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On **February 5, 2020**, Azbil Corporation announced earnings results for Q3 FY03/20.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Sales	54,799	117,890	183,103	260,384	54,803	119,754	185,359	262,054	54,358	118,652	183,048	69.9%	262,000
YoY	-2.4%	0.2%	2.3%	2.2%	0.0%	1.6%	1.2%	0.6%	-0.8%	-0.9%	-1.2%		0.0%
Gross profit	19,067	42,688	67,298	97,480	20,013	44,629	70,873	102,338	20,324	45,572	71,885		
YoY	5.3%	7.4%	7.6%	6.5%	5.0%	4.5%	5.3%	5.0%	1.6%	2.1%	1.4%		
GPM	34.8%	36.2%	36.8%	37.4%	36.5%	37.3%	38.2%	39.1%	37.4%	38.4%	39.3%		
SG&A expenses	17,334	34,952	53,472	73,454	18,236	36,463	55,613	75,648	18,031	36,709	56,229		
YoY	0.0%	0.4%	1.6%	3.0%	5.2%	4.3%	4.0%	3.0%	-1.1%	0.7%	1.1%		
SG&A ratio	31.6%	29.6%	29.2%	28.2%	33.3%	30.4%	30.0%	28.9%	33.2%	30.9%	30.7%		
Operating profit	1,732	7,735	13,825	24,026	1,777	8,166	15,260	26,690	2,292	8,862	15,656	58.0%	27,000
YoY	124.4%	57.0%	39.5%	19.3%	2.6%	5.6%	10.4%	11.1%	29.0%	8.5%	2.6%		1.2%
OPM	3.2%	6.6%	7.6%	9.2%	3.2%	6.8%	8.2%	10.2%	4.2%	7.5%	8.6%		10.3%
Recurring profit	2,002	8,115	14,465	24,316	2,415	8,889	16,023	27,664	2,434	9,007	16,114	59.7%	27,000
YoY	1064.0%	92.8%	36.7%	18.8%	20.6%	9.5%	10.8%	13.8%	0.8%	1.3%	0.6%		-2.4%
RPM	3.7%	6.9%	7.9%	9.3%	4.4%	7.4%	8.6%	10.6%	4.5%	7.6%	8.8%		10.3%
Net income	1,189	5,320	9,413	17,890	1,525	5,833	11,249	18,951	1,470	5,946	11,021	58.0%	19,000
YoY	-	129.5%	41.2%	36.0%	28.3%	9.6%	19.5%	5.9%	-3.6%	1.9%	-2.0%		0.3%
Net margin	2.2%	4.5%	5.1%	6.9%	2.8%	4.9%	6.1%	7.2%	2.7%	5.0%	6.0%		7.3%

Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Sales	54,799	63,091	65,213	77,281	54,803	64,951	65,605	76,695	54,358	64,294	64,396	69.9%	262,000
YoY	-2.4%	2.6%	6.3%	1.9%	0.0%	2.9%	0.6%	-0.8%	-0.8%	-1.0%	-1.8%		0.0%
Gross profit	19,067	23,621	24,610	30,182	20,013	24,616	26,244	31,465	20,324	25,248	26,313		
YoY	5.3%	9.2%	7.9%	4.2%	5.0%	4.2%	6.6%	4.3%	1.6%	2.6%	0.3%		
GPM	34.8%	37.4%	37.7%	39.1%	36.5%	37.9%	40.0%	41.0%	37.4%	39.3%	40.9%		
SG&A expenses	17,334	17,618	18,520	19,982	18,236	18,227	19,150	20,035	18,031	18,678	19,520		
YoY	0.0%	0.8%	4.0%	6.7%	5.2%	3.5%	3.4%	0.3%	-1.1%	2.5%	1.9%		
SG&A ratio	31.6%	27.9%	28.4%	25.9%	33.3%	28.1%	29.2%	26.1%	33.2%	29.1%	30.3%		
Operating profit	1,732	6,003	6,090	10,201	1,777	6,389	7,094	11,430	2,292	6,570	6,794		
YoY	124.4%	44.4%	22.2%	-0.3%	2.6%	6.4%	16.5%	12.0%	29.0%	2.8%	-4.2%		
OPM	3.2%	9.5%	9.3%	13.2%	3.2%	9.8%	10.8%	14.9%	4.2%	10.2%	10.6%		
Recurring profit	2,002	6,113	6,350	9,851	2,415	6,474	7,134	11,641	2,434	6,573	7,107		
YoY	1064.0%	51.4%	-0.4%	-0.4%	20.6%	5.9%	12.3%	18.2%	0.8%	1.5%	-0.4%		
RPM	3.7%	9.7%	9.7%	12.7%	4.4%	10.0%	10.9%	15.2%	4.5%	10.2%	11.0%		
Net income	1,189	4,131	4,093	8,477	1,525	4,308	5,416	7,702	1,470	4,476	5,075		
YoY	-	73.4%	-5.8%	30.7%	28.3%	4.3%	32.3%	-9.1%	-3.6%	3.9%	-6.3%		
Net margin	2.2%	6.5%	6.3%	11.0%	2.8%	6.6%	8.3%	10.0%	2.7%	7.0%	7.9%		

