

4. Financial Report

Financial Review	54
Consolidated Balance Sheets	58
Consolidated Statements of Income and Consolidated Statement of Comprehensive Income	60
Consolidated Statements of Changes in Equity	61
Consolidated Statements of Cash Flows	62
Notes to Consolidated Financial Statements	63
Independent Auditors' Report	76

For general information on our financial results and investor relations,
please refer to
<http://www.azbil.com/ir/index.html>



Financial Review

Consolidated Results

Net Sales

In fiscal year 2010, ended March 31, 2011, sales rose ¥7,003 million, or 3.3%, year on year to ¥219,216 million due to factors including recovery in capital investment by the manufacturing industry both in Japan and overseas as well as business restructuring initiatives. Detailed breakdowns are available in the Business Overview section starting on page 21, but summaries are as follows.

Building Automation Business

In Japan, the domestic market for large-scale commercial offices continued to be robust, particularly in the large metropolitan areas, and so sales increased significantly.

As regards the market for existing buildings, expanded investment in building refurbishment for energy conservation was expected due to stricter regulations to reduce CO₂ emissions. With the start of the third quarter, signs of this growth gradually began to appear. A sales expansion initiative that focused on providing customers with attractive energy-saving proposals met with success, leading to sales growth. However, intensifying competition in the market for existing buildings has impacted the profitability of individual projects.

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

While there were some instances of delivery postponement resulting from the Great East Japan Earthquake, overall this crisis had a relatively minor impact on business performance for fiscal year 2010.

Turning to overseas markets, where azbil has traditionally had an advantage in the market for HVAC for factories operated by Japanese companies, a new initiative has been implemented to develop local building markets by forming tie-ups with local enterprises. This initiative benefits from azbil's unrivalled experience and energy-saving expertise in Japan. In Indonesia, Korea, and China, this approach is clearly beginning to yield results, and overall sales in overseas markets grew significantly.

As a result, sales in the Building Automation business rose ¥5,453 million, or 5.6%, year on year to ¥102,124 million.

Advanced Automation Business

In Japan, market conditions for azbil's control products for factory automation (FA) meant that cyclical fluctuations in demand led to a dip in sales of components for semiconductor and flat panel display manufacturing equipment from the second quarter onward. Consequently, growth slowed, but overall sales were robust.

As regards sales of automation systems in the materials-related market, despite some evidence of investments in energy conservation, in general the pace of recovery in market conditions was modest and in fact sales of automation systems decreased.

The impact on financial results has been relatively mild, but there have been cases of cancellations and postponements as a result of the Great East Japan Earthquake.

In overseas markets, we established new overseas subsidiaries and worked to expand our business area, and also bolstered our engineering functions. Moreover, we worked on enhancing customization capabilities to tailor responses to specific customer needs in each region. Consequently, overseas sales grew, principally in the FA market.

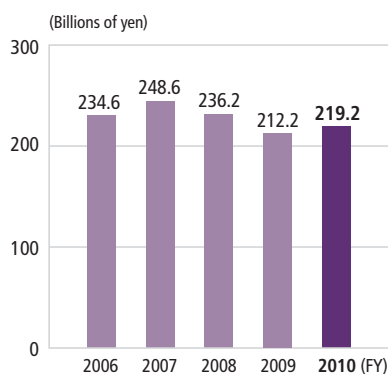
As a result, sales in the Advanced Automation business were up ¥4,037 million, or 5.2%, year on year to ¥80,975 million.

Life Automation Business

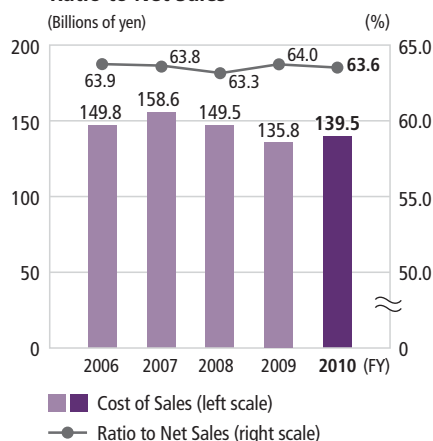
For Kimmon Manufacturing – a company that plays a central role in the lifeline business field and accounts for the bulk of sales in the Life Automation business – sales decreased because LP gas meter sales are lower in the off-demand season, and also because increased competition has depressed water meter bid prices, so that in some cases the company selectively avoided low-margin orders. Additionally, Kimmon Manufacturing has a number of factories in the Tohoku region that were affected by the Great East Japan Earthquake and the ensuing Fukushima Daiichi nuclear power plant accident. Since operations were unavoidably suspended, this had an impact on business performance. However, all affected facilities are now back in operation.

Turning to the life assist field – with its nursing care and emergency alert response services – demand is growing as Japan's population ages, and a steadily increasing number of people are making use of these services. Nevertheless, this segment continued to face a challenging

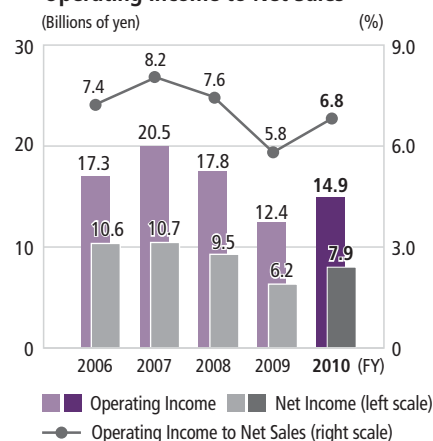
Net Sales



Cost of Sales/ Ratio to Net Sales



Operating Income/Net Income/ Operating Income to Net Sales



business environment owing to such factors as cutbacks in welfare budgets by local governments. Countermeasures included strengthening sales efforts and expanding the scope of services, and this approach was rewarded with an increase in sales.

