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

November 5, 2020
Azbil Corporation
RIC: 6845.T, Sedol: 6985543

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 have been experiencing hardships due to the pandemic.

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

It is our earnest 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.

Contents

1. Financial Results for the First Half of FY2020

Consolidated Financial Results

- Orders received decreased for the Advanced Automation (AA) business due to sluggish market conditions caused by the COVID-19 pandemic. Orders received were also down for the Building Automation (BA) business—reflecting the fact that subdued demand was expected in this period, when fewer multi-year service contracts were up for renewal—and for the Life Automation (LA) business, which benefitted from large-scale projects in the same period last year while suffering a fall in demand for LP gas meters this period. Overall, orders received thus decreased compared with the same period last year.
- BA business sales decreased mainly because a high level of sales had been achieved in fields related to new large-scale buildings in the same period last year. As with the impact on orders received noted above, the AA business saw its sales reduced by the sluggish market conditions. Net sales overall were thus lower than the same period last year. However, both BA and AA businesses exceeded the Company's financial plan.
- Operating income decreased compared with the same period last year due to lower revenue, despite factors such as having successfully controlled expenses and strengthen business profitability. Net income attributable to owners of parent rose compared with the same period last year; this was because of the recording of gain on sales of non-current assets following the integration of domestic production facilities. Operating income, ordinary income, and net income attributed to owners of parent all surpassed the financial plan thanks to sales exceeding the plan's target and measures to control expenses.

(Billions of yen)

	FY2019 H1 (A)	FY2020 H1 (B)	Difference (B) - (A)	Difference *% Change*	Plan (Aug. 6, 2020) (C)	Difference (B) - (C)	Difference *% Change*
Orders received	145.1	136.1	(8.9)	*(6.2)*			
Net sales	118.6	111.4	(7.2)	*(6.1)*	110.0	1.4	*1.3*
Japan	97.9	90.5	(7.4)	*(7.6)*			
Overseas	20.6	20.8	0.2	*1.0*			
Gross profit	45.5	43.6	(1.9)	*(4.2)*			
Margin	*38.4*	*39.2*	*0.8pp*				
SG&A	36.7	35.3	(1.3)	*(3.8)*			
Operating income (loss)	8.8	8.3	(0.5)	*(5.8)*	7.6	0.7	*9.8*
Margin	*7.5*	*7.5*	*0.0pp*		*6.9*	*0.6pp*	
Ordinary income (loss)	9.0	8.3	(0.6)	*(7.7)*	7.3	1.0	*13.9*
Income (loss) before income taxes	8.9	9.0	0.1	*1.2*			
Net income (loss) attributable to owners of parent	5.9	6.0	0.1	*2.6*	5.4	0.6	*12.9*
Margin	*5.0*	*5.5*	*0.5pp*		*4.9*	*0.6pp*	

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 an 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 field related to new large-scale buildings, including some large projects, reflecting a robust market environment, overall orders received were down on the same period last year. This reflects the fact that subdued demand was expected in this period, when fewer multi-year service contracts were up for renewal.
- In addition to the fall in sales related to new large-scale buildings, which achieved a high level in the same period last year, overseas sales fell owing to construction delays resulting from the impact of the COVID-19 pandemic. BA sales were thus lower than for the same period last year, but they exceeded the plan.
- Segment profit was down on the same period last year due to the impact of decreased revenue; this was despite the success of measures to control expenses and enhance profitability. However, planned segment profit was achieved thanks to sales exceeding the plan.

(Billions of yen)

	FY2019 H1 (A)	FY2020 H1 (B)	Difference		Plan (Aug. 6, 2020) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	76.5	73.1	(3.3)	*(4.3)*			
Sales	52.1	48.5	(3.5)	*(6.8)*	48.0	0.5	*1.2*
Segment profit (loss)	2.9	2.5	(0.4)	*(14.0)*	2.2	0.3	*16.9*
Margin	*5.7*	*5.3*	*(0.4)pp*		*4.6*	*0.7pp*	

Segment Information: AA Business

Growth strategies and measures to strengthen profitability were developed based on the three AA business sub-segments*. Burgeoning 5G-related investment led to continued demand in markets for semiconductor manufacturing equipment. However, with the spread of COVID-19, the world economy remained sluggish and increased caution regarding capital investment has been evident in manufacturing industries overall.

- Orders received were lower than the same period last year owing to overall weak market conditions resulting from the COVID-19 pandemic.
- Similarly affected by the stagnant market conditions, AA business sales decreased compared with the same period last year, the CP business being mainly impacted. However, the plan was exceeded.
- Segment profit was affected by lower sales, but thanks to a reduction in expenses and further progress with measures to strengthen profitability proven to be successful, margin was improved and segment profit was thus on a par with the same period last year, achieving the plan.

(Billions of yen)

	FY2019 H1 (A)	FY2020 H1 (B)	Difference		Plan (Aug. 6, 2020) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	45.0	42.6	(2.4)	*(5.4)*			
Sales	44.8	41.7	(3.1)	*(6.9)*	41.0	0.7	*1.8*
Segment profit (loss)	4.9	4.8	(0.0)	*(0.4)*	4.5	0.3	*8.5*
Margin	*10.9*	*11.7*	*0.8pp*		*11.0*	*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 38 of this document.

Segment Information: LA Business

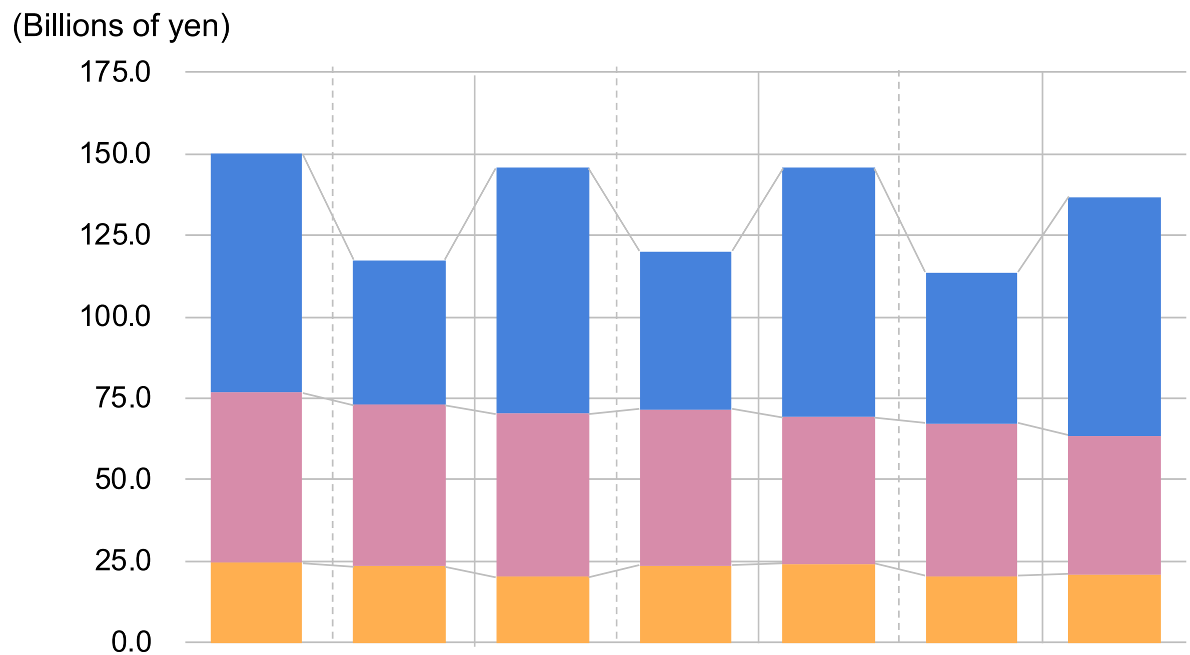
The Lifeline field (gas/water meters, etc.) depends on cyclical demand for meter replacement as required by law and thus market conditions can be expected to remain stable. However, LP gas meters reaching the end of their legal validity have been in low demand, resulting in decreased demands. Also, the 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. The plan was not achieved.
- Segment profit was down on the same period last year, owing to decreased revenue and despite reduction in expenses. The plan was not achieved.

