# azbil

## Consolidated Financial Results for the First Quarter Ended June 30, 2009

August 6, 2009

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

#### 1. Results for the first quarter ended June 30, 2009 (April 1, 2009 to June 30, 2009)

(1) Consolidated financial results (Cumulative)

	Sale	S	Operating income	I	Ordinary ir	ncome	Net incon	ne
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2009	39,211	(19.4)	(2,579)	—	(2,466)	—	(1,974)	_
Three months ended June 30, 2008	48,648	_	(79)	_	157	_	(244)	_

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2009	(26.73)	_
Three months ended June 30, 2008	(3.27)	_

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholder's equity to net assets	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2009	205,694	122,935	59.0	1,644.42
As of March 31, 2009	220,845	124,983	55.9	1,672.91
Note : Shareholders' equity	As of June 30, 200	9 121,449 million ye	en	

As of March 31, 2009 123,554 million yen

#### 2. Dividends

	Dividends per Share				
(Record date)	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year 2008	—	31.00	—	31.00	62.00
Fiscal year 2009	—				
Fiscal year 2009 (Forecast)		31.00	—	31.00	62.00

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

#### 3. Forecast of Consolidated financial results ending March 31, 2010

(April 1, 2009 to March 31, 2010)(Percentage shows the increase/(decrease) from the previous

				period/	'fiscal year.)
	Sales	Operating income	Ordinary income	Net income	Net income per Share
	Millions of yen %	Millions of yen %	Millions of yen %	Millions of yen %	Yen
Six months ending June 30, 2009	98,500 (11.7)	2,500 (62.4)	2,400 (63.8)	500 (84.9)	6.77
Fiscal year 2009	217,500 (7.9)	11,500 (35.3)	11,300 (34.2)	6,000 (37.0)	81.24

(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 : No
  - 2. Other Changes
  - Note: For more details, refer to "4 Other" in Qualitative Information and Financial Statements, etc. on page 4.
- (4) Number of shares issued (common stock)

1. Number of shares issued (including treasury	stock)
As of June 30, 2009	75,116,101 shares
As of March 31, 2009	75,116,101 shares
2. Number of Treasury stock	
As of June 30, 2009	1,260,180 shares
As of March 30, 2009	1,260,121 shares
3. Average number of shares (cumulative quarter	erly period)
Three months ended June 30, 2009	73,856,077 shares
Three months ended June 30, 2008	74,854,607 shares

\* Regarding the appropriate use of forecasts 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.

#### 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

Changes in standards for the recognition of completed contracts and cost of completed contracts In terms of standards for the recognition of sales in construction contracts, the Company had previously applied the completed-contract method. However, starting from the 1st quarter of the current consolidated fiscal year, the Company has 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 1st quarter of the current consolidated fiscal year, the percentage of completion method (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 1st 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 155 million yen, and Operating loss, Ordinary loss and Loss before income taxes decreased by 41 million yen, respectively.

The effects of this change on segment information have been stated in the relevant sections.

#### [Qualitative Information and Financial Statements]

#### 1. Qualitative Information on Consolidated Financial Results

In the first quarter of the current consolidated accounting period, while Japan's economy showed the first indications of manufacturing and exports bottoming out, business conditions continued to be difficult following the steep downturn in the economy that began last year and which has led to a significant fall in capital investment and a worsening situation as regards corporate earnings and employment. Moreover, although there have been signs of a rally in China, other overseas economies have continued to fare badly as a result of the financial crisis and the ensuing weakening of the real economy in Europe and North America.

Having designated the 3-year period from FY2007 as the "period for firmly establishing the foundation" for attaining the Group's mission, the azbil Group has been engaged in reforms of both its business and operational structures in order to strengthen its profit base and expand its business domains. These efforts have steadily borne fruit, as evidenced by the improved profitability of Kimmon Manufacturing, a Group company. However, the global economic recession and the subsequent fall in corporate earnings and capital investment have had a profound impact on the business performance of the azbil Group, and the aforementioned activities have not been sufficient to offset this.

