Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials

For the Fiscal Year Ended March 31, 2019 (Japanese GAAP)

Contents

May 10, 2019

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, sensors
   - IAP (Industrial Automation Product) business: Supplying process automation products such as differential pressure & pressure transmitters, control valves
   - 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. The financial plan is based on management’s assumptions, intent and expectations in light of the information currently available to it, and therefore 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 FY2018
(Ended March 31, 2019)

1. Financial Results for FY2018 (Ended March 31, 2019)

Consolidated Financial Results

Sales and profits were up for two consecutive accounting years. Thanks to the strengthening of profitability in each business, operating income was 26.6 billion yen – a new record – meaning that the goal for the final year of the medium-term plan (25 billion yen) was achieved one year early.

- BA business orders received rose significantly, reflecting the robust business environment. AA business and LA business orders received fell mainly because orders for large-scale projects had been recorded in the previous fiscal year, but also due to the impact of a downturn in some markets. Overall, however, orders received were at approximately the same level as the previous fiscal year.
- Compared with the previous fiscal year, sales for the AA and LA businesses grew, and overall net sales were also higher. The BA business was unable to achieve the plan, mainly due to the postponed recording of sales.
- Operating income increased significantly compared with the previous fiscal year, achieving the plan. Reflecting the success of measures taken to strengthen profitability, AA and LA business profits rose. The BA business, however, saw a drop in profits resulting from temporary expenses for provision; if these expenses were not taken into account, there was in fact a substantive improvement in business profitability. Ordinary income and net income attributable to owners of parent were also higher than the previous fiscal year, achieving the plan. ROE was 10.6%, thus topping the 10% mark, like last year when there was a temporary reduction in tax expenses.

(Billions of yen)

	Current fiscal year	Plan (11/2/2018)	Difference		Previous fiscal year	Difference	
	(A)	(B)	(A) - (B)	*% Change*	(C)	(A) - (C)	*% Change*
Orders received	264.2				266.2	(2.0)	*(0.8)*
Net sales	262.0	267.0	(4.9)	*(1.9)*	260.3	1.6	*0.6*
Japan	215.3				214.5	0.7	*0.4*
Overseas	46.7				45.7	0.9	*2.0*
Gross profit	102.3				97.4	4.8	*5.0*
%	*39.1*				*37.4*	*1.6P*	
SG&A	75.6				73.4	2.1	*3.0*
Operating income (loss)	26.6	26.0	0.6	*2.7*	24.0	2.6	*11.1*
%	*10.2*	*9.7*	*0.4P*		*9.2*	*1.0P*	
Ordinary income (loss)	27.6	26.5	1.1	*4.4*	24.3	3.3	*13.8*
Income (loss) before income taxes	26.4				24.1	2.2	*9.3*
Net income (loss) attributable to owners of parent	18.9	18.5	0.4	*2.4*	17.8	1.0	*5.9*
%	*7.2*	*6.9*	*0.3P*		*6.9*	*0.4P*	

Segment Information - ■ BA Business

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The business environment has remained robust, thanks to urban redevelopment plans for the Tokyo metropolitan area, etc. Orders received increased both in Japan and overseas. We have made efforts to secure orders with a view to enhanced profitability. At the same time, we have striven to enhance the capabilities and efficiencies of job fulfillment, particularly on site, thus profitability has improved.

- In Japan, orders received grew significantly thanks to the robust business environment, and also overseas. As a result, overall orders received were higher than the previous fiscal year.
- Although the plan was not achieved, owing to the impact of construction schedule revisions seen throughout the building market, sales remained at approximately the same level as the previous fiscal year.
- Segment profit was lower than the previous fiscal year and the plan was not achieved. This was partly due to the fall in sales, but also to the recording of temporary expenses for provision incurred in the first half. However, profitability was improved.

(Billions of yen)

	Current fiscal year (A)	Plan (11/2/2018) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Orders received	123.7				117.8	5.9	*5.1*
Sales	119.5	122.0	(2.4)	*(2.0)*	120.2	(0.7)	*(0.6)*
Segment profit (loss)	12.4	13.0	(0.5)	*(4.5)*	12.5	(0.1)	*(1.3)*
%	*10.4*	*10.7*	*(0.3P)*		*10.5*	*(0.1P)*	

Segment Information - ■ AA Business

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Operations for the three AA business sub-segments* have been streamlined, and business growth has been achieved along with strengthened profitability. Both sales and profits have continued to grow. We are also developing a new automation field with launching new products for it. Although business conditions have changed in some markets – such as those for semiconductor manufacturing equipment, in which investment has fallen – the demand for automation has continued at a high level, both in Japan and overseas.

- There was a decrease in orders received compared to the previous fiscal year. This was because large-scale projects in energy-related markets had been recorded in the previous fiscal year, and because of a downturn in some markets.
- Sales were higher than the previous fiscal year, buoyed by progress with our growth strategy and despite the fact that market conditions remained sluggish.
- Segment profit increased significantly, up by 23% compared to the previous fiscal year, thanks to increased sales and the success of initiatives designed to strengthen business profitability. This represents another new record for segment profit, with a profit margin in excess of 12%.

(Billions of yen)

	Current fiscal year (A)	Plan (11/2/2018) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Orders received	98.3				101.7	(3.4)	*(3.3)*
Sales	99.3	100.0	(0.6)	*(0.6)*	97.2	2.1	*2.2*
Segment profit (loss)	12.2	11.0	1.2	*11.0*	9.9	2.2	*23.0*
%	*12.3*	*11.0*	*1.3P*		*10.2*	*2.1P*	

* Three AA business sub-segments:
CP (Control Product) business, IAP (Industrial Automation Product) business, and SS (Solution & Service) business.
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 – Life Science Engineering (LSE) and Lifestyle-related (residential central air-conditioning systems) –we are continuing with initiatives to realize and enhance stable profits through business structure reforms. Overall both sales and profits increased.

- Orders received fell in the LSE field compared with the previous fiscal year, when large-scale projects were recorded. Overall orders received also decreased.
- Sales fell short of the plan. However, thanks to growth in both the Lifeline and Lifestyle-related fields, overall sales were higher than the previous fiscal year.
- Thanks mainly to improvements in profitability achieved through business structure reforms, segment profit was higher than the previous fiscal year and achieved the plan.

(Billions of yen)

	Current fiscal year (A)	Plan (11/2/2018) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	*% Change*		(A) - (C)	*% Change*
Orders received	43.8				48.0	(4.1)	*(8.6)*
Sales	44.8	46.5	(1.6)	*(3.6)*	44.2	0.6	*1.4*
Segment profit (loss)	2.0	2.0	0.0	*3.0*	1.5	0.5	*37.3*
%	*4.6*	*4.3*	*0.3P*		*3.4*	*1.2P*	

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

- Mainly due to the increase in operating income, ordinary income was higher than the previous fiscal year. As a contributing factor foreign exchange gains were generated this year, in contrast to the previous fiscal year, when foreign exchange losses were recorded.
- While there were increased losses and expenses, as detailed below, net income attributable to owners of parent grew compared to the previous fiscal year thanks to the increase in ordinary income.
  - Although there was growth in extraordinary income due to increased gain on sales of investment securities, an extraordinary loss was recorded following final settlement of the defined benefit corporate pension plan for accounting purposes*1.
  - Tax expenses rose compared to the previous fiscal year, when there was a temporary reduction in tax expenses *2.

