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

February 4, 2021

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 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.

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1. Financial Results for the Third Quarter of FY2020

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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 fiscal year, when fewer multi-year service contracts were up for renewal—and for the Life Automation (LA) business, which suffered a fall in demand for LP gas meters. Overall, orders received thus decreased compared with the same period last year.
- BA business sales decreased compared with the same period last year, when a high level of sales had been achieved in the field for new large-scale buildings. As with the impact on orders received, the AA business saw its sales reduced by the sluggish market conditions. Net sales overall were thus lower than the same period last year.
- Operating income decreased compared with the same period last year due to lower sales, 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 stocks and non-current assets following the integration of domestic production facilities.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2020 Q1-3 (B)	Difference	
			(B) - (A)	% Change
Orders received	200.8	187.2	(13.6)	*(6.8)*
Net sales	183.0	174.2	(8.8)	*(4.8)*
Japan	151.6	141.9	(9.7)	*(6.4)*
Overseas	31.4	32.2	0.8	*2.8*
Gross profit	71.8	69.0	(2.8)	*(4.0)*
Margin	*39.3*	*39.6*	*0.3pp*	
SG&A	56.2	53.8	(2.3)	*(4.2)*
Operating income (loss)	15.6	15.1	(0.4)	*(3.2)*
Margin	*8.6*	*8.7*	*0.1pp*	
Ordinary income (loss)	16.1	15.2	(0.8)	*(5.4)*
Income (loss) before income taxes	16.0	16.7	0.6	*4.3*
Net income (loss) attributable to owners of parent	11.0	11.6	0.6	*6.1*
Margin	*6.0*	*6.7*	*0.7pp*	

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Segment Information: BA Business

In Japan, continued demand has been expected for urban redevelopment projects, with heightened interest being shown in solutions related to ventilation improvement, energy savings, and CO_2 reduction. While the COVID-19 has led to the postponement of construction projects in some markets, their impact 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. Product and service solutions have been enhanced.

- Orders received grew steadily in the field for new large-scale buildings. Proposals were increased for the refurbishment of existing buildings and service projects designed to improve ventilation and achieve energy savings, but there was a decline in the service business due to there being fewer multi-year service contracts up for renewal in this fiscal year. In addition, during this first half even in the field for existing buildings there was a temporary drop in orders received owing to added emphasis being placed on profitability for some projects. Consequently, overall orders received were lower than for the same period last year.

- In the field for new large-scale buildings, sales were down on the same period last year, when they stood at a high level. Additionally, sales were lower in the field for existing buildings, for the above-mentioned reason behind the decrease in orders received. Overseas sales also fell owing to construction delays resulting from the COVID-19 pandemic. Overall sales were thus down on the same period last year.

- Segment profit was down on the same period last year due to the impact of decreased sales; this was despite the success of measures to control expenses and enhance profitability.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2020 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	98.5	94.2	(4.3)	*(4.4)*
Sales	83.9	78.6	(5.3)	*(6.4)*
Segment profit (loss)	7.0	6.2	(0.8)	*(11.4)*
Margin	*8.4*	*7.9*	*(0.4)pp*	

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Segment Information: AA Business

Growth strategies and measures to strengthen profitability have been developed based on the three AA business sub-segments*. Investment in 5G and other areas has led to expanded demand in the semiconductor manufacturing equipment market, and currently there is a sense that the manufacturing equipment market has bottomed out. However, with the spreading COVID-19 pandemic, the world economy has remained sluggish and continued caution has been evident in capital investment by manufacturing industries overall.

- While there has been evidence of a recovery in the manufacturing equipment market driven by demand for semiconductors-related equipment, because of the COVID-19 pandemic and the resulting sluggish world economy, overall demand related to capital investment in factories and plants has not picked up, and thus orders received were lower than the same period last year.
- While the manufacturing equipment market has recently bottomed out and maintenance service sales are robust, overall sales decreased compared with the same period last year because of the sluggish market conditions.
- 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 continued to improved and thus segment profit increased on the same period last year.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2020 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	69.7	62.9	(6.7)	*(9.7)*
Sales	67.8	64.5	(3.2)	*(4.8)*
Segment profit (loss)	7.4	7.9	0.5	*7.0*
Margin	*10.9*	*12.3*	*1.3pp*	

* Three AA business sub-segments:
CP (Control Product) business, IAP (Industrial Automation Product) business, and SS (Solution and Service) business.
For details, refer to page 35 of this document.

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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 have been in the period of low demand, resulting in decreased demand. 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: for pharmaceuticals/laboratories) and Lifestyle-related (residential central air-conditioning systems) fields, even amidst fluctuations in demand, we are continuing efforts to achieve stable profit through reforms to the business structure.

- There has been a fall in the cyclical demand for LP gas meters, and the resulting decline in orders received in the Lifeline field has been the main reason for the overall decrease in orders received for the LA business on the same period last year. A contributing factor was a drop in the LSE field, which recorded orders received for large-scale projects in the same period last year, although currently capital investment in the pharmaceutical market is expanding.
- 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.
- Despite a reduction in expenses, segment profit was down on the same period last year, owing to decreased sales.

(Billions of yen)

	FY2019 Q1-3 (A)	FY2020 Q1-3 (B)	Difference	
			(B) - (A)	*% Change*
Orders received	33.7	31.1	(2.6)	*(7.7)*
Sales	32.2	32.0	(0.2)	*(0.8)*
Segment profit (loss)	1.1	0.9	(0.1)	*(16.2)*
Margin	*3.7*	*3.1*	*(0.6)pp*	

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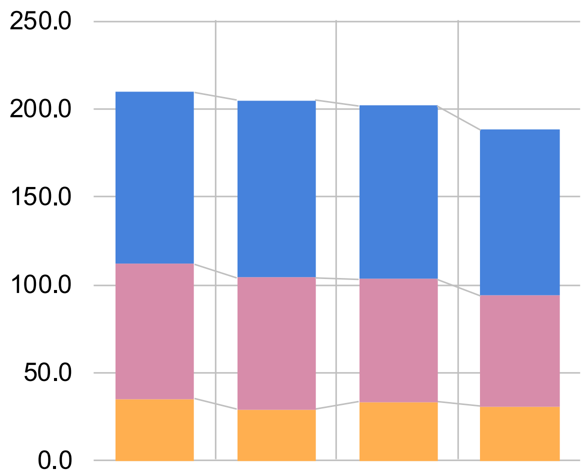
Reference: Orders Received by Segment

Comparison to past results (Q1-3)