(Billions of yen)

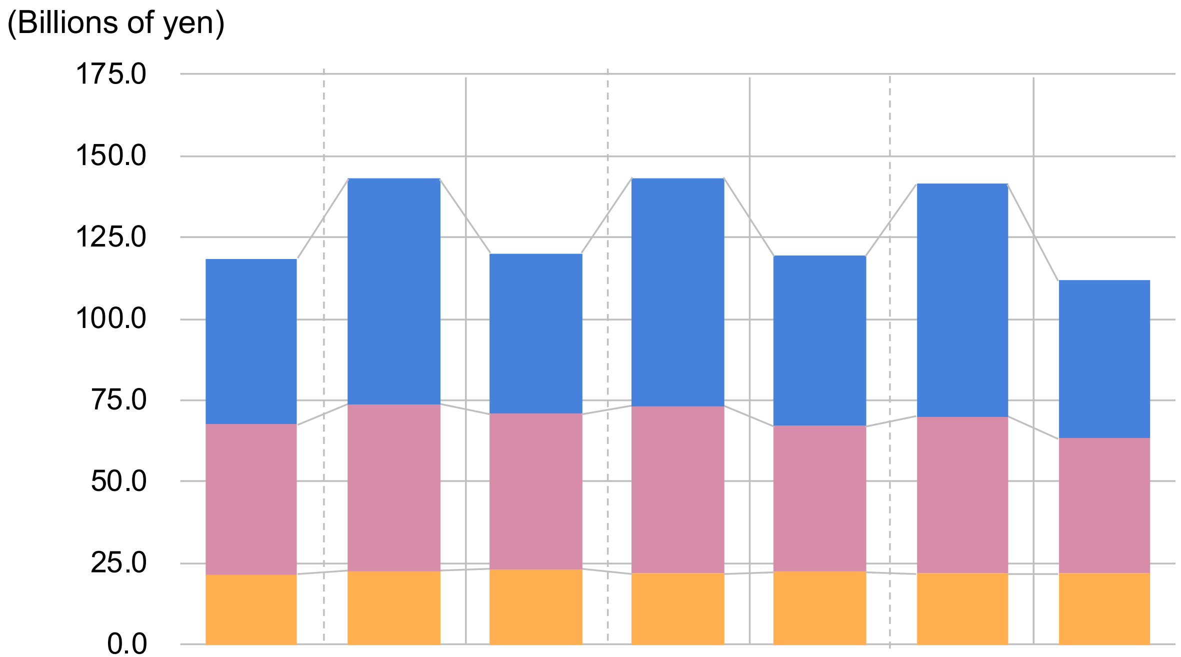
	FY2019 H1 (A)	FY2020 H1 (B)	Difference		Plan (Aug. 6, 2020) (C)	Difference	
			(B) - (A)	*% Change*		(B) - (C)	*% Change*
Orders received	24.2	21.0	(3.1)	*(13.0)*			
Sales	22.3	21.7	(0.6)	*(2.7)*	21.9	(0.1)	*(0.8)*
Segment profit (loss)	0.9	0.8	(0.0)	*(7.8)*	0.9	(0.0)	*(1.7)*
Margin	*4.3*	*4.1*	*(0.2)pp*		*4.1*	*(0.0)pp*	

Reference: Orders Received by Segment



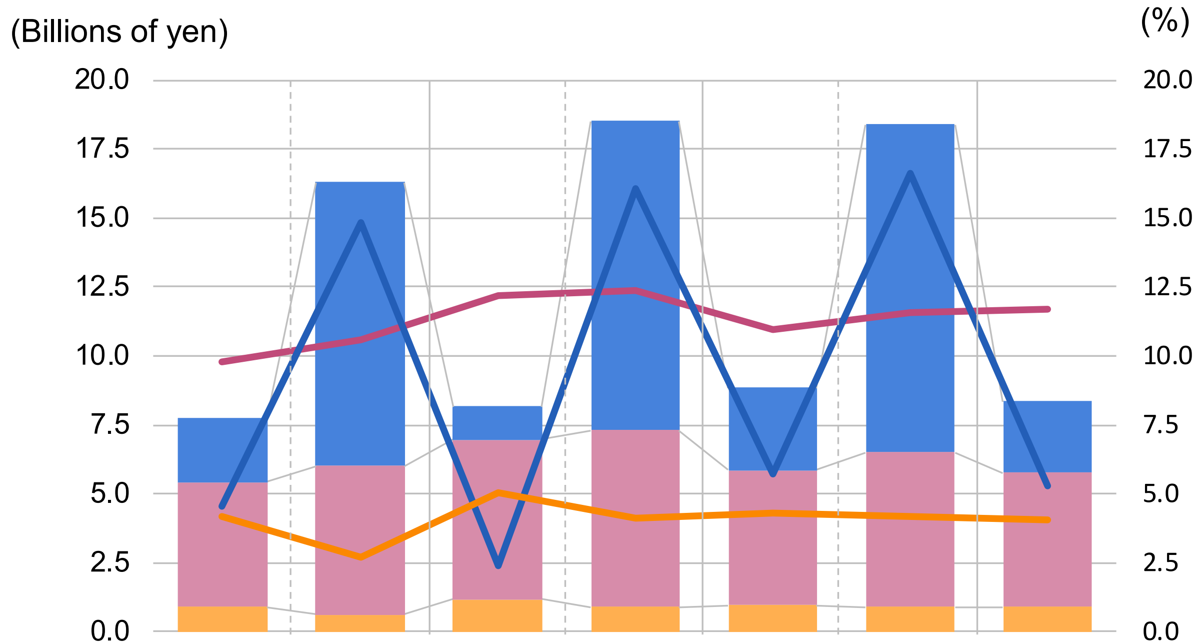
	FY2017 H1	FY2017 H2	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	FY2020 H1
B A	73.2	44.5	75.2	48.5	76.5	46.3	**73.1**
A A	52.2	49.5	50.3	48.0	45.0	46.8	**42.6**
L A	24.5	23.4	20.1	23.6	24.2	20.5	**21.0**
Consolidated	149.4	116.8	145.0	119.1	145.1	112.9	**136.1**

Reference: Sales by Segment



	FY2017 H1	FY2017 H2	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	**FY2020 H1**
B A	50.8	69.3	49.5	69.9	52.1	71.6	**48.5**
A A	46.2	51.0	47.7	51.6	44.8	48.2	**41.7**
L A	21.4	22.7	23.0	21.7	22.3	21.7	**21.7**
Consolidated	117.8	142.4	119.7	142.3	118.6	140.7	**111.4**

Reference: Segment Profit (Operating Income)



	FY2017 H1	FY2017 H2	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	**FY2020 H1**
B A	2.3	10.2	1.1	11.2	2.9	11.8	2.5
Margin	*4.5*	*14.8*	*2.4*	*16.0*	*5.7*	*16.6*	*5.3*
A A	4.5	5.4	5.8	6.3	4.9	5.5	4.8
Margin	*9.8*	*10.6*	*12.2*	*12.4*	*10.9*	*11.6*	*11.7*
L A	0.8	0.6	1.1	0.9	0.9	0.9	0.8
Margin	*4.1*	*2.7*	*5.0*	*4.1*	*4.3*	*4.2*	*4.1*
Consolidated	7.7	16.2	8.1	18.5	8.8	18.3	8.3
Margin	*6.6*	*11.4*	*6.8*	*13.0*	*7.5*	*13.1*	*7.5*

Overseas Sales by Region

Overseas, AA business sales grew thanks to increased semiconductor-related demand, and the LA business also achieved growth. Overall sales were thus 1.0% higher than the same period last year. Nevertheless, the BA business saw sales decline as a result of the spread of COVID-19.

BA Business

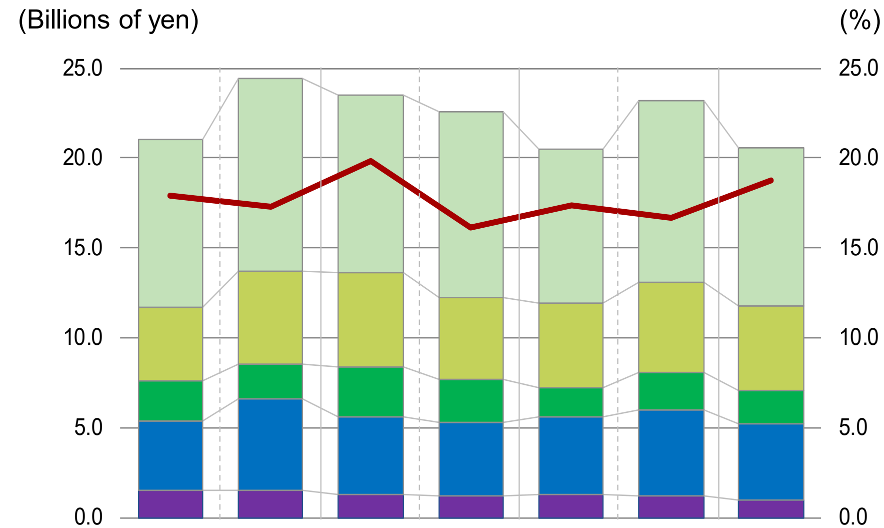
With construction delays resulting from the COVID-19 pandemic, market conditions deteriorated in China and the Asian region, and sales decreased overall.

AA Business

While pandemic-related curbs on business activity were observed to have an impact, overall sales grew thanks to progress made with developing the customer base in Asia and increased capital investment related to semiconductors and 5G on a global scale.

LA Business

Overall sales rose, mainly because revenue increased in the Life Science Engineering (LSE) field, which achieved a high level of orders received in the previous fiscal year.