(Billions of yen)

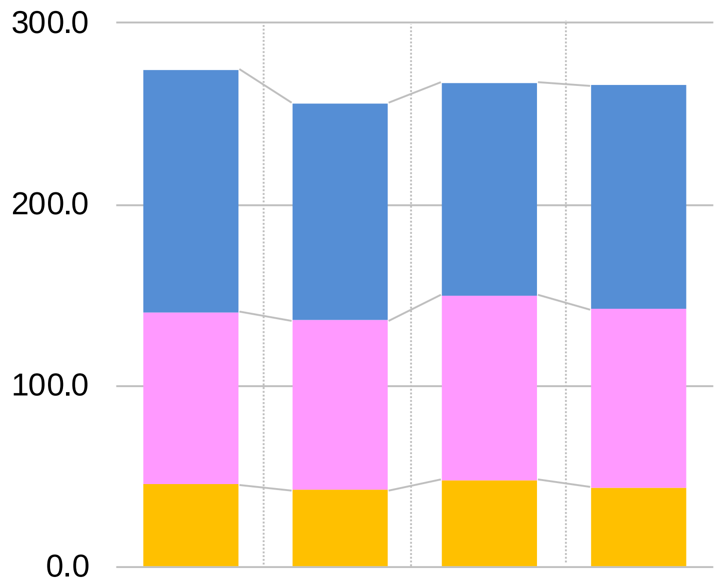
	Current fiscal year (A)	Previous fiscal year (B)	Difference (A) - (B)	Difference % Change
Operating income	26.6	24.0	2.6	*11.1*
Non-operating income	1.2	0.9	0.3	*36.8*
Non-operating expenses	0.3	0.6	(0.3)	*(52.2)*
Ordinary income	27.6	24.3	3.3	*13.8*
Extraordinary income	2.2	0.6	1.5	*237.6*
Extraordinary losses	3.4	0.7	2.6	*334.0*
Income before income taxes	26.4	24.1	2.2	*9.3*
Income taxes	7.2	6.0	1.1	*19.7*
Net income attributable to non-controlling interests	0.2	0.2	0.0	*5.1*
Net income attributable to owners of parent	18.9	17.8	1.0	*5.9*

*1 Loss recorded on final settlement of the defined benefit corporate pension plan:
In June 2015, current employees were transferred from the defined benefit pension plan to a defined contribution pension plan. For beneficiaries – that is, those who retired before the transfer – the defined benefit pension plan continues to operate as a closed pension fund. However, for accounting purposes final settlement was conducted in March 2019; as a result, a loss of 3.2 billion yen was recorded on the closure of the retirement benefit plan. Current beneficiaries of the defined benefit pension still receive benefits as before.

*2 Temporary reduction in tax expenses:
Following improvements in the profitability of domestic subsidiaries, the possibility of recovering deferred tax assets was established. These deferred tax assets were recorded (Azbil Kimmon's deferred tax assets increased by 1.2 billion yen), resulting in a reduction in tax expenses for the previous fiscal year.

Reference: Orders Received by Segment

(Billions of yen)



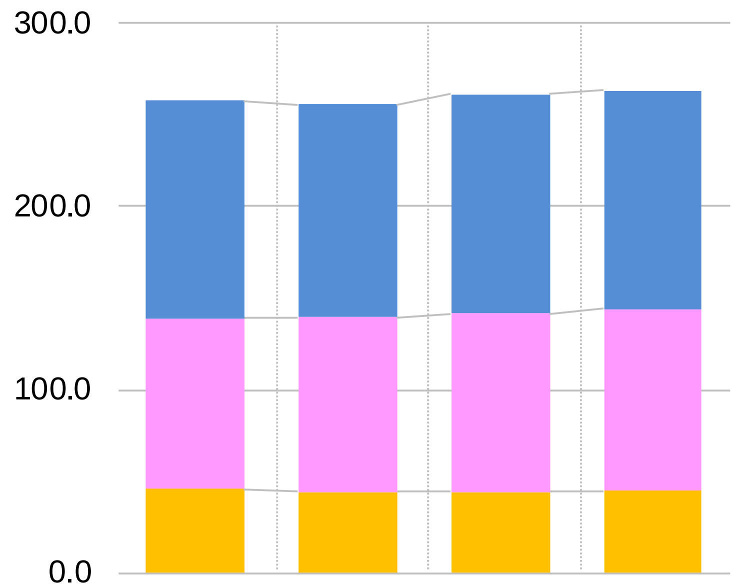
	FY2015	FY2016*2	FY2017*2	**FY2018*2**
B A	133.8 *1	120.0	117.8	**123.7**
A A	94.8	93.4	101.7	**98.3**
L A	45.7	42.6	48.0	**43.8**
Consolidated	273.6	254.9	266.2	**264.2**

*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 FY2016, orders received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. Note that this does not apply to the FY2015 figures above, which are based on the previous calculation method before the revision.

Reference: Sales by Segment

(Billions of yen)

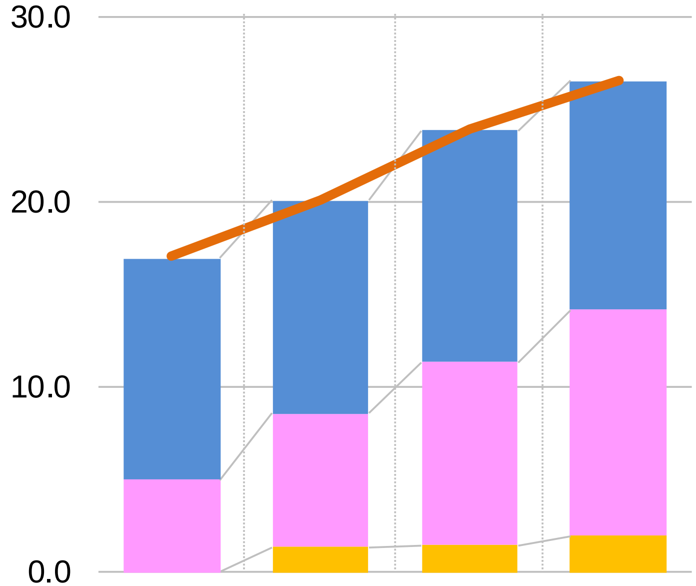


	FY2015	FY2016	FY2017	FY2018
B A	118.8	116.4 *	120.2	**119.5**
A A	93.5	95.4	97.2	**99.3**
L A	45.6	44.1	44.2	**44.8**
Consolidated	256.8	254.8	260.3	**262.0**

* In December 2016, the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. was removed from consolidation. The consolidated figures included the subsidiary until the third quarter of FY2016.

Reference: Segment Profit (Operating Income)

(Billions of yen)



	FY2015	FY2016	FY2017	**FY2018**
B A	12.0	11.5*	12.5	**12.4**
A A	5.0	7.2	9.9	**12.2**
L A	0.0	1.4	1.5	**2.0**
Consolidated	17.1	20.1	24.0	**26.6**

* In December 2016, the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. was removed from consolidation. The consolidated figures included the subsidiary until the third quarter of FY2016.

Overseas Sales by Region

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Compared to the previous fiscal year

Overseas sales increased by 2.0% compared to the previous fiscal year, with revenue growing in China, Asia, and North America.

BA Business

Sales grew in China and the Asian region, where emphasis was placed on securing orders for local projects. Overall BA sales increased.

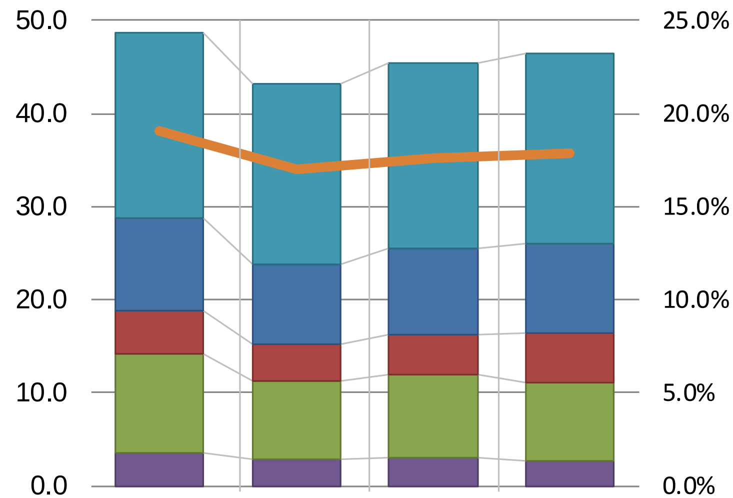
AA Business

Although there was a slowdown in the market for semiconductor manufacturing equipment, thanks mainly to increased sales of valves and field instruments in the Asian region and China, overall AA sales grew.

LA Business

LA business sales were down. While projects that were ordered in the previous fiscal year were steadily recorded as sales, these gains were offset by a fall in orders received in the first half of the current fiscal year and also by the impact of conducting business structure reforms last year.

