

**Azbil Corporation** RIC: 6845.T, Sedol: 6985543

## **Presentation Materials Summary**

For the Fiscal Year Ended March 31, 2019 (Japanese GAAP)

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May 10, 2019

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, sensors, etc.
    - IAP (Industrial Automation Product) business: Supplying process automation products such as differential pressure & pressure transmitters, 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. The financial plan is based on management's assumptions, intent and expectations in light of the information currently available to it, and therefore is not a guarantee of future performance. Due to various factors, actual results may differ from those discussed in this material.

# Consolidated Financial Results

Sales and profits were up for two consecutive accounting years. Thanks to the strengthening of profitability in each business, operating income was 26.6 billion yen – a new record – meaning that the goal for the final year of the medium-term plan (25 billion yen) was achieved one year early.

- BA business orders received rose significantly, reflecting the robust business environment. AA business and LA business orders received fell mainly because orders for large-scale projects had been recorded in the previous fiscal year, but also due to the impact of a downturn in some markets. Overall, however, orders received were at approximately the same level as the previous year.
- Compared with the previous fiscal year, sales for the AA and LA businesses grew, and overall net sales were also higher. The BA business was unable to achieve the plan, mainly due to the postponed recording of sales.
- Operating income increased significantly compared with the previous fiscal year, achieving the plan. Reflecting the success of measures taken to strengthen profitability, AA and LA business profits rose. The BA business, however, saw a drop in profits resulting from temporary expenses for provision; if these expenses are discounted, there was in fact a substantive improvement in business profitability. Ordinary income and net income attributable to owners of parent were also higher than the previous fiscal year, achieving the plan. ROE was 10.6%, thus topping the 10% mark, like last year when there was a temporary fall in tax expenses.

(Billions of yen)

	Current fiscal year				Previous fiscal year		
	(A)	Plan (11/2/2018) (B)	Difference		(C)	Difference	
			(A) - (B)	% Change		(A) - (C)	% Change
Orders received	264.2				266.2	(2.0)	(0.8)
Net sales	262.0	267.0	(4.9)	(1.9)	260.3	1.6	0.6
Japan	215.3				214.5	0.7	0.4
Overseas	46.7				45.7	0.9	2.0
Gross profit	102.3				97.4	4.8	5.0
%	39.1				37.4	1.6P	
SG&A	75.6				73.4	2.1	3.0
Operating income (loss)	26.6	26.0	0.6	2.7	24.0	2.6	11.1
%	10.2	9.7	0.4P		9.2	1.0P	
Ordinary income (loss)	27.6	26.5	1.1	4.4	24.3	3.3	13.8
Income (loss) before income taxes	26.4				24.1	2.2	9.3
Net income (loss) attributable to owners of parent	18.9	18.5	0.4	2.4	17.8	1.0	5.9
%	7.2	6.9	0.3P		6.9	0.4P	

# Consolidated Financial Plan

We will continue initiatives to strengthen profitability in each business. While conditions are deteriorating in certain markets, taking advantage of our wide-ranging business portfolio, we will continue to invest in strengthening the business foundation for sustained growth. Thus, we plan to achieve net sales and profits at the same level as FY2018.

- The downturn in markets related to makers of manufacturing equipment is expected to continue, but conditions in the building market continue to be robust and overall net sales are projected to be at the same level as the previous fiscal year.
- By making further progress with initiatives designed to strengthen profitability, we will ensure that operating income is at the same level as FY2018, exceeding the goal for the final year of the medium-term plan.
- In order to realize sustained growth from FY2019 onwards and achieve our long-term goals, we will accelerate business growth by continuing investments such as in development and production systems aimed at strengthening the business foundation.

(Billions of yen)

	FY2019 (Plan)			Previous fiscal year (B)	Difference	
	1st half	2nd half	(A)		(A) - (B)	% Change
Net sales	117.0	145.0	262.0	262.0	(0.0)	(0.0)
Operating income	7.7	18.8	26.5	26.6	(0.1)	(0.7)
%	6.6	13.0	10.1	10.2	(0.1P)	
Ordinary income	7.6	18.6	26.2	27.6	(1.4)	(5.3)
Net income attributable to owners of parent	4.9	13.6	18.5	18.9	(0.4)	(2.4)
%	4.2	9.4	7.1	7.2	(0.2P)	

# Plan by Segment

(Billions of yen)

