

**Presentation Materials  
for the First Quarter  
of Fiscal Year 2020 (Ending March 31, 2021)  
(Based on Japanese GAAP)**

**August 6, 2020  
Azbil Corporation  
RIC: 6845.T, Sedol: 6985543**



We would like to offer our heartfelt condolences for all those who have perished as a result of the novel coronavirus disease (COVID-19) as well as those who have lost loved ones in the heavy rains and floods that afflicted Japan in July this year. We would also like to extend our deepest sympathies to those who have suffered from COVID-19, to those who are experiencing hardships as a result of the pandemic, and also to those who have been affected by the disasters.

In addition, we would like to express our sincere gratitude to members of the medical profession and all others who have been in the forefront of the battle to prevent the spread of COVID-19, as well as to the many people who are involved in disasters relief efforts and recovery activities in the affected regions.

It is our earnest desire that the pandemic is brought under control as soon as possible, and that natural disaster recovery efforts are swiftly concluded. Through our business activities, the azbil Group is working to help prevent the spread of COVID-19 and also to restore operations of the buildings, factories, and lifelines of our customers in those areas damaged by disasters.

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# **1. Financial Results for the First Quarter of FY2020**

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## Consolidated Financial Results

- Orders received fell overall compared with the same period last year. This was mainly due to decreases in the BA business, which reflects the fact that subdued demand was expected in this quarter, when fewer multi-year service contracts were up for renewal, and in the LA business, which benefitted from large-scale projects in the same period last year while suffering a fall in LP gas meter demand.
- Net sales were lower than the same period last year. This was partially due to weak market conditions impacting the performance of the AA business, despite the high level of sales maintained by the BA business, which was due to a robust market environment.
- Operating income was higher than the same period last year, thanks to the success of measures to control expenses and strengthen business profitability. Net income attributable to owners of parent rose compared to the same period last year; this was mainly because of the recording of gain on sales of non-current assets following the integration of domestic production facilities.

(Billions of yen)

	FY2019 Q1 (A)	FY2020 Q1 (B)	Difference	
			(B) - (A)	% Change
Orders received	81.4	78.5	(2.9)	(3.6)
Net sales	54.3	51.9	(2.3)	(4.4)
Japan	44.0	41.8	(2.2)	(5.0)
Overseas	10.2	10.1	(0.1)	(1.6)
Gross profit	20.3	19.7	(0.6)	(3.0)
Margin	37.4	37.9	0.6pp	
SG&A	18.0	17.2	(0.7)	(4.3)
Operating income (loss)	2.2	2.4	0.1	7.3
Margin	4.2	4.7	0.5pp	
Ordinary income (loss)	2.4	2.4	0.0	1.4
Income (loss) before income taxes	2.4	3.2	0.8	35.0
Net income (loss) attributable to owners of parent	1.4	2.1	0.6	44.0
Margin	2.7	4.1	1.4pp	

## Segment Information - BA Business

The market environment in Japan has continued to be robust thanks to urban redevelopment projects in the Tokyo metropolitan area; the spread of COVID-19 has led to some temporary delays in construction work, but the effect has been limited. Overseas, though, there has been a noticeable impact from falling demand and construction delays resulting from US-China trade friction and the pandemic.

We have engaged in securing orders with a view to enhanced profitability, and, while paying sufficient attention to the safety of both customers and employees, we have also striven to ensure enhanced capabilities and efficiencies of job execution, particularly on construction sites.

- Despite steady growth achieved in fields related to sales and installation of equipment/systems for new large-scale buildings, including some large projects, reflecting a robust market environment, overall orders received were down from the same period last year. This reflects the fact that subdued demand was expected in this quarter, when few multi-year service contracts were up for renewal.
- Sales remained high, especially in the market for new large-scale buildings, thanks to a robust market environment.
- Segment profit improved from the same period last year owing to the success of measures to control expenses and enhance profitability.

	(Billions of yen)			
	FY2019 Q1 (A)	FY2020 Q1 (B)	Difference	
			(B) - (A)	% Change
Orders received	47.5	45.9	(1.6)	(3.4)
Sales	22.4	21.7	(0.7)	(3.2)
Segment profit (loss)	(0.2)	(0.0)	0.2	-
<i>Margin</i>	<i>(1.2)</i>	<i>(0.1)</i>	<i>1.0pp</i>	

## Segment Information - AA Business

**We are pursuing a growth strategy and implementing measures to strengthen profitability for the three AA business sub-segments\*. Burgeoning 5G-related investments led to continued demand in markets for semiconductor manufacturing equipment. However, as the spread of COVID-19 has led to uncertainty regarding the future outlook for the world economy, increased caution has been evident in the capital investment in manufacturing industries overall, including the markets for manufacturing equipment, steel, and automobiles. This led to a general decline in demand.**

- Orders received were on a par with the same period last year. Conditions differed by region and market, but overall a general downward trend was observed. However, the market for semiconductor manufacturing equipment was buoyant, and some customers were urged to place orders for parts under the pandemic.
- Reflecting the above market conditions, the CP business performed poorly, and overall sales were down from the same period last year.
- Profits were impacted by lower revenue resulting from weak market conditions, but reductions in expenses were achieved, and further progress was made with proven measures to strengthen profitability, resulting in segment profit on a par with the same period last year.

(Billions of yen)

	FY2019 Q1 (A)	FY2020 Q1 (B)	Difference	
			(B) - (A)	% Change
Orders received	22.5	22.5	(0.0)	(0.1)
Sales	21.9	20.4	(1.5)	(7.0)
Segment profit (loss)	2.3	2.2	(0.0)	(1.2)
<i>Margin</i>	10.6	11.2	0.7pp	

\* 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 37 of this document.

## Segment Information - LA Business

The Lifeline field (gas/water meters, etc.) depends on cyclical demand for meter replacement as required by law and thus market conditions can be expected to remain stable. However, LP gas meters reaching the end of their legal validity have been in low demand, resulting in decreased sales. Also, the water meter market is changing, due to the duration of a meter's validity having been extended, resulting in a postponement of expected demand. As for the Life Science Engineering (LSE: pharmaceutical/laboratory fields) and Lifestyle-related (residential central air-conditioning systems) fields, even amidst fluctuations in demands, we are continuing efforts to achieve stable revenue through reforms to the business structure.

- Overall orders received decreased from the same period last year. This was because of reduced/postponed demand in the Lifeline field, and also a decline in the LSE field, which recorded orders for large-scale projects in the same period last year.
- The LSE field achieved an increase in sales, reflecting the growth in orders received in the previous fiscal year, but this was offset by a decrease in the Lifeline field, resulting in lower overall sales than the same period last year.
- Segment profit was down by 31 million yen from the same period last year, owing to decreased revenue.

(Billions of yen)

	FY2019 Q1 (A)	FY2020 Q1 (B)	Difference	
			(B) - (A)	% Change
Orders received	11.5	10.3	(1.2)	(10.7)
Sales	10.2	10.0	(0.1)	(1.7)
Segment profit (loss)	0.2	0.1	(0.0)	(13.7)
<i>Margin</i>	2.3	2.0	(0.3)pp	

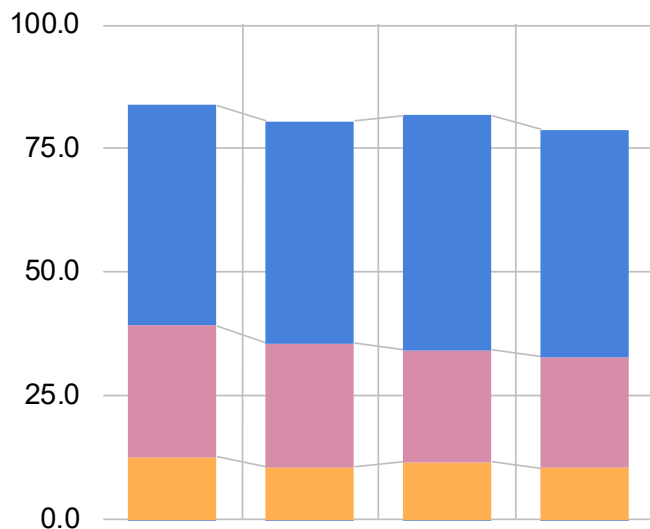


# Reference: Orders Received by Segment

■ Comparison to past results (Q1)

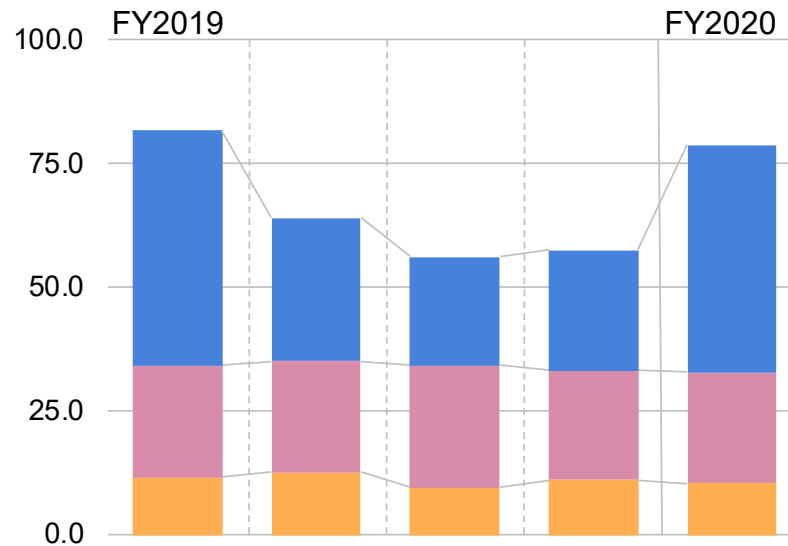
■ Quarterly (3 months)

