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Notice Regarding Recording of Extraordinary Losses, Capital Increase and Capital Reduction, and Revision of Forecast of Consolidated Financial Results

Azbil Corporation announces that extraordinary losses will be recorded in fiscal year 2015 (April 1, 2015 to March 31, 2016), and the forecast of consolidated financial results for the fiscal year ending March 31, 2016, previously announced on October 30, 2015, has been revised as follows.

1. Recording of Extraordinary Losses and the Details

(1) Impairment loss (consolidated)

Since the second half of fiscal year 2014, Azbil Corporation has restructured the business of Azbil Telstar, S.L.U. (referred to hereinafter as "Azbil Telstar"), a consolidated subsidiary, and its group companies. As a result, the performance of the business corporation in Spain has been improved to some degree, but the business performance of the group companies in Netherlands and Brazil declined, and the earnings forecast of the Azbil Telstar group has been accordingly revised. Azbil Corporation will record an impairment loss on goodwill of 3,012 million yen for Azbil Telstar.

For the recovery of Azbil Telstar's business performance, radical measures will be implemented, including the following two items:

1. Significant reform of the Clean Room Business and Equipment Business in Netherlands
2. Significant reform of the Clean Room Business in Brazil

(2) Loss on valuation related to investments in capital of subsidiaries and associates (non-consolidated)

For the same reason as above, Azbil Corporation recognized an impairment loss on investments in capital of Azbil Telstar due to the significant decline in its valuation, and is expected to record a loss on valuation related to investments in capital of subsidiaries and associates of 8,206 million yen. The loss on valuation will be offset in the consolidation process and will have no impact on consolidated financial results.

2. Capital Increase and Capital Reduction of the Consolidated Subsidiary

(1) Purpose of capital increase and capital reduction

In Azbil Corporation's board of directors meeting held on March 30, 2016, the directors approved underwriting of the capital increase and implementation of the capital reduction of Azbil Telstar, in order to achieve recovery of its performance by improving its financial situation and complying with local capital requirements. Its capital increase is expected to be approximately 15,000 thousand euros in total, including transfer of the loan by Azbil Corporation into equity. The detailed contents of the capital increase and reduction are expected to be determined after the approval at the general meeting of shareholders of Azbil Telstar, based on the completion of the financial closing procedures of Azbil Telstar and the approval by the board of directors of Azbil Corporation.

(2) Overview of the subsidiary for which capital will be increased

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|----------------------------|--|
| 1. Company name: | Azbil Telstar, S.L.U. |
| 2. Location: | Catalonian, Spain |
| 3. Name of representative: | Antoni Capella Gali |
| 4. Capital: | 13,063 thousand euros |
| 5. Business activities | Development, manufacture, and sales of freeze drying systems, sterilization systems, pharmaceutical water treatment and purification systems, steam generators, etc.; and consulting, engineering, and services related to clean rooms |

(3) Effects of capital increase and reduction on consolidated performance

It will have no impact on financial results for the fiscal year ending March 31, 2016. There will be no impact on consolidated performance even in the fiscal year ending March 2017, in which capital increase and reduction are scheduled.

3. Revision of Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2016
(from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
Previous Forecast (A) (Announced on October 30, 2015)	256,000	17,000	16,600	9,500	129.69 yen
Revised Forecast (B)	256,000	17,000	16,600	6,700	91.47 yen
Change (B-A)	0	0	0	(2,800)	—
Change (%)	0.0	0.0	0.0	(29.5)	—
(Reference) Results of the Fiscal Year Ended March 31, 2015	254,469	15,337	17,141	7,168	97.07 yen

Note: There is no revision of net sales, operating income and ordinary income in the forecast of consolidated financial results.

Reason for the Revision

As explained in “1. Recording of Extraordinary Losses and the Details,” the forecast of consolidated financial results for the fiscal year ending March 31, 2016, previously announced on October 30, 2015, has been revised. This is mainly due to the decline of the financial results of Azbil Telstar and the impairment loss of goodwill.

There is no revision in the forecast of dividend accompanying this revision of the forecast of consolidated financial results.

Note: The above forecast is based on information available as of the announcement date of this document. Actual results may differ from forecast figures due to various subsequent events.