

# Financial Report



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## Contents

Financial Review .....	48
Consolidated Balance Sheets .....	52
Consolidated Statements of Income .....	54
Consolidated Statements of Changes in Equity ..	55
Consolidated Statements of Cash Flows .....	56
Notes to Consolidated Financial Statements .....	57
Independent Auditors' Report .....	70

# Financial Review

## Consolidated Results

### Net Sales

In fiscal year 2009, ended March 31, 2010, although there were signs of recovery overseas as well as in certain domestic markets, the continuing economic downturn from the start of the fiscal year, with corporate freezes or cutbacks of capital investment, had a significant impact. As a result, net sales decreased ¥23,960 million, or 10.1%, year on year to ¥212,213 million. Detailed breakdowns are available in the Business Overview section starting on page 15, but summaries are as follows.

### Building Automation Business

Demand for office buildings was firm, particularly in large cities in Japan. Operations targeting existing buildings and the service business, although not immune to the effects of the market downturn, succeeded in increasing sales slightly. This was due to more emphasis on proactive sales offering customers ways to reduce CO<sub>2</sub> emissions and save energy — an initiative that was stimulated by stricter environmental regulations — as well as efforts to expand the market. However, for operations in the market for new buildings, a fall in sales was unavoidable compared with the previous year, when several large-scale production facilities were completed. As a result, sales decreased ¥3,696 million, or 3.7%, year on year to ¥96,671 million.

### Advanced Automation Business

The drastic curtailment of production and severe capital investment freezes or cutbacks in manufacturing industries that followed in the wake of the “Lehman shock” of September 2008 continued through the start of fiscal year 2009. Although the beginning of recovery in business sentiment — reflecting expansion in overseas demand — was evident from the second half of the fiscal year, there still appeared to be only a weak knock-on effect to capital investment for the fiscal year as a whole. Looking more closely at the different

industries, the demand for azbil products in some sectors — the semiconductor industry, for example — has demonstrated a rapid recovery. Yet, at the same time, capital investment in the materials-related industries continues to be stagnant, with the exception of a few industries involved with new energy and highly functional materials. As a result, sales decreased ¥16,693 million, or 17.8%, year on year to ¥76,938 million.

### Life Automation Business

Sales of gas and water meters, which account for the bulk of Life Automation sales, were relatively untouched by the economic downturn owing to the fact that they benefit from demand generated by periodic replacement as required by law. However, sales were down because of the impact of the downturn on new demand and also on sales of city gas meters for industrial use. Sales were up in the nursing care and emergency alert response services as a result of a proactive sales drive that increased the number of service contracts, and the beneficial effect of the revision to nursing-care benefits. However, this was not enough to compensate for the decrease in gas and water meters and equipment. As a result, sales decreased ¥1,202 million, or 3.3%, year on year to ¥34,721 million.

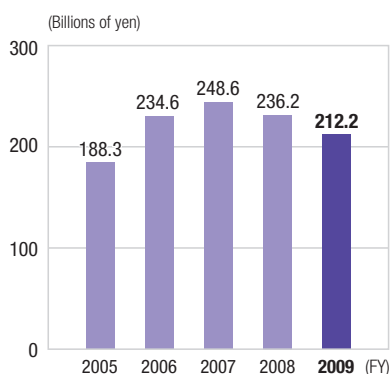
### Other Businesses

Sales decreased ¥2,587 million, or 32.7%, year on year to ¥5,329 million.

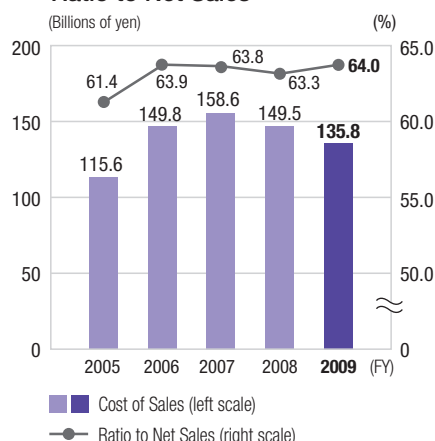
### Operating Income

Cost of sales totaled ¥135,793 million due to lower net sales. Although we worked on cost reductions and profitability improvement measures, the cost of sales ratio worsened by 0.7 percentage points to 64.0% due to the decrease in net sales. Selling, general and administrative expenses decreased ¥4,788 million to ¥64,035 million due to assiduous reductions of expenditures. The ratio of selling, general and administrative

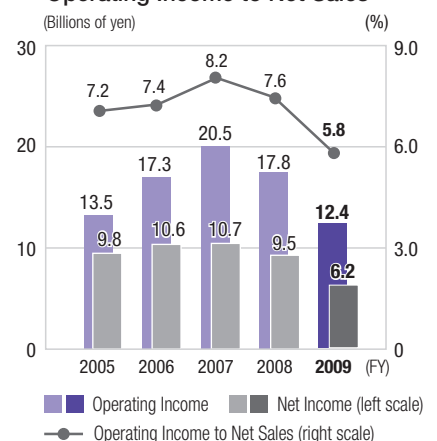
### Net Sales



### Cost of Sales/ Ratio to Net Sales



### Operating Income/Net Income/ Operating Income to Net Sales



expenses to net sales increased 1.0 percentage points to 30.2%.

As a result, operating income decreased ¥5,448 million, or 30.5%, year on year to ¥12,385 million. By business segment, operating income decreased ¥1,555 million, or 11.9%, year on year to ¥11,517 million for the Building Automation business and decreased ¥4,413 million, or 88.9%, year on year to ¥552 million for the Advanced Automation business. Operating income for the Life Automation business was ¥353 million, compared with operating loss of ¥160 million in the previous fiscal year. Operating loss for Other businesses was ¥41 million.

## Net Income

### Other Income (Expenses)

Other expenses-net decreased ¥142 million, or 10.1%, year on year to ¥1,264 million. Major factors were other income including subsidy income of ¥393 million, as well as other expenses including loss on impairment of long-lived assets of ¥838 million, and loss on valuation of investment securities of ¥400 million.

### Income before Income Taxes and Minority Interests/ Income Taxes

Income before income taxes and minority interests decreased ¥5,306 million, or 32.3%, year on year to ¥11,121 million. Total income taxes decreased ¥1,985 million, or 29.8%, to ¥4,679 million. The actual effective income tax rate on income before income taxes and minority interests was 42.1%, an increase of 1.5 percentage points from the previous fiscal year, while minority interests in net income decreased ¥38 million, or 16.0%, to ¥200 million.

As a result of the above factors, net income decreased ¥3,283 million, or 34.5%, to ¥6,242 million.

## Financial Position

### Assets

Total assets at March 31, 2010 were down ¥2,374 million, or 1.1%, year on year to ¥218,472 million. This was primarily due to a decrease of ¥4,804 million in inventories.

### Liabilities

Total liabilities at March 31, 2010 decreased ¥6,668 million, or 7.0%, year on year to ¥89,194 million. This was primarily due to a decrease of ¥992 million in notes and accounts payable-trade, as well as a decrease of ¥1,236 million in income taxes payable and a decrease of ¥1,472 million in long-term debt.

### Equity

Total equity on March 31, 2010 increased ¥4,294 million, or 3.4%, from a year earlier to ¥129,278 million. This was primarily due to net income recorded and an increase in unrealized gain on available-for-sale securities.

A year-on-year comparison of asset performance indicators (simple average at beginning and end of year) is as follows.