(Billions of yen)



	FY2017 Q1	FY2018 Q1	FY2019 Q1	FY2020 Q1
■ B A	44.7	45.0	47.5	45.9
■ A A	26.5	24.9	22.5	22.5
■ L A	12.5	10.6	11.5	10.3
Consolidated	83.5	80.2	81.4	78.5

(Billions of yen)

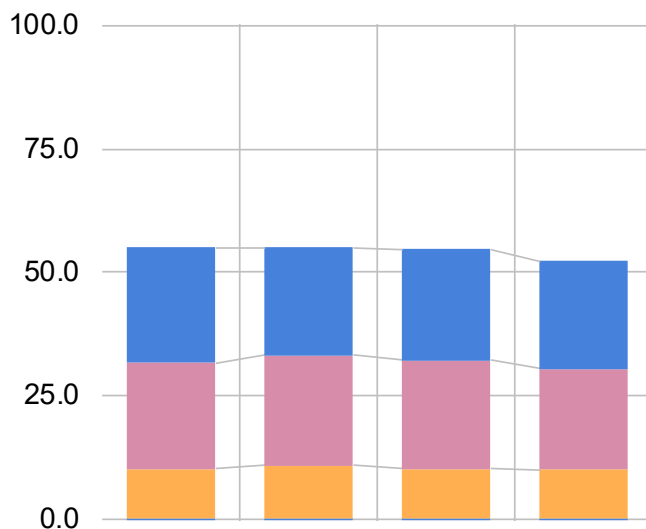


	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1
■ B A	47.5	28.9	22.0	24.3	45.9
■ A A	22.5	22.4	24.6	22.1	22.5
■ L A	11.5	12.6	9.5	11.0	10.3
Consolidated	81.4	63.6	55.7	57.2	78.5

# Reference: Sales by Segment

■ Comparison to past results (Q1)

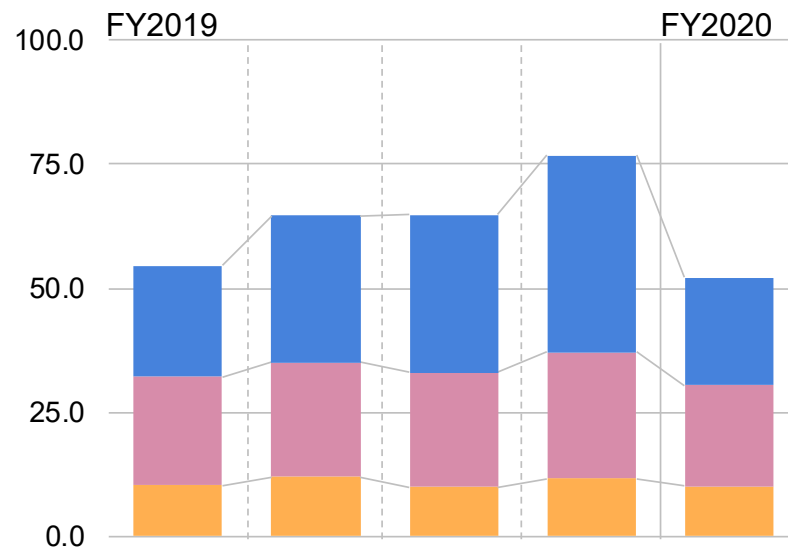
(Billions of yen)



	FY2017 Q1	FY2018 Q1	FY2019 Q1	FY2020 Q1
■ B A	23.3	21.8	22.4	21.7
■ A A	21.5	22.3	21.9	20.4
■ L A	10.1	10.8	10.2	10.0
Consolidated	54.7	54.8	54.3	51.9

■ Quarterly (3 months)

(Billions of yen)

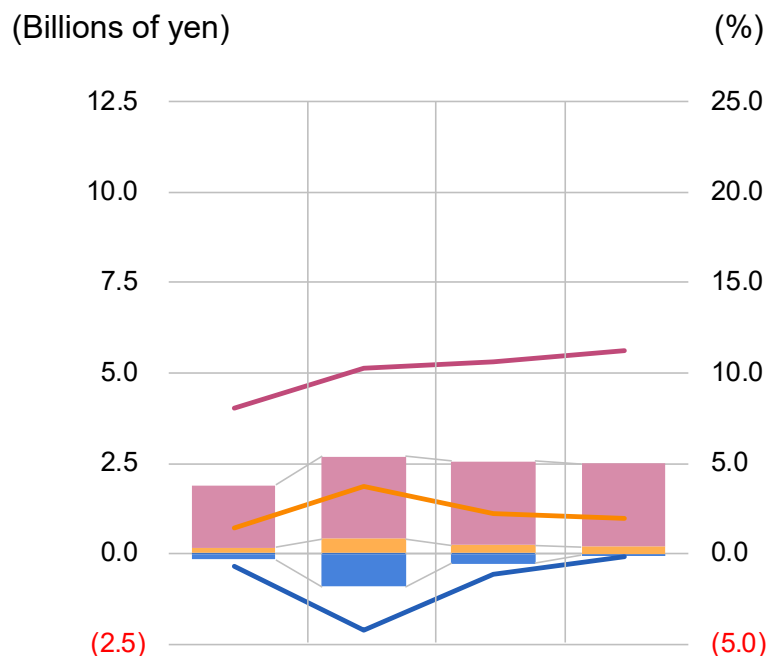


	FY2019 Q1	FY2019 Q2	FY2019 Q3	FY2019 Q4	FY2020 Q1
■ B A	22.4	29.6	31.8	39.7	21.7
■ A A	21.9	22.9	22.9	25.3	20.4
■ L A	10.2	12.0	9.9	11.7	10.0
Consolidated	54.3	64.2	64.3	76.3	51.9

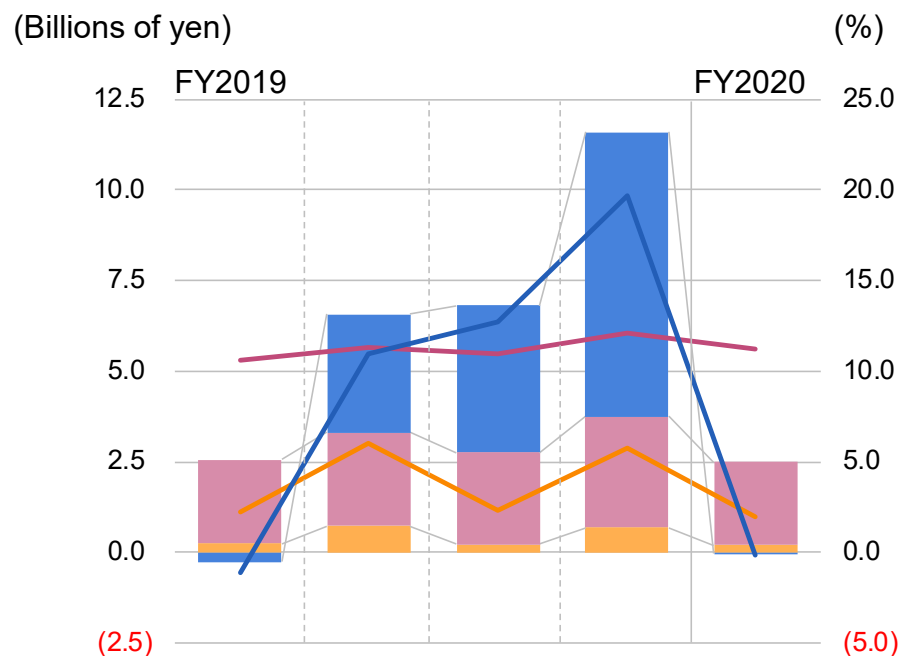
# 1. Financial Results for the First Quarter of FY2020

## Reference: Segment Profit (Operating Income)

### ■ Comparison to past results (Q1)



### ■ Quarterly (3 months)



	FY2017 Q1	FY2018 Q1	FY2019 Q1	FY2020 Q1
B A	(0.1)	(0.9)	(0.2)	(0.0)
Margin	(0.7)	(4.2)	(1.2)	(0.1)
A A	1.7	2.2	2.3	2.2
Margin	8.1	10.2	10.6	11.2
L A	0.1	0.4	0.2	0.1
Margin	1.4	3.7	2.3	2.0
Consolidated	1.7	1.7	2.2	2.4
Margin	3.2	3.2	4.2	4.7

	FY2019 Q1	Q2	Q3	Q4	FY2020 Q1
B A	(0.2)	3.2	4.0	7.8	(0.0)
Margin	(1.2)	11.0	12.7	19.7	(0.1)
A A	2.3	2.5	2.5	3.0	2.2
Margin	10.6	11.3	11.0	12.1	11.2
L A	0.2	0.7	0.2	0.6	0.1
Margin	2.3	6.0	2.3	5.8	2.0
Consolidated	2.2	6.5	6.7	11.5	2.4
Margin	4.2	10.2	10.6	15.2	4.7

## Overseas Sales by Region

As regards overseas sales, the LA business saw increased revenue thanks to the high level of orders received in the previous fiscal year, but sales declined in the BA and AA businesses, which were impacted by the spread of COVID-19 and other factors. Overall sales were 1.6% lower than the same period last year.

