

# Consolidated Financial Results for the Third Quarter Ended December 31, 2010

February 1, 2011

Company name : Yamatake Corporation  
 URL : <http://www.azbil.com/jp/>  
 Stock exchange listing : Tokyo Stock Exchange 1<sup>st</sup> Section (CODE 6845)  
 Representative : Seiji Onoki, President and Chief Executive Officer  
 Contact : Teruyoshi Yamamoto, Executive Officer, General Manager of Fiscal Control Department  
 Telephone : +81-3-6810-1009  
 Planned quarterly report filing date : February 9, 2011  
 Planned dividend starting date : -  
 Preparation of supplementary references regarding quarterly results : Yes  
 Holding the briefing of quarterly results : No

Notes: 1. The Japanese financial accounting standards are applied for this statement of accounts.  
 2. Amounts indicated are rounded down.

## 1. Results for the Third quarter ended December 31, 2010 (April 1, 2010 to December 31, 2010)

### (1) Consolidated financial results (Cumulative)

(Percentage shows the increase/(decrease) from the previous period.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2010	151,654	9.6	6,242	399.2	6,093	345.9	2,497	-
Nine months ended December 31, 2009	138,371	(13.0)	1,250	(81.2)	1,366	(78.3)	(474)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2010	33.81	-
Nine months ended December 31, 2009	(6.42)	-

### (2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2010	206,669	126,214	60.3	1,686.41
As of March 31, 2010	218,471	129,277	58.4	1,728.64

Note : Shareholders' equity As of December 31, 2010 124,549 million yen  
 As of March 31, 2010 127,668 million yen

## 2. Dividends

	Dividends per Share				
	1Q	2Q	3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year 2009	-	31.00	-	31.00	62.00
Fiscal year 2010	-	31.50	-	-	-
Fiscal year 2010 (Forecast)	-	-	-	31.50	63.00

Note : Revision of dividends forecast for during this period : No

**3. Forecast of consolidated financial results for the fiscal year ending March 31,2011  
(April 1, 2010 to March 31, 2011)**

(Percentage shows the increase/(decrease) from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year 2010	225,000	6.0	16,000	29.2	15,500	22.6	8,200	31.4	111.03

Note : Revision of consolidated financial results forecast for during this period : No

**4. Other**

**(1) Changes in significant subsidiaries during the period  
(Changes in specified subsidiaries due to changes in the scope of consolidation) : No**

**(2) Adoption of simplified accounting methods and accounting methods specific  
to preparation of the quarterly consolidated financial statements : No**

**(3) Changes in accounting principles, procedures and disclosure methods etc., preparing for  
the quarterly consolidated financial statements (Those to be stated as changes in basis of  
presenting quarterly consolidated financial statements)**

1. Changes associated with revision in accounting standards : Yes
2. Other Changes : Yes

**(4) Number of shares issued (common stock)**

1. Number of shares issued (including treasury stock)
  - As of December 31, 2010 75,116,101 shares
  - As of March 31, 2010 75,116,101 shares
2. Number of Treasury stock
  - As of December 31, 2010 1,261,417 shares
  - As of March 31, 2010 1,260,779 shares
3. Average number of shares (cumulative quarterly period)
  - Nine months ended December 31, 2010 73,855,092 shares
  - Nine months ended December 31, 2009 73,855,780 shares

\* Description of the situation of the procedures for reviewing quarterly results

This quarterly financial results is not subject to the procedures for reviewing quarterly reports specified in the Financial Instruments and Exchange Act. As of the disclosure of this quarterly financial results, the procedures for reviewing quarterly consolidated financial statements are in progress.

\* Regarding the appropriate use of forecast and other special matters

These 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, actual results may differ from those discussed in this document.