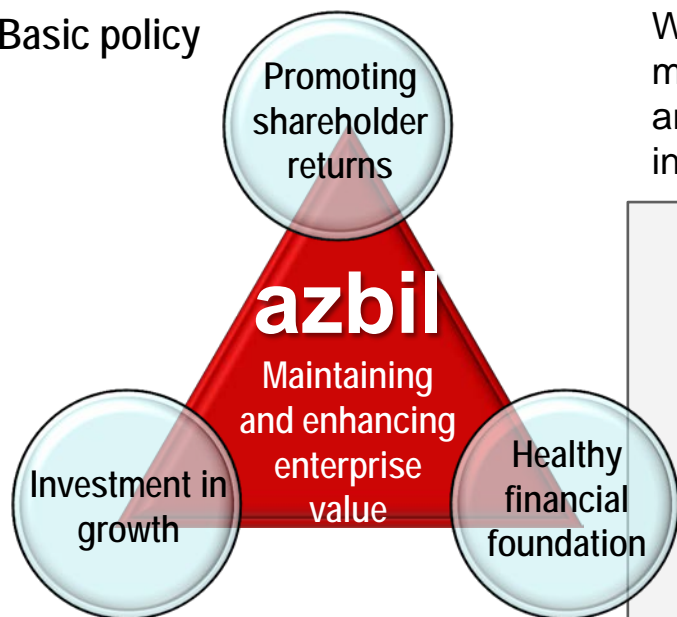
	FY2019 (Plan)			Previous fiscal year (B)	Difference	
	1st half	2nd half	(A)		(A) - (B)	% Change
<span style="color: blue;">■</span> B A Sales	51.0	74.0	125.0	119.5	5.4	4.6
Segment profit	2.1	11.6	13.7	12.4	1.2	10.3
%	4.1	15.7	11.0	10.4	0.6P	
<span style="color: #A52A2A;">■</span> A A Sales	44.0	50.0	94.0	99.3	(5.3)	(5.4)
Segment profit	4.4	6.2	10.6	12.2	(1.6)	(13.2)
%	10.0	12.4	11.3	12.3	(1.0P)	
<span style="color: orange;">■</span> L A Sales	23.0	22.0	45.0	44.8	0.1	0.4
Segment profit	1.2	1.0	2.2	2.0	0.1	6.7
%	5.2	4.5	4.9	4.6	0.3P	
Consolidated Net sales	117.0	145.0	262.0	262.0	(0.0)	(0.0)
Operating income	7.7	18.8	26.5	26.6	(0.1)	(0.7)
%	6.6	13.0	10.1	10.2	(0.1P)	

# 3. Returning Profits to Shareholders

Based on the basic policy, we will stabilize and improve the return to shareholders while making steady progress with investments to drive future growth and thus increase enterprise value.

- **FY2018** Dividends issued as announced  
Annual dividends of **46** yen per share  
(pre-split conversion 92 yen)  
\* A 2-for-1 common stock split was implemented on Oct. 1, 2018.
- **FY2019** Ordinary dividends increased by 4 yen  
Annual dividends of **50** yen per share  
(pre-split conversion 100 yen)  
Repurchase of own shares  
Up to **10 billion** yen  
or 3.8 million shares (max.)  
\* Cancellation of 3.3 million treasury shares as of March 31, 2019 is also planned.

## Basic policy



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

- To treat the return of profits to shareholders as a management priority.
- To return profits to shareholders mainly via dividends, but also to repurchase the company's own shares expeditiously.
- In deciding the level of such returns, to give consideration to consolidated financial results, levels of return on equity (ROE), dividends on equity (DOE), and retained earnings required for future business development and strengthening the corporate structure.
- To maintain a stable dividend level while at the same time striving to raise it.

# Dividends

FY2019 Dividends ~Ordinary dividend increase of 4 yen~

## Annual Dividends: 50 yen per share

- **FY2018 year-end dividends: 23 yen (as announced)**

Steady progress has been made with business measures, and since it was possible to achieve results in line with the full-year plan, a year-end dividends of 23 yen will be issued as previously announced.

- **FY2019 dividend plan: increase of 4 yen, making annual dividends of 50 yen**

Owing to the success of business structure reforms and measures to strengthen the profit structure, in FY2019 it is planned to achieve record-level profits, as in FY2018. Since steady progress is being made with business measures aimed at achieving our long-term goals (FY2021)<sup>\*1</sup>, in accordance with azbil's capital policies we are planning to increase the dividends to further enhance the return to our shareholders.

	FY2018			FY2019		
	Interim	Year-end (Plan)	Annual (Plan)	Interim (Plan)	Year-end (Plan)	Annual (Plan)
Dividends per share [ Yen ]	46.0 *2	23.0 *2	—	25.0	25.0	50.0
(Post-split Conversion)	(23.0)	(23.0)	(46.0)			
(Pre-split Conversion)	(46.0)	(46.0)	(92.0)	(50.0)	(50.0)	(100.0)
Payout ratio	34.8%			37.7% *3		
Dividends on equity (DOE)	3.7%			3.9% *4		

<sup>\*1</sup> Long-term goals (FY2021 financial results): sales of 300 billion yen, operating profit in excess of 30 billion yen, and ROE greater than 10%.

<sup>\*2</sup> 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.

<sup>\*3</sup> The effects of own share repurchases being completed in FY2019 are taken into account for a trial calculation of net income per share, and accordingly payout ratio for FY2019.

<sup>\*4</sup> The following factors have been taken into account for the trial calculation, which is based on shareholders' equity on March 31, 2019: own share repurchases being completed in FY2019, year-end dividends for FY2018, interim dividends for FY2019, and net income attributable to owners of parent in consolidated financial plan for FY2019.

