Presentation Materials
for the Fiscal Year Ended March 31, 2020 (Based on Japanese GAAP)

May 20, 2020

Azbil Corporation

RIC: 6845.T, Sedol: 6985543

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We would like to express our deepest condolences to those who have lost loved ones as a result of the novel coronavirus disease (COVID-19). We would also like to extend our sympathies to all those who have suffered from this disease and to those who today find themselves in difficulty due to the pandemic.

We would also like to express our deep gratitude to all members of the medical profession and others working on the frontlines in the struggle to control this pandemic.

It is our sincere hope that the pandemic subsides as soon as possible. To that end, through our business activities we are committed to initiatives aimed at preventing the spread of COVID-19.

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1.azbil Group Initiatives to Date, Aiming for New Growth

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azbil Group Initiatives for Corporate Growth

- **2006 Adoption of the Group philosophy "human-centered automation"**
  and the Group symbol "azbil"
- **2008 Group name changed to "azbil Group"**
- **2012 Company name changed to "Azbil Corporation"**
  Three fundamental policies formulated; long-term goals established
  (FY2021: net sales of 300 billion yen, operating income in excess of 30 billion yen)

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

- **Linked medium-term plans (FY2013–FY2016, FY2017–FY2019) were formulated and steady progress was made with initiatives aimed at achieving our goal of "focusing on people and realizing a world of automation created by human ingenuity and technology."**

Medium-term plan achievements

- Substantial progress made in strengthening business profitability through business structural reforms and business operational reforms
- Progress made in developing a global business foundation to serve as an engine of growth
- Progress made in executing CSR management, strengthening the management system, and enhancing management, finance, and crisis management

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Aiming at New Growth

Major changes in the business environment	Technical innovation trends	Changes of the structure of society
• Increasing globalization, responsibility for sustainable development • Revising our business model in line with technical innovations	• Changes in technology fields, such as IoT and AI	• Declining birthrate, aging population, work-style reforms, changing values • Responding to climate change

Accelerated by COVID-19

Expanding role of automation (in order to provide solutions)

Expanding business opportunities for the azbil Group

Need for business development that looks beyond current goals

Time for new drive with strengthened management
(three businesses, development/production, CSR, etc.)

Under a new management with the appointment of a new CEO, we will strive to accelerate global expansion and strategic initiatives in our three business areas, promoting SDGs that align with our Group philosophy, and aiming to improve corporate value throughout a new medium-term plan and beyond.

Nomination and Remuneration Committee

- Advisory body with a majority of outside directors, one of whom serves as chairperson
- Succession planning and implementation over period of several years
- Multi-faceted evaluation process leading to recommendations for successors who will drive future growth (new business fields, global expansion, collaboration with other companies, SDGs, etc.)

Background of New President and Group CEO, Kiyohiro Yamamoto

- His experience stretches from development to business planning (JV establishment/management to drive energy management) and sales.
- He has been responsible for business planning in new business fields (sensors/IoT, AI, etc.) and business promotion overseas.
- As General Manager of the Corporate Planning Department, he formulated medium-term plans.

A new leader with the knowledge and experience needed to tackle the challenges of the future

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Main Points

■ Looking back over the last two medium-term plans (FY2013-FY2019) and financial results and shareholders' returns for FY2019

- ✓ Progress achieved in strengthening business profitability, developing our global business foundation (sales/service network, technology development, production/procurement) and management system, strengthening our financial position, and developing our crisis management system
- ✓ Progress achieved in strengthening profitability of each business; record operating income achieved for the third consecutive year; record amount of dividend provided as planned (annual dividend of 50 yen per share)

■ Operation for FY2020

- ✓ FY2020 business plan deferred to a later date, but return to shareholders sustained: dividend level to be maintained in accordance with basic policy
- ✓ Prompt response to the spread of the novel coronavirus

■ Initiatives for sustainable growth

- ✓ Building on the results achieved to date in strengthening business profitability and developing our business infrastructure, we are aiming for sustainable growth with a view to achieving the SDGs through automation initiatives suited to a post-pandemic world (featuring social structure/value changes).

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2. Financial Results for FY2019

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Consolidated Financial Results

- There was an increase in orders received for the LA business, but the AA business performance remained sluggish owing to the overall downturn in markets for manufacturing equipment throughout the year. This resulted in an overall decrease of 2.3% from FY2018.
- The BA business achieved sales growth thanks to the progress it made in carrying out the numerous projects on its order book, but sales in the AA business decreased owing to the effect of the slump in the markets. Net sales were lower than FY2018 and fell short of the plan.
- Operating income increased compared to FY2018 and exceeded the plan thanks to improved profitability. This reflects the success of measures targeting business profitability, etc.
- Beginning in the fourth quarter, business sentiment has deteriorated due to the spread of the novel coronavirus; however, there has been a limited impact on our business performance.
- Growth over the period of the medium-term plan (FY2017-FY2019) has been as follows: compared to FY2016, net sales grew by 1.8%; due to strengthened profitability in each business, operating income increased by 35.3% to 27.2 billion yen, setting a new record for profits; and ROE grew from 8.3% to 10.9%.

(Billions of yen)

	FY2018	FY2019	Difference		Plan (Nov.1, 2019)	Difference		FY2016	Difference	
	(A)	(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*	(D)	(B) - (D)	*% Change*
Orders received	264.2	258.0	(6.1)	*(2.3)*				254.9	3.1	*1.2*
Net sales	262.0	259.4	(2.6)	*(1.0)*	262.0	(2.5)	*(1.0)*	254.8	4.6	*1.8*
Japan	215.3	215.2	(0.1)	*(0.1)*				211.4	3.7	*1.8*
Overseas	46.7	44.1	(2.5)	*(5.4)*				43.3	0.8	*1.9*
Gross profit	102.3	103.6	1.3	*1.3*				91.4	12.1	*13.3*
Margin	*39.1*	*40.0*	*0.9pp*					*35.9*	*4.0pp*	
SG&A	75.6	76.3	0.7	*1.0*				71.3	5.0	*7.1*
Operating income (loss)	26.6	27.2	0.5	*2.1*	27.0	0.2	*0.9*	20.1	7.1	*35.3*
Margin	*10.2*	*10.5*	*0.3pp*		*10.3*	*0.2pp*		*7.9*	*2.6pp*	
Ordinary income (loss)	27.6	27.7	0.0	*0.2*	27.0	0.7	*2.6*	20.4	7.2	*35.3*
Income (loss) before income taxes	26.4	28.1	1.6	*6.4*				18.6	9.5	*51.0*
Net income (loss) attributable to owners of parent	18.9	19.7	0.8	*4.4*	19.0	0.7	*4.2*	13.1	6.6	*50.5*
Margin	*7.2*	*7.6*	*0.4pp*		*7.3*	*0.4pp*		*5.2*	*2.5pp*	

ROE 10.9%

ROE 8.3%

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

- Operating income increased compared with FY2018, but owing to the recording of foreign exchange losses on appreciation of the yen, ordinary income was on a par with FY2018.
- Net income attributable to owners of parent increased from FY2018. This was partly due to the recording of a reduced extraordinary losses (3.2 billion yen) following termination of retirement benefit plan for accounting purposes.

(Billions of yen)

	FY2018 (A)	FY2019 (B)	Difference (B) - (A)	Difference % Change
Operating income	26.6	27.2	0.5	*2.1*
Non-operating income	1.2	1.1	(0.1)	*(13.7)*
Non-operating expenses	0.3	0.6	0.3	*109.9*
Ordinary income	27.6	27.7	0.0	*0.2*
Extraordinary income	2.2	0.8	(1.4)	*(64.1)*
Extraordinary losses	3.4	0.3	(3.0)	*(89.0)*
Income before income taxes	26.4	28.1	1.6	*6.4*
Income taxes	7.2	7.9	0.7	*9.8*
Net income attributable to non-controlling interests	0.2	0.4	0.1	*54.5*
Net income attributable to owners of parent	18.9	19.7	0.8	*4.4*

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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.

- Despite growth achieved in fields related to sales and installation of equipment/systems for new large-scale buildings, reflecting a robust market environment, overall orders received were lower than the previous fiscal 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 previous fiscal year. However, due to the postponement of additional construction in the fourth quarter, sales fell short of the business plan.
- Segment profit achieved the business plan, mainly due to increased revenue and the success of initiatives designed to improve profitability. There was a significant increase compared to the previous fiscal year, partly because temporary expenses for provision were recorded in the first half of FY2018.
- The service field achieved constant growth, mainly due to an increase in new construction projects where steady progress has been made with installation work against the backdrop of a robust business environment. Owing to initiatives for improving profitability, segment profit increased significantly, setting a new record.

(Billions of yen)

	FY2018	FY2019	Difference		Plan (Nov.1, 2019)	Difference		FY2016	Difference	
	(A)	(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*	(D)	(B) - (D)	*% Change*
Orders received	123.7	122.9	(0.8)	*(0.7)*				120.0	2.8	*2.4*
Sales	119.5	123.7	4.2	*3.6*	125.0	(1.2)	*(1.0)*	116.4	7.3	*6.3*
Segment profit (loss)	12.4	14.8	2.4	*19.9*	14.4	0.4	*3.4*	11.5	3.3	*29.3*
Margin	*10.4*	*12.0*	*1.6pp*		*11.5*	*0.5pp*		*9.9*	*2.1pp*	

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Segment Information - AA Business

We are pursuing a growth strategy and implementing measures to strengthen profitability for the three AA business sub-segments*. Due to sluggish investment in markets related to manufacturing equipment, in Japan and overseas, sales and profit decreased compared with the previous fiscal year, but high profit margins were maintained.

- As regards orders received and sales, the IAP and SS businesses, which mainly target process automation markets, performed relatively well. However, despite a recovery in some markets in the second half and demand in rush due to procurement concerns, the markets for manufacturing equipment remained listless throughout the year, and consequently figures for the CP business fell significantly. Also, figures for the AA business as a whole were lower than the previous fiscal year, falling short of the business plan.
- Lower sales resulted in a decrease in segment profit compared with FY2019, but success has been achieved with sustained initiatives to strengthen profitability, including the restructuring of low-profit businesses in the last few years, so it was possible to maintain a segment profit margin in excess of 10%. Sales fell short of the business plan, and thus segment profit too was just short of the plan.
- We expanded sales of competitive products, including new products, provided solutions focused on growth areas, and realized high added value in the engineering/service fields (energy management, security, etc.).