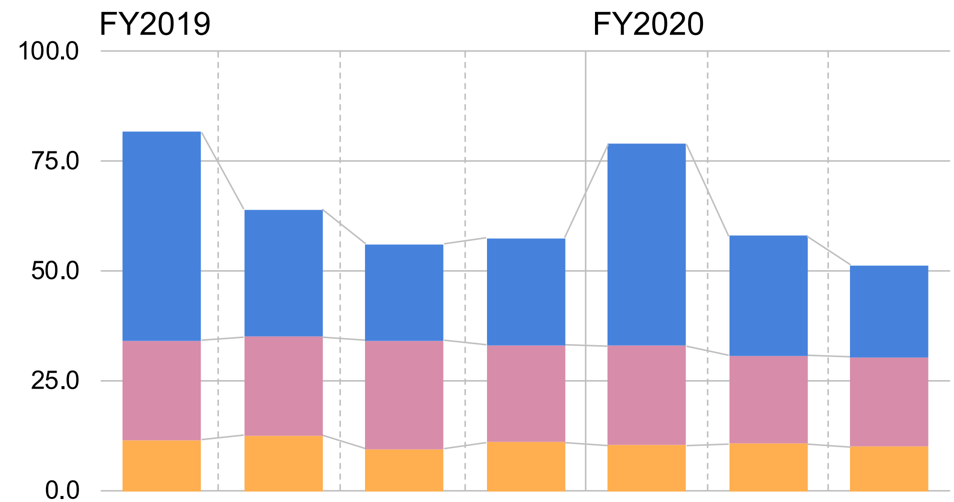
(Billions of yen)



	FY2017 Q1-3	FY2018 Q1-3	FY2019 Q1-3	**FY2020 Q1-3**
B A	97.9	101.0	98.5	**94.2**
A A	76.8	74.7	69.7	**62.9**
L A	35.1	29.4	33.7	**31.1**
Consolidated	208.9	204.1	200.8	**187.2**

Quarterly (3 months)

(Billions of yen)



	FY2019				FY2020		
	Q1	Q2	Q3	Q4	Q1	Q2	**Q3**
B A	47.5	28.9	22.0	24.3	45.9	27.2	**21.0**
A A	22.5	22.4	24.6	22.1	22.5	20.0	**20.3**
L A	11.5	12.6	9.5	11.0	10.3	10.7	**10.0**
Consolidated	81.4	63.6	55.7	57.2	78.5	57.6	**51.0**

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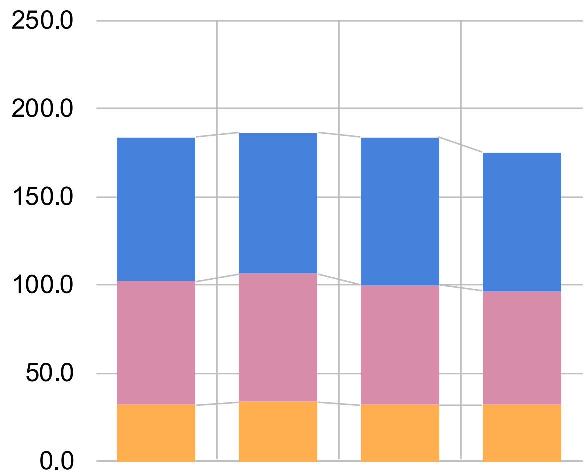
Reference: Sales by Segment

Comparison to past results (Q1-3)

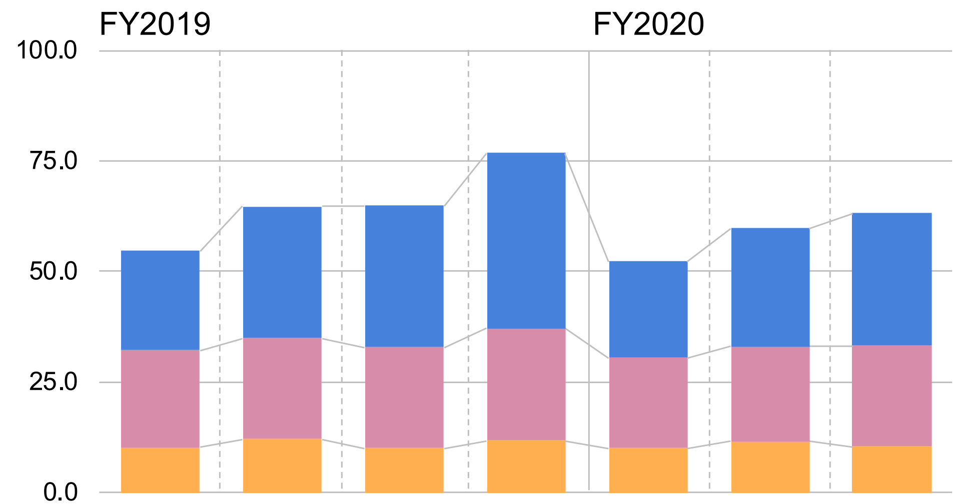
(Billions of yen)



	FY2017 Q1-3	FY2018 Q1-3	FY2019 Q1-3	**FY2020 Q1-3**
B A	81.7	79.8	83.9	**78.6**
A A	70.2	73.0	67.8	**64.5**
L A	32.0	33.6	32.2	**32.0**
Consolidated	183.1	185.3	183.0	**174.2**

Quarterly (3 months)

(Billions of yen)



	FY2019 Q1	Q2	Q3	Q4	FY2020 Q1	Q2	**Q3**
B A	22.4	29.6	31.8	39.7	21.7	26.8	**30.0**
A A	21.9	22.9	22.9	25.3	20.4	21.3	**22.8**
L A	10.2	12.0	9.9	11.7	10.0	11.6	**10.3**
Consolidated	54.3	64.2	64.3	76.3	51.9	59.4	**62.8**

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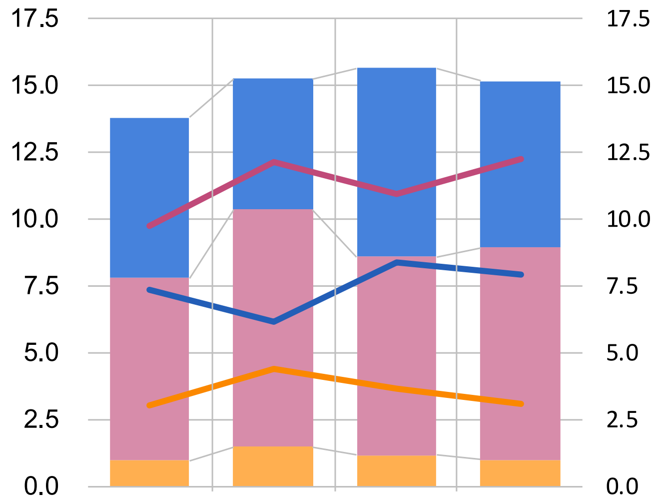
Reference: Segment Profit (Operating Income)

Comparison to past results (Q1-3)

