Azbil Corporation RIC: 6845.T, Sedol: 6985543

azbil
Human-centered automation

Presentation Materials

For the First Quarter of the Fiscal Year Ending March 31, 2020
(Based on Japanese GAAP)

Contents

August 2, 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 azbil 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
   - IAP (Industrial Automation Product) business: Supplying process automation products such as differential pressure and pressure transmitters, control valves
   - SS (Solution and 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 integrated solutions 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 low in the first quarter of the consolidated accounting period and highest in the fourth quarter. However, fixed costs are generated constantly. This means that profits are typically lower in the first quarter and higher in the fourth quarter.

4. The financial plan is based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore is not a guarantee of future performance. Due to various factors, actual results may differ from those discussed in this material.

5. Change in accounting policy (adoption of International Financial Reporting Standard 16 Leases; hereafter, "IFRS 16")

   Subsidiaries which apply IFRS have adopted IFRS 16 "Leases" from the current first quarter. Accordingly, lessees recognize all leases, in principle, as assets and liabilities on the balance sheet. On adopting of IFRS 16, in accordance with transitional measures, the subsidiaries recorded an adjustment to retained earnings as the cumulative effect of this change at the beginning of the current first quarter. As a result, property, plant and equipment increased by 1.132 billion yen, "Other" under current liabilities increased by 0.255 billion yen, and "Other" under non-current liabilities increased by 0.945 billion yen, while the effect of this change on the quarterly consolidated statements of income for the current first quarter is immaterial. Additionally, retained earnings at the beginning of the current first quarter decreased by 0.065 billion yen.

1. Financial Results for the First Quarter of FY2019 (Ending March 31, 2020)

Consolidated Financial Results

Compared to the same period last year

- Orders received fell for the AA business but increased overall thanks mainly to the BA business, which achieved growth in orders received, reflecting robust market conditions.
- Sales rose for the BA business but fell for the AA business and the LA business due to market conditions. Overall net sales remained similar to the same period last year.
- Operating income increased due to the success of measures to strengthen business profitability. However, owing mainly to the recording of foreign exchange losses on appreciation of the yen, ordinary income was virtually unchanged from the same period last year, as was net income attributable to owners of parent.

(Billions of yen)

	FY2019 1Q (A)	FY2018 1Q (B)	Difference	
			(A) - (B)	*% Change*
Orders received	81.4	80.2	1.1	*1.5*
Net sales	54.3	54.8	(0.4)	*(0.8)*
Japan	44.0	44.1	(0.1)	*(0.3)*
Overseas	10.2	10.6	(0.3)	*(3.1)*
Gross profit	20.3	20.0	0.3	*1.6*
%	*37.4*	*36.5*	*0.9pp*	
SG&A	18.0	18.2	(0.2)	*(1.1)*
Operating income (loss)	2.2	1.7	0.5	*29.0*
%	*4.2*	*3.2*	*1.0pp*	
Ordinary income (loss)	2.4	2.4	0.0	*0.8*
Income (loss) before income taxes	2.4	2.3	0.0	*1.4*
Net income (loss) attributable to owners of parent	1.4	1.5	(0.0)	*(3.6)*
%	*2.7*	*2.8*	*(0.1)pp*	

Segment Information – ■ BA Business

Thanks to urban redevelopment plans for the Tokyo metropolitan area, the market environment continued to be robust. As such orders received increased. There was a focus on securing orders with a view to enhanced profitability. Additionally, efforts were made to ensure enhanced capabilities and efficiencies of job fulfillment, particularly on site; as a result, profitability improved.

Compared to the same period last year

- There was an increase in overall orders received, with growth achieved in fields related to equipment/system sales and installation for new large-scale buildings, reflecting a robust business environment.
- Sales also increased in the field for new large-scale buildings, resulting in an overall increase.
- An improvement was achieved in segment loss thanks to revenue growth and initiatives aimed at improving profitability.

(Billions of yen)

	FY2019 1Q (A)	FY2018 1Q (B)	Difference	
			(A) - (B)	*% Change*
Orders received	47.5	45.0	2.5	*5.6*
Sales	22.4	21.8	0.6	*2.9*
Segment profit (loss)	(0.2)	(0.9)	0.6	-
%	-	-	-	

Segment Information – ■ AA Business

Focusing on the three AA business sub-segments,* we have implemented measures to achieve business growth and worked to strengthen business profitability through diverse initiatives. Sales fell owing to the downturn in markets related to semiconductor manufacturing equipment, but the profit ratio improved and segment profit was virtually unchanged from the same period last year. Robust demand continued for automation aimed at solving labor shortages, responding to the needs for environmental preservation, and achieving further increases in productivity.