By segment Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Sales	54,799	63,091	65,213	77,281	54,803	64,951	65,605	76,695	54,358	64,294	64,396	69.9%	262,000
YoY	-2.4%	2.6%	6.3%	1.9%	0.0%	2.9%	0.6%	-0.8%	-0.8%	-1.0%	-1.8%		0.0%
Building Automation	23,374	27,520	30,840	38,499	21,828	27,703	30,292	39,677	22,451	29,662	31,882	67.2%	125,000
YoY	-0.1%	5.6%	5.4%	2.1%	-6.6%	0.7%	-1.8%	3.1%	2.9%	7.1%	5.2%		4.6%
Advanced Automation	21,504	24,715	23,998	27,014	22,381	25,401	25,282	26,325	21,933	22,930	22,967	72.2%	94,000
YoY	-5.1%	5.7%	6.7%	0.3%	4.1%	2.8%	5.4%	-2.6%	-2.0%	-9.7%	-9.2%		-5.4%
Life Automation	10,190	11,226	10,640	12,152	10,844	12,232	10,546	11,218	10,257	12,065	9,976	71.8%	45,000
YoY	-1.3%	-8.8%	7.0%	5.3%	6.4%	9.0%	-0.9%	-7.7%	-5.4%	-1.4%	-5.4%		0.4%
Operating profit	1,732	6,003	6,090	10,201	1,777	6,389	7,094	11,430	2,292	6,570	6,794	58.0%	27,000
YoY	124.4%	44.4%	22.2%	-0.3%	2.6%	6.4%	16.5%	12.0%	29.0%	2.8%	-4.2%		1.2%
OPM	3.2%	9.5%	9.3%	13.2%	3.2%	9.8%	10.8%	14.9%	4.2%	10.2%	10.6%		10.3%
Building Automation	-161	2,468	3,691	6,585	-920	2,116	3,706	7,519	-262	3,253	4,055	48.9%	14,400
YoY	-	24.5%	20.0%	-2.6%	-	-14.3%	0.4%	14.2%	-	53.7%	9.4%		15.9%
OPM	-0.7%	9.0%	12.0%	17.1%	-4.2%	7.6%	12.2%	19.0%	-1.2%	11.0%	12.7%		11.5%
Advanced Automation	1,734	2,787	2,325	3,085	2,290	3,525	3,057	3,339	2,317	2,586	2,516	70.0%	10,600
YoY	71.3%	75.9%	24.7%	12.4%	32.1%	26.5%	31.5%	8.2%	1.2%	-26.6%	-17.7%		-13.2%
OPM	8.1%	11.3%	9.7%	11.4%	10.2%	13.9%	12.1%	12.7%	10.6%	11.3%	11.0%		11.3%
Life Automation	144	744	81	532	403	757	329	571	231	729	228	59.4%	2,000
YoY	166.7%	25.5%	42.1%	-25.7%	179.9%	1.7%	306.2%	7.3%	-42.7%	-3.7%	-30.7%		-2.9%
OPM	1.4%	6.6%	0.8%	4.4%	3.7%	6.2%	3.1%	5.1%	2.3%	6.0%	2.3%		4.4%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Orders Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Orders	83,560	65,866	59,480	57,356	80,265	64,818	59,061	60,108	81,447	63,664	55,767
YoY	-	-	-	-	-3.9%	-1.6%	-0.7%	4.8%	1.5%	-1.8%	-5.6%
Building Automation	44,738	28,559	24,659	19,855	45,044	30,183	25,810	22,729	47,588	28,924	22,020
YoY	-	-	-	-	0.7%	5.7%	4.7%	14.5%	5.6%	-4.2%	-14.7%
Advanced Automation	26,568	25,665	24,594	24,910	24,900	25,422	24,472	23,537	22,586	22,490	24,670
YoY	-	-	-	-	-6.3%	-0.9%	-0.5%	-5.5%	-9.3%	-11.5%	0.8%
Life Automation	12,576	11,983	10,543	12,911	10,647	9,550	9,261	14,409	11,599	12,634	9,500
YoY	-	-	-	-	-15.3%	-20.3%	-12.2%	11.6%	8.9%	32.3%	2.6%