**Receivables/sales (days):** Increased 5 days to 129 days

**Inventories/cost of sales (days):** Decreased 4 days to 51 days

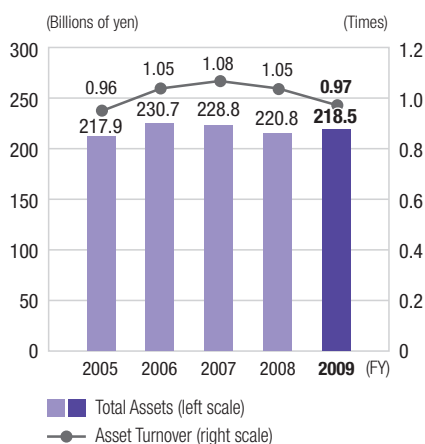
**Asset turnover (times):** Decreased 0.08 times to 0.97 times

**Shareholders' equity ratio:** Increased 2.5 percentage points to 58.4%

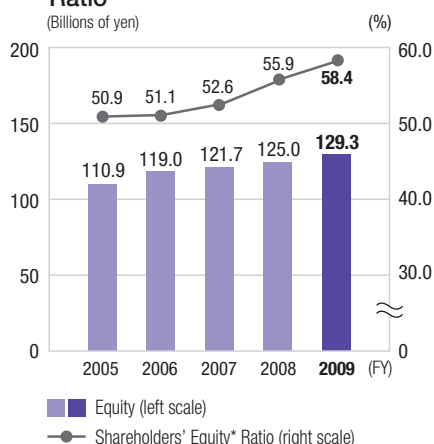
## Per Share Data

Net income per share decreased ¥43.35 year on year to ¥84.52, and net assets per share rose ¥55.73 to ¥1,728.64.

### Total Assets/Asset Turnover



### Equity/Shareholders' Equity\* Ratio



\* Shareholders' Equity = Total equity - Minority interests

### Net Change in Cash and Cash Equivalents



## Cash Flows

Cash and cash equivalents (hereafter, net cash) provided by operating activities in fiscal year 2009, ended March 31, 2010, decreased ¥5,658 million, or 26.5%, year on year to ¥15,714 million. This was primarily due to a decrease in income before income taxes and minority interests.

Net cash provided by investing activities was ¥1,960 million, compared with ¥16,606 million used in the previous fiscal year. This was primarily due to an increase in proceeds from the sales of short-term investment securities-net, as well as a decrease in the purchase of property, plant and equipment-net.

Net cash used in financing activities decreased ¥1,817 million year on year to ¥6,757 million. The primary reason was a decrease in the purchase of treasury stock.

As a result of the above factors, cash and cash equivalents on March 31, 2010, the end of fiscal year 2009, increased ¥11,043 million, or 24.9%, year on year to ¥55,364 million.

## Outlook for Fiscal Year 2010, Ending March 31, 2011

For fiscal year 2010, we forecast a year-on-year increase of ¥12,800 million, or 6.0%, in net sales to ¥225,000 million; an increase of ¥3,600 million, or 29.2%, in operating income to ¥16,000 million; and an increase of ¥3,300 million, or 52.2%, in net income to ¥9,500 million. Our view of the business environment that forms the basis of this outlook, and measures we will take to adapt to this business environment, are as follows.

Although uncertainty remains about a self-sustaining recovery in domestic demand, from the beginning of 2010 we have seen a resumption of previously frozen capital investment as growth in emerging nations led to improvement in the earnings environment centered on export-based businesses. The pace of economic recovery is also picking up overseas, particularly in China and other Asian countries.

In the Building Automation business, the market for new buildings is expected to recover. In addition, a period of practical reductions in emissions has started in April 2010 with the enforcement of the Revised Act on the Rational Use of Energy and the Tokyo Municipal Environmental Protection Ordinance, which contain stricter regulations for CO<sub>2</sub> reductions. We expect this to lead to solid results for the existing building business and the service business. We forecast year-on-year increases of ¥8,300 million, or 8.6%, in net sales, to ¥105,000 million, and ¥1,500 million, or 12.9%, in operating income, to ¥13,000 million.

In the Advanced Automation business, although capital investment in materials-related industries is forecast to remain restricted, we expect steady recovery in demand for products in manufacturing and assembly industries such as semiconductor

manufacturing equipment. We forecast year-on-year increases of ¥6,100 million, or 7.9%, in net sales, to ¥83,000 million, and ¥1,900 million, or 352.5%, in operating income, to ¥2,500 million.

We will continue to assiduously implement a variety of measures to improve earnings in the Life Automation business. We forecast year-on-year increases of ¥300 million, or 0.8%, in net sales, to ¥35,000 million, and ¥100 million, or 41.7%, in operating income, to ¥500 million.

For Other businesses, we forecast a year-on-year decrease in net sales of ¥1,500 million, or 28.7%, to ¥3,800 million, and operating income of ¥0 million.

## Risk Management

The following are some of the risks that could affect the azbil Group's business results and financial position. Forward-looking statements are based on the Group's judgments at the end of fiscal year 2009, ended March 31, 2010.

### Risks Related to the Business Environment and Business Activities

#### Effect of Economic Downturn or Stagnation

Structural factors make demand for the azbil Group's products and services susceptible to fluctuations in the economy and their effects on markets related to the Group, including the construction, manufacturing, and machine tools markets. A large-scale downturn in business conditions and a decrease in demand from these markets could have an adverse impact on the Group's operations, business results, and financial position.

#### Risks Related to the Group's Product Quality

The azbil Group's products, systems, and services are used for vital measurement and control related to safety and quality in a variety of plants and buildings. The Group has established a committee to oversee quality assurance and has enhanced its quality control system through sharing and transparency of quality information. Furthermore, the Group has taken out insurance policies, giving due consideration to damages for product liability. However, an incident caused by defects in the Group's products, systems or services could result in substantial costs and severely damage the Group's credibility with customers. This in turn could have an impact on the Group's operations, business results, and financial position.

#### Risks Related to R&D Activities

The azbil Group has positioned the management of research and development activities as a key issue. Based on the Group philosophy of "human-centered automation," the Group is carrying out research and development activities aimed at the conservation of resources, energy and labor; safety; environmental preservation; and the realization of comfortable environments.

The azbil Group is strengthening its efforts to deliver appealing products and services to its customers in a timely fashion based on an accurate perception of their needs. However, a misreading of those needs or of technological trends, postponement of research and development, insufficient technological capabilities or other factors could delay the market launch of new products and have an adverse impact on the Group's operations, business results, and financial position.

#### **Risks Related to International Business Activities**

The azbil Group conducts business overseas, mainly in Asia, through 22 local companies and two branches. In the rapidly growing Chinese market, the Group conducts product sales, manufacturing, instrumentation work, and other businesses locally through 10 subsidiaries and affiliates. The Group has established manufacturing bases in Dalian and Shenzhen, where products are manufactured for the Japanese market. While the Group will continue to expand its business overseas, being mindful of the decentralization of country risk, delays in its expansion plan, unexpected changes in the political and economic condition, currency fluctuations, local legal, regulatory, and other reforms, natural disasters, terrorism, strikes, and other developments in countries where it has advanced could have an impact on the Group's business results and financial position.

### **Other Risks**

#### **Risks Related to Human Resources**

Since its founding, the azbil Group has focused on developing human resources based on the view that its employees are a valued asset, the source of corporate cultural renewal, and the creative source of its corporate value. However, possible future issues regarding measures to deal with the ageing of employees, the succession of technologies, expertise, and know-how, and crosstraining for multifunctional workers and the retention and development of human resources for business expansion could have an impact on the Group's business results and financial position.

#### **Risks Related to Information Leakage**

The azbil Group possesses critical information on businesses and confidential information including personal information and information on business partners that is obtained in the course of business. The Group is taking measures to strengthen its handling and management of information, and increase employees' informational literacy. However, leakage of this type of information could have an impact on the Group's business results and financial position.