(Billions of yen)



	FY2015	FY2016	FY2017	FY2018
Asia (ex-China)	20.0	19.5	20.0	**20.4**
China	9.9	8.5	9.3	**9.7**
North America	4.7	3.9	4.2	**5.3**
Europe	10.6	8.4	9.0	**8.5**
Others	3.5	2.9	3.0	**2.6**
Consolidated	48.9	43.3	45.7	**46.7**

Reference information

	FY2015	FY2016	FY2017	FY2018
Overseas sales/ Net sales	19.1%	17.0%	17.6%	**17.8%**
Average exchange rate - USD/JPY	121.11	108.81	112.17	**110.45**
Average exchange rate - EUR/JPY	134.31	120.30	126.70	**130.35**

• 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.

Consolidated Financial Position

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- **Assets** Investments and other assets decreased due to the sale of securities in addition to a drop in their market value. However, total assets increased by 1.7 billion yen compared to the end of the previous fiscal year. This was owing to an increase in notes and accounts receivable-trade, and also to an increase in property, plant and equipment as a result of investments made to convert the Shonan factory into a “mother factory.”
- **Liabilities** There was an increase in current liabilities (Others) due to increased income taxes payable. However, total liabilities decreased by 3.4 billion yen compared to the end of the previous fiscal year. This was partly because of a fall in notes and accounts payable-trade. There was also a fall in non-current liabilities (Others) as a result of a decrease in net defined benefit liability*.
  - * This was due to the final settlement of the defined benefit corporate pension plan for accounting purposes and the setting up of a retirement benefit trust for the lump-sum payment plan of a domestic consolidated subsidiary (Azbil Kimmon).
- **Net assets** Net assets saw an overall increase of 5.1 billion yen compared to the end of the previous fiscal year due to the recording of net income attributable to owners of parent. This was despite a fall in accumulated other comprehensive income due to a decrease in valuation difference on available-for-sale securities, and a decrease in shareholders' equity resulting from repurchase of the company's own shares and the payment of dividends.

(Billions of yen)

	As of Mar. 31, 2019 (A)	As of Mar. 31, 2018 (B)	Difference (A) - (B)
Current assets	**209.9**	**206.7**	**3.1**
Cash and deposits	46.4	46.1	0.3
Notes and accounts receivable-trade	93.7	91.4	2.3
Inventories	24.9	23.8	1.0
Others	44.7	45.3	(0.5)
Non-current assets	**65.6**	**67.0**	**(1.4)**
Property, plant and equipment	26.9	25.4	1.4
Intangible assets	5.1	5.2	(0.1)
Investments and other assets	33.4	36.3	(2.8)
Total assets	**275.5**	**273.8**	**1.7**

	As of Mar. 31, 2019 (A)	As of Mar. 31, 2018 (B)	Difference (A) - (B)
Liabilities	**92.4**	**95.8**	**(3.4)**
Current liabilities	**86.9**	**87.5**	**(0.5)**
Notes and accounts payable-trade	40.1	41.4	(1.3)
Short-term loans payable	9.8	10.1	(0.3)
Others	37.0	35.8	1.1
Non-current liabilities	**5.4**	**8.3**	**(2.8)**
Long-term loans payable	0.1	0.5	(0.3)
Others	5.2	7.8	(2.5)
Net assets	**183.0**	**177.9**	**5.1**
Shareholders' equity	**170.5**	**162.9**	**7.6**
Capital stock	10.5	10.5	-
Capital surplus	11.6	11.6	0.0
Retained earnings	160.3	147.7	12.5
Treasury shares	(11.9)	(6.9)	(4.9)
Accumulated other comprehensive income	**10.5**	**13.0**	**(2.4)**
Non-controlling interests	**1.9**	**1.9**	**(0.0)**
Total liabilities and net assets	**275.5**	**273.8**	**1.7**

* As a result of applying “Partial Amendments to Accounting Standard for Tax Effect Accounting”, total assets at the end of the current period were 2.7 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.

Reference: Shareholders' equity ratio: 65.7% (as of Mar. 31, 2019), 64.3% (as of Mar. 31, 2018)

Consolidated Cash Flows

- Cash flows from operating activities decreased compared to the previous fiscal year, despite a rise in income before income taxes. This was owing to increased expenditures for income taxes, and also to expenditures related to the setting up of a retirement benefit trust for a consolidated subsidiary (Azbil Kimmon). Cash flows from investing activities saw an increase in expenditures compared to the previous fiscal year. Although there was an increase in proceeds from the sales of investment securities, expenditures increased owing to the use of funds from time deposits to defray the increased outlays in the previous fiscal year related to the acquisition of property, plant and equipment to convert the Shonan factory into a mother factory. Consequently, free cash flow decreased by 7.3 billion yen compared to the previous fiscal year.
- Cash flows from financing activities saw an increase in expenditures compared to the previous fiscal year, mainly due to increased expenditures for the repurchase of own shares.

(Billions of yen)

	Current fiscal year (A)	Previous fiscal year (B)	Difference	
			(A) - (B)	%
Cash flows from operating activities	16.1	19.4	(3.3)	*(17.3)*
Cash flows from investing activities	(4.0)	(0.0)	(4.0)	-
Free Cash Flow (FCF)	12.0	19.4	(7.3)	*(38.1)*
Cash flows from financing activities	(12.0)	(10.8)	(1.1)	-
Effect of exchange rate change on cash and cash equivalents	(0.5)	0.2	(0.7)	-
Net increase (decrease) in cash and cash equivalents	(0.5)	8.8	(9.3)	-
Cash and cash equivalents at beginning of period	68.6	59.8	8.8	*14.7*
Cash and cash equivalents at end of period	68.1	68.6	(0.5)	*(0.7)*

Reference

Capital expenditure	6.3	7.0	(0.6)	*(9.6)*
Depreciation	4.1	4.1	0.0	*1.3*

2. Financial Plan for FY2019
(Ending March 31, 2020)

Consolidated Financial Plan

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We will continue initiatives to strengthen profitability in each business. While conditions are deteriorating in certain markets, taking advantage of our wide-ranging business portfolio, we will continue to invest in strengthening the business foundation for sustained growth. Thus, we plan to achieve net sales and profits at the same level as FY2018.

- The downturn in markets related to makers of manufacturing equipment is expected to continue, but conditions in the building market continue to be robust and overall net sales are projected to be at the same level as the previous fiscal year.
- By making further progress with initiatives designed to strengthen profitability, we will ensure that operating income is at the same level as FY2018, exceeding the goal for the final year of the medium-term plan.
- In order to realize sustained growth from FY2019 onwards and achieve our long-term goals, we will accelerate business growth by continuing investments such as in development and production systems aimed at strengthening the business foundation.

(Billions of yen)

	FY2019 (Plan)			Previous fiscal year	Difference	
	1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
Net sales	117.0	145.0	262.0	262.0	(0.0)	*(0.0)*
Operating income	7.7	18.8	26.5	26.6	(0.1)	*(0.7)*
%	*6.6*	*13.0*	*10.1*	*10.2*	*(0.1P)*	
Ordinary income	7.6	18.6	26.2	27.6	(1.4)	*(5.3)*
Net income attributable to owners of parent	4.9	13.6	18.5	18.9	(0.4)	*(2.4)*
%	*4.2*	*9.4*	*7.1*	*7.2*	*(0.2P)*	

Plan by Segment (1)

(Billions of yen)

		FY2019 (Plan)			Previous fiscal year	Difference	
		1st half	2nd half	(A)	(B)	(A) - (B)	*% Change*
B A	Sales	51.0	74.0	125.0	119.5	5.4	*4.6*
	Segment profit	2.1	11.6	13.7	12.4	1.2	*10.3*
	%	*4.1*	*15.7*	*11.0*	*10.4*	*0.6P*	
A A	Sales	44.0	50.0	94.0	99.3	(5.3)	*(5.4)*
	Segment profit	4.4	6.2	10.6	12.2	(1.6)	*(13.2)*
	%	*10.0*	*12.4*	*11.3*	*12.3*	*(1.0P)*	
L A	Sales	23.0	22.0	45.0	44.8	0.1	*0.4*
	Segment profit	1.2	1.0	2.2	2.0	0.1	*6.7*
	%	*5.2*	*4.5*	*4.9*	*4.6*	*0.3P*	
Consolidated	Net sales	117.0	145.0	262.0	262.0	(0.0)	*(0.0)*
	Operating income	7.7	18.8	26.5	26.6	(0.1)	*(0.7)*
	%	*6.6*	*13.0*	*10.1*	*10.2*	*(0.1P)*	

Plan by Segment (2)

BA

Steady progress with handling the increasing number of orders; planning to achieve record-breaking profits

- Thanks to the robust business environment in Japan, there was a steady increase in the order backlog (64.2 billion yen, up 3.9 billion yen on the previous year).
- By efficiently and steadily handling orders with the upgraded system for job execution, it is expected that we will achieve record-breaking sales and profits in FY2019.
- In overseas business too, continuous growth is expected on the back of a growth in orders.