## Accompanying Materials

### Contents

1. Qualitative information on quarterly consolidated financial results .....	2
(1) Qualitative information on consolidated financial results.....	2
(2) Qualitative information on consolidated financial position.....	5
(3) Qualitative information on forecast of consolidated financial results.....	6
2. Other.....	7
(1) Changes in significant subsidiaries during the period .....	7
(2) Adoption of simplified accounting methods and accounting methods.....	7
(3) Changes in accounting principles, procedures and disclosure methods etc.....	7
3. Quarterly consolidated financial statements.....	9
(1) Quarterly consolidated balance sheets .....	9
(2) Quarterly consolidated statements of income .....	11
(3) Quarterly consolidated statements of cash flows .....	12
(4) Notes regarding assumptions of continuing operations .....	13
(5) Segment information.....	13
(6) Notes if there is a remarkable change in the amount of shareholders' equity.....	16
4. Supplementary information .....	17
Orders received condition.....	17

## 1. Qualitative information on quarterly consolidated financial results

### (1) Qualitative information on consolidated financial results

In the third quarter of the current consolidated cumulative period, owing to fluctuations in exchange rates and other factors during the first half, Japan's economy saw increased market uncertainty. However, stimulus measures had the desired effect and overall the economy continued to demonstrate an upward momentum, with a modest recovery evident in capital investment. Nevertheless, from the third quarter consolidated accounting period the economy has stopped growing as a result of the slowdown in exports, and so on.

Overseas, Asian economies – particularly that of China – continued their brisk growth. Meanwhile, in North America and Europe signs of a gentle recovery were observed. Thus, while there has been evidence of the recovery losing steam, as a whole the economic situation has continued to improve.

For the azbil Group, the business environment in general could not yet be described as robust. In some sectors recovery has been delayed by market conditions and a degree of uncertainty in business sentiment. Nevertheless, the Group's performance has improved.

Benefiting from a recovery in the manufacturing industry's capital investment environment, azbil Group sales in the third quarter of the current consolidated cumulative period were 151,654 million yen, an increase of 9.6% on the same period last year. Turning to profits, these improved significantly as a result of enhancing the business structure and increasing sales. Operating income was 6,242 million yen (up 399.2% on the same period last year), and ordinary income was 6,093 million yen (up 345.9% on the same period last year). Net income was 2,497 million yen (a net loss of 474 million yen was recorded for the same period last year).

It should be noted that sales for the azbil Group tend to be concentrated in the second quarter and fourth quarter accounting periods. The highly seasonal nature of the Group's sales is due to the peculiarities of key industries, including building construction and materials industries, and this seasonal nature is particularly evident in the concentration of sales at the fiscal year-end. On the other hand, fixed costs continue throughout the year. This means that profits in the first quarter and third quarter accounting periods are typically lower than those in the other two quarters.

It must be noted, however, that as regards the reporting standards for sales and income from construction contracts, calculations are now based on the percentage of completion; this applies to contracts on jobs that were started in April 2009 or later. Thus, as far as construction contracts are concerned, this approach has resulted in some evening out of the fluctuations previously seen in quarterly sales and income. This trend is most noticeable in

the Building Automation (BA) business, which has a relatively high proportion of construction contract sales.

The results for the individual reportable segments are as follows. From the first quarter of this consolidated fiscal year, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been applied.

For details, please see "(5) Segment information" on page 13 of the accompanying materials.

### **Building Automation Business**

In Japan, sales continued to be strong in the market for new, large-scale office projects, principally in large cities. Also, with the start of the third quarter consolidated accounting period, the market for existing buildings has been recovering, leading to increased sales.

Looking more closely at the market for existing buildings, it is expected that there will be an expansion of investment in the refurbishment of buildings for the purpose of saving energy (reducing CO<sub>2</sub> emissions), and signs of this growth have gradually begun to be evident. This trend reflects the fact that from April 2010 the Revised Act on the Rational Use of Energy came into effect along with the revised Tokyo Metropolitan Environmental Security Ordinance. Competition in the market for existing buildings has been growing fiercer, but strenuous efforts are being made to expand sales by putting increased focus on providing customers with attractive energy-saving proposals.

In the service field, sales grew as a result of efforts to generate new investment projects by giving added impetus to energy-saving proposals as well as an initiative aimed at expanding the scope of business.

Turning to overseas markets, the BA business demonstrated steady gains, thanks in part to the development of the local market in each country.

The result was that BA business sales in the third quarter of the current consolidated cumulative period were 66,953 million yen. A segment profit (operating income) of 5,112 million yen was posted.

