

**RESULTS OF OPERATIONS FOR
THE YEAR ENDED MARCH 31, 2011 (CONSOLIDATED)**

May 9, 2011

Company name: EBARA CORPORATION
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(Stock Code. 6361, Tokyo and Sapporo Stock Exchange in Japan)
(URL <http://www.ebara.co.jp>)

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Scheduled day of general meeting of shareholders: June 24, 2011

Scheduled day of commencement of delivery of dividend: June 27, 2011

Scheduled day of submission of annual security report: June 24, 2011

Preparing supplementary material on financial results: Yes

Holding financial results presentation meeting (for institutional investors and analysts): Yes

Note: The amounts are rounded down to the nearest millions of yen.

1. Outline of the results for the fiscal year ended March 31, 2011

(1) Consolidated Financial Highlights

Millions of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
	%		%		%		%	
Fiscal year ended March 31, 2011	401,675	(17.3)	31,541	66.4	28,750	71.7	28,191	418.0
Fiscal year ended March 31, 2010	485,889	(3.0)	18,953	—	16,749	—	5,441	—

Notes Comprehensive income: March 31, 2011 22,737 million (143.8%) March 31, 2010 9,328 million (-%)

	Net income per share	Net income per share, diluted	Return on equity	Ordinary income on Total assets ratio	Operating income on sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2011	66.78	59.09	20.0	5.6	7.9
Fiscal year ended March 31, 2010	12.89	11.82	4.3	3.1	3.9

Notes (i) Profit & loss in equity method: March 31, 2011 761 million March 31, 2010 87 million

(ii) % represents percentage change from a comparable previous period

(2) Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
March 31, 2011	507,898	154,939	29.9	360.01
March 31, 2010	522,540	132,665	24.8	307.46

Notes Shareholders' Equity (consolidated): March 31, 2011 151,950 million March 31, 2010 129,805 million

(3) Consolidated Cash Flow

Millions of yen

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents
Fiscal year ended March 31, 2011	26,604	10,996	(14,096)	104,002
Fiscal year ended March 31, 2010	23,581	(17,127)	(5,436)	81,711

2. Dividend

	Cash Dividend per share of common stock					Total dividend for the year	Dividend payout ratio Consolidated	Dividend rate per net assets Consolidated
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	Total for the year			
		Yen		Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2010	—	0.0	—	0.0	0.0	—	—	—
Fiscal year ended March 31, 2011	—	0.0	—	5.0	5.0	2,110	7.5	1.5
Fiscal year ended March 31, 2012 (Forecast)	—	0.0	—	5.0	5.0		16.2	

3. Forecast of results for the fiscal year ending March 31, 2012

Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
Second quarter ending September 30, 2011	180,000	4.0	11,000	14.1	9,500	22.5	5,000	28.7	11.85
Fiscal year ending March 31, 2012	405,000	0.8	28,000	(11.2)	25,000	(13.0)	13,000	(53.9)	30.80

Notes % represents percentage change from a comparable previous period

4. Others

(1) Changes in significant subsidiaries: Not applicable

(2) Changes in accounting policies

(i) Changes according to amendment of accounting standard: Yes

(ii) Changes with other reasons except clause (i) above: No

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)	March 31, 2011	459,245,678	March 31, 2010	422,725,658
(ii) Number of treasury stocks	March 31, 2011	37,168,870	March 31, 2010	532,832
(iii) Average number of common stocks	Fiscal year ended March 31, 2011	422,146,381	Fiscal year ended March 31, 2010	422,319,956

(Reference information)

1. Outline of the results for the fiscal year ended March 31, 2011, Non-consolidated

(1) Non-consolidated Financial Highlights

Million of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Fiscal year ended March 31, 2011	160,224	(4.8)	4,561	—	13,368	—	25,214	—
Fiscal year ended March 31, 2010	168,349	(17.7)	(5,455)	—	(1,505)	—	(4,113)	—

	Net income per share	Net income per share, diluted
	Yen	Yen
Fiscal year ended March 31, 2011	59.73	52.90
Fiscal year ended March 31, 2010	(9.74)	—

Notes % represents percentage change from a comparable previous period

(2) Non-Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
March 31, 2011	399,829	155,160	38.7	366.75
March 31, 2010	397,757	122,183	30.7	289.16

Notes Shareholder's Equity (Non-consolidated): March 31, 2011 154,797 million March 31, 2010 122,079 million

Recording of Implementation Conditions regarding Auditing Procedures

This financial summary does not fall within the scope of the Auditing Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Group was in the process of implementing the auditing procedures for its financial statements.

Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters

The forecasts of performance and other forward-looking statements contained in this document are based on information that was available to Ebara as of the time of the issuance of this document and on certain assumptions about uncertainties that may have an impact on the Company's performance. Actual performance may differ substantially from these forecasts owing to a wide range of factors.

For further information on the assumptions made in the preparation of the forecasts of performance, please refer to the section entitled "1. Management Performance, (1) Analysis of Management Performance," on page 5 of this document.

Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.

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1. Management Performance

(1) Analysis of Management Performance

① Overview of Performance of the Fiscal Year

During the fiscal year under review, ended March 31, 2011, the business environment overseas maintained a gradual recovery tendency from the latter half of the previous fiscal year. In the United States, although recovery in the labor environment is lagging, signs of gradual recovery emerged, including improvement in personal consumption, in Europe also, improvement in economic conditions was weak, as risks of instability in the financial systems remained in certain countries. On the other hand, in Asia, mainly in China and India, for driven by strong domestic demand, the economies of the region remained favorable. In Japan, in the private sector, there were recovery tendency in private capital investment in the background of the recovery trend of the world economy. However, future directions continued to be uncertain as a consequence of the effects of the sharp appreciation of the yen. In the public sector, public works investment remained at a low level because of the impact of reductions in government budgets.

Amid these adverse economic conditions, the EBARA Group (the Group) proceeded with the implementation of its “E-Plan2010” Medium-Term Management Plan, and all the Group’s business segments focused their fullest efforts on improving profitability. Under E-Plan2010, which is now in its final year of implementation and will cover the period through the target year of fiscal 2010 (ending March 31, 2011), the Group is concentrating on the basic policies of “strengthening the business base for sustained growth” and “implementing corporate activities that emphasize compliance.” According to these basic policies, the Group is emphasizing selectivity and concentration in the allocation of its management resources, working to establish a business base from a global perspective, and improving cash flow. Please note that effects of the Great East Japan Earthquake on the Company’s production facilities were minor.

As a result, sales on a consolidated basis received by the Precision Machinery (PM) Company increased; however, because of the Fluid Machinery & Systems (FMS) Company decreased and the exclusion of the water treatment plant business of the Environmental Engineering (EE) Company from the scope of consolidation, overall sales decreased. As a result of contributions from increased productivity and reductions in procurement costs, operating income in the EE Company and PM Company increased, while operating income declined slightly in the FMS Company.

Consolidated net sales for the fiscal year amounted to ¥401,675 million (a decline of 17.3% year on year), operating income for the fiscal year amounted to ¥31,541 million (increased 66.4% year on year), ordinary income for the fiscal year amounted to ¥28,750 million (increased 71.7% year on year) and net income for the fiscal year amounted to ¥28,191 million (increased 418% year on year), depends on the review of the deferred tax assets.

Results by Business Segment

Beginning with the first quarter under review, the “others” business, which was previously included in the EE Company, has been presented in the “Other” business segment, which contains results of activities not included in principal reporting segments. Comparisons of performance with the same quarter of the previous year have been calculated by recombining the performance figures for the previous fiscal year according to the classification after this change.