AA

Continued strengthening of profitability; securing profits at a high level

- While the downturn in markets related to makers of manufacturing equipment is expected to continue, steady demand is expected in other markets, such as process automation.
- Redoubled efforts will be made to achieve further growth in the overseas business and expand the business to cover a new automation field.
- We will further streamline operations for the three sub-segments (CP, IAP and SS), through continued strengthening of business profitability.

LA

Continued initiatives to stabilize and improve profits

- Supported by the relatively stable demand for gas and water meters whose replacement is required by law, we expect to achieve increased sales for the LA business as a whole by developing a new data service business.
- By continuing with initiatives aimed at improving the profit structure, we will be able to stabilize and improve profits.

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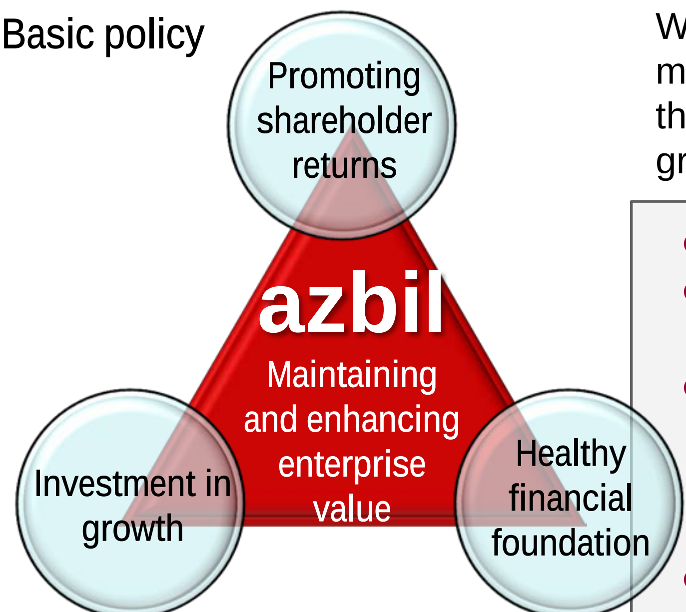
3. Returning Profits to Shareholders

Based on the basic policy, we will aim for stable and improved returns to shareholders while making steady progress with investments to drive future growth and thus increase enterprise value.

- **FY2018** Dividends issued as announced — Annual dividends of **46** yen per share (pre-split conversion 92 yen)
  - * A 2-for-1 common stock split was implemented on Oct. 1, 2018.
- **FY2019** Ordinary dividends increased by 4 yen — Annual dividends of **50** yen per share (pre-split conversion 100 yen)
  - Repurchase of own shares — Up to **10 billion** yen or 3.8 million shares (max.)
  - * Cancellation of 3.3 million treasury shares as of March 31, 2019 is also planned.

Basic policy



We will develop well-disciplined capital policies and aim to maintain/enhance azbil's enterprise value while carefully balancing 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

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FY2019 Dividends - Ordinary dividend increase of 4 yen -

Annual Dividends: 50 yen per share

- FY2018 year-end dividends: 23 yen (as announced)
  Steady progress has been made with business measures, and since it was possible to achieve results in line with the full-year plan, year-end dividends of 23 yen will be issued as previously announced.
- FY2019 dividend plan: increase of 4 yen, making annual dividends of 50 yen
  Owing to the success of business structure reforms and measures to strengthen the profit structure, in FY2019 it is planned to achieve record-level profits, as in FY2018. Since steady progress is being made with business measures aimed at achieving our long-term goals (FY2021)*1, in accordance with azbil's capital policies we are planning to increase the dividends to further enhance the return to our shareholders.

(Yen)

	FY2018			FY2019		
	Interim	Year-end (Plan)	Annual (Plan)	Interim (Plan)	Year-end (Plan)	Annual (Plan)
Dividends per share (Post-split Conversion)	46.0*2 (23.0)	23.0*2 (23.0)	— (46.0)	25.0	25.0	50.0
(Pre-split Conversion)	(46.0)	(46.0)	(92.0)	(50.0)	(50.0)	(100.0)
Payout ratio	34.8%			37.7%*3		
Dividends on equity (DOE)	3.7%			3.9% *4		

*1 Long-term goals (FY2021 financial results): net sales of 300 billion yen, operating profit in excess of 30 billion yen, and ROE greater than 10%.

*2 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.

*3 The effects of own share repurchases being completed in FY2019 are taken into account for a trial calculation of net income per share, and accordingly payout ratio for FY2019.

*4 The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2019: own share repurchases being completed in FY2019, year-end dividends for FY2018, interim dividends for FY2019, and net income attributable to owners of parent in consolidated financial plan for FY2019.

Cancellation of Treasury Shares and Repurchase of Own Shares

Along with the cancellation of treasury shares held on March 31, 2019, in order to improve capital efficiency and to further enhance shareholder return:

10 billion yen of the Company's own shares will be repurchased.

Taking into consideration the current status and future outlook for our business and financial results, and while ensuring a disciplined capital policy, we aim to further improve capital efficiency. In order to make possible further enhancement to shareholder return and the pursuit of a flexible capital policy that can accommodate changes in the business environment, we are cancelling treasury shares and repurchasing own shares.

■ Cancellation of treasury shares

- Type of share to be cancelled: Common shares of the Company
- Number of shares to be cancelled: 3,300,000 shares
  - 2.2% of the total number of common shares issued before the cancellation
  - Company's treasury shares as of March 31, 2019: 3,303,558 shares *
- Total number of issued shares after the cancellation: 145,200,884 shares
- Scheduled cancellation date: May 31, 2019

■ Repurchase of own shares

- Type of share to be repurchased: Common shares of the Company
- Total number of shares to be repurchased: Up to 3,800,000 shares
- Total amount of repurchase: Up to 10 billion yen
- Period of repurchase: From May 13, 2019 to October 31, 2019
- Method of repurchase: Market transactions on the Tokyo Stock Exchange

* The above number of treasury shares, 3,303,558 shares, does not include shares owned by a trust account for Trust for Employee Stock Ownership Plan (J-ESOP), which owned 1,988,258 shares as of March 31, 2019.

4. Final Year of the Medium-term Plan (FY2017-FY2019)

- Progress and Forward-looking Initiatives -

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

- By implementing business strategies based on the three fundamental policies as well as measures to strengthen profitability, we achieved an operating income of 26.6 billion yen and an ROE of 10.6% in FY2018. These figures exceed the performance goals originally set for the final year of the medium-term plan (published in May 2017).
- We will aim to achieve further growth through continued investment in strengthening the business foundation (developing products and services, reinforcing the production system, etc.), steadily developing and implementing measures for each business segment to achieve our long-term goals.

