Azbil Corporation RIC: 6845.T, Sedol: 6985543

azbil
Human-centered automation

Presentation Materials

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

Contents

February 5, 2020

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 fields.

   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 transmitters, pressure transmitters, and 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 document.

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

   Subsidiaries which apply IFRS have adopted IFRS 16 from the first quarter of FY2019. 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 first quarter. As a result, property, plant and equipment increased by 1,050 million yen, “Other” under current liabilities increased by 275 million yen, and “Other” under non-current liabilities increased by 837 million yen, while the effect of this change on the consolidated quarterly statements of income for the current consolidated cumulative third quarter is immaterial. Additionally, retained earnings at the beginning of the first quarter decreased by 64 million yen.

1. Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020

Consolidated Financial Results

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Compared to the same period last year

- Overall orders received were lower than the same period last year, although the LA business achieved an increase in orders received. This was mainly because of the conditions faced by the AA business: while there is recent evidence of a recovery in the semiconductor manufacturing equipment market, over the current cumulative period the markets for manufacturing equipment, including machine tools, remained sluggish overall.
- Net sales were down compared with the same period last year. This reflects lower AA business sales owing to sluggish market conditions, and despite the fact that the BA business achieved sales growth thanks to the steady progress it has achieved in carrying out the numerous projects on its order book.
- Thanks to improved profit margins – resulting from the success of measures to strengthen business profitability – operating income increased compared with the same period last year. Owing to the recording of foreign exchange losses on appreciation of the yen, ordinary income was on a par with the same period last year. Net income attributable to owners of parent decreased due to increased tax expenses.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2018 Q1-3 (B)	Difference	
			(A) - (B)	*% Change*
Orders received	200.8	204.1	(3.2)	*(1.6)*
Net sales	183.0	185.3	(2.3)	*(1.2)*
Japan	151.6	150.6	0.9	*0.6*
Overseas	31.4	34.6	(3.2)	*(9.4)*
Gross profit	71.8	70.8	1.0	*1.4*
Margin	*39.3%*	*38.2%*	*1.0pp*	
SG&A	56.2	55.6	0.6	*1.1*
Operating income (loss)	15.6	15.2	0.3	*2.6*
Margin	*8.6%*	*8.2%*	*0.3pp*	
Ordinary income (loss)	16.1	16.0	0.0	*0.6*
Income (loss) before income taxes	16.0	16.0	0.0	*0.5*
Net income (loss) attributable to owners of parent	11.0	11.2	(0.2)	*(2.0)*
Margin	*6.0%*	*6.1%*	*(0.0)pp*	

Segment Information - ■BA Business

Thanks to urban redevelopment plans for the Tokyo metropolitan area, the market environment continued to be robust. 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 execution, particularly on site, resulting in improved profitability.

Compared to the same period last year

- Despite growth achieved in fields related to sales and installation of equipment/systems for new large-scale buildings, reflecting a robust market environment, orders received were lower than the same period last year, when large-scale service projects covering several years were recorded.
- Sales increased for new large-scale building projects, and overall sales were higher than the same period last year.
- Segment profit rose, mainly due to increased revenue and the success of initiatives designed to improve profitability, but also because temporary expenses for provision were recorded in the same period last year.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2018 Q1-3 (B)	Difference	
			(A) - (B)	*% Change*
Orders received	98.5	101.0	(2.5)	*(2.5)*
Sales	83.9	79.8	4.1	*5.2*
Segment profit (loss)	7.0	4.9	2.1	*43.7*
Margin	*8.4%*	*6.1%*	*2.2pp*	

Segment Information - AA Business

We are pursuing a growth strategy and implementing measures to strengthen profitability for the three AA business sub-segments*. Despite sluggish investment in markets related to manufacturing equipment, in Japan and overseas, a recovery is now evident in the semiconductor manufacturing equipment market. Sales and profit decreased compared with the same period last year, but high profit margins were maintained.

Compared to the same period last year

- As regards orders received and sales, the IAP and SS businesses, which mainly target process automation markets, performed relatively well. However, the markets for manufacturing equipment, including machine tools, remained sluggish in Japan and overseas, and consequently figures for the CP business fell significantly.
- Lower sales resulted in a decrease in segment profit compared with the same period last year, but success has been achieved with sustained initiatives to strengthen profitability, so it was possible to maintain a segment profit margin – which serves as an index of profitability – in excess of 10%.
- Progress was made with securing new customers, in Japan and overseas, and with developing new automation fields.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2018 Q1-3 (B)	Difference	
			(A) - (B)	*% Change*
Orders received	69.7	74.7	(5.0)	*(6.7)*
Sales	67.8	73.0	(5.2)	*(7.2)*
Segment profit (loss)	7.4	8.8	(1.4)	*(16.4)*
Margin	*10.9%*	*12.1%*	*(1.2)pp*	

* 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 cyclical meter replacement demand, as required by law. In the Life Science Engineering (LSE: pharmaceutical/laboratory fields) and Lifestyle-related (residential central air-conditioning systems) fields, we will continue initiatives aimed at realizing stable earnings through business structure reforms.

Compared to the same period last year

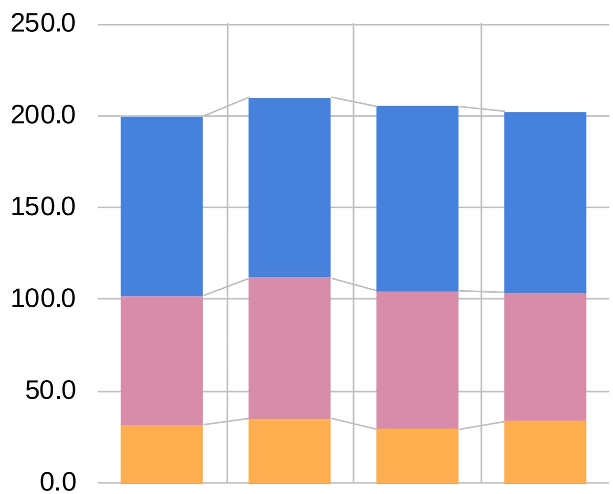
- Orders received jumped, due to growth in the LSE field.
- Sales were down on the same period last year, owing mainly to decreased orders received in the LSE field last year.
- Segment profit was lower than the same period last year owing mainly to reduced revenue.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2018 Q1-3 (B)	Difference (A) - (B)	Difference *% Change*
Orders received	33.7	29.4	4.2	*14.5*
Sales	32.2	33.6	(1.3)	*(3.9)*
Segment profit (loss)	1.1	1.4	(0.3)	*(20.2)*
Margin	*3.7%*	*4.4%*	*(0.7)pp*	