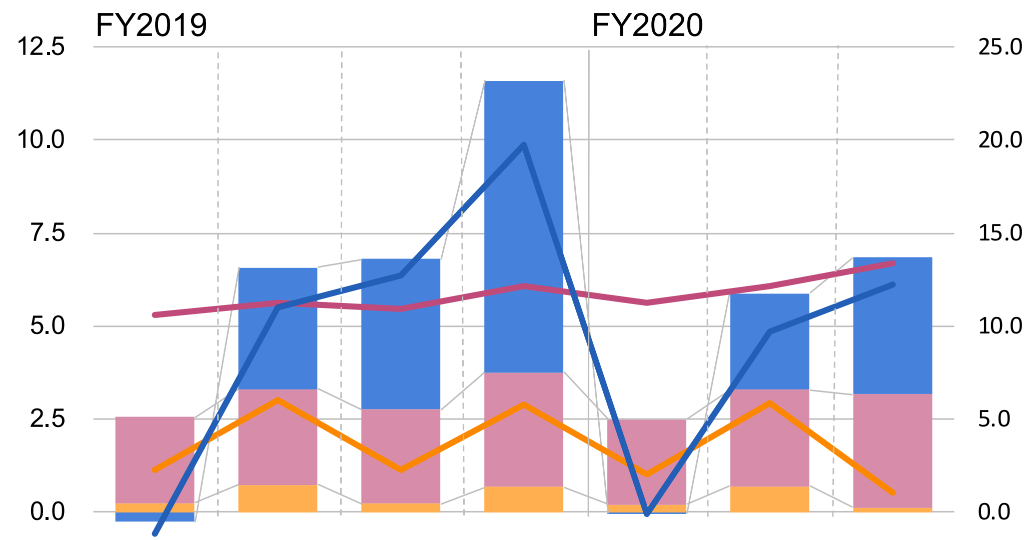
(Billions of yen) (%)



	FY2017 Q1-3	FY2018 Q1-3	FY2019 Q1-3	**FY2020 Q1-3**
B A	5.9	4.9	7.0	**6.2**
Margin	*7.3*	*6.1*	*8.4*	***7.9***
A A	6.8	8.8	7.4	**7.9**
Margin	*9.7*	*12.1*	*10.9*	***12.3***
L A	0.9	1.4	1.1	**0.9**
Margin	*3.0*	*4.4*	*3.7*	***3.1***
Consolidated	13.8	15.2	15.6	**15.1**
Margin	*7.6*	*8.2*	*8.6*	***8.7***

Quarterly (3 months)

(Billions of yen) (%)



	FY2019 Q1	Q2	Q3	Q4	FY2020 Q1	Q2	**Q3**
B A	(0.2)	3.2	4.0	7.8	(0.0)	2.6	**3.6**
Margin	*(1.2)*	*11.0*	*12.7*	*19.7*	*(0.1)*	*9.7*	***12.2***
A A	2.3	2.5	2.5	3.0	2.2	2.5	**3.0**
Margin	*10.6*	*11.3*	*11.0*	*12.1*	*11.2*	*12.2*	***13.4***
L A	0.2	0.7	0.2	0.6	0.1	0.6	**0.1**
Margin	*2.3*	*6.0*	*2.3*	*5.8*	*2.0*	*5.9*	***1.1***
Consolidated	2.2	6.5	6.7	11.5	2.4	5.8	**6.8**
Margin	*4.2*	*10.2*	*10.6*	*15.2*	*4.7*	*9.9*	***10.8***

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Overseas Sales by Region

As regards overseas sales, strong semiconductor-related demand meant that the AA business saw growth. LA business sales also grew, so overall sales were up 2.8% on the same period last year. However, the BA business suffered lower sales as a result of the COVID-19 pandemic.

BA Business

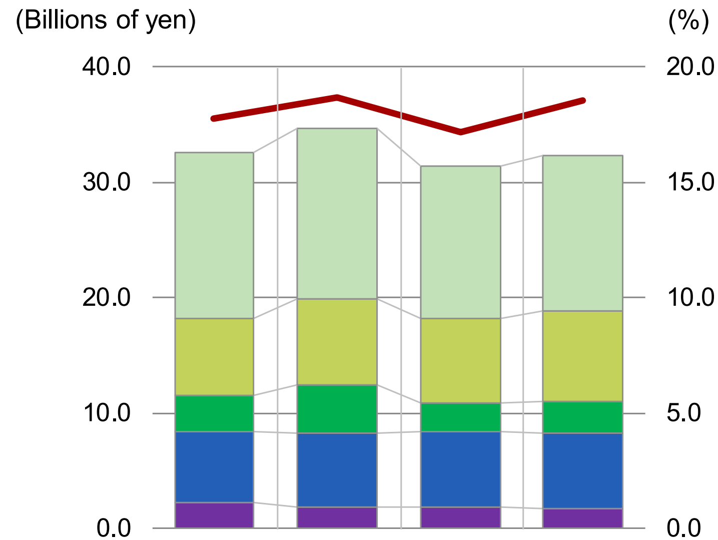
Owing to the pandemic, there were construction delays, mainly in the Asian region, and market conditions continued to be sluggish, so there was an overall decrease in sales.

AA Business

Overall sales increased, particularly in Asia and China, thanks to increased global investment related to semiconductors and 5G, and also to the recording of some large-scale projects. Progress was also made with developing new customers.

LA Business

Overall sales rose, mainly because sales increased in the LSE field, which achieved a high level of orders received in the previous fiscal year.



	FY2017 Q1-3	FY2018 Q1-3	FY2019 Q1-3	FY2020 Q1-3
Asia (ex-China)	14.4	14.8	13.1	**13.3**
China	6.5	7.3	7.2	**7.8**
North America	3.1	4.2	2.5	**2.8**
Europe	6.2	6.3	6.4	**6.5**
Others	2.2	1.8	1.9	**1.7**
Consolidated	32.5	34.6	31.4	**32.2**

Reference information

	FY2017 Q1-3	FY2018 Q1-3	FY2019 Q1-3	FY2020 Q1-3
Overseas sales/ Net sales ratio (%)	*17.8*	*18.7*	*17.2*	***18.5***
Average exchange rate - USD/JPY	111.89	109.61	109.13	**107.57**
Average exchange rate - EUR/JPY	124.58	130.87	122.62	**120.94**

- 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.

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Consolidated Financial Position

- **Assets** Total assets decreased by 8.0 billion yen from the previous fiscal year-end, owing to a decrease in notes and accounts receivable-trade.
- **Liabilities** Total liabilities decreased by 14.3 billion yen from the previous fiscal year-end, owing to decreases in notes and accounts payable-trade, provision for bonuses and income taxes payable.
- **Net assets** Despite a decrease due to the payment of dividends, net assets increased by 6.3 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 71.1% (66.7% as of Mar. 31, 2020).