	FY2017 H1	FY2017 H2	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	**FY2020 H1**
Asia (ex-China)	9.3	10.7	9.9	10.4	8.6	10.1	**8.8**
China	4.1	5.2	5.2	4.5	4.7	5.0	**4.7**
North America	2.2	1.9	2.8	2.4	1.6	2.1	**1.9**
Europe	3.9	5.1	4.3	4.1	4.3	4.8	**4.2**
Others	1.5	1.5	1.3	1.2	1.3	1.2	**1.0**
Consolidated	21.1	24.6	23.7	22.9	20.6	23.5	**20.8**

Reference information

	FY2017 H1	FY2017 H2	FY2018 H1	FY2018 H2	FY2019 H1	FY2019 H2	**FY2020 H1**
Overseas sales/ Net sales ratio (%)	17.9	17.3	19.8	16.1	17.4	16.7	**18.8**
Average exchange rate - USD/JPY	112.34	112.17	108.68	110.45	110.06	109.03	**108.25**
Average exchange rate - EUR/JPY	121.66	126.70	131.55	130.35	124.32	122.03	**119.34**

- 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** Although cash and deposits increased, notes and accounts receivable-trade decreased, resulting in an overall decrease of 11.7 billion yen from the previous fiscal year-end.
- **Liability** Total liabilities decreased by 15.6 billion yen from the previous fiscal year-end, owing to decreases in notes and accounts payable-trade, income taxes payable and provision for bonuses.
- **Net assets** Despite a decrease due to the payment of dividends, net assets increased by 3.8 billion yen from the previous fiscal year-end due to an increase by recording net income attributable to owners of parent.
  Shareholders' equity ratio stood at a high level of 71.2% (66.7% as of Mar. 31, 2020).

(Billions of yen)

	As of Mar. 31, 2020 (A)	As of Sep. 30, 2020 (B)	Difference (B) - (A)
Current assets	**209.1**	**198.3**	**(10.8)**
Cash and deposits	57.7	60.1	2.4
Notes and accounts receivable-trade	85.2	69.9	(15.2)
Securities	32.2	33.2	1.0
Inventories	25.3	27.5	2.1
Other	8.6	7.4	(1.1)
Non-current assets	**65.3**	**64.4**	**(0.9)**
Property, plant and equipment	28.2	26.9	(1.2)
Intangible assets	5.2	5.4	0.1
Investments and other assets	31.9	32.0	0.1
Total assets	**274.5**	**262.7**	**(11.7)**

	As of Mar. 31, 2020 (A)	As of Sep. 30, 2020 (B)	Difference (B) - (A)
Liabilities	**89.2**	**73.5**	**(15.6)**
Current liabilities	**82.6**	**65.3**	**(17.3)**
Notes and accounts payable-trade	38.4	29.8	(8.6)
Short-term borrowings	8.2	8.7	0.5
Other	35.9	26.7	(9.2)
Non-current liabilities	**6.5**	**8.2**	**1.6**
Long-term borrowings	0.3	0.3	(0.0)
Other	6.2	7.8	1.6
Net assets	**185.3**	**189.1**	**3.8**
Shareholders' equity	**173.5**	**176.0**	**2.5**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	0.0
Retained earnings	165.0	167.6	2.5
Treasury shares	(13.7)	(13.7)	0.0
Accumulated other comprehensive income	**9.6**	**10.9**	**1.3**
Non-controlling interests	**2.1**	**2.1**	**(0.0)**
Total liabilities and net assets	**274.5**	**262.7**	**(11.7)**

* Following a favorable evaluation of our financial base as well as the strengthened profit foundation for our businesses, in October 2020 Rating and Investment Information, Inc. raised our issuer rating from "A" to "A+". Please refer to page 37 for more information.

Consolidated Cash Flows

- Cash flows from operating activities decreased compared with the same period last year. This was mainly because of a decrease in operating income, an increase of consumption tax payment due to tax rate revision, and also because March 31, 2019 falling on a bank holiday.
- Cash flows from investing activities increased compared with the same period last year. This was mainly because of proceeds from the sales of property, plant and equipment following the integration of factories in Japan, and also because short-term securities were used to increase cash on hand in order to prioritize the liquidity of funds.
- As a result, free cash flow (FCF) increased by 5.2 billion yen compared with the same period last year.
- Cash flows from financing activities saw a decrease in expenditures compared with the same period last year.
  This was mainly due to expenditures for the repurchase of own shares (8.6 billion yen in the first half, 9.9 billion yen for the full year) in the same period last year.

(Billions of yen)

	FY2019 H1 (A)	FY2020 H1 (B)	Difference	
			(B) - (A)	*% Change*
Cash flows from operating activities	9.8	7.6	(2.2)	*(22.6)*
Cash flows from investing activities	(4.1)	3.3	7.5	-
Free cash flow (FCF)	5.7	11.0	5.2	*91.9*
Cash flows from financing activities	(13.5)	(3.3)	10.1	-
Effect of exchange rate change on cash and cash equivalents	(0.3)	(0.3)	(0.0)	-
Net increase (decrease) in cash and cash equivalents	(8.1)	7.2	15.4	-
Cash and cash equivalents at beginning of period	68.1	74.7	6.6	*9.7*
Cash and cash equivalents at end of period	60.0	82.0	22.0	*36.7*

Reference

Capital expenditure	2.4	2.0	(0.4)	*(16.7)*
Depreciation	2.1	2.1	0.0	*1.2*

2. Financial Plan for FY2020

Consolidated Financial Plan

Consolidated financial plan (announced on August 6, 2020) has been revised upwards

While there is no change to our assumption[*1] on which we based our plan announced on August 6, 2020, we have revised our consolidated financial plan upwards. This is based on our ability to respond to changes in the business environment and our enhanced revenue base which our H1 business activities have demonstrated, and also the increase in demand in some regions and markets such as semiconductor manufacturing equipment.

*1 **Assumption on which we based our plan for FY2020**
Although with the prolonged global spread of COVID-19 and the continued market uncertainty, as well as the business environment to remain challenging throughout FY2020, we assume that the azbil Group's businesses will continue operating without any comprehensive stoppage affecting production, engineering, installation, service or other on-site operations.

- We will continue to ensure thorough safety management and pursue business operations while putting the safety of our customers and employees first. We will actively develop a business continuity plan (BCP) in case of a pandemic resurgence and advance measures[*2] to secure our financial position.
- We will implement a "creation of new work and a new work style" program that harnesses digital transformation (DX), and further strengthen our business execution capabilities and profitability.
- We will continue to make investments needed for future growth, while implementing judicious measures including reducing expenses. Also we will promote the development of products and services, and develop new business opportunities for three business fields that will contribute to our sustainable growth.

▶ Please refer to page 23 about the three business fields.

(Billions of yen)

	FY2019 (results) (A)	FY2020 (revised plan) H1 (results)	FY2020 (revised plan) H2 (plan)	FY2020 (revised plan) Full year (B)	Difference (B) - (A)	Difference % Change	Initial plan (Aug. 6, 2020) (C)	Difference (B) - (C)	Difference % Change
Net sales	259.4	111.4	136.5	248.0	(11.4)	*(4.4)*	245.0	3.0	*1.2*
Operating income	27.2	8.3	17.1	25.5	(1.7)	*(6.4)*	24.0	1.5	*6.3*
Margin	*10.5*	*7.5*	*12.6*	*10.3*	*(0.2)pp*		*9.8*	*0.5pp*	
Ordinary income	27.7	8.3	16.6	25.0	(2.7)	*(9.8)*	23.5	1.5	*6.4*
Net income attributable to owners of parent	19.7	6.0	11.8	17.9	(1.8)	*(9.6)*	16.8	1.1	*6.5*
Margin	*7.6*	*5.5*	*8.6*	*7.2*	*(0.4)pp*		*6.9*	*0.4pp*	

*2 Along with our registered bond issuance limit having been set at 20 billion yen, to enable flexible financing during the COVID-19 pandemic, in October 2020, we have set a limit (20 billion yen) for issuing commercial paper, and we newly acquired a short-term rating of "a-1".

Financial Plan by Segment

- BA It is anticipated that revenue and profits will be lower this year. This is because of the fact that the results for the previous financial year were at a high level and there have been curbs on investment and postponed plans in certain markets due to the impact of the COVID-19 pandemic, as well as construction delays overseas. However, in Japan urban redevelopment projects are progressing as planned, and based on this robustness we expect to achieve our financial plan.
- AA The economic stagnation due to the COVID-19 pandemic has affected customers' capital investment, but there is firm demand for maintenance and renewal of equipment. In addition, demand is expected in some regions such as China and the semiconductor manufacturing equipment market. Since measures to improve profitability and develop new customers continue to prove effective, we revise the financial plan of the AA business upwards.
- LA In the Lifeline field, with LP gas meters in a period of depressed demand, meter replacement demand is expected to fall. However, in the Lifeline field, sales growth is expected for the new Meter Data Cloud Service business, and robust sales are forecasted 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.