Sales by overseas area Quarterly (JPYbn)	FY03/18				FY03/19				FY03/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Overseas	10.2	10.9	11.4	13.2	10.6	13.1	10.9	12.1	10.2	10.4	10.8
YoY	2.0%	-2.7%	14.0%	9.1%	3.9%	20.2%	-4.4%	-8.3%	-3.8%	-20.6%	-0.9%
Asia	4.5	4.8	5.1	5.6	4.3	5.6	4.9	5.6	4.2	4.4	4.5
YoY	9.8%	-4.0%	8.5%	-0.9%	-4.4%	16.7%	-3.9%	-0.6%	-2.3%	-21.4%	-8.2%
China	2.0	2.1	2.4	2.9	2.1	3.1	2.1	2.5	2.7	2.0	2.5
YoY	0.0%	-12.5%	20.0%	31.8%	5.0%	47.6%	-12.5%	-14.0%	28.6%	-35.5%	19.0%
North America	1.0	1.2	0.9	1.1	1.1	1.7	1.4	1.2	0.8	0.8	0.9
YoY	0.0%	33.3%	-10.0%	1.7%	10.0%	41.7%	55.6%	8.8%	-27.3%	-52.9%	-35.7%
Europe	1.8	2.1	2.3	2.9	2.3	2.0	2.0	2.2	1.8	2.5	2.1
YoY	-14.3%	0.0%	27.8%	19.3%	27.8%	-4.8%	-13.0%	-23.4%	-21.7%	25.0%	5.0%
Other	0.6	0.9	0.7	0.9	0.6	0.7	0.5	0.8	0.5	0.8	0.6
YoY	0.0%	12.5%	40.0%	-10.7%	0.0%	-22.2%	-28.6%	-8.1%	-16.7%	14.3%	20.0%

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods.

Quarterly results trends: Sales tend to be on the low side in Q1, rise over the course of the year, and be at their highest level in Q4. However, fixed expenses are incurred at a fairly constant rate, which means earnings tend to be low in Q1 relative to other quarters.

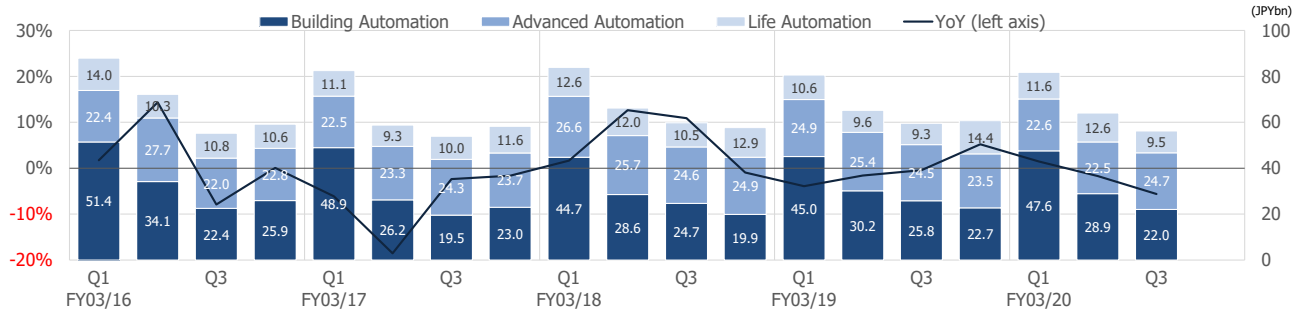
Q3 FY03/20 results (out February 5, 2020)