(Billions of yen)

	As of Mar. 31, 2020 (A)	As of Dec. 31, 2020 (B)	Difference (B) - (A)
Current assets	**209.1**	**202.8**	**(6.3)**
Cash and deposits	57.7	54.5	(3.2)
Notes and accounts receivable-trade	85.2	76.0	(9.1)
Securities	32.2	36.6	4.4
Inventories	25.3	27.6	2.3
Other	8.6	7.9	(0.7)
Non-current assets	**65.3**	**63.6**	**(1.6)**
Property, plant and equipment	28.2	26.9	(1.2)
Intangible assets	5.2	5.4	0.2
Investments and other assets	31.9	31.2	(0.6)
Total assets	**274.5**	**266.5**	**(8.0)**

	As of Mar. 31, 2020 (A)	As of Dec. 31, 2020 (B)	Difference (B) - (A)
Liabilities	**89.2**	**74.8**	**(14.3)**
Current liabilities	**82.6**	**66.8**	**(15.8)**
Notes and accounts payable-trade	38.4	29.9	(8.5)
Short-term borrowings	8.2	8.9	0.7
Other	35.9	27.9	(7.9)
Non-current liabilities	**6.5**	**8.0**	**1.4**
Long-term borrowings	0.3	0.3	0.0
Other	6.2	7.6	1.4
Net assets	**185.3**	**191.6**	**6.3**
Shareholders' equity	**173.5**	**178.1**	**4.6**
Share capital	10.5	10.5	-
Capital surplus	11.6	11.6	0.0
Retained earnings	165.0	169.6	4.6
Treasury shares	(13.7)	(13.7)	0.0
Accumulated other comprehensive income	**9.6**	**11.2**	**1.5**
Non-controlling interests	**2.1**	**2.2**	**0.1**
Total liabilities and net assets	**274.5**	**266.5**	**(8.0)**

* Cash and cash equivalents as of Dec. 31, 2020: 78.3 billion yen
* Favorable evaluation of our businesses' enhanced earnings base and our financial position meant that our credit rating as a long-term debt issuer was raised to "A+ (stable) ", and we obtained a short-term rating of "a-1" for commercial paper (rated by Rating and Investment Information, Inc.).
* In addition to maintaining a total of 10.0 billion yen in unused commitment line contracts, we have set upper limits of 20.0 billion yen for issuing corporate bonds and 20.0 billion yen for issuing commercial paper in order to provide flexible financing capabilities during the COVID-19 pandemic.

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2. Financial Plan for FY2020

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Consolidated Financial Plan

No Changes to the Revised Consolidated Financial Plan (announced on November 5, 2020, revised upwards)

In response to the ongoing COVID-19 pandemic, the Government of Japan has declared a second state of emergency. Although such conditions have increased uncertainty regarding the future outlook, since the announcement of our initial financial plan, the assumptions* on which we based our plan for FY2020 remains unchanged. While striving to meet society's requirements for meticulous safety management and infection prevention, we will stay with the revised financial plan, drawing on our demonstrated ability to respond to changes in the business environment and our enhanced earnings base.

* **Assumptions 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.

Note: We announced our initial plan in Aug. 2020 based on the assumption above, and revised it upwards in Nov. 2020, making rational calculations of the impact of the COVID-19 pandemic.

- **Putting the safety of customers and employees first, we are responding to society's requirements for infection prevention.**
  - Our sales and administration departments are carrying out remote operations, working from home, etc. as part of a new "work style reform" that harnesses digital transformation (DX). We are thus striving to meet society's requirements for infection prevention while seeking to maintain and even improve operational efficiency.
  - Our engineering, service and manufacturing operations continue to implement thorough safety management, contributing to the maintenance of our customers' vital production facilities and buildings as well as the social infrastructure.
- **We will upgrade our business continuity planning (BCP) in case of a pandemic resurgence and advance measures to secure our financial position (please refer to page 13).**
- **We will continue to make investments needed for future growth, while implementing judicious measures including reducing expenses.**

(Billions of yen)

	FY2019 results (A)	FY2020 H1 results	FY2020 H2 revised plan (Nov. 5, 2020)	FY2020 Full year revised plan (Nov. 5, 2020) (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*	

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Financial Plan by Segment

- BA It is anticipated that sales and profit 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, construction activities related to urban redevelopment projects are progressing according to plan, and the performance of our refurbishment and service businesses offering office building solutions remains robust overall. We are thus aiming to achieve results in line with our financial plan.
- AA Owing to the recent resurgence in the COVID-19 pandemic, there is a growing sense of uncertainty regarding conditions in those markets driven by capital investment. However, in addition to the firm demand for maintenance/renewal of equipment, demand is expected to continue in some regions such as China and in certain markets such as that for semiconductor manufacturing equipment. Since we expect that measures to improve profitability and develop new customers will continue to prove effective, we anticipate that we will achieve the revised financial plan.
- LA In the Lifeline field, LP gas meters are in a period of low demand, but our new Meter Data Cloud Service business is expanding and in the LSE field, which saw an increase in orders received in the previous fiscal year, steady sales growth is expected. Overall, therefore, stable sales and profit, on a par with the previous fiscal year, are expected.

(Billions of yen)

		FY2019 results (A)	FY2020 H1 results	FY2020 H2 revised plan (Nov. 5, 2020)	FY2020 Full year revised plan (Nov. 5, 2020) (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*	

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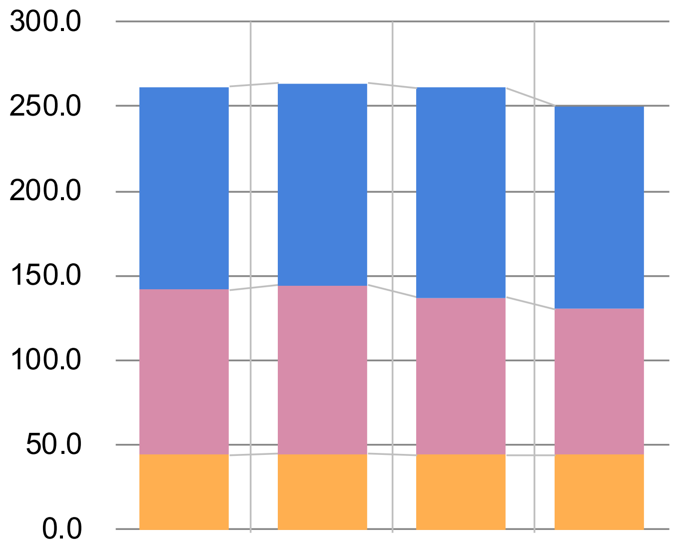
Reference: Sales by Segment and Segment Profit (Operating Income)

Sales by Segment

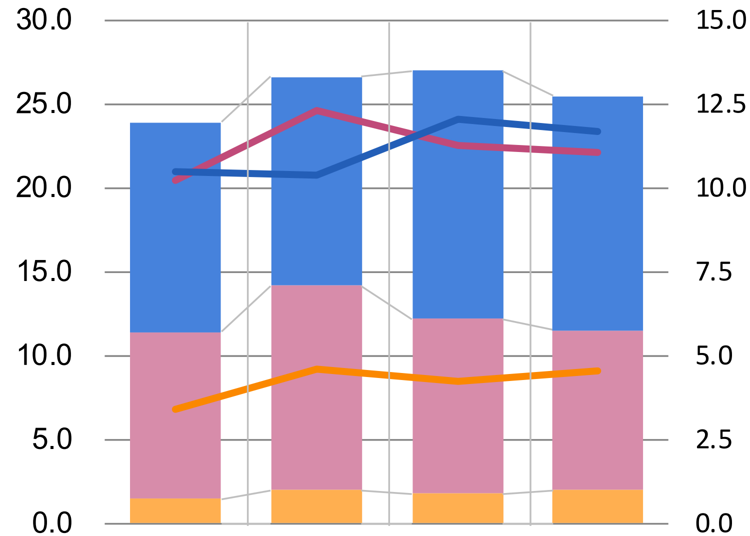
(Billions of yen)



	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

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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.

