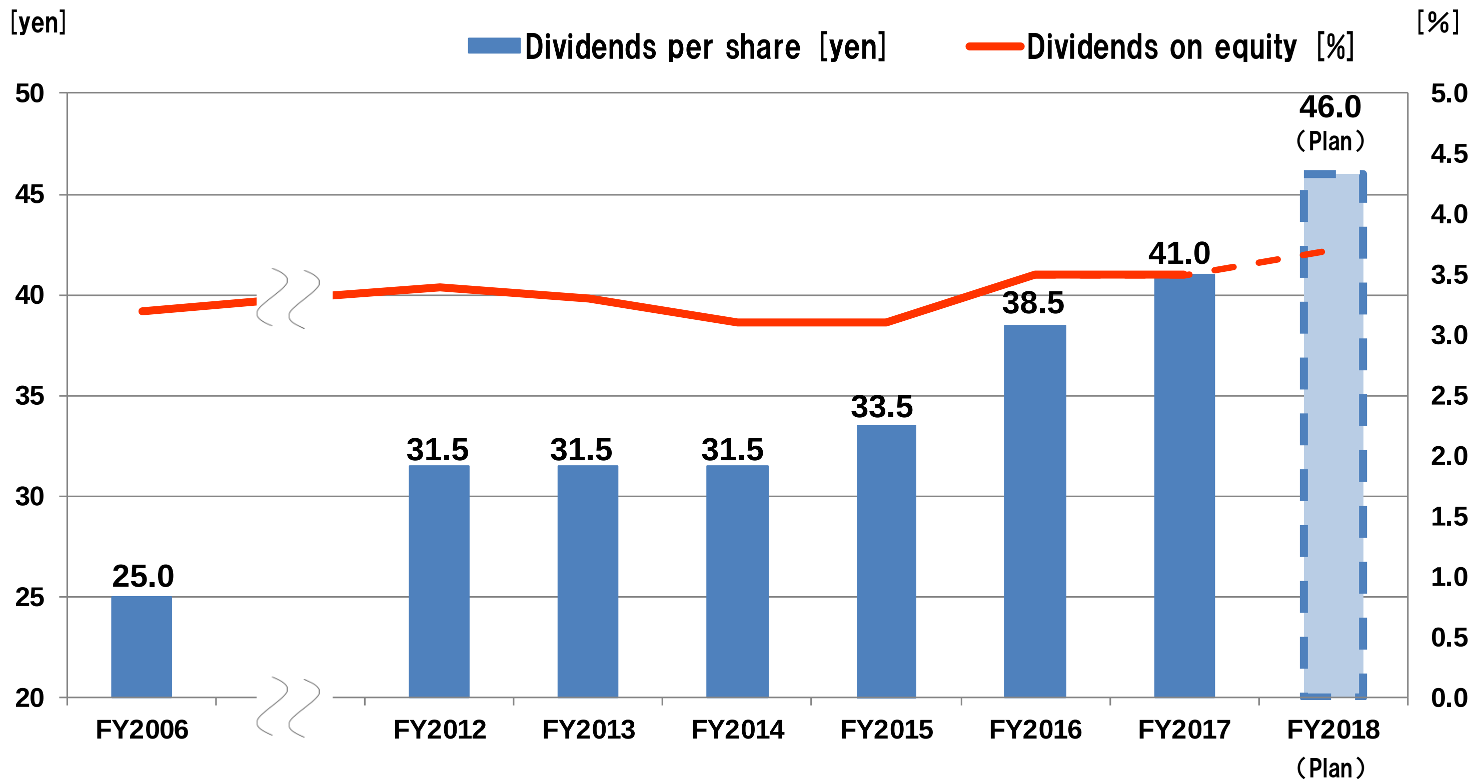
	Dividends per share [Yen]			Payout ratio	Dividends on equity (DOE)
	Interim	Year-end	Annual		
Results for the previous fiscal year	41.0	41.0	82.0	33.3%	3.5%
Announcement on May 11, 2018 (Initial plan)	46.0	46.0	92.0	38.1%	3.7%
Announcement on November 2, 2018 →No revision from the recent announcement (August 30, 2018)	46.0	23.0	-	35.6%*2	3.7%*3
(Pre-split conversion)	(46.0)	(46.0)	(92.0)		

*2 In the first quarter of the current consolidated accounting period, we have implemented the repurchase of own shares (see page 21). We are taking into account the effect of this repurchase in deciding the payout ratio.

*3 The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2018: share repurchases already completed in FY2018, year-end dividends for FY2017, interim dividends for FY2018, and net income attributable to owners of parent in consolidated financial plan for FY2018.

[Reference] Trends of Return to Shareholders

The dividends per share and the number of own shares repurchased have been retroactively revised, taking into account the effects of the stock split.