Compared to the same period last year

- Orders received fell due to the sluggish manufacturing equipment markets in Japan and overseas.
- In spite of developing new customers and expanding sales of strategic products, reduced sales in the domestic and overseas manufacturing equipment markets meant that overall sales were down.
- Owing to the continued success of measures to strengthen profitability, segment profit was largely unchanged from the same period last year, despite the fall in revenue resulting from the market downturn.

(Billions of yen)

	FY2019 1Q (A)	FY2018 1Q (B)	Difference (A) - (B)	Difference % Change
Orders received	22.5	24.9	(2.3)	*(9.3)*
Sales	21.9	22.3	(0.4)	*(2.0)*
Segment profit (loss)	2.3	2.2	0.0	*1.2*
%	*10.6*	*10.2*	*0.3pp*	

* Three AA business sub-segments:
CP (Control Product) business, IAP (Industrial Automation Product) business, and SS (Solution and Service) business.
For details, refer to page 2 of this document.

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 initiatives to realize and improve stable profits through business structure reforms.

Compared to the same period last year

- Overall orders received were up, mainly due to growth in the LSE field.
- Overall sales were down; this was because orders received in the LSE field decreased last year.
- Segment profit was down owing mainly to reduced revenue.

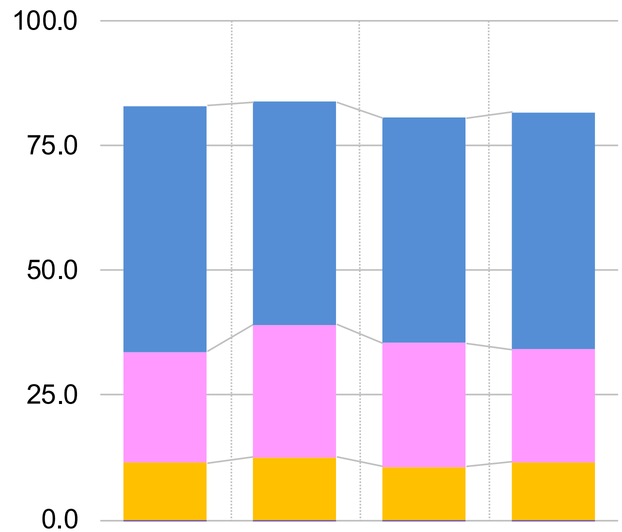
(Billions of yen)

	FY2019 1Q (A)	FY2018 1Q (B)	Difference	
			(A) - (B)	*% Change*
Orders received	11.5	10.6	0.9	*8.9*
Sales	10.2	10.8	(0.5)	*(5.4)*
Segment profit (loss)	0.2	0.4	(0.1)	*(42.5)*
%	*2.3*	*3.7*	*(1.5)pp*	

Reference: Orders Received by Segment

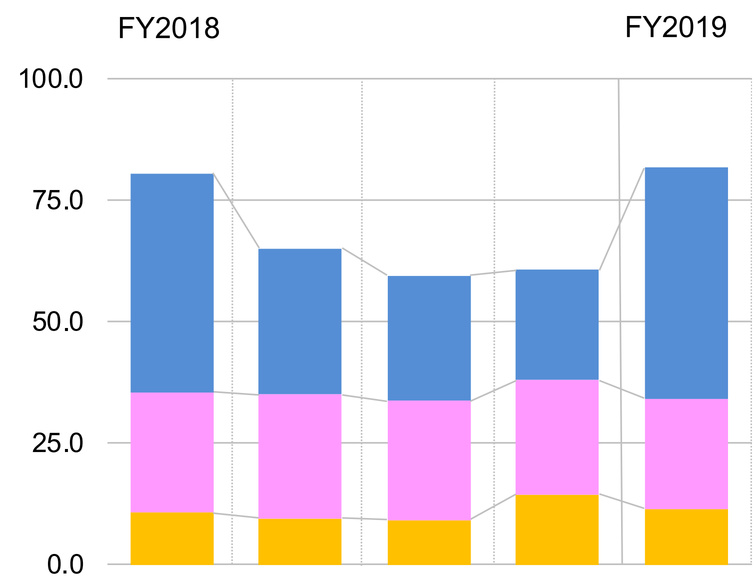
(Billions of yen)

Comparison to past results (1Q)



	FY2016 1Q	FY2017 1Q	FY2018 1Q	**FY2019 1Q**
B A	49.2	44.7	45.0	**47.5**
A A	22.3	26.5	24.9	**22.5**
L A	11.4	12.5	10.6	**11.5**
Consolidated	82.7	83.5	80.2	**81.4**

Quarterly (3 months)