As regards the market for residential central air-conditioning systems, uncertainties surrounding consumer trends meant that housing starts remained stagnant, resulting in a challenging business environment. However, there has been a steady improvement in product recognition thanks to the implementation of aggressive sales measures targeting both home builders and individual clients.

As a result, sales in the Life Automation business fell ¥2,101 million, or 6.0%, year on year to ¥32,621 million.

Other Businesses

Sales decreased ¥206 million, or 3.9%, year on year to ¥5,123 million.

Operating Income

Cost of sales totaled ¥139,502 million. As competition continued to intensify, we worked on measures to reduce costs and improve profitability, and the cost of sales ratio improved 0.4 percentage points to 63.6%. Selling, general and administrative expenses increased ¥783 million to ¥64,818 million due to higher personnel and research and development costs. The ratio of selling, general and administrative expenses to net sales decreased 0.6 percentage points to 29.6%.

As a result, operating income increased ¥2,512 million, or 20.3%, year on year to ¥14,896 million. By business segment, segment profit (operating income) for the Building Automation business increased ¥231 million, or 2.0%, year on year to ¥11,749 million, and segment profit (operating income) for the Advanced Automation business increased ¥2,681 million, or 485.4%, year on year to ¥3,234 million. For the Life Automation business, segment loss (operating loss) was ¥227 million, compared with segment profit (operating income) of ¥353 million in the previous fiscal year. Segment profit (operating income) for Other businesses totaled ¥144 million, compared with a segment loss (operating loss) of ¥41 million in the previous fiscal year.

Net Income

Other Income (Expenses)

Other expenses-net decreased ¥93 million, or 7.4%, year on year to ¥1,170 million. Major factors were other income including gain on sales of investment securities of ¥194 million, as well as other expenses including environmental expenses of ¥572 million and loss on adjustment for changes of accounting standard for asset retirement obligations of ¥266 million.

Income before Income Taxes and Minority Interests / Income Taxes

Income before income taxes and minority interests increased ¥2,605 million, or 23.4%, year on year to ¥13,726 million. Total income taxes increased ¥838 million, or 17.9%, to ¥5,517 million. The actual effective income tax rate on income before income taxes and minority interests was 40.2%, a decrease of 1.9 percentage points from the previous fiscal year, while minority interests in net income increased ¥81 million, or 40.3%, to ¥281 million.

As a result of the above factors, net income increased ¥1,686 million, or 27.0%, year on year to ¥7,928 million.

Financial Position

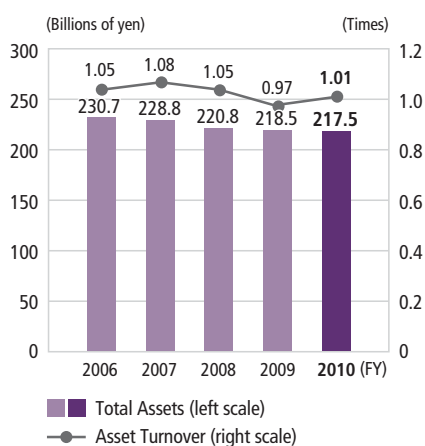
Assets

Total assets at March 31, 2011 decreased ¥971 million, or 0.4%, from the previous fiscal year-end to ¥217,501 million. This was primarily due to a decrease of ¥2,649 million in inventories, despite an increase in notes and accounts receivable-trade of ¥1,399 million.

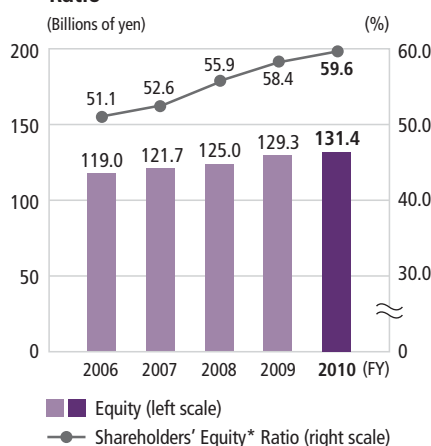
Liabilities

Total liabilities at March 31, 2011 decreased ¥3,054 million, or 3.4%, from the previous fiscal year-end to ¥86,140 million. This was primarily due to a net decrease of ¥3,382 million in short-term borrowings, current portion of long-term debt and long-term debt.

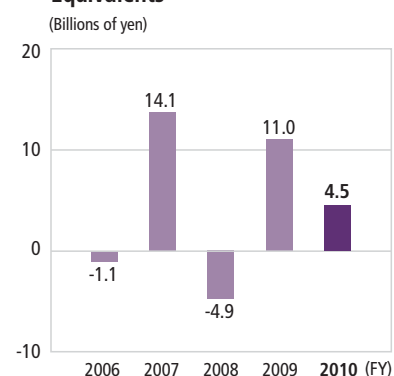
Total Assets/Asset Turnover



Equity/Shareholders' Equity* Ratio



Net Change in Cash and Cash Equivalents



* Shareholders' Equity = Total equity - Minority interests

Equity

Total equity at March 31, 2011 increased ¥2,084 million, or 1.6%, from the previous fiscal year-end to ¥131,362 million. This was primarily the result of an increase in retained earnings due to net income recorded for fiscal year 2010.

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

Receivables/sales (days): Decreased 4 days to 125 days

Inventories/cost of sales (days): Decreased 11 days to 40 days

Asset turnover (times): Increased 0.04 times to 1.01 times

Shareholders' equity ratio: Increased 1.2 percentage points to 59.6%

Per Share Data

Net income per share increased ¥22.83 year on year to ¥107.35, and net assets* per share rose ¥26.22 to ¥1,754.86.

* Net assets are presented as total equity in the consolidated balance sheets.