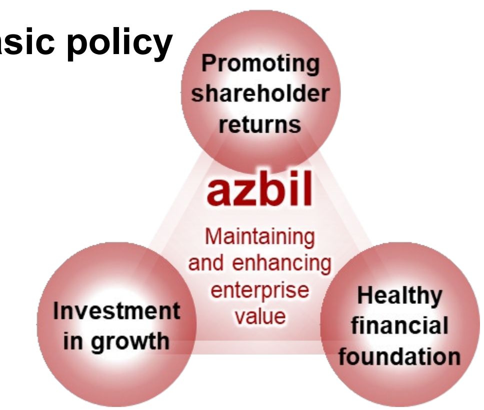
(Yen)

	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 *1 (DOE)	3.9%			3.7% *2		

*1 Dividend has been determined through comprehensive consideration of consolidated financial performance and other factors. Also, level of dividend on equity (DOE) has been taken into account with a view to maintaining stable dividend.

*2 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.

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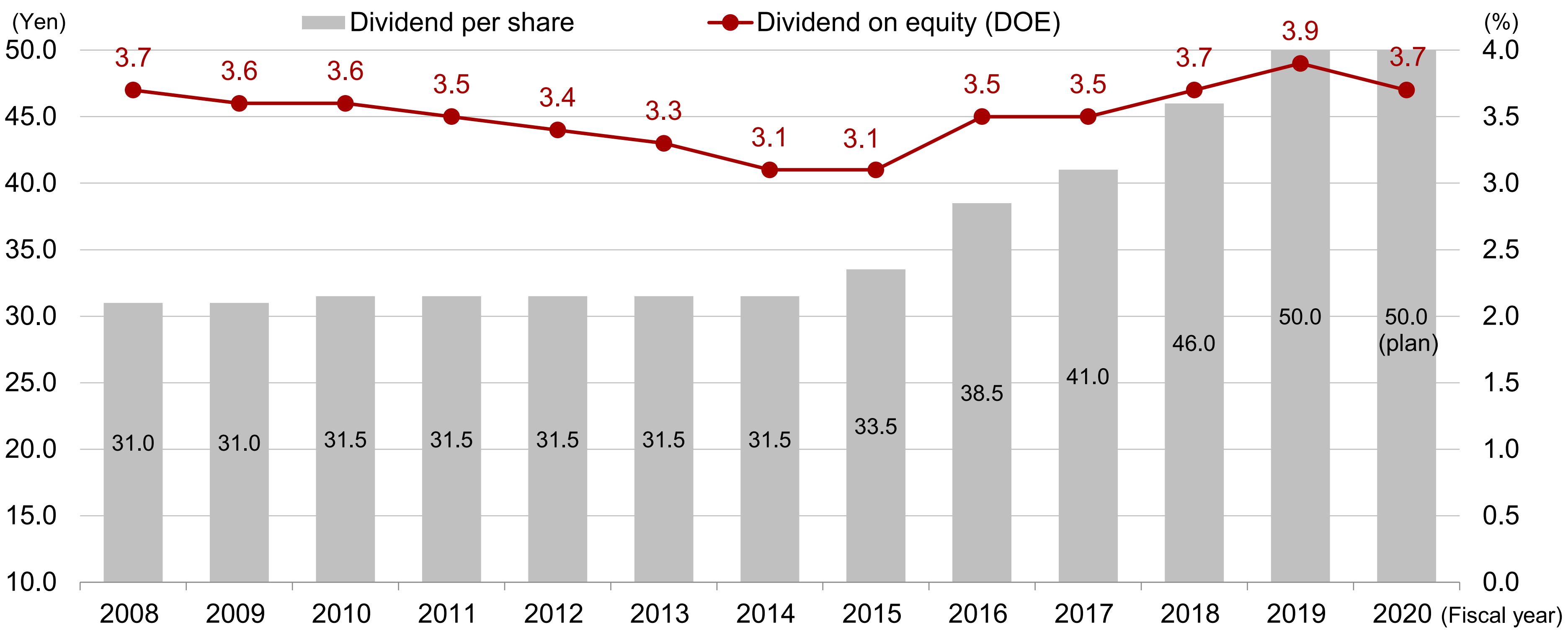
Trends of Shareholders' Returns: Maintaining Dividend Stability

- 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 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

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

E Environmental/ energy fields
Providing solutions to the long-term issues of reducing environmental impact, curbing energy demand, and integrate renewable energy

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

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.

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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 the azbil Group for SDGs

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

azbil

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Business Environment and Strategies (1)

BA

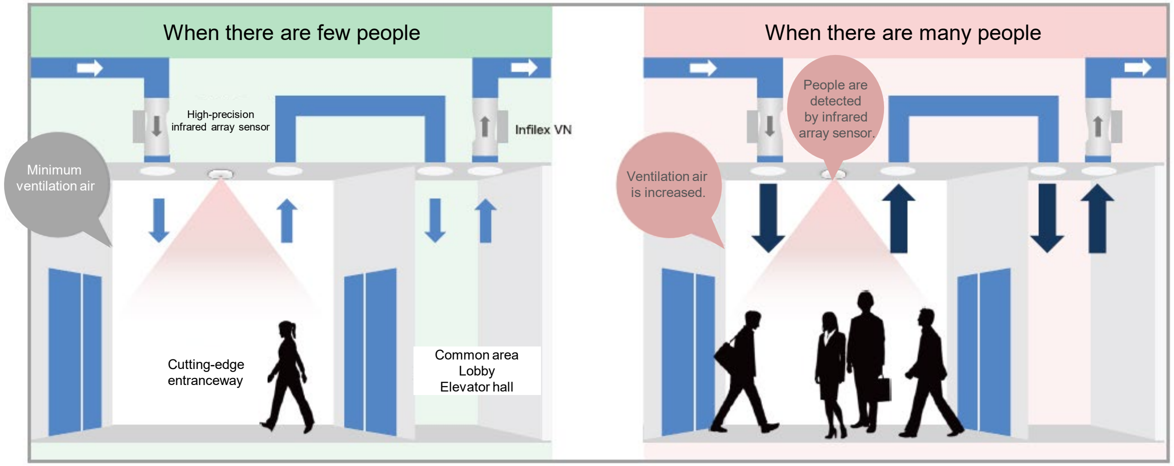
- **No changes are anticipated in continued investment in the large-scale redevelopment projects in the Tokyo metropolitan area from 2021, or in the robust demand forecast for numerous refurbishment projects for existing buildings. Moreover, from the perspective of safety and security, new demand is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

Ventilation solutions for safe and secure office spaces:

Advanced products and applications for reducing risk of airborne infection and providing safe environment



In response to the number of people detected within the defined area, our system controls supply/exhaust airflow rapidly and precisely. This application ensures appropriate and sufficient ventilation rate in response to sudden and unexpected congestion of people.
These sensing and airflow control technologies have garnered a high reputation overseas. We are participating in the Smart Urban Co-Innovation Lab (Singapore), initiated by CapitaLand, where we will install our pandemic-ready air control system that can easily convert an office meeting room into a temporary "pandemic-ready room."