### BA Business

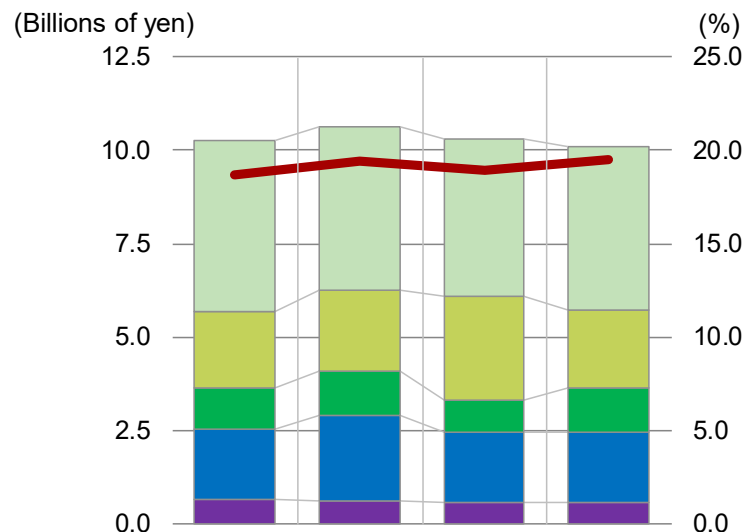
The business environment worsened in the Asian region and China, impacted by such factors as construction delays due to the COVID-19 pandemic, and thus overall sales decreased.

### AA Business

Owing to the COVID-19 pandemic, some customers placed early orders to secure parts in the Asian region and North America; however, revenue declined in China, leading to an overall decrease in sales.

### LA Business

Revenue increased in the Life Science Engineering (LSE) field, and overall sales rose.



	FY2017 Q1	FY2018 Q1	FY2019 Q1	FY2020 Q1
Asia (ex-China)	4.5	4.3	4.2	4.3
China	2.0	2.1	2.7	2.0
North America	1.0	1.1	0.8	1.1
Europe	1.8	2.3	1.8	1.8
Others	0.6	0.6	0.5	0.5
Consolidated	10.2	10.6	10.2	10.1

#### Reference information

Overseas sales/ Net sales ratio (%)	18.7	19.4	18.9	19.5
Average exchange rate - USD/JPY	113.60	108.23	110.23	108.9
Average exchange rate - EUR/JPY	121.05	133.15	125.16	120.1

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

# Consolidated Financial Position

- Assets** Seasonal factors typically lead to sales concentrating in the fourth quarter, with a corresponding decline in notes and accounts receivable-trade in the first quarter due to the processing of collections. Thus, there was a fall of 18.1 billion yen from the previous fiscal year-end.
- Liability** Total liabilities decreased by 17.2 billion yen, owing mainly to a decrease in provision for bonuses due to bonus payment, a decrease in income taxes payable due to the payment of income taxes and a decrease of notes and accounts payable-trade.
- Net assets** Net assets fell by 0.8 billion yen, due to dividend payments, despite an increase resulting from the recording of net income attributable to owners of parent. Shareholders' equity ratio stood at a high level of 71.1% (66.7% as of Mar. 31, 2020).

				(Billions of yen)			
	As of Mar. 31, 2020 (A)	As of Jun. 30, 2020 (B)	Difference (B) - (A)		As of Mar. 31, 2020 (A)	As of Jun. 30, 2020 (B)	Difference (B) - (A)
<b>Current assets</b>	<b>209.1</b>	<b>191.7</b>	<b>(17.4)</b>	<b>Liabilities</b>	<b>89.2</b>	<b>71.9</b>	<b>(17.2)</b>
Cash and deposits	57.7	54.3	(3.4)	<b>Current liabilities</b>	<b>82.6</b>	<b>65.5</b>	<b>(17.1)</b>
Notes and accounts receivable-trade	85.2	68.2	(17.0)	Notes and accounts payable-trade	38.4	31.0	(7.3)
Securities	32.2	34.2	2.0	Short-term borrowings	8.2	8.6	0.4
Inventories	25.3	27.2	1.9	Other	35.9	25.7	(10.1)
Other	8.6	7.7	(0.8)	<b>Non-current liabilities</b>	<b>6.5</b>	<b>6.4</b>	<b>(0.1)</b>
<b>Non-current assets</b>	<b>65.3</b>	<b>64.6</b>	<b>(0.7)</b>	Long-term borrowings	0.3	0.3	(0.0)
Property, plant and equipment	28.2	27.0	(1.2)	Other	6.2	6.0	(0.1)
Intangible assets	5.2	5.1	(0.1)	<b>Net assets</b>	<b>185.3</b>	<b>184.4</b>	<b>(0.8)</b>
Investments and other assets	31.9	32.5	0.6	<b>Shareholders' equity</b>	<b>173.5</b>	<b>172.0</b>	<b>(1.4)</b>
				Share capital	10.5	10.5	-
				Capital surplus	11.6	11.6	0.0
				Retained earnings	165.0	163.6	(1.4)
				Treasury shares	(13.7)	(13.7)	0.0
				<b>Accumulated other comprehensive income</b>	<b>9.6</b>	<b>10.1</b>	<b>0.4</b>
				<b>Non-controlling interests</b>	<b>2.1</b>	<b>2.1</b>	<b>0.0</b>
<b>Total assets</b>	<b>274.5</b>	<b>256.4</b>	<b>(18.1)</b>	<b>Total liabilities and net assets</b>	<b>274.5</b>	<b>256.4</b>	<b>(18.1)</b>

Reference: Cash and cash equivalents were 71.8 billion yen as of Jun. 30, 2020.

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## 2. Financial Plan for FY2020

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# Consolidated Financial Plan

## Derivation of numerical targets of the plan

- In the first quarter, there was continued demand for automation (technology, products and services) required for operating those facilities crucial to the social infrastructure and client companies. For the three businesses (BA, AA, and LA) in our portfolio, each of whose market environment is different, business activities continued, while ensuring prompt on-site safety measures for construction and service work. The impact on financial results was limited.
- It is reconfirmed through business activities in the first quarter that we are now better able to adapt to changes in the market environment than before. Although the impact on each of our businesses differs, it has been determined that numerical estimates of future performance are possible.
- The business environment is expected to remain challenging for the rest of fiscal year 2020, causing both revenue and profits to fall, owing to the economic slowdown and protracted impact of the COVID-19 pandemic on market environments around the world. However, the plan assumes that, even if there is a resurgence of the pandemic, the azbil Group's business activities, including service operations, will continue.

(Billions of yen)

	FY2019 (results) (A)	FY2020 (plan)			Difference	
		H1	H2	Full year (B)	(B) - (A)	% Change
Net sales	259.4	110.0	135.0	245.0	(14.4)	(5.6)
Operating income	27.2	7.6	16.4	24.0	(3.2)	(11.9)
<i>Margin</i>	10.5	6.9	12.1	9.8	(0.7)pp	
Ordinary income	27.7	7.3	16.2	23.5	(4.2)	(15.2)
Net income attributable to owners of parent	19.7	5.4	11.4	16.8	(2.9)	(15.1)
<i>Margin</i>	7.6	4.9	8.4	6.9	(0.8)pp	




## Approach to business operation

- We will continue business operations while ensuring thorough safety management that puts customer and employee safety first, and we will also pursue the “creation of new work and a new work style” employing digital transformation (DX), further strengthening job execution capabilities and business profitability.
- We will conduct prudent business operation including reduction in expenses. Meanwhile, we will make investments necessary for future growth and develop our products and services, and thus we will break ground in the three business fields.

# Financial Plan by Segment

- BA There are concerns regarding curbs on investments, postponed plans, and requests to lower the cost of service contracts in those markets where business performance has been hardest hit by the COVID-19 pandemic, as well as concerns of some temporary delays overseas. Nonetheless, urban redevelopment projects in Japan are progressing as planned, and the business environment will remain robust overall.
- AA While demand for maintaining/upgrading facilities will remain solid, the slowdown in economic activities triggered by the pandemic is impacting capital investment by our customers, and AA business sales and profits are expected to decline as a result of continued sluggish demand.
- LA In the Lifeline field, with LP gas meters in a period of depressed demand, meter replacement demand is expected to fall. However, robust sales are expected not only in the Lifeline field, which has seen growth of its new Meter Data Cloud Service business, but also in the LSE field with increased orders received in the previous fiscal year. Stable sales and profits, on a par with the previous fiscal year, are thus expected.