Cash Flows

Cash and cash equivalents (hereafter, net cash) provided by operating activities in fiscal year 2010, ended March 31, 2011, decreased ¥490 million, or 3.1%, year on year to ¥15,223 million. This was primarily due to an increase in notes and accounts receivable, despite an increase in income before income taxes and minority interests.

Net cash used in investing activities was ¥2,276 million, compared with ¥1,960 million in net cash provided by investing activities in the previous fiscal year. This was primarily due to a decrease in proceeds from sales of investment securities.

Net cash used in financing activities increased ¥1,244 million year on year to ¥8,001 million. The primary reason was an increase in cash outflow from the repayment of long-term debt.

As a result of the above factors, cash and cash equivalents on March 31, 2011, the end of fiscal year 2010, increased ¥4,480 million, or 8.1%, from the previous fiscal year-end to ¥59,844 million.

Outlook for Fiscal Year 2011, Ending March 31, 2012

For fiscal year 2011, we forecast a year-on-year increase of ¥800 million, or 0.4%, in net sales to ¥220,000 million. However, profitability is expected to be impacted negatively by a projected fall in output at Kimmon Manufacturing's factories as a result of procurement difficulties due to the Great East Japan Earthquake, and also by increased social insurance premiums. As a result, we forecast a year-on-year decrease of ¥1,900 million, or 12.7%, in operating income to ¥13,000 million; a decrease of ¥1,900 million, or 12.7%, in ordinary income to ¥13,000 million; and a decrease of ¥600 million, or 7.9%, in net income to ¥7,300 million.

By business segment, in the Building Automation business, we forecast a year-on-year increase of ¥1,900 million, or 1.8%, in net sales, to ¥104,000 million, and a year-on-year decrease of ¥1,100 million, or 9.8%, in operating income, to ¥10,600 million. In the Advanced Automation business, we forecast year-on-year increases of ¥2,000 million, or 2.5%, in net sales, to ¥83,000 million, and ¥200 million, or 5.1%, in operating income, to ¥3,400 million. In the Life Automation business, we forecast a year-on-year decrease of ¥1,600 million, or 5.0%, in net sales, to ¥31,000 million, and an operating loss of ¥900 million. For Other businesses, we forecast a year-on-year decrease of ¥1,100 million, or 21.9%, in net sales, to ¥4,000 million, and an operating loss of ¥100 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.

The damage caused by the recent Great East Japan Earthquake, and the resulting electrical power shortages that are expected to continue for some time are having a serious impact on Japan's economic activities – particularly manufacturing, distribution, and marketing. At this point in time it is very difficult to calculate with any degree of certainty the extent of this impact on the economy in general or specifically on the business performance of the azbil Group. The concern is that manufacturing output may falter as a result of power shortages, parts shortages, and an economic downturn caused by the drop in consumer confidence brought on by the impact of the earthquake.

Nevertheless, the azbil Group will swiftly put into action any measures deemed appropriate for contingencies that can be envisioned, and at the same time will make further progress with the business structure and business operation reforms that underpin its medium-term plan. As well as developing global markets and environmental/energy-saving markets, the Group will seek to create new businesses that meet emerging customer needs.

Social and market structural changes that have grown increasingly conspicuous since the collapse of Lehman Brothers in September 2008 have apparently accelerated as a result of the Great East Japan Earthquake. To respond to these developments, the azbil Group is accelerating its own reforms. Everyone in the azbil Group is united in a commitment to strengthen the business structure with a view to ensuring the sustainability and continuity of the enterprise.

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 2010, ended March 31, 2011.

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 these needs or 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 24 local subsidiaries and two branches. In the rapidly growing Chinese market, the Group conducts product sales, manufacturing, instrumentation work, and other businesses locally through 10 subsidiaries. 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 globally, being mindful of the decentralization of country risk, delays in its expansion plans, 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 cross-training for multifunctional workers and the retention and development of human resources for domestic and international 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 due to unforeseen reasons 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. In addition, four of the seven domestic production bases of Kimmon Manufacturing involved in the Life Automation business are concentrated in Fukushima Prefecture. The Group has taken actions as necessary including implementing safety precautions, taking out insurance, and establishing a business continuity plan (BCP) to maintain operations and/or quickly return operations to normal. However, any direct or indirect effect due to a large-scale disaster or other incident in these areas 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, environmental and safety standards, and product 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 impact, 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.

Consolidated Balance Sheets

Yamatake Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
CURRENT ASSETS:			
Cash and cash equivalents (Notes 6 and 14)	¥ 59,844	¥ 55,364	\$ 721,008
Notes and accounts receivable:			
Trade (Note 14)	76,050	74,651	916,261
Other	839	1,021	10,107
Allowance for doubtful receivables	(358)	(314)	(4,311)
Inventories (Note 4)	13,785	16,435	166,087
Deferred tax assets (Note 10)	5,487	4,855	66,106
Prepaid expenses and other current assets	8,739	8,234	105,294
Total current assets	164,386	160,246	1,980,552
PROPERTY, PLANT AND EQUIPMENT:			
Land (Note 5)	6,334	6,440	76,317
Buildings and structures (Notes 5 and 6)	38,135	38,105	459,454
Machinery and equipment (Note 5)	17,258	17,126	207,922
Furniture and fixtures (Note 5)	19,278	19,261	232,270
Construction in progress	351	103	4,227
Total	81,356	81,035	980,190
Accumulated depreciation	(55,645)	(53,586)	(670,417)
Net property, plant and equipment	25,711	27,449	309,773
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 3 and 14)	12,202	14,887	147,015
Investments in unconsolidated subsidiaries and associated companies	517	454	6,224
Goodwill (Note 5)	3,879	5,370	46,732
Deferred tax assets (Note 10)	1,585	1,110	19,098
Other assets	9,221	8,956	111,101
Total investments and other assets	27,404	30,777	330,170
TOTAL	¥217,501	¥218,472	\$2,620,495