Consequently, the Group has been implementing various initiatives within the framework of the current Medium-Term (3-Year) Plan, but with much greater breadth, depth and speed. Included are: the business expansion made possible by an increasing demand for the management of CO<sub>2</sub> emissions following the enactment of the revision of the Law Concerning the Rational Use of Energy ; the integration and reinforcement of service businesses that leverage the strengths of the Group; and the restructuring and consolidating of manufacturing frameworks so as to cope with fluctuating production volume. Curbing expenditure continues to be important, but the Group as a whole has adopted additional measures, such as a cut in the remuneration paid to Board members from this fiscal year. Nevertheless, it was still not possible to prevent business performance during the first quarter of the current consolidated accounting period falling below that of the previous fiscal year.

The three core businesses of the azbil Group – Building Automation (BA), Advanced Automation (AA), and Life Automation (LA) – address markets with different economic cycles, so the degree to which each is affected by the economic downturn varies. Whereas the impact on the BA and LA businesses has been relatively small, the AA business – which is profoundly affected by fluctuations in corporate capital investment – suffered a considerable weakening compared to the same period last year, when business conditions were favorable.

As a result, sales for the first quarter of the current consolidated accounting period were 39,211 million yen, down19.4% on the same period last year. Turning to profits, despite concerted efforts to curb expenditure and continuing to implement reforms to strengthen the profit base, because of the significant impact of the fall in sales, particularly in the AA business, there was an operating loss of 2,579 million yen, an increase of 2,499 million yen compared with the previous fiscal year (an operating loss of 79 million yen was recorded for the same period last year). Moreover, ordinary loss was 2,466 million yen,

representing a deterioration of 2,623 million yen compared with the previous fiscal year (an ordinary income of 157 million yen was recorded for the same period last year). Net loss for the quarter was 1,974 million yen, an increase of 1,729 million yen compared with the previous fiscal year (a net loss of 244 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, while 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.

The results for the Group's business segments are as follows:

#### **Building Automation Business**

Looking at the situation in the domestic market, as a result of the economic downturn there has been a trend toward market contraction, particularly for sales of HVAC equipment and systems for factories, making for a challenging business environment. But the market for new buildings and the service business remained healthy; it was thus possible to prevent overall sales from falling significantly. In the market for new buildings, sales grew thanks in part to job completions for large-scale commercial building redevelopment projects. Also, despite some negative impact from the economic downturn, the service business saw a steady increase in sales due to efforts made to expand the market. Positive factors that have affected the market for existing buildings include the fact that it is now time to replace equipment in the many facilities that were built in the construction rush of the late 80s and early 90s, and the heightened demand for the refurbishment of buildings both to reduce CO<sub>2</sub> emissions and to save energy. Nevertheless, sales fell as a result of the curbs on investment due to the recent economic slump. Also, despite continuing concerns for building safety and security issues, and the needs for stronger data protection and internal controls, the security (room access control) business was unable to avoid a fall in sales. This resulted from the scaling back and postponing of projects in the wake of the economic recession.

Internationally, overseas affiliates made good progress in developing their local markets, yet income fell as a result of the global economic downturn and cutbacks in investments by Japanese companies operating abroad.

As well as striving to improve earnings in established markets, the Group has actively worked to develop new business domains, aiming to transform into an environmental control manufacture. As part of this initiative, BioVigilant Systems, Inc. (a U.S. company) was acquired as a consolidated subsidiary. BioVigilant's instantaneous microbial detection equipment employs a revolutionary technology that enables instantaneous detection of airborne microbes. Using this as a strategic product, the Group is planning to expand into the pharmaceutical and biotechnology markets, which hold promise for future growth.

As a result, sales for the Building Automation business were 16,263 million yen, a drop of 6.1% from the previous fiscal year. Profits were adversely impacted not only by reduced sales, but also by staff

reallocation within the azbil Group to the service business – a move aimed at expanding the service business in future – and by goodwill depreciation following the acquisition of a new consolidated subsidiary (BioVigilant Systems, Inc.). Consequently, an operating loss of 901 million yen was recorded, representing a deterioration of 760 million yen compared to the previous fiscal year (an operating loss of 141 million yen was recorded for the same period last year).

#### Advanced Automation Business

In the domestic market, owing to the impact of the global recession continuing capital investment freeze and cutbacks were seen in all sectors of the manufacturing industry, a phenomenon that has spread rapidly from the third quarter of last fiscal year. While it is true that, with the recovery in China etc., there have been signs of bottoming out in certain markets, the overall situation is still poor. Japan's industries face extremely difficult business conditions across the board, and this meant that sales for the first quarter of the current consolidated accounting period suffered a significant fall, not only in the product business for sales of sensors and valves, but also in the solution service business that is responsible for system sales as well as maintenance and other services.