Fluid Machinery & Systems

In the FMS Company, although projects are on a rising trend, mainly those for overseas electric power generation and oil and gas, the environment for orders continued to be difficult because of more -intense competition, the adverse impact of foreign currency fluctuations, and other factors. In addition, in the building equipment industry,

demand in China, Southeast Asia, and other emerging countries held firm. In the domestic market, in the building equipment industry, the number of construction starts showed a slight improvement over the previous fiscal year, but remained at a low level overall. However, in the industrial equipment sector, there was a trend toward recovery in capital investment. In the public sector, reductions in budget allocations continued. Amid these operating conditions, in the fluid and gas pumping equipment fields, the Company strengthened its service and support systems in the Middle East and other key regions and placed strong emphasis on reducing costs by expanding overseas procurement. In the standard pump business, the Company stepped up its initiatives in the equipment renewal projects business and launched new products. In the fluid machinery plant business, the Company strengthened its response capabilities, including conducting thoroughgoing project management, and it received major orders. In the refrigeration equipment business, the Company worked to expand its lineup of highly efficient equipment types and introduced these to the market.

Sales in the FMS Company for the fiscal year amounted to ¥268,942 million (a decline of 9.1% year on year), as a result of sales decrease in the Custom Pumps and Compressors & Fans business. The segment income amounted to ¥21,596 million (a decline of 1.3% year on year).

Environmental Engineering

In the EE Company, circumstances in the core domestic public-sector market have continued to be stagnant, but in the field of operation and maintenance (O&M) for existing facilities, the Company reported increases in long-term comprehensive contracts signed, the provision of services to lengthen the lifetimes of aging facilities, and construction related to core facility reforms aimed at creating a low-carbon society. In addition, the percentage of new construction projects built by the public sector but operated by the private sector based on develop, build, operate (DBO) and other arrangements, including management and operation services, is rising.

On the other hand, in the private sector, conditions have continued to be difficult as a result of restraints on capital investment. In the midst of these conditions, the EE Company is further strengthening its capabilities to respond accurately to changes in the market environment and customer needs by integrating its capabilities for providing new plant construction (engineering, procurement, and construction, EPC) based on its technological capabilities, and the capabilities of its domestic network for providing operation and maintenance (O&M) services on a nationwide basis.

Sales in the EE Company for the fiscal year amounted to ¥51,660 million (a decline of 60.4% year on year), as a result of the exclusion of the water treatment plant business from the scope of consolidation. Despite an increase in losses of ¥5,000 million in connection with the InfraServ project in Germany, because of a certain level of improvement due to reductions in fixed costs and sales increased in O&M services, the segment income was ¥942 million for the fiscal year (an improvement of ¥2,189 million from the same quarter of the previous fiscal year).

Precision Machinery

In the PM Company, where semiconductor manufacturers are the core customer group, demand for flash memories is rising along with the sudden expansion in the market for tablet -type mobile terminals, and demand in the “foundry” sector (companies that produce semiconductors on a subcontracting basis) as active. As a result, continuing to make aggressive capital investments. Also, demand in the LED industry continued to be favorable and the compact touch panel and solar battery market is expanding. Amid these conditions, in its production departments, the Company reviewed its “monozukuri” (manufacturing)-related processes with the aim of increasing productivity and worked to lower manufacturing costs by reducing lead times. In addition, in the departments responsible for the installation and start-up of equipment, the Company took steps to optimize the

allocation of personnel and responded to the expansion in the market. In the service and support business, drawing on its global support network to offer assistance to customers in maintaining stable operations and addressing their needs by providing proposals for making improvements in their equipment to enhance productivity. From the perspective of business efficiency, Ebara Kyusyu Co., Ltd. which is a manufacturing base of Chemical mechanical polisher (CMP) system, was merged with Ebara Corporation.

Sales in the PM Company for the fiscal year amounted to ¥67,902 million (an increase of 34.4% year on year), The segment income amounted to ¥8,016 million (an improvement of ¥10,767 million from the same quarter of the previous fiscal year).

② Outlook for the Next Fiscal Year

Regarding the overall market environment, overseas, the United States and Europe are viewed as likely to remain on recovery trends. Conditions in Asia outside Japan are expected to remain favorable, based on firm demand in China and India, which are leading the economic expansion in the region. In Japan, the future course of the economy, which had been on a moderate recovery trend prior to the occurrence of the Great East Japan Earthquake, has now become uncertain.

Regarding the EBARA Group, there are concerns that, in the wake of the earthquake, production plans may be influenced by uncertainty about parts procurement and shortages of electric power. To deal with the issue of parts procurement, the Group is working closely with its parts suppliers. On the other hand, to address the issue of power shortages, the Group is working to minimize the impact by implementing such measures as making changes in the timing of plant work shifts.

The outlook by operating segment and strategies to be implemented in each business are as follows

In the FMS Company, the outlook in overseas markets is for moderate recovery overall, although the situation in the Middle East will remain in turmoil and financial uncertainties will persist in certain European countries. In the custom pump business, although plans for nuclear power generating plants are uncertain, construction on large-scale thermal power plants and LNG combined-cycle thermal power plants is expected to remain active, especially in China, the Middle East, Southeast Asia, and India. In the compressors and fans business, expansion in investments in gas-related projects is expected as a result of rising demand for LNG. In the standard pump business, demand is expected to remain favorable, principally in the emerging countries. Continued market expansion is also expected for refrigeration equipment in China, the Middle East, Southeast Asia, and elsewhere. On the other hand, in the domestic market, even though repairing the infrastructure following the Great East Japan Earthquake is an urgent task for local governments and others in the stricken areas, there are concerns about weakness in the economy following the megaquake, damage to the distribution infrastructure, and about a deceleration of industrial activities as a result of power shortages.

Under these circumstances, overseas, the EBARA Group will implement product and sales strategies with an emphasis on high-priority regions. In addition, steps will be taken to upgrade the network of after-sales service locations, mainly in the Middle East and certain other areas. Also, in Japan, the Group will strive to focus on and expand the market share of energy-saving products that will help customers to conserve energy and lower their costs. The Group will also promote the strengthening of initiatives to win public-sector projects where overall evaluations are conducted in selecting the supplying company. In addition, both in Japan and overseas, the Group will proceed to lower costs through campaigns to innovate in production activities and through strategic procurement.

In the EE Company, in the public-sector market, there are signs appearing of an increase in new plant projects that have been restricted. Demand for major repair work on existing facilities and construction on core facility reforms

aimed at reducing greenhouse gas emissions is also expected to be strong. In addition, as a result of the weak financial condition of government and other public entities as well as the shortage of technical personnel, the trend toward comprehensive maintenance and management contracts for facilities and the increase in demand for services from the construction of facilities to operation and maintenance (O&M) is expected to continue.

Amid these conditions, by combining O&M and EPC technologies to respond to market needs identified through the O&M business, the Company is responding accurately to changes in the market and customer needs by actively presenting proposals for major repairs on existing facilities and construction work on core facilities.

In the PM Company's core customer industry of semiconductors, demand for NAND flash memories is rising along with the expansion in the market for tablet-type mobile terminals, including high-function mobile phones with touch-panel functions. In addition, demand in the "foundry" sector (companies that produce semiconductors on a subcontracting basis) is also expanding as a result of the trend toward "fables" production (semiconductor companies that do not operate production facilities). As a result of these trends, capital expenditures in the semiconductor industry continue to be quite active. In addition, in Asia, including especially China, growth in the markets for solar batteries and LEDs is also anticipated to address the issue of preventing global warming.

In view of these trends in the market, the PM Company is continuing to improve the performance of its products to respond to customer needs for further miniaturization and durability. Also, in addition to the semiconductor market, the PM Company is working to expand its business operations by detailed and carefully tailored marketing activities in new markets, including solar batteries and LEDs. The PM Company is also working to reduce costs by promoting the shortening of lead times through increasing productivity as well as expanding overseas production and procurement. Moreover, the PM Company is striving to strengthen its service and support business through its global support network, with the aims of stabilizing overall Group profitability and bolstering ties with customers.

Based on the previously mentioned policies and initiatives, the Group has set the objective of reaching consolidated net sales of ¥ 405 billion and ¥ 28 billion in operating income in the fiscal year ending March 31, 2012.