See notes to consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
CURRENT LIABILITIES:			
Short-term borrowings (Notes 6 and 14)	¥ 4,055	¥ 12,498	\$ 48,857
Current portion of long-term debt (Notes 6 and 14)	1,699	2,009	20,469
Notes and accounts payable:			
Trade (Note 14)	33,946	34,985	408,992
Other	941	956	11,342
Income taxes payable	5,810	3,642	69,999
Accrued bonuses	8,119	7,908	97,824
Other accrued expenses and current liabilities	10,923	11,957	131,591
Total current liabilities	65,493	73,955	789,074
LONG-TERM LIABILITIES:			
Long-term debt (Notes 6 and 14)	6,284	914	75,712
Liabilities for retirement benefits (Note 7)	12,582	13,116	151,592
Deferred tax liabilities (Note 10)	963	1,069	11,604
Other long-term liabilities	817	140	9,843
Total long-term liabilities	20,646	15,239	248,751
COMMITMENTS AND CONTINGENT LIABILITIES (Notes 13, 15 and 16)			
EQUITY (Notes 8, 9 and 18):			
Common stock—authorized, 279,710,000 shares; issued, 75,116,101 shares	10,523	10,523	126,780
Capital surplus	17,198	17,198	207,203
Stock acquisition rights	2	2	27
Retained earnings	103,678	100,363	1,249,126
Treasury stock—at cost, 1,261,417 shares in 2011 and 1,260,779 shares in 2010	(2,643)	(2,643)	(31,844)
Accumulated other comprehensive income (loss):			
Unrealized gain on available-for-sale securities	2,119	3,149	25,535
Deferred (loss) gain on derivatives under hedge accounting	(1)	2	(10)
Foreign currency translation adjustments	(1,269)	(923)	(15,289)
Total	129,607	127,671	1,561,528
Minority interests	1,755	1,607	21,142
Total equity	131,362	129,278	1,582,670
TOTAL	¥217,501	¥218,472	\$2,620,495

Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
NET SALES	¥219,216	¥212,213	\$2,641,162
COST OF SALES (Notes 7 and 13)	139,502	135,793	1,680,753
Gross profit	79,714	76,420	960,409
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Notes 7, 12 and 13)	64,818	64,035	780,936
Operating income	14,896	12,385	179,473
OTHER INCOME (EXPENSES):			
Interest income	107	122	1,285
Dividend income	470	297	5,661
Interest expense	(159)	(205)	(1,911)
Foreign currency exchange loss	(473)	(34)	(5,695)
Loss on sales of property, plant and equipment—net	(58)	(151)	(698)
Gain (loss) on sales of investment securities—net	176	(1)	2,121
Loss on impairment of long-lived assets (Note 5)	(245)	(838)	(2,949)
Others—net (Note 11)	(988)	(454)	(11,911)
Other expenses—net	(1,170)	(1,264)	(14,097)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	13,726	11,121	165,376
INCOME TAXES (Note 10):			
Current	6,077	4,343	73,212
Deferred	(560)	336	(6,738)
Total income taxes	5,517	4,679	66,474
NET INCOME BEFORE MINORITY INTERESTS	8,209		98,902
MINORITY INTERESTS IN NET INCOME	(281)	(200)	(3,383)
NET INCOME	¥ 7,928	¥ 6,242	\$ 95,519

	Yen		U.S. dollars
	2011	2010	2011
PER SHARE OF COMMON STOCK (Note 2.s):			
Net income	¥ 107.35	¥ 84.52	\$ 1.29
Cash dividends applicable to the year	63.00	62.00	0.76

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 8,209	\$ 98,902
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):		
Unrealized loss on available-for-sale securities	(1,023)	(12,329)
Deferred loss on derivatives under hedge accounting	(2)	(30)
Foreign currency translation adjustments	(422)	(5,075)
Total other comprehensive loss	(1,447)	(17,434)
COMPREHENSIVE INCOME (Note 17)	¥ 6,762	\$ 81,468
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 17):		
Yamatake Corporation	¥ 6,550	\$ 78,918
Minority interests	212	2,550

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Thousands			Millions of yen								
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Minority Interests	Total Equity
							Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments			
BALANCE, APRIL 1, 2009	73,856	¥10,523	¥17,198		¥ 98,692	¥(2,641)	¥ 873		¥(1,091)	¥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)
Net change in the year				¥2			2,276	¥ 2	168	2,448	177	2,625
BALANCE, MARCH 31, 2010	73,855	10,523	17,198	2	100,363	(2,643)	3,149	2	(923)	127,671	1,607	129,278
Adjustment of retained earnings for newly consolidated subsidiaries					3					3		3
Net income					7,928					7,928		7,928
Cash dividends, ¥63 per share					(4,616)					(4,616)		(4,616)
Purchase of treasury stock												
Disposal of treasury stock												
Net change in the year							(1,030)	(3)	(346)	(1,379)	148	(1,231)
BALANCE, MARCH 31, 2011	73,855	¥10,523	¥17,198	¥2	¥103,678	¥(2,643)	¥ 2,119	¥(1)	¥(1,269)	¥129,607	¥1,755	¥131,362

	Thousands of U.S. dollars (Note 1)										
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)			Total	Minority Interests	Total Equity
						Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments			
BALANCE, MARCH 31, 2010	\$126,780	\$207,203	\$20	\$1,209,189	\$(31,828)	\$ 37,937	\$ 20	\$(11,121)	\$1,538,200	\$19,364	\$1,557,564
Adjustment of retained earnings for newly consolidated subsidiaries				32					32		32
Net income				95,519					95,519		95,519
Cash dividends, \$0.76 per share				(55,614)					(55,614)		(55,614)
Purchase of treasury stock					1				1		1
Disposal of treasury stock					(17)				(17)		(17)
Net change in the year			7			(12,402)	(30)	(4,168)	(16,593)	1,778	(14,815)
BALANCE, MARCH 31, 2011	\$126,780	\$207,203	\$27	\$1,249,126	\$(31,844)	\$ 25,535	\$(10)	\$(15,289)	\$1,561,528	\$21,142	\$1,582,670