Dividends per share [yen]	25.0	～	31.5	31.5	31.5	33.5	38.5	41.0	46.0
Dividends on equity [%]	3.2	～	3.4	3.3	3.1	3.1	3.5	3.5	3.7

Repurchase of own shares Total amount [billions of yen]		～				1.9		2.9	4.9*
(Number of own shares repurchased [million shares])						(1.2)		(1.4)	(1.8)

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

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

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

azbil

At the same time as attaining the current medium-term plan goals, we will invest in sustained 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 sustained 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**

Progress of Business Measures

azbil

BA Strengthening our relationship with customers in Japan and abroad throughout the life cycle

Building Automation Business

- With demand continuing at a high level, progress is being made with upgraded systems to ensure steady job processing is achieved without exceeding the appropriate number of working hours. This will facilitate efforts to win orders and expand sales.
- The number of retrofit proposals for existing buildings is on the increase. There is considerable latent demand, so we will further strengthen proposal activities employing a new system in the market for existing buildings, which is expected to expand from 2020 onwards.
- Replicating what has already been achieved overseas, in Japan we will commence sales/deliveries of a new BA system capable of satisfying customer needs throughout the life cycle. We advance our participation in VPP* construction demonstration project, which leverages azbil's track record in the building market.

* VPP = Virtual Power Plant, using azbil's AutoDR system

▲ New building automation system "savic-net™G5"

Harnessing IoT, we are enhancing compatibility with open networking

AA Generating profits in mature fields and accelerating the shift to growth fields

Advanced Automation Business

- Employing the business promotion system based on 3 sub-segments (CP, IAP & SS), we are continuing efforts to improve the profit structure. A further improvement is expected as we go into FY2019.
- We are strengthening marketing systems in Japan and abroad, successively launching new products aimed at cultivating and developing fields in which the azbil Group enjoys unique advantages. This has led to increased profits.

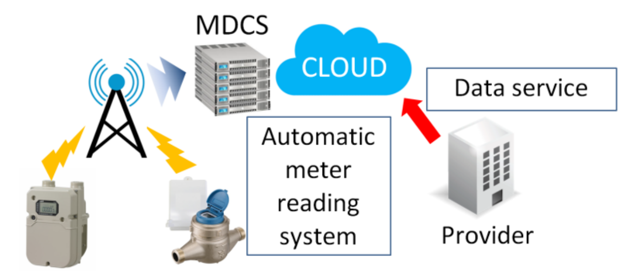
▲ Network Instrumentation Module NX-SVG Smart Device Gateway

By supporting the adoption of IoT for instruments, we are realizing programless communications to allow control devices to share information

LA From establishing the profit structure to expanding the business

Life Automation Business

- We are making steady progress with initiatives designed to improve and stabilize profit.
- We are expanding our participation in various types of validation projects, aiming to create business opportunities in the gas supply market, where customers are intent on finding ways to use new technologies such as IoT.



▲ Meter Data Cloud Service (MDCS)

Using Smart Gas and Water Meters for Enhanced Solutions, such as an automatic meter reading system and data service utilizing LPWA and cloud

Upgrading and strengthening the business foundation

Image of Azbil Shonan Factory (scheduled for completion in 2019)

Azbil Control Instruments (Dalian) Co., Ltd.

Azbil Production (Thailand) Co., Ltd.

Establishing an advanced global production system

- Progress is being made with consolidating production functions at the Shonan factory, aiming to complete the mother factory of the azbil Group. This will be in the vanguard of the 4M* revolution, which focuses on the essentials of production.
- In parallel with initiatives for the expansion of production and strengthening of production functions at our overseas bases, as well as upgrading commercial and physical distribution, we are making progress with establishing a global, optimized production system.

* 4M : Man, Machine, Material, and Method

Enhancing capabilities to meet the need for industrial innovation using IoT and AI

- A specialized department was established for development and marketing aimed at expanding demand for products and services that employ IoT, AI and big data. We are also working on the development of our AutoDR system for demand-response management utilizing IoT & AI, and cloud services for building management.
- We are developing smart robots that leverage our unique actuator technologies to meet the need for increasingly sophisticated production.

Accelerating business development overseas

- We established the Strategic Planning and Development Office for Southeast Asia, and as part of our strategic initiative to develop business in the region we exhibited at Industrial Transformation Asia Pacific (ITAP) – the largest trade show in the Asia-Pacific region for technologies related to the digital transformation of industry. This was an opportunity for us to show our latest products and services to customers in Southeast Asia.

▲ Azbil booth at the ITAP (2018.10.16 - 18)

Assigning and training human resources for business growth

- We are designing a wage system featuring a uniform approach across the entire workforce – ranging from new employees and mid-level staff to veterans (post-retirement hiring) – thus facilitating early advancement for younger employees and creating opportunities for experienced veterans to put their knowhow to use (continuation of performance-based remuneration and duties).
- We are continuing to pursue the optimized assignment of human resources to cope with changes in the customer base and markets, as well as innovations in business and technology. (Since 2012 personnel representing 10% of the workforce have been reassigned.)

azbil Group Corporate Governance Reforms

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)

We continue initiatives to secure greater objectivity and transparency in accord with the intent of Japan's revised Corporate Governance Code. Regarding the June 2018 changes to the Code, we have issued a governance report on November 2.