(Billions of yen)

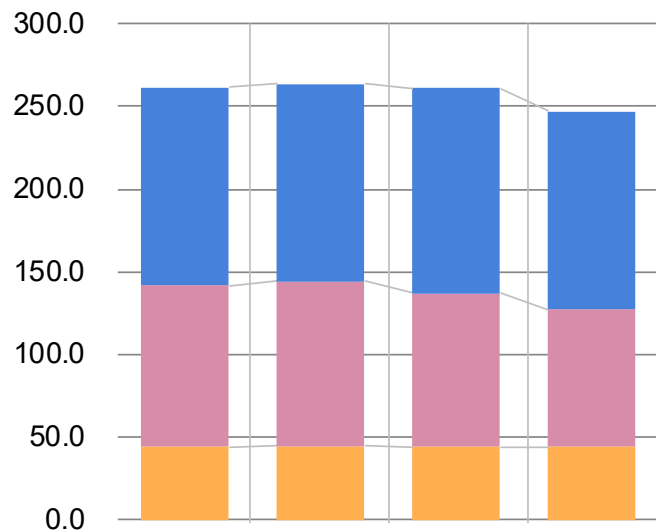
	FY2019 (results) (A)	FY2020 (plan)			Difference	
		H1	H2	Full year (B)	(B) - (A)	% Change
 B A Sales	123.7	48.0	72.0	120.0	(3.7)	(3.1)
Segment profit	14.8	2.2	11.8	14.0	(0.8)	(6.0)
Margin	12.0	4.6	16.4	11.7	(0.4)pp	
 A A Sales	93.1	41.0	42.0	83.0	(10.1)	(10.9)
Segment profit	10.4	4.5	3.5	8.0	(2.4)	(23.7)
Margin	11.3	11.0	8.3	9.6	(1.6)pp	
 L A Sales	44.0	21.9	22.1	44.0	(0.0)	(0.1)
Segment profit	1.8	0.9	1.1	2.0	0.1	7.1
Margin	4.2	4.1	5.0	4.5	0.3pp	
Consolidated Net sales	259.4	110.0	135.0	245.0	(14.4)	(5.6)
Operating income	27.2	7.6	16.4	24.0	(3.2)	(11.9)
Margin	10.5	6.9	12.1	9.8	(0.7)pp	



# Reference: Sales by Segment and Segment Profit (Operating Income)

## Sales by Segment

(Billions of yen)

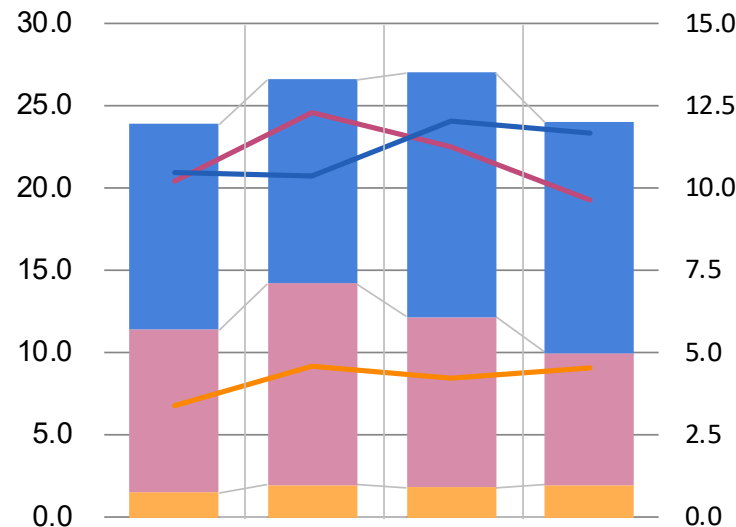


	FY2017	FY2018	FY2019	FY2020 (plan)
■ B A	120.2	119.5	123.7	120.0
■ A A	97.2	99.3	93.1	83.0
■ L A	44.2	44.8	44.0	44.0
Consolidated	260.3	262.0	259.4	245.0

## Segment Profit (Operating Income)

(Billions of yen)

(%)



	FY2017	FY2018	FY2019	FY2020 (plan)
■ B A	12.5	12.4	14.8	14.0
— Margin	10.5	10.4	12.0	11.7
■ A A	9.9	12.2	10.4	8.0
— Margin	10.2	12.3	11.3	9.6
■ L A	1.5	2.0	1.8	2.0
— Margin	3.4	4.6	4.2	4.5
Consolidated	24.0	26.6	27.2	24.0
Margin	9.2	10.2	10.5	9.8

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## 3. Returning Profits to Shareholders

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## Basic Policy and FY2020 Shareholders' Returns

### 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.

- Uncertainty continues in the business environment, but the above basic policy remains unchanged. We will steadily implement well-disciplined capital policies, returning profits to shareholders as usual, mainly via dividends, but with an option for repurchasing the Company's own shares expeditiously.
- As already announced on May 20, 2020, the annual dividend per share for FY2020 will be kept at 50 yen, the highest level in the Company's history.

## FY2020 Shareholders' Returns

### FY2020 dividend plan (No change from the initial plan as announced on May 20, 2020)

**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)**

- The spread of COVID-19 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, both interim and year-end dividends for fiscal year 2020 will be 25 yen per share respectively (annual dividend of 50 yen) as announced at the start of the fiscal year (May 20, 2020). In accordance, we expect payout ratio of 41.5% and dividend on equity (DOE) of 3.7%.

(Yen)

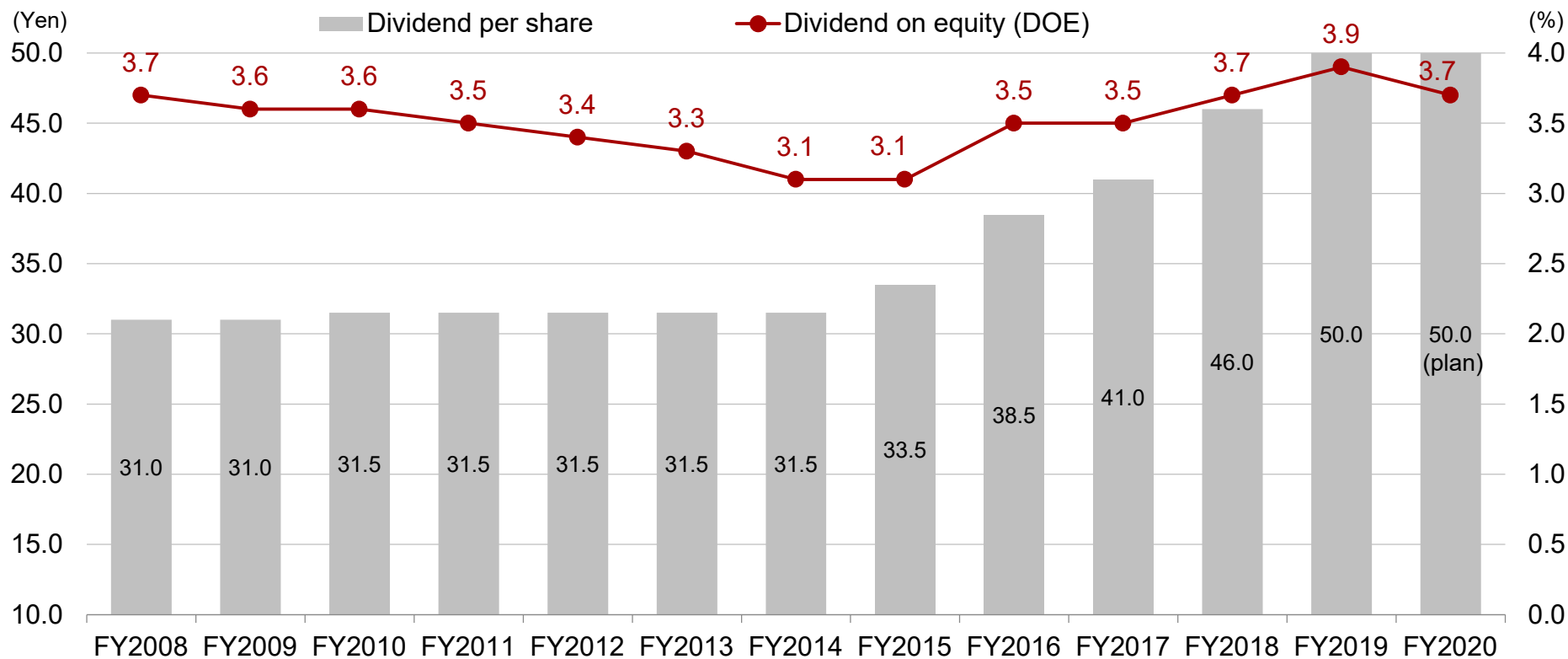
	FY2019			FY2020		
	Interim	Year-end	Annual	Interim (plan)	Year-end (plan)	Annual (plan)
Dividend per share	25	25	50	25	25	50
Payout ratio	35.5%			41.5%		
Dividend on equity (DOE)	3.9%			3.7%*		

\* The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2020: year-end dividends for FY2019, interim dividends for FY2020, and net income attributable to owners of parent in the consolidated financial plan for FY2020.

## Trends of Shareholders' Returns: Maintaining Dividend Stability

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

The dividend per share has been retroactively revised, taking into account the effects of a 2-for-1 common stock split.