Details of the current medium-term plan as originally published in May 2017

Group philosophy
“human-centered automation”

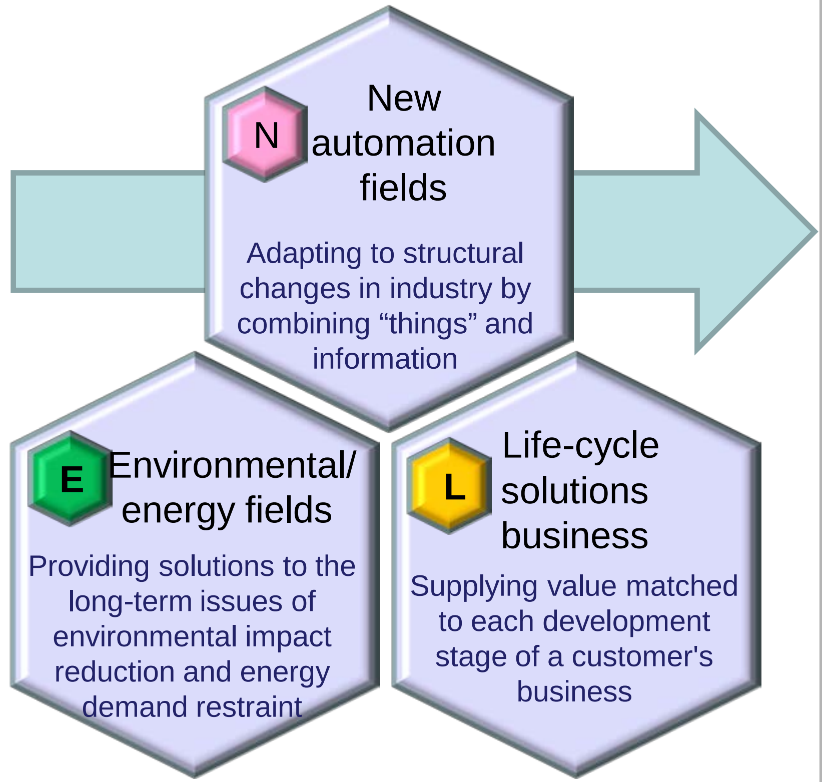
Three fundamental policies

- 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



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

Medium-term Plan Performance Goals: Progress by Segment

- The BA business has improved profitability while upgrading its systems to handle high demand.
- Through strengthening business profitability, the AA business has achieved results that exceed the plan. It has established a business structure that can secure profits at a high level.
- Through business structure reforms, the LA business has achieved business stability and firmly established profitability.
- There has been a downturn in some markets, but we will steadily implement measures to attain our long-term goals and achieve further growth.

(Billions of yen)

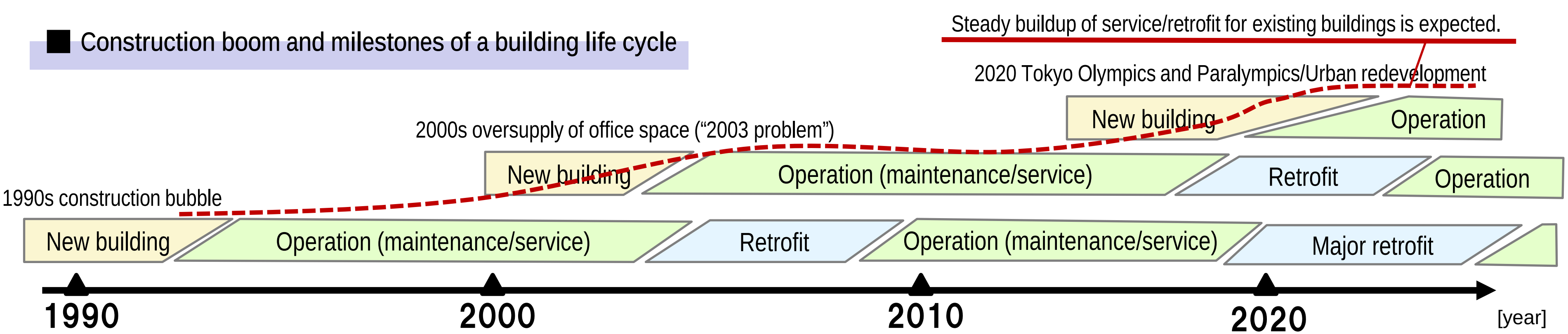
		FY2017 (Results)	FY2018 (Results)	FY2019 (Plan)	
				Original goals set for the medium-term plan (Announced on May 12, 2017)	**Plan for FY2019 performance** (Announced on May 10, 2019)
B A	Sales	120.2	119.5	124.0	125.0
	Segment profit	12.5	12.4	13.0	13.7
	%	*10.5*	*10.4*	*10.5*	*11.0*
A A	Sales	97.2	99.3	100.0	94.0
	Segment profit	9.9	12.2	9.5	10.6
	%	*10.2*	*12.3*	*9.5*	*11.3*
L A	Sales	44.2	44.8	48.0	45.0
	Segment profit	1.5	2.0	2.5	2.2
	%	*3.4*	*4.6*	*5.2*	*4.9*
Consolidated	Net sales	260.3	262.0	270.0	262.0
	Operating income	24.0	26.6	25.0	26.5
	%	*9.2*	*10.2*	*9.3*	*10.1*

Progress in Implementing Business Measures - BA Business

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

- There are no changes to the outlook for the domestic business environment, and it is expected that business related to urban redevelopment projects will continue to be robust. The fall in demand from FY2020 onwards will also be limited. From FY2020 onwards, growth is expected in retrofit demand for existing systems.
- With demand for new buildings continuing at a high level, we are upgrading systems to ensure steady job execution is achieved without exceeding the appropriate number of working hours. We are also implementing measures for actively securing orders.
  —Projects won offer future earning potential, over the life cycle of the building, as business opportunities for service and retrofit, which have healthy margins. Our domestic maintenance service and retrofit business for existing buildings together represent about 70% of BA business sales.
- With a view to securing the retrofit demand that is expected to increase from FY2020 onwards, we are strengthening our new building automation system and proactively making retrofit proposals to owners.
- By offering steady installation and such high added-value services as energy saving, we are building a solid track record in the Asian region and finding new partners.

■ Construction boom and milestones of a building life cycle



Initiatives aimed at future growth

- ➢ Expanding the new automation field (offering solutions employing edge/cloud-based products) centered around the new building automation system (savic-net™G5)
- ➢ Further promoting work-style reforms and upgrading business processes to create a high profit structure for our domestic business

Progress in Implementing Business Measures - AA Business

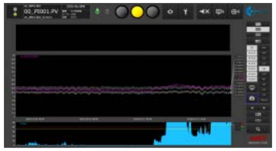
Generating profits in mature fields and accelerating the shift to growth fields

- Despite the downturn in some markets, in Japan and abroad we continue to see robust investment in production and strong demand for the automation required for more advanced production. Therefore, there continues to be a market environment that supports sustained growth in the medium and long term.
- Progress is being made with growth strategies and measures to enhance profitability in the three sub-segments (CP, IAP and SS), creating a high profit structure. FY2018 saw a new record set for segment profit for the second year running: 12.2 billion yen (12.3% segment profit rate), greatly exceeding the 9.5 billion yen (9.5% segment profit rate) set as the goal for the final year of the current medium-term plan.
- Using new automation that leverages the azbil Group's strengths, a wide variety of new businesses are being developed, encompassing factory automation, process automation, sensors, control and IoT. These fields are expanding and will serve as the engine to drive future growth.

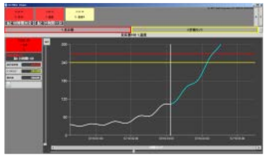
Initiatives aimed at future growth

- Accelerating business foundation enhancement for future growth
  - Strengthen the overseas sales system. Make priorities of expanding customer coverage in China and Asia, and enhancing capabilities for making proposals to customers.
  - Create competitive products and services. Provide customers with new automation products and services that leverage the technical development expertise and production technology strengths that are unique to azbil.
- Renewed focus on strengthening business profitability
  - Expand initiatives to strengthen business profitability for each of the 3 sub-segments: shifting to a high profit structure, reinforcing global production & procurement systems, and creating a high added-value engineering system. Secure a competitive edge for the business and realize further profit growth.

