

May 12, 2017

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Notice of Disposal of Treasury Shares through Third Party Allocation

Azbil Corporation (“the Company”) announces that it has resolved, at the Board of Directors meeting held on May 12, 2017, to dispose of treasury shares through allocation to a third party (hereinafter referred to as “the disposal of treasury shares”), as described below.

1. Outline of the disposal

(1)	Date of disposal	May 29, 2017 (Monday)
(2)	Number of shares disposed of	1,000,000 common stock
(3)	Disposal price	3,970 yen per share
(4)	Amount of fund procurement	3,970,000,000 yen
(5)	Disposal method	Allocation to a third party
(6)	Disposal to	Trust & Custody Services Bank, Ltd. (Trust E)
(7)	Other	The disposal of treasury shares becomes valid when a notification is filed pursuant to the Financial Instruments and Exchange Act of Japan.

2. Purpose of and reason for the disposal

On March 30, 2017, the Company announced the introduction of employee stock ownership plan (hereinafter referred to as “the system”; the J-ESOP trust for this system is hereinafter referred to as “the trust”). (For the outline of the system, see “Notice of Introduction of Employee Stock Ownership Plan (J-ESOP)” dated March 30, 2017. For details of the trust, see “Notice of Establishment of Trust for Employee Stock Ownership Plan (J-ESOP) (determination of its details)” dated today).

This disposal is intended to dispose of treasury shares of the Company through the allocation to Trust & Custody Services Bank, Ltd. (Trust E) (a re-trustee entrusted by Mizuho Trust & Banking Co., Ltd., which is the trustee of this trust), which will hold and dispose of the shares of the Company for the operation of this system.

3. Amount of fund procurement, purposes of use, and scheduled timing of use

(1) Amount for procurement fund (estimated net proceed)

Total disposal amount	Estimated fees for issuance	Estimated gain
3,970,000,000 yen	—	3,970,000,000 yen

(2) Specific purpose of the use of the procured funds

The funds procured through the disposal of treasury shares will be fully allocated to operating funds including payment of expenses after the payment date. Until the expenditure, funds will be held at the savings account of the Company.

4. The Company's view about the rationality of the purpose of the use of the funds

The Company believes that the funds procured through the disposal of treasury shares will contribute to the business operation of the Company and therefore the purpose is rational.

5. Rationality of disposal conditions, etc.

(1) Basis of the calculation of the disposal price, and details thereof

The disposal price has been set at 3,970 yen, which is the closing price of the common stock of the Company at the Tokyo Stock Exchange on the business day before the date of the Board of Directors' resolution to dispose of treasury shares (May 11, 2017). The reason why the closing price on the business day before the date of the Board of Directors' resolution was used is that the Company considered that it is rational to use this price because it represents the appropriate value of the Company in the stock market.

The disposal price of 3,970 yen was equivalent to 105.92% of the average of the closing prices in the latest one month up to the business day before the date of the Board of Directors' resolution: 3,748 yen (rounded down to the whole number), 106.95% of the average of closing prices in the latest three months up to the business day before the date of the Board of Directors' resolution: 3,712 yen (rounded down to the whole number), or 113.75% of the average of closing prices in the latest six months up to the business day before the date of the Board of Directors' resolution: 3,490 yen (rounded down to the whole number). Considering the above, it was concluded that the disposal price for the treasury shares cannot be said to be advantageous, and thus it is rational.

The five auditors (including three outside auditors) who attended the Board of Directors meeting expressed their opinions that the above disposal price is not advantageous.

(2) Reason why it was determined that the number of shares disposed of and the degree of stock dilution are rational

The number of shares disposed of corresponds to the number of shares to be offered to the employees of the Company during the ten accounting years from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2027 in the trust period in accordance with the stock granting regulations, and it is 1.33% of the total number of outstanding shares as of March 31, 2017

(rounded off to two decimal places; 1.37% of the total number of voting rights as of March 31, 2017: 731,413). The treasury shares disposed of are to be offered to employees when they retire, and so it is unlikely that these shares will be sold in the stock market at once.

In addition, the Company considers that the disposal of treasury shares will motivate employees to improve the medium and long term business performance and share price, which will lead to an increase in the corporate value.

Therefore, the Company concluded that the degree of stock dilution is rational and the influence on the stock market is minor.