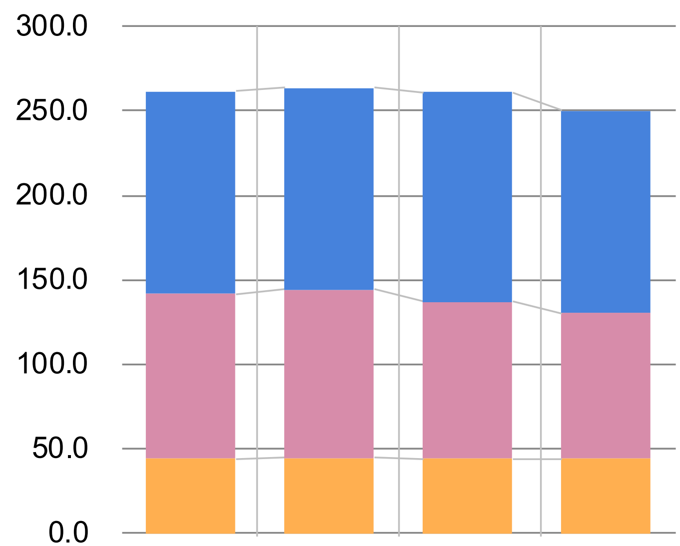
(Billions of yen)

		FY2019 (results) (A)	FY2020 (revised plan) H1 (results)	FY2020 (revised plan) H2 (plan)	FY2020 (revised plan) Full year (B)	Difference (B) - (A)	Difference % Change	Initial plan (Aug. 6, 2020) (C)	Difference (B) - (C)	Difference % Change
BA	Sales	123.7	48.5	71.4	120.0	(3.7)	*(3.1)*	120.0	–	-
	Segment profit	14.8	2.5	11.4	14.0	(0.8)	*(6.0)*	14.0	–	-
	Margin	*12.0*	*5.3*	*16.0*	*11.7*	*(0.4)pp*		*11.7*	-	
AA	Sales	93.1	41.7	44.2	86.0	(7.1)	*(7.7)*	83.0	3.0	*3.6*
	Segment profit	10.4	4.8	4.6	9.5	(0.9)	*(9.4)*	8.0	1.5	*18.8*
	Margin	*11.3*	*11.7*	*10.4*	*11.0*	*(0.2)pp*		*9.6*	*1.4pp*	
LA	Sales	44.0	21.7	22.2	44.0	(0.0)	*(0.1)*	44.0	–	-
	Segment profit	1.8	0.8	1.1	2.0	0.1	*7.1*	2.0	–	-
	Margin	*4.2*	*4.1*	*5.0*	*4.5*	*0.3pp*		*4.5*	-	
Consolidated	Net sales	259.4	111.4	136.5	248.0	(11.4)	*(4.4)*	245.0	3.0	*1.2*
	Operating income	27.2	8.3	17.1	25.5	(1.7)	*(6.4)*	24.0	1.5	*6.3*
	Margin	*10.5*	*7.5*	*12.6*	*10.3*	*(0.2)pp*		*9.8*	*0.5pp*	

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

Sales by Segment

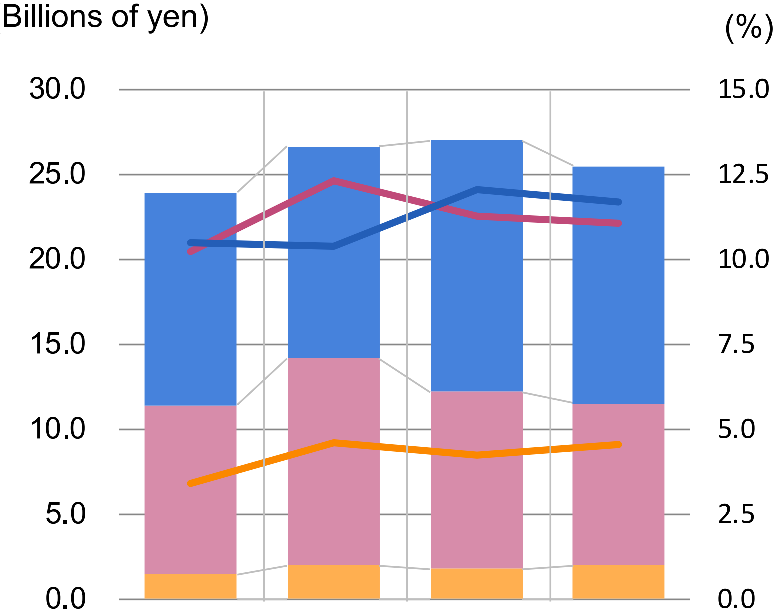
(Billions of yen)



	FY2017	FY2018	FY2019	**FY2020** (revised plan)
B A	120.2	119.5	123.7	**120.0**
A A	97.2	99.3	93.1	**86.0**
L A	44.2	44.8	44.0	**44.0**
Consolidated	260.3	262.0	259.4	**248.0**

Segment Profit (Operating Income)

(Billions of yen)



	FY2017	FY2018	FY2019	**FY2020** (revised 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	**9.5**
Margin	*10.2*	*12.3*	*11.3*	***11.0***
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	**25.5**
Margin	*9.2*	*10.2*	*10.5*	***10.3***

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3. Returning Profits to Shareholders

FY2020 Shareholders' Returns

FY2020 dividend plan (No change from the initial plan)

As announced on May 20, Azbil plans to issue an annual dividend of 50 yen per share (both interim and year-end dividends to be 25 yen per share)

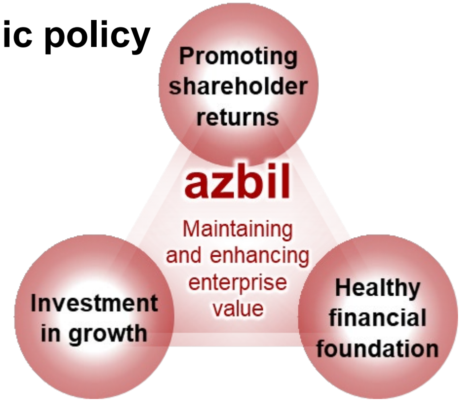
- While the global spread of COVID-19 is expanding again, uncertainty continues in the business environment including economic trends and trends in capital investment by customers in Japan and overseas.
- Despite the uncertain business environment, with the success of initiatives included in the medium-term 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).
- The basic policy below remains unchanged. We will steadily implement well-disciplined capital policies, returning profits to shareholders, mainly via dividends as usual, but with an option for repurchasing own shares expeditiously considering business performance and stock price trends.

(Yen)

	FY2019			FY2020		
	Interim	Year-end	Annual	Interim	Year-end (plan)	Annual (plan)
Dividend per share	25	25	50	25	25	50
Payout ratio	*35.5%*			*39.0%*		
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.

Basic policy

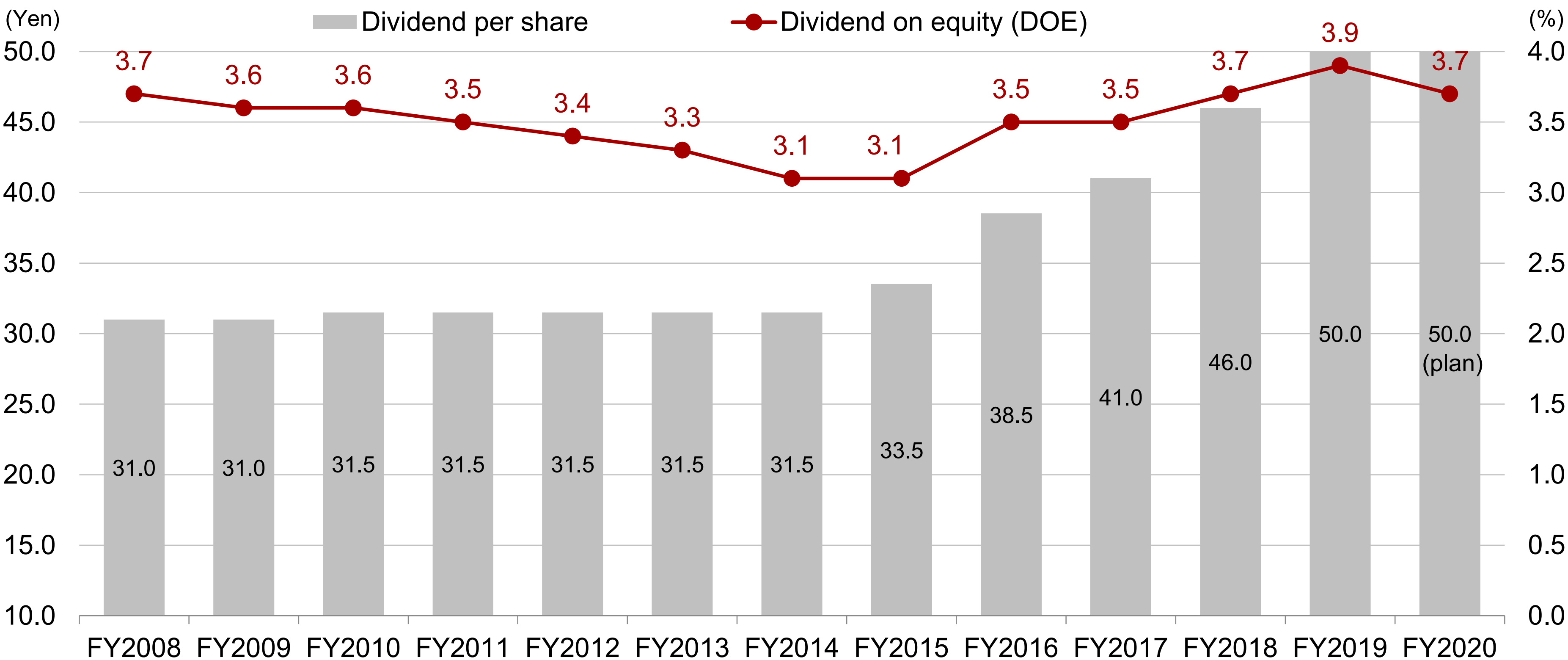


We continue to develop well-disciplined capital policies and aim to maintain/enhance the azbil Group's enterprise value while carefully balancing three key elements: promoting shareholder returns, investing in growth, and maintaining a healthy financial foundation.