Orders Received by Segment

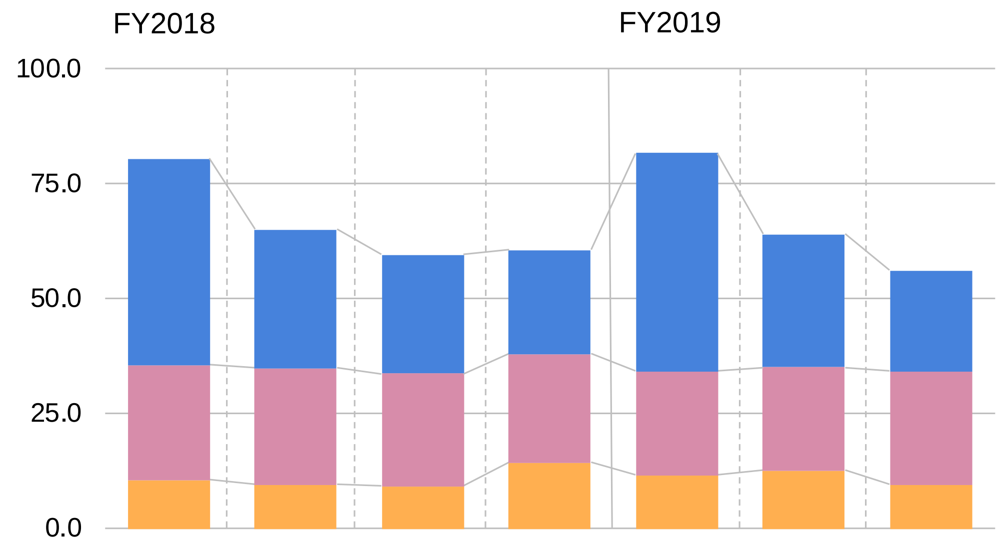
Comparison to past results (Q1-3)



	FY2016 Q1-3	FY2017 Q1-3	FY2018 Q1-3	**FY2019 Q1-3**
B A	97.8	97.9	101.0	**98.5**
A A	70.2	76.8	74.7	**69.7**
L A	31.6	35.1	29.4	**33.7**
Consolidated	198.9	208.9	204.1	**200.8**

Quarterly (3 months)

(Billions of yen)



	FY2018 Q1	Q2	Q3	Q4	FY2019 Q1	Q2	**Q3**
B A	45.0	30.1	25.8	22.7	47.5	28.9	**22.0**
A A	24.9	25.4	24.4	23.5	22.5	22.4	**24.6**
L A	10.6	9.5	9.2	14.4	11.5	12.6	**9.5**
Consolidated	80.2	64.8	59.0	60.1	81.4	63.6	**55.7**

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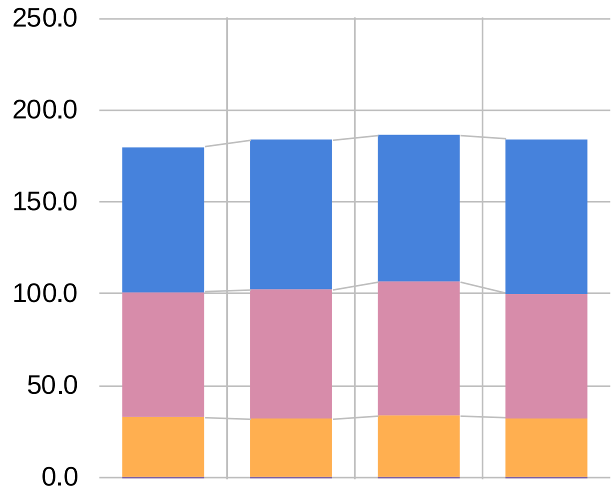
Sales by Segment

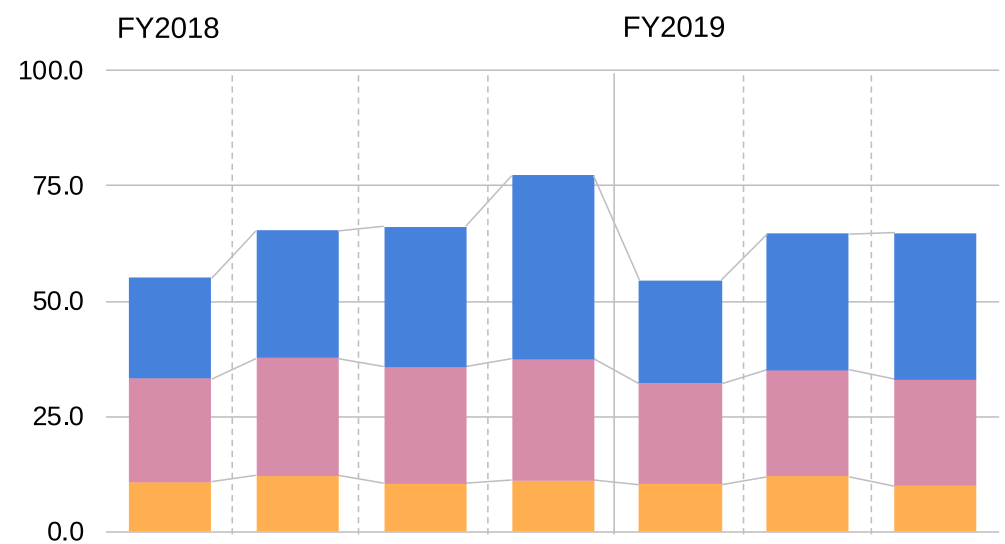
(Billions of yen)

