azbil
Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials Summary

For the First Half Ended September 30, 2018 (Based on Japanese GAAP)

<Contents>

November 2, 2018

We would like to express our deep sympathy for all those who have suffered as a result of Typhoon Jebi (No.21) and the Hokkaido Eastern Iburi earthquake that took place in Japan this September. It is our earnest hope that the areas affected will recover as soon as possible.
Everyone in the azbil Group is committed to our continued efforts in support of the rapid restoration of our customers' buildings, factories and infrastructure. Also, to provide additional assistance, we are offering equipment-recovery and power-saving support services for buildings, and an energy-efficiency diagnostic service for factories.

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 Group’s segments (each identified by abbreviation) together with the various sub-segments and their principal business focus.

   B A： Building Automation
   A A： Advanced Automation
   - CP (Control Product) business: Supplying factory automation products such as controllers and sensors, etc.
   - IAP (Industrial Automation Product) business: Supplying process automation products such as differential pressure & pressure transmitters, and control valves, etc.
   - SS (Solution & Service) business: Offering control systems, engineering service, maintenance service, energy-saving solution service, etc.

   L A： Life Automation
   - Lifeline field: Provision of gas meters and water meters, safety equipment such as alarms and automatic shut-off valves, regulators and other products for industry.
   - Life Science Engineering (LSE) field: Provision of an integrated solution 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 concentrated in the second half of fiscal year, while fixed costs are generated constantly. This means that profits in the first half of fiscal year are typically lower than the second half.

4. The financial plan is based on management’s assumptions, intent and expectations in light of the information currently available to it, and therefore this plan is not a guarantee of future performance. Due to various factors, actual results may differ from those discussed in this material.

5. Revision in how orders received are calculated

   Previously, figures for orders received included the translation gains and losses associated with currency conversions for contracts denominated in foreign currencies incorporated within the order backlog at the beginning of the fiscal year. However, from the previous consolidated fiscal year these translation gains and losses are no longer included in orders received.
   With the expansion of the azbil Group’s overseas business, this revision has been made to provide investors with useful information for their investment judgement by reporting the Group's performance in line with our overseas business activities.

Consolidated Financial Results

- Orders received decreased owing mainly to the fact that there were large-scale projects in the same period last year.
- Compared with the same period last year, sales for the AA and LA businesses grew steadily, and overall net sales increased. These results fell just short of the plan.
- Operating income increased compared with the same period last year. While there was a drop in the BA business, the AA and LA businesses achieved significantly higher operating income thanks to increased sales and the effect of measures to improve profitability. Overall operating income thus very nearly achieved the plan.
- Compared with the same period last year, ordinary income increased as did net income attributable to owners of parent. This owed partly to the recording of foreign exchange gains. The plan was exceeded.

[Billions of yen]

	This period				Same period last year		
		Plan (5/11/2018)	Difference			Difference	
	(A)	(B)	(A) - (B)	% Change	(C)	(A) - (C)	% Change
Orders received *	145.0				149.4	(4.3)	(2.9)
(See: previous calculation method)	144.0				149.4	(5.4)	(3.6)
Net sales	119.7	121.0	(1.2)	(1.0)	117.8	1.8	1.6
Japan	96.0				96.7	(0.7)	(0.7)
Overseas	23.7				21.1	2.5	12.2
Gross profit	44.6				42.6	1.9	4.5
%	37.3				36.2	1.1P	
SG & A	36.4				34.9	1.5	4.3
Operating income (loss)	8.1	8.3	(0.1)	(1.6)	7.7	0.4	5.6
%	6.8	6.9	(0.0P)		6.6	0.3P	
Ordinary income (loss)	8.8	8.0	0.8	11.1	8.1	0.7	9.5
Income (loss) before income taxes	8.8				8.0	0.7	9.3
Net income (loss) attributable to owners of parent	5.8	5.0	0.8	16.7	5.3	0.5	9.6
%	4.9	4.1	0.7P		4.5	0.4P	

* From the previous fiscal year, orders received figures do not include translation gains and losses associated with currency conversions following order backlog reevaluation. For details, refer to page 2 of this material.

Consolidated Financial Plan

- Taking into account the financial results for the first half and the business outlook for the second half, net sales and operating income for the whole fiscal year are expected to be in line with the figures announced in May 2018.
- Figures for ordinary income and net income attributable to owners of parent have been revised upwards to reflect financial results for the first half.
- We will steadily continue to implement business measures and to invest for strengthening and upgrading the business foundation including technology development and production systems with the aim of achieving sustainable growth from FY2019 onwards.