(Billions of yen)

	FY2018	FY2019	Difference		Plan (Nov.1, 2019)	Difference		FY2016	Difference	
	(A)	(B)	(B) - (A)	*% Change*	(C)	(B) - (C)	*% Change*	(D)	(B) - (D)	*% Change*
Orders received	98.3	91.9	(6.4)	*(6.5)*				93.4	(1.5)	*(1.6)*
Sales	99.3	93.1	(6.2)	*(6.3)*	94.0	(0.8)	*(0.9)*	95.4	(2.3)	*(2.4)*
Segment profit (loss)	12.2	10.4	(1.7)	*(14.1)*	10.6	(0.1)	*(1.1)*	7.2	3.2	*45.6*
Margin	*12.3*	*11.3*	*(1.0)pp*		*11.3*	*(0.0)pp*		*7.5*	*3.7pp*	

* 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 46 of this document.

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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.

- Overall orders received rose, owing to growth in the LSE field.
- Overall sales were down compared to the previous fiscal year, owing mainly to decreased orders received in the LSE field last year. With a delay in the development of an IoT0based new business area in the Lifeline field, sales fell short of the business plan.
- Segment profit was lower than the previous fiscal year owing mainly to reduced revenue. Since sales fell short of the business plan, so too did segment profit.
- Steady profit improvement was achieved over the period of the medium-term plan as a result of business structure reforms and initiatives to improve the profit structure.

(Billions of yen)

	FY2018 (A)	FY2019 (B)	Difference (B) - (A)	Difference % Change	Plan (Nov.1, 2019) (C)	Difference (B) - (C)	Difference % Change	FY2016 (D)	Difference (B) - (D)	Difference % Change
Orders received	43.8	44.8	0.9	*2.1*				42.6	2.1	*5.0*
Sales	44.8	44.0	(0.8)	*(1.8)*	45.0	(0.9)	*(2.1)*	44.1	(0.0)	*(0.2)*
Segment profit (loss)	2.0	1.8	(0.1)	*(9.4)*	2.0	(0.1)	*(6.7)*	1.4	0.4	*31.4*
Margin	*4.6*	*4.2*	*(0.4)pp*		*4.4*	*(0.2)pp*		*3.2*	*1.0pp*	

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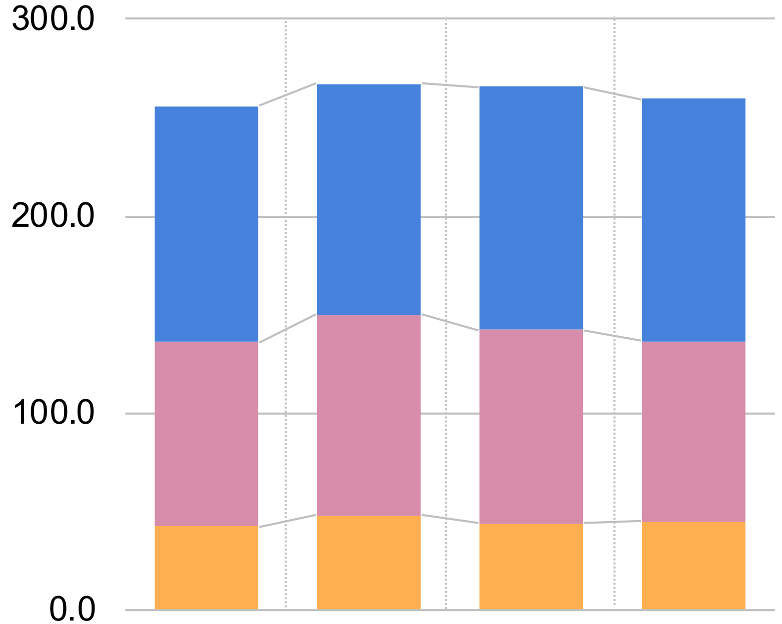
Reference: Orders Received by Segment

(Billions of yen)



	FY2016	FY2017	FY2018	**FY2019**
BA	120.0	117.8	123.7	**122.9**
AA	93.4	101.7	98.3	**91.9**
LA	42.6	48.0	43.8	**44.8**
Consolidated	254.9	266.2	264.2	**258.0**

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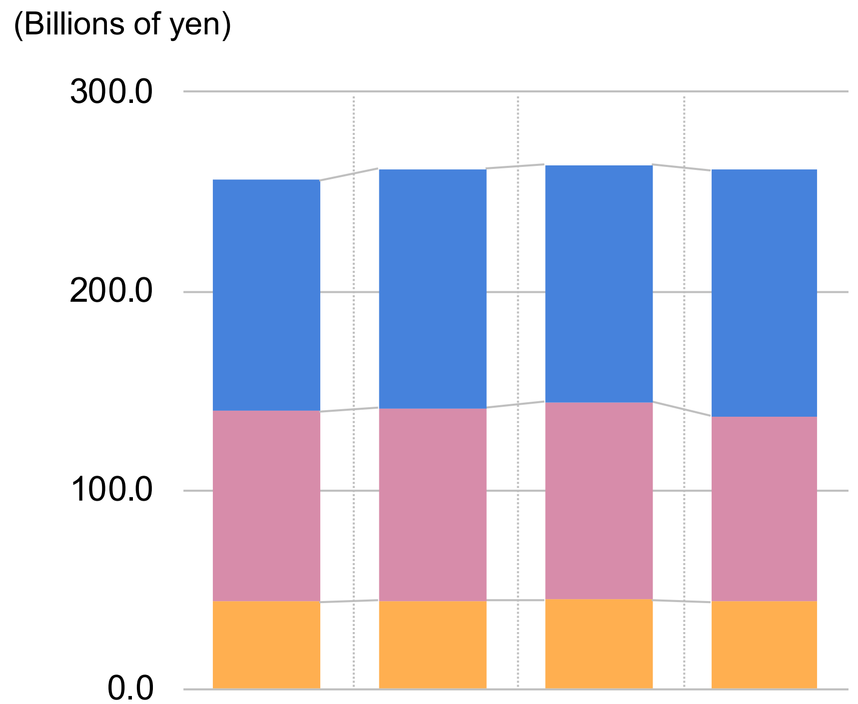
Reference: Sales by Segment



	FY2016	FY2017	FY2018	**FY2019**
B A	116.4*	120.2	119.5	**123.7**
A A	95.4	97.2	99.3	**93.1**
L A	44.1	44.2	44.8	**44.0**
Consolidated	254.8	260.3	262.0	**259.4**

* 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.

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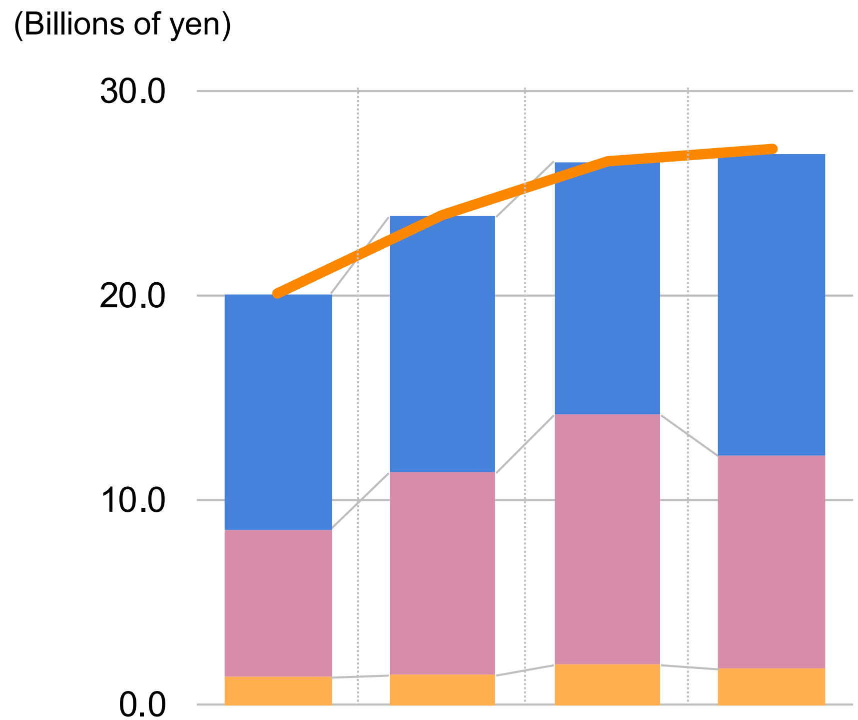
Reference: Segment Profit (Operating Income)



	FY2016	FY2017	FY2018	**FY2019**
B A	11.5*	12.5	12.4	**14.8**
A A	7.2	9.9	12.2	**10.4**
L A	1.4	1.5	2.0	**1.8**
Consolidated	20.1	24.0	26.6	**27.2**

* 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.

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Overseas Sales by Region

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 5.4% lower than FY2018.

BA Business

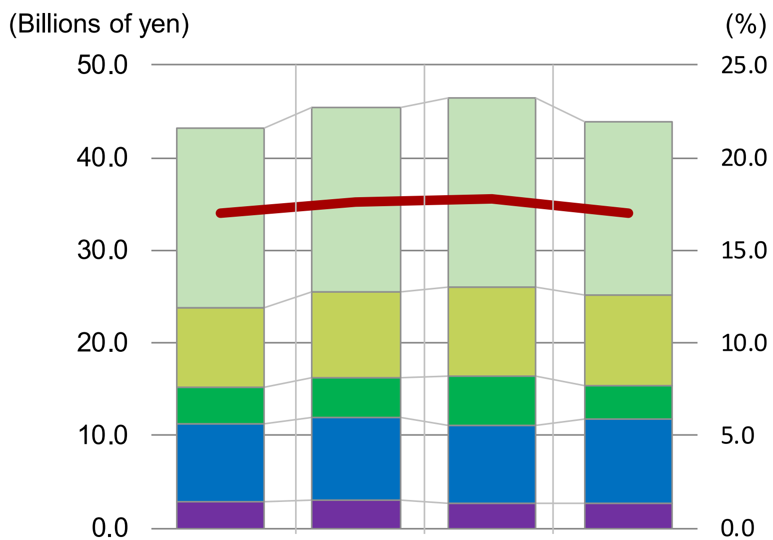
Overall revenue decreased due to lower sales in the Asia region and China.

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 in FY2018, overall sales decreased.