#### **Risks Related to Disasters**

Four of the six domestic production bases (including manufacturing subsidiaries) of the azbil Group's Building Automation and Advanced Automation businesses are concentrated in Kanagawa Prefecture. The Group has taken actions as necessary including implementing safety precautions, taking out insurance, and establishing a business continuation plan to maintain operations and/or quickly return operations to normal. However, a large-scale disaster in the Kanagawa district could have an impact on the Group's business results and financial position.

#### **Risks Related to Laws and Regulations**

The azbil Group is subject to laws and regulations in the countries where it operates, including licensing for operations and investment and environmental and safety standards. Unexpected changes in these laws or regulations, or the establishment of new laws or regulations, could have an impact on the Group's business results and financial position.

In particular, although the azbil Group is proceeding with a variety of measures to reduce its environmental load, in part to comply with stricter environmental regulations, difficulty in complying with environmental regulations may result in the cessation of certain business activities or damage to the trust placed in the Group. This could have an impact on the Group's business results and financial position.

#### **Risks Related to Intellectual Property Rights**

The azbil Group accumulates differentiated technologies and know-how in the development of products and services within the Group, and works to protect its intellectual property rights, in order to ensure and maintain its competitive edge. In addition, the Group works to secure licensing rights from third parties where necessary in product development and production. However, inadequate execution of these processes could have an impact on the Group's business results and financial position.

### **Seasonality**

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The azbil Group's sales tend to be focused in the end of the second quarter of the fiscal year and the fiscal year-end. The highly seasonal nature of the Group's sales is due to the peculiarities of key industries, including building construction and materials-related industries, and this seasonal nature is particularly evident in the concentration of sales at the fiscal year-end.

## Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries  
March 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Notes 6 and 13)	¥ 55,364	¥ 44,321	\$ 595,307
Notes and accounts receivable:			
Trade (Note 13)	74,651	74,843	802,700
Other	1,021	1,103	10,983
Allowance for doubtful receivables	(314)	(301)	(3,375)
Inventories (Note 4)	16,435	21,239	176,717
Deferred tax assets (Note 10)	4,855	5,231	52,206
Prepaid expenses and other current assets	8,234	14,520	88,535
<b>Total current assets</b>	<b>160,246</b>	<b>160,956</b>	<b>1,723,073</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land (Notes 5 and 6)	6,440	6,476	69,242
Buildings and structures (Notes 5 and 6)	38,105	37,550	409,735
Machinery and equipment (Note 5)	17,126	16,489	184,152
Furniture and fixtures (Note 5)	19,261	19,324	207,113
Construction in progress	103	1,501	1,099
<b>Total</b>	<b>81,035</b>	<b>81,340</b>	<b>871,341</b>
Accumulated depreciation	(53,586)	(51,503)	(576,191)
<b>Net property, plant and equipment</b>	<b>27,449</b>	<b>29,837</b>	<b>295,150</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities (Notes 3 and 13)	14,887	11,448	160,076
Investments in unconsolidated subsidiaries and associated companies	454	482	4,884
Goodwill (Note 5)	5,370	6,367	57,739
Deferred tax assets (Note 10)	1,110	2,534	11,940
Other assets	8,956	9,222	96,297
<b>Total investments and other assets</b>	<b>30,777</b>	<b>30,053</b>	<b>330,936</b>
<b>TOTAL</b>	<b>¥218,472</b>	<b>¥220,846</b>	<b>\$2,349,159</b>

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>CURRENT LIABILITIES:</b>			
Short-term borrowings (Notes 6 and 13)	¥ 12,498	¥ 12,215	\$ 134,385
Current portion of long-term debt (Notes 6 and 13)	2,009	2,519	21,598
Notes and accounts payable:			
Trade (Note 13)	34,985	35,977	376,181
Other	956	1,884	10,275
Income taxes payable	3,642	4,878	39,161
Accrued bonuses	7,908	8,362	85,035
Other accrued expenses and current liabilities	11,957	12,905	128,577
Total current liabilities	73,955	78,740	795,212
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt (Notes 6 and 13)	914	2,386	9,829
Liabilities for retirement benefits (Note 7)	13,116	13,426	141,029
Deferred tax liabilities (Note 10)	1,069	994	11,498
Other long-term liabilities	140	316	1,507
Total long-term liabilities	15,239	17,122	163,863
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b> (Notes 12, 14 and 15)			
<b>EQUITY</b> (Notes 8, 9 and 16):			
Common stock—authorized, 279,710,000 shares; issued, 75,116,101 shares	10,523	10,523	113,147
Capital surplus	17,198	17,198	184,923
Stock acquisition rights	2		18
Retained earnings	100,363	98,692	1,079,169
Unrealized gain on available-for-sale securities	3,149	873	33,858
Deferred gain on derivatives under hedge accounting	2		18
Foreign currency translation adjustments	(923)	(1,091)	(9,925)
Treasury stock—at cost, 1,260,779 shares in 2010 and 1,260,121 shares in 2009	(2,643)	(2,641)	(28,406)
Total	127,671	123,554	1,372,802
Minority interests	1,607	1,430	17,282
Total equity	129,278	124,984	1,390,084
<b>TOTAL</b>	¥218,472	¥220,846	\$2,349,159

## Consolidated Statements of Income

Yamatake Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>NET SALES</b>	¥212,213	¥236,173	\$2,281,865
<b>COST OF SALES</b> (Notes 7 and 12)	135,793	149,518	1,460,149
Gross profit	76,420	86,655	821,716
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> (Notes 7, 11 and 12)	64,035	68,823	688,548
Operating income	12,385	17,832	133,168
<b>OTHER INCOME (EXPENSES):</b>			
Interest income	122	251	1,310
Dividend income	297	322	3,192
Interest expense	(205)	(250)	(2,205)
Foreign currency exchange loss	(34)	(644)	(367)
Loss on sales of property, plant and equipment—net	(151)	(24)	(1,621)
(Loss) gain on sales of investment securities—net	(1)	12	(7)
Loss on impairment of long-lived assets (Note 5)	(838)	(162)	(9,008)
Others—net	(454)	(910)	(4,880)
Other expenses—net	(1,264)	(1,405)	(13,586)
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS</b>	11,121	16,427	119,582
<b>INCOME TAXES</b> (Note 10):			
Current	4,343	6,217	46,698
Deferred	336	447	3,612
Total income taxes	4,679	6,664	50,310
<b>MINORITY INTERESTS IN NET INCOME</b>	(200)	(238)	(2,152)
<b>NET INCOME</b>	¥ 6,242	¥ 9,525	\$ 67,120

	Yen		U.S. dollars
	2010	2009	2010
<b>PER SHARE OF COMMON STOCK</b> (Note 2.r):			
Net income	¥ 84.52	¥ 127.87	\$ 0.91
Cash dividends applicable to the year	62.00	62.00	0.67

See notes to consolidated financial statements.

# Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

	Thousands				Millions of yen							
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
<b>BALANCE, APRIL 1, 2008</b>	73,317	¥10,523	¥12,648		¥ 93,688	¥ 3,858	¥ 1	¥ 317	¥ (668)	¥120,367	¥1,354	¥121,721
Net income					9,525					9,525		9,525
Cash dividends, ¥61 per share					(4,520)					(4,520)		(4,520)
Purchase of treasury stock	(1,008)								(1,989)	(1,989)		(1,989)
Share exchange	1,540		4,550							4,550		4,550
Disposal of treasury stock	7		(1)						16	15		15
Transfer from retained earnings to capital surplus			1		(1)							
Net change in the year						(2,985)	(1)	(1,408)		(4,394)	76	(4,318)
<b>BALANCE, MARCH 31, 2009</b>	73,856	10,523	17,198		98,692	873		(1,091)	(2,641)	123,554	1,430	124,984
Adjustment of retained earnings for newly consolidated subsidiaries					8					8		8
Net income					6,242					6,242		6,242
Cash dividends, ¥62 per share					(4,579)					(4,579)		(4,579)
Purchase of treasury stock	(1)								(2)	(2)		(2)
Disposal of treasury stock												
Transfer from retained earnings to capital surplus												
Net change in the year				¥2		2,276	2	168		2,448	177	2,625
<b>BALANCE, MARCH 31, 2010</b>	73,855	¥10,523	¥17,198	¥2	¥100,363	¥ 3,149	¥ 2	¥ (923)	¥(2,643)	¥127,671	¥1,607	¥129,278

	Thousands of U.S. dollars (Note 1)											
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity	
<b>BALANCE, MARCH 31, 2009</b>	\$113,147	\$184,923		\$1,061,203	\$ 9,387		\$(11,727)	\$(28,393)	\$1,328,540	\$15,371	\$1,343,911	
Adjustment of retained earnings for newly consolidated subsidiaries				85					85		85	
Net income				67,120					67,120		67,120	
Cash dividends, \$0.67 per share				(49,238)					(49,238)		(49,238)	
Purchase of treasury stock								(21)	(21)		(21)	
Disposal of treasury stock			(1)					8	7		7	
Transfer from retained earnings to capital surplus			1	(1)								
Net change in the year			\$18		24,471	\$18	1,802		26,309	1,911	28,220	
<b>BALANCE, MARCH 31, 2010</b>	\$113,147	\$184,923	\$18	\$1,079,169	\$33,858	\$18	\$(9,925)	\$(28,406)	\$1,372,802	\$17,282	\$1,390,084	

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 11,121	¥ 16,427	\$ 119,582
Adjustments for:			
Income taxes—paid	(5,459)	(6,986)	(58,700)
Depreciation and amortization	6,243	5,757	67,126
(Reversal of) provision for doubtful receivables	(134)	105	(1,437)
Decrease in accrued bonuses	(457)	(668)	(4,912)
Loss on sales of property, plant and equipment—net	151	24	1,621
Loss (gain) on sales of investment securities—net	1	(12)	7
Loss on impairment of long-lived assets	838	162	9,008
Decrease in notes and accounts receivable	273	10,706	2,941
Decrease in inventories	4,924	2,193	52,950
Decrease in notes and accounts payable	(1,082)	(6,117)	(11,634)
Decrease in liabilities for retirement benefits	(314)	(755)	(3,377)
Others—net	(391)	536	(4,212)
Total adjustments	4,593	4,945	49,381
Net cash provided by operating activities	15,714	21,372	168,963
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sales of property, plant and equipment	45	746	486
Purchase of property, plant and equipment	(3,196)	(6,998)	(34,364)
Proceeds from sales of investment securities	6	96	63
Purchase of investment securities	(31)	(231)	(335)
Proceeds from sales of beneficiary securities of trust	11,311	822	121,619
Purchase of beneficiary securities of trust	(11,885)	(4,806)	(127,792)
Payment for acquisition of BioVigilant Systems, Inc., net of cash acquired	(744)		(7,999)
Others—net	6,454	(6,235)	69,398
Net cash provided by (used in) investing activities	1,960	(16,606)	21,076
<b>FINANCING ACTIVITIES:</b>			
Net increase (decrease) in short-term borrowings	296	(140)	3,180
Proceeds from long-term debt	513	200	5,518
Repayment of long-term debt	(2,858)	(2,048)	(30,735)
Disposal of treasury stock	1	17	7
Purchase of treasury stock	(2)	(1,989)	(21)
Dividends paid	(4,578)	(4,516)	(49,227)
Others—net	(129)	(99)	(1,379)
Net cash used in financing activities	(6,757)	(8,575)	(72,657)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>			
	68	(1,126)	728
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	10,985	(4,935)	118,110
<b>CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR</b>			
	58		626
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>			
	44,321	49,256	476,571
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>			
	¥ 55,364	¥ 44,321	\$ 595,307
<b>ADDITIONAL INFORMATION:</b>			
Increase in assets and liabilities, cash paid for capital and goodwill in the acquisition of BioVigilant Systems, Inc.:			
Assets acquired	¥ 115		\$ 1,234
Liabilities assumed	538		5,782
Cash paid for capital	744		7,999
Goodwill	1,167		12,547

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2010 and 2009

## 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Yamatake Corporation ("Yamatake") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥93 to \$1, the approximate rate of exchange as of March 31, 2010. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2010 include the accounts of Yamatake and its 36 significant (35 in 2009) subsidiaries (collectively, "the azbil Group").

Under the control or influence concept, those companies in which Yamatake, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary and associated company at the date of acquisition. Goodwill from the acquisition of Kimmon Manufacturing Co., Ltd. ("Kimmon") has been amortized over 7 years. Other goodwill is to be amortized on a straight-line basis over 5 years, with the exception of minor amounts which are charged to income in the period of the acquisitions.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the azbil Group is eliminated.

**b. Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, beneficiary securities of trust under resale agreements and commercial paper, all of which mature or become due within three months of the date of acquisition.

**c. Inventories**—Inventories, other than raw materials, are principally stated at the lower of cost on a specific identification basis or net selling value. Raw materials

are principally stated at the lower of cost determined by the moving-average method or net selling value.

**d. Allowance for Doubtful Receivables**—The allowance for doubtful receivables is stated in amounts considered to be appropriate based on the azbil Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.

**e. Investment Securities**—Investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (2) available-for-sale securities, which are not classified as the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, in a separate component of equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, non-marketable available-for-sale securities are reduced to net realizable value by a charge to income.

**f. Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation for Yamatake and its consolidated domestic subsidiaries is computed by the declining-balance method, while the straight-line method is applied to buildings acquired after April 1, 1998. Depreciation of consolidated foreign subsidiaries is mainly computed by the straight-line method. Equipment held for lease is depreciated by the straight-line method over the respective lease periods.

The range of useful lives is from 15 to 50 years for buildings and structures, from 4 to 9 years for machinery and equipment, and from 2 to 6 years for furniture and fixtures.

**g. Long-Lived Assets**—The azbil Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and the eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and the eventual disposition of the asset or the net selling price at disposition.

**h. Retirement and Pension Plans**—Yamatake has a non-contributory funded pension plan and a defined contribution pension plan covering substantially all of its employees.

Most of the consolidated subsidiaries have non-contributory funded pension plans and unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided at the amount based on the projected benefit obligation and plan assets at the balance sheet date.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at each balance sheet date.

**i. Stock Options**—In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable

to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The azbil Group has applied this accounting standard for stock options to those granted on and after May 1, 2006.

**j. Research and Development Costs**—Research and development costs are charged to income as incurred.

**k. Leases**—In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008, with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain “as if capitalized” information is disclosed in the notes to the lessee’s financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions with certain “as if capitalized” information disclosed in the notes to the lessee’s financial statements.

Yamatake and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008. In addition, Yamatake and its consolidated domestic subsidiaries accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions.

All other leases are accounted for as operating leases.

**l. Bonuses to Directors**—Bonuses to directors are accrued at the year end to which such bonuses are attributable. The balance of such accrued bonuses as of March 31, 2010 and 2009 was ¥85 million (\$915 thousand) and ¥67 million, respectively.