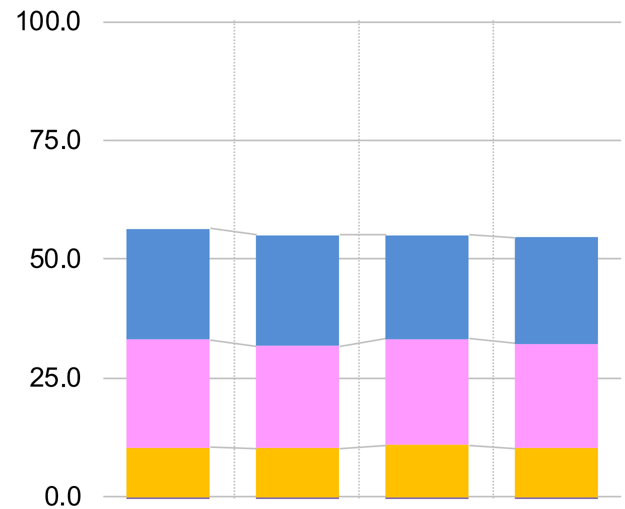


	FY2018				**FY2019**
	1Q	2Q	3Q	4Q	**1Q**
B A	45.0	30.1	25.8	22.7	**47.5**
A A	24.9	25.4	24.4	23.5	**22.5**
L A	10.6	9.5	9.2	14.4	**11.5**
Consolidated	80.2	64.8	59.0	60.1	**81.4**

Reference: Sales by Segment

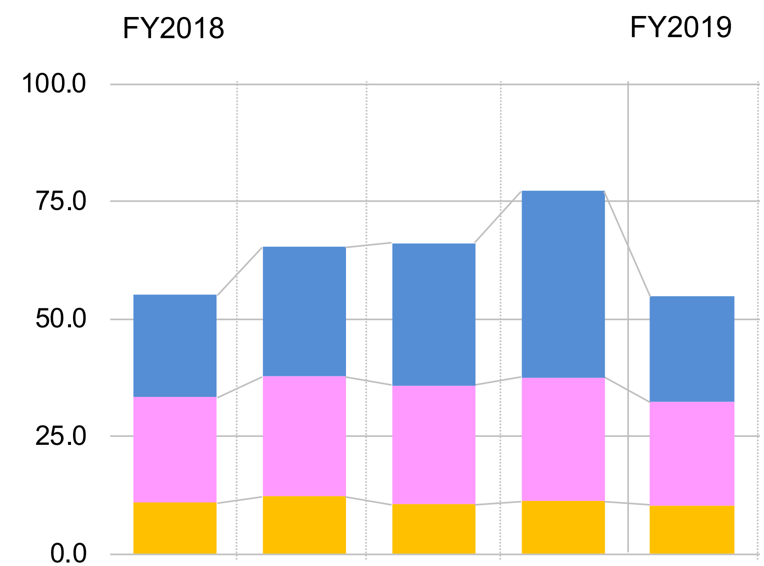
(Billions of yen)

Comparison to past results (1Q)



	FY2016 1Q	FY2017 1Q	FY2018 1Q	**FY2019 1Q**
B A	23.3	23.3	21.8	**22.4**
A A	22.6	21.5	22.3	**21.9**
L A	10.3	10.1	10.8	**10.2**
Consolidated	56.1	54.7	54.8	**54.3**

Quarterly (3 months)

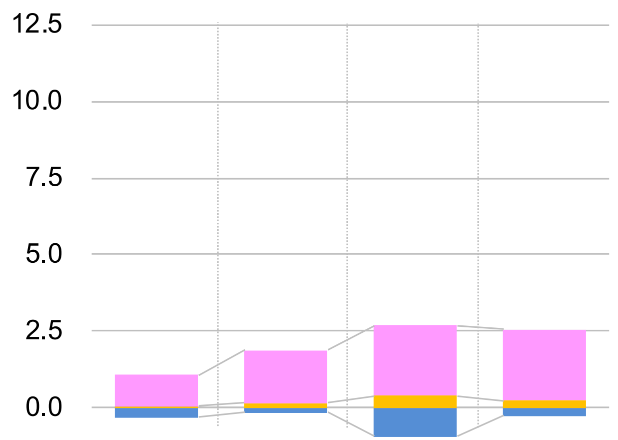


	FY2018				**FY2019**
	1Q	2Q	3Q	4Q	**1Q**
B A	21.8	27.7	30.2	39.6	**22.4**
A A	22.3	25.4	25.2	26.3	**21.9**
L A	10.8	12.2	10.5	11.2	**10.2**
Consolidated	54.8	64.9	65.6	76.6	**54.3**

Reference: Segment Profit (Operating Income)