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Business Environment and Strategies (2)

AA

- While there have been recent signs of improvement in some markets, the overall picture for capital investment in the manufacturing industry remains unclear.
  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.

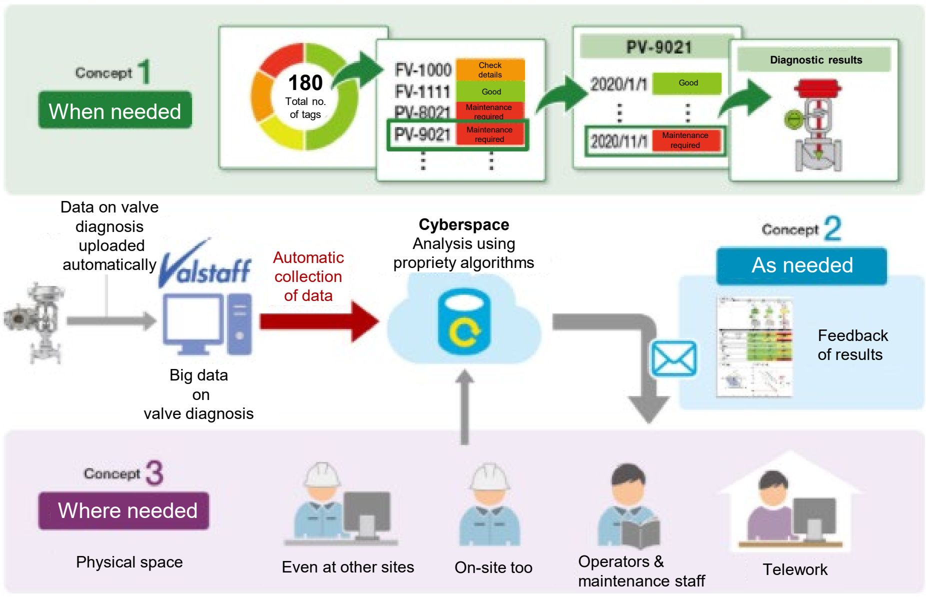
➢ Based on the three AA business sub-segments, we will expand business through the creation of new automation, implement growth strategies focused on developing the customer base in Japan and abroad, and build a high-profit structure by thoroughly implementing measures to enhance profitability that have proved successful in the past.

➢ Create business models with strengths that can compete globally, and implement them identically, both in Japan and overseas.

Solutions for realizing stable performance and strengthened security for production equipment:
Fusing cloud technologies and maintenance know-how

● Dx Valve Cloud Service*

Data on valve operation is automatically uploaded to the cloud for analysis. This then offers a means for the user to visualize the results of a valve's "physical checkup"—when needed, as needed, and where needed.
Without requiring the special technologies or know-how associated with such analysis and diagnosis, this system makes it easy to draft an optimal maintenance plan by applying the principles of condition-based maintenance. It thus realizes stable performance and strengthened maintenance for production equipment.



* This service is currently available only in Japan, and will be launched in other countries later.

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Business Environment and Strategies (3)

LA

- **The Lifeline field 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 LSE field, we anticipate growing demand related to vaccine production, etc.**

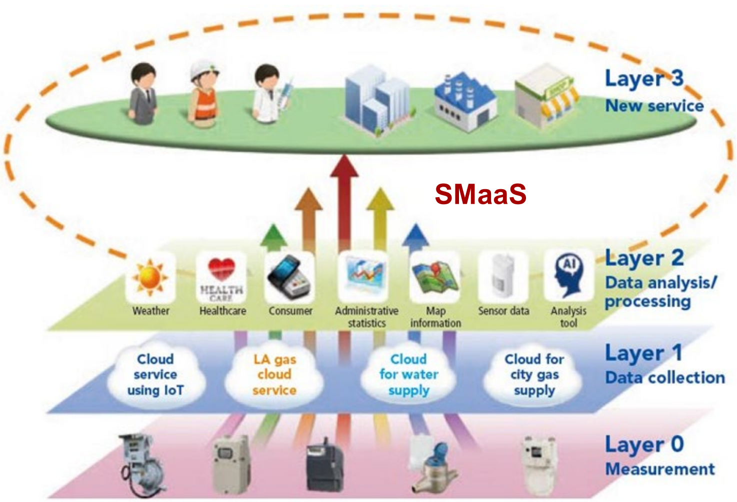
➢ **Make steady progress with processing replacement demand in the Lifeline field, while developing and expanding new business areas like “as a Service”.**

➢ **In addition to strengthening product capabilities, expand our service-related business and enhance the profitability of the LSE and Lifestyle-related fields.**

Smart Metering as a Service (SMaaS):

A new solution that utilizes AI and data acquired from smart meters

■ Promoting SMaaS by developing cloud, IoT and other technologies, and through collaboration with the Takaoka Toko Group



Solutions for producing vaccines and other pharmaceuticals:

Providing the technological capability to guarantee the safety of pharmaceuticals, and ensuring compliance with strict legal requirements

▲ Barrier systems

■ Azbil Telstar’s range of manufacturing equipment and machinery for the production & storage of vaccines and other pharmaceuticals

▲ Ultra-low temperature freezer

▲ Lyophilizer

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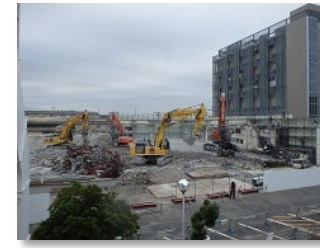
Progress with Upgrading and Strengthening the Business Foundation (1)

Building a global production and R&D network: Construction of a new building at Fujisawa Technology Center, upgrading facilities

As part of our efforts to build a global production and R&D network, in May 2019 we consolidated the Shonan and Isehara factories to create the new Shonan factory as our primary base in Japan. We are now in the process of organizing how it will function as the azbil Group's mother factory, strengthening the links between the new Shonan factory and the technological R&D functions of the Fujisawa Technology Center. As regards the latter facility, we are investing a little more than 7.0 billion yen to dismantle part of the Center and erect a new building (scheduled for completion in 2022).



▲Fujisawa Technology Center: construction work for the new building has started.

Challenge to next-generation production
azbil Group Mother Factory that will lead the Group's "4M Revolution"

(4M stands for "man, machine, material, and method.")