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.



4. Future Directions

azbil

Direction and Long-term Goals of azbil Group Development

The United Nation's Sustainable Development Goals (SDGs) will serve as new guideposts 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.

Group philosophy
"Human-centered automation"

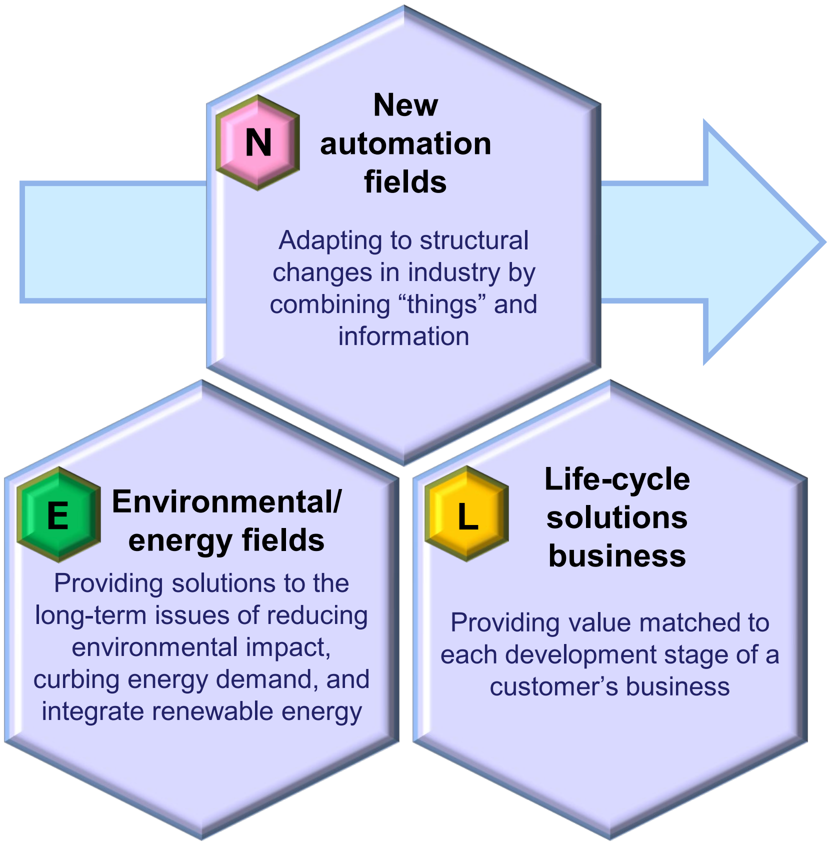
Three fundamental policies

- Being a long-term partner for the customer and the community by offering solutions based on our technologies and products
- Taking global operations to the next level by expansion into new regions and a qualitative change of focus
- Being a corporate organization that never stops learning, so that it can continuously grow stronger

Linked medium-term plans (FY2013-2016, FY2017-2019)

FY2019 financial results
Operating income: 27.2 billion yen
Net sales: 259.4 billion yen

Three business fields
to expand for sustainable growth



Performance targets

- Long-term targets*

Operating income: 30.0 billion yen or more
Net sales: about 300.0 billion yen
ROE: 10% or more

Developing the foundation

- For the azbil Group's sustainable growth

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

Financial target

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.

* When we expect to attain these long-term goals will be announced once the impact that the COVID-19 pandemic has on our business can be reasonably determined.

Approach to Business Management

- 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.
- With the roles for automation expanding, we will enhance the value we provide with a “creation of new work and a new work style” program that promotes digital transformation (DX).
- Using the SDGs as a compass, we aim to contribute “in series” to a sustainable society and in this way achieve further growth for the Group.

Changes in social structure

Changes in business environment

Trends in technological innovation

Accelerating change due to pandemic

Devise a system to achieve sustainable growth (enhancing enterprise value)

Growth

Contribute “in series” to a sustainable society

Cultivate new automation requirements that emerge as progress is made in achieving the SDGs

Transformation

“Creation of new work” + “Creation of new work style”

Transform work and work styles mainly through DX, while ensuring our businesses benefit from emerging opportunities

Safety

Business continuity that puts safety first

In response to the COVID-19 pandemic, continue to create value on site while putting the safety of customers and employees first. Strengthen BCP.

- **Implement CSR management as the basis for everything**
- **Actively invest in product development, human resources, and production**
- **Maintain shareholder returns, investment in growth, and a sound financial base**

SDGs for 2030

Essential goals of azbil Group for SDGs

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

Business Environment and Strategies (1)

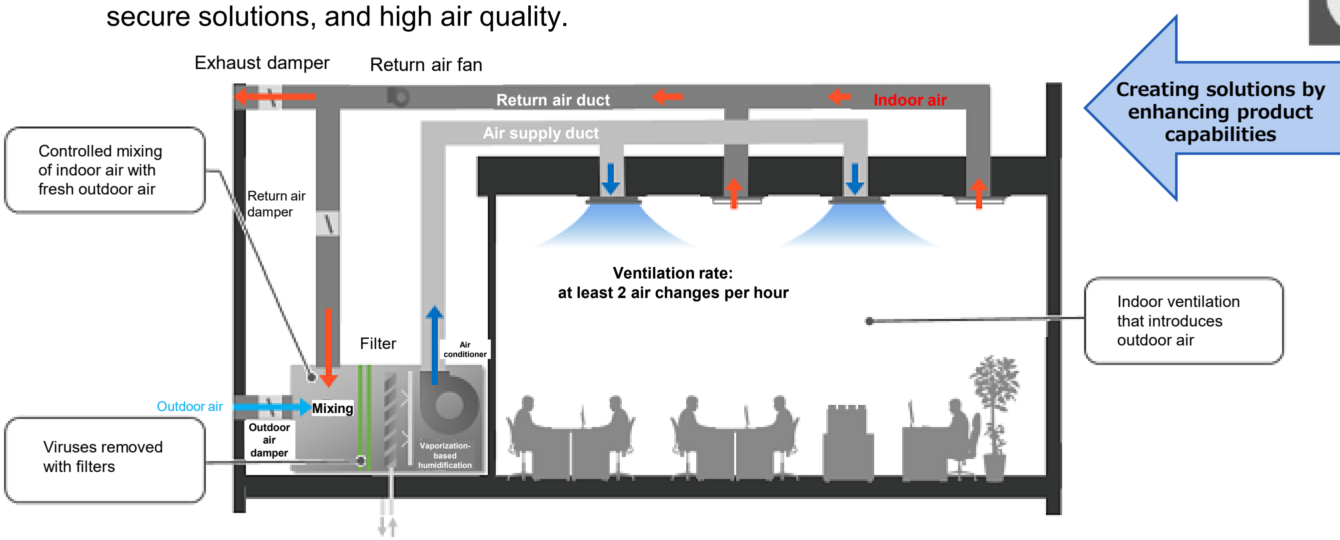
- **No changes are anticipated in continued work on the large-scale redevelopment projects in the Tokyo metropolitan area from 2021, or in the robust demand forecast for numerous refurbishment projects for existing buildings. Moreover, from the perspective of safety and security, new demand is expected for ventilation and access control.**

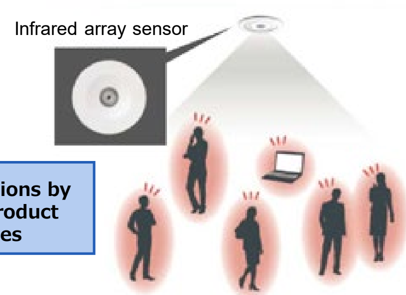
- **Continue business operations mainly at installation and maintenance sites, while putting the safety of employees and customers first.**
- **Make sure to capture demand for new and existing buildings. Steadily conduct operations and secure profits by creating a system for profit generation that includes harnessing IT such as BIM*.**
- **Create added value and ensure differentiation by combining services and enhanced product capabilities including the promotion of open innovation.**

* BIM (building information modeling): Solution featuring a database which consolidates attribute data (such as building management information) with 3D CAD data. Information accumulated over the life cycle of the building is used to improve efficiency.