Results summary

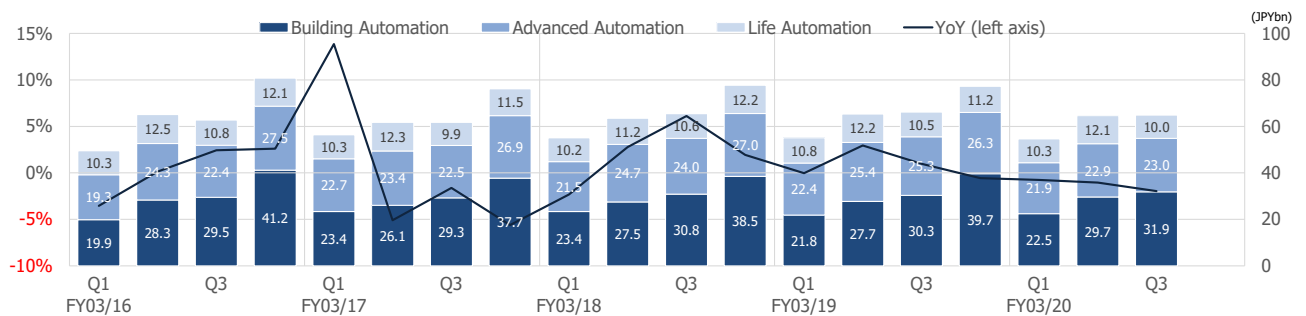
- ▷ For the nine-month period through Q3 FY03/20, the company reported sales of JPY183.0bn (-1.2% YoY), an operating profit of JPY15.7bn (-2.6% YoY), and net income of JPY11.0bn (-2.0% YoY). The order total of JPY200.9bn was down 1.6% YoY. The decline in overall sales reflects a combination of higher sales at the Building Automation segment, which made steady progress working off its large order book, and lower sales at the Advanced Automation segment, which struggled to make headway amid weak market conditions. Still, the company managed to deliver higher earnings at the operating profit level with the help of profitability improvement measures, and made no changes to its full-year forecast as results for the first nine months of FY03/20 left it with 69.9% of its full-year target for sales (versus 70.7% at this time last year), 58.0% of its full-year target for operating profit (versus 57.2%), and 58.0% of its full-year target for net income (versus 59.4%).
- ▷ The Building Automation segment reported orders of JPY98.5bn (-2.5% YoY), sales of JPY84.0bn (+5.2% YoY), and an operating profit of JPY7.0bn (+43.7% YoY). The overall order environment remained favorable thanks to the ongoing urban redevelopment projects in the Tokyo area and accompanying demand for the company's solution packages for reducing energy and operating costs. Although orders declined YoY at the segment due to the dropout of several large service orders received during the same nine-month period in FY03/19, the substantial order backlog particularly for large new building projects resulted in higher YoY sales. Operating profit saw a sharp increase thanks to higher sales and productivity improvement measures as well as the absence of a one-off expense incurred during Q3 FY03/19. Compared with the company's target for full-year segment sales of JP125.0bn and operating profit of JPY14.4bn, results for the first nine months of FY03/20 left the segment with 67.2% of its full-year target for sales (versus 66.8% at this time last year) and 48.9% of its full-year target for operating profit (versus 39.5%).
- ▷ The Advanced Automation segment reported orders of JPY69.7bn (-6.7% YoY), sales of JPY67.8bn (-7.2% YoY), and an operating profit of JPY7.4bn (-16.4% YoY). While the company continued to see strong demand for automated systems from companies looking to increase productivity or cope with labor shortages or environmental issues, weakness in the semiconductor manufacturing equipment and machine tool markets left overall orders at the segment down versus the same nine-month period the previous year. In Q3 alone, however, the segment saw a turnaround in demand from the semiconductor manufacturing equipment market and managed to finish the quarter with an order total of JPY24.7bn, a 0.8% increase over the same quarter in FY03/19, up from the preceding Q2 order total of JPY22.5bn, and also ahead of Q3 segment sales of JPY23.0bn. The cyclical slump in sales during the first nine months of FY03/20 notwithstanding, we note that the company still managed to keep the segment operating profit margin above 10%. Compared with the company's target for full-year segment sales of JP94.0bn and operating profit of JPY10.6bn, results for the first nine months of FY03/20 left the segment with 72.2% of its full-year target for sales (versus 73.5% at this time last year) and 70.0% of its full-year target for operating profit (versus 72.7%).
- ▷ The Life Automation segment reported orders of JPY33.7bn (+14.5% YoY), sales of JPY32.3bn (-3.9% YoY), and an operating profit of JPY1.2bn (-20.2% YoY). On the order front, we find a steady stream of new orders from gas and water utilities, and a growing order stream from the life science engineering (LSE) market. The decline in segment sales and operating profit is attributable in large to the drop in orders from the LSE market in FY03/19. The company continued working to restructure operations and pushed ahead with other initiatives aimed at stabilizing the earnings streams from its lifestyle-related businesses including life science engineering and residential central air-conditioning systems. Compared with the company's target for full-year segment sales of JP45.0bn and operating profit of JPY2.0bn, results for the first nine months of FY03/20 left the segment with 71.8% of its full-year target for sales (versus 75.0% at this time last year) and 59.4% of its full-year target for operating profit (versus 72.3%).