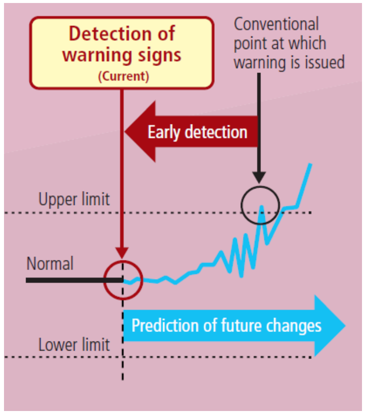
System that harnesses big data & AI to detect early signs of anomalies and predict the future status



▲Online anomaly monitoring system



▲Advanced critical trend monitoring for safety



Progress in Implementing Business Measures - LA Business

From establishing the profit structure to expanding the business

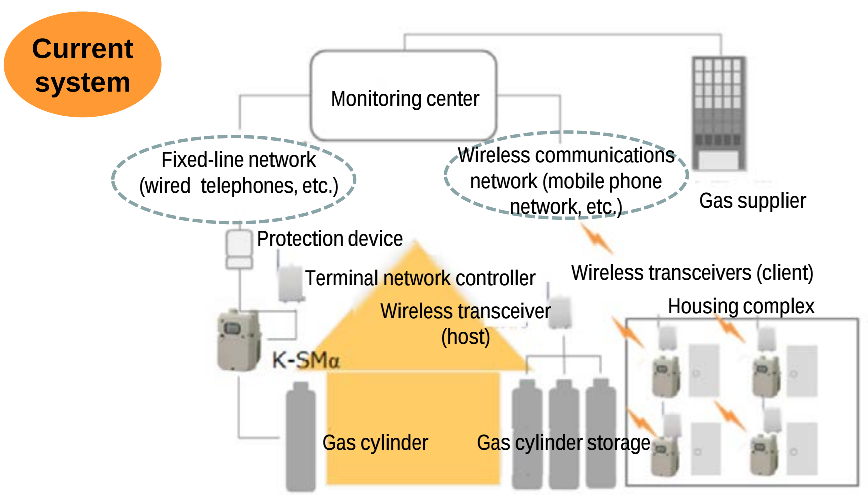
- In the various fields that make up the LA business, the profit structure has been firmly established though initiatives aimed at improving it and through business structure reforms.
- There has been no change in the relatively stable demand for meter replacement, required by law, that determines the business environment for the Lifeline field (gas/water meters, etc.). However, the liberalization of gas sales and other factors have generated new needs and new business opportunities in the energy supply market.
- In the market for gas and water meters, we are developing and launching new products to meet the demand for products that harness new technologies such as IoT. We are also expanding our business and participation in a variety of validation projects that employ LPWA (Low Power Wide Area)* networks with a view to realizing an automatic meter-reading system.

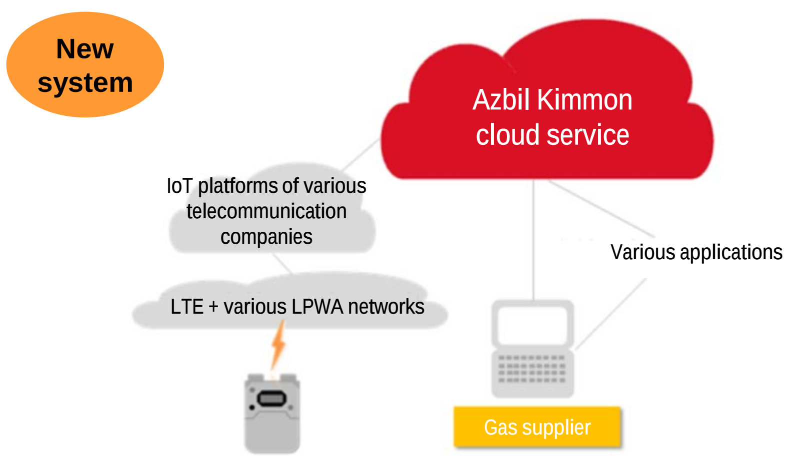
* LPWA = Low Power Wide Area. LPWA wireless communication networks combine low power consumption with extended range, making this technology suited for IoT/M2M applications.

Initiatives aimed at future growth

- Launch a new automation field (cloud data service business) that meets emerging needs in the Lifeline field.
- Develop advanced equipment and strengthen the equipment business using the synergy between Azbil Corp. and Azbil Telstar.
- Cultivate demand for replacement of residential air-conditioning systems and associated services.

Current centralized monitoring systems vs. cutting-edge cloud service





Progress with Upgrading and Strengthening the Business Foundation (1)

Establishing an advanced global production system

New Shonan Factory (mother factory)

- The production functions of the Shonan factory, the Isehara factory and the Fujisawa Technology Center have been consolidated in the Shonan factory.
- To realize our vision of next-generation production, we have created the azbil Group's mother factory to be in the vanguard of the 4M* revolution, which focuses on the essentials of production.

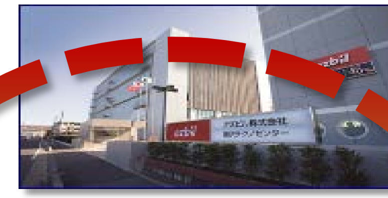
*4M: Man, Machine, Material and Method

Global Production System

- We are making progress with establishing a global, optimized production system: implementing initiatives for the expansion of production and strengthening of production functions at our overseas bases, as well as upgrading commercial and physical distribution. The principal overseas factories are Azbil Control Instruments (Dalian) in China and Azbil Production (Thailand).

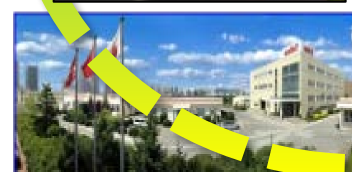
Advanced Production Technology

- We aim to further strengthen the technical development expertise and production technology strengths that are unique to azbil. We are engaged in building ultra-flexible production processes and developing the technology for advanced sensor packages.



Fujisawa Technology Center

Shonan Factory
(New building completed in April 2019)



Azbil Control Instruments (Dalian) Co., Ltd.

Azbil Production (Thailand) Co., Ltd.

Accelerating business development overseas

- We established the Strategic Planning and Development Office for Southeast Asia in Singapore. We foster the emergence of synergies among subsidiaries in the Southeast Asian region, and we are now able to supply the same high added-value products and services as we offer in Japan.
- Thanks to our solid reputation for supplying building life-cycle solutions (BA business), we are now developing new partnerships, such as our alliance with a major overseas design office with a global presence.

Progress with Upgrading and Strengthening the Business Foundation (2)

Enhancing our technologies and product development capabilities to expand into new automation field

We are developing next-generation system products for the IoT era, including ones that utilize the cloud, as well as a range of innovative new field instruments such as sensors and actuators that feature sensor packages employing MEMS (micro-electro-mechanical systems) technologies. We are aiming to create new business fields that generate new added value by linking these devices together via networks.

- A specialized department was established for the development and marketing of products and services that employ new technologies. We are advancing the development of an AutoDR™ system for demand-response management, and cloud services for building management.
- We will strengthen the functions of the Fujisawa Technology Center that forms the core of the azbil Group's technical development activities. While further cultivating and consolidating MEMS technologies, an area in which azbil enjoys an advantage, we are using these technologies to accelerate the development of a collection of field instruments, including a variety of IoT-ready sensors and actuators.
- We are developing smart robots that leverage our unique actuator technologies.

▲Compact, high-performance devices, packed with MEMS technologies, for use in azbil measuring instruments

▲Next-generation smart robot

HR measures to promote business growth and "management for healthy working"

- Taking work-style reforms to a higher level: "management for healthy working", which fosters physical & mental health with a good work-life balance
- As a corporate entity that never stops learning, shifting from assigning human resources in response to changes in the business environment (about 600 assigned from FY2012), to implementing structural staff rotation and optimized personnel assignment based on individual career interviews
- Creating a uniform personnel system and human resource development encompassing the entire workforce – ranging from new employees and mid-level staff to veterans (post-retirement hiring) – that facilitates early advancement for younger employees and creates opportunities for experienced veterans

5. The azbil Group’s CSR-focused Management and Corporate Governance

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azbil Group CSR-focused management – putting into practice our "human-centered" philosophy

- Establishment of internal controls and comprehensive risk management based on a culture of thorough compliance backed by the firm trust of society
- Actively reducing CO_2 emissions and conserving resources in our own activities and operations; meeting society's expectations through a proactive social action program, and contributing to global environmental preservation

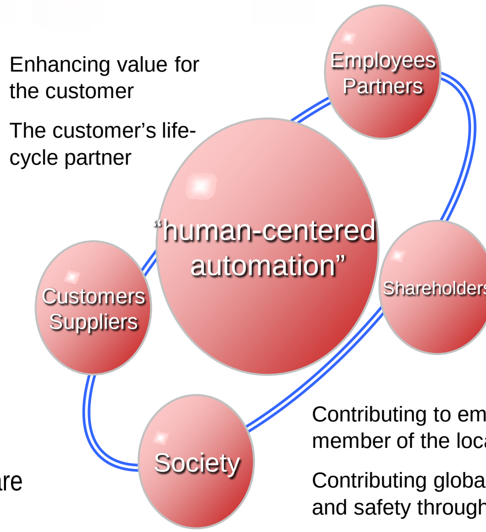
→ By maintaining a good balance between these two wheels of management, we can ensure and operate an effective system that complies with the Corporate Governance Code.