### **Advanced Automation Business**

In Japan, market conditions for azbil's factory automation (FA) control products meant that cyclical fluctuations in demand led to a dip in sales of components for semiconductor and flat panel display (FPD) manufacturing equipment. Nevertheless, overall performance was

robust and sales grew considerably. As regards the materials-related industry, despite there being some evidence of investment aimed at energy saving, in general the pace of recovery in market conditions was still slow. Moreover, for system products in this market it necessarily takes time for new orders to work through and be reflected in sales figures, and so there was a fall in sales.

As regards overseas markets, demand has been steadily recovering and sales increased significantly.

Consequently, AA business sales in the third quarter of the current consolidated cumulative period were 56,715 million yen. A segment profit (operating income) of 1,024 million yen was recorded.

### **Life Automation Business**

The LA business covers a wide variety of fields closely connected with people's everyday lives: it sells lifeline-related measuring equipment; it provides nursing care and lifestyle support services; and it also markets central air-conditioning systems for homes that ensure a comfortable and healthy environment while contributing to energy saving. Kimmon Manufacturing – a company that plays a central role in the Lifeline business field and accounts for the bulk of LA sales – benefits from demand generated by the periodic replacement of gas and water meters, as required by law. Demand for city gas meters has been robust, but sales have decreased because LP gas meter sales are depressed in the off-demand season.

The Life Assist field – with its nursing care and emergency alert response services – is positioned to benefit from the considerable latent demand that exists in Japan with its increasingly aged population. Nevertheless, this segment continued to face a challenging business environment owing to such factors as cutbacks in welfare budgets by local governments. Countermeasures included strengthening sales efforts and expanding the scope of services, and these efforts were rewarded with increased sales. As regards sales of residential central air-conditioning systems, some improvement was seen, but due to the uncertainties surrounding the employment and income environment, housing starts remain stagnant, resulting in a challenging business environment. However, there has been a steady improvement in product recognition thanks to the implementation of aggressive sales measures targeting both house builders and individual clients.

As a result, LA business sales in the third quarter of the current consolidated cumulative period were 25,023 million yen. Segment loss (operating loss) was 7 million yen.

## **Others**

In other businesses (the importing, buying-in and marketing of inspection and measurement equipment), sales of 4,061 million yen were recorded in the third quarter of the current consolidated cumulative period. Segment profit (operating income) was 117 million yen.

### **(2) Qualitative information on consolidated financial position**

#### **(Assets)**

At the end of the third quarter of fiscal year 2010, assets fell by 11,801 million yen compared with the end of the previous fiscal year. Total assets stood at 206,669 million yen. The main factors are the decrease in notes and accounts receivable-trade of 7,553 million yen and the decrease in investment securities of 2,336 million yen.

#### **(Liabilities)**

At the end of the third quarter of fiscal year 2010, liabilities fell by 8,738 million yen compared with the end of the previous fiscal year. Total liabilities stood at 80,455 million yen. The main factors are the decrease in notes and accounts payable-trade of 4,248 million yen and the decrease in provision for bonuses of 3,693 million yen.

#### **(Net assets)**

At the end of the third quarter of fiscal year 2010, net assets decreased by 3,063 million yen. Net assets stood at 126,214 million yen. This principally reflects the fall in retained earnings due to dividends paid and the decrease in valuation difference on available-for-sale securities.

As a result, shareholders' equity ratio was 60.3% compared with 58.4% at the end of previous fiscal year. Net assets per share declined to 1,686.41 yen compared with 1,728.64 yen at the end of previous fiscal year.

#### **(Cash Flow)**

##### **1) Cash flow from operating activities**

Net cash provided by operating activities in the third quarter of the current cumulative consolidated accounting period increased 5,836 million yen, resulting in an increase of 1,173 million yen compared with the same period last year. The main factor is the increase in income before income taxes and minority interests.

##### **2) Cash flow from investing activities**

Net cash used in investing activities in the third quarter of the current consolidated cumulative accounting period was 1,152 million yen, a decrease of 102 million yen compared to the same period last year. The main factor is the impact of an increase in proceeds from sales of short-term investment securities.