**m. Construction Contracts**—In December 2007, the ASBJ issued ASBJ Statement No. 15, “Accounting Standard for Construction Contracts,” and ASBJ Guidance No. 18, “Guidance on Accounting Standard for Construction Contracts.” Under the previous Japanese GAAP, either the completed-contract method or the percentage-of-completion method was permitted to account for construction contracts. Under this new accounting standard, the construction revenue and construction costs should be recognized by the percentage-of-completion method, if the outcome of a construction contract can be estimated reliably. When total construction revenue, total construction costs, and the stage

of completion of the contract at the balance sheet date can be reliably measured, the outcome of a construction contract can be estimated reliably. If the outcome of a construction contract cannot be reliably estimated, the completed-contract method should be applied. When it is probable that total construction costs will exceed total construction revenue, an estimated loss on the contract should be immediately recognized by providing for a loss on construction contracts. This standard is applicable to construction contracts and software development contracts and was effective for fiscal years beginning on or after April 1, 2009. Yamatake and its consolidated domestic subsidiaries applied the new accounting standard effective April 1, 2009. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥2,411 million (\$25,925 thousand) for the year ended March 31, 2010.

**n. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently-enacted tax laws to the temporary differences and tax loss carryforwards.

**o. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

**p. Foreign Currency Financial Statements**—The balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as “Foreign currency translation adjustments” in a separate component of equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

**q. Derivatives Financial Instruments**—The azbil Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange. Foreign exchange forward contracts are utilized by the azbil Group to reduce foreign currency exchange risks. The azbil Group does not enter into derivatives for trading or speculative purposes.

All derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, hedge accounting is applied.

Foreign exchange forward contracts are utilized to hedge foreign exchange exposures for export sales and import purchases. Trade receivables and payables denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting. Forward contracts related to forecasted (or committed) transactions are measured at fair value, but the unrealized gains/losses are deferred until the underlying transactions are completed.

**r. Per Share Information**—Net income per share is computed by dividing net income available to shareholders of common stock by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. The weighted-average number of shares of common stock used in the computation was 73,855,322 shares for 2010 and 74,486,774 shares for 2009.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

Diluted net income per share is not disclosed because it is anti-dilutive.

#### s. New Accounting Pronouncements

**Business Combinations**—In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, “Accounting Standard for Business Combinations.” Major accounting changes under the revised accounting standard are as follows:

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires accounting for such business combinations by the purchase method, and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in a business combination are capitalized as an intangible asset.
- (3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard will be applicable to business combinations undertaken on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or after April 1, 2009.

**Asset Retirement Obligations**—In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, “Accounting Standard for Asset Retirement Obligations,” and ASBJ Guidance No. 21, “Guidance on Accounting Standard for Asset Retirement Obligations.” Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is

subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard is effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010.

**Accounting Changes and Error Corrections**—In December 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections,” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections.” Accounting treatments under this standard and guidance are as follows:

- (1) Changes in accounting policies  
When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.
- (2) Changes in presentation  
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.
- (3) Changes in accounting estimates  
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.
- (4) Corrections of prior period errors  
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance will be applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

**Segment Information Disclosures**—In March 2008, the ASBJ revised ASBJ Statement No. 17, “Accounting Standard for Segment Information Disclosures,” and issued ASBJ Guidance No. 20, “Guidance on Accounting Standard for Segment Information Disclosures.” Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

### 3. INVESTMENT SECURITIES

Investment securities as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Non-current:			
Equity securities	¥14,788	¥11,349	\$159,008
Trust fund investments and other	99	99	1,068
Total	¥14,887	¥11,448	\$160,076

The costs and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2010 and 2009, were as follows:

	Millions of yen								Thousands of U.S. dollars			
	2010				2009				2010			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as available-for-sale:												
Equity securities	¥6,157	¥7,590	¥106	¥13,641	¥6,136	¥3,981	¥296	¥9,821	\$66,204	\$81,623	\$1,144	\$146,683
Trust fund investments and other	61	5	5	61	61	1	5	57	655	57	59	653

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2009 were as follows. The similar information for 2010 is disclosed in Note 13.

	Carrying Amount
	Millions of yen
	March 31, 2009
Securities classified as available-for-sale:	
Equity securities	¥1,528
Trust fund investments and other	42

Proceeds from sales of available-for-sale securities for the years ended March 31, 2009 were ¥96 million. Net realized gains and losses on these sales, computed on the moving-average cost basis, were ¥12 million for the year ended March 31, 2009.

The information of available-for-sale securities which were sold during the year ended March 31, 2010 was as follows:

	Millions of yen			Thousands of U.S. dollars		
	March 31, 2010			March 31, 2010		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale-Equity securities	¥5		¥1	\$58		\$7

The impairment losses on available-for-sale-equity securities for the years ended March 31, 2010 and 2009 were ¥400 million (\$4,303 thousand) and ¥173 million, respectively.

### 4. INVENTORIES

Inventories as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Merchandise	¥ 1,389	¥ 1,555	\$ 14,930
Finished products	1,875	2,171	20,159
Work in process	8,251	11,559	88,730
Raw materials	4,920	5,954	52,898
Total	¥16,435	¥21,239	\$176,717

### 5. LONG-LIVED ASSETS

The azbil Group reviewed its long-lived assets for impairment as of March 31, 2010 and 2009, and recognized an impairment loss of ¥838 million (\$9,008 thousand) for goodwill and certain assets of Kimmon and ¥162 million for certain assets of Yamatake and Kimmon, respectively. The carrying amount of the relevant property, plant and equipment was written down to the net selling price, and the carrying amount of goodwill was written down to the recoverable amount. The discount rate for measuring the recoverable amount was 17%.

### 6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2010 and 2009, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.3% to 3.5% as of March 31, 2010 and from 0.8% to 4.3% as of March 31, 2009.

Long-term debt as of March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans from banks and other financial institutions, due serially through 2026 with interest rates ranging from 0.9% to 2.7% in 2010 and from 1.3% to 2.7% in 2009:			
Collateralized	¥ 44	¥ 409	\$ 473
Unsecured	2,538	3,979	27,287
Bond due serially through 2011 with interest rates ranging from 0.7% to 1.5% in 2010 and from 0.8% to 1.5% in 2009:			
Collateralized	80	110	860
Unsecured	30	200	323
Obligations under finance leases	231	207	2,484
Total	2,923	4,905	31,427
Less current portion	(2,009)	(2,519)	(21,598)
Long-term debt, less current portion	¥ 914	¥ 2,386	\$ 9,829

As of March 31, 2010, Yamatake had an unused line of credit amounting to ¥30,000 million (\$322,581 thousand), of which ¥10,000 million (\$107,527 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$215,054 thousand) related to the medium-term notes program.

Annual maturities of long-term debt as of March 31, 2010, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥2,009	\$21,598
2012	289	3,105
2013	133	1,428
2014	82	879
2015	346	3,717
2016 and thereafter	64	700
Total	¥2,923	\$31,427

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2010	2010
Time deposit	¥135		\$1,452
Land	40		430
Buildings and structures	175		1,884
Total	¥350		\$3,766

As is customary in Japan, the azbil Group maintains deposit balances with banks with which it has bank loans. Such deposit balances are not legally or contractually restricted as to withdrawal.

General agreements with respective banks provide, as is customary in Japan, that additional collateral must be provided under certain circumstances if requested by the lending banks and that certain banks have the right to offset cash deposited with them against any bank loan or obligation that becomes due and, in case of default and certain other specified events, against all other debt payable to the banks. The azbil Group has never received any such requests.

## 7. RETIREMENT AND PENSION PLANS

Yamatake and certain subsidiaries have retirement and pension plans for employees, and certain domestic subsidiaries have retirement benefit plans for directors and corporate auditors.

Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of services, and certain other factors. Such retirement benefits are made in the form of lump-sum severance payments from the azbil Group and annuity payments from a trustee. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age or by death, than in the case of voluntary termination at certain specific ages prior to the mandatory retirement age.

The liability for retirement benefits at March 31, 2010 and 2009 for directors and corporate auditors is ¥194 million (\$2,087 thousand) and ¥184 million, respectively. The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for employees' retirement benefits at March 31, 2010 and 2009, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥ 42,691	¥ 43,479	\$ 459,038
Fair value of plan assets	(23,943)	(21,012)	(257,447)
Unrecognized prior service costs	2,376	2,660	25,552
Unrecognized actuarial loss	(8,231)	(11,931)	(88,509)
Prepaid pension expense	29	46	308
Net liability	¥ 12,922	¥ 13,242	\$ 138,942

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Service cost	¥1,827	¥ 1,832	\$19,645
Interest cost	827	813	8,891
Expected return on plan assets	(515)	(1,249)	(5,533)
Amortization of prior service costs	(236)	(227)	(2,539)
Recognized actuarial loss	1,153	928	12,396
Payment for defined contribution pension plan and other	804	825	8,648
Net periodic benefit costs	¥3,860	¥ 2,922	\$41,508

Assumptions used for the years ended March 31, 2010 and 2009, are set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.5%	5.0%-5.5%
Amortization period of prior service cost	10-15 years	10-15 years
Recognition period of actuarial gain/loss	10-15 years	10-15 years

## 8. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

### a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such

as; (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, Yamatake cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

#### b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earn-

ings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

#### c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity, or deducted directly from stock acquisition rights.

## 9. STOCK OPTIONS

Directors and employees of BioVigilant Systems, Inc. were granted options for new common stock.

The stock options outstanding as of March 31, 2010 are as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price (U.S. Dollars)	Exercise Period
2003 Stock Option	1 employee	3,000 shares	2003.10.24	\$2.33	From October 24, 2003 to October 24, 2013
2004 Stock Option	1 employee	1,000 shares	2004.2.12	2.33	From February 12, 2004 to February 12, 2014
2004 Stock Option	1 employee	5,000 shares	2004.10.14	2.33	From October 14, 2004 to October 14, 2014
2005 Stock Option	1 employee	10,000 shares	2005.11.21	2.33	From November 21, 2005 to November 21, 2015
2007 Stock Option	1 employee	6,000 shares	2007.1.23	1.00	From January 23, 2007 to January 23, 2017
2007 Stock Option	5 employees	36,450 shares	2007.1.24	1.00	From January 24, 2007 to January 24, 2017
2007 Stock Option	9 employees	65,500 shares	2007.5.4	1.00	From May 4, 2007 to May 4, 2017
2007 Stock Option	1 employee	60,000 shares	2007.5.29	1.00	From May 29, 2007 to May 29, 2017
2007 Stock Option	2 directors	24,000 shares	2007.8.13	1.00	From August 13, 2007 to August 13, 2017
2007 Stock Option	1 employee	20,000 shares	2007.11.20	1.00	From November 20, 2007 to November 20, 2017
2008 Stock Option	1 employee	10,000 shares	2008.4.25	0.38	From April 25, 2008 to April 25, 2018
2008 Stock Option	16 employees	106,500 shares	2008.6.13	0.38	From June 13, 2008 to June 13, 2018
2008 Stock Option	4 employees	24,000 shares	2008.8.19	0.38	From August 19, 2008 to August 19, 2018
2009 Stock Option	1 director and 11 employees	20,000 shares	2009.6.22	1.46	From June 22, 2010 to June 22, 2019
2009 Stock Option	4 employees	11,000 shares	2009.9.30	1.46	From September 30, 2009 to May 7, 2012

The stock option activity is as follows:

Year Ended March 31, 2010	2003 Stock Option	2004 Stock Option	2005 Stock Option	2006 Stock Option	2007 Stock Option	2008 Stock Option	2009 Stock Option
	(Shares)						
<b>Non-vested</b>							
March 31, 2009—Outstanding					100,500	148,500	
Granted							31,000
Canceled					(13,334)	(8,000)	
Vested					(50,668)	(46,832)	(11,000)
March 31, 2010—Outstanding					36,498	93,668	20,000
<b>Vested</b>							
March 31, 2009—Outstanding	23,000	8,000	18,500	5,000	131,500		
Vested					50,668	46,832	11,000
Exercised					(50)		
Canceled	(20,000)	(2,000)	(8,500)	(5,000)	(6,666)		
March 31, 2010—Outstanding	3,000	6,000	10,000		175,452	46,832	11,000
Exercise price (U.S. dollars)	2.33	2.33	2.33		1.00	0.38	1.46
Average stock price exercise (U.S. dollars)							
Fair value price at grant date (U.S. dollars)							

The assumptions used to measure the fair value of the 2009 Stock Option were estimated by intrinsic value based accounting because BioVigilant Systems, Inc. is non-public entity.

## 10. INCOME TAXES

Yamatate and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 40.4% for the years ended March 31, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
<b>Deferred tax assets:</b>			
Pension and severance costs	¥ 5,029	¥ 5,100	\$ 54,081
Accrued expenses	3,887	4,227	41,795
Depreciation	1,306	1,561	14,044
Loss on impairment of property, plant and equipment	435	389	4,677
Allowance for doubtful receivables	397	251	4,266
Tax loss carryforwards	2,954	3,488	31,761
Others	2,231	1,781	23,992
Less valuation allowance	(6,153)	(6,530)	(66,158)
Total	10,086	10,267	108,458
<b>Deferred tax liabilities:</b>			
Net unrealized gain on available-for-sale securities	2,984	1,452	32,085
Special advanced depreciation	1,851	1,689	19,904
Others	355	355	3,821
Total	5,190	3,496	55,810
Net deferred tax assets	¥ 4,896	¥ 6,771	\$ 52,648

There is no material difference between the normal effective statutory tax rate for the years ended March 31, 2010 and 2009, and the actual effective tax rates reflected in the accompanying consolidated statements of income.

At March 31, 2010, certain subsidiaries have tax loss carryforwards aggregating approximately ¥11,087 million (\$119,209 thousand) which are available to be offset against taxable income of such subsidiaries in future years. These tax loss carryforwards, if not utilized, will expire as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 1,146	\$ 12,318
2012		
2013	254	2,733
2014	4,974	53,483
2015	678	7,291
2016 and thereafter	4,035	43,384
Total	¥11,087	\$119,209

## 11. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,640 million (\$92,907 thousand) and ¥9,636 million for the years ended March 31, 2010 and 2009, respectively.

## 12. LEASES

### (1) Financing Leases as a Lessee

The azbil Group leases certain machinery, computer equipment, office space and other assets as a lessee.

Total rental expenses under the above leases for the years ended March 31, 2010 and 2009, were ¥6,471 million (\$69,586 thousand) and ¥5,850 million, respectively.

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. Yamatake and its consolidated domestic subsidiaries applied ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment loss, obligations under finance leases, depreciation expense and other information for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of yen							
	2010				2009			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥774	¥839	¥693	¥2,306	¥857	¥1,320	¥693	¥2,870
Accumulated depreciation	475	717	522	1,714	478	951	413	1,842
Accumulated impairment loss	130		40	170	129	86	40	255
Net leased property	¥169	¥122	¥131	¥ 422	¥250	¥ 283	¥240	¥ 773

	Thousands of U.S. Dollars			
	2010			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$8,323	\$9,018	\$7,453	\$24,794
Accumulated depreciation	5,113	7,705	5,619	18,437
Accumulated impairment loss	1,394		429	1,823
Net leased property	\$1,816	\$1,313	\$1,405	\$ 4,534

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Due within one year	¥ 645	¥ 808
Due after one year	1,941	2,593	20,871
Total	¥2,586	¥3,401	\$27,812

The above obligations under finance leases include the imputed interest portion.