(Billions of yen, % increase from the previous period)

	Consolidated	
Net sales	¥ 405.0	0.8%
Operating income	¥ 28.0	(11.2%)
Ordinary income	¥ 25.0	(13.0%)
Net income	¥ 13.0	(53.9%)

Business Segment Information

The outlook for sales and operating by business segment is as follows.

(Billions of yen, percentage composition)

Company	Sales		Operating Income	
	¥	%	¥	%
Fluid Machinery & Systems	¥ 270.0	66.7%	¥ 15.0	53.6%
Environmental Engineering	¥ 50.0	12.3%	¥ 4.0	14.3%
Precision Machinery	¥ 75.0	18.5%	¥ 8.0	28.6%
Other	¥ 10.0	2.5%	¥ 1.0	3.5%
Total	¥ 405.0	100%	¥ 28.0	100%

The above information is projected at the expected foreign exchange rate 1US\$=¥80, 1EUR=¥110, 1RMB=¥12.25.

③ Progress toward Goals of the Medium-Term Management Plan

The following are the Group's consolidated financial highlights for the fiscal year under review, which was the final year under the Group's "E-Plan2010" medium-term management plan. The Group implemented thoroughgoing reforms, including the restructuring of its businesses, but it encountered such unexpected circumstances as the appreciation of the yen, the worldwide economic stagnation owing to the effects of the collapse of Lehman Brothers Holdings, the losses incurred in a certain project overseas, and other factors. As a result, although the Group did not attain its objectives for net sales and operating income, it did reach its initial plan target for net income, in part because of a review of the possibilities for recovery of deferred tax assets.

(Billions of yen)

	Performance figures	Midium-term management plan
Sales	¥401.6	¥590.0
Operating Income	¥31.5	¥35.0
Net Income	¥28.1	¥14.0

The Group did not attain its initial plan target for debt/equity ratio and equity ratio.

	Performance figures	Midium-term management plan
ROE	20.0%	8% or more
Debt/equity ratio	1.1	0.9 or lower
Equity ratio	29.9%	30% or more

④ Attainment of Management Objectives

Please see related item covered previously.

(2) Analysis of Financial Position

The following is an analysis of assets, liabilities, net assets, and cash flows.

① Assets

As a result of a decrease from the end of the previous year in current assets of ¥1,442 million and a decrease in fixed assets of ¥13,199 million, total assets declined ¥14,641 million to ¥507,898 million. The principal reasons for these movements in assets were as follows.

The decline in current assets was due to decreases of ¥3,045 million in finished goods and ¥28,328 million in others, although increased of ¥20,586 million in cash and time deposits and ¥10,263 million in deferred tax assets.

Tangible and intangible fixed assets declined ¥9,803 million because of the implementation of capital expenditures of ¥8,189 million and depreciation charges of ¥13,523 million.

Investments and other assets declined ¥3,395 million from the previous fiscal year as a result of a decrease in deferred tax assets and investment securities.

② Liabilities

Compared with the previous fiscal year-end, current liabilities decreased ¥2,597 million, and long-term liabilities decreased ¥34,318 million, thus total liabilities declined ¥36,915 million to ¥352,959 million. The principal causes of these decreases were as follows.

Current liabilities declined ¥2,597 million as a result of a decrease in short-term bank loans of ¥6,227 million, ¥5,860 million in allowance and ¥10,382 million in others and ¥20,000 million for transfer the long-term liabilities to the current portion of bonds with subscription rights to shares.

Long-term liabilities decreased ¥34,318 million as a result of a decreased ¥10,548 million in long term bank loans, ¥5,022 million in accrued severance and pension costs and ¥20,000 million for transfer the long-term liabilities to the bonds with subscription rights to shares.

③ Net Assets

Among items in net assets, shareholders' equity increased ¥28,145 million and accumulated other comprehensive income decreased ¥6,000 million. As a result, net assets were increased ¥22,273 million and amounted to ¥154,939 million at the end of the period under review. The increase in shareholders' equity was mainly due to the reporting of a net profit of ¥28,191million.

④ Cash Flows

Net cash flow provided by operating activities before payments of interest and taxes was ¥5,292 million upper than for the previous fiscal year and amounted to a net inflow ¥26,604 million. Among investing activities, the Group reported a cash inflow from proceeds from sales of fixed assets was increased ¥17,004 million and increased ¥5,282 million in collection of loans receivable. As a result, cash used in investing activities amounted to ¥10,996 million. Net cash provided by financing activities amounted to a net outflow of ¥14,096 million through the Group made a net decrease of ¥17,446 million through refunds to the interest-bearing debt and other factors.

As a consequence, consolidated cash and cash equivalents at the end of the period were ¥104,002 million, ¥22,290 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	March 31 2007	March 31 2008	March 31 2009	March 31 2010	March 31 2011
Shareholders' equity ratio:	24.2%	24.9%	21.6%	24.8%	29.9%
Shareholders' equity ratio at market value:	37.8%	21.2%	16.2%	38.5%	37.0%
Years to repay debt:	22.4 years	—	10.4 years	7.5 years	6.0 years
Interest coverage ratio:	2.8	—	5.1	6.9	8.7

Notes:

1. Shareholders' equity ratio: Shareholders' equity/Total assets
 2. Shareholders' equity ratio as market value: Stock market capitalization/Total assets
 3. Years to repay debt: Interest-bearing debt/Operating cash flow
 4. Interest coverage ratio: Operating cash flow/Interest expenses
- * All indicators in the table above were computed with consolidated financial data.
- * Stock market capitalization was computed by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (less treasury stock).
- * Operating cash flow is "Net cash provided by operating activities" appearing in the Consolidated Statements of Cash Flows. Interest-bearing debt is defined as all liabilities appearing on the Consolidated Balance Sheets on which interest must be paid. Interest expenses are the amounts appearing in the item "Interest expenses paid" in the Consolidated Statements of Cash Flows.

(3) Basic Policy for Allocation of Profit and Dividends for the fiscal year, ending March 31, 2011 and 2012

The Company regards returning a portion of its income to its shareholders as one of its most important management tasks. In setting its dividends, the Company takes into account its consolidated performance and financial position for the current and future fiscal period while aiming to pay stable cash dividends. Dividends are paid twice a year, with the dates of record being March 31 and September 30.

Dividends are paid twice a year, with the dates of record being March 31 and September 30.

For the year under review, the Company suspended the payment of the interim dividend but, has decided to pay a year-end dividend of ¥5.0 per common share for the fiscal year.

Regarding dividends for the fiscal year, ending March 31, 2012, the Company is scheduled to keep its annual dividend at ¥5.0 per share in the interest of maintaining stability in dividend payments.

(4) Business Risks

The Group confronts a number of business risks that may have an influence on the judgment of investors. These are described below. In addition to being aware of the possibility of the emergence of these risks, the Group implements measures to prevent their occurrence and deal with them when they emerge.

This section includes forward-looking statements that are based on judgments made at the time of the preparation of this report on the Group's performance.

① Market Risk

Public works projects account for a high percentage of the sales of the fluid machinery system engineering and the EE Company. Accordingly, there is a possibility that cutbacks in public works by the national government, regional governments, and related entities. In addition, the business of the PM Company is influenced by the silicon cycle. Accordingly, fluctuations in the market for semiconductors may have a detrimental impact on the

Group's business activities, performance, and financial position.

② Large-scale projects and overseas business activities

The Group manufactures and constructs machinery and plants in big projects both in Japan and foreign countries. Certain of these projects involve technical issues with a high degree of difficulty. There is a possibility that additional costs may be incurred due to failure to function properly, prolongation of the time required to achieve the specified capabilities, and other factors.

Some of these projects involve a high level of technical difficulty. And big projects in foreign countries involve risks related to business environments which differ from those of Japan. The Group takes possible measures to control these risks and provides for construction losses by setting aside an amount based on its estimate of such costs; however, if actual additional costs exceed the reserves, this may have a detrimental impact on the Group's performance.