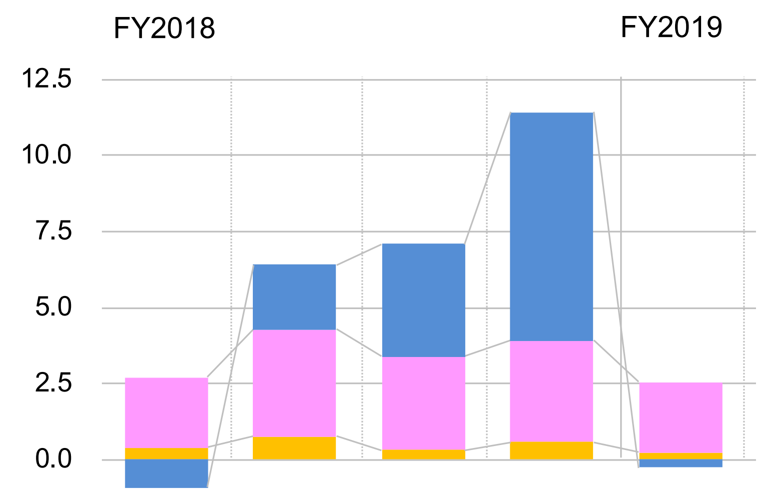
(Billions of yen)

Comparison to past results (1Q)



	FY2016 1Q	FY2017 1Q	FY2018 1Q	**FY2019 1Q**
B A	(0.3)	(0.1)	(0.9)	**(0.2)**
A A	1.0	1.7	2.2	**2.3**
L A	0.0	0.1	0.4	**0.2**
Consolidated	0.7	1.7	1.7	**2.2**

Quarterly (3 months)



	FY2018				**FY2019**
	1Q	2Q	3Q	4Q	**1Q**
B A	(0.9)	2.1	3.7	7.5	**(0.2)**
A A	2.2	3.5	3.0	3.3	**2.3**
L A	0.4	0.7	0.3	0.5	**0.2**
Consolidated	1.7	6.3	7.0	11.4	**2.2**

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Overseas Sales by Region

Compared to the same period last year

Overseas sales decreased by 3.1% compared with the same period last year, reflecting lower sales in North America and Europe, although sales grew in China.

BA Business

Sales fell in China etc. but grew in the Asian region, resulting in overall sales on par with the same period last year.

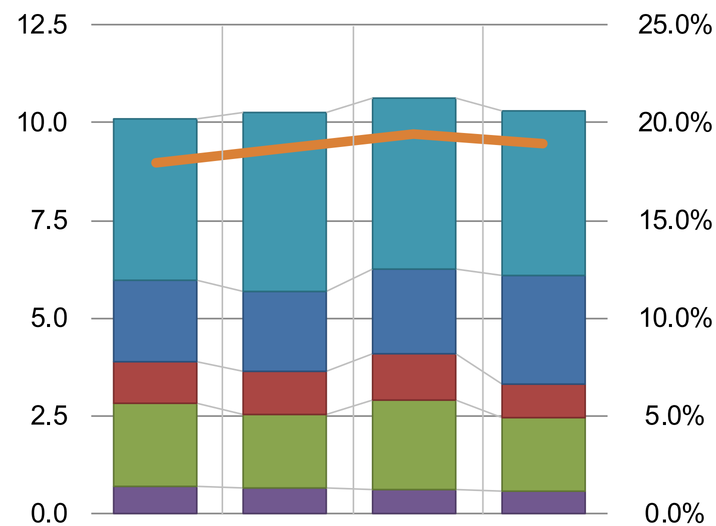
AA Business

Due to the downturn in market conditions, sales decreased for manufacturing equipment markets, but by developing new customers and expanding sales of strategic products it was possible to achieve sales growth in China. Overall sales were largely unchanged from the same period last year.

LA Business

Due to the fall in orders received in the Life Science Engineering (LSE) field last year, overall sales decreased.

(Billions of yen)



	FY2016 1Q	FY2017 1Q	FY2018 1Q	**FY2019 1Q**
Asia (ex-China)	4.1	4.5	4.3	**4.2**
China	2.0	2.0	2.1	**2.7**
North America	1.0	1.0	1.1	**0.8**
Europe	2.1	1.8	2.3	**1.8**
Others	0.6	0.6	0.6	**0.5**
Consolidated	10.0	10.2	10.6	**10.2**

Reference information

	FY2016 1Q	FY2017 1Q	FY2018 1Q	**FY2019 1Q**
Overseas sales/ Net sales	18.0%	18.7%	19.4%	**18.9%**
Average exchange rate - USD/JPY	115.33	113.60	108.23	**110.23**
Average exchange rate - EUR/JPY	127.11	121.05	133.15	**125.16**

• 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

■ **Assets** Total assets decreased by 20.2 billion yen. Seasonal factors typically lead to sales concentrating in the fourth quarter, with a corresponding decline in accounts receivable in the first quarter due to the processing of collections. Thus, there is a sharp fall in notes and accounts receivable-trade at the end of the first quarter.

■ **Liabilities** Overall there was a 14.3 billion yen decrease in liabilities owing mainly to a decrease in income taxes payable due to the payment of income taxes, and a decrease in the provision for bonuses due to bonus payments.

■ **Net assets** Net assets fell overall by 5.8 billion yen, despite an increase resulting from the recording of net income attributable to owners of parent. This decrease was mainly due to a repurchase of Company's own shares and payment of dividends.