Comparison to past results (Q1-3)



	FY2016 Q1-3	FY2017 Q1-3	FY2018 Q1-3	FY2019 Q1-3
B A	78.7*	81.7	79.8	**83.9**
A A	68.5	70.2	73.0	**67.8**
L A	32.5	32.0	33.6	**32.2**
Consolidated	178.9	183.1	185.3	**183.0**

Quarterly (3 months)



	FY2018 Q1	FY2018 Q2	FY2018 Q3	FY2018 Q4	FY2019 Q1	FY2019 Q2	FY2019 Q3
B A	21.8	27.7	30.2	39.6	22.4	29.6	**31.8**
A A	22.3	25.4	25.2	26.3	21.9	22.9	**22.9**
L A	10.8	12.2	10.5	11.2	10.2	12.0	**9.9**
Consolidated	54.8	64.9	65.6	76.6	54.3	64.2	**64.3**

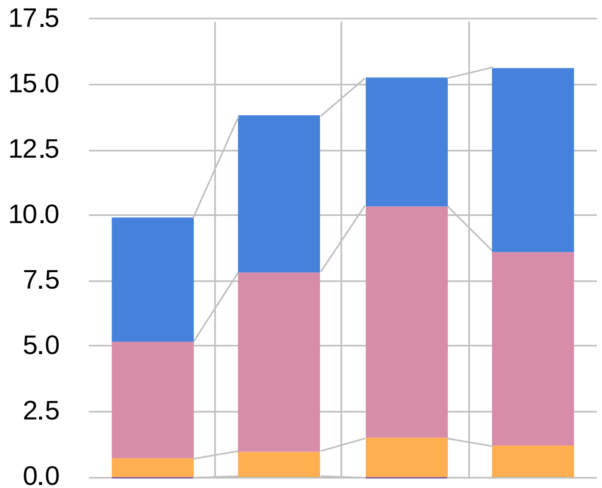
* In December 2016, the Chinese subsidiary Beijing YTYH Intelli-Technology Co., Ltd. was removed from consolidation. The consolidated figures include the subsidiary until the third quarter of FY2016.

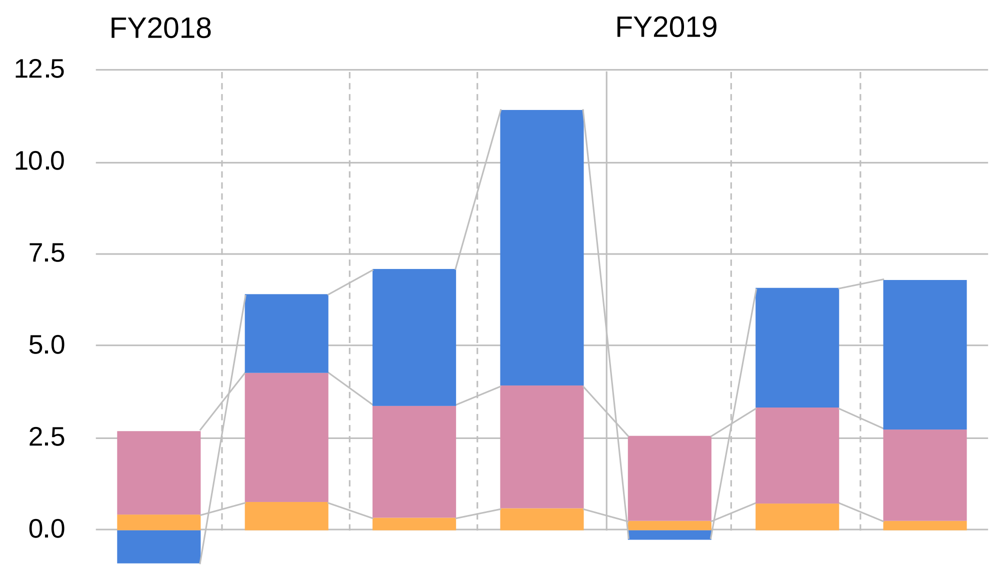
Segment Profit (Operating Income)

Comparison to past results (Q1-3)

Quarterly (3 months)

(Billions of yen)





	FY2016 Q1-3	FY2017 Q1-3	FY2018 Q1-3	**FY2019 Q1-3**
B A	4.7*	5.9	4.9	**7.0**
A A	4.4	6.8	8.8	**7.4**
L A	0.7	0.9	1.4	**1.1**
Consolidated	9.9	13.8	15.2	**15.6**

	FY2018 Q1	Q2	Q3	Q4	FY2019 Q1	Q2	**Q3**
B A	(0.9)	2.1	3.7	7.5	(0.2)	3.2	**4.0**
A A	2.2	3.5	3.0	3.3	2.3	2.5	**2.5**
L A	0.4	0.7	0.3	0.5	0.2	0.7	**0.2**
Consolidated	1.7	6.3	7.0	11.4	2.2	6.5	**6.7**

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

Overseas Sales by Region

Compared to the same period last year

Overseas, the CP business recorded lower sales as the markets for manufacturing equipment remained sluggish. Also, owing to the fall in orders received in the previous fiscal year, LA business sales were also down, and overall sales were 9.4% lower than the same period last year.

BA Business

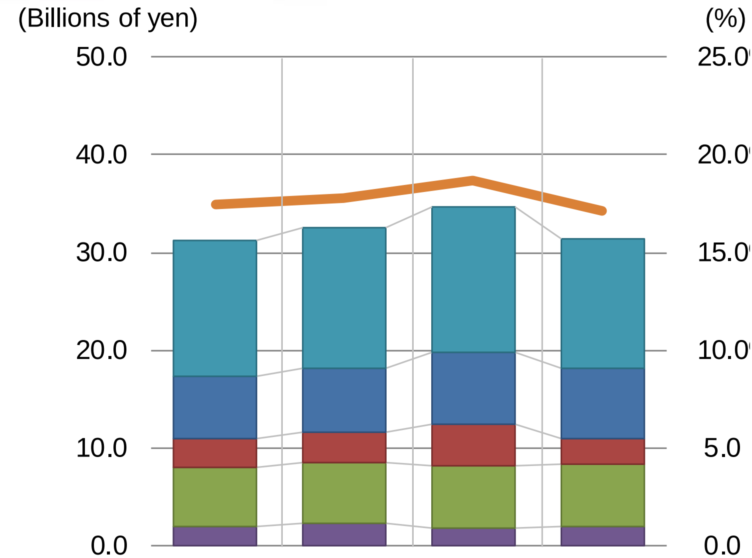
The Asian region was almost unchanged from the same period last year, but mainly due to lower sales in China, overall sales were lower.