Business names: Building Automation (BA), Advanced Automation (AA), and Life Automation (LA)

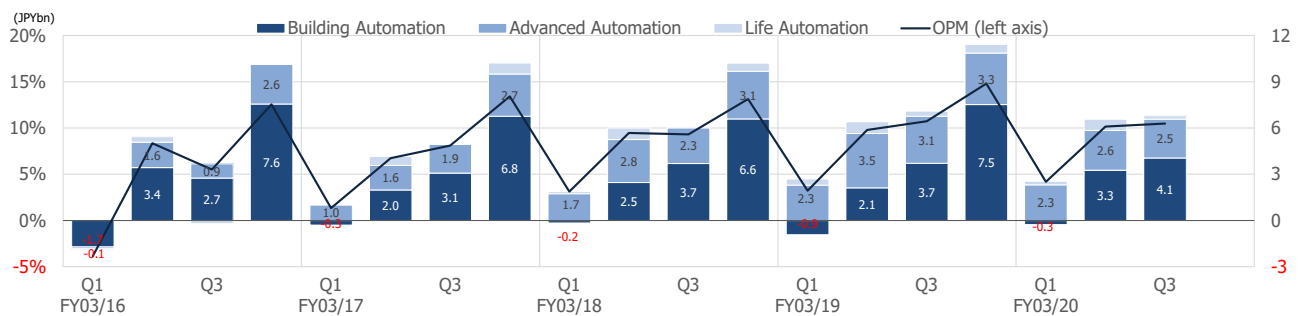
Breakdown of orders by segment (under old standards)



Breakdown of sales by segment



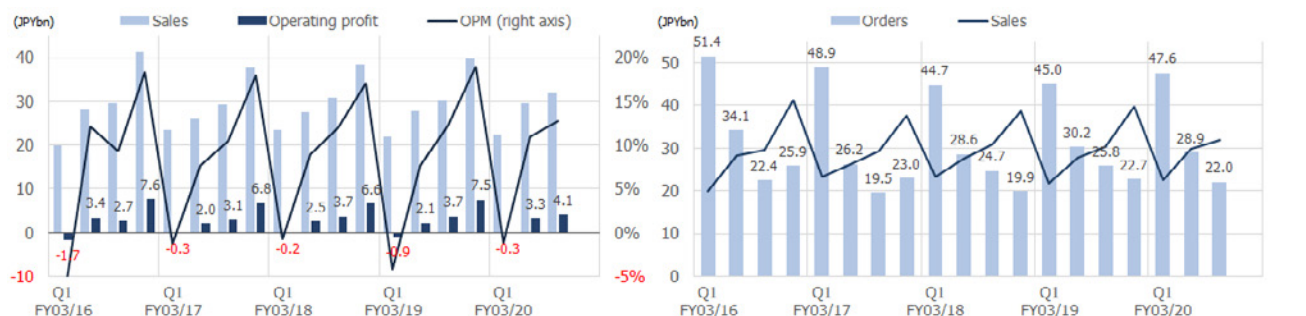
Breakdown of operating profit by segment