### 3) Cash flow from financing activities

Net cash used in financing activities in the third quarter of the current consolidated accounting period increased 5,709 million yen, resulting in a decrease of 428 million yen compared with the same period last year. The main factor is the impact of a decrease in outlays resulting from the repayment of loans payable.

As a result, cash and cash equivalents at the end of the third quarter of the current cumulative consolidated accounting period stood at 53,971 million yen, a decrease of 1,392 million yen compared with the end of the previous fiscal year.

## (3) Qualitative information on forecast of consolidated financial results

The azbil Group's results for the third quarter of the current consolidated cumulative period, as detailed above in the section titled "Qualitative information on consolidated financial results," represent growth in both sales and income compared to the same period last year. While the recovery in market conditions is uneven – with segments affected differently according to changes in their business environment – results for the third quarter of the current consolidated cumulative period are more or less as envisioned in the performance forecast published on October 29, 2010. Consequently, taking into account the leveling effect of the above-mentioned change in reporting standards for sales and income from construction contracts, there are no revisions to the performance forecast for this fiscal year that was published on October 29, 2010.

Overseas, capital investment will continue its robust recovery, and manufacturing by domestic enterprises will make a steady comeback. However, the recovery in domestic capital investment is expected to remain modest and, with the difficult domestic employment situation as well as the financial problems in Europe, there will still be some economic anxiety, both in Japan and overseas.

Considering these circumstances, the azbil Group will continue to make concerted efforts to fortify the business structure and to effectively use and curb expenditure. While striving to achieve earnings targets, the Group will take advantage of the results of the



previous business operation reform initiative (“creating new work styles”) and develop businesses – linked to the environment and energy saving, as well as in overseas markets – that can make optimum use of the azbil Group’s unique capabilities to deliver solutions. In this way, the Group aims to expand during the “period of growth,” as designated by the current Medium-Term Plan (FY2010–FY2013).

## 2.Other

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries due to changes in the scope of consolidation): No

(2) Adoption of simplified accounting methods and accounting methods: No

(3) Changes in accounting principles, procedures and disclosure methods etc.

- Change in accounting standards

Application of the accounting standards regarding Asset Retirement Obligations.

Effective from the first quarter ended June 30, 2010, the company has applied “Accounting Standards for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Application Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

Then, operating income and ordinary income decreased 18 million yen, respectively, and income before income taxes and minority interests decreased 284 million yen.

Change in amount of asset retirement obligations after applying this accounting standard is 149 million yen.

- Change in disclosure method

Items regarding quarterly consolidated statement of income

1. Pursuant to the “Cabinet Office regulations for amending part of the regulations regarding the terms, forms, and production methods of financial statements, etc.” (Cabinet Office Edict 5; March 24, 2009) based on “Accounting Standards for Consolidated Financial statements” (Corporate Accounting Standards No. 22, December 26, 2008), the items of “quarterly net income before minority interests” are described in the consolidated statement of income for the third quarter of the consolidated cumulative period.

2. “Subsidy income” (32 million yen for the third quarter of the current consolidated cumulative period), which was categorized into non-operating income for the same period last year, is categorized into “Other” from the third quarter of the current consolidated cumulative period, because its amount is not significant.

### 3. Quarterly consolidated financial statements

#### (1) Quarterly consolidated balance sheets

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010
<b>Assets</b>		
Current assets		
Cash and deposits	43,227	45,067
Notes and accounts receivable-trade	67,097	74,651
Short-term investment securities	12,400	11,895
Merchandise and finished goods	3,747	3,263
Work in process	9,666	8,251
Raw materials	5,460	4,919
Other	11,193	12,510
Allowance for doubtful accounts	(327)	(313)
Total current assets	152,465	160,245
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	14,700	15,422
Other, net	11,545	12,026
Total property, plant and equipment	26,246	27,448
Intangible assets		
Goodwill	4,197	5,369
Other	1,931	1,764
Total intangible assets	6,129	7,134
Investments and other assets		
Investment securities	12,876	15,213
Other	9,500	8,955
Allowance for doubtful accounts	(548)	(526)
Total investments and other assets	21,828	23,642
Total noncurrent assets	54,204	58,226
Total assets	206,669	218,471
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	30,736	34,984
Short-term loans payable	13,501	14,391
Income taxes payable	774	3,641
Provision for bonuses	4,129	7,823
Provision for directors' bonuses	60	85
Provision for product warranties	555	586
Provision for loss on order received	386	316
Other	15,067	12,125
Total current liabilities	65,212	73,954