(Billions of yen)

	As of Jun. 30, 2019 (A)	As of Mar. 31, 2019 (B)	Difference (A) - (B)
Current assets	**188.4**	**209.9**	**(21.4)**
Cash and deposits	41.9	46.4	(4.5)
Notes and accounts receivable-trade	75.7	93.7	(17.9)
Inventories	26.7	24.9	1.8
Other	43.9	44.7	(0.8)
Non-current assets	**66.7**	**65.6**	**1.1**
Property, plant and equipment	28.2	26.9	1.2
Intangible assets	5.1	5.1	(0.0)
Investments and other assets	33.4	33.4	(0.0)
Total assets	**255.2**	**275.5**	**(20.2)**

	As of Jun. 30, 2019 (A)	As of Mar. 31, 2019 (B)	Difference (A) - (B)
Liabilities	**78.0**	**92.4**	**(14.3)**
Current liabilities	**71.6**	**86.9**	**(15.3)**
Notes and accounts payable-trade	35.3	40.1	(4.7)
Short-term borrowings	8.6	9.8	(1.2)
Other	27.6	37.0	(9.3)
Non-current liabilities	**6.3**	**5.4**	**0.9**
Long-term borrowings	0.0	0.1	(0.0)
Other	6.3	5.2	1.0
Net assets	**177.2**	**183.0**	**(5.8)**
Shareholders' equity	**163.9**	**170.5**	**(6.5)**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	150.2	160.3	(10.0)
Treasury shares	(8.5)	(11.9)	3.4
Accumulated other comprehensive income	**11.1**	**10.5**	**0.5**
Non-controlling interests	**2.0**	**1.9**	**0.1**
Total liabilities and net assets	**255.2**	**275.5**	**(20.2)**

Reference: Shareholders' equity ratio: 68.6% (as of June 30, 2019), 65.7% (as of March 31, 2019)

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

→No revision from the most recent announcement

Consolidated Financial Plan

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)			FY2018	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*	*(0.1)pp*	
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*	*(0.2)pp*	

Segment Information

BA We will steadily enhance our approach to the increasing number of projects for which orders are received. The plan will achieve a new record for profits.

AA Despite the continuing weakness in the manufacturing equipment market and others, we will continue to strengthen profitability and ensure high-level profits.

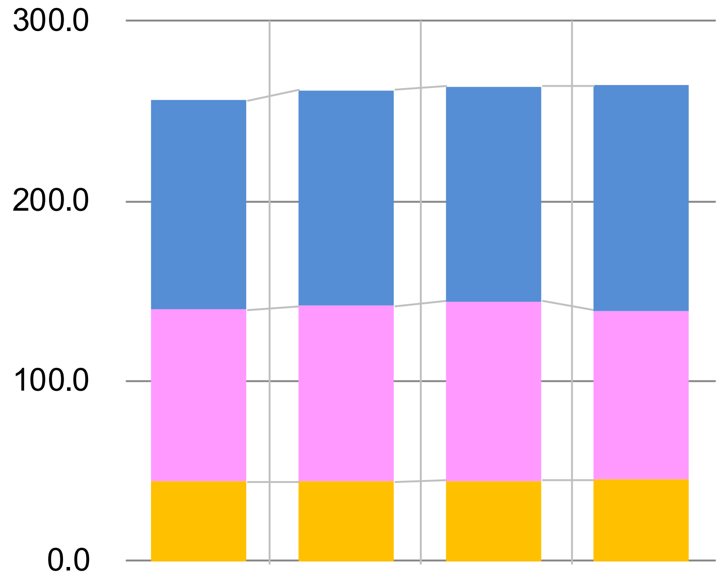
LA We will continue to engage in enhancing the profit structure. We will realize stable and improved profits.

(Billions of yen)

		FY2019 (Plan)			FY2018	Difference	
		1st Half	2nd Half	(A)	(B)	(A) - (B)	% Change
BA	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*	*0.6pp*	
AA	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*	*(1.0)pp*	
LA	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*	*0.3pp*	
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*	*(0.1)pp*	

Reference: Sales by Segment

(Billions of yen)



	FY2016	FY2017	FY2018	**FY2019 (Plan)**
B A	116.4*	120.2	119.5	**125.0**
A A	95.4	97.2	99.3	**94.0**
L A	44.1	44.2	44.8	**45.0**
Consolidated	254.8	260.3	262.0	**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)