- Principle 1.4: Policy regarding the reduction of strategic shareholdings, etc.
- Principle 2.6: Active role of corporate pension funds as asset owners, etc.
- Principle 3.1: Policies & procedures in the appointment/dismissal of senior management, etc.

Composition of the Board of Directors

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

More than 1/3 of the Board are independent 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 independent outside directors (from 1 in 2007 to 2 in 2010, 3 in 2014, and 4 in 2018) • Increasing independent 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) , revised (2018) • Executive officer appointed in charge of corporate communications (2016)

[Reference]

Upcoming Trade Shows

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

MCS 2018 OSAKA Measurement & Control Show

- Dates: Nov. 7 (Wed) to 9 (Fri), 2018
- Open: 10am to 5pm
- Venue: Grand Cube Osaka (Osaka Prefecture International Convention Center, Nakanoshima) 3F & 10F
- Azbil booth (No. 3-54) theme/exhibits

  "Bringing Innovative Automation to the Production Site!"
  Displays cover manufacturing and instrument control employing the latest technologies – such as IoT, big data and AI – plant operation management, energy-saving solutions, etc.

▲ Azbil booth at the MCS2018 (artist's impression)

SMART BUILDING EXPO

- Dates: Dec. 12 (Wed) to 14 (Fri), 2018
- Open: 10am to 6pm (5pm on Friday)
- Venue: Tokyo Big Sight (East Hall 6)
- Azbil booth (No. 4-26) 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)

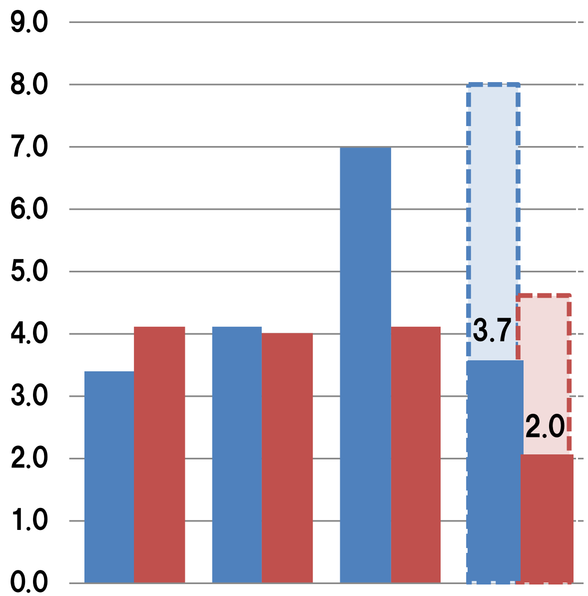
Relevant Information

Relevant Information

Capital Expenditure, Depreciation and R&D Expenses

Capital Expenditure, Depreciation

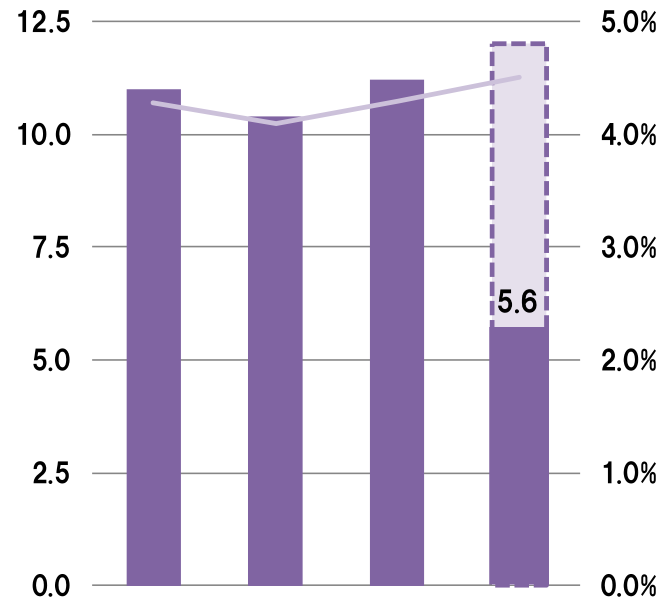
[Billions of yen]



	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

[Billions of yen]



	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.

Sustainable Development Goals and the azbil Group

The founder's vision formed the basis for the azbil Group's philosophy "human-centered automation." Through the management drawing on this philosophy, we are continuously pursuing sustainable development goals.

< Group Philosophy >
To realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through "human-centered automation."

azbil "Human-centered Automation"
2006～

Open Network System to Fully-digitalized, Seamless Network System

Adapting to the Surge in Social Needs for Environmental Conservation and Energy Saving and Offering Solutions for Sustained Development

Our founder believed in "freeing people from drudgery using advanced technology" – and that spirit lives on, evolving over the years.

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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