Human-centered Automation

Azbil Corporation RIC: 6845.T, Sedol: 6985543

Presentation Materials Summary

For the Third Quarter of the Fiscal Year Ending March 31, 2019
(Based on Japanese GAAP)

<Contents>

February 6, 2019

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 low in the first quarter 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.

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

<Compared to the same period last year>

- Orders received decreased owing mainly to the fact that there were large-scale projects in the same period last year.
- Sales for the AA business and the LA business grew steadily, and overall net sales increased.
- Operating income increased thanks to sales growth and to measures implemented to strengthen business profitability.
- With the increase in operating income, there were also increases in ordinary income and net income attributable to owners of parent.

[Billions of yen]

	This period (A)	Same period last year (B)	Difference (A) - (B)	Difference *% Change*
Orders received *	204.1	208.9	(4.7)	*(2.3)*
(See: previous calculation method)	203.6	209.9	(6.2)	*(3.0)*
Net sales	185.3	183.1	2.2	*1.2*
Japan	150.6	150.5	0.1	*0.1*
Overseas	34.6	32.5	2.0	*6.4*
Gross profit	70.8	67.2	3.5	*5.3*
%	*38.2*	*36.8*	*1.5P*	
SG & A	55.6	53.4	2.1	*4.0*
Operating income (loss)	15.2	13.8	1.4	*10.4*
%	*8.2*	*7.6*	*0.7P*	
Ordinary income (loss)	16.0	14.4	1.5	*10.8*
Income (loss) before income taxes	16.0	14.0	1.9	*13.8*
Net income (loss) attributable to owners of parent	11.2	9.4	1.8	*19.5*
%	*6.1*	*5.1*	*0.9P*	

* 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

- As regards the financial plan for the full FY2018, there are no changes to that published on November 2, 2018.
- We will engage in progressively implementing our business plan to achieve the full-year financial plan. At the same time, to realize sustained growth from FY2019 onwards, we will continue to make steady progress with various measures and investments aimed at strengthening and upgrading the business foundation including technology development and production systems, etc.

[Billions of yen]

	This year		Previous fiscal year	Difference	
	Q3 (Cumulative)	Full year plan (Nov. 2, 2018) (A)	(B)	(A) - (B)	*% Change*
Net sales	185.3	267.0	260.3	6.6	*2.5*
Operating income	15.2	26.0	24.0	1.9	*8.2*
%	*8.2*	*9.7*	*9.2*	*0.5P*	
Ordinary income	16.0	26.5	24.3	2.1	*9.0*
Net income attributable to owners of parent	11.2	18.5	17.8*	0.6	*3.4*
%	*6.1*	*6.9*	*6.9*	*0.1P*	

* The figures for the previous fiscal year 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

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- Regarding each segment, the plan published on November 2, 2018 remains unchanged.

[Billions of yen]

		This year		Previous fiscal year (B)	Difference	
		Q3 (Cumulative)	Full year plan (Nov. 2, 2018) (A)		(A) - (B)	*% Change*
B A	Sales	79.8	122.0	120.2	1.7	*1.5*
	Segment profit	4.9	13.0	12.5	0.4	*3.3*
	%	*6.1*	*10.7*	*10.5*	*0.2P*	
A A	Sales	73.0	100.0	97.2	2.7	*2.8*
	Segment profit	8.8	11.0	9.9	1.0	*10.8*
	%	*12.1*	*11.0*	*10.2*	*0.8P*	
L A	Sales	33.6	46.5	44.2	2.2	*5.2*
	Segment profit	1.4	2.0	1.5	0.4	*33.2*
	%	*4.4*	*4.3*	*3.4*	*0.9P*	
Consolidated	Net sales	185.3	267.0	260.3	6.6	*2.5*
	Operating income	15.2	26.0	24.0	1.9	*8.2*
	%	*8.2*	*9.7*	*9.2*	*0.5P*	

FY2018 Capital Policy

While striving to make further progress in promoting shareholder returns, we 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 sustained growth is anticipated with the 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 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 therefore implemented a 2-for-1 common stock split.
The date of stock split: October 1, 2018

Dividends

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FY2018 Dividends Plan (No change)*1

(published on November 2, 2018)

Interim dividends : 46 yen per share

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

(Pre-split conversion 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 were not taken into account, the year-end dividends would be 46 yen (pre-split conversion), 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	46.0	23.0	-	35.6% *2	3.7% *3
(Pre-split conversion)	(46.0)	(46.0)	(92.0)		

*2 In the first quarter of the current consolidated accounting period, we implemented the repurchase of own shares (see page 6). 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: the above-mentioned share repurchases already completed in FY2018, year-end dividends for FY2017, interim dividends for FY2018, 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"**

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