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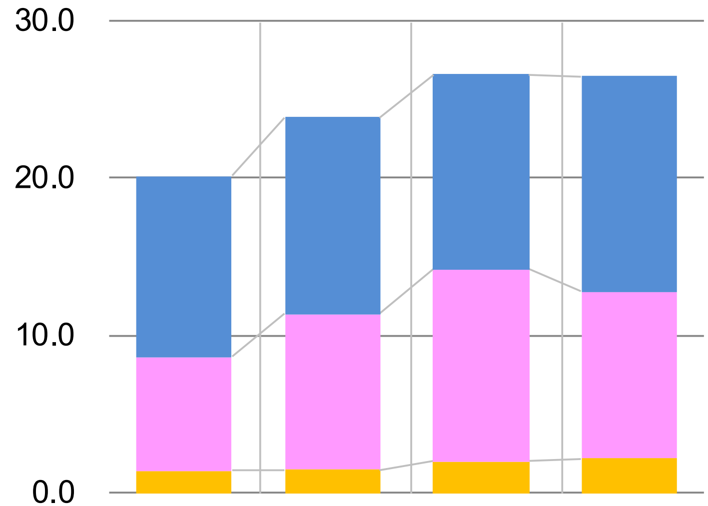
(Billions of yen)



	FY2016	FY2017	FY2018	**FY2019** **(Plan)**
BA	11.5*	12.5	12.4	**13.7**
AA	7.2	9.9	12.2	**10.6**
LA	1.4	1.5	2.0	**2.2**
Consolidated	20.1	24.0	26.6	**26.5**

* 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.

3. Returning Profits to Shareholders

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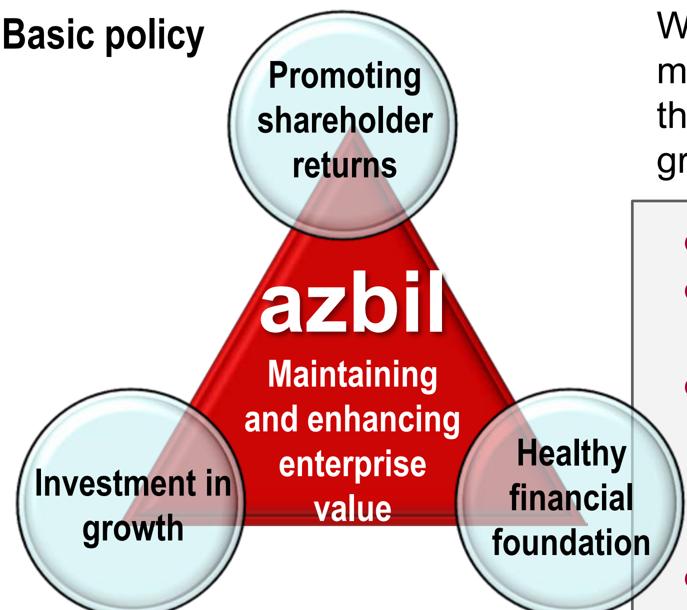
→No revision from the most recent announcement

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

- **FY2019**
  - Ordinary dividends increased by 4 yen — Annual dividends of **50** yen per share
  - Repurchase of own shares (in progress) — Up to **10 billion** yen or 3.8 million shares (max.)

    * Cancellation of 3.3 million treasury shares held on March 31, 2019 has been completed.

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

FY2019 Dividends - Ordinary dividend increase of 4 yen -

Annual Dividends: 50 yen per share

- **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	Annual	Interim (Plan)	Year-end (Plan)	Annual (Plan)
Dividends per share	46.0 *2	23.0 *2	—	25.0	25.0	50.0
(Post-split Conversion)	(23.0)	(23.0)	(46.0)			
(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 A 2-for-1 common stock split was implemented on October 1, 2018. The interim dividends per share were issued based on the number of shares held prior to the stock split, while the year-end dividends were 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.

Reference: Dividends yield 1.9% (as of June 30, 2019)

Cancellation of Treasury Shares and Repurchase of Own Shares

Along with 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 are being 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 have cancelled treasury shares and are in the process of repurchasing own shares.

■ Cancellation of treasury shares (completed)