	FY2016	FY2017	FY2018	FY2019
Asia (ex-China)	19.5	20.0	20.4	**18.7**
China	8.5	9.3	9.7	**9.8**
North America	3.9	4.2	5.3	**3.7**
Europe	8.4	9.0	8.5	**9.1**
Others	2.9	3.0	2.6	**2.6**
Consolidated	43.3	45.7	46.7	**44.1**

Reference information

Overseas sales/ Net sales ratio	17.0%	17.6%	17.8%	**17.0%**
Average exchange rate - USD/JPY	108.81	112.17	110.45	**109.03**
Average exchange rate - EUR/JPY	120.30	126.70	130.35	**122.03**

- 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 decrease in notes and accounts receivable-trade and securities for short-term investment, total assets were 274.5 billion yen, on a par with the end of FY2018, despite an increase in cash and deposits as well as an increase in leased assets (property, plant and equipment) in accordance with a change in accounting policy.
- **Liability** Total liabilities decreased by 3.1 billion yen, owing to a decrease in short-term borrowings and a decrease in notes and accounts payable-trade.
- **Net assets** Net assets increased by 2.2 billion yen compared with the end of FY2018. This was mainly due to an increase from the recording of net income attributable to owners of parent, despite a decrease by repurchasing own shares and the payment of dividends. Accordingly, shareholders' equity ratio improved to mark higher than 60%.

(Billions of yen)

	As of Mar. 31, 2019 (A)	As of Mar. 31, 2020 (B)	Difference (B) - (A)
Current assets	**209.9**	**209.1**	**(0.7)**
Cash and deposits	46.4	57.7	11.2
Notes and accounts receivable-trade	93.7	85.2	(8.5)
Securities	36.4	32.2	(4.2)
Inventories	24.9	25.3	0.4
Other	8.3	8.6	0.2
Non-current assets	**65.6**	**65.3**	**(0.2)**
Property, plant and equipment	26.9	28.2	1.2
Intangible assets	5.1	5.2	0.0
Investments and other assets	33.4	31.9	(1.5)
Total assets	**275.5**	**274.5**	**(0.9)**

	As of Mar. 31, 2019 (A)	As of Mar. 31, 2020 (B)	Difference (B) - (A)
Liabilities	**92.4**	**89.2**	**(3.1)**
Current liabilities	**86.9**	**82.6**	**(4.2)**
Notes and accounts payable-trade	40.1	38.4	(1.6)
Short-term borrowings	9.8	8.2	(1.6)
Other	37.0	35.9	(1.0)
Non-current liabilities	**5.4**	**6.5**	**1.1**
Long-term borrowings	0.1	0.3	0.1
Other	5.2	6.2	0.9
Net assets	**183.0**	**185.3**	**2.2**
Shareholders' equity	**170.5**	**173.5**	**2.9**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	-
Retained earnings	160.3	165.0	4.7
Treasury shares	(11.9)	(13.7)	(1.7)
Accumulated other comprehensive income	**10.5**	**9.6**	**(0.8)**
Non-controlling interests	**1.9**	**2.1**	**0.1**
Total liabilities and net assets	**275.5**	**274.5**	**(0.9)**

Reference
Shareholders' equity ratio: 66.7% (as of Mar. 31, 2020), 65.7% (as of Mar. 31, 2019)

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Consolidated Cash Flows

- Cash flows from operating activities increased compared to FY2018. This was owing to increased collection of notes and accounts receivable-trade and the fact there had been expenditures related to the setting up of a retirement benefit trust for the lump-sum payment plan of a domestic consolidated subsidiary in FY2018.
- Cash flows from investing activities were on a par with FY2018. This was due to a decrease in proceeds following sales of investment securities while there was capital expenditures for integration and expansion of domestic production facilities in FY2018.
- Consequently, free cash flow increased by 13.6 billion yen compared to FY2018.
- Cash flows from financing activities saw an increase compared to FY2018, mainly due to the implementation of such shareholders' return as the repurchase of own shares as well as dividends.

(Billions of yen)

	FY2018 (A)	FY2019 (B)	Difference (B) - (A)	Difference %
Cash flows from operating activities	16.1	29.8	13.6	*85.0*
Cash flows from investing activities	(4.0)	(4.1)	(0.0)	-
Free Cash Flow (FCF)	12.0	25.6	13.6	*113.0*
Cash flows from financing activities	(12.0)	(18.7)	(6.7)	-
Effect of exchange rate change on cash and cash equivalents	(0.5)	(0.2)	0.2	-
Net increase (decrease) in cash and cash equivalents	(0.5)	6.6	7.1	-
Cash and cash equivalents at beginning of period	68.6	68.1	(0.5)	*(0.7)*
Cash and cash equivalents at end of period	68.1	74.7	6.6	*9.7*

Reference

Capital expenditure	6.3	4.9	(1.4)	*(22.5)*
Depreciation	4.1	4.4	0.2	*7.1*

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3. Returning Profits to Shareholders

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Basic Policy

We will continue to provide stable returns to shareholders while making steady progress with investments to drive future growth and thus increase enterprise value.

Basic policy

We continue to develop well-disciplined capital policies and aim to maintain/enhance the 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.

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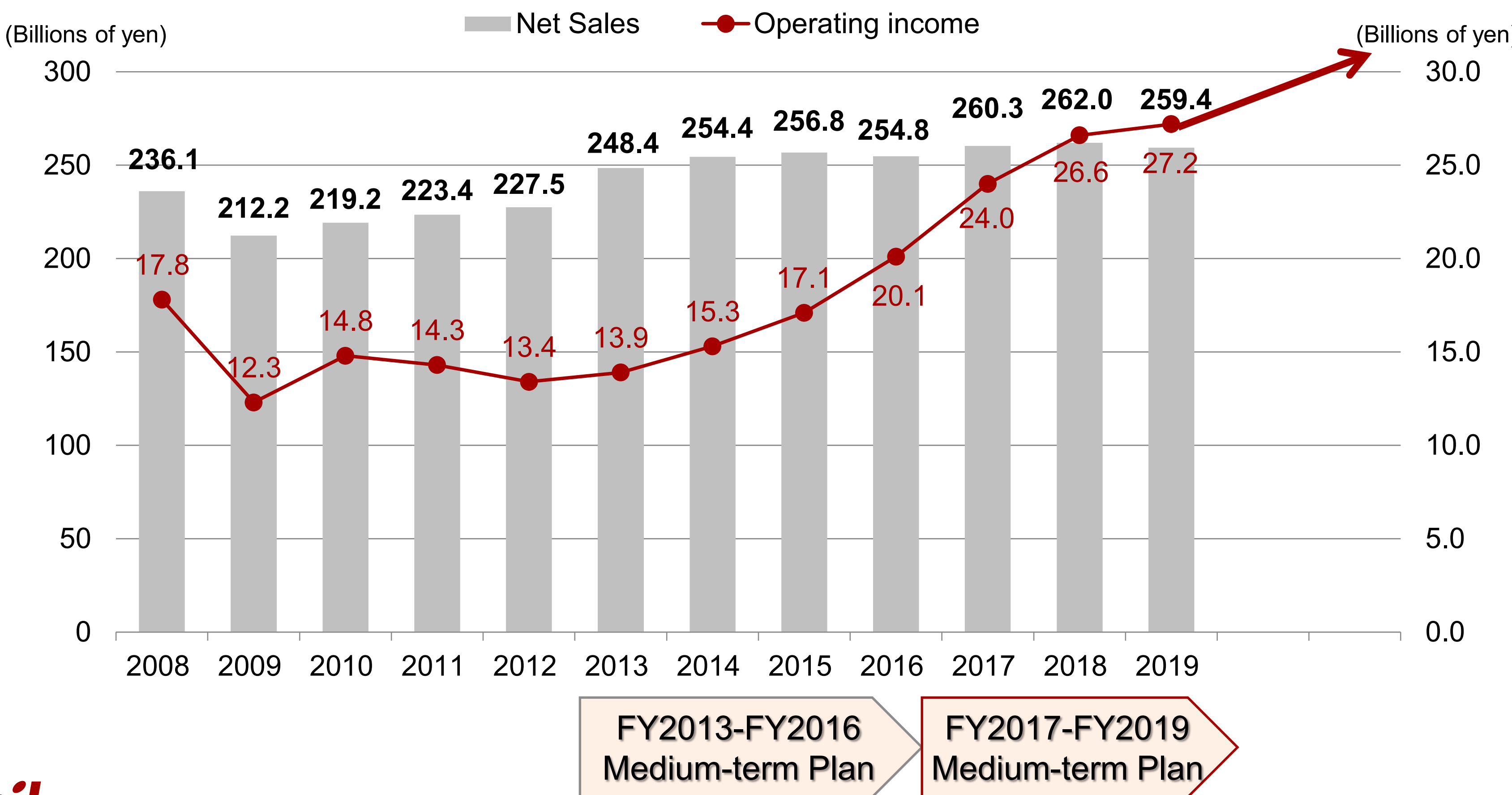
Business Performance: Steadily Improving Profitability

- **Substantial progress achieved in strengthening business profitability through business structural reforms and business operational reforms.
We have progressively improved our business foundation to support medium- to long-term growth, responding to changes in the business environment and strengthening our corporate structure to enable sustainable growth.**



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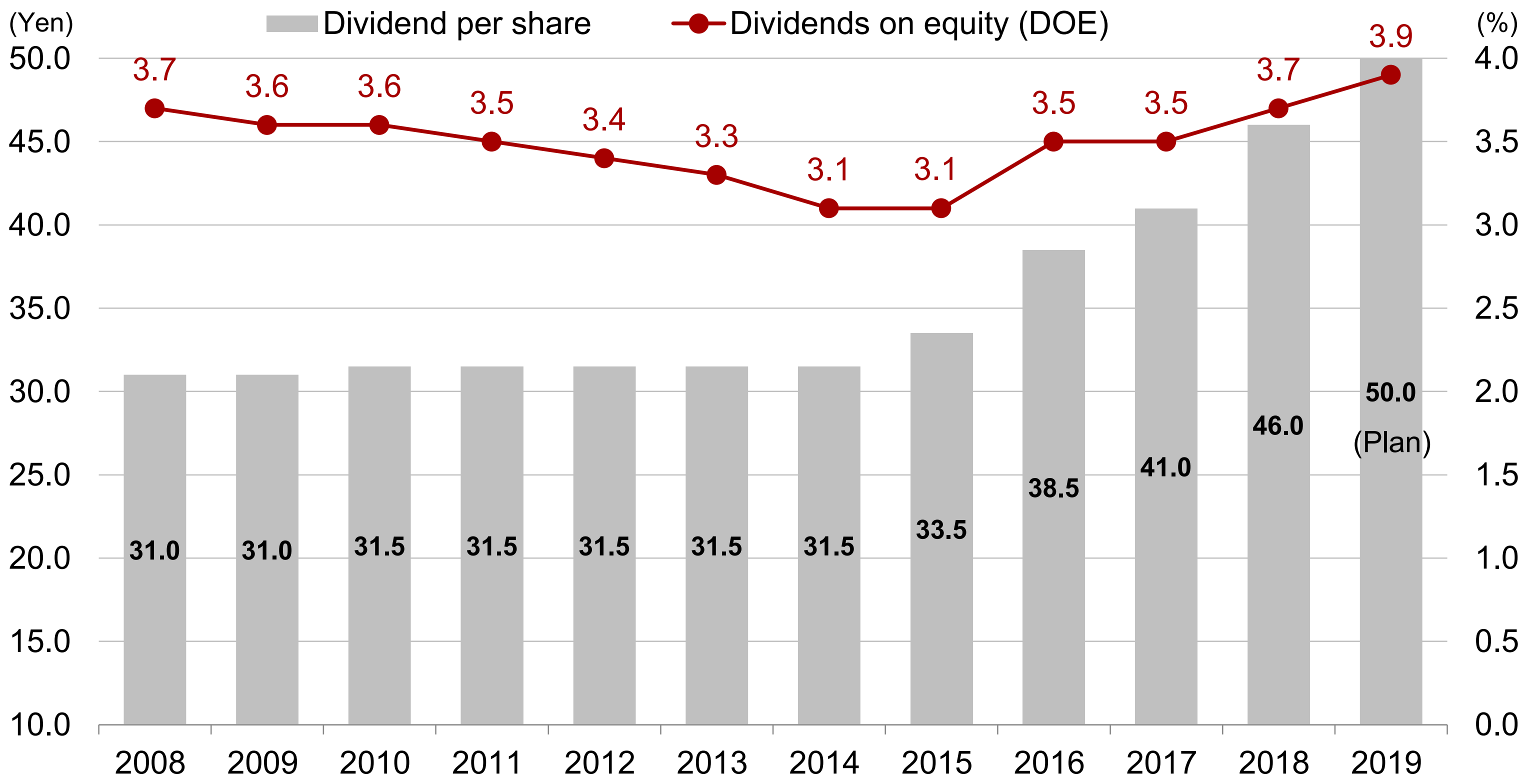
Trends of Shareholders' Returns: Maintaining Dividend Stability