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 13,726	¥ 11,121	\$ 165,376
Adjustments for:			
Income taxes—paid	(3,866)	(5,459)	(46,575)
Depreciation and amortization	5,789	6,243	69,746
Provision for (reversal of) doubtful receivables	8	(134)	98
Increase (decrease) in accrued bonuses	213	(457)	2,565
Loss on sales of property, plant and equipment—net	58	151	698
(Gain) loss on sales of investment securities—net	(176)	1	(2,121)
Loss on impairment of long-lived assets	245	838	2,949
(Increase) decrease in notes and accounts receivable	(1,610)	273	(19,400)
Decrease in inventories	2,500	4,924	30,124
Decrease in notes and accounts payable	(906)	(1,082)	(10,919)
Decrease in liabilities for retirement benefits	(532)	(314)	(6,407)
Others—net	(226)	(391)	(2,723)
Total adjustments	1,497	4,593	18,035
Net cash provided by operating activities	15,223	15,714	183,411
INVESTING ACTIVITIES:			
Proceeds from sales of property, plant and equipment	176	45	2,118
Purchases of property, plant and equipment	(3,207)	(3,196)	(38,637)
Proceeds from sales of investment securities	1,262	6	15,210
Purchases of investment securities	(83)	(31)	(1,001)
Proceeds from sales of beneficiary securities of trust	13,793	11,311	166,186
Purchases of beneficiary securities of trust	(14,082)	(11,885)	(169,657)
Payment for acquisition of BioVigilant Systems, Inc., net of cash acquired		(744)	
Others—net	(135)	6,454	(1,632)
Net cash (used in) provided by investing activities	(2,276)	1,960	(27,413)
FINANCING ACTIVITIES:			
Net (decrease) increase in short-term borrowings	(8,409)	296	(101,316)
Proceeds from long-term debt	7,050	513	84,940
Repayment of long-term debt	(1,893)	(2,858)	(22,810)
Disposal of treasury stock		1	1
Purchase of treasury stock	(1)	(2)	(17)
Dividends paid	(4,613)	(4,578)	(55,583)
Others—net	(135)	(129)	(1,620)
Net cash used in financing activities	(8,001)	(6,757)	(96,405)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS			
	(466)	68	(5,616)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
	4,480	10,985	53,977
CASH AND CASH EQUIVALENTS OF NEWLY CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR			
		58	
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR			
	55,364	44,321	667,031
CASH AND CASH EQUIVALENTS, END OF YEAR			
	¥ 59,844	¥ 55,364	\$ 721,008
ADDITIONAL INFORMATION:			
Increase in assets and liabilities, cash paid for capital and goodwill in the acquisition of BioVigilant Systems, Inc.:			
Assets acquired		¥ 115	
Liabilities assumed		538	
Cash paid for capital		744	
Goodwill		1,167	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Yamatake Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income (loss) is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 17. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 2010 financial statements to conform to the classifications used in 2011.

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 ¥83 to \$1, the approximate rate of exchange as of March 31, 2011. 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, 2011 include the accounts of Yamatake and its 35 significant (36 in 2010) 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") is being amortized over 7 years. Other goodwill is being 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. Asset Retirement Obligations—In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the 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 was effective for fiscal years beginning on or after April 1, 2010.

Yamatake and its consolidated domestic subsidiaries applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥24 million (\$289 thousand) and income before income taxes and minority interests by ¥290 million (\$3,491 thousand) for the year ended March 31, 2011.

j. Stock Options—In December 2005, 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.

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

l. 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.

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 was 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 continue to account 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.

m. 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, 2011 and 2010 was ¥103 million (\$1,241 thousand) and ¥85 million, respectively.

n. 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 this accounting standard, 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.

o. 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.

p. 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.

q. 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" under accumulated other comprehensive income (loss) in a separate component of equity.

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

r. 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.

s. 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 73,854,684 shares for 2011 and 73,855,322 shares for 2010.

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.

t. New Accounting Pronouncements

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, the 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 April 1, 2011.

3. INVESTMENT SECURITIES

Investment securities as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Non-current:			
Equity securities	¥12,128	¥14,788	\$146,121
Trust fund investments and other	74	99	894
Total	¥12,202	¥14,887	\$147,015

The costs and aggregate fair values of investment securities whose fair value is readily determinable as of March 31, 2011 and 2010, were as follows:

	Millions of yen								Thousands of U.S dollars			
	2011				2010				2011			
	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	¥5,708	¥5,944	¥103	¥11,549	¥6,157	¥7,590	¥106	¥13,641	\$68,766	\$71,610	\$1,236	\$139,140
Trust fund investments and other	58	3	4	57	61	5	5	61	695	39	52	682

Available-for-sale securities whose fair values are not readily determinable as March 31, 2010 were as follows. The similar information for 2011 is disclosed in Note 14.

	Carrying Amount
	Millions of yen
March 31, 2010	
Securities classified as available-for-sale:	
Equity securities	¥1,146
Trust fund investments and other	39
Total	¥1,185

The information for available-for-sale securities which were sold during the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen						Thousands of U.S dollars		
	2011			2010			2011		
	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses	Proceeds	Realized Gains	Realized Losses
Available-for-sale—Equity securities	¥1,796	¥194	¥18	¥5		¥1	\$21,641	\$2,339	\$218

The impairment losses on available-for-sale equity securities for the years ended March 31, 2011 and 2010 were ¥71 million (\$855 thousand) and ¥400 million, respectively.