Source: Shared Research based on company data

Building Automation (BA)

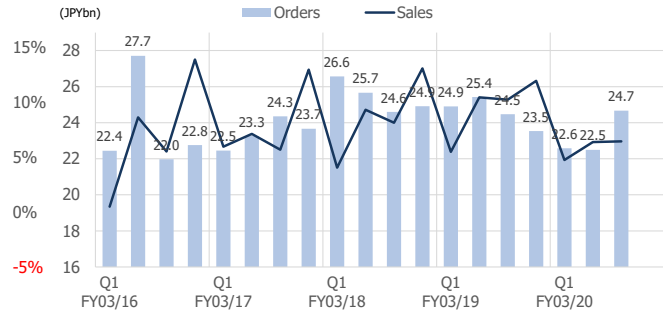
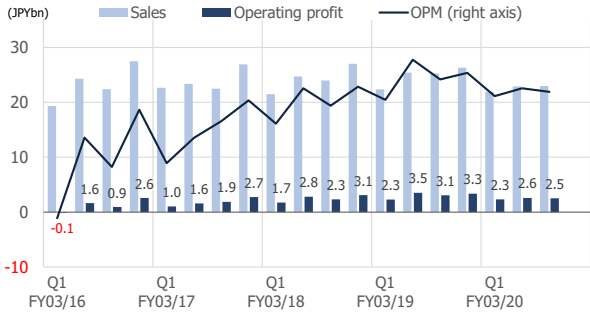
Building Automation Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Orders	44,738	28,559	24,659	19,855	45,044	30,183	25,810	22,729	47,588	28,924	22,020		
YoY	-	-	-	-	0.7%	5.7%	4.7%	14.5%	5.6%	-4.2%	-14.7%		
Sales	23,374	27,520	30,840	38,499	21,828	27,703	30,292	39,677	22,451	29,662	31,882	67.2%	125,000
YoY	-0.1%	5.6%	5.4%	2.1%	-6.6%	0.7%	-1.8%	3.1%	2.9%	7.1%	5.2%		4.6%
Operating profit	-161	2,468	3,691	6,585	-920	2,116	3,706	7,519	-262	3,253	4,055	48.9%	14,400
YoY	-	24.5%	20.0%	-2.6%	-	-14.3%	0.4%	14.2%	-	53.7%	9.4%		15.9%
OPM	-0.7%	9.0%	12.0%	17.1%	-4.2%	7.6%	12.2%	19.0%	-1.2%	11.0%	12.7%		11.5%



Source: Shared Research based on company data

Advanced Automation (AA)