AA Business

China's process automation markets remained robust, but overall sales decreased owing mainly to lower CP business sales, reflecting the sluggish manufacturing equipment markets.

LA Business

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



	FY2016 Q1-3	FY2017 Q1-3	FY2018 Q1-3	**FY2019 Q1-3**
Asia (ex-China)	13.8	14.4	14.8	**13.1**
China	6.4	6.5	7.3	**7.2**
North America	2.9	3.1	4.2	**2.5**
Europe	6.0	6.2	6.3	**6.4**
Others	1.9	2.2	1.8	**1.9**
Consolidated	31.2	32.5	34.6	**31.4**

Reference information

	FY2016 Q1-3	FY2017 Q1-3	FY2018 Q1-3	**FY2019 Q1-3**
Overseas sales/ Net sales	17.5%	17.8%	18.7%	**17.2%**
Average exchange rate - USD/JPY	108.59	111.89	109.61	**109.13**
Average exchange rate - EUR/JPY	121.10	124.58	130.87	**122.62**

- 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** Owing to a fall in notes and accounts receivable-trade, total assets decreased by 17.0 billion yen compared to the previous fiscal year-end.
- **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 13.3 billion yen compared to the previous fiscal year-end.
- **Net assets** Net assets saw a decrease of 3.7 billion yen compared to the previous fiscal year-end, 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 Dec. 31, 2019 (A)	As of Mar. 31, 2019 (B)	Difference (A) - (B)
Current assets	**190.3**	**209.9**	**(19.5)**
Cash and deposits	40.8	46.4	(5.5)
Notes and accounts receivable-trade	80.7	93.7	(13.0)
Inventories	27.8	24.9	2.9
Other	40.9	44.7	(3.8)
Non-current assets	**68.0**	**65.6**	**2.4**
Property, plant and equipment	27.8	26.9	0.8
Intangible assets	5.1	5.1	0.0
Investments and other assets	35.0	33.4	1.5
Total assets	**258.4**	**275.5**	**(17.0)**

	As of Dec. 31, 2019 (A)	As of Mar. 31, 2019 (B)	Difference (A) - (B)
Liabilities	**79.1**	**92.4**	**(13.3)**
Current liabilities	**71.8**	**86.9**	**(15.1)**
Notes and accounts payable-trade	35.9	40.1	(4.1)
Short-term borrowings	7.9	9.8	(1.9)
Other	27.9	37.0	(9.0)
Non-current liabilities	**7.2**	**5.4**	**1.8**
Long-term borrowings	0.3	0.1	0.2
Other	6.9	5.2	1.6
Net assets	**179.3**	**183.0**	**(3.7)**
Shareholders' equity	**164.7**	**170.5**	**(5.8)**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	156.2	160.3	(4.0)
Treasury shares	(13.7)	(11.9)	(1.7)
Accumulated other comprehensive income	**12.6**	**10.5**	**2.0**
Non-controlling interests	**1.9**	**1.9**	**0.0**
Total liabilities and net assets	**258.4**	**275.5**	**(17.0)**

Reference

Shareholders' equity ratio: 68.6% (as of Dec. 31, 2019), 65.7% (as of Mar. 31, 2019)

2. Financial Plan for the Fiscal Year Ending March 31, 2020

→No revision to the announcement published on November 1, 2019

Consolidated Financial Plan

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- There are no changes to the full-year financial plan for FY2019 published on November 1, 2019.
- While there has been some negative impact due to the sluggish manufacturing equipment market, conditions in other markets such as the building market have remained robust. Thanks to our extensive business portfolio, which covers of a wide range of fields, we will achieve net sales at the same level as the previous fiscal year. As for profits, successes achieved with strengthening profitability in each business will mean that we set a new record for operating income.
- Continuing investment in strengthening the business foundation for sustainable growth, we will accelerate business growth.

(Billions of yen)

	FY2019		FY2018	Difference	
	Q1-3 results	Full year plan (A)	(B)	(A) - (B)	*% Change*
Net sales	183.0	262.0	262.0	(0.0)	*(0.0)*
Operating income	15.6	27.0	26.6	0.3	*1.2*
Margin	*8.6%*	*10.3%*	*10.2%*	*0.1pp*	
Ordinary income	16.1	27.0	27.6	(0.6)	*(2.4)*
Net income attributable to owners of parent	11.0	19.0	18.9	0.0	*0.3*
Margin	*6.0%*	*7.3%*	*7.2%*	*0.0pp*	

Plan by Segment

- There are no changes to the plan by segment published on November 1, 2019.

BA Business: By making steady progress with projects on the order book, we expect to achieve record-breaking figures for both sales and segment profit.

AA Business: In streamlining operations for the three AA business sub-segments (CP, IAP, and SS), we will continue pursuing our growth strategy and implementing measures to strengthen profitability. While conditions differ by region and market, we will secure a profit level greater than 10%, as planned at the start of this fiscal year.