Furthermore, because of the effect of the global recession there has been reduced capital investment overseas, resulting in an unavoidable fall in sales similar to that seen in the domestic market. As a result, sales for the Advanced Automation business were 13,670 million yen, a decrease of 33.7% on the previous fiscal year. Despite making concerted efforts to reduce expenditure and realizing a substantial reduction in fixed costs through implementing such measures as large-scale reallocation of human resources within the azbil Group, the impact of this fall in sales was significant and as a result operating loss was 1,690 million yen, representing a deterioration of 1,840 million yen compared to the previous fiscal year (an operating profit of 149 million yen was recorded for the same period last year).

#### Life Automation Business

The Life Automation (LA) business is composed of several fields with differing business environments. Kimmon Manufacturing – a company that plays a central role in the Lifeline field and accounts for the bulk of LA sales – has seen a weakening in replacement demand for both city gas meters and LP gas meters as a result of the economic downturn. Also, because of cutbacks in capital investment made by the manufacturing industry, the company also suffered a fall in sales from sales of industrial town gas equipment such as Roots meters and regulators. Moreover, retail prices for water meters fell, so Kimmon Manufacturing's income was down overall on the previous fiscal year.

The business environment facing the Life Assist field – with its nursing care and emergency dispatch services – continues to be challenging owing to such factors as cutbacks in welfare budgets by local governments. Despite this however, sales grew as a result of increasing the number of contracts and expanding the service menu.

For the LA business as a whole, the increased sales in the Life Assist field was not sufficient to offset the fall in Kimmon Manufacturing's sales. As a result, sales were 8,436million yen, down 8.3% on the

previous fiscal year. However, owing to the contribution made by the Kimmon-Yamatake Jump-up Plan – aimed at enhancing Kimmon Manufacturing's profit base – and by the improved profits of companies in the Life Assist field, operating income was 56 million yen, up by 95 million yen on the previous fiscal year (an operating loss of 38 million yen was recorded for the same period last year).

#### Other Businesses

In Other businesses (the importing, buying-in and marketing of inspection and measurement equipment), sales of 1,008 million yen were posted, 44.4% down on the same period last year. However, an operating loss of 51 million yen was posted, representing an improvement of 19 million yen on the previous fiscal year (an operating loss of 70 million yen was recorded for the same period last year).

#### 2. Qualitative Information on Consolidated Financial Position

#### (1).Financial Condition

#### (Assets)

At the end of the first quarter of fiscal year 2009, assets fell by 15,151 million yen compared with the end of the previous fiscal year. Total assets stood at 205,694 million yen. The main factor is the decrease in notes and accounts receivable-trade of 19,800 million yen.

#### (Liabilities)

At the end of the first quarter of fiscal year 2009, liabilities fell by 13,103 million yen compared with the end of the previous fiscal year. Total liabilities stood at 82,758 million yen. The main factors are the decrease in notes and accounts payable-trade of 7,041 million yen, the decrease in income taxes payable of 4,678 million yen as a result of income taxes paid, as well as the decrease in provision for bonuses of 5,135 million yen as a result of bonuses paid.

#### (Net assets)

At the end of the first quarter of fiscal year 2009, net assets decreased by 2,047 million yen. Net assets stood at 122,935 million yen. This principally reflects the fall in capital surplus due to recording net loss and dividends paid despite the increase in valuation difference on available-for-sale securities. As a result, shareholder's equity to net assets became better to 59.0% compared with 55.9% at the end of previous fiscal year. Net assets per share also declined to 1,644.42 yen compared with 1,672.91 yen at the end of previous fiscal year.

#### (2) Cash Flow

#### Cash flow from operating activities

Net cash provided by operating activities in the first quarter of the current consolidated accounting period increased 2,803 million yen. This resulted in a decrease of 2,021 million yen compared with the same period of the previous fiscal year. The main factors were the impact of loss before income taxes and

minority interests and decrease in notes and accounts payable-trade.