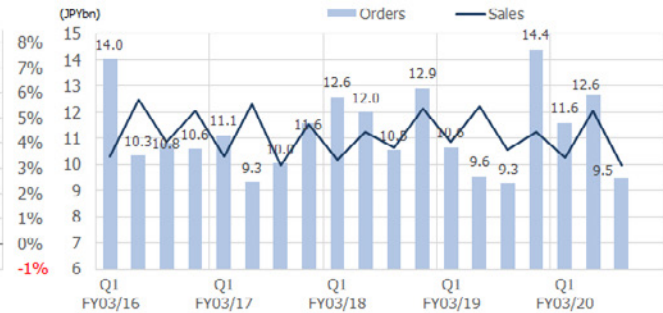
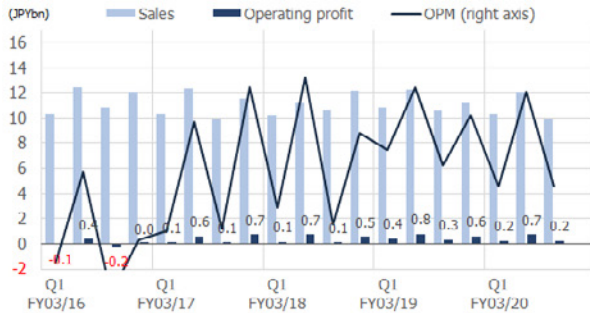
Advance Automation Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Orders	26,568	25,665	24,594	24,910	24,900	25,422	24,472	23,537	22,586	22,490	24,670		
YoY	-	-	-	-	-6.3%	-0.9%	-0.5%	-5.5%	-9.3%	-11.5%	0.8%		
Sales	21,504	24,715	23,998	27,014	22,381	25,401	25,282	26,325	21,933	22,930	22,967	72.2%	94,000
YoY	-5.1%	5.7%	6.7%	0.3%	4.1%	2.8%	5.4%	-2.6%	-2.0%	-9.7%	-9.2%		-5.4%
Operating profit	1,734	2,787	2,325	3,085	2,290	3,525	3,057	3,339	2,317	2,586	2,516	70.0%	10,600
YoY	71.3%	75.9%	24.7%	12.4%	32.1%	26.5%	31.5%	8.2%	1.2%	-26.6%	-17.7%		-13.2%
OPM	8.1%	11.3%	9.7%	11.4%	10.2%	13.9%	12.1%	12.7%	10.6%	11.3%	11.0%		11.3%



Source: Shared Research based on company data

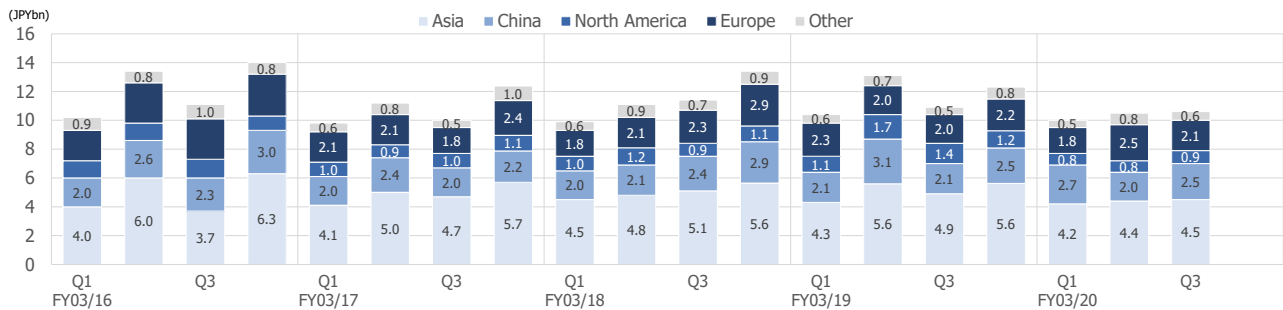
Life Automation (LA)

Life Automation Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Orders	12,576	11,983	10,543	12,911	10,647	9,550	9,261	14,409	11,599	12,634	9,500		
YoY	-	-	-	-	-15.3%	-20.3%	-12.2%	11.6%	8.9%	32.3%	2.6%		
Sales	10,190	11,226	10,640	12,152	10,844	12,232	10,546	11,218	10,257	12,065	9,976	71.8%	45,000
YoY	-1.3%	-8.8%	7.0%	5.3%	6.4%	9.0%	-0.9%	-7.7%	-5.4%	-1.4%	-5.4%		0.4%
Operating profit	144	744	81	532	403	757	329	571	231	729	228	59.4%	2,000
YoY	166.7%	25.5%	42.1%	-25.7%	179.9%	1.7%	306.2%	7.3%	-42.7%	-3.7%	-30.7%		-2.9%
OPM	1.4%	6.6%	0.8%	4.4%	3.7%	6.2%	3.1%	5.1%	2.3%	6.0%	2.3%		4.4%



Source: Shared Research based on company data

Overseas sales by region



Source: Shared Research based on company data

This note is the most recent addition to the [full report](#).

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