

Presentation Materials Summary 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

This is a brief summary and is provided to disclose information to investors and our shareholders in a timely and appropriate manner. We plan to announce the complete version on November 10, 2020.

The logo for Azbil Corporation, featuring the word "azbil" in a bold, lowercase, italicized sans-serif font. The letters are dark red.

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Consolidated Financial Results

- Orders received decreased for the Advanced Automation (AA) business due to sluggish market conditions caused by the novel coronavirus disease (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 plan.
- Operating income decreased compared with the same period last year due to lower revenue, although measures to control expenses and strengthen business profitability have proved successful. 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. Thanks to achieving the plan for sales and the success of measures to control expenses, operating income, ordinary income, and net income attributable to owners of parent all exceeded the plan.

	FY2019 H1 (A)	FY2020 H1 (B)	Difference		(Billions of yen)		
			(B) - (A)	% Change	Plan (Aug. 6, 2020) (C)	Difference (B) - (C)	% 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	

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 reduction in expenses. Also we will promote the development of products and services, and develop new business opportunities for three business fields.

	FY2019 (results) (A)	FY2020 (revised plan)			Difference		(Billions of yen)		
		H1 (results)	H2 (plan)	Full year (B)	(B) - (A)	% Change	Initial plan (Aug. 6, 2020) (C)	(B) - (C)	% 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
<i>Margin</i>	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
<i>Margin</i>	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 has 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 its new Meter Data Cloud Service business, and robust sales are forecasted in the Life Science Engineering (LSE: pharmaceutical/laboratory fields) 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)			Difference		Initial plan (Aug. 6, 2020) (C)	Difference	
		H1 (results)	H2 (plan)	Full year (B)	(B) - (A)	% Change		(B) - (C)	% Change
B A 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	-	
A A 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	
L A 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	

FY2020 Shareholders' Returns

FY2020 dividend plan (No change from the initial plan as announced on May 20, 2020)