▲Fujisawa Technology Center

Create

The Group's unique and unrivalled production capabilities based on advanced package technologies

▲Shonan Factory

Verify

The Group's specialty of high value-added, customizable, high-mix low-volume production

Lead

Leading azbil Group production by improving manufacturing competitiveness in Japan and overseas

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

We opened the 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. The new center is positioned as the Group's largest control valve maintenance facility, capable of handling 10,000 units a year (including other makes of control valve). This will pave the way for future business expansion throughout Southeast Asia.

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

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Progress with Upgrading and Strengthening the Business Foundation (2)

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

- Established new targets (below) related to SDGs, including effective reduction of CO_2 at customer's sites
- Donated towards fighting the COVID-19 pandemic
- Strengthened corporate governance through promoting diversity among members of the Board of Directors and revising the criteria for independent directors
- Obtained the Japan Consumer Affairs Agency's Whistleblower Compliance Management System certification, and further promote Health and Well-being Management

Targets for FY2030

Environment and Energy

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

- 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

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% [*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 gauge employee's satisfaction every year.

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Appendix

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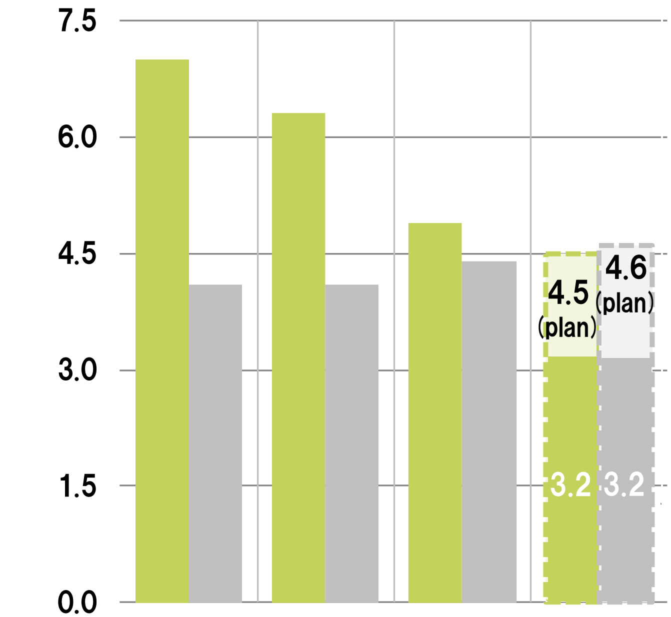
Capital Expenditure, Depreciation and R&D Expenses

Full-year results/Q1-3 results for FY2020
Full-year plan for FY2020

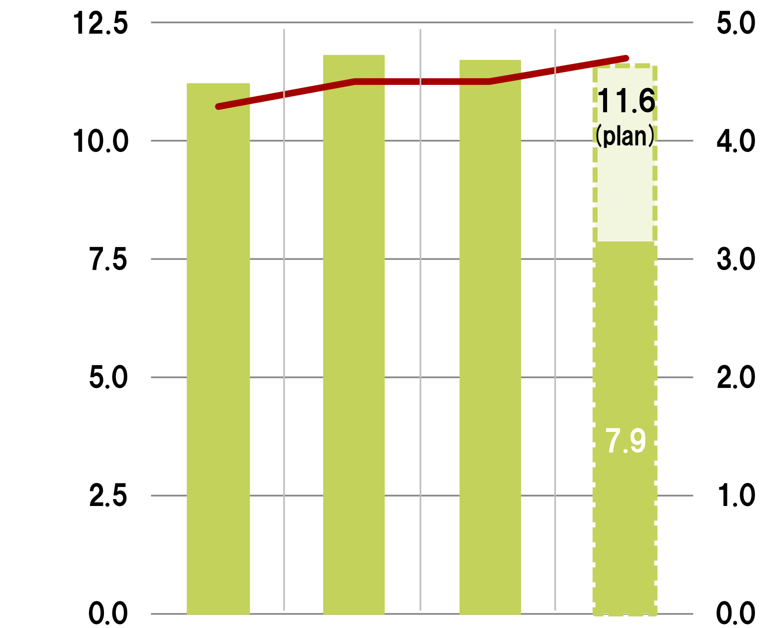
■ Capital expenditure, depreciation



	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.

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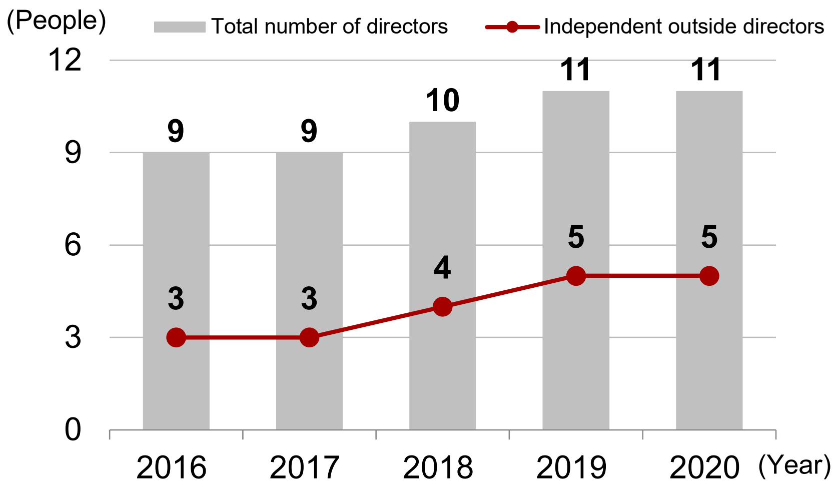
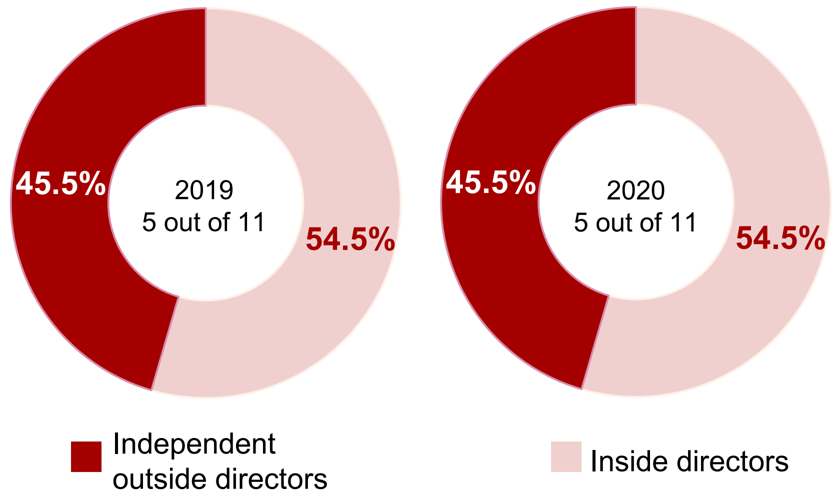
Progress of Corporate Governance Reforms

Number of directors



Composition of independent outside directors



Audit and supervisory board

- 3 independent outside members
- 2 inside members

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.