[Billions of yen]

	Revised plan (A)	Initial plan (5/11/2018) (B)	Difference		Previous fiscal year (C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Net sales	267.0	267.0	-	-	260.3	6.6	*2.5*
Operating income	26.0	26.0	-	-	24.0	1.9	*8.2*
%	*9.7*	*9.7*	-		*9.2*	*0.5P*	
Ordinary income	26.5	25.5	1.0	*3.9*	24.3	2.1	*9.0*
Net income attributable to owners of parent	18.5	17.5	1.0	*5.7*	17.8*	0.6	*3.4*
%	*6.9*	*6.6*	*0.4P*		*6.9*	*0.1P*	

* The figures for FY2017 net income attributable to owners of parent include effect of a reduction in tax expenses following a reappraisal of the recoverability of a subsidiary's deferred tax assets (Azbil Kimmon's deferred tax assets increased by 1.2 billion yen).

Plan by Segment

- Regarding each segment, while there are changes in the business environment, we aim to achieve the initial plan (announced in May 2018) by steadily implementing appropriate measures.

[Billions of yen]

		FY2018 1st half (results)	FY2018 2nd half (plan)	FY2018 Full year (plan) (A)	Previous fiscal year (B)	Difference (A) - (B)	Difference % Change
B A	Sales	49.5	72.4	122.0	120.2	1.7	*1.5*
	Segment profit	1.1	11.8	13.0	12.5	0.4	*3.3*
	%	*2.4*	*16.3*	*10.7*	*10.5*	*0.2P*	
A A	Sales	47.7	52.2	100.0	97.2	2.7	*2.8*
	Segment profit	5.8	5.1	11.0	9.9	1.0	*10.8*
	%	*12.2*	*9.9*	*11.0*	*10.2*	*0.8P*	
L A	Sales	23.0	23.4	46.5	44.2	2.2	*5.2*
	Segment profit	1.1	0.8	2.0	1.5	0.4	*33.2*
	%	*5.0*	*3.6*	*4.3*	*3.4*	*0.9P*	
Consolidated	Net sales	119.7	147.2	267.0	260.3	6.6	*2.5*
	Operating income	8.1	17.8	26.0	24.0	1.9	*8.2*
	%	*6.8*	*12.1*	*9.7*	*9.2*	*0.5P*	

FY2018 Capital Policy

While striving to make further progress in promoting shareholder returns, we have implemented a stock split for the purpose of increasing share liquidity.

May 11, 2018: Dividends increase and repurchase of own shares announced

- **Dividends increase**

  Reflecting the business environment and the success of our business structure reforms as well as initiatives to strengthen the profit structure, continued profit growth is planned. Also, since sustainable growth is anticipated with the current medium-term plan, dividends increase is planned so as to further raise the dividend level.

  - Ordinary dividends raised by 10 yen per share (annual dividends: 92 yen)

    * Pre-split conversion

- **Repurchase of own shares**

  Along with improving capital efficiency, we are committed to further enhancing shareholder return and implementing flexible capital policies according to changes in the corporate environment in a manner that reflects our performance situation and outlook. With this in mind, we have implemented a repurchase of own shares (May 14 to June 19, 2018).

  - Total value of shares repurchased: 4,999 million yen
  - Total number of shares repurchased: 936,200 shares

    * The number of shares at time of repurchase (pre-split conversion)
    The number after the stock split is 1,872,400 shares

August 30, 2018: Stock split (2-for-1) announced

- **Stock split**

  By lowering the unit price of the company's shares, we are providing an environment that makes it easier for investors to purchase our shares, and also raising share liquidity. We have therefore implemented a 2-for-1 common stock split.
  Effective date: October 1, 2018

Dividends

FY2018 Dividends Plan (No change)*1

(November 2, 2018)

Interim dividends : 46 yen per share

Year-end dividends (planned) : 23 yen per share*1

(Conversion before the stock split 46 yen)

*1 The interim dividends per share are issued based on the number of shares held prior to the stock split, while the year-end dividends (planned) are issued based on the number of shares held after the stock split. If the stock split was not taken into account, the year-end dividends would be 46 yen (conversion before the stock split), and the annual dividends (ditto) including the interim dividends would be 92 yen. Therefore, this effectively represents no change to the dividend level in the initial plan announced on May 11, 2018.

	Dividends per share [Yen]			Payout ratio	Dividends on equity (DOE)
	Interim	Year-end	Annual		
Results for the previous fiscal year	41.0	41.0	82.0	33.3%	3.5%
Announcement on May 11, 2018 (Initial plan)	46.0	46.0	92.0	38.1%	3.7%
Announcement on November 2, 2018 →No revision from the recent announcement (August 30, 2018)	46.0	23.0	-	35.6%*2	3.7%*3
(Conversion before the stock split)	(46.0)	(46.0)	(92.0)		

*2 In the first quarter of the current consolidated accounting period, we have implemented the repurchase of own shares. We are taking into account the effect of this repurchase in deciding the payout ratio.

*3 The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2018: share repurchases already completed in the current fiscal year, completed FY2017 year-end dividend payment, FY2018 interim dividend and net income attributable to owners of parent in consolidated financial plan for FY2018.

azbil Group Philosophy

To realize safety, comfort, and fulfillment in people's lives and contribute to global environmental preservation through **"human-centered automation"**

Investor Relations,
Group Management Headquarters

Email: azbil-ir@azbil.com
URL: https://www.azbil.com/ir/