➢ The azbil Group's CSR-focused management includes sustained measures that are closely tied to ESG (environmental, social and corporate governance) factors. Also, SDGs (sustainable development goals) are closely aligned with our own goals, so we consider them to be one compass for management.

Enhancing value for the customer

The customer's life-cycle partner

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



Shareholder-focused management

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

Contributing globally to the environment and safety through our main business

Two wheels of management for continuous maximization of enterprise value

Basic CSR — Fulfilling our fundamental obligations to society

1. Establishing and improving corporate governance
2. Ensuring corporate activities are proper, healthy and sound (climate of high compliance, risk management, Group governance, business management that values people)
3. Strengthening the foundation/infrastructure for corporate activities

Proactive CSR — Contributing through our business operations and voluntary activity

1. Contributing to society through our business operations (offering value through active, innovative corporate activities)*
2. Voluntary contributions to society

SDGs

The azbil Group is pursuing various efforts aimed at achieving the SDGs.

- Promote energy savings together with customers
- Use IoT and AI to help realize "super-smart factories"
- Deploy operational management using network technologies to deliver a balance between comfort and energy conservation
- Reduce environmental impacts on customers' sites and society through our core business, and also reduce the environmental impact of our own business activities
- Maximize the value we offer to customers through organizational transformation into a corporate group that never stops learning
- Step up efforts to create workplaces where people can demonstrate their abilities and excel from a responsible position
- Aim to realize healthy and happy lives for employees
- Promote design for the environment that consider whole life cycles

* CO_2 emissions reduction at customers' sites through our products and solutions (3.28 million tons/year in FY2017).

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azbil Group Corporate Governance Reforms (1)

We are implementing ongoing initiatives to ensure that the board of directors is highly transparent and diverse as well as highly effective in administrative matters. We are also working to enhance our corporate governance system.

FY2018

- Ms. Waka Fujiso was appointed to an independent outside directorship, thus promoting diversity and raising the number of outside directors from 3 to 4.
- A non-executive director assumed the position of Chairman of the Board.
- Outside director assumed the position of Chairman of the Nomination & Remuneration Committee (over half the members being outside directors).
- Advisor/counselor system was abolished (entailing a partial amendment to the articles of association).
- Revised corporate governance report was issued.
  - ✓ Principle 1-4 Policy regarding reduction of strategic shareholdings, etc.
  - ✓ Principle 2-6 Active role as asset owner of corporate pension funds, etc.
  - ✓ Principle 3-1 Policies and procedures for the appointment/dismissal of senior management, etc.

FY2019

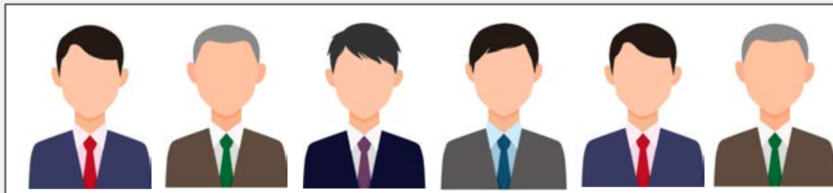
- Mr. Mitsuhiro Nagahama will be appointed to independent outside directorship, raising the number of outside directors from 4 to 5.

Composition of the Board of Directors

(following the conclusion of the Ordinary General Meeting of Stockholders on June 25, 2019)

Note: The Chairman of the Board does not concurrently hold an executive position.

More than 1/3 of the Board are outside directors



Number of inside directors: 6

Number of independent outside directors: 5
(including 1 of foreign nationality and 1 female)

azbil Group Corporate Governance Reforms (2)

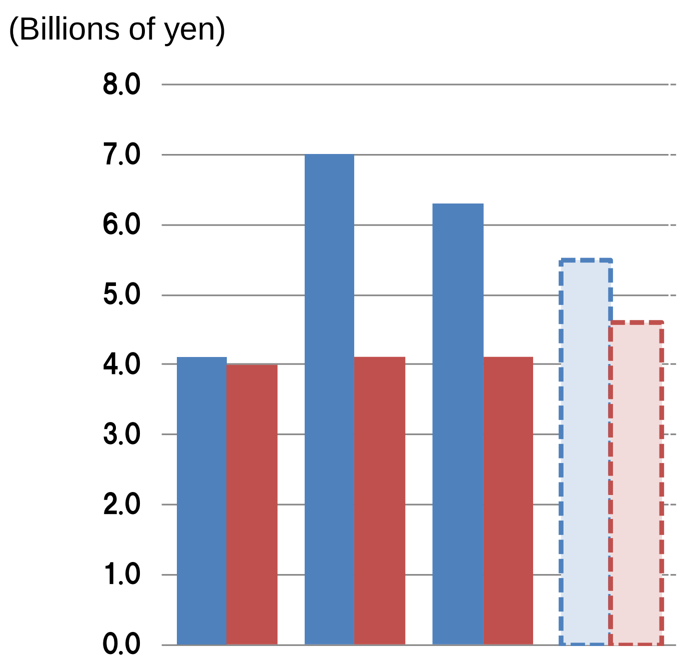
Corporate governance reforms to date

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

Appendix

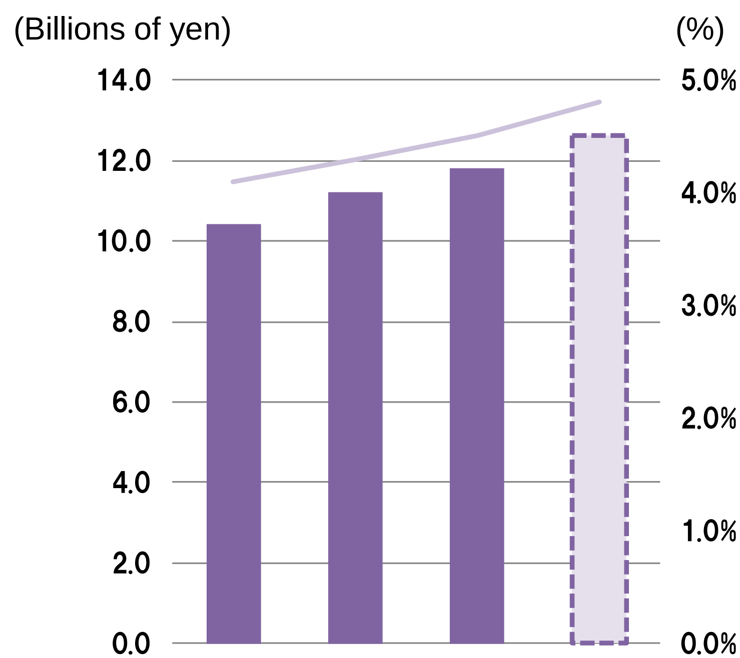
Capital Expenditure, Depreciation and R&D Expenses

Capital Expenditure, Depreciation



	FY2016	FY2017*1	FY2018*1	FY2019*1 (Plan)
Capital Expenditure	4.1	7.0	6.3	**5.5**
Depreciation	4.0	4.1	4.1	**4.6**