#### Cash flow from investing activities

Net cash provided by investing activities in the first quarter of the current consolidated accounting period increased 1,276 million yen, an outflow of 2,019 million yen compared with the same period last fiscal year. The main factors were sales of short-term investment securities and the purchase of property, plant and equipment.

#### Cash flow from financing activities

Net cash used in financing activities in the first quarter of the current consolidated accounting period increased 545 million yen compared with the same period last fiscal year. The main factor was the repayment of short and long-term loans payable.

As a result, cash and cash equivalents at the end of the first quarter of the current consolidated accounting period stood at 45,949 million yen, a decrease of 1,628 million yen compared with the end of the previous fiscal year.

#### 3. Qualitative Information on Forecast of Consolidated Financial Results

The results for the current first quarter continued to be challenging as difficult economic conditions continued to prevail. In the second quarter onwards, the business environment for the azbil Group is not expected to change, and the situation will remain unpredictable. Considering this outlook, the Group will strive to further strengthen reforms aimed at enhancing the profit base: it will adopt various additional measures in addition to concerted efforts to curb expenditure.

There are signs of recovery in certain markets, but overall it is uncertain whether a recovery in corporate capital investment can be expected and it will be necessary to pay careful attention to future developments in the business environment. At the present time, the consolidated results forecast for the current business year is unchanged from the previous forecast announced on May 8, 2009.

#### 5. Quarterly consolidated financial statements

(1)Quarterly consolidated balance sheets

	Current First Quarter As of Jun.30,2009	(Millions of yen Prior Fiscal Year As of Mar.31,2009
Assets		
Current assets		
Cash and deposits	42,652	37,866
Notes and accounts receivable-trade	55,041	74,842
Short-term investment securities	9,473	14,59
Merchandise and finished goods	3,819	3,72
Work in process	14,679	11,55
Raw materials	5,973	5,95
Other	12,468	12,71
Allowance for doubtful accounts	(299)	(301
Total current assets	143,809	160,95
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	16,299	16,20
Other, net	13,156	13,62
Total property, plant and equipment	29,455	29,83
Intangible assets		
Goodwill	7,104	6,36
Other	1,863	1,90
Total intangible assets	8,967	8,26
Investments and other assets		
Investment securities	14,718	11,70
Other	9,539	10,74
Allowance for doubtful accounts	(795)	(670
Total investments and other assets	23,462	21,78
Total noncurrent assets	61,885	59,88
Total assets	205,694	220,84
Liabilities		
Current liabilities		
Notes and accounts payable-trade	28,936	35,97
Short-term loans payable	14,372	14,47
Income taxes payable	199	4,87
Provision for bonuses	3,159	8,29
Provision for directors' bonuses	25	6
Provision for product warranties	401	42
Provision for loss on order received	402	36
Other	18,249	14,24
Total current liabilities	65,747	78,73

	Current First Quarter As of Jun.30,2009	(Millions of yen Prior Fiscal Year As of Mar.31,2009
Noncurrent liabilities		
Bonds payable	85	110
Long-term loans payable	2,133	2,129
Provision for retirement benefits	13,228	13,242
Provision for directors' retirement benefits	185	183
Other	1,378	1,457
Total noncurrent liabilities	17,010	17,122
Total liabilities	82,758	95,862
Net assets		
Shareholders' equity		
Capital stock	10,522	10,522
Capital surplus	17,197	17,197
Retained earnings	94,435	98,691
Treasury stock	(2,640)	(2,640)
Total shareholders' equity	119,515	123,771
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,700	873
Foreign currency translation adjustment	(766)	(1,090)
Total valuation and translation adjustments	1,934	(217)
Subscription rights to shares	0	-
Minority interests	1,485	1,429
Total net assets	122,935	124,983
Total liabilities and net assets	205,694	220,845