- **In accordance with our basic policy, we always maintain a stable dividend level while at the same time striving to raise it.**

The dividend per share and the number of own shares repurchased have been retroactively revised, taking into account the effects of a 2-for-1 common stock split implemented in October 2018.



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total amount of own shares repurchased (billions of yen)	1.9							1.9		2.9	4.9	9.9
Number of own shares repurchased (million shares)	2.00							1.20		1.42	1.87	3.71

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FY2019 and FY2020 Shareholders' Returns

FY2019	● Ordinary dividend: annual dividend of 50 yen per share (increased by 4 yen)	As announced on May 10, 2019
	● Repurchase of own shares: 9.9 billion yen (3.71 million shares)	Concluded
FY2020	● Ordinary dividend: annual dividend of 50 yen per share	
	● Repurchase of own shares: not currently planned	

- **The spread of the novel coronavirus has created an uncertain business environment. However, with the success of initiatives included in the medium-term plan to improve business profitability and strengthen our financial position, and in accordance with our basic policy, the year-end dividend for FY2019 will be 25 yen per share (annual dividend of 50 yen) as announced at the start of the fiscal year (May 10, 2019), and the annual dividend per share for FY2020 will be kept at 50 yen.**

(Yen)

	FY2019			FY2020		
	Interim	Year-end (plan)	Annual (plan)	Interim (plan)	Year-end (plan)	Annual (plan)
Dividend per share	25	25	50	25	25	50
Payout ratio	*35.5%*			—*		
Dividends on equity (DOE)	*3.9%*			—*		

* The payout ratio and dividends on equity (DOE) for FY2020 are not calculated because the financial plan for FY2020 has not been determined.

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4. Operation for FY2020

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FY2020 Financial Plan and Business Operations

- **The FY2020 financial plan has not been finalized and thus is yet to be announced, but it is planned to maintain the FY2020 annual dividend at 50 yen per share.**
  - Since it is currently difficult to calculate, on a rational basis, the impact of the novel coronavirus pandemic, the financial plan has not been finalized; it will be announced when the calculation becomes possible. The dividend is decided in accordance with basic policy.

    We are investigating the impact of decreased capital investment in buildings, plants and factories, as well as the delays and suspensions of construction work, etc. resulting from the slump in global consumption and stagnating economic and production activities.

- **Approach to business operations**
  Based on our enhanced profitability and financial foundation, we will respond rapidly to changes brought about by the spread of the novel coronavirus and fulfill our social responsibilities. We will steadily invest in growth while working to reduce costs.
  - In addition to enhancing our business continuity plan (BCP), the azbil Group has been making progress with building a management foundation for sustainable growth by strengthening business profitability and securing a strong financial position while enhancing job execution capabilities and mobilizing human resources through work-style reform. Furthermore, we have improved our ability to respond to emergencies; this includes strengthening and diversifying our capital-raising capabilities.

Reference: the azbil Group's financial foundation and capital-raising capabilities	Shareholders' equity ratio at the end of FY2019:	66.7%
	Balance of cash and cash equivalents at the end of FY2019:	74.7 billion yen
	Committed credit line (Azbil Corp.):	10.0 billion yen
	Long-term issuer rating (Azbil Corp.):	A (Outlook: stable)
		20.0 billion yen registered limit for bond issues
		(by Rating and Investment Information, Inc.)

  - While implementing thorough crisis management, we will ensure the fulfillment of our social responsibilities and business continuity by continuing to provide the engineering, services and equipment necessary to maintain our customers' important production facilities and buildings, as well as the social infrastructure.
  - Based on our strong financial foundation, we will plan necessary measures, such as cost reduction, while making the investments required for business continuity and future growth.

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5. Initiatives for Sustainable Growth

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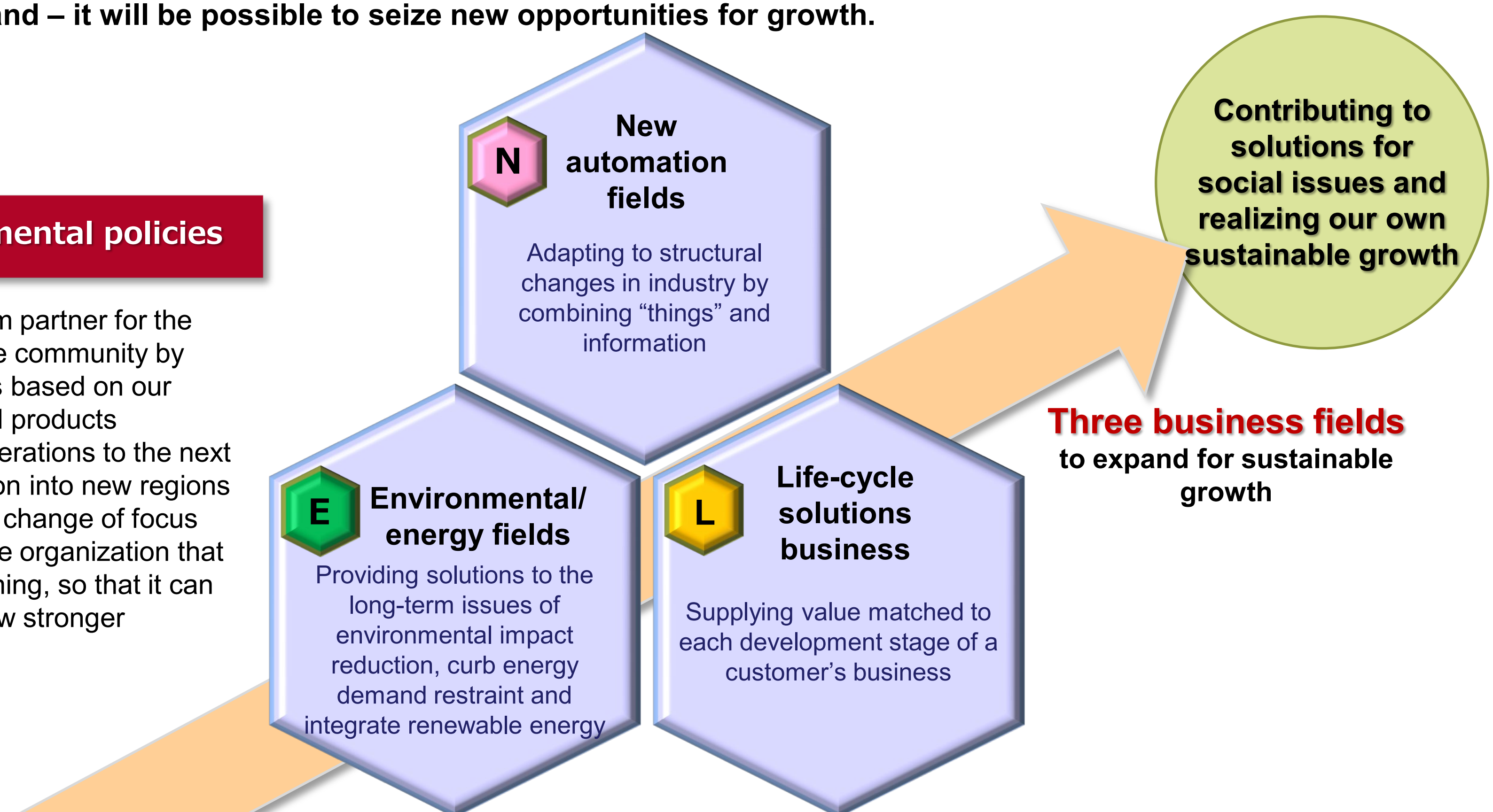
Three Business Fields to Respond to the New Normal and New Social Issues

Based on the three fundamental policies, the azbil Group has been pursuing initiatives focused on three business fields that are expected to achieve sustainable growth. By accelerating efforts in these three fields to meet the challenges expected after the spread of the novel coronavirus – such as emerging social issues and changes in patterns of demand – it will be possible to seize new opportunities for growth.

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



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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Understanding the Business Environment and Planning the azbil Group's Future Directions

- Based on our now enhanced business profitability and our achievements in upgrading our business foundation, we will closely follow technological trends – such as IoT, AI, and cloud services – and address automation needs that reflect changes in social structure/values after subside of the novel coronavirus pandemic. In this way, we will aim for sustainable growth while working to achieve the Sustainable Development Goals (SDGs).