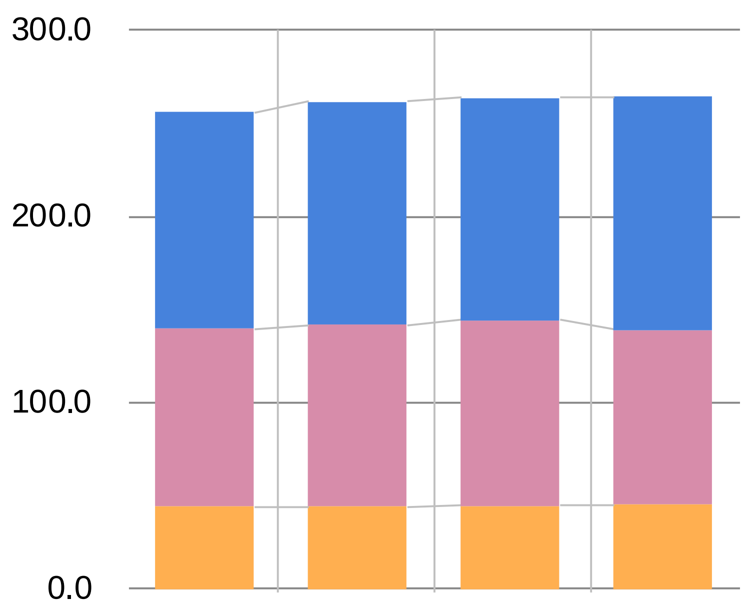
LA Business: We will continue initiatives to improve the profit structure, aiming to achieve the plan by advancing initiatives such as a new data service business.

(Billions of yen)

		FY2019		FY2018	Difference	
		Q1-3 results	Full-year plan (A)	(B)	(A) - (B)	% Change
BA	Sales	83.9	125.0	119.5	5.4	*4.6*
	Segment profit	7.0	14.4	12.4	1.9	*15.9*
	Margin	*8.4%*	*11.5%*	*10.4%*	*1.1pp*	
AA	Sales	67.8	94.0	99.3	(5.3)	*(5.4)*
	Segment profit	7.4	10.6	12.2	(1.6)	*(13.2)*
	Margin	*10.9%*	*11.3%*	*12.3%*	*(1.0)pp*	
LA	Sales	32.2	45.0	44.8	0.1	*0.4*
	Segment profit	1.1	2.0	2.0	(0.0)	*(3.0)*
	Margin	*3.7%*	*4.4%*	*4.6%*	*(0.2)pp*	
Consolidated	Net sales	183.0	262.0	262.0	(0.0)	*(0.0)*
	Operating income	15.6	27.0	26.6	0.3	*1.2*
	Margin	*8.6%*	*10.3%*	*10.2%*	*0.1pp*	

Sales by Segment and Segment Profit (Operating Income)

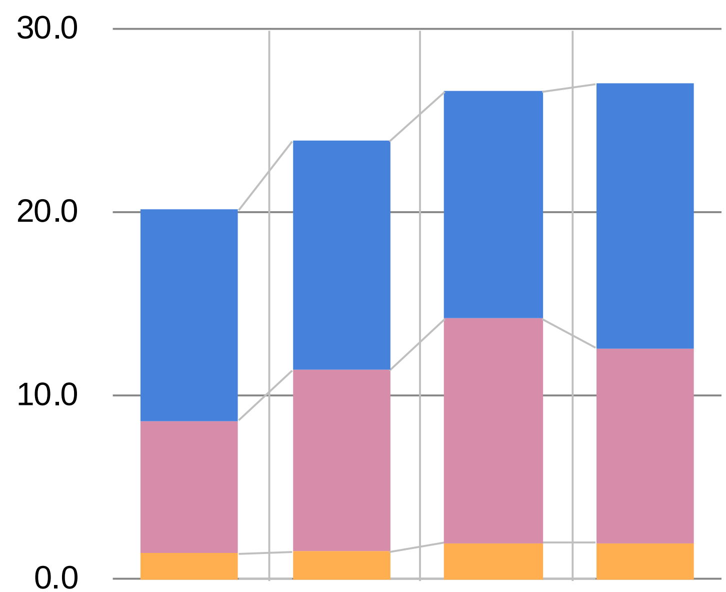
Sales by Segment



	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**

Segment Profit (Operating Income)

(Billions of yen)



	FY2016	FY2017	FY2018	**FY2019 (Plan)**
B A	11.5*	12.5	12.4	**14.4**
A A	7.2	9.9	12.2	**10.6**
L A	1.4	1.5	2.0	**2.0**
Consolidated	20.1	24.0	26.6	**27.0**

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

3. Returning Profits to Shareholders

→No revision to the announcement published on November 1, 2019

Basic Policy and FY2019 Specifics

FY2019

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

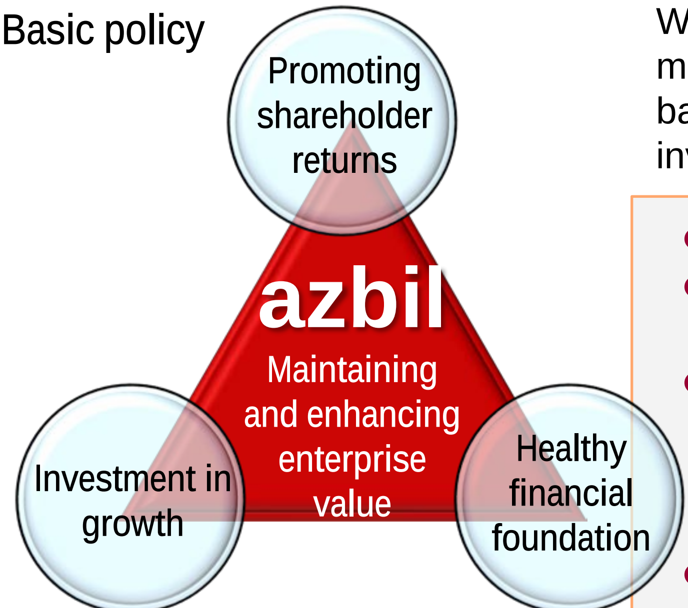
- **50** yen per share for ordinary dividends, increased by 4 yen per year for a total annual dividend (25 yen interim, 25 yen at year-end)

  As announced on May 10, 2019

- **9.9 billion** yen for repurchase of own shares (3.71 million shares)

  Repurchase concluded

Basic policy



We continue to develop well-disciplined capital policies and aim to maintain/enhance azbil Group'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), dividend 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 dividend plan (No change from the initial plan as announced on May 10, 2019)

As initially announced, Azbil plans to issue an annual dividend of **50 yen per share (both interim and year-end dividends to be 25 yen per share),** representing an ordinary dividend increase of 4 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 targets (FY2021)[*1], in accordance with the azbil Group's basic policy we are planning to increase the dividends to further enhance the return to our shareholders. (No change from the initial plan.)