③ The InfraServ project in Germany in view of progress

Plant construction work on the InfraServ project in Germany has been completed and test operations have begun. This was the Group's first large-scale overseas incineration plant project where it acted as prime contractor. Because of the occurrence of unanticipated issues, the Group may make further provisions to reserves as a result of the completion delays and other factors.

The Group has estimated and set aside amounts in its reserve for construction losses that represent the maximum reasonable amounts the Group thinks may be incurred, given information available at the present time, but in the event that losses are larger than anticipated, there is a possibility that this may have an adverse impact on the Group's performance.

④ Business realignments, etc

The EBARA Group is allocating resources to its businesses with selectivity and focus and, in realigning its business activities, may withdraw from certain unprofitable businesses and liquidate or take other appropriate action with regard to associated companies. Such realignments may have an impact on the Group's performance and financial position.

⑤ Exchange risk

Transactions denominated in foreign currencies that are conducted as part of business activities overseas are converted to yen in the course of preparing the consolidated financial statements. As a result of changes in foreign exchange conversion rates at the time of conversion, there is a possibility that this may have an effect on the Group's performance.

⑥ Interest rate risk

The Group is working to reduce its interest-bearing debt, but, as of March 31, 2011, a short-term interest bearing debt amounted to ¥88,852 million and the balance of long-term interest bearing debt was ¥71,560 million, which reached a total of ¥160,412 million. Interest-bearing debt includes fixed- and floating-rate liabilities. For that portion of interest-bearing debt borrowed at floating rates, the Group has arranged for interest rate swaps to fix the interest liability and loans with floating – rates to lessen the risk of interest rate fluctuations; however, if interest payments on the unhedged portion rise due to higher interest rates, this may have an impact on the Group's performance a stoppage, or impairment, of business activities, this may have an adverse impact on Group performance.

⑦ Risks related to the impact of natural disasters and impairment of the social infrastructure

If a Group place of business is struck by a major typhoon, earthquake, or other natural disaster that adversely affects its ability to conduct business activities, this may have a detrimental impact on Group performance. In

addition, in the event of a major accident affecting the labor force or an accident involving equipment that leads to a stoppage, or impairment, of business activities, this may have an adverse impact on Group performance.

⑧ Deferred tax assets

The Group believes that its deferred tax assets will make it possible to make recoveries from future taxable income. Regarding the portion of deferred tax assets for which the Group believes there is doubt about making recoveries, the Group has provided the valuation allowance for such doubtful amounts. However, the estimate of future taxable income may vary depending on performance at that time. In the event that factors influencing the estimate of taxable income vary, it may be necessary to make changes in the valuation allowance amounts. In such cases, the Group will make adjustments in the doubtful portion of deferred tax assets, and, since an equivalent amount will be reflected in the deferred tax benefit on the Consolidated Statements of Income, there is a possibility that net income may decline as a result.

⑨ Material procurement

The Group procures parts and materials for its manufacturing and construction activities and is influenced by fluctuations in market conditions for these materials. Increases in prices of materials result in higher material costs for the Group and may have an adverse impact on the Group's performance

⑩ Litigation risk

In conducting its business operations the EBARA Group may be the object of lawsuits or bring lawsuits against other parties with regard to such matters as product liability, intellectual property, environmental protection, labor issues, and other matters. Depending on the outcome of such lawsuits, litigation of this kind may have an impact on the Group's performance and financial position as well as on the trust placed in the Group by society.

⑪ Legal restrictions

The Group conducts operations in Japan and foreign countries and is subject to the laws of the countries where its operations take place. In some instances, the passage of laws and changes in existing legislation may result in an alteration of assumptions for operating and business plans. Such changes in assumptions may have an adverse impact on the Group's performance.

⑫ Risk of increased costs of land sales

As provided for in the sales contract for the land where EBARA's former Headquarters and its Haneda Plant were located, the area was handed over to Yamato Transport Co., Ltd., on September 30, 2010. Following the commencement of construction on the site, however, foreign substances have been found in the soil, and there is a possibility that EBARA will have to shoulder the cost burden of removal. A reasonable estimate of this cost has been set aside as a reserve, but depending on how the disposal work proceeds, this may have a detrimental impact on the Group's performance and financial position.

⑬ Risk of collection of export receivables

The Group exports its products to the Middle East. There is concern that export receivables outstanding from customers in this region may not be collectible because of international cooperation measures, changes in regional political conditions, and other factors. In the event that there are concerns about making collections, this may have a detrimental impact on the Group's business activities, performance, and financial position.

2. Corporate Group Information

The Group comprises the parent Group (Ebara Corporation, the Company), 76 subsidiaries (48 of which are consolidated), and 11 affiliates. With the Group as the focus of its activities, the Group is engaged in manufacturing, sales, construction, maintenance, provision of services, and related activities in the fields of Fluid Machinery & Systems, Environmental Engineering, Precision Machinery, and other areas.

The principal lines of business, the functions and the areas of responsibility of the Company, principal consolidated subsidiaries, and affiliated companies (applied equity method), and their names are as shown below.

Segment	Principal Lines of Business	Functions and Areas of Responsibility	Ebara Corporation, principal consolidated subsidiaries, and affiliated companies (applied equity method)
Fluid Machinery and Systems	Manufacturing, sales, and maintenance of pumps, blowers, compressors, turbines, refrigeration and heating equipment, and other items. Engineering, construction, operation, and maintenance services for nuclear power related equipment.	Manufacturing and sales	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Densan Ltd. • Ebara Hamada Blower Co., Ltd. • Ebara Yoshikura Hydro-Tech Co., Ltd. • Elliott Ebara Turbomachinery Corporation • Ebara Refrigeration Equipment & Systems Co., Ltd • Elliott Company • Ebara International Corporation • Ebara Pumps Europe S. p. A • Yantai Ebara Air Conditioning Equipment Co., Ltd. • Ebara Boshan Pumps Co., Ltd.
		Engineering, construction, operation and maintenance	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Yoshikura Hydro-Tech Co., Ltd.
		Sales and maintenance	<ul style="list-style-type: none"> • Ebara Techno-serve Co., Ltd. • Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	<ul style="list-style-type: none"> • Ebara Material Co., Ltd.
Environmental Engineering	Engineering, construction, operation, and maintenance of environmental improvement equipment, incinerator plants, waterworks and sewage system, and other types of plants and equipment. Manufacturing and sales of industrial chemicals.	Engineering and construction	<ul style="list-style-type: none"> • Ebara Environmental Plant Co., Ltd. • Ebara Qindao Co., Ltd. ※Ebara Engineering Service Co., Ltd.
		Operation and maintenance	<ul style="list-style-type: none"> • Ebara Environmental Plant Co., Ltd. ※Ebara Engineering Service Co., Ltd.
		Manufacturing and sales of chemicals	<ul style="list-style-type: none"> ※Ebara Engineering Service Co., Ltd.
Precision Machinery	Manufacturing, sales, and maintenance of vacuum pumps and machinery and equipment for the semiconductor industry	Manufacturing and sales	<ul style="list-style-type: none"> • Ebara Corporation
		Manufacturing and maintenance	<ul style="list-style-type: none"> • Ebara Field Tech. Corporation • Ebara Technologies Inc.
Others	All other lines of business not mentioned above	Business support service, etc.	<ul style="list-style-type: none"> • Ebara Agency Co., Ltd.

* Subsidiaries of applied equity method. Ebara Engineering Service Co., Ltd. changed name to “Swing Co.”, on April 1, 2011.

3. Management Policies

(1) Basic Policies

The corporate philosophy of the Ebara Group is “to contribute broadly to society by offering superior technologies and optimal services in the areas of water, the air, and the environment.” As a manufacturer of industrial machinery, the EBARA Group will grasp and anticipate customer needs, manufacture and sell superior products, and provide high-quality support to its customers with the aims of thereby contributing to society and attaining the further development in the Group as a whole.