Changes in the business environment, new social issues

- Changes in values due to a smaller domestic workforce and work-style reforms
- Maintenance for various production facilities plus maintenance geared toward aging infrastructure; increased importance of ensuring safety
- Increasing need to respond to frequent natural disasters and to address environmental issues such as climate change
- Behavioral changes (individuals and society) due to the spread of the novel coronavirus (teleworking, BCP, supply chains, digitalization)

Future directions for the azbil Group

- Accelerate automation, autonomy and labor saving of building and production management; foster harmonization of human ingenuity and technologies
- Develop sophisticated services, such as preventive maintenance, that answer safety & cost needs
- Employ IoT technology to enhance solutions in the environment and energy fields
- Provide from replacement of equipment to as-a-service business model that utilizes cloud technology
- Ensure flexible use of buildings and production equipment to facilitate BCP

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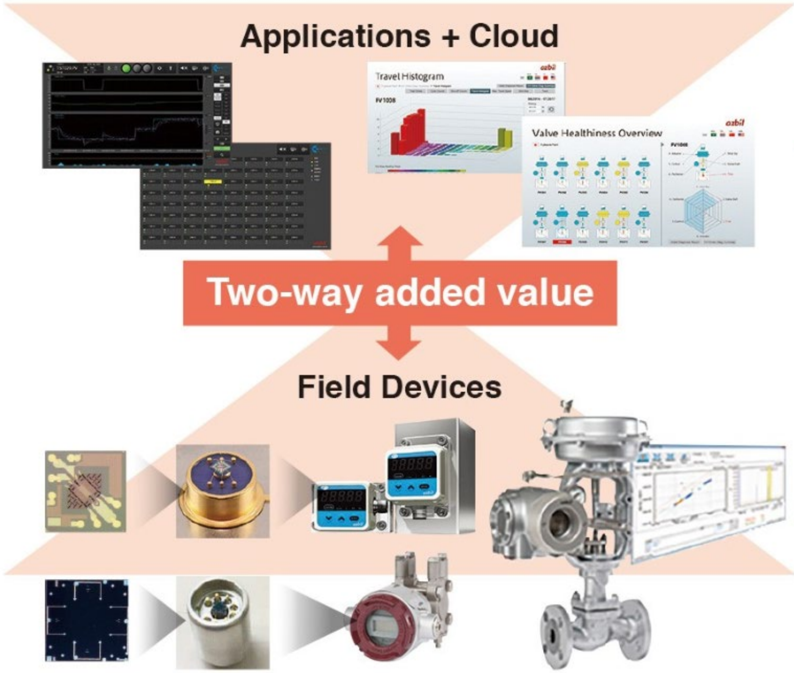
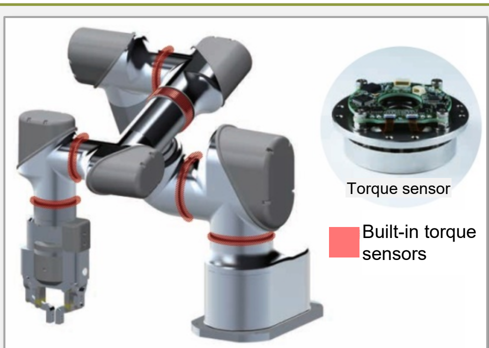
Example of Development Involving the Three Business Fields (1)

- **Increase azbil product appeal**
  – accelerate automation, autonomy and labor saving, and achieve harmonization with human ingenuity



Strengthen system solution development
- New system development and business creation
- Strengthening of cyber security measures

Strengthen measurement and control product development
- New sensor device development
- Intelligent actuators and sensors



Dexterous and precise – a next-generation smart robot with strength and innovation vision
- A torque sensor is incorporated into each joint, enabling precise detection/control of force.
- Jig can be simplified thanks to image recognition (visual function).
- Training/programming is easy, enabling quick startup for automated tasks.
- Flexible objects can be handled if the robot is equipped with a hand that features grip-force control.

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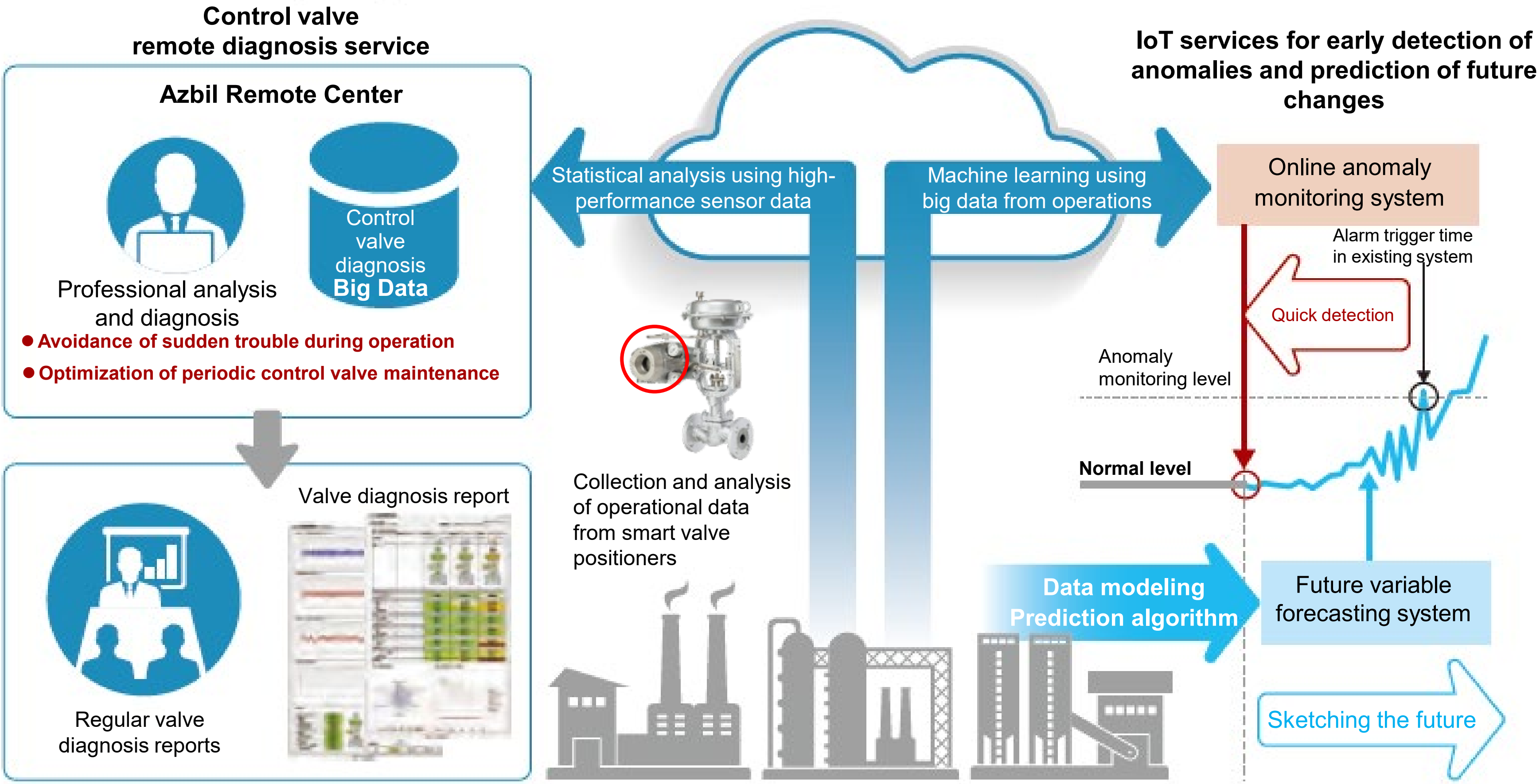
Example of Development Involving the Three Business Fields (2)

- **"Smart security solution" employing big data and AI**

  Online anomaly monitoring system utilizes big data for online detection of possible anomalies in processes and equipment. Future variable forecasting system offers monitoring for important processes and prediction of changes; along with valve analysis/diagnosis and maintenance, it can contribute to solving such problems as the aging of plant equipment and heightened risks following the retirement of skilled operators, etc.



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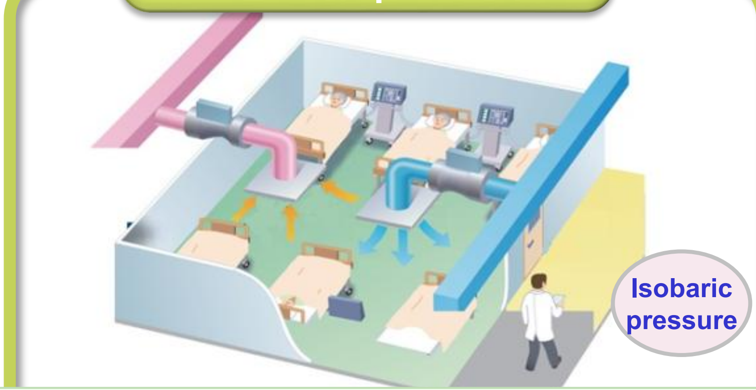
Example of Development Involving the Three Business Fields (3)

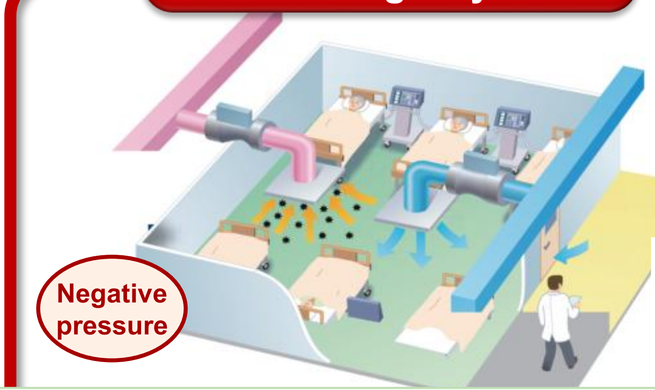
- **Pressure control for hospitals that enables safety, facilitates BCP, and allows flexible building use – Dual-use wards for normal and emergency situations at medical institutions designated for infectious diseases**
  - Effective use of facilities (management resources): rooms normally used as general wards (isobaric pressure) can be converted to infectious disease wards in an emergency by switching to negative pressure and increasing the ventilation rate. This approach avoids low bed occupancy rates when there are no emergencies.
  - Enhancing the occupational safety & health environment for medical staff: airflow is directed from the nurse station to the ward (positive pressure).