4. INVENTORIES

Inventories as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Merchandise	¥ 1,370	¥ 1,389	\$ 16,504
Finished products	2,327	1,875	28,033
Work in process	4,745	8,251	57,174
Raw materials	5,343	4,920	64,376
Total	¥13,785	¥16,435	\$166,087

5. LONG-LIVED ASSETS

The azbil Group reviewed its long-lived assets for impairment as of March 31, 2011 and 2010, and recognized an impairment loss of ¥245 million (\$2,949 thousand) and ¥838 million for goodwill and certain assets of Kimmon, respectively. The carrying amount of the relevant property, plant and equipment was written down to the net selling price, and all of the carrying amount of goodwill was written down. The discount rate for measuring the recoverable amount was 16%.

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of March 31, 2011 and 2010, mainly consisted of notes to banks and bank overdrafts. The annual interest rates applicable to the short-term bank loans ranged from 0.5% to 3.8% as of March 31, 2011 and from 0.3% to 3.5% as of March 31, 2010.

Long-term debt as of March 31, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans from banks and other financial institutions, due serially through 2026 with interest rates ranging from 0.9% to 2.1% in 2011 and from 0.9% to 2.7% in 2010:			
Collateralized	¥ 82	¥ 44	\$ 992
Unsecured	7,650	2,538	92,169
Bonds due serially through 2012 with interest rates ranging from 0.6% to 1.5% in 2011 and from 0.7% to 1.5% in 2010:			
Collateralized	50	80	602
Unsecured	10	30	121
Obligations under finance leases	191	231	2,297
Total	7,983	2,923	96,181
Less current portion	(1,699)	(2,009)	(20,469)
Long-term debt, less current portion	¥ 6,284	¥ 914	\$ 75,712

As of March 31, 2011, Yamatake had an unused line of credit amounting to ¥30,000 million (\$361,446 thousand), of which ¥10,000 million (\$120,482 thousand) related to the unused portion of commitment lines with four banks and ¥20,000 million (\$240,964 thousand) related to a medium-term notes program.

Annual maturities of long-term debt as of March 31, 2011, for the next five years and thereafter were as follows:

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2012	¥1,699	\$20,469
2013	1,534	18,476
2014	1,534	18,478
2015	1,745	21,031
2016	1,434	17,277
2017 and thereafter	37	450
Total	¥7,983	\$96,181

The carrying amounts of assets pledged as collateral for the above collateralized long-term debt at March 31, 2011, were as follows:

	Millions of yen	Thousands of U.S. dollars
Time deposit	¥135	\$1,627
Buildings and structures	161	1,940
Total	¥296	\$3,567

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 service, 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, 2011 and 2010 for directors and corporate auditors is ¥227 million (\$2,741 thousand) and ¥194 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, 2011 and 2010, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 42,843	¥ 42,691	\$ 516,185
Fair value of plan assets	(24,788)	(23,943)	(298,658)
Unrecognized prior service costs	2,156	2,376	25,975
Unrecognized actuarial loss	(7,872)	(8,231)	(94,846)
Prepaid pension expense	16	29	195
Net liability	¥ 12,355	¥ 12,922	\$ 148,851

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Service cost	¥1,799	¥ 1,827	\$21,677
Interest cost	820	827	9,875
Expected return on plan assets	(478)	(515)	(5,760)
Amortization of prior service costs	(220)	(236)	(2,656)
Recognized actuarial loss	980	1,153	11,810
Payment for defined contribution pension plan and other	828	804	9,977
Net periodic benefit costs	¥3,729	¥ 3,860	\$44,923

Assumptions used for the years ended March 31, 2011 and 2010, are set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.5%
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 earnings) 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 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

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

The stock options outstanding as of March 31, 2011 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	2 employees	24,000 shares	2007.8.13	1.00	From August 13, 2007 to August 13, 2017
2007 Stock Option	1 director	20,000 shares	2007.11.20	1.00	From November 20, 2007 to November 20, 2017
2008 Stock Option	1 director	10,000 shares	2008.4.25	0.38	From April 25, 2008 to April 25, 2018
2008 Stock Option	1 director and 15 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 10 employees	18,000 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)						
Non-vested							
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
Vested							
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
Year Ended March 31, 2011							
Non-vested							
March 31, 2010—Outstanding					36,498	93,668	20,000
Granted							
Canceled							(2,000)
Vested					(36,498)	(46,834)	(6,001)
March 31, 2011—Outstanding						46,834	11,999
Vested							
March 31, 2010—Outstanding	3,000	6,000	10,000		175,452	46,832	11,000
Vested					36,498	46,834	6,001
Exercised							
Canceled					(60,000)		
March 31, 2011—Outstanding	3,000	6,000	10,000		151,950	93,666	17,001
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)							

10. INCOME TAXES

Yamatake 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, 2011 and 2010.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2011 and 2010, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Pension and severance costs	¥ 4,782	¥ 5,029	\$ 57,613
Accrued expenses	4,278	3,887	51,546
Depreciation	1,143	1,306	13,754
Loss on impairment of property, plant and equipment	306	435	3,692
Allowance for doubtful receivables	642	397	7,729
Tax loss carryforwards	2,923	2,954	35,219
Others	2,610	2,231	31,450
Less valuation allowance	(6,155)	(6,153)	(74,151)
Total	10,529	10,086	126,852
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	2,327	2,984	28,043
Special advanced depreciation	1,711	1,851	20,612
Others	382	355	4,597
Total	4,420	5,190	53,252
Net deferred tax assets	¥ 6,109	¥ 4,896	\$ 73,600

There are no material difference between the normal effective statutory tax rate for the years ended March 31, 2011 and 2010, and the actual effective tax rates reflected in the accompanying consolidated statements of income.