In addition, the Group’s basic management policy is to endeavor to strengthen its management base and increase profitability and increase its corporate value and the value of its shares by managing its corporate resources efficiently.

(2) Target Management Performance Measures

The EBARA Group has prepared a medium-term management plan, E-Plan2013, which began in May 2011 and will conclude its final fiscal year in March 2014. Under this plan, the Group has positioned return on invested capital (ROIC)* as its key management indicator and is taking steps toward improving it. In addition, the Group positioned the debt-to-equity (D/E) ratio (a measure of financial stability) and the return on shareholders’ equity ratio (ROE), a measure of efficiency, as key indicators and is working to attain a proper balance between the two. In view of these corporate objectives, each business unit is positioning its ratio of operating income to net sales as a key management indicator, and is working to maximize this ratio.

* Return on invested capital (ROIC)

$$= \text{Net income} / \text{Invested capital} = \text{Net income} / (\text{Interest bearing deb} + \text{Shareholders' equity})$$

Key management indicator

ROIC: 8.0% or more

Ratio of operating income to net sales: 9.0% or more

To implement initiatives aimed at attaining targets set for these indicators, the above metrics are positioned as important indicators of management performance in medium- to long-term plans and the annual budgeting process. Moreover, they are used in the Group’s management by objectives (MBO) system to evaluate the performance of the management team and are linked to compensation.

(3) Medium-to-Long Term Management Policies

During the period of the plan, the Group has established an overall policy that will involve the implementation of the following four policies.

① EBARA will promote “producing locally and consuming locally” in priority areas and establish an optimally located production and supply system from a global perspective.

EBARA will grasp the currents of change that are the motive power for growth of emerging countries and will introduce the measures for strengthening its competitiveness in the world economy. Specifically, EBARA will shift from the previous approach it has taken to developing overseas operations, which was focused on manufacturing in Japan and exporting to other countries, to an approach under which it will manufacture in the locations that are optimal from a global perspective, taking logistics capabilities into account. As part of this shift in approach, in the areas selected as strategic priority regions (China, Southeast Asia, the Middle East, India, Brazil, and the United States), mainly from among the emerging areas, EBARA will establish and expand sales and service functions as well as production capabilities based on the characteristics of these regions. EBARA will also implement a local strategy based on the concept of “producing locally and consuming locally.” At the same time, by having these bases work together organically, EBARA will create a Group network that will make

possible the development of other markets without passing through Japan.

② EBARA will work to enter new markets by expanding core business domains.

Among the Group's five core businesses (pumps business, compressors and turbines business, precision machinery business, environment business, and chillers business), EBARA will position the first three as businesses that will pursue growth and the remaining two as businesses that will attain stability. In each of these businesses, EBARA will implement thoroughgoing measures to maximize corporate value.

In the three businesses positioned as growth areas, namely: the pumps business (including custom pumps, standard pumps, as well as fluid and gas pumping equipment), compressors and turbines (including compressors and fans), and precision machinery, EBARA will implement all possible measures to increase the efficiency of the current business base and will expand into new business domains that it has not yet developed but are viewed as an extension of the current business domains.

To this end, in addition to the development of new products and markets that use the Group's existing resources, EBARA will draw on resources outside the Group through M&A and other means, making the needed strategic investments. By fiscal 2015, EBARA will aim to increase sales of these three businesses to 1.5 times or more over their current levels, and will finish making improvements in its business base during the period covered by this medium-term plan.

In the remaining two core businesses where EBARA will aim for stability, in the engineering business, it will position the O&M business as the core profit base and aim for solid growth in the EPC business. In the chillers business, EBARA will expand its production base in China and broaden its product portfolio through the integration of Group companies. Thereby, it will be able to tap into industrial demand in the expanding Chinese market and capture rapidly growing demand for more-pleasant living environments in other emerging countries.

③ EBARA will aim to optimize "monozukuri" (manufacturing) processes through scientific approaches.

The processing chain of "monozukuri" (manufacturing) includes marketing, development, sales, planning, procurement, manufacturing, inspection, and logistics. Within this chain, EBARA will work toward optimization by promoting a shift from implicit (unwritten) knowledge to formal (written and transferable) knowledge as well as by adopting logical and scientific approaches to thoroughly review and improve all processes. EBARA will put into place functions for productivity reform throughout the Group, and, with key domestic bases as the core, it will implement a productivity reform movement at all Group bases, including those located overseas. As a result of this, EBARA will strive to minimize costs, the level of inventories, and lead times as it also meets the requirements of its customers. During the time frame of this medium-term plan, EBARA will aim to create the most-efficient production systems in its industries.

④ EBARA will expand the functions of the corporate headquarters in keeping with the globalization of business domains.

As EBARA expands its business operations to the global market through Group bases around the world, it will secure the necessary resources for sustainable growth of the Group as a whole. It will also be necessary to develop the governance systems appropriate for a company expanding its activities globally and establish Groupwide operating systems, including global human resource development programs. To realize these objectives, EBARA will strengthen the functions of its Group headquarters and Global headquarters.

(4) Issues to be Addressed

① Continue Strengthening the Business Base and Establish an Even Stronger and Stabler Business Structure

To attain the medium term management plan “E-Plan 2013” which set the fiscal 2013 for the target year, the Group will continue to strengthen its management base and take this further to establish an even stronger and stabler business structure by strengthening global competitiveness in core businesses and strive unrelentingly to maximize the value of individual businesses.

② Achieving Financial Soundness

The Group pursues initiatives to increase the soundness of its financial position and address financial issues. These initiatives include reducing the balance of the Group’s interest-bearing debt, increasing capital, and securing liquidity for its operations.

③ The InfraServ project in Germany

Plant construction work on the InfraServ project in Germany has been completed and test operations have begun. However, accompanying upgrading work on the boiler that will take account of the current quality of waste plastic fuel (RDF), the scheduled completion date of the plant has been moved to the end of July 2011.

Please note that the contract amount of this project is 216 million euros (or ¥32.3 billion at the prevailing exchange rate in December 2006 when the project order was received). EBARA has set aside reserves for losses on construction work related to the project since the fiscal year ended March 2008. The accumulated total of these reserves is ¥38.8 billion.

EBARA will continue to work toward completion and make improvements to prevent an expansion in the construction losses.

④ Strengthen its corporate governance

To strengthen its corporate governance framework and ensure the highest standards of compliance, EBARA is structuring a corporate governance system appropriate for a company developing its business operations on a global basis. The objectives of this system are to secure transparency and objectivity in management.

4. Consolidated financial statements

(1) Consolidated Balance Sheets

	March 31, 2010	March 31, 2011
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and time deposits	80,089	100,675
Trade receivables	163,825	161,512
Securities	1,622	3,327
Finished goods	11,033	7,988
Work in process	40,251	40,413
Raw materials	18,524	18,473
Deferred tax assets	14,658	24,922
Others	44,886	16,557
Allowance for doubtful receivables	(1,028)	(1,447)
Total current assets	373,864	372,422
Fixed assets		
Tangible fixed assets		
Buildings, net	40,034	38,408
Machinery and equipment, net	25,306	22,756
Land	21,595	21,001
Construction in progress	4,368	2,521
Others	6,474	5,034
Total tangible assets	97,779	89,723
Intangible assets		
Goodwill	1,721	1,186
Software	4,205	3,637
Others	3,057	2,412
Total intangible assets	8,984	7,237
Investments and long-term receivables		
Investment securities	23,252	22,200
Long-term loans receivable	496	400
Deferred tax assets	10,430	8,474
Others	10,810	10,673
Allowance for doubtful receivables	(3,078)	(3,233)
Total investments and long-term receivables	41,911	38,515
Total fixed assets	148,675	135,476
Total assets	522,540	507,898