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

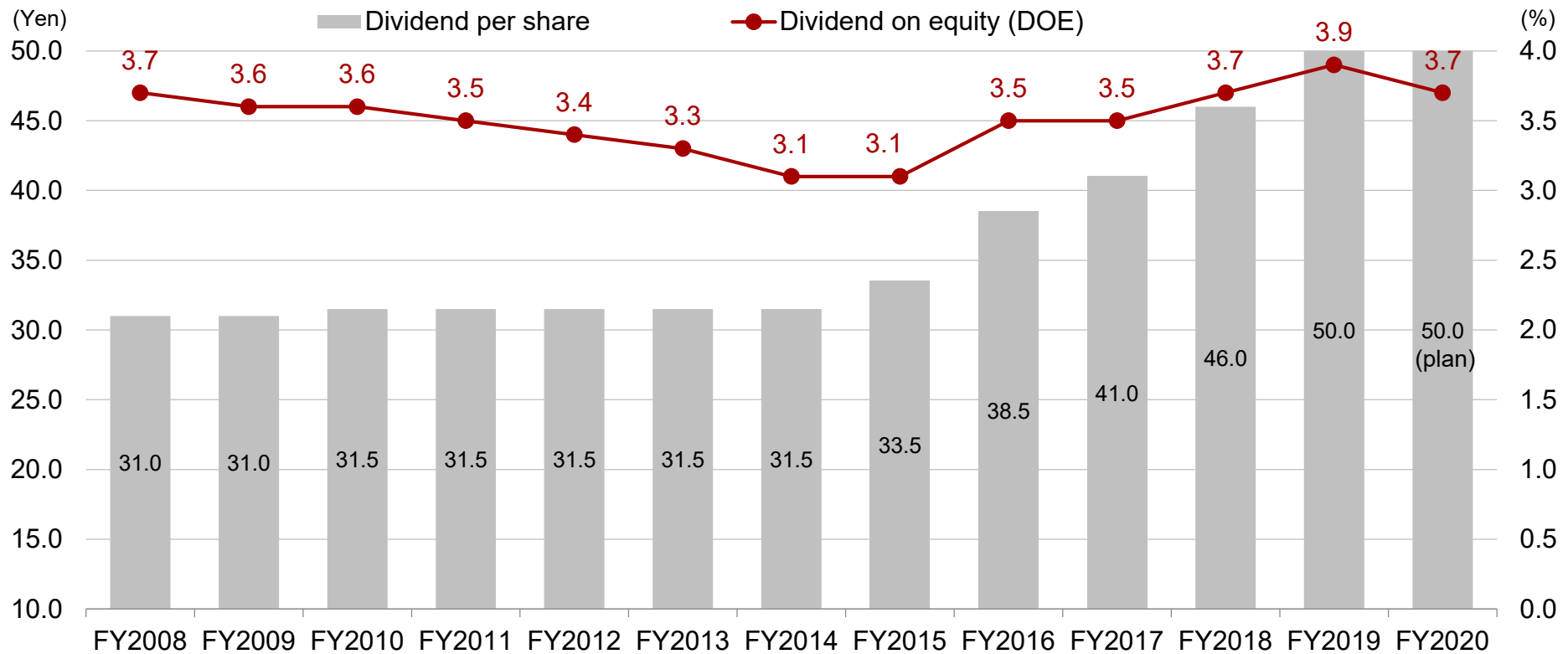


We continue to develop well-disciplined capital policies and aim to maintain/enhance the azbil Group's enterprise value while carefully balancing three key elements: promoting shareholder returns, investing in growth, and maintaining a healthy financial foundation.

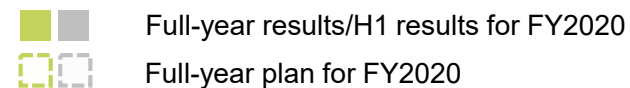
Trends of Shareholders' Returns: Maintaining Dividend Stability

- In accordance with our basic policy, we have continued to maintain a stable dividend level while at the same time striving to raise it.

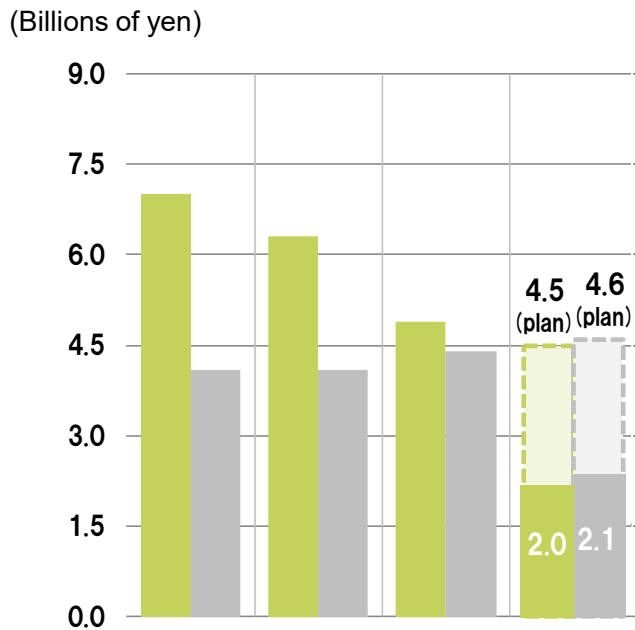
The dividend per share has been retroactively revised, taking into account the effects of a 2-for-1 common stock split.



Capital Expenditure, Depreciation and R&D Expenses



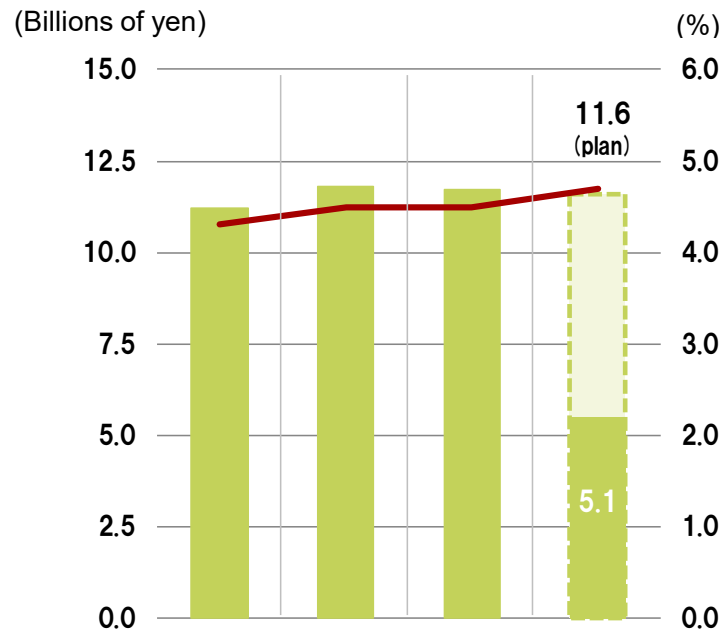
■ Capital expenditure, depreciation



	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.

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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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.