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010
Noncurrent liabilities		
Bonds payable	-	60
Long-term loans payable	557	688
Provision for retirement benefits	12,552	12,921
Provision for directors' retirement benefits	218	194
Other	1,914	1,375
Total noncurrent liabilities	15,242	15,239
Total liabilities	80,455	89,193
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	17,197
Retained earnings	98,246	100,362
Treasury stock	(2,643)	(2,641)
Total shareholders' equity	123,323	125,441
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,295	3,148
Deferred gains or losses on hedges	1	1
Foreign currency translation adjustment	(1,071)	(923)
Total valuation and translation adjustments	1,225	2,227
Subscription rights to shares	2	1
Minority interests	1,662	1,607
Total net assets	126,214	129,277
Total liabilities and net assets	206,669	218,471

(2) Quarterly consolidated statements of income  
 Nine months ended December 31

	(Millions of yen)	
	Nine months ended December 31, 2009 April 1, 2009 to December 31, 2009	Nine months ended December 31, 2010 April 1, 2010 to December 31, 2010
Net sales	138371	151654
Cost of sales	89,928	97,403
Gross profit	48,443	54,250
Selling, general and administrative expenses	47,192	48,008
Operating income	1,250	6,242
Non-operating income		
Interest income	93	80
Dividends income	286	462
Real estate rent	59	37
Subsidy income	294	-
Other	133	211
Total non-operating income	866	791
Non-operating expenses		
Interest expenses	155	125
Foreign exchange losses	103	558
Commitment fee	31	31
Rent expenses on real estates	125	68
Office transfer expenses	197	40
Other	135	116
Total non-operating expenses	750	940
Ordinary income	1,366	6,093
Extraordinary income		
Gain on sales of noncurrent assets	1	34
Gain on sales of investment securities	-	186
Total extraordinary income	1	221
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	123	71
Impairment loss	39	237
Environmental expenses	-	574
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	265
Loss on valuation of investment securities	471	64
Provision of allowance for doubtful accounts	157	32
Loss on sales of investment securities	0	17
Total extraordinary losses	792	1,262
Income before income taxes and minority interests	575	5,052
Income taxes-current	392	1,081
Income taxes-deferred	527	1,306
Total income taxes	919	2,388
Income before minority interests	-	2,664
Minority interests in income	129	167
Net income (loss)	(474)	2,497

(3) Quarterly consolidated statements of cash flows  
 Nine months ended December 31