At March 31, 2011, certain subsidiaries have tax loss carryforwards aggregating approximately ¥9,691 million (\$116,763 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
2012		
2013	¥ 195	\$ 2,351
2014	4,819	58,062
2015	675	8,137
2016	413	4,973
2017 and thereafter	3,589	43,240
Total	¥9,691	\$116,763

11. OTHER INCOME (EXPENSES)—NET

Other income (expenses)—net for the year ended March 31, 2011 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Loss on disaster caused by Tohoku-Pacific Ocean Earthquake:		
Equipment restoration costs	¥ 68	\$ 816
Charitable donations	53	639
Production suspensions caused by natural disasters—fixed costs during the suspension period	16	187
Loss on destruction of inventory	14	172
Total	¥151	\$1,814

12. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥8,953 million (\$107,866 thousand) and ¥8,640 million for the years ended March 31, 2011 and 2010, respectively.

13. 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, 2011 and 2010, were ¥5,401 million (\$65,068 thousand) and ¥6,471 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 continue 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 was as follows:

	Millions of yen							
	2011				2010			
	Machinery and Equipment	Furniture and Fixtures	Software	Total	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥621	¥553	¥337	¥1,511	¥774	¥839	¥693	¥2,306
Accumulated depreciation	386	511	289	1,186	475	717	522	1,714
Accumulated impairment loss	130		10	140	130		40	170
Net leased property	¥105	¥ 42	¥ 38	¥ 185	¥169	¥122	¥131	¥ 422

	Thousands of U.S. dollars			
	2011			
	Machinery and Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$7,479	\$6,670	\$4,056	\$18,205
Accumulated depreciation	4,655	6,157	3,476	14,288
Accumulated impairment loss	1,562		119	1,681
Net leased property	\$1,262	\$ 513	\$ 461	\$ 2,236

Obligations under finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Due within one year	¥ 483	¥ 645
Due after one year	1,456	1,941	17,548
Total	¥1,939	¥2,586	\$23,365

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

Allowance for impairment loss on leased property of ¥43 million (\$515 thousand) as of March 31, 2011 and ¥75 million as of March 31, 2010, is not included in the obligations under finance leases.

Depreciation expense and other information for finance leases:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Depreciation expense	¥234	¥345
Lease payments	366	496	4,415
Reversal of allowance for impairment loss on leased property	32	51	387

The above 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, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Due within one year	¥ 482	¥334
Due after one year	700	75	8,432
Total	¥1,182	¥409	\$14,245

(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, 2011 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
	Receivables under finance leases:		
Due within one year	¥ 272	¥ 279	\$ 3,275
Due after one year	1,350	1,623	16,266
Total	¥1,622	¥1,902	\$19,541

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

In March 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 were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The azbil Group applied the revised accounting standard and the 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 15 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 group 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 15 for the detail of fair value for derivatives.

(a) Fair value of financial instruments

	Millions of yen						Thousands of U.S dollars		
	March 31, 2011			March 31, 2010			March 31, 2011		
	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss	Carrying Amount	Fair Value	Unrealized Loss
Cash and cash equivalents	¥ 59,844	¥ 59,844		¥ 55,364	¥ 55,364		\$ 721,008	\$ 721,008	
Notes and accounts receivable—trade	76,050	76,050		74,651	74,651		916,261	916,261	
Investment securities	11,605	11,605		13,702	13,702		139,822	139,822	
Total	¥147,499	¥147,499		¥143,717	¥143,717		\$1,777,091	\$1,777,091	
Short-term borrowings	¥ 4,055	¥ 4,055		¥ 12,498	¥ 12,498		\$ 48,857	\$ 48,857	
Current portion of long-term debt	1,699	1,699		2,009	2,009		20,469	20,469	
Notes and accounts payable—trade	33,946	33,946		34,985	34,985		408,992	408,992	
Long-term debt	6,284	6,302	¥(18)	914	923	¥(9)	75,712	75,926	\$(214)
Total	¥ 45,984	¥ 46,002	¥(18)	¥ 50,406	¥ 50,415	¥(9)	\$ 554,030	\$ 554,244	\$(214)

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 equity instruments, and at the quoted price obtained from the financial institution for certain debt instruments. The information of the fair value for 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 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 15.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2010	March 31, 2011
Investments in equity instruments that do not have a quoted market price in an active market	¥597	¥1,185	\$7,193

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

	Millions of yen				Thousands of U.S. dollars			
	March 31, 2011				March 31, 2011			
	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	¥ 59,844				\$ 721,008			
Notes and accounts receivable—trade	72,386	¥3,664			872,123	\$44,138		
Total	¥132,230	¥3,664			\$1,593,131	\$44,138		

Please see Note 6 for annual maturities of long-term debt and Note 13 for obligations under finance leases, respectively.

15. 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.

Derivative Transactions to Which Hedge Accounting Is Not Applied

	Millions of yen							
	March 31, 2011				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	¥738		¥ (7)	¥ (7)	¥601		¥(18)	¥(18)
Selling KR won	142		(8)	(8)	150		(12)	(12)
Buying U.S. dollars	216		(14)	(14)	151			

	Thousands of U.S. dollars			
	March 31, 2011			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Loss
Foreign currency forward contracts:				
Selling U.S. dollars	\$8,893		\$ (83)	\$ (83)
Selling KR won	1,715		(92)	(92)
Buying U.S. dollars	2,599		(163)	(163)

Derivative Transactions to Which Hedge Accounting Is Applied

Hedged Item	Millions of yen						Thousands of U.S. dollars			
	March 31, 2011			March 31, 2010			March 31, 2011			
	Contract Amount	Contract Amount Due after One Year	Fair Value	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	¥47		¥(1)	¥87		¥3	\$565		\$(16)

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.