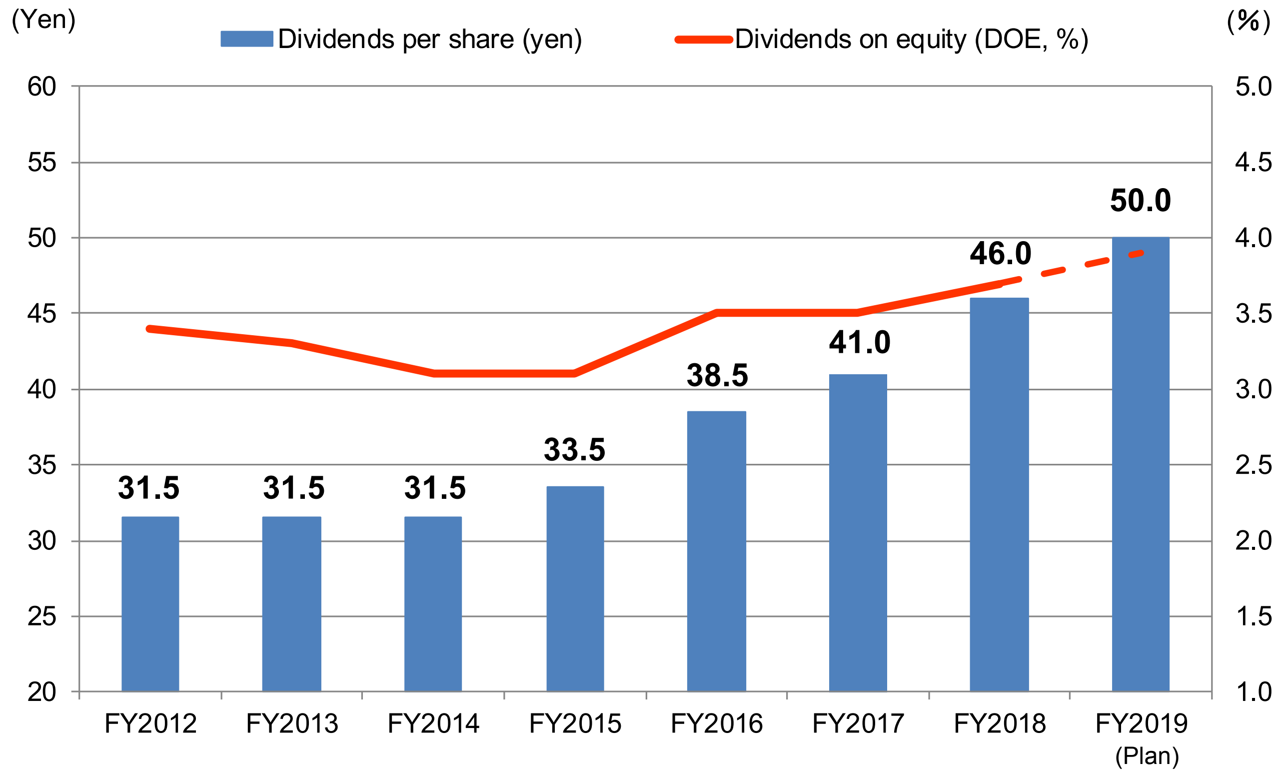
- Type of shares cancelled: Common stock of the Company
- Number of shares cancelled: 3,300,000 shares
  - 2.2% of total number of issued shares before cancellation
  - Company's treasury shares as of March 31, 2019: 3,303,558 shares*
- Total number of issued shares after cancellation: 145,200,884 shares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

■ Repurchase of own shares (in progress)

- Type of shares repurchased: Common stock of the Company
- Total number of shares repurchased: Up to 3,800,000 shares
- Total amount of repurchase: Up to 10 billion yen
  - Progress of repurchase until June 30, 2019: 1,817,700 shares (4.6 billion yen) have already been repurchased.
- Period of repurchase: From May 13, 2019 to October 31, 2019 (based on trade date)
- 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.

Reference: 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.

Appendix

Appendix

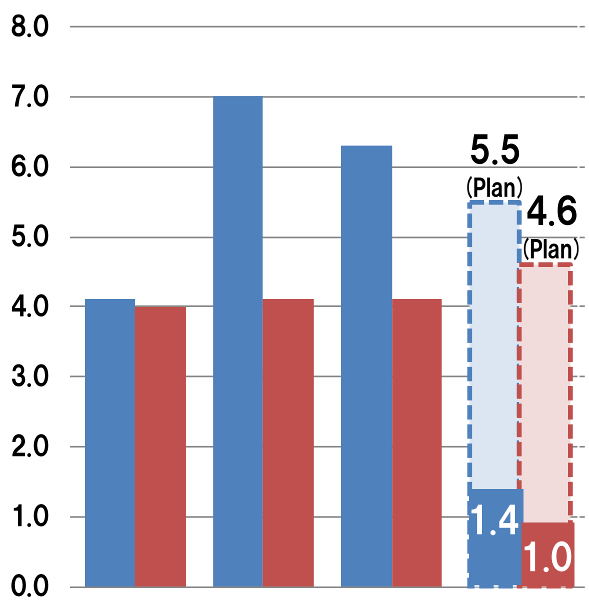
Capital Expenditure, Depreciation and R&D Expenses