(Yen)

	FY2018			FY2019		
	Interim	Year-end	Annual	Interim	Year-end (plan)	Annual (plan)
Dividend per share	46[*2]	23[*2]		25	25	50
(Post-split conversion)	(23)	(23)	(46)			
(Pre-split conversion)	(46)	(46)	(92)	(50)	(50)	(100)
Payout ratio	*34.8%*			*36.7%*[*3]		
Dividend on equity (DOE)	*3.7%*			*3.9%* [*4]		

[*1] Long-term targets (FY2021 financial results): net sales of 300.0 billion yen, operating income of at least 30.0 billion yen, and ROE of 10% or more.

[*2] A 2-for-1 common stock split was implemented on October 1, 2018. The interim dividend per share for FY2018 was issued based on the number of shares held prior to the stock split, while the year-end dividend was issued based on the number of shares held after the stock split. If the stock split were not taken into account, the year-end dividend for FY2018 would be 46 yen (pre-split conversion), and the annual dividend (ditto) for FY2018 including the interim dividend 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 concluded 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 concluded in FY2019, year-end dividends for FY2018, interim dividends for FY2019, and net income attributable to owners of parent in the consolidated financial plan for FY2019.

Reference: Dividend yield 1.6% (as of December 31, 2019)

Cancellation of Treasury Shares and Repurchase of Own Shares

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

Repurchase of the Company's own shares of 9.9 billion yen (3.71 million shares) has been concluded.

Taking into consideration the 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 repurchased own shares.

■ Cancellation of treasury shares (finished)

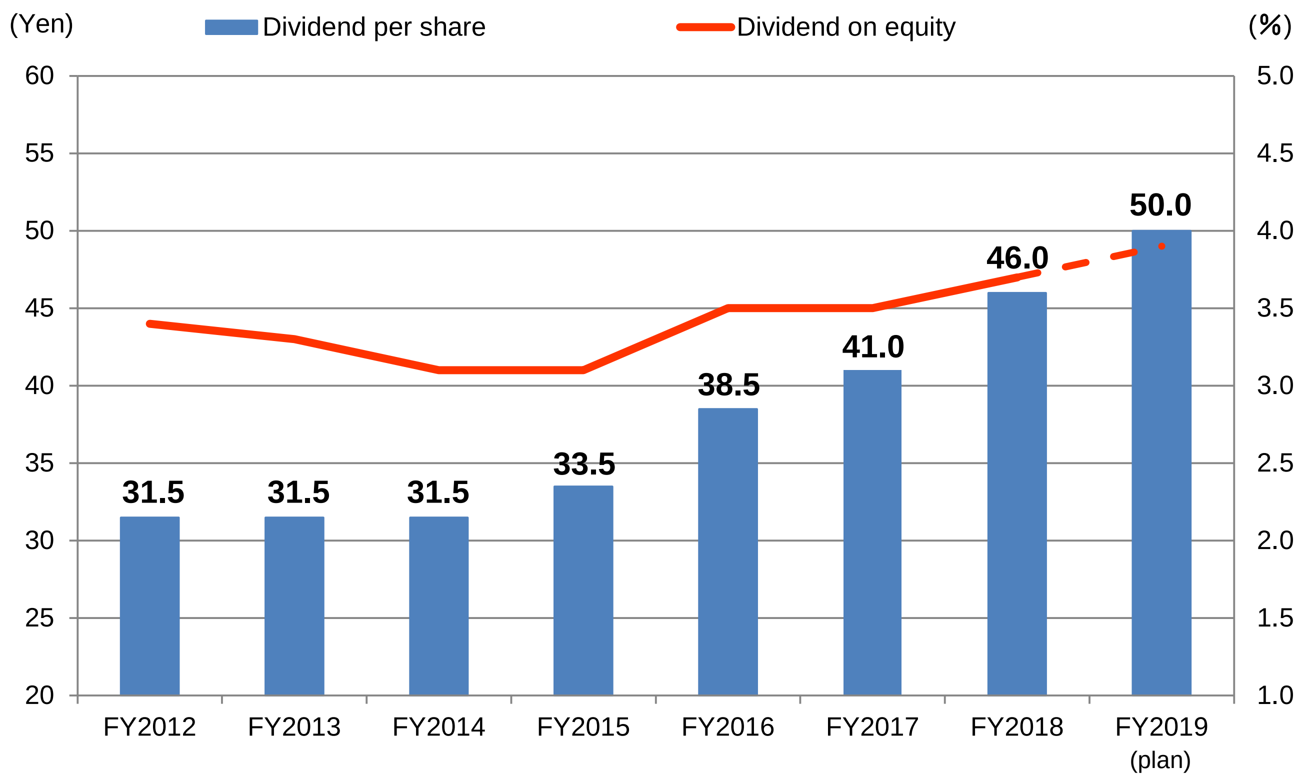
- Type of shares cancelled: Common stock of the Company
- Number of shares cancelled: 3,300,000 shares
  - 2.2% of total number of issued shares before cancellation
  - Company's treasury shares as of March 31, 2019: 3,303,558 shares*
- Total number of issued shares after cancellation: 145,200,884 shares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

■ Repurchase of own shares (finished)

- Type of shares repurchased: Common stock of the Company
- Total number of shares repurchased: 3,717,700 shares
- Total amount of repurchase: 9,921,154,782 yen
- 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 the trust account for the 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)
Dividend per share (yen)	31.5	31.5	31.5	33.5	38.5	41.0	46.0	50.0
Dividend on equity (DOE, %)	3.4	3.3	3.1	3.1	3.5	3.5	3.7	3.9