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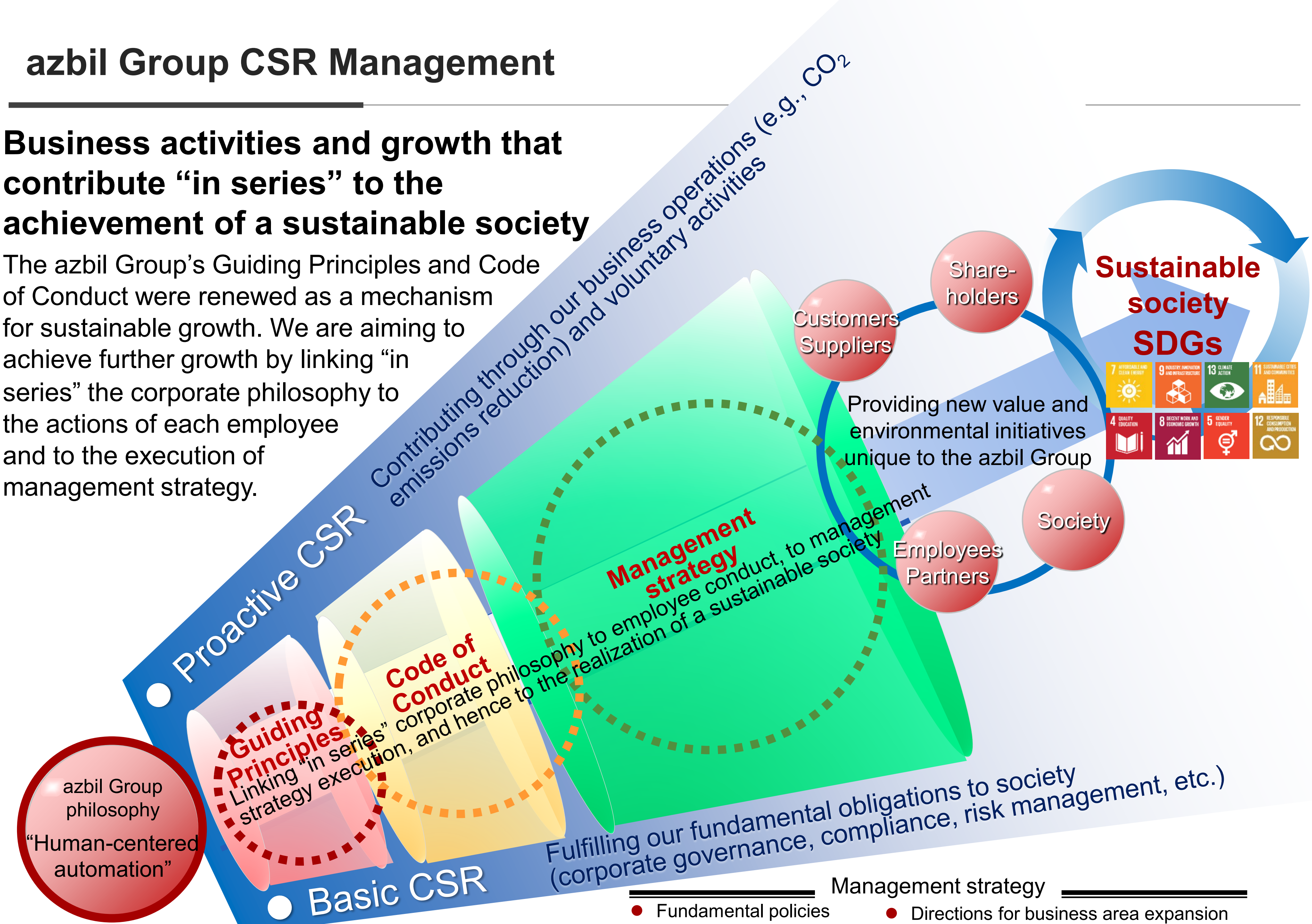
azbil Group CSR Management

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 expansion
  3. Learning organization
- Directions for business area expansion
  1. Life-cycle solutions
  2. New automation
  3. Environment, energy-saving

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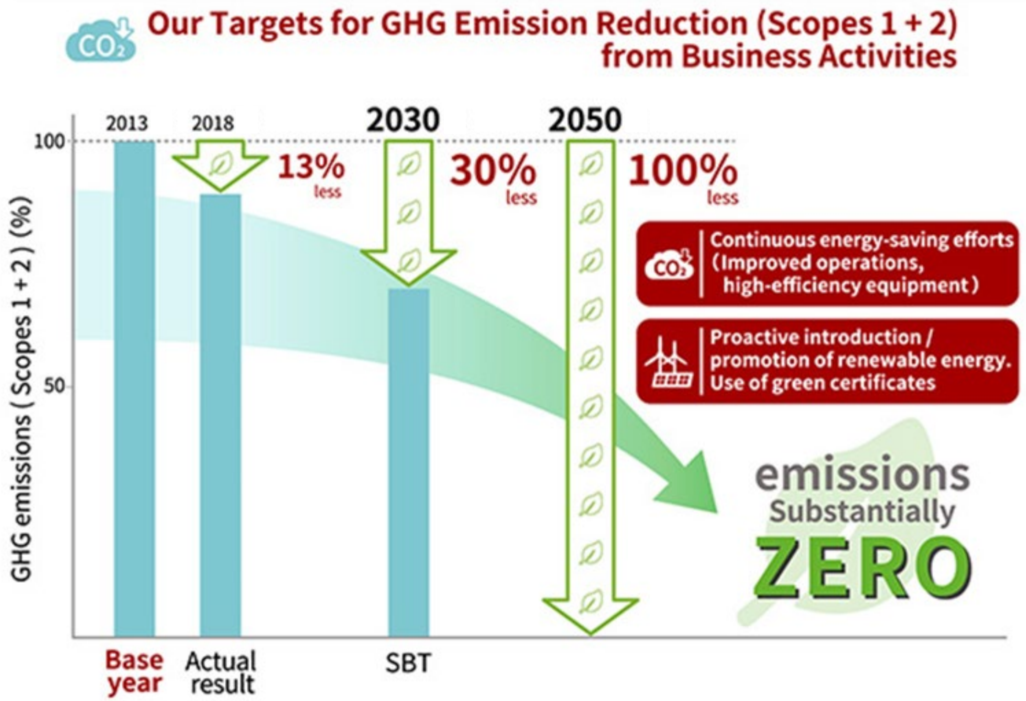
Contribution to the Environment

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 chain.

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 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

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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: 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.

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IR Inquiries and Disclaimer

Inquiries Regarding Investor Relations

Azbil Corporation
Investor Relations

Phone: +81-3-6810-1031
Email: azbil-ir@azbil.com

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.

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