Raising interest in and expanding demand for ventilation and better air quality from the perspective of safety and security

- Through our engineering and service operations, the azbil Group is providing safe and secure solutions, and high air quality.





▲Ensuring social distancing (infrared array sensor)

▲Facial recognition and temperature detection solution

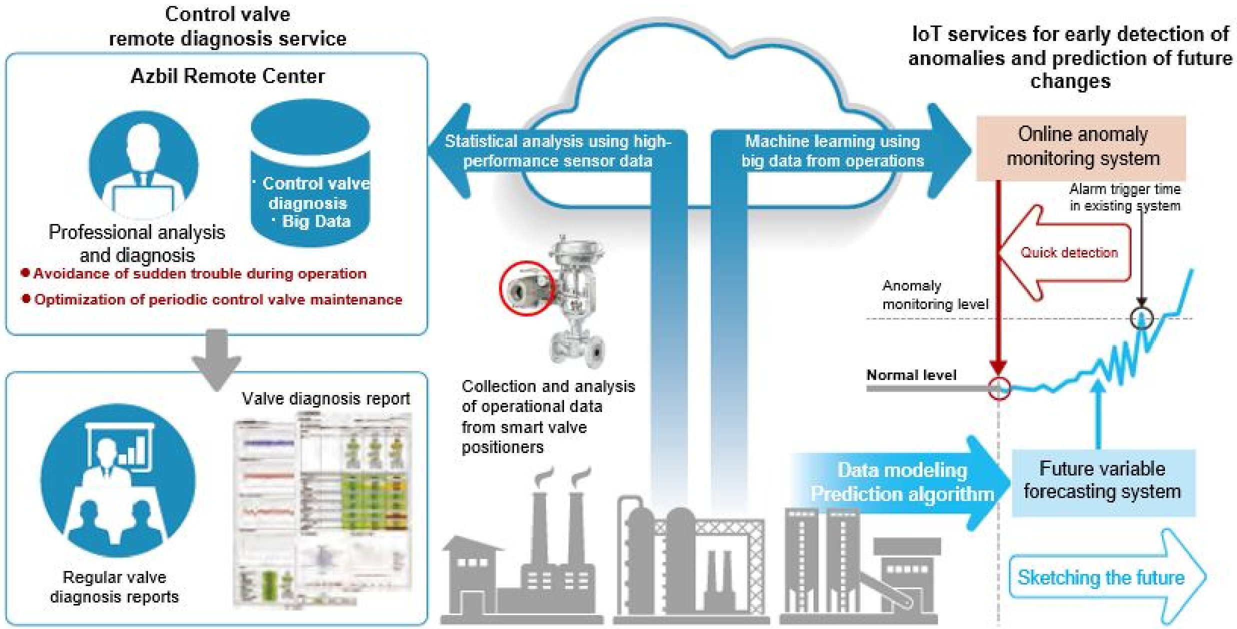
Business Environment and Strategies (2)

AA

- **Uncertainty still surrounds capital investment in the manufacturing industries. However, with labor shortages, environmental measures, productivity improvements, and changing work styles (telecommuting, etc.), we anticipate continued demand for automation in the medium to long term not only to achieve energy savings and advanced control, but also to realize autonomous control, human-machine collaborative systems, and high value-added services.**

- **Pursue business strategies and measures for the three AA business sub-segments, proven to be successful: expand business by creation of new automation: implement growth strategies focused on developing the customer base: build a high profit system by strengthening profitability.**
- **Create business models with strengths that can compete globally, and develop these in common, both in Japan and overseas.**

■ Azbil systems, field instruments and IoT services that can satisfy emerging needs, offering labor saving and remote monitoring for managing and operating of diverse plants, AI capable of substituting for the expertise of a skilled engineer, etc.



Business Environment and Strategies (3)

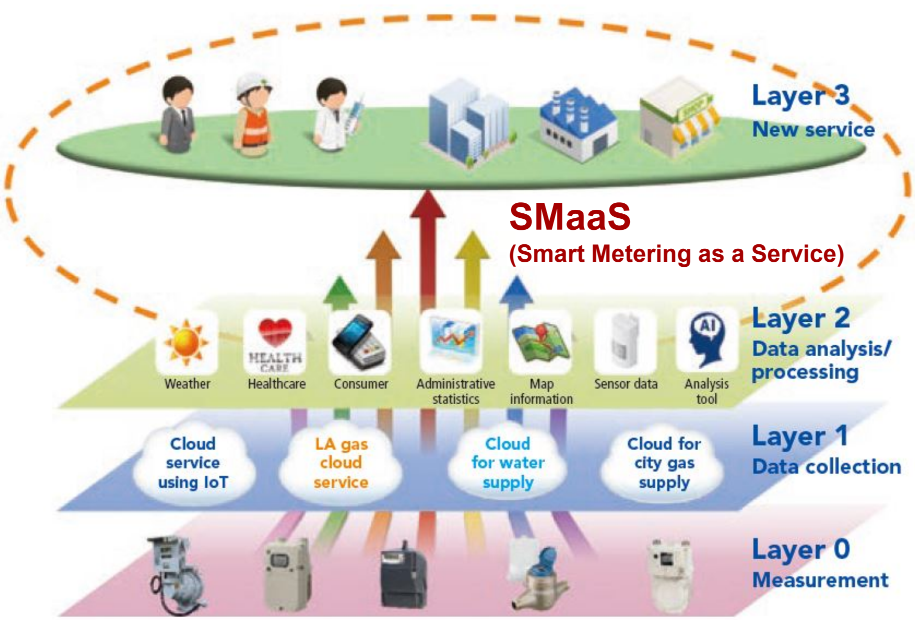
LA

- **The Lifeline field (gas/water meters) mainly depends on stable demand for meter replacement as required by law. There is also new demand, such as for our Meter Data Cloud Service based on smart technology. In the Life Science Engineering (LSE: pharmaceutical/laboratory fields), we anticipate growing demand related to vaccine production, etc.**

➢ **Make steady progress with processing replacement demand in the Lifeline field, while developing and expanding new business areas like "as a Service".**

➢ **In addition to strengthening product capabilities, expand our service-related business and enhance the profitability of the LSE field and Lifestyle-related (residential central air-conditioning systems) fields.**

■ Smart Metering as a Service (SMaaS): a new solution that utilizes AI and data acquired from smart meters



■ Azbil Telstar manufacturing equipment installed on pharma production lines for vaccines, etc.

▲ Barrier systems

▲ Lyophilizer

Progress with Upgrading and Strengthening the Business Foundation (1)

Expanding/strengthening our global production and procurement systems: Dalian Factory, China

Scheduled to build a new factory building at Azbil Control Instruments (Dalian) in order to expand production capacity in response to increasing global demand, to upgrade manufacturing processes, and to promote further automation. Strengthen our tripolar production system (Japan, Thailand, and China).

▲Azbil Control Instruments (Dalian) Co., Ltd. Artist's impression of new factory building (scheduled to be completed in 2022)

Expanding/strengthening our global network (sales and service): Solution and Technology Center, Thailand

Opened our Solution and Technology Center in Rayong Province, Thailand, in order to provide next-generation intelligent services that harness IoT and AI technologies, such as early anomaly detection and control valve diagnostic services. Retain together the Group's largest control valve maintenance facility, capable of handling 10,000 units a year (including other makes of control valve). Aim for future business expansion throughout Southeast Asia.

▲Solution and Technology Center (left) and demonstration room at Azbil (Thailand) Co., Ltd.

Strengthening our R&D system: Construction of new building at Fujisawa Technology Center, upgrading facilities

Invest approx. 7 billion yen in order to strengthen the Group's product capabilities to satisfy emerging needs and the expanding roles for automation. Dismantle some facilities at the Fujisawa Technology Center, the Group's R&D base, and construct new buildings (due to be completed in 2022). Enhance development and production capacity for compact, high-performance devices that make full use of MEMS* as well as IoT, AI, and cloud technologies.

*MEMS (microelectromechanical systems): Devices built using microfabrication technology to integrate mechanical components, sensors, actuators, and electronic circuits on silicon substrates.

▲Fujisawa Technology Center

Progress with Upgrading and Strengthening the Business Foundation (2)

Management and Activities that contribute "in series" to the achievement of a sustainable society

- Newly establish targets (below) related to SDGs, including effective reduction of CO_2 at customer's sites
- Donate towards fighting the COVID-19 pandemic.
- Strengthen corporate governance through promoting diversity among members of the Board of Directors and revising the criteria for independent directors.