	(Millions of yen)	
	Nine months ended December 31, 2009 April 1, 2009 to December 31, 2009	Nine months ended December 31, 2010 April 1, 2010 to December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	575	5,052
Depreciation and amortization	3,465	3,275
Amortization of goodwill	1,114	992
Increase (decrease) in allowance for doubtful accounts	165	38
Increase (decrease) in provision for retirement benefits	(115)	(367)
Increase (decrease) in provision for bonuses	(4,627)	(3,689)
Increase (decrease) in provision for directors' bonuses	(25)	(24)
Interest and dividends income	(379)	(543)
Interest expenses	155	125
Foreign exchange losses (gains)	78	367
Loss (gain) on sales and retirement of property, plant and equipment	119	35
Loss (gain) on sales and valuation of investment securities	471	(105)
Impairment loss	39	237
Environmental expenses	-	574
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	265
Decrease (increase) in notes and accounts receivable-trade	16,475	7,417
Decrease (increase) in inventories	(3,651)	(2,550)
Increase (decrease) in notes and accounts payable-trade	(7,284)	(4,162)
Decrease (increase) in other assets	(487)	1,291
Increase (decrease) in other liabilities	3,179	1,086
Subtotal	<u>9,270</u>	<u>9,315</u>
Interest and dividends income received	391	544
Interest expenses paid	(150)	(106)
Income taxes paid	(4,848)	(3,917)
Net cash provided by (used in) operating activities	<u>4,662</u>	<u>5,836</u>
Net cash provided by (used in) investing activities		
Payments into time deposits	(1,095)	(1,862)
Proceeds from withdrawal of time deposits	914	1,723
Purchase of short-term investment securities	(8,348)	-
Proceeds from sales of short-term investment securities	10,953	-
Purchase of trust beneficiary right	(8,459)	(10,435)
Proceeds from sales of trust beneficiary right	8,255	10,367
Purchase of property, plant and equipment	(2,374)	(2,058)
Proceeds from sales of property, plant and equipment	36	174
Purchase of intangible assets	(192)	(103)
Purchase of investment securities	(24)	(77)
Proceeds from sales of investment securities	6	1,195
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(742)	-
Purchase of investments in capital of subsidiaries	-	(62)
Payments for transfer of business	(57)	-
Other, net	(125)	(14)
Net cash provided by (used in) investing activities	<u>(1,255)</u>	<u>(1,152)</u>
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	364	828
Decrease in short-term loans payable	(383)	(804)
Proceeds from long-term loans payable	513	-
Repayment of long-term loans payable	(1,760)	(964)
Redemption of bonds	(200)	(50)
Cash dividends paid	(4,567)	(4,605)
Repayments of lease obligations	(51)	(55)
Cash dividends paid to minority shareholders	(51)	(56)
Purchase of treasury stock	(1)	(1)
Proceeds from sales of treasury stock	0	0
Net cash provided by (used in) financing activities	<u>(6,137)</u>	<u>(5,709)</u>
Effect of exchange rate change on cash and cash equivalents	(35)	(366)
Net increase (decrease) in cash and cash equivalents	<u>(2,765)</u>	<u>(1,392)</u>
Cash and cash equivalents at beginning of period	44,321	55,363
Increase in cash and cash equivalents from newly consolidated subsidiary	58	-
Cash and cash equivalents at end of period	<u>41,613</u>	<u>53,971</u>

**(4) Notes regarding assumptions of continuing operations** : Non applicable

**(5) Segment information**

**[Business segment information]**

Nine months ended December 31, 2009 (April 1, 2009 to December 31, 2009) (Millions of yen)

	Building Automation	Advanced Automation	Life Automation	Others	Total	Elimination/Corporate	Consolidated
Net sales							
(1)Customers	59,384	50,385	25,520	3,081	138,371	-	138,371
(2)Inter-segment	225	521	222	60	1,030	( 1,030 )	-
Total	59,609	50,907	25,743	3,142	139,402	( 1,030 )	138,371
Operating income(loss)	2,659	(1,695)	337	(50)	1,250	0	1,250

Note :

1. Classification method of business segments

The business segments have been classified, based on the classifications of the azbil Group used for internal control purposes and by taking into account the product lines and similarities of markets and other factors. The business segments are the Building Automation business, which primarily deals with building automation; the Advanced Automation business, which focuses on process automation, factory automation and the sales of control products; the Life Automation business, which utilizes automation technologies in areas closely related to everyday life and social infrastructure; and Others, which includes all other businesses.

## 2. Main products by business segment

Segment	Main products
Building Automation	Network Building Management System, wide area management system, HVAC system for each type of buildings, Critical Environment System, application package for energy management, security access control system, HVAC controller, plant controller, HVAC control device, wireless sensor, temperature/humidity sensor, energy saving and environment monitoring sensor, Instantaneous Microbial Detection™, HVAC control valve and actuator, building energy management system, maintenance service, consulting service.etc.
Advanced Automation	Distributed control systems, Market-specific solution packages, Energy management systems, Facility diagnosis equipment, Differential pressure transmitters, Electromagnetic flowmeters, Analyzers, Control valves, Controllers, Recorders, Indicators, Converters, Combustion control equipment, Earthquake sensors, Micro Flow™ sensors, Photoelectric sensors, Proximity sensors, Limit switches, Microswitches, Mechanical switches, Electronic air cleaners, Maintenance services, Consulting services.etc.
Life Automation	city gas meters, LP gas meters, water meters, emergency dispatch service, Nursing care service, Commercial-use food waste processing and recycling, Residential central air-conditioning system.etc.
Others	Precision Machine Tools, Dedicated Assembly Machines, Processing Machines, Measuring Instruments, Various Control Products.etc.