	March 31, 2010	March 31, 2011
	Millions of yen	Millions of yen
Liabilities		
Current liabilities		
Trade payables	99,785	98,923
Short-term bank loans	74,610	68,383
Current portion of bonds with subscription rights to shares	—	20,000
Accrued income taxes	4,022	4,759
Deferred tax liabilities	31	30
Bonus payment reserve	5,232	6,337
Directors' bonus payment reserve	101	164
Reserve for losses on construction completion guarantees	9,601	7,073
Reserve for product warranties	1,365	1,794
Reserve for construction losses	20,157	16,977
Reserve for losses on contingent liabilities	31	—
Reserve for expenses related to the sale of land	4,588	2,871
Others	43,146	32,764
Total current liabilities	262,676	260,078
Long-term liabilities		
Bonds with subscription rights to shares	40,000	20,000
Long-term bank loans	61,204	50,655
Deferred tax liabilities	59	38
Provision for retirement benefits	20,704	15,681
Provision for directors' retirement benefits	362	359
Reserve for losses on contingent liabilities	—	1,769
Others	4,868	4,375
Total long-term liabilities	127,198	92,880
Total liabilities	389,874	352,959
Net assets		
Shareholders' equity		
Common stock	61,284	61,284
Capital surplus	65,212	65,213
Retained earnings	12,567	40,759
Treasury stock, at cost	(219)	(266)
Total shareholders' equity	138,844	166,990
Accumulated other comprehensive income		
Net unrealized gain on investment securities	1,576	1,053
Deferred gains (losses) on hedges	—	(9)
Translation adjustments	(10,615)	(16,083)
Total accumulated other comprehensive income	(9,039)	(15,039)
Subscription rights to shares	104	363
Minority interests in consolidated subsidiaries	2,755	2,625
Total Net assets	132,665	154,939
Total liabilities and net assets	522,540	507,898

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
	Millions of yen	Millions of yen
Net sales	485,889	401,675
Cost of sales	389,437	301,658
Gross profit	96,452	100,017
Sales commission	4,655	4,285
Packing and transportation	3,847	3,747
Sales promotion	1,447	1,464
Provision of allowance for doubtful receivables	—	680
Personnel expenditure	33,901	29,524
Bonus payment reserve expense	1,904	2,238
Directors' bonus payment reserve expense	84	148
Employee's retirement expenses	3,436	2,172
Directors' retirement expenses	147	117
Traveling expenses	3,013	3,067
Public dues and taxes	1,502	1,288
Depreciation and amortization	2,856	2,395
Amortization of goodwill	803	263
Research and development costs	4,977	4,066
Others	14,921	13,013
Selling, general and administrative expenses	77,499	68,475
Operating income	18,953	31,541
Non-operating income		
Interest income	380	205
Dividend income	431	652
Insurance income	298	36
Equity in earnings of affiliates	87	761
Compensation income	576	—
Others	1,425	1,048
Total of non-operating income	3,199	2,704
Non-operating expenses		
Interest expenses	3,566	3,028
Foreign exchange loss	59	708
Others	1,777	1,758
Total of non-operating expenses	5,403	5,495
Ordinary income	16,749	28,750

	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
	Millions of yen	Millions of yen
Extraordinary income		
Gain on sales of fixed assets	1,158	1,026
Gain on sales of investment securities	—	78
Gain on sales of subsidiaries and affiliates' stocks	3,459	1,167
Reversal of allowance for doubtful receivables	465	—
Gain on transfer of business	645	—
Reversal of provision for loss on guarantees	13	—
Gain on transfer among severance payment plans	238	38
Gain on forgiveness of debts	474	—
Gain on adjustment for changes of accounting standard for construction contracts	287	—
Total of extraordinary income	6,744	2,310
Extraordinary expenses		
Loss on sales of fixed assets	99	369
Loss on disposal of fixed assets	1,498	521
Loss on liquidation of subsidiaries and affiliates	1,327	—
Impairment losses	220	74
Loss on sales of stocks of subsidiaries and affiliates	7,365	—
Loss on valuation of investment securities	418	574
Loss on valuation of membership	—	66
Special retirement benefit paid	588	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	906
Total of extraordinary expenses	11,518	2,512
Income before income taxes	11,974	28,548
Income taxes	9,539	9,019
Income taxes-deferred	(3,619)	(9,344)
Total of income taxes	5,920	(324)
Income before minority interests	—	28,873
Minority interests	612	681
Net income	5,441	28,191

Consolidated statements of comprehensive income

	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
	Millions of yen	Millions of yen
Income before minority interests	—	28,873
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	—	(523)
Deferred gains (losses) on hedges	—	(9)
Translation adjustment	—	(5,540)
Share of other comprehensive income (loss) of associates accounted for using equity method	—	(63)
Total other comprehensive income (loss)	—	(6,136)
Comprehensive income	—	22,737
Comprehensive income attributable to		
Owners of the parent	—	22,190
Minority interests	—	546

(3) Consolidated Statements of Net assets

	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
	Millions of yen	Millions of yen
Shareholders' equity		
Capital stock		
Balance at the end of previous period	61,284	61,284
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	61,284	61,284
Capital surplus		
Balance at the end of previous period	65,212	65,212
Changes of items during the period		
Disposal of treasury stock	—	1
Total changes of items during the period	—	1
Balance at the end of current period	65,212	65,213
Retained earnings		
Balance at the end of previous period	7,315	12,567
Changes of items during the period		
Net income	5,441	28,191
Change of scope of consolidation	(189)	—
Disposal of treasury stock	(0)	—
Total changes of items during the period	5,251	28,191
Balance at the end of current period	12,567	40,759
Treasury stock		
Balance at the end of previous period	(146)	(219)
Changes of items during the period		
Purchase of treasury stock	(74)	(47)
Disposal of treasury stock	1	0
Total changes of items during the period	(72)	(47)
Balance at the end of current period	(219)	(266)
Total shareholders' equity		
Balance at the end of previous period	133,665	138,844
Changes of items during the period		
Net income	5,441	28,191
Change of scope of consolidation	(189)	—
Purchase of treasury stock	(74)	(47)
Disposal of treasury stock	1	1
Total changes of items during the period	5,178	28,145
Balance at the end of current period	138,844	166,990

	From April 1, 2009 to March 31, 2010 Millions of yen	From April 1, 2010 to March 31, 2011 Millions of yen
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities		
Balance at the end of previous period	259	1,576
Changes of items during the period		
Net changes of items other than shareholders' equity	1,317	(522)
Total changes of items during the period	1,317	(522)
Balance at the end of current period	1,576	1,053
Deferred gains (losses) on hedges		
Balance at the end of previous period	0	—
Changes of items during the period		
Net changes of items other than shareholders' equity	(0)	(9)
Total changes of items during the period	(0)	(9)
Balance at the end of current period	—	(9)
Translation adjustment		
Balance at the end of previous period	(12,514)	(10,615)
Changes of items during the period		
Net changes of items other than shareholders' equity	1,899	(5,468)
Total changes of items during the period	1,899	(5,468)
Balance at the end of current period	(10,615)	(16,083)
Total accumulated other comprehensive income		
Balance at the end of previous period	(12,254)	(9,039)
Changes of items during the period		
Net changes of items other than shareholders' equity	3,215	(6,000)
Total changes of items during the period	3,215	(6,000)
Balance at the end of current period	(9,039)	(15,039)
Subscription rights to shares		
Balance at the end of previous period	—	104
Changes of items during the period		
Net changes of items other than shareholders' equity	104	258
Total changes of items during the period	104	258
Balance at the end of current period	104	363
Minority interests		
Balance at the end of previous period	2,852	2,755
Changes of items during the period		
Net changes of items other than shareholders' equity	(96)	(130)
Total changes of items during the period	(96)	(130)
Balance at the end of current period	2,755	2,625

	From April 1, 2009 to March 31, 2010 Millions of yen	From April 1, 2010 to March 31, 2011 Millions of yen
Net assets		
Balance at the end of previous period	124,263	132,665
Changes of items during the period		
Net income	5,441	28,191
Change of scope of consolidation	(189)	—
Purchase of treasury stock	(74)	(47)
Disposal of treasury stock	1	1
Net changes of items other than shareholders' equity	3,222	(5,871)
Total changes of items during the period	8,401	22,273
Balance at the end of current period	132,665	154,939