Full-year results/1Q cumulative results for FY2019

Full-year plan for FY2019

Capital Expenditure, Depreciation

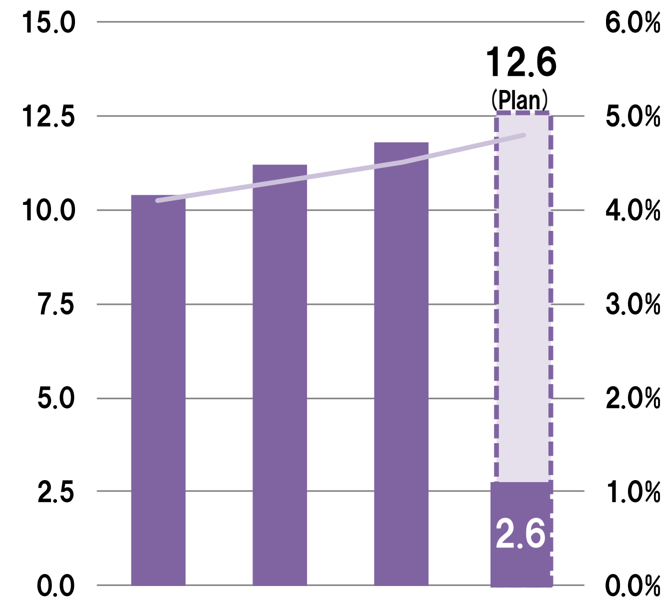
(Billions of yen)



	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

(Billions of yen) (%)



	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.

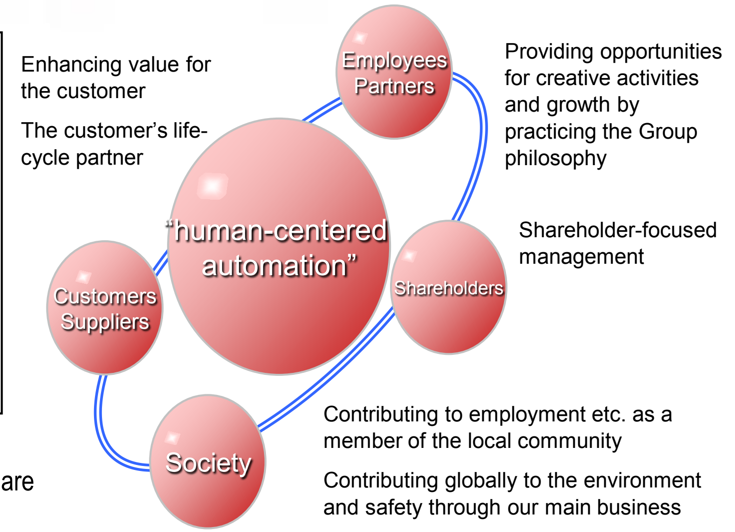
*2 Product development expenses for IoT, big data, AI, robots, etc. have been increasing from FY2017.

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

azbil

- 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.

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.

- 7 Affordable and clean energy: Promote energy savings together with customers
- 9 Industry, innovation and infrastructure: Use IoT and AI to help realize “super-smart factories”
- 11 Sustainable cities and communities: Deploy operational management using network technologies to deliver a balance between comfort and energy conservation
- 13 Climate action: Reduce environmental impacts on customers’ sites and society through our core business, and also reduce the environmental impact of our own business activities
- 4 Quality education: Maximize the value we offer to customers through organizational transformation into a corporate group that never stops learning
- 5 Gender equality: Step up efforts to create workplaces where people can demonstrate their abilities and excel from a responsible position
- 8 Decent work and economic growth: Aim to realize healthy and happy lives for employees
- 12 Responsible consumption and production: Promote design for the environment that consider whole life cycles

* CO_2 emissions reduction at customers' sites through our products and solutions (2.98 million tons/year in FY2018).

Sustainable Development Goals and the azbil Group

azbil

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."

Azbil Yamatake General Foundation

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

azbil "Human-centered Automation"
From 2006

Appendix

azbil Group Corporate Governance Reforms

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 Chairperson of the Board.
- An outside director assumed the position of Chairperson of the Nomination & Remuneration Committee (over half the members being outside directors).
- The 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

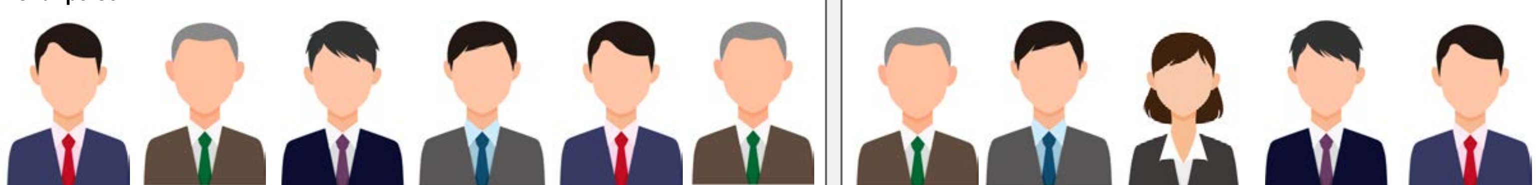
- Mr. Mitsuhiro Nagahama was appointed to independent outside directorship, raising the number of outside directors from 4 to 5.

Composition of the Board of Directors (as of June 25, 2019)

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

More than 1/3 of the Board are outside directors

Chairperson



Number of inside directors: 6

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

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

Email: azbil-ir@azbil.com
URL: https://www.azbil.com/ir/