Allowance for impairment loss on leased property of ¥75 million (\$805 thousand) as of March 31, 2010 and ¥126 million as of March 31, 2009, is not included in the obligations under finance leases.

Depreciation expense and other information under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Depreciation expense	¥345	¥502
Lease payments	496	650	5,334
Reversal of allowance for impairment loss on leased property	51	95	550

Depreciation expense, which is not reflected in the accompanying consolidated statements of income, is computed mainly by the declining-balance method at rates based on the period of those financing leases with a remaining value of 10% of total lease payments.

The minimum rental commitments under noncancelable operating leases as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Due within one year	¥334	¥ 758	\$3,595
Due after one year	75	409	804
Total	¥409	¥1,167	\$4,399

(2) *Financing Leases as a Lessor*

The azbil Group leases certain machinery and equipment as a lessor.

Yamatake and its consolidated domestic subsidiaries applied ASBJ Statement No. 13 effective April 1, 2008, and accounted for leases which existed at the transition date and which do not transfer ownership of the leased property to the lessee as operating lease transactions. Pro forma information of such leases existing at the transition date, such as receivables under the finance leases, on an “as if capitalized” basis for the years ended March 31, 2010 and 2009, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Receivables under finance leases:			
Due within one year	¥ 279	¥ 308	\$ 2,995
Due after one year	1,623	1,903	17,458
Total	¥1,902	¥2,211	\$20,453

### 13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10, “Accounting Standard for Financial Instruments,” and issued ASBJ Guidance No. 19, “Guidance on Accounting Standard for Financial Instruments and Related Disclosures.” This accounting standard and guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010, with early adoption permitted from the beginning of fiscal years ending before March 31, 2010. The azbil Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) *Policy for Financial Instruments*

The azbil Group makes safety the first priority in terms of its asset management and limits its investments to financial assets that consist mainly of short-term deposits, while the azbil Group’s financing needs are met by selecting the most suitable method of funding while taking into account such factors as the purpose of the loan, the terms and funding costs. The azbil Group limits the use of derivatives to forward exchange contracts and currency option contracts to hedge against the risks associated with fluctuating exchange rates, and interest rate swaps to hedge against the risks associated with fluctuating interest rates, and does not engage in transactions for speculative purposes.

(2) *Nature and Extent of Risks Arising from Financial Instruments and Risk Management*

Notes and accounts receivable–trade are subject to the credit risks of the customers. The azbil Group manages its credit risks on the basis of internal guidelines, which include keeping track of due dates and outstanding balances of the receivables for each transaction and also monitors the credit standing of the major customers on a yearly basis. Notes and accounts receivable–trade denominated in foreign currencies are subject to risks associated with fluctuating exchange rates; however, their net positions after deducting operating liabilities are, in principle, hedged through the use of forward exchange contracts.

Investment securities mainly comprise stocks of companies with which the azbil Group has business relationships, and are subject to the risks associated with fluctuating stock prices. Such stock investments are managed by monitoring their fair values and the financial status of the companies on a regular basis, as well as conducting ongoing reviews of their holding status by taking into account the azbil Group’s relationship with the issuing companies.

Notes and accounts payable–trade are liabilities due within one year. Although certain notes and accounts payable–trade denominated in foreign currencies are subject to the risks associated with fluctuating exchange rates, the majority of such instruments are constantly kept within the amount of the outstanding balance of accounts receivable denominated in the same foreign currency.

Interest-bearing debt mainly comprises short-term borrowings. While a portion of these borrowings, having floating interest rates, is subject to the risks associated with fluctuating interest rates, the effects of these risks are negligible as their terms are short and amounts minimal.

Derivative transactions are executed and managed in accordance with internal rules that have determined the authorization procedures of such transactions, are used for the purpose of mitigating credit risks, and are conducted solely with highly-rated financial institutions as counterparties. Please see Note 14 for more detail about derivatives.

Additionally, notes and accounts payable–trade and short-term borrowings are subject to liquidity risks such as in the event the azbil Group cannot execute payment on the payment date. Liquidity risks are managed by such methods as having each company draw up monthly cash flow plans.

## (3) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. Also please see Note 14 for the detail of fair value for derivatives.

## (a) Fair value of financial instruments

	Millions of yen			Thousands of U.S dollars		
	March 31, 2010			March 31, 2010		
	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 55,364	¥ 55,364		\$ 595,307	\$ 595,307	
Notes and accounts receivable-trade	74,651	74,651		802,700	802,700	
Investment securities	13,702	13,702		147,336	147,336	
Total	¥143,717	¥143,717		\$1,545,343	\$1,545,343	
Short-term borrowings	¥ 12,498	¥ 12,498		\$ 134,385	\$ 134,385	
Current portion of long-term debt	2,009	2,009		21,598	21,598	
Notes and accounts payable-trade	34,985	34,985		376,181	376,181	
Long-term debt	914	923	¥(9)	9,829	9,929	\$(100)
Total	¥ 50,406	¥ 50,415	¥(9)	\$ 541,993	\$ 542,093	\$(100)

## Cash and Cash Equivalents, and Notes and Accounts Receivable-Trade

The carrying values of cash and cash equivalents, and notes and accounts receivable-trade approximate fair value because of their short maturities.

## Investment Securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for the investment securities by classification is included in Note 3.

## Short-Term Borrowings, Current Portion of Long-Term Debt and Notes and Accounts Payable-Trade

The carrying values of short-term borrowings, current portion of long-term debt and notes and accounts payable-trade approximate fair value because of their short maturities.

## Long-Term Debt

The fair values of loans from banks and other financial institutions are determined by the present values calculated by discounting the total amount of principal and interest rates currently considered applicable to similar loans.

The fair values of bonds without market value price are determined by the present values calculated by discounting the total amount of the principal and interest at a rate that takes into account the remaining term and credit risks.

## Derivatives

The information of the fair value for derivatives is included in Note 14.

## (b) Financial instruments whose fair value cannot be reliably determined

	Carrying Amount	
	Millions of yen	Thousands of U.S. dollars
	March 31, 2010	March 31, 2010
Investments in equity instruments that do not have a quoted market price in an active market	¥1,185	\$12,740

## (4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of yen				Thousands of U.S dollars			
	March 31, 2010				March 31, 2010			
	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years	Due in 1 Year or Less	Due after 1 Year through 5 Years	Due after 5 Years through 10 Years	Due after 10 Years
Cash and cash equivalents	¥ 55,364				\$ 595,307			
Notes and accounts receivable-trade	72,585	¥2,066			780,489	\$22,211		
Total	¥127,949	¥2,066			\$1,375,796	\$22,211		

Please see Note 6 for annual maturities of long-term debt and Note 12 for obligations under finance leases, respectively.

## 14. DERIVATIVES

The azbil Group enters into foreign currency forward contracts to hedge foreign exchange risk associated with trade receivables and payables denominated in foreign currencies.

It is the azbil Group's policy to use derivatives only for the purpose of reducing market risks associated with assets and liabilities, not to hold or issue derivatives for speculative or trading purposes.

Since all of the azbil Group's foreign currency forward contracts are related to qualified hedges of underlying business exposures, market gain or loss risk in the derivative instruments is effectively offset by opposite movements in the value of the hedged assets or liabilities.

Because the counterparties to these derivatives are limited to major international financial institutions, the azbil Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the azbil Group have been made in accordance with internal policies which regulate the authorization and credit limit amounts.