(4) Consolidated statements of cash flows

	From April 1, 2009 to March 31, 2010 Millions of yen	From April 1, 2010 to March 31, 2011 Millions of yen
Cash flows from operating activities:		
Income before income taxes	11,974	28,548
Depreciation and amortization	15,274	13,523
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	906
Impairment loss	220	74
Loss (gain) on sales of securities and investment securities	3,906	(1,245)
Increase (decrease) in provision	(147)	(10,145)
Loss (gain) on sales of fixed assets	(1,035)	(656)
Interest and dividends income	(812)	(858)
Interest expenses	3,566	3,028
Decrease (increase) in trade receivables	(3,188)	(241)
Decrease (increase) in inventories	7,255	1,233
Increase (decrease) in trade payables	(14,834)	1,256
Increase /decrease in other assets / liabilities	5,214	583
Other loss (gain)	3,559	239
Sub-total	30,954	36,247
Interest and dividend received	1,362	726
Interest expenses paid	(3,402)	(3,075)
Income taxes paid	(5,332)	(7,294)
Net cash provided by (used in) operating activities	23,581	26,604
Cash flows from investing activities:		
Purchase of fixed assets	(19,370)	(14,646)
Proceeds from sales of fixed assets	511	17,515
Purchase of investment securities	(51)	(543)
Proceeds from sales and redemption of investment securities	100	1,987
Payments of loans receivable	(4,083)	(1,699)
Collection of loans receivable	2,957	8,239
Purchase of investments in subsidiaries	—	(28)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(787)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	2,717	—
Others	876	172
Net cash provided by (used in) investing Activities	(17,127)	10,996
Cash flows from financing activities:		
Redemption of bonds	(20,000)	—
Net increase (decrease) in short-term loans payable	(24,763)	(925)
Proceeds from long-term bank loans	42,100	4,900
Repayment of long-term bank loans	(744)	(18,383)
Proceeds from disposal of (Purchase of) treasury stock	(72)	(45)
Dividends paid to minority shareholders in consolidated subsidiaries	(1,028)	(437)
Others	(927)	795
Net cash provided by (used for) financing activities	(5,436)	(14,096)
Translation adjustments	362	(1,214)
Increase (decrease) in cash and cash equivalents	1,379	22,290
Cash and cash equivalents at beginning of the period:	77,194	81,711
Increase owing to change in scope of consolidation	3,137	—
Cash and cash equivalents at end of the period:	81,711	104,002

(5) Basis of preparation of the Consolidated Financial Statements

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 51</p> <p>Significant consolidated subsidiaries: Mentioned in Corporate Group Information</p> <p>The following subsidiaries were newly consolidated: E-Square Co., Ltd. Hasaki Wind Farm Co., Ltd. Ebara Boshan Pumps Co., Ltd. Ebara Machinery (China) Hood-EIC, LLC.</p> <p>※ Hasaki Wind Farm Co., Ltd. was excluded from consolidation, as of March 31, 2010, owing to transfer of shares of Eco Power Co., Ltd..</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation. Ebara Research Co., Ltd. Ebara Ballard Co., Ltd.</p> <p>Ebara Engineering Service Co., Ltd. was excluded from consolidation and become an affiliated companies applied equity method, owing to transfer of a portion of shares.</p> <p>The following subsidiaries were excluded from consolidation owing to transfer of shares of Engineering Service Co., Ltd. Aqua Engineering Co., Ltd. EBARA INDUSTRIAL CLEANING Co., Ltd.</p> <p>Eco Power Co., Ltd. was excluded from consolidation owing to transfer of shares.</p> <p>(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia</p> <p>(3) The accounts of non-consolidated subsidiaries are not included in the consolidated financial statements owing to insignificance in volume of assets, sales, net income and retained earnings.</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method 1 Ebara Espana Bombas S.A.</p> <p>(2) Number of affiliated companies applied equity method 2 Pacific Machinery and Engineering Co., Ltd. Ebara Engineering Service Co., Ltd. Ebara Engineering Service Co., Ltd. was excluded from consolidation and become an affiliated companies applied equity method, owing to transfer of a portion of shares.</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in Names of significant non-consolidated subsidiaries (Affiliated company) Hyosung-Ebara Co., Ltd.</p> <p>(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 48</p> <p>Significant consolidated subsidiaries: Mentioned in Corporate Group Information</p> <p>The following subsidiaries were newly consolidated: Elliott Ebara Turbomachinery India Pvt. Ltd. ELLIOTT GAS Services Saudi Arabia Limited</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation. Elliott Foreign Sales Corp. Elliott Ebara Company Ltd. Ebara Kailay Environmental Engineering Co., Ltd.</p> <p>As a result of merger, on October 1, 2010, of the following subsidiary with Ebara Corporation Ebara Kyusyu Co., Ltd.</p> <p>As a result of merger, on November 1, 2010, of the following subsidiary with Ebara Refrigeration Equipment & Systems Co., Ltd Ebara Shinwa Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries Mentioned left</p> <p>(3) Mentioned left</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method 1 Mentioned left</p> <p>(2) Number of affiliated companies applied equity method 2 Pacific Machinery and Engineering Co., Ltd. Ebara Engineering Service Co., Ltd.</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Hyosung-Ebara Co., Ltd. was excluded from affiliated companies owing to transfer of shares.</p> <p>(4) Mentioned left</p>

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is December 31: Overseas consolidated subsidiaries Elliott Ebara Turbomachinery Corp. Significant transactions between December 31 and the period end were adjusted in consolidation.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Amortized cost method Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to shareholders' equity as shown in the balance sheets Securities not quoted Gross average cost ②Derivatives Fair market value. ③Inventories Finished goods and raw materials are stated at the gross average cost (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets), except for in the Precision Machinery Company, which employs the moving average method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets), and work in process is valued at accumulated job cost (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets).</p> <p>(2) Property, plant and equipment and related depreciation ①Tangible assets Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of the assets of the Company and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Company and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese income tax regulations. ②Intangible assets and other investments Intangible assets are amortized on a straight-line basis. Software used in the Company is amortized on a straight-line basis for the estimated useful lives, 5 years. ③Lease assets The Group adopts the method of taking the useful life of the asset as the term of the lease for which lease assets under finance lease transactions other than those for which the ownership transfers to the lessee and depreciating the residual value to zero. Please note that for financial leases for which ownership is not transferred to the lessee and which commenced on or prior to March 31, 2008, the Group adopts accounting standards normally applicable to ordinary rental transactions.</p>	<p>3 Financial year end of consolidated subsidiaries Mentioned left</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Derivatives Mentioned left ③Inventories Mentioned left</p> <p>(2) Property, plant and equipment and related depreciation ①Tangible assets(except lease assets) Mentioned left ②Intangible assets and other investments(except lease assets) Mentioned left ③Lease assets Mentioned left</p>