6. Reason for the selection of to whom the disposal of stock is assigned, etc.

(1) Outline of the assignee

a) Name: Trust & Custody Services Bank, Ltd. (Trust E)

b) Details of the trust contract (trust contract for providing shares)

Trust type:	Trust of money other than money in trust (third party trust)
Purpose of the trust:	To offer trust assets, stock of the Company to beneficiaries in accordance with the stock granting regulations
Trustor:	The Company
Trustee:	Mizuho Trust & Banking Co., Ltd. (re-trustee: Trust & Custody Services Bank, Ltd.) Mizuho Trust & Banking Co., Ltd. concludes a comprehensive trust contract with Trust & Custody Services Bank, Ltd., which becomes a re-trustee.
Beneficiary:	A person who is entitled to receive trust assets in accordance with the stock granting regulations
Trust administrator:	Selected from the employees of the Company
Date of conclusion of the trust contract:	May 29, 2017 (tentative)
Date of trust establishment:	May 29, 2017 (tentative)
Trust period:	From May 29, 2017 (tentative) to June 30, 2027(tentative)

c) Relation between the listed company and the trustee, etc.

There are no capital relations, personal ties, or transactions between the Company and the trustee. In addition, the trustee is not a party concerned of the Company.

(1)	Name	Trust & Custody Services Bank, Ltd.
(2)	Location	Tower Z, Harumi Triton Square, 1-8-12 , Chuo-ku, Tokyo
(3)	Name and title of the representative	Akira Moriwaki, President & CEO
(4)	Business activities	Master trust, management of funds for securities and defined contribution pensions

(5)	Capital	50,000 million yen		
(6)	Date of establishment	Jan. 22, 2001		
(7)	Number of outstanding shares	1,000,000 shares		
(8)	Date of account settlement	March 31		
(9)	Number of employees	653 employees (as of Sep. 30, 2016)		
(10)	Major business partners	Business and financial corporations		
(11)	Major financing banks	—		
(12)	Major shareholders and their shareholding ratios	Mizuho Financial Group, Inc.: 54% The Dai-ichi Life Insurance Co., Ltd.: 16% Asahi Mutual Life Insurance Company: 10%		
(13)	Relations among companies concerned			
	Capital relation	None		
	Personal relationship	None		
	Transactions	None		
	Situation of parties concerned	None		
(14)	Business performance and financial standing in the past 3 years	(unit: million yen, excluding those with notes)		
	Accounting period	Term ended March 2014	Term ended March 2015	Term ended March 2016
	Net assets	58,535	59,419	60,385
	Total assets	735,648	1,993,528	5,473,232
	Net assets per share [yen]	58,535	59,419	60,385
	Ordinary income	22,651	23,785	24,500
	Ordinary profit	1,911	1,792	1,721
	Net income	1,169	1,129	1,129
	Net income per share [yen]	1,169.04	1,129.20	1,129.27
	Dividends per share [yen]	240.00	230.00	230.00

※Trust & Custody Services Bank, Ltd. is a subsidiary of Mizuho Financial Group, Inc., whose website and reports (including the corporate code of conduct) indicate that none of the assignee, the executives and major shareholders (investors) has ties with any antisocial forces, and a written confirmation for this fact has been submitted to the Tokyo Stock Exchange.

(2) Reason for the selection of the assignee

The introduction of the system had been proposed by Mizuho Trust & Banking Co., Ltd., and considering the performance, etc. of the system in that company, the Company judged that the subject company would become the most desirable trustee for the Company. The shares will be disposed of at Trust E established in the re-trustee Trust & Custody Services Bank, Ltd. in accordance with the above mentioned trust contract with the trustee.

(3) Shareholding policy of the assignee

The assignee, Trust & Custody Services Bank, Ltd. (Trust E), holds the shares of the Company, which are assets in trust, for offering the shares to beneficiaries in accordance with the stock granting regulations during the trust period pursuant to the above trust contract.

The Company and the assignee, Trust & Custody Services Bank, Ltd. (Trust E), have consented to the conclusion of a written confirmation wherein they agree that if all or a part of the said shares disposed of are transferred within the two years from the payment date (May 29, 2017), the Company shall be informed in writing, the name of the person that received the said shares, the address of the said person, the number of the transferred shares, the date of the transfer, the transfer price, the reason and the method for transfer, etc., the Company shall report the said contents to the Tokyo Stock Exchange, and the said reported contents will become publicly available.

(4) Confirmation of the existence of assets required for the payment of the assignee

With regard to the amount equivalent to the necessary fund for the payment of the assignee, it has been confirmed, in the trust contract for offering shares, that the trust money contributed by the Company will be included in the assets in trust on the date of disposal.