Total amount of own shares repurchased (billions of yen)				1.9		2.9	4.9	9.9
Number of own shares repurchased (million shares)				(1.20)		(1.42)	(1.87)	(3.71)

Note:

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

Appendix

Appendix

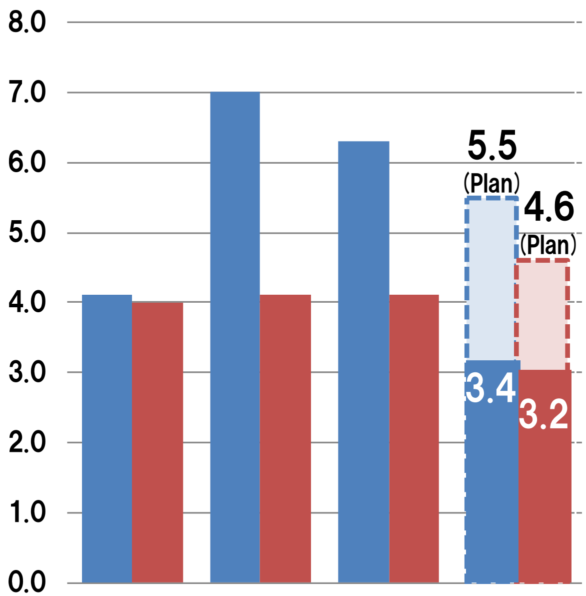
Capital Expenditure, Depreciation and R&D Expenses

Full-year results/Q1-3 results for FY2019

Full-year plan for FY2019

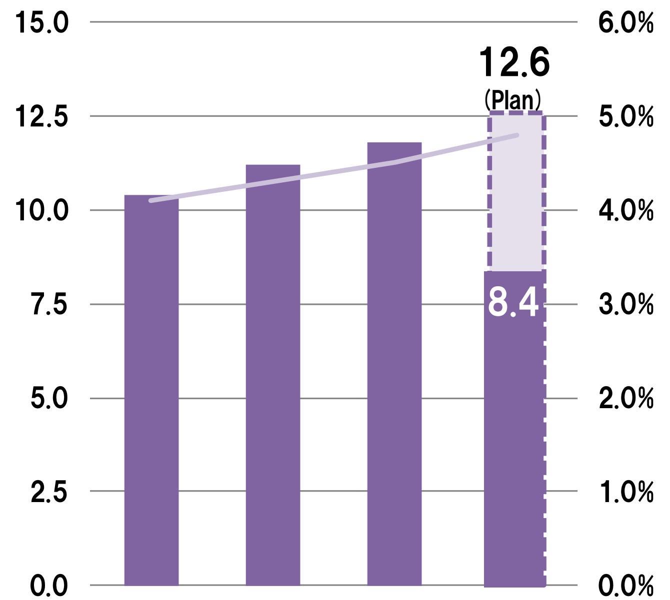
Capital expenditure, depreciation

(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



	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.

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

azbil

- By implementing business strategies based on the three fundamental policies as well as measures to strengthen profitability, we expect operating income to surpass 27.0 billion yen for FY2019, which, as in FY2018, will exceed the performance goal originally set for the final year of the medium-term plan (published in May 2017).
- Aiming to achieve growth under the next medium-term plan, we will continue to invest in strengthening the business foundation (developing products and services, reinforcing the production system, etc.), steadily deploying measures for each business segment.

Details of the current medium-term plan 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 three business fields to expedite sustainable growth

N New automation fields
Adapting to structural changes in industry by combining "things" and information

E Environmental/ energy fields
Providing solutions to the long-term issues of environmental impact reduction and energy demand restraint

L Life-cycle solutions business
Supplying value matched to each development stage of a customer's business

The current medium-term plan (FY2017-FY2019) has been drawn up to promote corporate operations based on the philosophy of "human-centered automation," and as a second step toward achieving our long-term targets (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 targets