## Cancellation of Treasury Shares & Repurchase of Own Shares

Along with cancellation of treasury shares held on March 31, 2019, in order to improve capital efficiency and to further enhance shareholder return:

**10 billion yen of the Company's own shares  
will be repurchased.**

Taking into consideration the current status and future outlook for our business and financial results, and while ensuring a disciplined capital policy, we aim to further improve capital efficiency. In order to make possible further enhancement to shareholder return and the pursuit of a flexible capital policy that can accommodate changes in the business environment, we are cancelling treasury shares and repurchasing own shares.

#### ■ Cancellation of treasury shares

- |   |  |
|---|--|
| ● Type of share to be cancelled:                        | Common shares of the Company   |
| ● Number of shares to be cancelled:                     | 3,300,000 shares   |
|   | <ul style="list-style-type: none"> <li>• 2.2% of the total number of common shares issued before the cancellation</li> <li>• Company's treasury shares as of March 31, 2019: 3,303,558 shares *</li> </ul> |
| ● Total number of issued shares after the cancellation: | 145,200,884 shares   |
| ● Scheduled cancellation date:                          | May 31, 2019   |

#### ■ Repurchase of own shares

- |   |   |
|---|---|
| ● Type of share to be repurchased:          | Common shares of the Company                    |
| ● Total number of shares to be repurchased: | Up to 3,800,000 shares                          |
| ● Total amount of repurchase:               | Up to 10 billion yen                            |
| ● Period of repurchase:                     | From May 13, 2019 to October 31, 2019           |
| ● Method of repurchase:                     | Market transactions on the Tokyo Stock Exchange |

\* The above number of treasury shares, 3,303,558 shares, does not include shares owned by a trust account for Trust for Employee Stock Ownership Plan (J-ESOP), which owned 1,988,258 shares as of March 31, 2019.



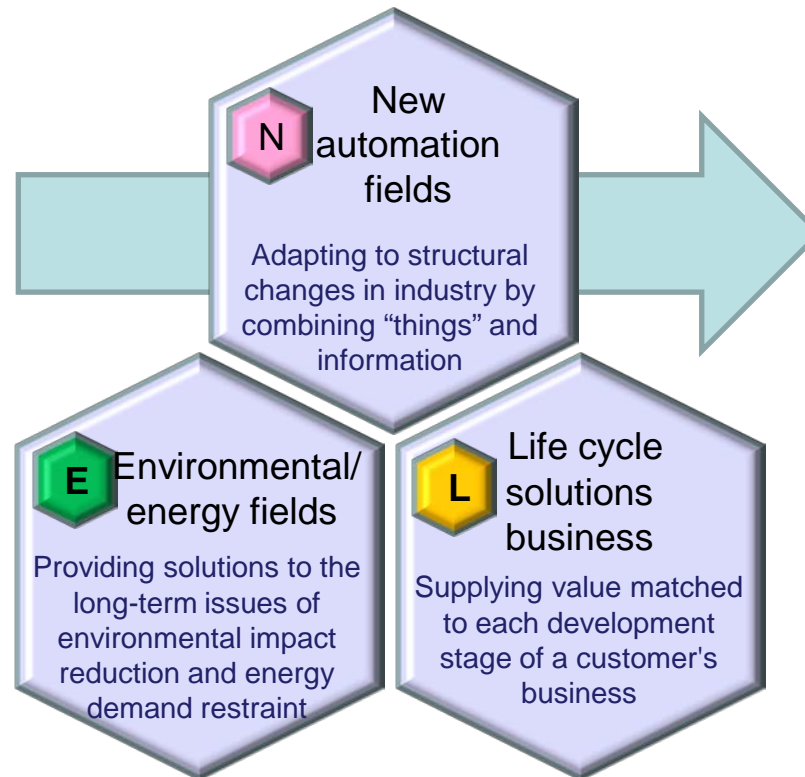
## 4. Final Year of the Medium-term Plan (FY2017-FY2019)

### Policies & Goals of the Medium-term Plan (FY2017-FY2019)

- By implementing business strategies based on the three fundamental policies as well as measures to strengthen profitability, we achieved an operating income of 26.6 billion yen and an ROE of 10.6% in FY2018. These figures exceed the performance goals originally set for the final year of the medium-term plan (published in May 2017).
- We will aim to achieve further growth through continued investment in strengthening the business foundation (developing products and services, reinforcing the production system, etc.), steadily developing and implementing measures for each business segment to achieve our long-term goals.

Details of the current medium-term plan as originally published in May 2017

Expanding the 3 business fields to expedite sustained growth



#### Performance targets

● Medium-term plan (FY2017–FY2019)

**FY2019 (final fiscal year)**

**Operating income:** 25.0 billion yen  
**Net sales:** 270.0 billion yen  
**ROE:** 9% or more

● Long-term goals

**FY2021**  
**Operating income:** 30.0 billion yen or more  
**Net sales:** about 300.0 billion yen  
**ROE:** 10% or more

The current medium-term plan (FY2017-FY2019) has been drawn up to promote corporate operations based on the philosophy of "human-centered automation," and as a second step toward achieving our long-term goals (FY2021).

#### 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

#### Previous medium-term plan (FY2013-FY2016)

- Results of business structure reforms, infrastructure improvement, and growth area development

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# 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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