Normal operation



✓ Used as a general hospital ward
✓ Ventilation rate (outside air): at least 2 air changes per hour

Emergency



Infilex™VN Venturi valve with air-flow controller

✓ Used as an emergency-response ward for infectious diseases
✓ Ventilation rate (outside air): at least 12 air changes per hour

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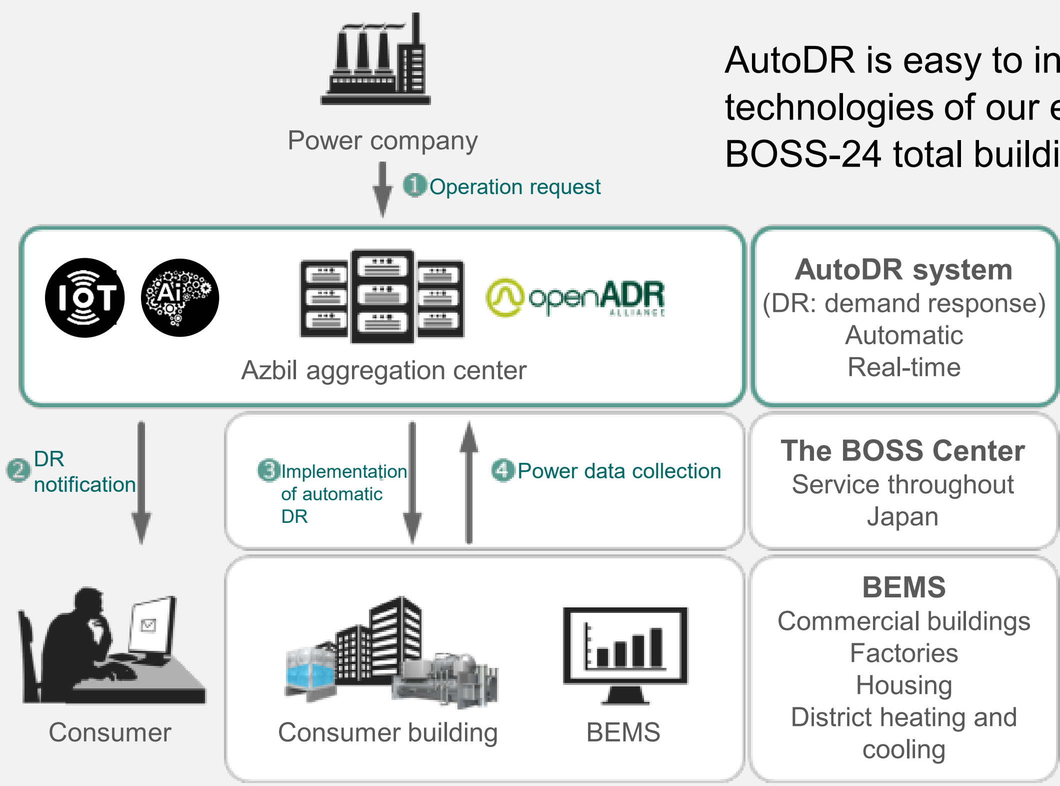
Example of Development Involving the Three Business Fields (4)

- **Strengthening solutions in the environmental/energy fields to utilize IoT technologies**
  – Realizing a virtual power plant (VPP)* by leveraging our BA system track record for large buildings

AutoDR is easy to install because it employs the infrastructure technologies of our existing BEMS (savic-net G5, etc.) and BOSS-24 total building management service.



This fully automatic control system is based on over 30 years of energy management know-how.

It employs infrastructure already used for around-the-clock facility management and energy management, 365 days a year.

Based on management and control technologies for entire buildings, this system enables real-time response that minimizes any impact on occupants and building equipment.

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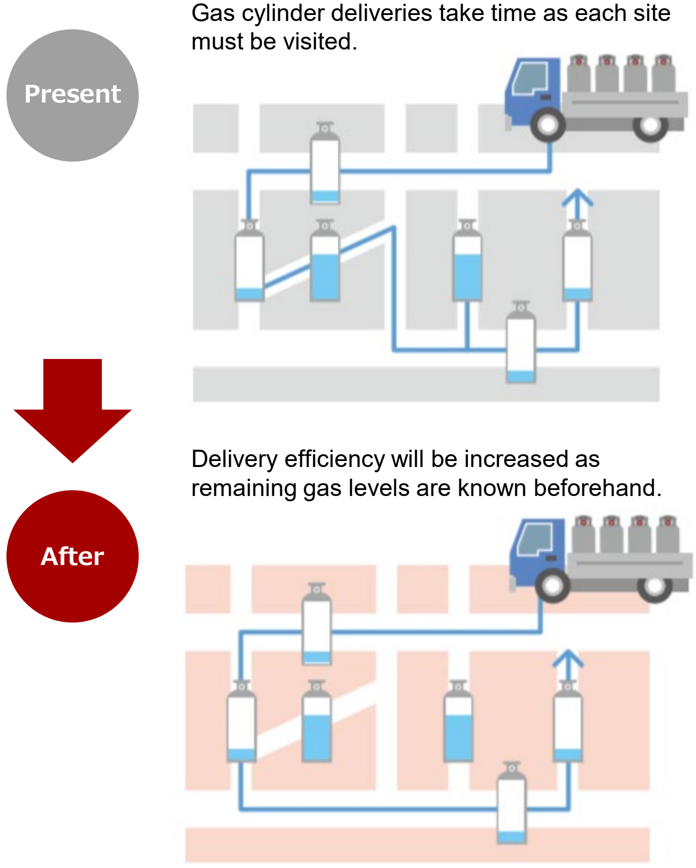
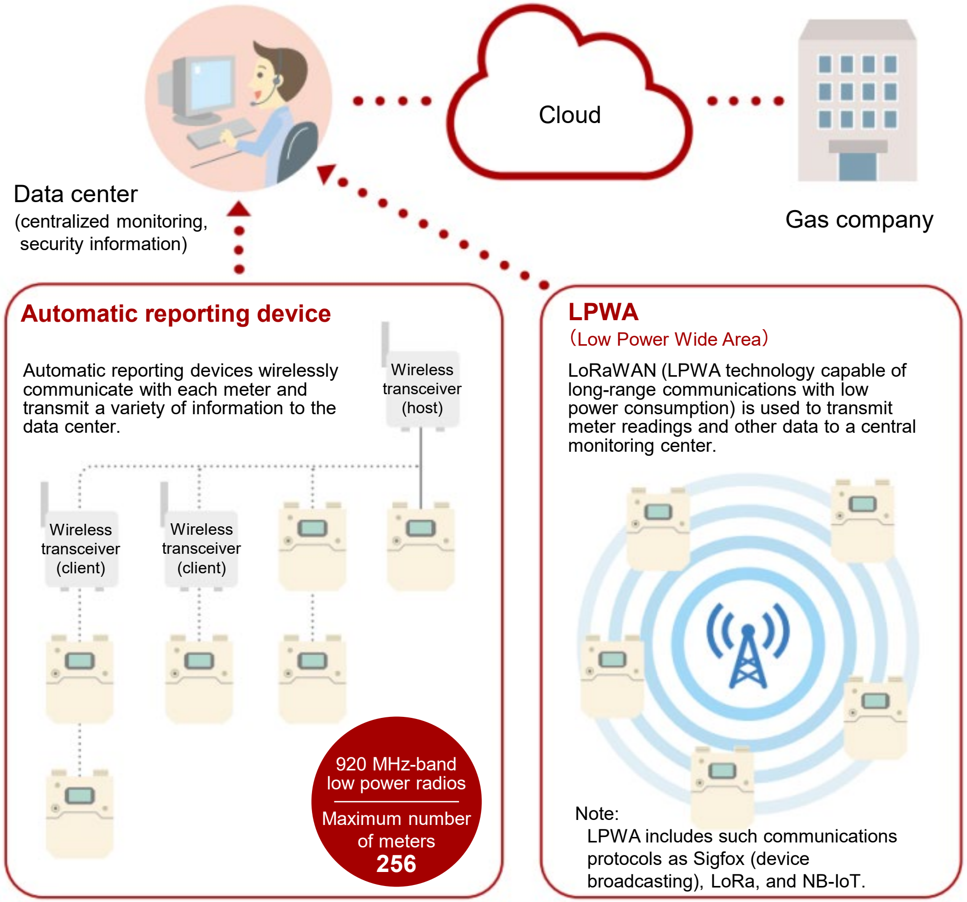
Example of Development Involving the Three Business Fields (5)

- **“as a Service” for social infrastructure**
  Meter Data Cloud Service using smart gas and water meters
  Responding to changes in the business environment such as the liberalization of the energy market, we can offer high value-added solutions based on smart gas and water meters. We can thus enhance customers’ energy management with an automatic meter-reading system using LPWA (Low Power Wide Area) and other wireless technologies as well as a data service based on cloud technology.





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Key Points for Developing and Strengthening the Business Foundation

Strengthening our business foundation (product development, production), our global foundation, and our management foundation (CSR management)

Establishing an advanced global production and procurement system

Developing our production bases
➡Enhancing soft capabilities (advanced production technologies)

Shonan Factory
(New building completed in April 2019)

Fujisawa Technology Center

Enhancing technologies and product appeal to create/expand new automation fields

New automation fields

Adapting to structural changes in industry by combining “things” and information

- Strengthen technologies and expand product lineup in response to new technological trends such as IoT, AI, and cloud services
- Strengthen technologies in the sensor field

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

Ceiling temperature sensor for building automation won the iF Gold Award, the top iF design award of 2020

Accelerating business development overseas

Developed Strategic Planning and Development Office for Southeast Asia (Singapore)
➡ Strengthen activities by increasing personnel

Accelerating CSR management

Renewed the azbil Group Guiding Principles and Code of Conduct
➡Re-orient management using the SDGs as a new compass, and develop unique CSR management globally

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Key Points for Developing and Strengthening the Business Foundation (Organization)

- To foster product development with new automation and to realize direct contributions to a sustainable society, the following organizations were set up as a way to strengthen the azbil Group’s internal mechanism for continuous growth.

IT Solution Development Department

- In response to a business environment that has been transformed by recent technological innovations, we established this department to provide powerful support for IT product planning, product development and operations throughout the azbil Group.

Cloud Operation Center

- This center was established to ensure uniform reinforcement of the system for cloud operations within the azbil Group.

Corporate Sustainability Headquarters

- Guided by the azbil Group’s Guiding Principles and Code of Conduct that ensure we fulfill our social responsibilities, solving issues through “human-centered automation” and directly contributing to a sustainable society, we aim to be a valuable corporate group. To this end, we established this office to further promote initiatives to SDGs and CSR activities, and to enhance internal controls, in Japan and overseas, to serve as the foundation for value creation.