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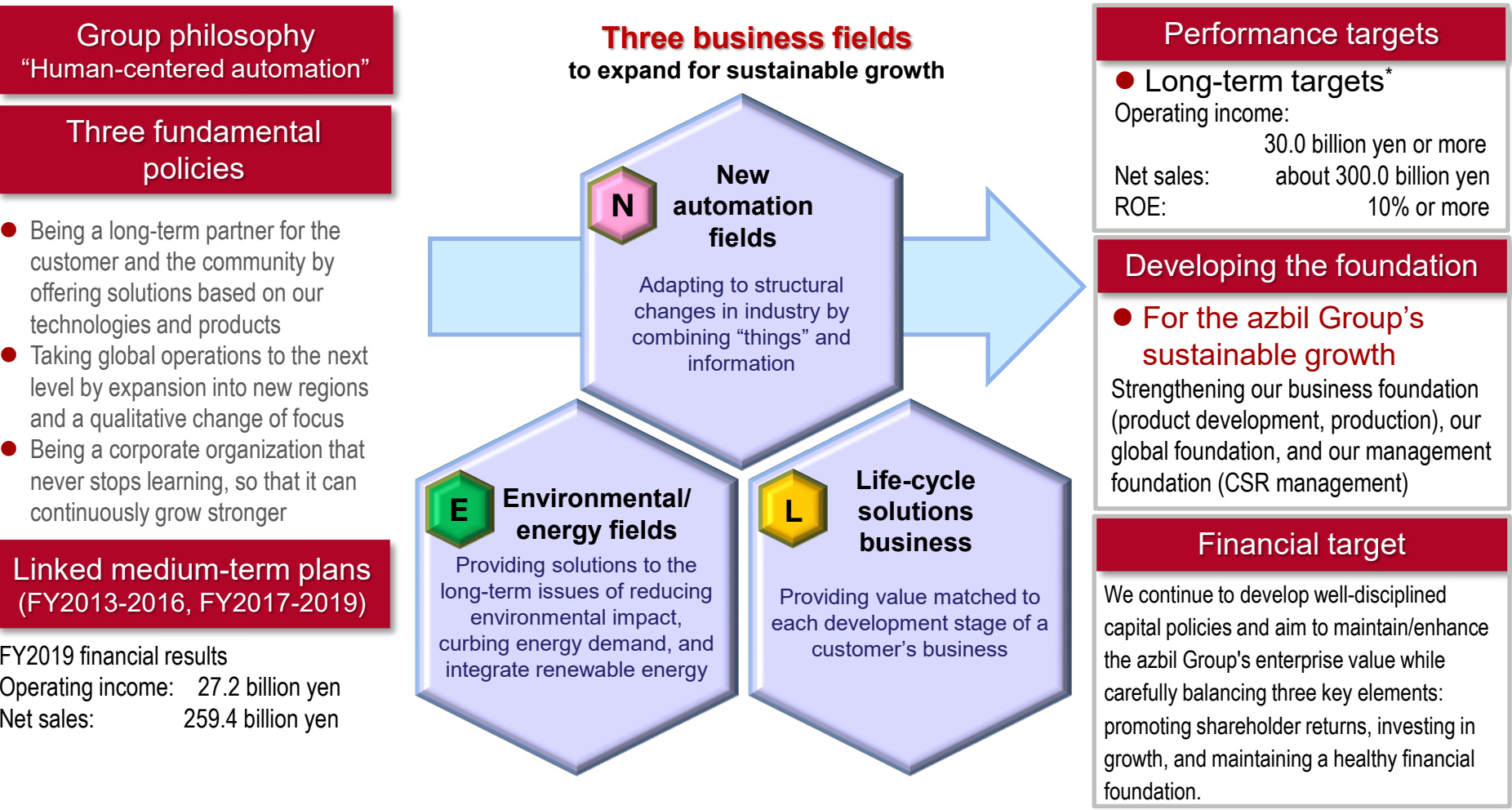
## 4. Future Directions

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## Direction and Long-term Goals of azbil Group Development

The United Nation's sustainable development goals (SDGs) will serve as new signposts to indicate for management the direction of Group development globally. While continually striving to attain our long-term goals, we will aim to achieve further growth by solving the new issues facing society.

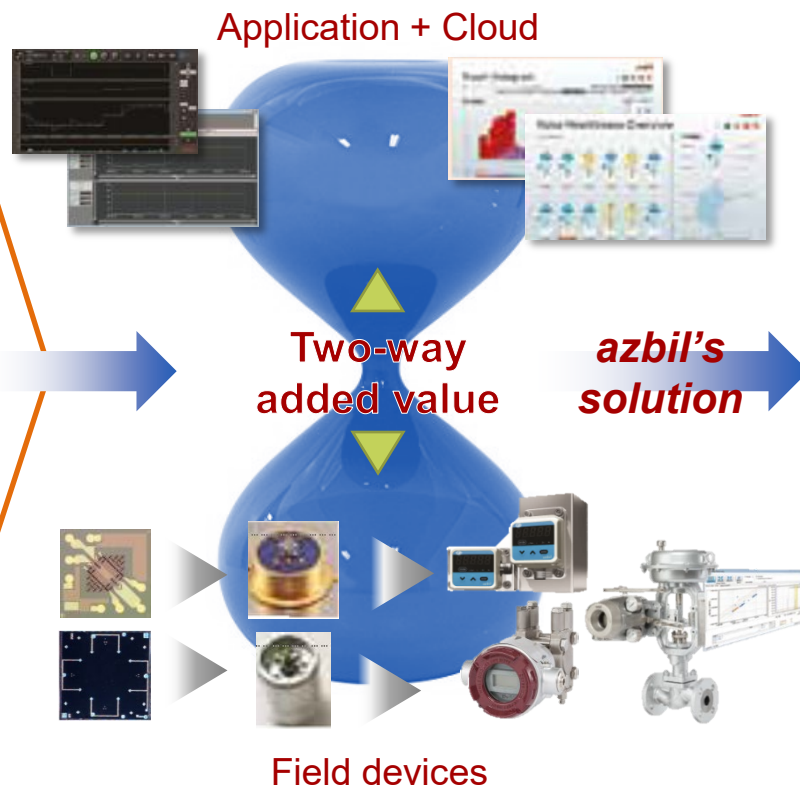
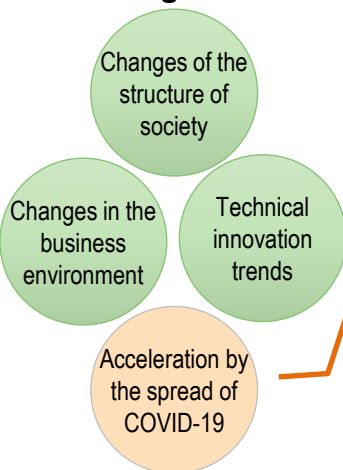


\* When we expect to attain these long-term goals will be announced once the end of the COVID-19 pandemic and the future outlook for our business environment can be realistically determined.

## Expansion of the Roles of Automation and Increase of Its Value

- With the added impact of the COVID-19 pandemic, society and industry are undergoing major changes, as are the needs of each. This situation is revealing various issues that must be solved, as well as giving rise to new issues that demand solutions.
- Spurred on by technological innovation, the roles that automation should play are expanding, and its value is thus increasing.
- Making use of the SDGs as signposts for management, we aim to contribute “in series” to a sustainable society.

**Expanding role of automation to resolve new social issues and enhancing its value**



Strengthening the azbil Group's product appeal so as to be able to respond to the issues facing society

### Three business fields

- New automation fields
- Environmental/energy fields
- Life-cycle solutions business

Autonomy, labor saving, harmonization of human ingenuity and technology

Smart security solutions and other advanced services

Environmental/energy solutions

Cloud-based as-a-service business

BCP for buildings and production facilities



### 2030 SDGs



**Essential Goals of the azbil Group for the SDGs**

- Environment and Energy
- New Automation
- Supply Chain / Social Responsibility
- Health and Well-being Management / An Organization That Never Stops Learning