## 3. Changes in accounting principles and procedures

(Nine months ended December 31, 2009)

As stated on (3) Changes in accounting principles, procedures and disclosure methods etc., preparing for the quarterly consolidated financial statements of 4. other of qualitative Information and financial statements, the company have applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No. 15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No. 18, December 27, 2007). And in terms of construction contracts commenced during the first quarter of the current consolidated fiscal year, the percentage of completion method to contracts in progress (percentage of completion shall be estimated based on the cost-to-cost method) is applied to contracts for which the outcome of the construction is deemed certain during the period to the end of the first quarter of the current consolidated fiscal year and the completed-contract method for all other construction contracts.

As a result of this change, net sales increased by 3,663 million yen, 1,462 million yen for BA and AA, respectively. And operating income increased by 1,309 million yen for BA. Operating loss decreased by 364 million yen for AA.



**[Geographic segment information]**

Nine months ended December 31, 2009 (April 1, 2009 to December 31, 2009)

Since domestic sales account for the more than 90% of the total sales of all segments, the notation of geographic segment information has been omitted.

**[Overseas sales]**

Nine months ended December 31, 2009 (April 1, 2009 to December 31, 2009)

Since overseas sales account for less than 10% of consolidated sales, the notation of overseas sales has been omitted.

**[Segment information]****1. The summary of the reportable segments**

The reportable segments of the azbil Group – identifiable operating segments of the Group's business structure for which financial information is made separately available – are subject to periodic review by the Board of Directors in order to make decisions on the distribution of management resources and to assess performance.

The azbil Group identifies its operating segments using such criteria as business organization, product lines, service content, and markets. This approach results in three separate reportable segments: the Building Automation business, the Advanced Automation business, and the Life Automation business.

The Building Automation business supplies commercial buildings and production facilities with automatic HVAC control and security systems, including products, engineering and related services. The Advanced Automation business supplies automation control systems, switches and sensors, engineering and maintenance services to industrial plants and factories. The Life Automation business supplies lifeline meters as well as products and services related to nursing care/health support and emergency alert response services – all of which are intimately connected with the daily lives of the general public.

## 2. Sales and profit information every segment

Nine months ended December 31, 2010 (April 1, 2010 to December 31, 2010)

(Millions of yen)

	Reportable segment				Others (*)	Total
	Building Automation	Advanced Automation	Life Automation	Total		
Net sales						
(1)Customers	66,802	56,303	24,703	147,809	3,845	151,654
(2)Inter-segment	151	412	319	883	216	1,099
Total	66,953	56,715	25,023	148,692	4,061	152,753
Segment Profit(loss)	5,112	1,024	(7)	6,129	117	6,246

\* "Others" includes the importing, buying-in and marketing of inspection and measurement equipment.

## 3.The main contents of the difference between reportable segment profit and operating income.

(Millions of yen)

Profit	Amount
Total of reportable segment	6,129
Profit in Others	117
Elimination	(4)
Operating income	6,242

### (Additional Information)

Effective from the first quarter ended June 30, 2010, the company has applied "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008).

### (6) Notes if there is a remarkable change in the amount of shareholders' equity

Non applicable

#### 4. Supplementary information

##### Orders received condition

(Millions of yen)

Reportable segments	Nine months ended December 31, 2010 (April 1, 2010 to December 31, 2010)	
	Orders received	Backlog
Building Automation	79,425	49,163
Advanced Automation	63,460	24,033
Life Automation	25,050	1,706
Total of reportable segment	167,936	74,903
Others	3,905	555
Elimination	(1,223)	(378)
Consolidated	170,618	75,081

Note : The method of classification of reportable segments is as stated in the Note to (5) Segment information 【Segment information】 1. The summary of the reportable segments of 3. Quarterly consolidated financial statements.