### (2)Quarterly consolidated statements of income The Three-months period ended June 30

The Three-months period ended June 30	Three Months Ended June 30, 2008 Apr.1,2008 to Jun.30,2008	(Millions of yen) Three Months Ended June 30, 2009 Apr.1,2009 to Jun.30,2009
Net sales	48,648	39,211
Cost of sales	31,541	26,189
Gross profit	17,106	13,021
Selling, general and administrative expenses	17,186	15,600
Operating loss	(79)	(2,579)
Non-operating income		,
Interest income	59	34
Dividends income	192	181
Foreign exchange gains	12	_
Real estate rent	28	21
Other	102	127
Total non-operating income	395	365
Non-operating expenses		
Interest expenses	66	59
Foreign exchange losses	-	15
Commitment fee	11	12
Rent expenses on real estates	24	29
Office transfer expenses		93
Other	57	42
Total non-operating expenses	158	253
Ordinary income (loss)	157	(2,466)
Extraordinary income		(2,400)
Gain on sales of noncurrent assets	0	C
Reversal of allowance for doubtful accounts	11	_
Total extraordinary income	12	C
Extraordinary loss		
Loss on sales and retirement of noncurrent assets	18	20
Impairment loss	-	27
Provision of allowance for doubtful accounts	_	122
Loss on valuation of investment securities	11	3
Special extra retirement payments	62	_
Total extraordinary losses	92	173
Income (loss) before income taxes and minority interests	76	(2,639)
Income taxes-current	166	129
Income taxes-deferred	85	(797)
Total income taxes	251	(197)
	69	(667)
Minority interests in income Net loss		
INEL 1022	(244)	(1,974)

#### (3)Quarterly consolidated statements of cash flows

	Three Months Ended June 30, 2008 Apr.1,2008 to Jun.30,2008	(Millions of yen Three Months Ended June 30, 2009 Apr.1,2009 to Jun.30,2009
Net cash provided by (used in) operating activities		
Income (Loss) before income taxes and minority interests	76	(2,639)
Depreciation and amortization	1,051	1,093
Amortization of goodwill	311	368
Increase (decrease) in allowance for doubtful accounts	(8)	141
Increase (decrease) in provision for retirement benefits	(164)	(13)
Increase (decrease) in provision for bonuses	(5,027)	(5,136)
Increase (decrease) in provision for directors' bonuses	(51)	(41)
Interest and dividends income	(251)	(216)
Interest expenses	66	59
Foreign exchange losses (gains)	(30)	6
Loss (gain) on sales and retirement of property, plant and equipment	17	19
Loss (gain) on sales and valuation of investment securities	11	3
Impairment loss	-	27
Decrease (increase) in notes and accounts receivable-trade	17,075	19,823
Decrease (increase) in inventories	(3,859)	(3,169)
Increase (decrease) in notes and accounts payable-trade	(3,132)	(7,084)
Decrease (increase) in other assets	283	149
Increase (decrease) in other liabilities	3,630	3,807
Subtotal	9,998	7,198
Interest and dividends income received	254	231
Interest expenses paid	(27)	(25)
Income taxes paid	(5,400)	(4,601)
Net cash provided by (used in) operating activities	4,824	2,803
Net cash provided by (used in) investing activities	()	(
Payments into time deposits	(358)	(458)
Proceeds from withdrawal of time deposits	297	456
Purchase of short-term investment securities	(1,532)	(4,348)
Proceeds from sales of short-term investment securities	1,555	6,469
Purchase of trust beneficiary right		(2,473)
Proceeds from sales of trust beneficiary right	(1,838)	3,069 (714)
Purchase of property, plant and equipment Proceeds from sales of property, plant and equipment	(1,838)	(714)
Purchase of intangible assets	(51)	(44)
Purchase of investment securities	(31)	(44)
Purchase of investments in subsidiaries resulting in change in scope of	(8)	(682)
consolidation		(002)
Purchase of investments in capital of subsidiaries	(95)	_
Other, net	10	5
Net cash provided by (used in) investing activities	(2,019)	1,276
Net cash provided by (used in) financing activities		
Increase in short-term loans payable	390	60
Decrease in short-term loans payable	(357)	(166)
Proceeds from long-term loans payable	-	50
Repayment of long-term loans payable	(47)	(480)
Redemption of bonds	(45)	(45)
Cash dividends paid	(2,147)	(2,209)
Repayments of lease obligations	(4)	(15)
Cash dividends paid to minority shareholders	(47)	(7)
Purchase of treasury stock	(8)	(0)
Net cash provided by (used in) financing activities	(2,268)	(2,813)
Effect of exchange rate change on cash and cash equivalents	(577)	305
Net increase (decrease) in cash and cash equivalents	(40)	1,570
Cash and cash equivalents at beginning of period	49,256	44,321
Increase in cash and cash equivalents from newly consolidated subsidiary		58
Cash and cash equivalents at end of period	49,215	45,949