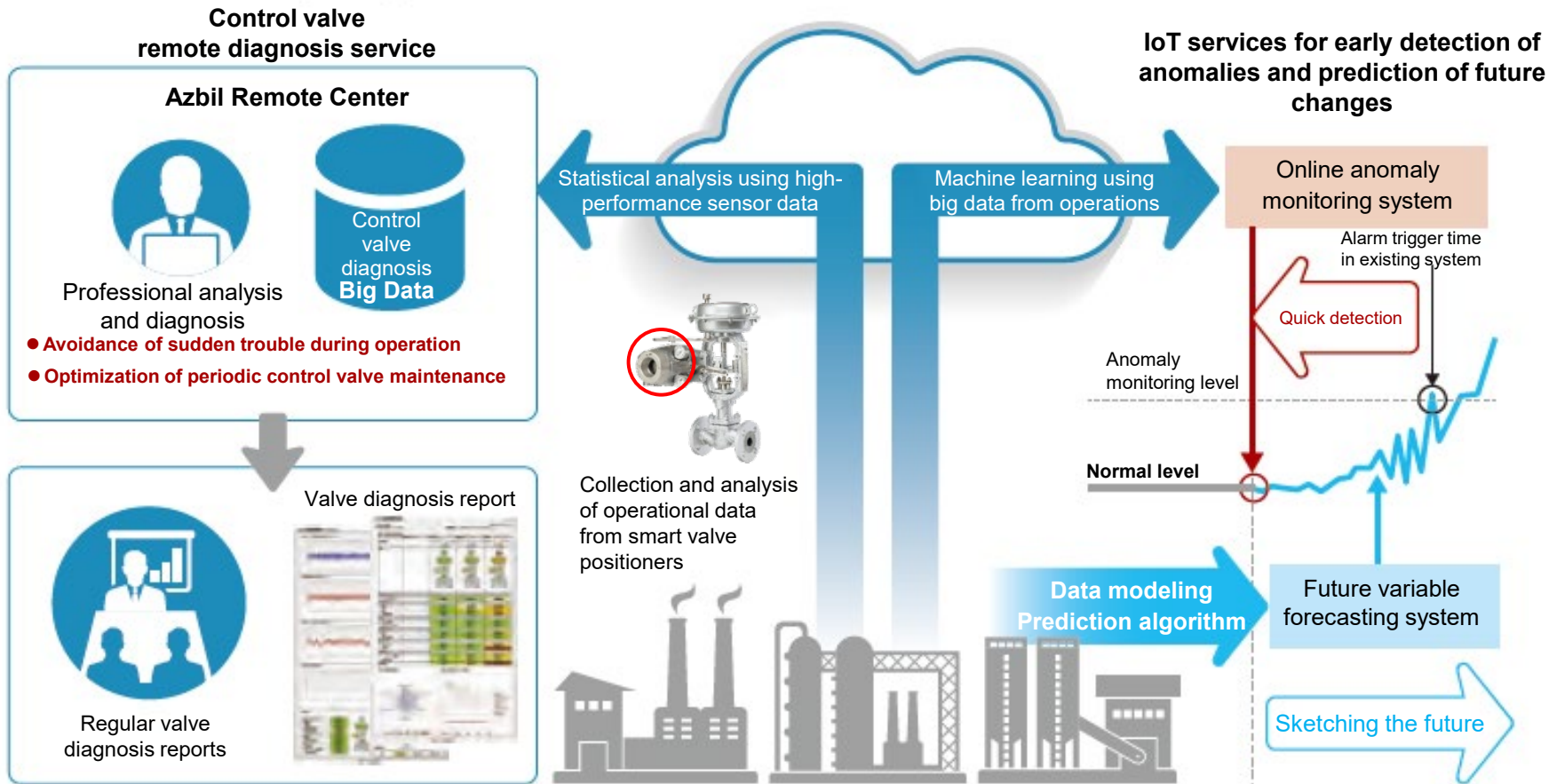


# Smart Security Solution Employing Big Data and AI

## Example 1

Smart security solutions and other advanced services

Azbil's online anomaly monitoring system utilizes big data for online detection of possible anomalies in processes and equipment. Our 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.



# Virtual Power Plant (VPP) for Expanding the Use of Renewable Energy

## Example 2

Strengthening environmental/energy solutions employing IoT technology

### From automation that cuts waste to automation that avoids waste (demand control)

Tackling for use of renewable energy

⇒ To increase the amount of renewable energy in Japan, what is required is demand-side control that will ensure demand and supply are kept in balance.

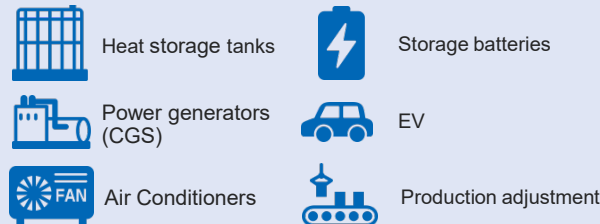
⇒ azbil's business domain

#### VPP for balancing



VPP : Provides demand-side control of energy resources, adjusting consumption balance

#### Examples of demand-side energy sources



Promoting the utilization of renewable energy

⇒ Output is significantly affected by weather conditions.

⇒ Thus, controllable power sources are needed.

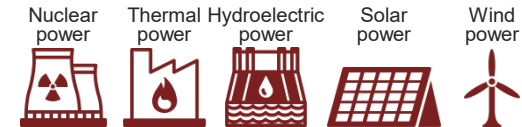
⇒ Balancing capability is enhanced with a VPP.

Conventional solution  
Balancing achieved with flexible generators

Flexible power generator



Demand



Supply

Frequency, voltage

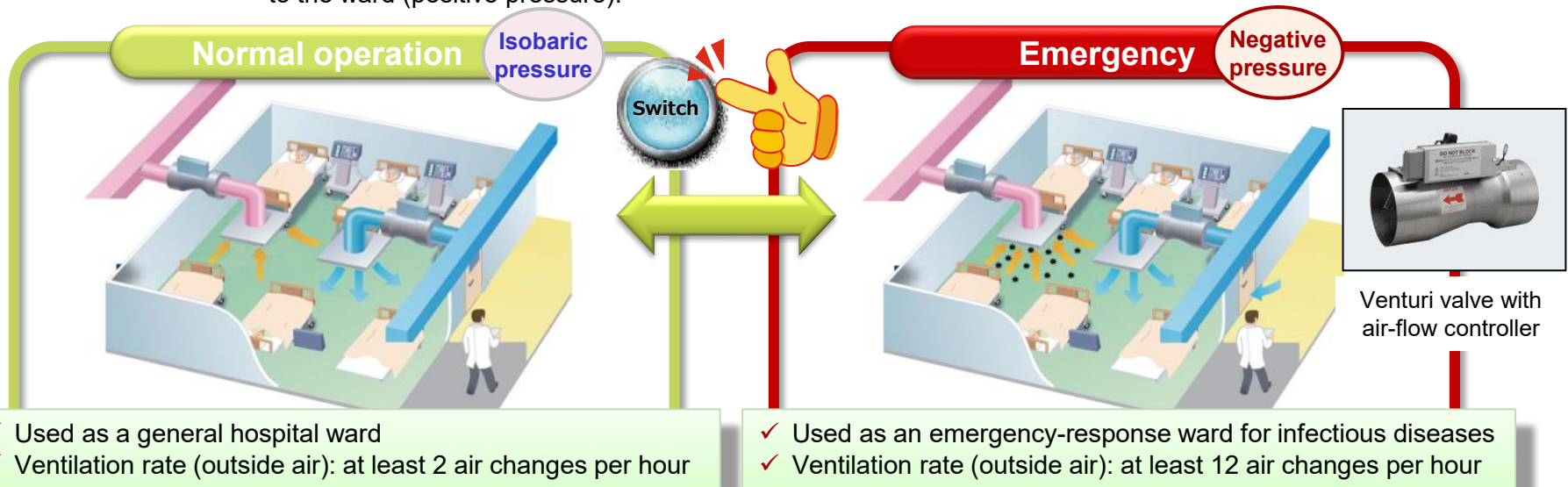
Demand and supply must be balanced.

# HVAC Solution for Hospital BCP, AI Body Temperature Sensing Solution

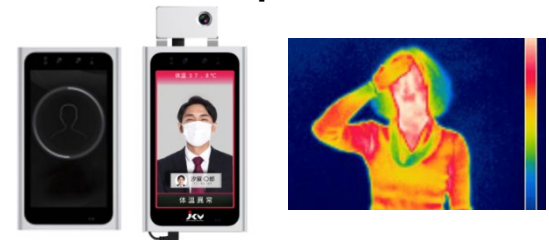
## Example 3

BCP for buildings and production facilities

- **Pressure control for hospitals that facilitates BCP, by enabling safety and 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).

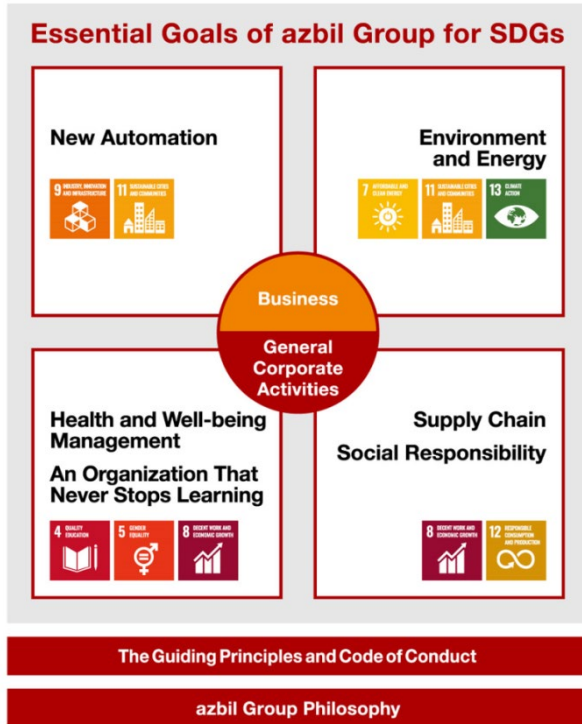


- **Realizing contactless, hygienic entry/exit management with high-speed sensing that enables rapid detection of people who may have an elevated temperature as well as those who are not wearing a mask.**
  - System realizes fast and accurate body temperature checks, while offering high security (spoofing prevention) and convenience – hands-free verification is performed without the need for keys, cards, or password registration.



# The azbil Group's New Targets for Achieving the SDGs

Setting new goals: Aiming at business activities that contribute directly to a sustainable society and human resource development that supports those activities



## Targets for FY2030

### Environment and Energy

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

- CO<sub>2</sub> emission reduction at customers' sites<sup>\*1</sup>



**3,400,000 tons/year**

**New!**

- Target of GHG emissions reductions<sup>\*2</sup>  
**30% reduction** in GHG emissions (Scopes 1+2)  
 from business activities compared to 2013  
**20% reduction** in GHG emissions (Scope 3)  
 across our entire supply chain compared to 2017

### Health and Well-being Management An Organization That Never Stops Learning

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

- Target for health and well-being management:  
**65% or more employees**  
 who find satisfaction in working at Azbil
- Target as "learning organization":  
**65% or more employees**  
 who experienced personal growth over the past year

**New!**

**New!**

<sup>\*1</sup> CO<sub>2</sub> emissions at customers' sites through our products, services, and solutions

<sup>\*2</sup> Science based targets (SBT), certified by an global certification authority