16. COMMITMENT AND CONTINGENT LIABILITIES

At March 31, 2011, the azbil Group had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
Guarantees and similar items of loans	¥15	\$182

17. COMPREHENSIVE INCOME

For the Year Ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of yen 2010
Total comprehensive income attributable to:	
Yamatake Corporation	¥8,687
Minority interests	234
Total comprehensive income	¥8,921

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen 2010
Other comprehensive income:	
Unrealized gain on available-for-sale securities	¥2,289
Deferred gain on derivatives under hedge accounting	2
Foreign currency translation adjustments	188
Total other comprehensive income	¥2,479

18. SUBSEQUENT EVENT

Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2011 was approved at Yamatake's shareholders meeting held on June 28, 2011:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥32 (\$0.38) per share	¥2,326	\$28,029

19. SEGMENT INFORMATION

For the Years Ended March 31, 2011 and 2010

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.

(1) Description of reportable segments

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

The azbil Group identifies its operating segments using such criteria as business organization, product lines, service content, and markets. This approach results in three separate reportable segments: the building automation business, the advanced automation business, and the life automation business.

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

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about sales, profit (loss), assets, liabilities and other items is as follows:

	Millions of yen							
	2011							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation	Total					
Sales:								
Sales to external customers	¥101,872	¥80,202	¥32,248	¥214,322	¥4,894	¥219,216		¥219,216
Intersegment sales or transfers	252	773	373	1,398	229	1,627	¥(1,627)	
Total	¥102,124	¥80,975	¥32,621	¥215,720	¥5,123	¥220,843	¥(1,627)	¥219,216
Segment profit (loss)	¥ 11,749	¥ 3,234	¥ (227)	¥ 14,756	¥ 144	¥ 14,900	¥ (4)	¥ 14,896
Segment assets	55,592	58,308	26,196	140,096	2,138	142,234	75,267	217,501
Other:								
Depreciation	1,209	2,345	890	4,444	16	4,460		4,460
Increase in property, plant and equipment and intangible assets	1,059	1,619	659	3,337	14	3,351		3,351

	Millions of yen							
	2010							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation	Total					
Sales:								
Sales to external customers	¥96,387	¥76,177	¥34,445	¥207,009	¥5,204	¥212,213		¥212,213
Intersegment sales or transfers	284	761	276	1,321	125	1,446	¥(1,446)	
Total	¥96,671	¥76,938	¥34,721	¥208,330	¥5,329	¥213,659	¥(1,446)	¥212,213
Segment profit (loss)	¥11,517	¥ 552	¥ 353	¥ 12,422	¥ (41)	¥ 12,381	¥ 4	¥ 12,385
Segment assets	54,049	59,160	29,323	142,532	3,255	145,787	72,685	218,472
Other:								
Depreciation	1,266	2,604	840	4,710	41	4,751		4,751
Increase in property, plant and equipment and intangible assets	1,045	1,065	574	2,684	20	2,704		2,704

	Thousands of U.S. dollars							
	2011							
	Reportable Segment				Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation	Total					
Sales:								
Sales to external customers	\$1,227,369	\$966,294	\$388,533	\$2,582,196	\$58,966	\$2,641,162		\$2,641,162
Intersegment sales or transfers	3,045	9,312	4,487	16,844	2,762	19,606	\$(19,606)	
Total	\$1,230,414	\$975,606	\$393,020	\$2,599,040	\$61,728	\$2,660,768	\$(19,606)	\$2,641,162
Segment profit (loss)	\$ 141,550	\$ 38,962	\$ (2,741)	\$ 177,771	\$ 1,746	\$ 179,517	\$ (44)	\$ 179,473
Segment assets	669,778	702,506	315,615	1,687,899	25,758	1,713,657	906,838	2,620,495
Other:								
Depreciation	14,567	28,257	10,724	53,548	190	53,738		53,738
Increase in property, plant and equipment and intangible assets	12,763	19,510	7,935	40,208	160	40,368		40,368

Note: Corporate assets of ¥75,268 million (\$906,838 thousand) for the year ended March 31, 2011 included in "Reconciliations" mainly consist of cash and cash equivalents and investment securities.

Related Information

(1) Information about products and services

The information disclosed is identical to the segment information, and is therefore omitted.

(2) Information by region

(a) Sales

Sales to domestic unaffiliated clients exceed 90% of the sales in the consolidated statement of income, so this information is omitted.

(b) Property, plant and equipment

The value of domestic property, plant and equipment exceeds 90% of the value of the property, plant and equipment on the consolidated balance sheet, so this information is omitted.

(c) Information about major customers

No clients accounted for more than 10% of sales in the consolidated statement of income, so this information is omitted.

Information on Impairment Loss in Noncurrent Assets by Reportable Segment

	Millions of yen							
	2011							
	Reportable Segment			Total	Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation						
Impairment losses of assets	¥191		¥54	¥245		¥245		¥245

	Thousands of U.S. dollars							
	2011							
	Reportable Segment			Total	Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation						
Impairment losses of assets	\$2,297		\$652	\$2,949		\$2,949		\$2,949

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

	Millions of yen							
	2011							
	Reportable Segment			Total	Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation						
Amortization of goodwill	¥39	¥10	¥1,280	¥1,329		¥1,329		¥1,329
Goodwill at March 31, 2011		36	3,843	3,879		3,879		3,879

	Thousands of U.S. dollars							
	2011							
	Reportable Segment			Total	Other	Total	Reconciliations	Consolidated
Building Automation	Advanced Automation	Life Automation						
Amortization of goodwill	\$471	\$121	\$15,416	\$16,008		\$16,008		\$16,008
Goodwill at March 31, 2011		432	46,300	46,732		46,732		46,732

For the Year Ended March 31, 2010

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 for 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 advanced automation markets. This expertise is applied to fields closely connected with daily life. The life automation segment 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 year ended March 31, 2010 was as follows:

(1) Industry Segments

As for the information about the year ended March 31, 2010, since the similar segment information conformed to "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009), etc., is disclosed as segment information on the consolidated financial statements based on former treatment of segment information, this notation has been omitted.

(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.

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, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the consolidated statements of 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, 2011 and 2010, 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.

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 16, 2011