#### (4) Notes Regarding Assumptions of Continuing Operations: Non applicable

#### (5) Segment Information

[Business Segment Information]

Three months ended June 30, 2008 (April 1, 2008 to June 30, 2008)							(Millions of yen)		
	Building Automation	Advanced Automation	Life Automation	Others	Total	Elimination/ Corporate	Consoli- dated		
Sales									
(1)Customers	17,247	20,468	9,162	1,769	48,648	-	48,648		
(2)Inter-segment	63	142	36	45	288	(288)	-		
Total	17,311	20,611	9,198	1,815	48,936	(288)	48,648		
Operating income (loss)	(141)	149	(38)	(70)	(100)	21	(79)		
Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009) (Millions of yen)									

	Building Automation	Advanced Automation	Life Automation	Others	Total	Elimination/ Corporate	Consoli- dated
Sales							
(1)Customers	16,220	13,587	8,403	999	39,211	-	39,211
(2)Inter-segment	43	82	32	8	168	(168)	-
Total	16,263	13,670	8,436	1,008	39,379	(168)	39,211
Operating income (loss)	(901)	(1,690)	56	(51)	(2,586)	7	(2,579)

(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 <sup>™</sup> , 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 <sup>™</sup> 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

#### (Three months ended June 30, 2009)

[Qualitative information and financial statements] 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, etc., 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 Statement No. 15, December 27, 2007). And in terms of construction contracts cmmenceed during the first quarter of the current consolidated fiscal year, the percentage of completion method (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 151 million yen, 4 million yen for BA and AA, respectively. And operating loss decreased by 39 million yen and 1 million yen for BA and AA.

#### 4. Supplementary information

(Three months ended June 30, 2008)

[Qualitative information and financial statements] 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, etc., From current fiscal year, accompanying revisions in Japan's income tax law in fiscal year 2008, the Company and its domestic consolidated subsidiaries have revised the useful lives of their machinery and equipment. Based on this, the useful lives of machinery and equipment included among property, plant and equipment have been changed. As a result of this change, operating expense increased by 3 million yen, 37 million yen, 10 million yen and 1 million yen for BA, AA, LA and Others, respectively. Operating income decreased by the same amount of increase in operating expense for AA, and operating loss increased by the same amount of increase in operating expense for BA, LA and Others, respectively.

#### [Geographic segment information]

Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009) and Three months ended June 30, 2008 (April 1, 2008 to June 30, 2008) 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] Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009) and Three months ended June 30, 2008 (April 1, 2008 to June 30, 2008) Since overseas sales account for less than 10% of consolidated sales, the notation of overseas sales has been omitted.

(6) Notes if there is a remarkable change in the amount of shareholders' equity Three months ended June 30, 2009 (April 1, 2009 to June 30, 2009) Non applicable

#### 6. Order Condition

(Millions of yen)

Business segment	Three months ended		Three month	ns ended					
	June 30, 2008		June 30, 200		Change				
	(April 1, 2008 to June 30,		(April 1, 200	9 to June 30,	Change				
	2008)		2009)						
	Orders Bac	Pooklog	Orders	Backlog	Orders		Backlog		
		Dacking			Amount	Ratio(%)	Amount	Ratio(%)	
Building Automation	39,270	58,524	39,871	58,056	600	1.5	(467)	(0.8)	
Advanced Automation	24,859	29,879	15,500	26,314	(9,358)	(37.6)	(3,564)	(11.9)	
Life Automation	10,078	2,088	9,508	2,282	(569)	(5.7)	193	(9.3)	
Other	2,205	1,895	1,899	1,410	(305)	(13.8)	(485)	(25.6)	
Total	76,413	92,388	66,780	88,063	(9,632)	(12.6)	(4,324)	(4.7)	
Elimination	(366)	(231)	(238)	(388)	127	-	(156)	-	
Consolidated	76,046	92,156	66,541	87,675	(9,504)	(12.5)	(4,481)	(4.9)	

(Note) The method of classification of business segments is as stated in the Note to (5) Segment Information of 5.

quarterly consolidated financial statements qualitative Information on consolidated operating result.