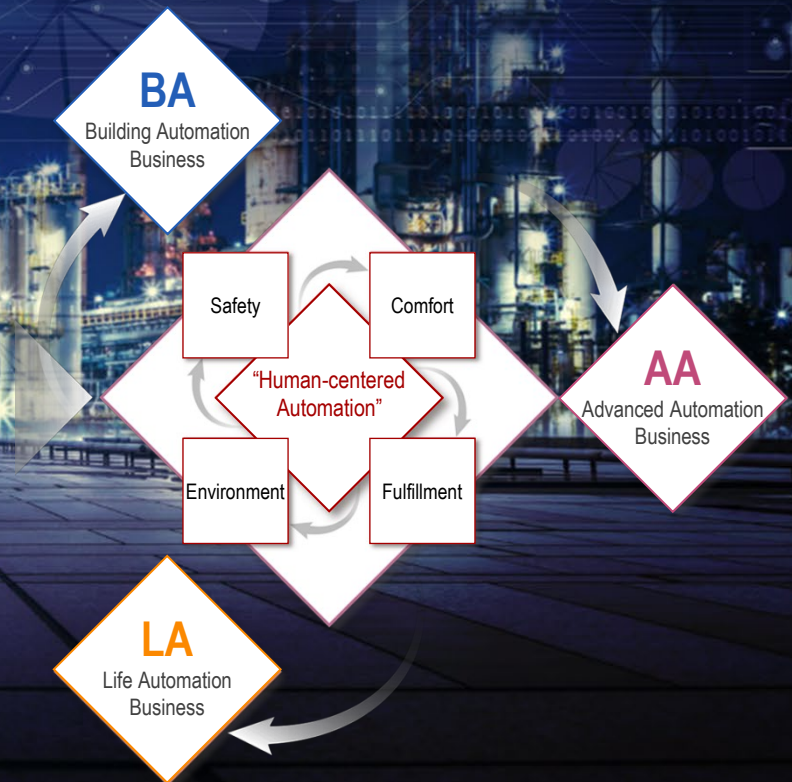
<sup>\*3</sup> Scope 1: direct GHG emissions from a business (from burning fuel and industrial processes)  
 Scope 2: indirect GHG emissions from the use of electricity, heat, or steam provided by another business  
 Scope 3: indirect GHG emissions related to business activities (emissions not included in Scopes 1 and 2)

<sup>\*4</sup> Azbil Corporation conducts survey every year.



# In Conclusion

- Guided by our Group's philosophy of "human-centered automation", we will aim to achieve new growth that capitalizes on changes to the business environment and new trends in technological innovation.
- Drawing on the customer trust, experience and knowledge that we have built up over the years, we will accelerate development of our environmental/energy and lifecycle solutions businesses while pushing ahead with product development for new automation fields.
- Realizing direct contributions to a sustainable society, we will steadily execute the business plan and achieve business growth.



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# Appendix

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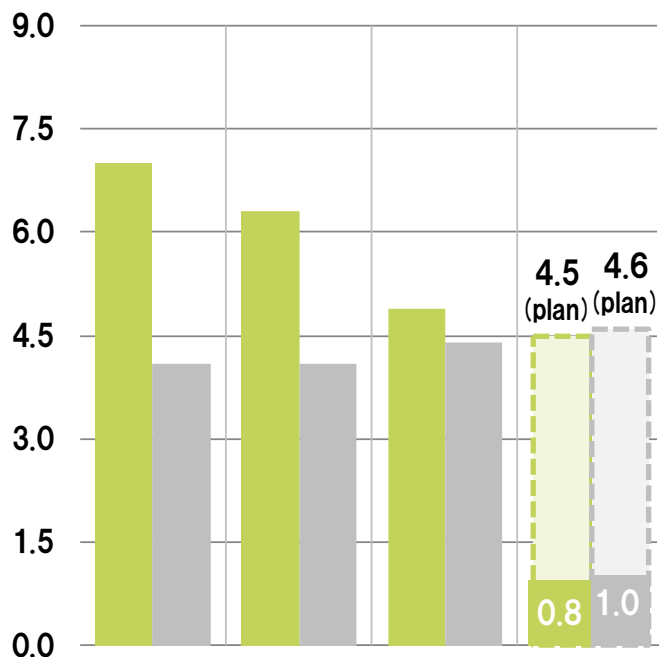


# Capital Expenditure, Depreciation and R&D Expenses

■ ■ Full-year results/Q1 results for FY2020  
□ □ Full-year plan for FY2020

## ■ Capital expenditure, depreciation

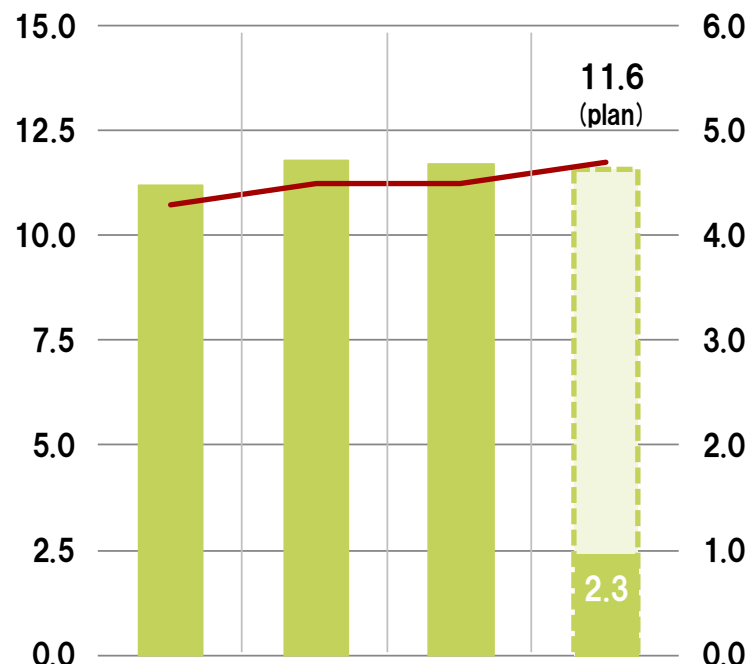
(Billions of yen)



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

(Billions of yen)

(%)



	FY2017	FY2018	FY2019	FY2020 (plan)
Capital expenditure	7.0	6.3	4.9	4.5
Depreciation	4.1	4.1	4.4	4.6

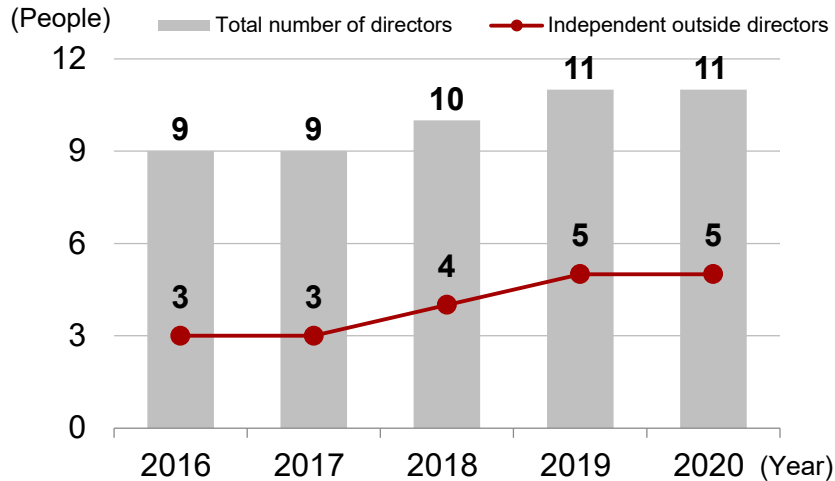
	FY2017	FY2018	FY2019	FY2020 (plan)
R&D expenses	11.2	11.8	11.7	11.6
R&D expenses/Net sales ratio (%)	4.3	4.5	4.5	4.7

\* 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.

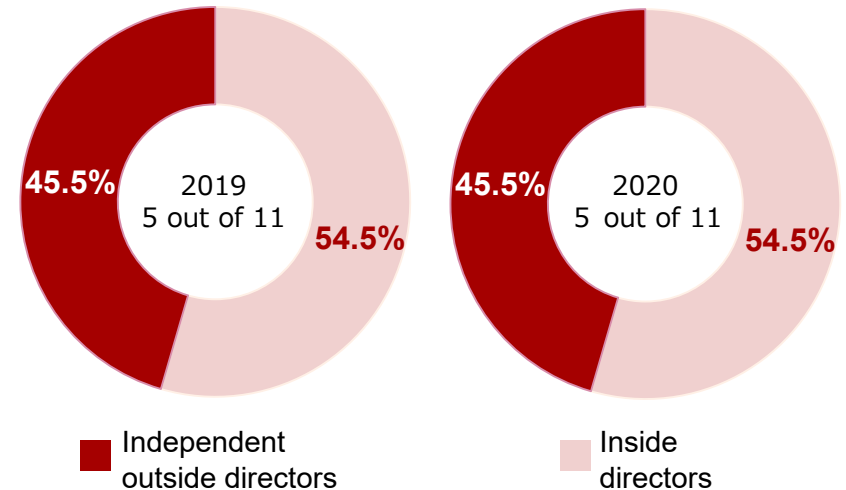
\* Product development expenses for IoT, big data, AI, robots, etc. have been increasing from FY2017.