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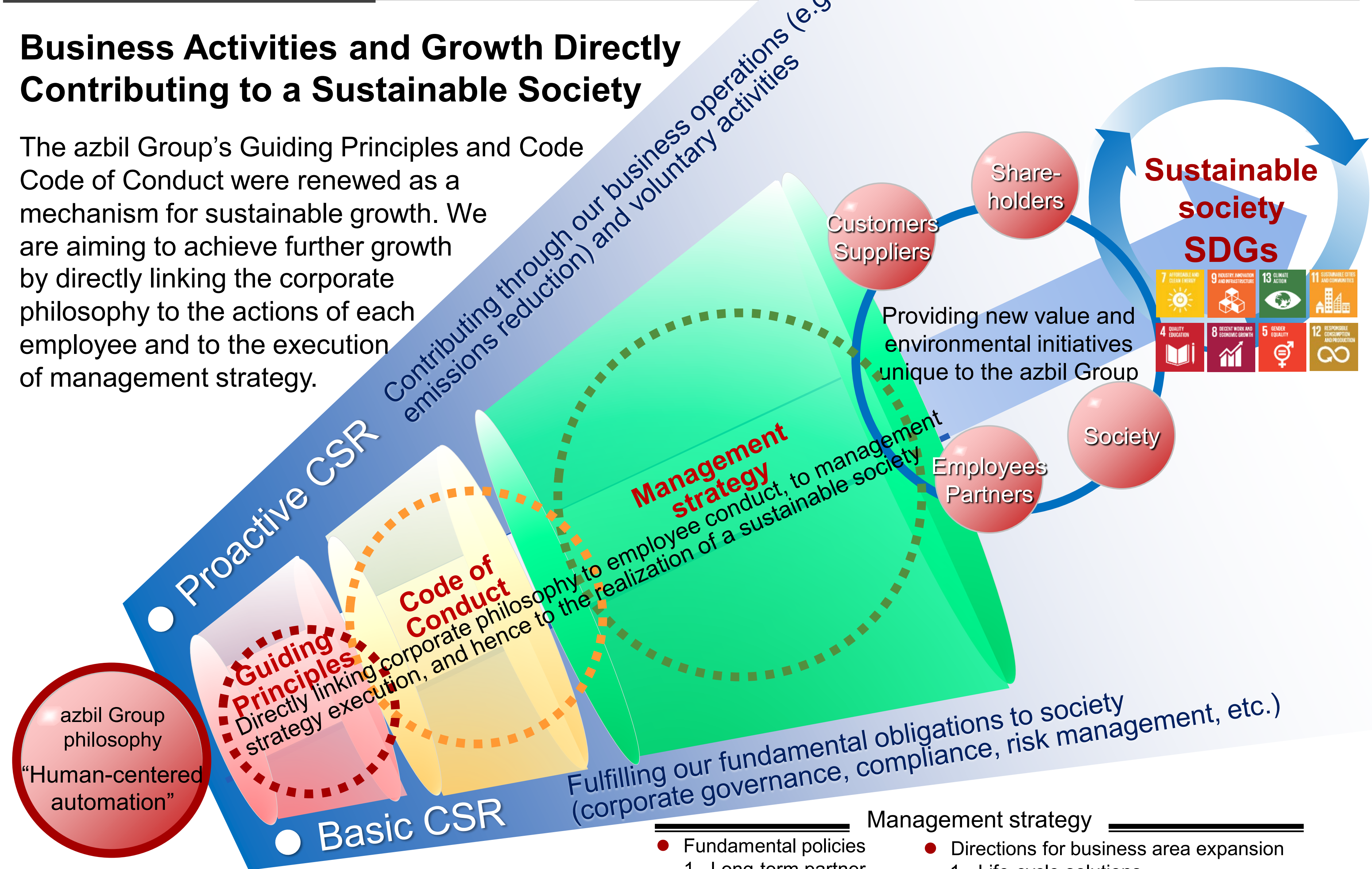
azbil Group CSR Management

Business Activities and Growth Directly Contributing to a Sustainable Society

The azbil Group's Guiding Principles and Code Code of Conduct were renewed as a mechanism for sustainable growth. We are aiming to achieve further growth by directly linking the corporate philosophy to the actions of each employee and to the execution of management strategy.



Management strategy

- Fundamental policies
  1. Long-term partner
  2. Global
  3. Learning organization
- Directions for business area expansion
  1. Life-cycle solutions
  2. New automation
  3. Environment, energy-saving

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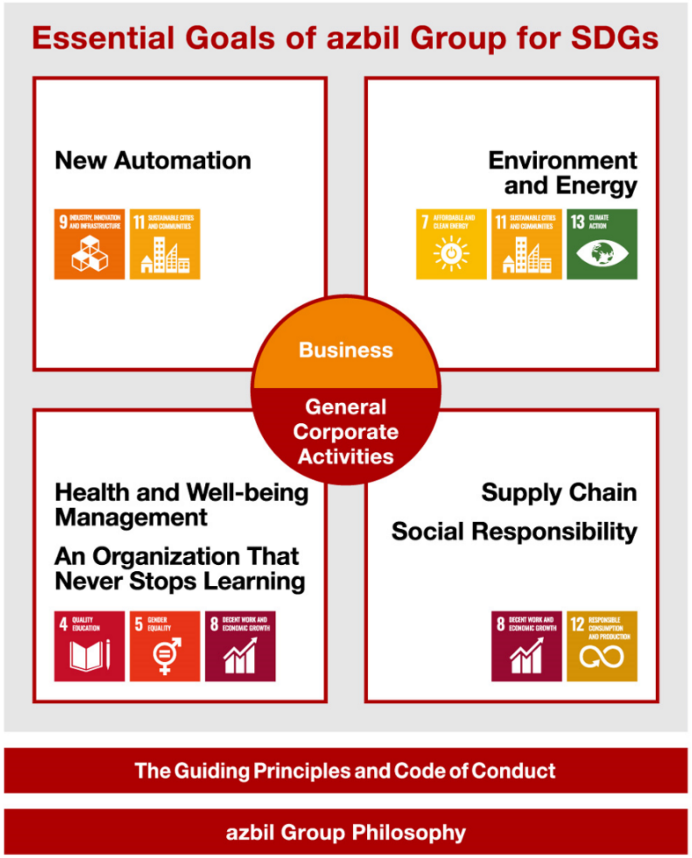
Essential Goals of azbil Group for SDGs Business and General Corporate Activities



Preserving the Earth's environment and solving energy-related problems through cooperative creation

Realizing a safe and comfortable society through new automation

Solutions for energy (toward a low-carbon society)
- Further reduction of GHG*1 emissions at customers' sites
- 30% reduction in GHG emissions from our business activities*2
- 20% reduction in GHG emissions across our entire supply chain*3

Environmental preservation (realization of environment-integrated management*4)
- Creation and provision of eco-friendly products and services
- Effective use of natural resources*5 and reduction of waste generation

Providing productivity and higher value that lead to customers' peace of mind and comfort
- Realization of a smart society through technological innovation
- Providing solutions based on new ideas

Fulfilling our responsibilities to society across our supply chain and contributing to local communities

Strengthening our foundations to solve societal problems through health and well-being management and continuous learning

Fulfilling social responsibilities with customers and partners
- Expansion of the azbil Group's CSR activities to share value

Invigorating local communities
- Contributions around azbil Group bases

Implementing health and well-being management (job satisfaction, health, diversity & inclusion)
- Flexible methods of working and reduction of total work hours
- Maintaining and promoting employees' mental and physical health
- Creating opportunities for diverse personnel to demonstrate their abilities

Developing and strengthening "an organization that never stops learning"
- Expanding opportunities for the continuing education of globally active employees and opportunities to learn with stakeholders

*1 Greenhouse gases (CO_2, etc.). *2 Compared with base year 2013.*3 Compared with base year 2017. *4 Management that integrates environmental activity such as decarbonization, resource recycling, and biodiversity conservation into its business. *5 A general term for material and energy that exists naturally and can be used for people's daily lives and in production activities.

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Main Points (Summary)

- **Looking back over the last two medium-term plans (FY2013-FY2019) and financial results & shareholders' returns for FY2019**
  - ✓ Progress achieved in strengthening our business profitability and financial position, and in developing our business foundation, management system and crisis management system
  - ✓ Progress achieved in strengthening profitability; record operating income achieved; record amount of dividend provided as planned (annual dividend of 50 yen per share)
- **Operation for FY2020**
  - ✓ Business performance plan not yet finalized, but dividend level to be the same as the previous year
- **Initiatives for sustainable growth**
  - ✓ Aiming for sustainable growth through providing solutions involving automation suited to changing social structure/values

What we aim for

Realizing sustainable growth

- Accelerate expansion of three business fields for sustainable growth
- Solve social issues and create added value through our core business
  - — Achieve SDGs
  - — Achieve SBT*1

FY2013-FY2016 Medium-term Plan

FY2017-FY2019 Medium-term Plan

FY2020 and beyond

Long-term Plan (FY2013-FY2021)

azbil Group Philosophy
"human-centered automation"

Three fundamental policies

- **Three business fields**
  - ➢ New automation fields
  - ➢ Environmental/energy fields
  - ➢ Life-cycle solutions business

- **Strengthen business foundation**
- **Develop well-disciplined capital policies and maintain/enhance the azbil Group's enterprise value**

*1 Science Based Targets (SBT): targets having a scientific basis for keeping global temperature increase below 2 degrees Celsius compared to pre-industrial levels (For details, refer to page 42 of this document.)

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Appendix

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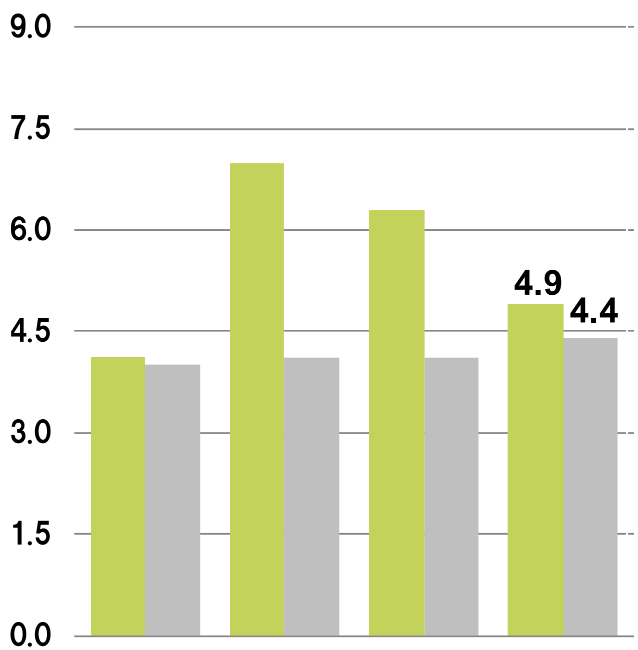
Capital Expenditure, Depreciation and R&D Expenses