7. Major shareholders and their shareholding ratios after disposal

Before disposal (as of March 31, 2017)		After disposal	
Meiji Yasuda Life Insurance Company	7.13%	Meiji Yasuda Life Insurance Company	7.03%
State Street Bank and Trust Company (Standing proxy: Custody Division of Tokyo Branch, The Hongkong and Shanghai Banking Corporation)	6.69%	State Street Bank and Trust Company (Standing proxy: Custody Division of Tokyo Branch, The Hongkong and Shanghai Banking Corporation)	6.60%
The Master Trust Bank of Japan, Ltd. (Trust)	6.09%	The Master Trust Bank of Japan, Ltd. (Trust)	6.01%
Japan Trustee Services Bank, Ltd. (Trust)	5.41%	Japan Trustee Services Bank, Ltd. (Trust)	5.34%
Japan Trustee Services Bank, Ltd. (Trust 9)	3.70%	Japan Trustee Services Bank, Ltd. (Trust 9)	3.65%
Trust & Custody Services Bank, Ltd., Retirement Benefit Trust, Mizuho Trust & Banking Account	3.17%	Trust & Custody Services Bank, Ltd., Retirement Benefit Trust, Mizuho Trust & Banking Account	3.12%
Nippon Life Insurance Company	2.56%	Nippon Life Insurance Company	2.52%
Azbil Group Employee Shareholding Association	2.14%	Azbil Group Employee Shareholding Association	2.12%
National Mutual Insurance Federation of Agricultural Cooperatives	2.12%	National Mutual Insurance Federation of Agricultural Cooperatives	2.09%
Mizuho Bank, Ltd.	1.92%	Mizuho Bank, Ltd.	1.89%

Notes

1. The Company holds 1,865,659 treasury shares (2.48%) before disposal (as of March 31, 2017), but the Company is excluded from the above list of major shareholders.
2. The major shareholders and shareholding ratios after disposal are based on the list of shareholders as of March 31, 2017.
3. A shareholding ratio is the ratio of the number of shares held to the total number of outstanding shares.
4. Each shareholding ratio is rounded off to two decimal places.

8. Future outlook

The effects on the business forecast for the current term are considered to be minor.

9. Items regarding the procedures in accordance with the corporate code of conduct

The disposal of treasury shares does not require the procedures for obtaining the opinions of independent third parties and confirming the willingness of shareholders, which are specified in Article 432 of the

securities listing regulations of the Tokyo Stock Exchange, because (1) dilution rate is less than 25% and (2) major shareholders would not be changed.

10. Results and equity finance status in the past 3 years

(1) Consolidated financial results in the past 3 years [unit: million yen]

	Term ended March 2015	Term ended March 2016	Term ended March 2017
Net Sales	254,469	256,889	254,810
Operating income	15,337	17,135	20,145
Ordinary income	17,141	16,627	20,475
Net income attributable to owners of parent	7,168	8,268	13,153
Net income per share [yen]	97.07	112.73	179.57
Dividends per share [yen]	63.00	67.00	77.00
Net assets per share [yen]	2,143.11	2,116.09	2,236.47

(2) Status of total number of outstanding shares and the number of dilutive shares (as of March 31, 2017)

	Number of shares	Ratio to the number of outstanding shares
Outstanding shares	75,116,101	100.00%
Number of dilutive shares at the current exercise price	—	—%
Number of dilutive shares at the lower limit of exercise price	—	—%
Number of dilutive shares at the upper limit of exercise price	—	—%

(3) Recent share price trend

a) Share price trend in the past 3 years

	Term ended March 2015	Term ended March 2016	Term ended March 2017
Opening price	2,529 yen	3,245 yen	2,852 yen
Highest price	3,370 yen	3,500 yen	3,855 yen
Lowest price	2,285 yen	2,618 yen	2,695 yen
Closing price	3,260 yen	2,881 yen	3,740 yen

b) Share price trend in the past 6 months

	November	December	January	February	March	April
Opening price	3,115 yen	3,130 yen	3,320 yen	3,375 yen	3,615 yen	3,750 yen
Highest price	3,185 yen	3,340 yen	3,435 yen	3,690 yen	3,855 yen	3,805 yen
Lowest price	2,916 yen	3,070 yen	3,260 yen	3,355 yen	3,605 yen	3,545 yen
Closing price	3,100 yen	3,290 yen	3,405 yen	3,610 yen	3,740 yen	3,750 yen

c) Share price on the trading day before the resolution to dispose of shares

	As of May 11, 2017
Opening price	3,985 yen
Highest price	3,985 yen
Lowest price	3,960 yen
Closing price	3,970 yen

(4) Equity finance status in the past 3 years

None

11. Details of the disposal

(1)	Number of shares disposed of	1,000,000 common stock
(2)	Disposal price	3,970 yen per share
(3)	Total disposal amount	3,970,000,000 yen
(4)	Disposal method	Allocation to a third party
(5)	Disposal to	Trust & Custody Services Bank, Ltd. (Trust E)
(6)	Date of application	May 29, 2017 (Monday)
(7)	Date of disposal	May 29, 2017 (Monday)
(8)	Number of treasury shares after disposal	865,659 shares
(9)	Other	The disposal of treasury shares becomes valid when a notification is filed pursuant to the Financial Instruments and Exchange Act of Japan.

* The number of treasury shares after disposal is based on the number of treasury shares as of March 31, 2017.