Targets for FY2030

Environment and Energy

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

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

- CO_2 emission reduction at customers' sites[*1]

3,400,000 tons/year

- Target of greenhouse gas (GHG) emission reduction[*2]

30% reduction in GHG emissions (Scopes 1+2)[*3]
from business activities compared to 2013

20% reduction in GHG emissions (Scope 3)[*3]
across our entire supply chain compared to 2017

- Target for health and well-being management:

65%[*4] or more employees
who find satisfaction in working at Azbil

- Target as "learning organization":

65%[*4] or more employees
who experienced personal growth over the past year

[*1] CO_2 emissions at customers' sites through our products, services, and solutions
[*2] Science based targets (SBT), certified by a global certification authority
[*3] 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)
[*4] Azbil Corporation conducts a survey to find employee's satisfaction every year.

Introducing our capabilities in the digital content domain

Thanks to online exhibitions that complement or replace real (physical) exhibitions, the azbil Group's capabilities can be viewed and appreciated even after the event is over.

Industrial Transformation ASIA-PACIFIC (ITAP)

Oct. 20 (Tue.) to 22 (Thu.), 2020

- The largest exhibition in the Asia-Pacific region of technologies related to the digital transformation of industry. This year it was held online only.
- In addition to introducing products and technologies online, we created a virtual tour of our Singapore showroom, which remains open after the exhibition ends. LinkedIn is also being used to provide information.

▲ Event information of ITAP

Measurement and Control Show 2020 OSAKA

Oct. 21 (Wed.) to 23 (Fri.), 2020

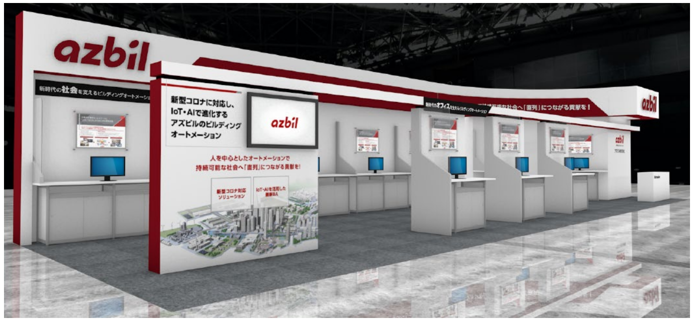
- Japan's largest comprehensive exhibition for measurement and control technologies. In addition to the physical event, an online version called "Measurement and Control Show Online Plus" started on Nov. 6.
- We have created an online exhibition site exclusively for azbil called azbil Virtual Expo at Measurement Exhibition 2020 Osaka, which is still accessible.

▲ Artist's impression of our physical booth (Measurement and Control Show 2020 OSAKA)

Smart Building EXPO

Dec. 2 (Wed.) to 4 (Fri.), 2020

- We are putting forward solutions unique to azbil, including the latest in building management, which is evolving to cope with the challenges posed by the COVID-19 pandemic.
- In addition to a physical exhibition, there will also be an online exhibition site.



▲ Artist's impression of our physical booth (Smart Building EXPO)

- **In addition to the above, azbil is exhibiting at CEATEC 2020*, which is currently being held online.**

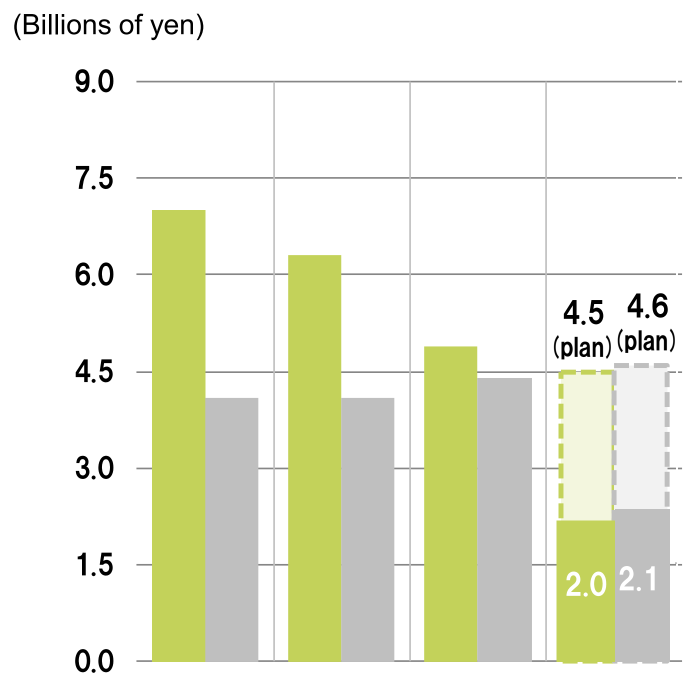
*A comprehensive exhibition for Society 5.0 showcasing society and lifestyles of the future featuring "IoT" and "co-creation".

Appendix

Capital Expenditure, Depreciation and R&D Expenses

Full-year results/H1 results for FY2020
Full-year plan for FY2020

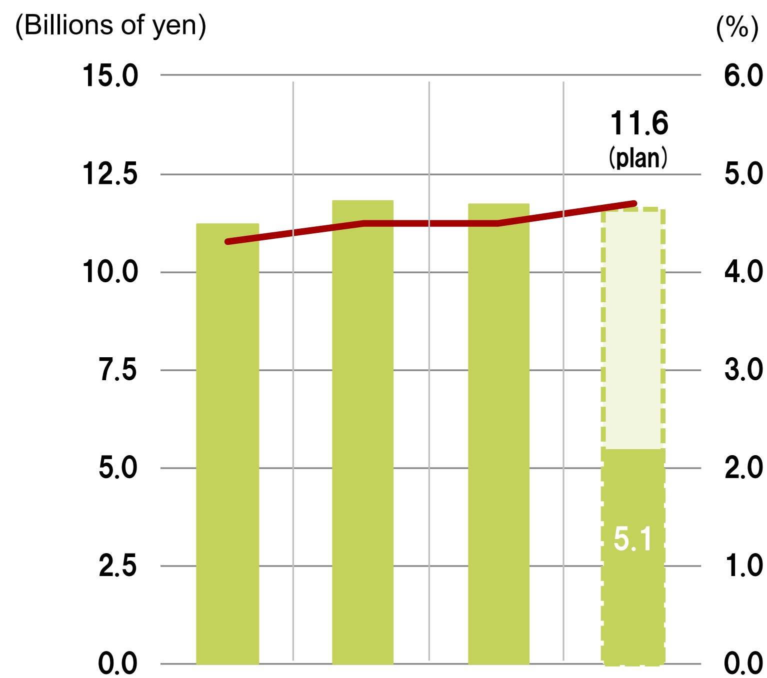
■ Capital expenditure, depreciation



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

* 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.

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

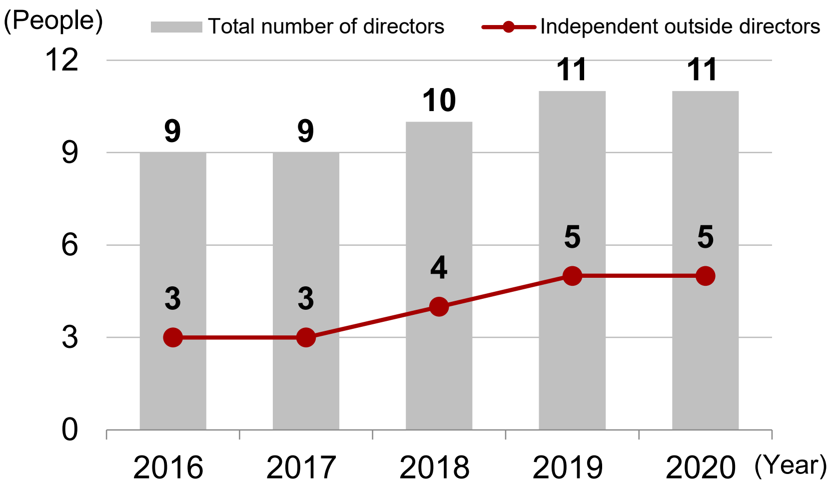


	FY2017	FY2018	FY2019	FY2020 (plan)
R&D expenses	11.2	11.8	11.7	**11.6**
R&D expenses/ Net sales ratio (%)	4.3	4.5	4.5	**4.7**

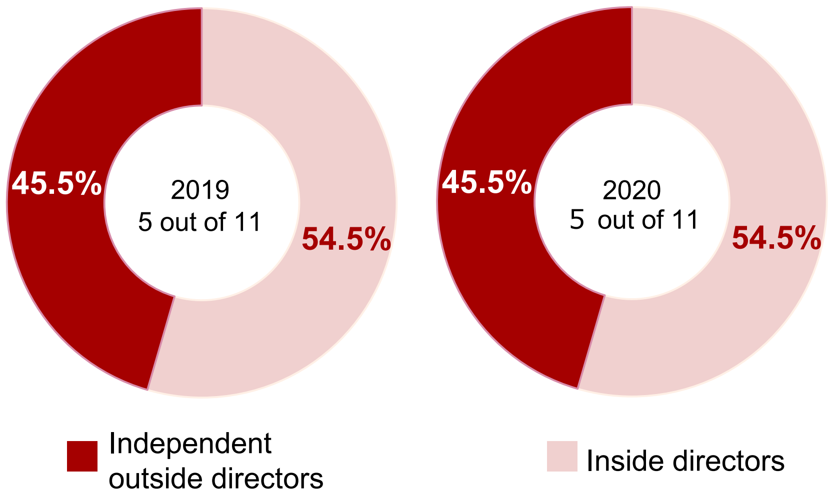
* Product development expenses for IoT, big data, AI, robots, etc. have been incurred from FY2017.