FY2021

Operating income: 30.0 billion yen or more

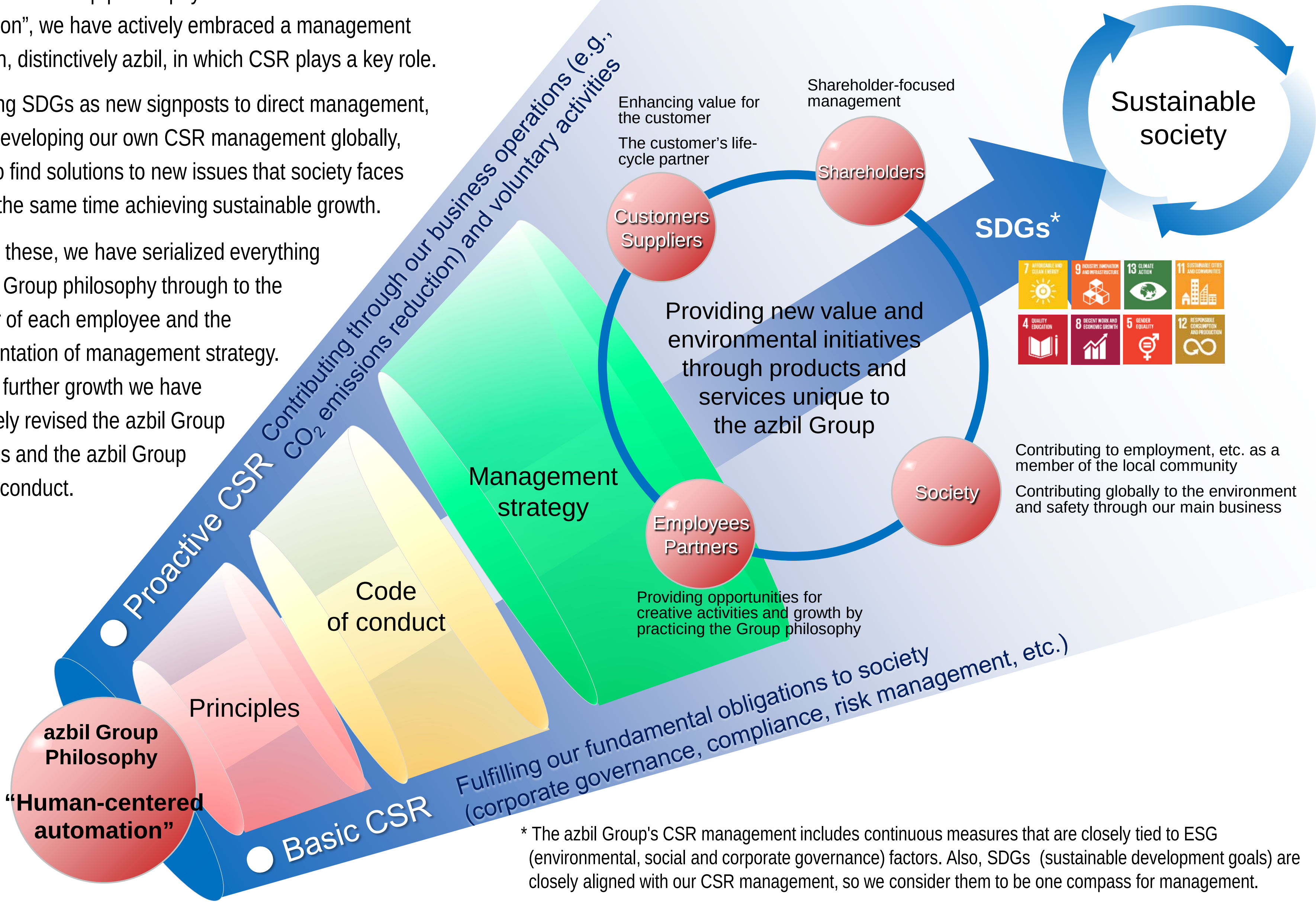
Net sales: about 300.0 billion yen

ROE: 10% or more

azbil Group CSR Management – Putting into practice our "human-centered" philosophy

azbil

- Based on our Group philosophy of "human-centered automation", we have actively embraced a management approach, distinctively azbil, in which CSR plays a key role.
- Employing SDGs as new signposts to direct management, we are developing our own CSR management globally, aiming to find solutions to new issues that society faces while at the same time achieving sustainable growth.
- To attain these, we have serialized everything from the Group philosophy through to the behavior of each employee and the implementation of management strategy. Also, for further growth we have completely revised the azbil Group Principles and the azbil Group Code of conduct.



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

Contribution to the Environment

The azbil Group contributes to cutting CO_2 emissions at customers' sites through the BA, AA and LA businesses, while pursuing environmental load reduction in our entire supply chains.
Regarding greenhouse gas emissions (Scope 1 + 2)*1 associated with our own business activities, we have already launched specific initiatives. Aiming to achieve zero emissions by FY2050, we have developed our Long-term Vision for Reducing Greenhouse Gas Emissions, and we have also established 2030 Targets for Reducing Greenhouse Gas Emissions (approved as Science Based Target*2) that include those across our entire supply chains.

CO_2 emission reduction at customers' sites through our core business

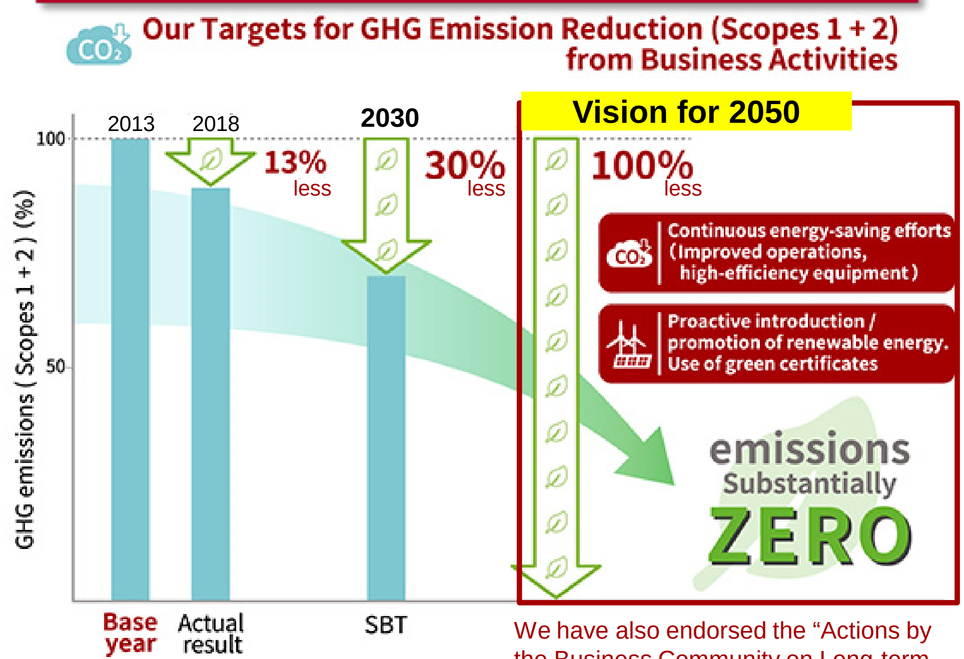
For 2018
CO_2 emission reduction at customers' sites:

Total 2,980,000 tons/year

Equivalent to approximately 1/400 of all CO_2 emissions in Japan (approx. 1.3 billion tons/year)

Automation effects	2,690,000 tons/year
Energy management effects	240,000 tons/year
Maintenance services effects	50,000 tons/year

Long-term Vision for Reducing Greenhouse Gas Emissions



We have also endorsed the "Actions by the Business Community on Long-term Global Warming Countermeasures up to 2050" proposed by Keidanren (Japan Business Federation).

*1 Scope 1: Direct greenhouse gas(GHG) emissions from a business (from fuel burning, industrial processes, etc.)
Scope 2: Indirect GHG emissions from using electricity, heat, or steam provided by another business.
*2 In June 2019, the targets have been approved by the Science Based Target initiative (SBTi) as having a scientific basis for keeping global temperature increase below 2 degrees Celsius compared to pre-industrial levels.

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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