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

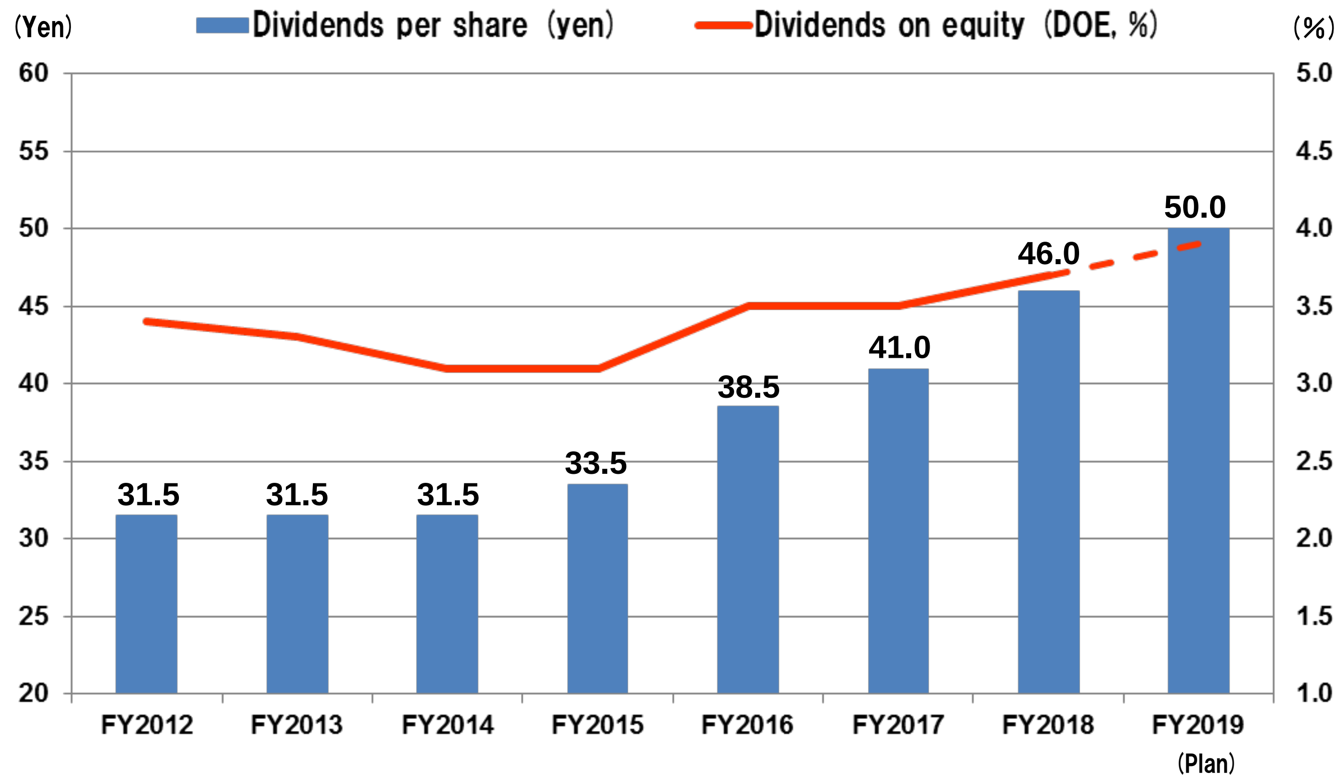


	FY2016	FY2017*2	FY2018*2	FY2019*2 (Plan)
R&D Expenses	10.4	11.2	11.8	**12.6**
R&D Expenses/ Net Sales	4.1%	4.3%	4.5%	**4.8%**

*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 FY2017.

*2 Product development expenses for IoT, big data, AI, robots, etc. have been increasing from FY2017.

Trends of Shareholders' Returns



	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 (Plan)
Dividends per share (yen)	31.5	31.5	31.5	33.5	38.5	41.0	46.0	50.0
Dividends on equity (DOE, %)	3.4	3.3	3.1	3.1	3.5	3.5	3.7	3.9

Repurchase of own shares Total amount (billions of yen)				1.9		2.9	4.9	10.0
(Number of own shares repurchased (million shares))				(1.20)		(1.42)	(1.87)	(3.80)

Note:

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

Sustainable Development Goals and the azbil Group

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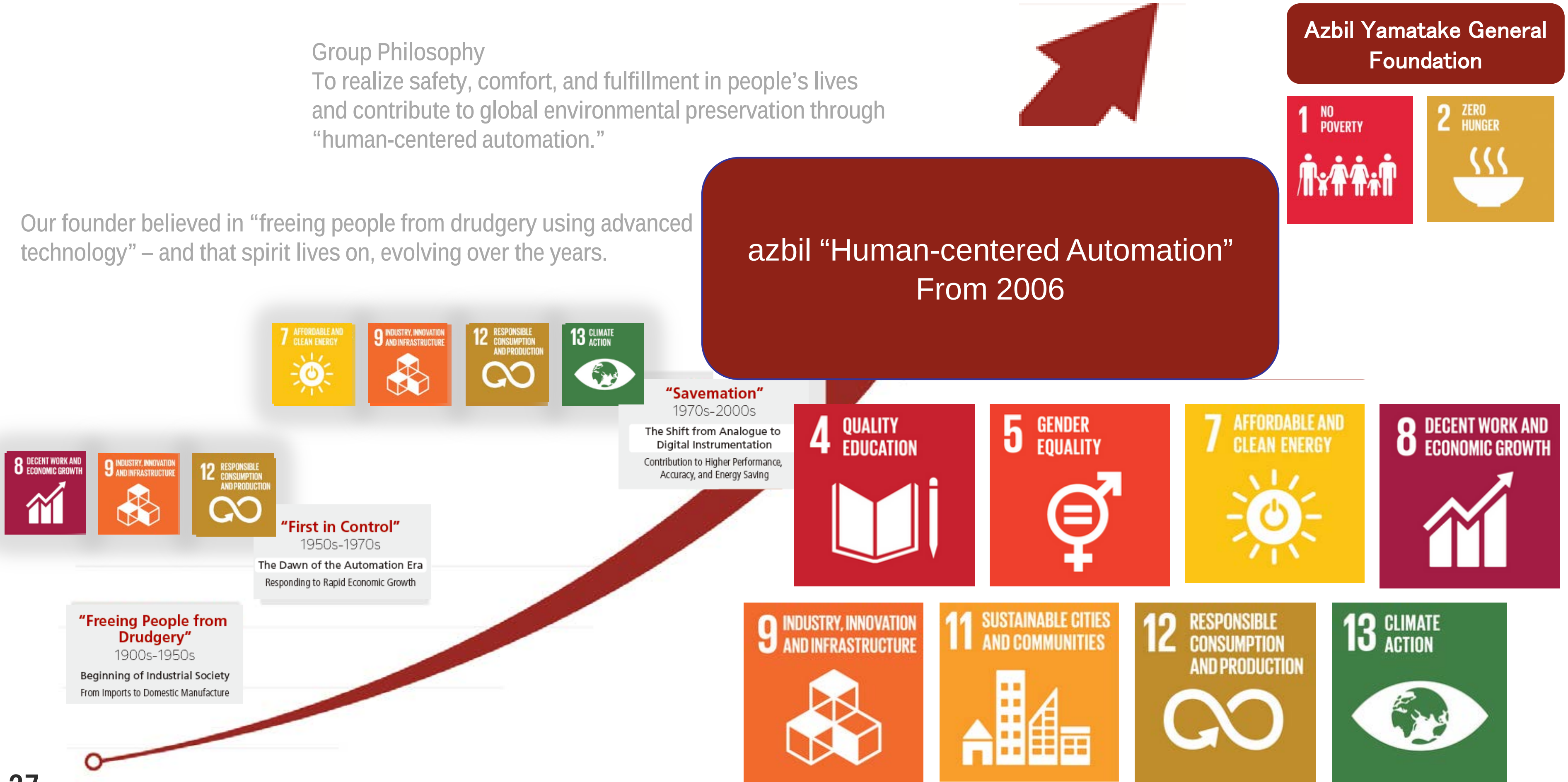
The founder's vision formed the basis for the azbil Group's philosophy of "human-centered automation." Through management based on this philosophy, we are simultaneously pursuing sustainable development goals. By making continued, steady progress with initiatives aimed at creating shared value with society, we are striving to enhance enterprise value.

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

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"**

Investor Relations,
Group Management Headquarters

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