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)

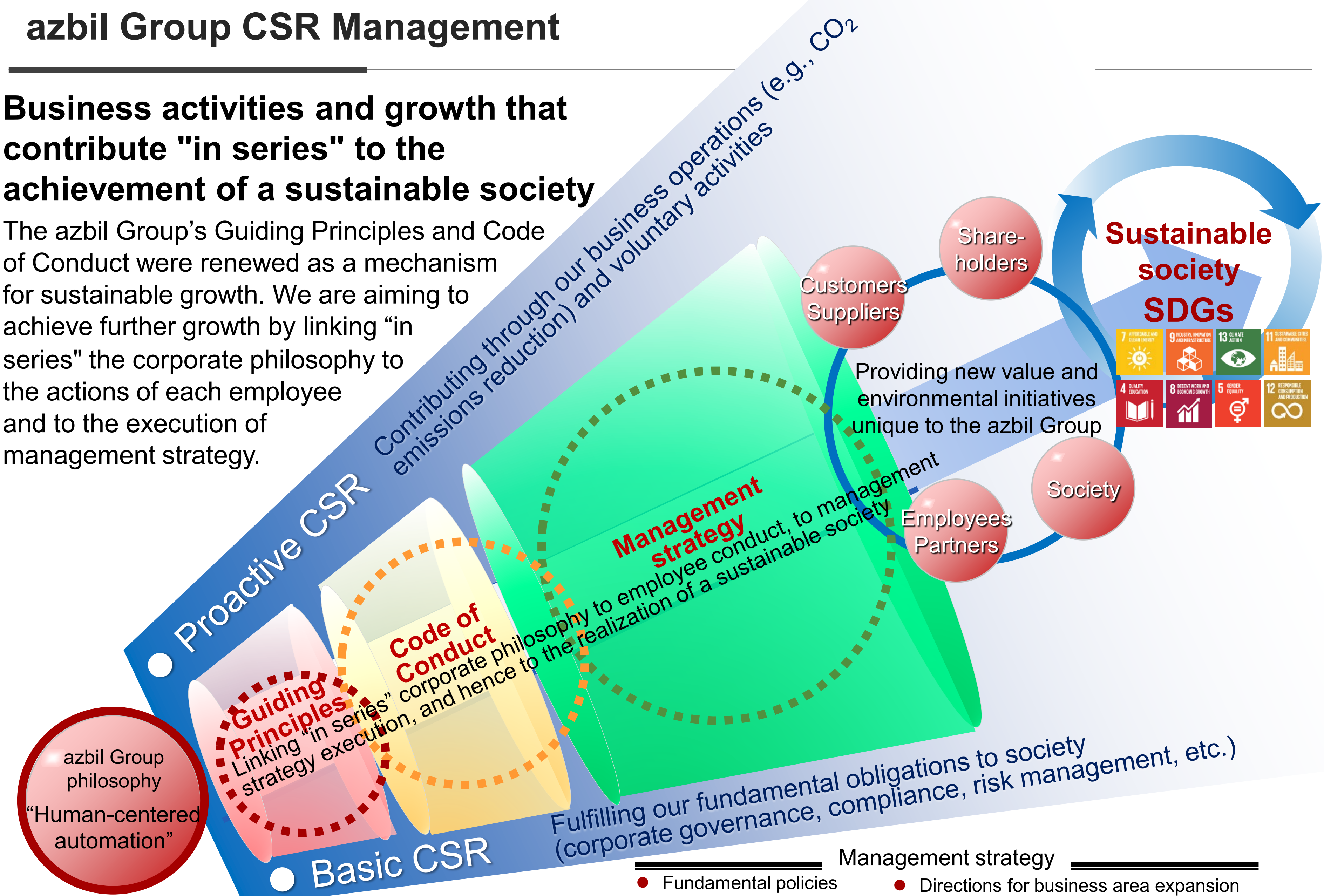
Reference: Change in the number of shares and total amount sold (Azbil Corp.)
71 stocks as of Mar. 31, 2015 => 48 stocks as of Mar. 31, 2020
Total amount sold during FY2015-FY2019: 5.1 billion yen (at market price)

* 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
* Even after the end of March 2020, we have been steadily implementing necessary measures in light of the stock price and market trends based on our policy of reducing strategic shareholdings stated in our Corporate Governance Report.

azbil Group CSR Management

Business activities and growth that contribute "in series" to the achievement of 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.



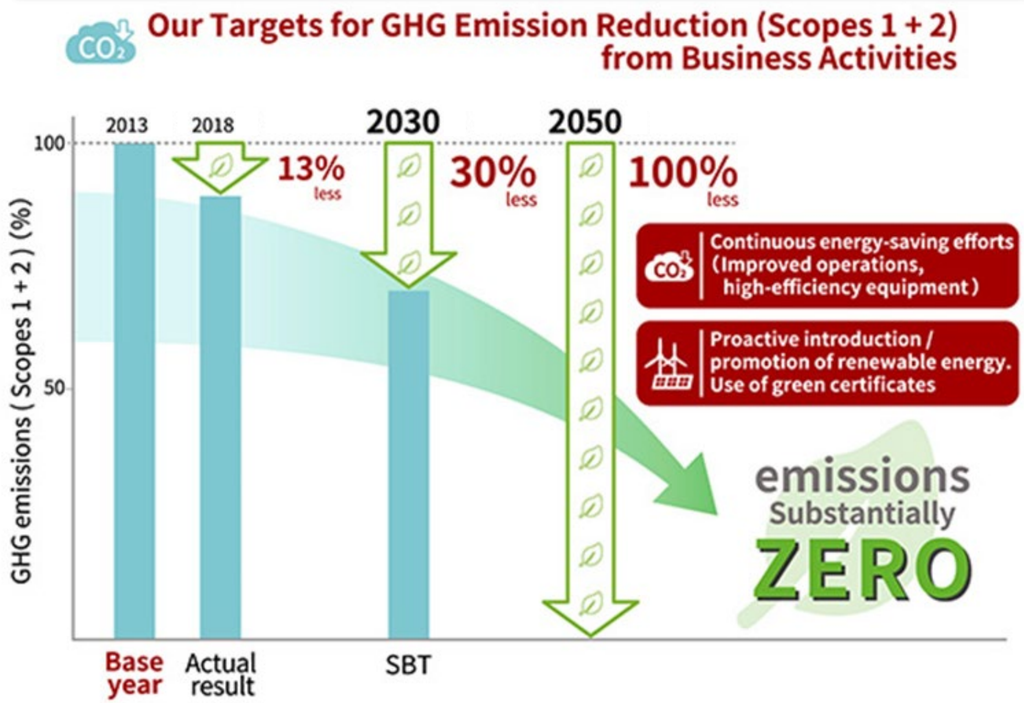
Management strategy

- 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

Contribution to the Environment

Regarding greenhouse gas emissions (Scopes 1 + 2)*1 associated with our own business activities, we have already launched specific initiatives. Aiming to achieve zero emissions by 2050, 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.

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 reduction at customers' sites through our business

FY2019 (Ended March 31, 2020)

Effective CO_2 reduction at customers' sites Total 3,010,000 tons/year

It is equivalent to approximately 1/400 of all CO_2 emissions in Japan (approx. 1.2 billion tons of CO_2).

Automation effects	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 effects	We have reduced environmental impact, taking advantage of our energy management solution, to achieve reduction in electricity consumption, energy consumption, and CO_2 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

Issuer Ratings of Azbil Corp.

1. **Oct. 16, 2020: Rating and Investment Information, Inc. (R&I) raised the issuer rating of Azbil Corp. to "A+".**

Name	Rating	Rating outlook
Issuer rating	A ⇒ A +	Stable

Evaluation points:

- Stable revenue sources, such as maintenance and services, represent a comparatively high component of income, and profits continue to be recorded even under conditions of significant stress (COVID-19 pandemic).
- Profitability and the ability to generate cash flow were deemed to be generally commensurate with the issuer rating. With sustained increases in income ratio, etc., it was judged that the profitability of each business will continue to improve.

2. **In addition to obtaining a long-term credit rating, to enable flexible financing during the COVID-19 pandemic, we have set a limit of 20 billion yen for issuing commercial paper and have newly acquired a short-term rating of "a-1" by R&I.**

Name	Issuance limit	Collateral/Guarantee, guaranteeing company, etc.	Rating
Commercial paper	20 billion yen	Unsecured	a-1 (new)

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: 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.

IR Inquiries and Disclaimer

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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.