# Progress of Corporate Governance Reforms

## Number of directors



## Composition of independent outside directors



## Audit and supervisory board

- 3 independent outside members
- 2 inside members

## Nomination and Remuneration Committee

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

## Advisor/Counselor system (abolished)

- Abolished advisor/counselor system (2018)

## 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:

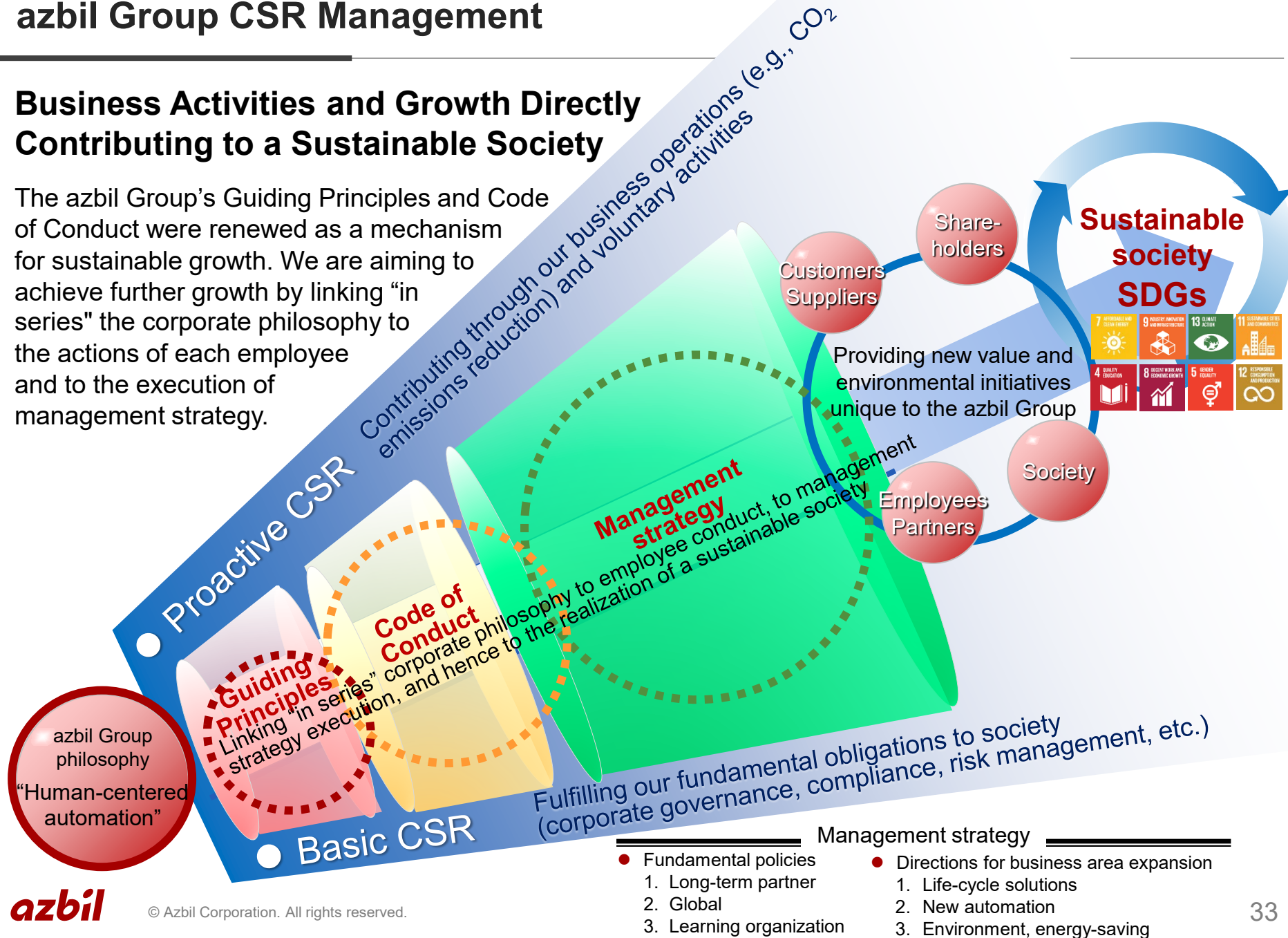
19,206 yen as of Mar 31, 2015 => 18,917 yen as of Mar 31, 2020



# azbil Group CSR Management

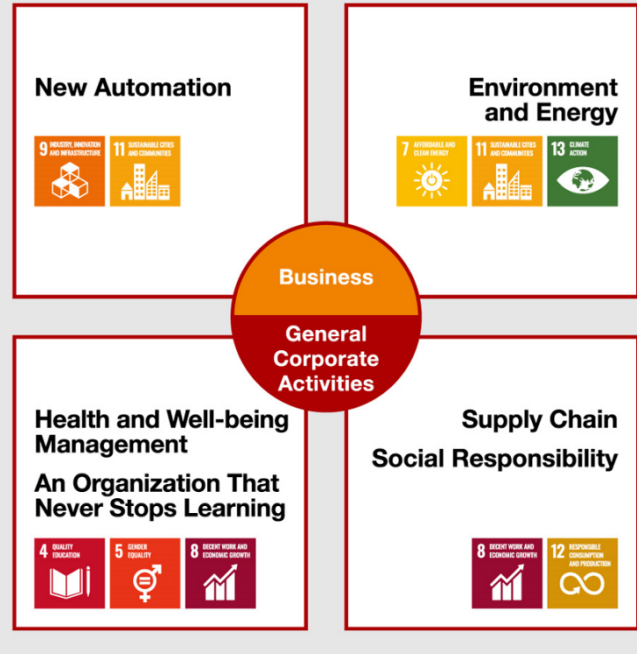
## Business Activities and Growth Directly Contributing to a Sustainable Society

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



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

## Essential Goals of azbil Group for SDGs



The Guiding Principles and Code of Conduct

azbil Group Philosophy

\*1 Greenhouse gases (CO<sub>2</sub>, 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.

**azbil**

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

#### Solutions for energy (toward a low-carbon society)

- Further reduction of GHG\*<sup>1</sup> emissions at customers' sites
- 30% reduction in GHG emissions from our business activities\*<sup>2</sup>
- 20% reduction in GHG emissions across our entire supply chain\*<sup>3</sup>

#### Environmental preservation

##### (realization of environment-integrated management\*<sup>4</sup>)

- Creation and provision of eco-friendly products and services
- Effective use of natural resources\*<sup>5</sup> and reduction of waste generation

### Realizing a safe and comfortable society through new automation

#### 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

#### 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

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

#### 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

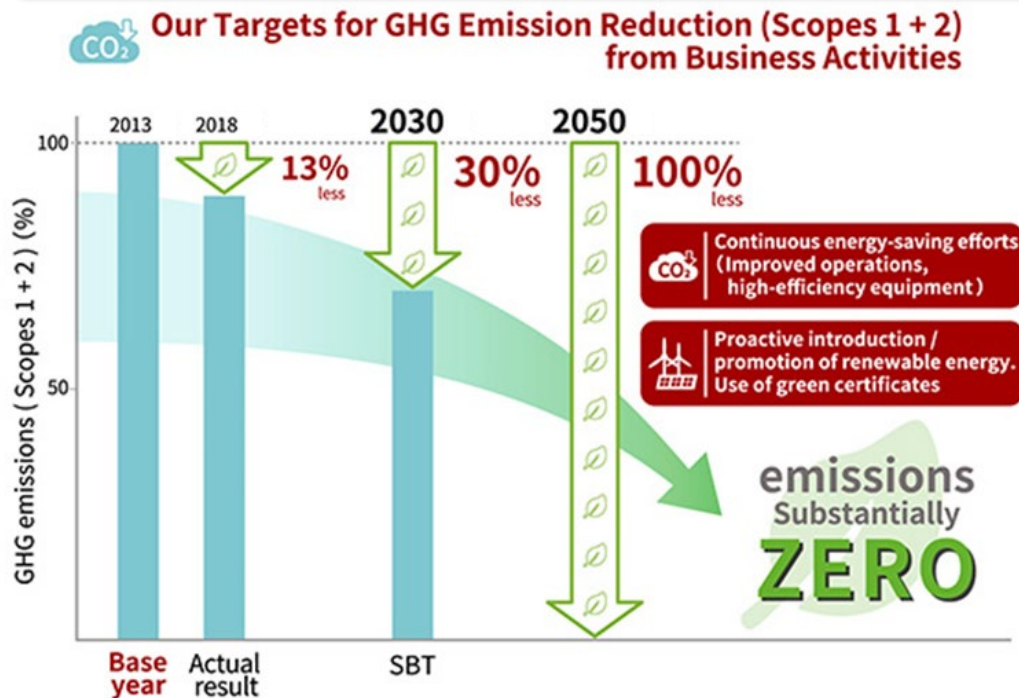
#### Developing and strengthening "an organization that never stops learning"

- Expanding opportunities for the continuing education of globally active employees and opportunities to learn with stakeholders

# Contribution to the Environment

Regarding greenhouse gas emissions (Scope 1 + 2)\*<sup>1</sup> 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\*<sup>2</sup>) 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).

\*<sup>1</sup> 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.

\*<sup>2</sup> 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.

# Contribution to the Environment

We will continue to reduce CO<sub>2</sub> 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<sub>2</sub> emission reduction at customers' sites through our business

FY2019 (Ended March 31, 2020)

CO<sub>2</sub> emission reduction  
at customers' sites **Total 3,010,000 tons/year**

It is equivalent to approximately 1/400 of all CO<sub>2</sub> emissions in Japan  
(approx. 1.2 billion tons of CO<sub>2</sub>).

### Automation effect

We have reduced environmental impact in our BA, AA, and LA businesses, taking advantage of our measurement and control technologies.

**2,710,000 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<sub>2</sub> emissions.

**250,000 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**

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: 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.

**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.

## Inquiries Regarding Investor Relations

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## Disclaimer

The projections are based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore these statements are not guarantees of future performance. Due to various factors in the future, actual results may differ from financial targets in the materials.