Capital expenditure, depreciation

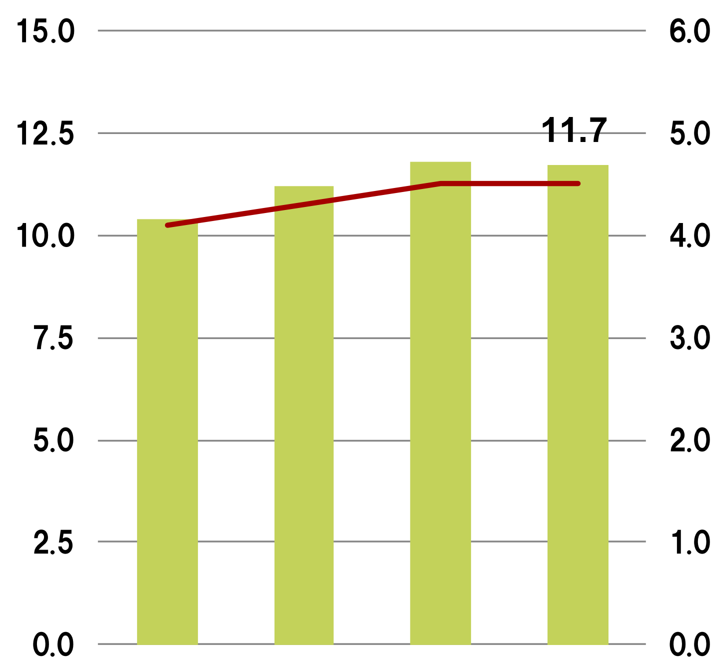
(Billions of yen)



	FY2016	FY2017[*1]	FY2018[*1]	FY2019[*1]
Capital expenditure	4.1	7.0	6.3	**4.9**
Depreciation	4.0	4.1	4.1	**4.4**

R&D expenses, R&D expenses/Net sales ratio

(Billions of yen) (%)



	FY2016	FY2017[*2]	FY2018[*2]	FY2019[*2]
R&D expenses	10.4	11.2	11.8	**11.7**
R&D expenses/ Net sales ratio (%)	4.1	4.3	4.5	**4.5**

[*1] Investments earmarked for the integration of the Shonan and Isehara factories, and for upgrading R&D facilities at the Fujisawa Technology Center have been incurred from FY2017.

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

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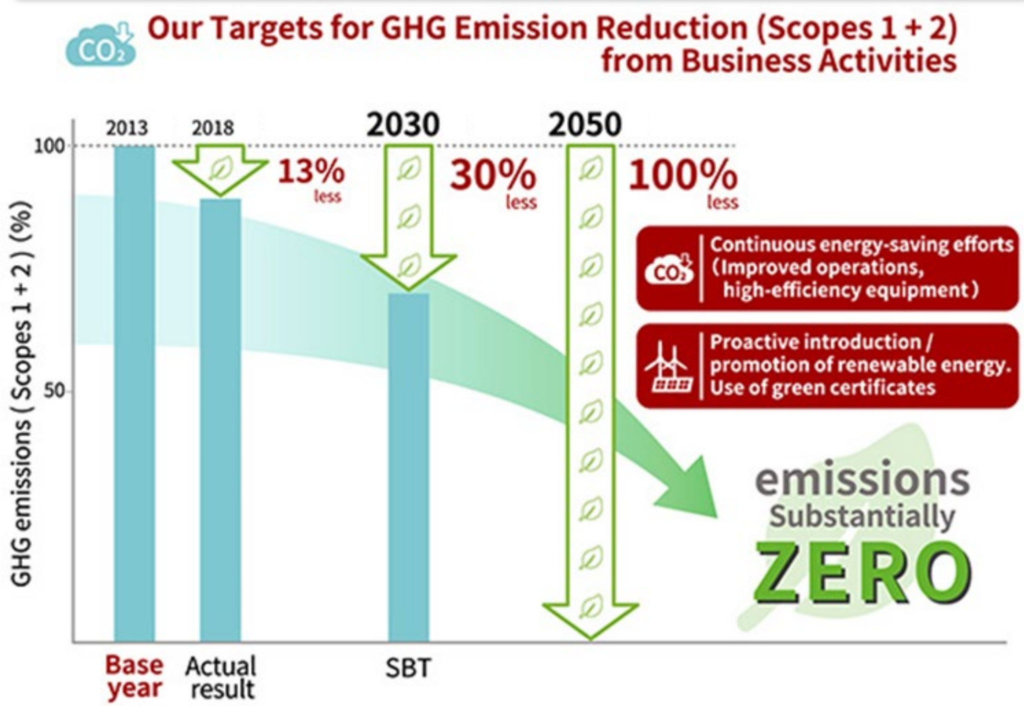
Contribution to the Environment

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 Targets[*2]) that include those across our entire supply chains.

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.

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Contribution to the Environment

We will continue to reduce CO_2 emissions at our customers' sites through the BA, AA and LA businesses, and also work to reduce the environmental impact of our entire supply chain.

CO_2 emission at customers' sites through our business

FY2018 (Ended March 31, 2019)

CO_2 emission reduction at customers' sites Total 2,980,000 tons/year

It is equivalent to approximately 1/400 of all CO_2 emissions in Japan (approx. 1.3 billion tons of CO_2).

Automation effect	We have reduced environmental impact in our BA, AA, and LA businesses, taking advantage of our measurement and control technologies.	2,690,000 tons/year
Energy management effect	We have reduced environmental impact, taking advantage of our energy management solution, to achieve reduction in electricity consumption, energy consumption, and CO_2 emissions.	240,000 tons/year
Maintenance services effects	We have reduced environmental impact by providing the high value-added services of the azbil Group, taking advantage of the knowledge and know-how acquired at customers' sites.	50,000 tons/year

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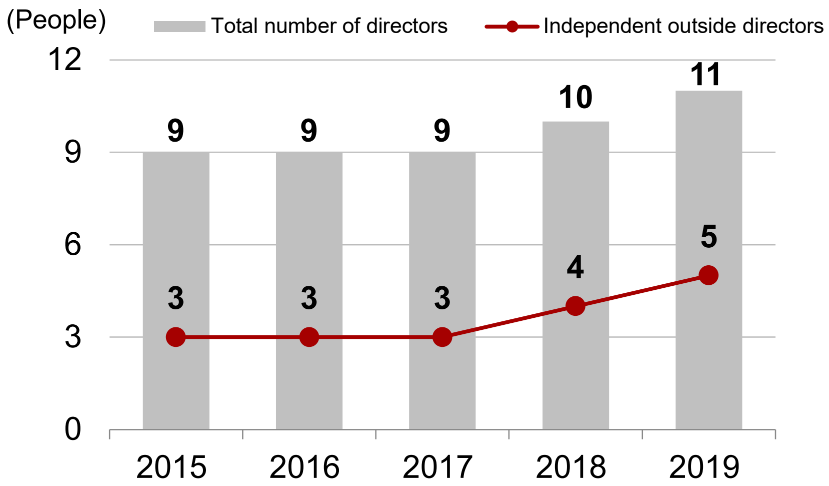
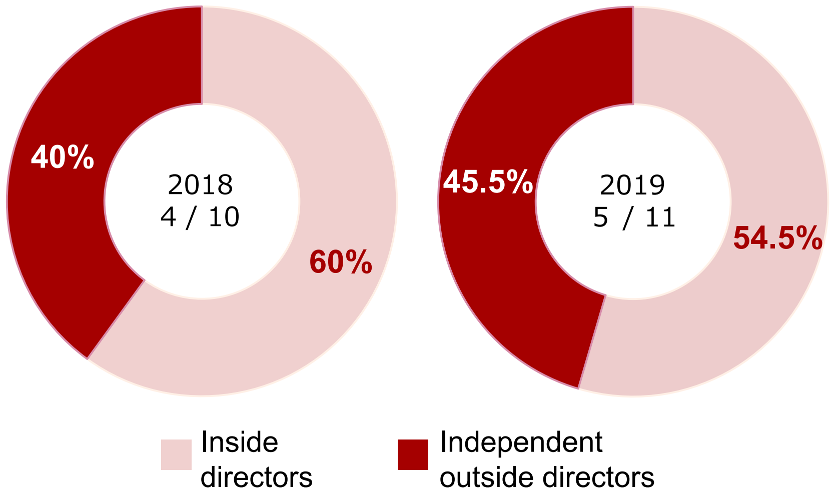
Progress of Corporate Governance Reforms

Number of directors



Composition of independent outside directors



Audit and supervisory board

- 3 independent outside members
- 2 inside members

Advisor/Counselor system (abolished)

- Abolished advisor/counselor system (2018)

Nomination and Remuneration Committee

- 1 representative director and 3 independent outside directors
- Chaired by an independent outside director
- Abolished officers' retirement bonus system (2017)

Strategic Shareholdings

- Formulated guidelines on strategic shareholdings (2016)
- Revised guidelines on strategic shareholdings (2018)

Reference: Change in the number of stocks and total amount sold (Azbil Corp.)
71 stocks as of Mar. 31, 2015 => 48 stocks as of Mar. 31, 2020
Total amount sold during FY2015-FY2019: 5.1 billion yen (at market price)
* Total amount of shares held as of Mar. 31, 2020: 16.0 billion yen (at market price)
* The Nikkei Stock Average:
19,206 yen as of Mar 31, 2015 => 18,917 yen as of Mar 31, 2020

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Evaluation from Society (as of March 31, 2020)

Inclusion in ESG indexes and external evaluation

- 4 indexes adopted by the Government Pension Investment Fund (GPIF) of Japan
  - FTSE Blossom Japan Index
  - MSCI Japan ESG Select Leaders Index
  - MSCI Japan Empowering Women Index (WIN)
  - S&P/JPX Carbon Efficient Index
- Rated “A” in the CDP Climate Change Report 2019
- Received the highest level of accreditation, known as the “ERUBOSHI” certification, from the Act on Promotion of Women’s Participation and Advancement in the Workplace
- Certified to be among the “White 500” large-scale enterprises by the Health & Productivity Management Organization program

Inclusion in other indexes and external evaluation

- FTSE 4Good Japan Index
- JPX-Nikkei400

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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.

BA: Building Automation

AA: Building 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.

LA: 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.

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Notes

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

Subsidiaries which apply the International Financial Reporting Standards have adopted IFRS 16 from the current consolidated fiscal year. 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 fiscal year. As a result, in the consolidated balance sheets for the current fiscal year, “Leased assets” under property, plant and equipment increased by 1,062 million yen, “Other” under current liabilities increased by 280 million yen and “Other” under non-current liabilities increased by 845 million yen. The effect of this change on the consolidated statements of income and per share information for the current fiscal year is immaterial. As the cumulative effect was reflected in net assets at the beginning of the current fiscal year, the beginning balance of retained earnings decreased by 62 million yen. In addition, in the consolidated statements of cash flows, cash flows from operating activities increased by 285 million yen, and cash flows from financing activities decreased by the same amount.

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