As noted in Note 13, the azbil Group applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and guidance are applicable to financial instruments and related disclosures at the end of fiscal years ending on or after March 31, 2010; therefore, the required information is disclosed only for 2010.

### Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010

	Millions of yen				Thousands of U.S dollars			
	March 31, 2010				March 31, 2010			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:								
Selling U.S. dollars	¥601		¥(18)	¥(18)	\$6,464		\$(194)	\$(194)
Selling KR won	150		(12)	(12)	1,613		(133)	(133)
Buying U.S. dollars	151				1,622			

### Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010

	Hedged Item	Millions of yen			Thousands of U.S dollars		
		March 31, 2010			March 31, 2010		
		Contract Amount	Contract Amount Due after One Year	Fair Value	Contract Amount	Contract Amount Due after One Year	Fair Value
Foreign currency forward contracts-							
Buying U.S. dollars	Accounts payables	¥87		¥3	\$931		\$30

The following is the fair value information for foreign currency forward contracts to which hedge accounting is not applied at March 31, 2009. Foreign currency forward contracts which qualify for hedge accounting are excluded from the information below.

	Millions of yen		
	March 31, 2009		
	Contract Amount	Fair Value	Unrealized Loss
Foreign currency forward contracts-Buying JP yen	¥194	¥203	¥9

The fair value of derivative transactions is measured at the quoted price obtained from the financial institution.

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the azbil Group's exposure to credit or market risk.

## 15. COMMITMENT AND CONTINGENT LIABILITIES

At March 31, 2010, the azbil Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees and similar items of loans	¥18	\$195

## 16. SUBSEQUENT EVENT

### Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2010 was approved at Yamatake's shareholders meeting held on June 25, 2010:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥31 (\$0.33) per share	¥2,290	\$24,618

## 17. SEGMENT INFORMATION

The azbil Group focuses on creating value through measurement and control technologies. The operating segments reported below are the segments of the azbil Group for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The building automation segment designs, develops, manufactures, distributes and provides engineering/maintenance services, integrated building automation systems, security systems and energy and facility management, primarily for such markets as commercial buildings, research and manufacturing facilities, hospitals, government and institutional buildings, schools, hotels and department stores.

The advanced automation segment designs, develops, manufactures, distributes and provides switches, sensors, controllers, valves, systems and software packages vital to the operation of industrial plants and factories as well as of engineering and maintenance services, primarily for such markets as petrochemical/chemical, water supply and sewerage, oil refining, electric power and gas, iron and steel, pulp and paper, shipping and marine, semiconductors, electrical/electronic components, machine tools, automobiles, pharmaceuticals, foods and beverages/packaging, furnace/oven/boiler manufacturing and residential/commercial buildings.

The life automation segment consists of various operating fields, such as "Life-line automation" and "Life-assist automation." These businesses draw on the technologies and know-how built up through many years of experience in the building and industrial automation markets. This expertise is applied to fields closely connected with daily life. The life automation covers a broad range of fields, from lifeline infrastructure—such as gas and water meters, sewage and waste disposal systems—to residential air conditioning, lifestyle support for the elderly and care services; to provide people from all walks of life with improved comfort and peace of mind.

The other segment consists mainly of the import of industrial machines and equipment.

Information about industry segments of the azbil Group for the years ended March 31, 2010 and 2009, was as follows:

### (1) Industry Segments

#### a. Sales and Operating Income (Losses)

	Millions of yen						
	2010						Eliminations/ Corporate
	Building Automation	Advanced Automation	Life Automation	Other	Total		
Sales to customers	¥ 96,387	¥76,177	¥34,445	¥5,204	¥212,213		¥212,213
Intersegment sales	284	761	276	125	1,446	¥(1,446)	
Total sales	96,671	76,938	34,721	5,329	213,659	(1,446)	212,213
Operating expenses	85,154	76,386	34,368	5,370	201,278	(1,450)	199,828
Operating income (losses)	¥ 11,517	¥ 552	¥ 353	¥ (41)	¥ 12,381	¥ 4	¥ 12,385

	Millions of yen						
	2009						Eliminations/ Corporate
	Building Automation	Advanced Automation	Life Automation	Other	Total		
Sales to customers	¥ 99,972	¥92,869	¥35,601	¥7,731	¥236,173		¥236,173
Intersegment sales	395	762	322	185	1,664	¥(1,664)	
Total sales	100,367	93,631	35,923	7,916	237,837	(1,664)	236,173
Operating expenses	87,295	88,665	36,083	7,970	220,013	(1,672)	218,341
Operating income (losses)	¥ 13,072	¥ 4,966	¥ (160)	¥ (54)	¥ 17,824	¥ 8	¥ 17,832

	Thousands of U.S. Dollars						
	2010						Eliminations/ Corporate
	Building Automation	Advanced Automation	Life Automation	Other	Total		
Sales to customers	\$1,036,418	\$819,108	\$370,373	\$55,966	\$2,281,865		\$2,281,865
Intersegment sales	3,058	8,183	2,972	1,339	15,552	\$(15,552)	
Total sales	1,039,476	827,291	373,345	57,305	2,297,417	(15,552)	2,281,865
Operating expenses	913,634	821,351	369,550	57,742	2,164,277	(15,580)	2,148,697
Operating income (losses)	\$ 123,842	\$ 5,940	\$ 3,795	\$ (437)	\$ 133,140	\$ 28	\$ 133,168

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of yen						
	2010						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥54,049	¥59,160	¥29,323	¥3,255	¥145,787	¥72,685	¥218,472
Depreciation	1,266	2,604	840	41	4,751		4,751
Impairment loss	723		178		901	(63)	838
Capital expenditures	1,045	1,065	574	20	2,704		2,704

	Millions of yen						
	2009						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	¥55,007	¥66,017	¥31,174	¥3,703	¥155,901	¥64,945	¥220,846
Depreciation	1,018	2,560	870	55	4,503		4,503
Impairment loss	25		906		931	(769)	162
Capital expenditures	1,518	4,208	639	49	6,414		6,414

	Thousands of U.S. Dollars						
	2010						
	Building Automation	Advanced Automation	Life Automation	Other	Total	Eliminations/Corporate	Consolidated
Assets	\$581,168	\$636,132	\$315,299	\$35,003	\$1,567,602	\$781,557	\$2,349,159
Depreciation	13,612	27,999	9,034	444	51,089		51,089
Impairment loss	7,774		1,915		9,689	(681)	9,008
Capital expenditures	11,237	11,449	6,174	219	29,079		29,079

Notes: 1. Corporate assets of ¥72,793 million (\$782,719 thousand) and ¥65,320 million for the years ended March 31, 2010 and 2009, respectively, included in "Eliminations/Corporate" mainly consist of cash and cash equivalents and investment securities.

2. As discussed in Note 2.m, effective April 1, 2009, Yamatake and its consolidated domestic subsidiaries applied ASBJ Statement No. 15, "Accounting Standard for Construction Contracts." The effect of this change was to increase operating income of Building Automation by ¥1,905 million (\$20,486 thousand) and operating income of Advanced Automation by ¥506 million (\$5,439 thousand) for the year ended March 31, 2010, respectively.

(2) Geographical Segments

Overseas sales amounts are less than 10% of consolidated sales.

(3) Sales to Foreign Customers

Sales to foreign customers are less than 10% of consolidated sales.



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Yamatake Corporation:

We have audited the accompanying consolidated balance sheets of Yamatake Corporation (the "Company") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Yamatake Corporation and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2.m to the consolidated financial statements, the Company and its consolidated domestic subsidiaries applied the new accounting standard for construction contracts effective April 1, 2009.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

*Deloitte Touche Tohmatsu LLC*

June 17, 2010

Member of  
Deloitte Touche Tohmatsu