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>(3) Standards of significant allowance</p> <p>① Allowance for doubtful receivables An allowance for doubtful receivables is provided on an amount sufficient to cover possible losses on collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.</p> <p>② Bonus payment reserve Bonus payment reserve is provided based on the future liabilities.</p> <p>③ Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities.</p> <p>④ Provision for retirement benefits The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. Actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.</p> <p>⑤ Provision for directors' retirement benefits In domestic consolidated subsidiaries, directors' retirement allowance reserve is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.</p> <p>⑥ Reserve for losses on contingent liabilities To prepare for possible losses related to liabilities of subsidiaries and affiliated companies that are guaranteed by the Group (contingent liabilities), the Group makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.</p> <p>⑦ Provision for product warranties To provide for expenses related to defect guarantees related to buying and selling contracts, the amount of such warranties is estimated by multiplying a reasonable percentage of defects by the value of product sales.</p> <p>⑧ Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.</p> <p>⑨ Reserve for construction losses To prepare for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.</p> <p>⑩ Reserve for expenses related to the sale of land Accompanying the sale of the land formerly occupied by the Group's Haneda Plant, this reserve has been created to provide for expenses related to restoring the land to its original condition.</p> <p>(4) Revenue recognition Standard for cost of completed work and construction revenue The percentage-of-completion method has been applied for the completion of a portion of the construction work is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost). For other construction work, the completed-contract method has been applied.</p>	<p>(3) Standards of significant allowance</p> <p>① Allowance for doubtful receivables Mentioned left</p> <p>② Bonus payment reserve Mentioned left</p> <p>③ Directors' bonus payment reserve Mentioned left</p> <p>④ Provision for retirement benefits Mentioned left</p> <p>⑤ Provision for directors' retirement benefits Mentioned left</p> <p>⑥ —</p> <p>⑦ Provision for product warranties Mentioned left</p> <p>⑧ Reserve for losses on construction completion guarantees Mentioned left</p> <p>⑨ Reserve for construction losses Mentioned left</p> <p>⑩ Reserve for expenses related to the sale of land Mentioned left</p> <p>(4) Revenue recognition Mentioned left</p>

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>(5) Significant hedging accounting methods</p> <p>①Hedging transactions Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.</p> <p>②Hedging instruments and hedging objects Hedging instruments Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used. Hedging objects Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.</p> <p>③Hedging policy The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others in accordance with internal fund management regulation.</p> <p>④Assessing the effectiveness of hedging Interest risk The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with hedge criteria, the assessments are omitted. Currency exchange rate risk As long as one hedging instrument and one hedging object correspond, the hedge is considered effective. — —</p> <p>(8) Consumption tax Consumption taxes are accounted for using the net-of-tax method.</p> <p>(9) Consolidated taxation system A consolidated tax system is applied.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.</p> <p>6. Amortization of Goodwill and Negative Goodwill The Company has set 20 years as a reasonable period for the amortization of goodwill and negative goodwill and uses the straight-line method to determine the amount to be amortized in each period. Those goodwill items that are not deemed to be material may be amortized in periods when they arise.</p> <p>7. Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.</p>	<p>(5) Significant hedging accounting methods</p> <p>①Hedging transactions Mentioned left</p> <p>②Hedging instruments and hedging objects Hedging instruments Mentioned left Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Method and Period for Amortization of Goodwill The Company has set 20 years as a reasonable period for the amortization of goodwill and negative goodwill and uses the straight-line method to determine the amount to be amortized in each period. Those goodwill items that are not deemed to be material may be amortized in periods when they arise.</p> <p>(7) Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.</p> <p>(8) Consumption tax Mentioned left</p> <p>(9) Consolidated taxation system Mentioned left</p> <p>—</p> <p>—</p> <p>—</p>

(6) Change in accounting policies

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>(Change in standard for cost of completed work and construction revenue)</p> <p>The Group has changed its method for recognizing revenues from construction business activities. Previously, the Group applied the percentage-of-completion method for construction contracts of a term of more than one year and a total construction value of ¥100 million. For other construction contracts, the Group applied the completed-contract method.</p> <p>However, Beginning with the first quarter of the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007), the percentage-of-completion method has been applied for all construction contracts, including those that existed at the beginning of the current fiscal year, if the completion of a portion of the construction work is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost). For other construction work, the completed-contract method has been applied.</p> <p>As a consequence, for accumulated consolidated results through the the current fiscal year, sales were ¥1,835 million larger and the operating income, ordinary income were each ¥400 million larger, and income before income taxes were ¥688 million larger than under the previous method for the recognition of calculation. Please note that the effect of this accounting change by segment is presented in the segment information section.</p>	<p>(Application of the Accounting standards for asset retirement obligations)</p> <p>From the beginning of the first quarter of the current fiscal year, the Accounting Standard for Asset Retirement Obligations (Accounting Standards Bureau of Japan (ASBJ) Statement No. 18, issued on March 31, 2008) and the Implementation Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21, issued on March 31, 2008) have been adopted.</p> <p>As a consequence, for accumulated consolidated results through the third quarter, the operating income and ordinary income were each ¥162 million lower, and income before income taxes were ¥1,069 million lower than under the previous method for the recognition of calculation.</p>
<p>(Accrued severance and pension costs)</p> <p>Beginning with the current fiscal year, the Group has applied “Revisions of Certain of Accounting Standards for Severance Payment” (Accounting Standards Bureau of Japan (ASBJ) Statement No. 19, issued July 31, 2008).</p> <p>There is no effect for operating income, ordinary income, and income before income taxes.</p>	<p>(Application of the Accounting standards for Business Combinations and Related Matters)</p> <p>From the beginning of the third quarter of the current fiscal year, the Accounting Standard for Business Combinations (ASBJ Guidance No. 21, issued on December 26, 2008), Accounting Standard for Consolidated Financial Statements (ASBJ Guidance No. 22, issued on December 26, 2008), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Guidance No. 23, issued on December 26, 2008), Revised Accounting Standard for Business Divestitures (ASBJ Guidance No. 7, issued on December 26, 2008), Revised Accounting Standard for Equity method of Accounting for Investments (ASBJ Guidance No. 16, issued on December 26, 2008) and Revised Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, issued on December 26, 2008) have been adopted.</p>

Changes in classification

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>(Consolidated Financial Statements)</p> <p>Taking its materiality, the “Gain on sales of investment securities” that was included in “Gain on sales of subsidiaries and affiliates’ stocks” in the previous fiscal year, is separately presented from the fiscal year under review. Note that for the previous fiscal year “Gain on sales of subsidiaries and affiliates” is ¥445 million.</p> <p>(Consolidated Cash Flow)</p> <p>The “Increase in short-term loans payable” and “Decrease in short-term loans payable” that were presented in “Net cash provided by (used in) financing activities” in the prior fiscal year is now shown under “Net increase (decrease) in short-term loans payable” beginning with the fiscal year under review. Note that for the fiscal year under review “Increase in short-term loans payable” is ¥24,549 million and “Decrease in short-term loans payable” is ¥(49,313) million.</p>	<p>(Consolidated Financial Statements)</p> <p>Beginning with the fiscal year under review, the Company has applied the Cabinet Order Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 5, issued March 24, 2009) based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, issued on December 26, 2008). As a result, the item “Income before minority interests” is included in the financial statements for the year under review.</p>

Additional information

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
<p>(Directors’ retirement allowance reserve)</p> <p>Previously, to provide for retirement and severance payments to directors, EBARA made provisions to a reserve for officers’ retirement benefits for those payments to be made at the end of the fiscal year, based on its internal regulations. However, at the General Meeting of Shareholders held on June 26, 2009, it was decided to terminate the retirement benefit plan for directors and make final payments under this plan. For this purpose, an amount payable of ¥254 million is included in the item “Other long-term liabilities” on the consolidated balance sheets.</p> <p>In addition, accompanying this, the unpaid portion of the reserve for retirement benefits for executive officers, amounting to ¥224 million, that was formerly included in the reserve for officers’ retirement benefits has been transferred to current liabilities and “Other long-term liabilities” on the consolidated balance sheets.</p> <p>(Accrued severance and pension costs)</p> <p>Accompanying the implementation of the Defined Contribution Pension Plan Law, in August 2009, some domestic consolidated subsidiaries transferred a portion of its lump-sum severance payment plan to its defined contribution pension plan and applied “Accounting Standards for Transition among Severance Payment Plans” (Application Guidelines for Corporate Accounting Standards, No. 1).</p> <p>As a result of this transfer, the Group reported extraordinary income of ¥238 million in its accumulated consolidated results through the current fiscal year.</p>	<p>(Accounting Standard for Disclosures about Segments)</p> <p>Please note that beginning with the fiscal year under review, the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, issued by ASBJ on March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, issued by ASBJ on March 21, 2008) have been applied.</p> <p>(Accounting Standard for Presentation of Comprehensive Income)</p> <p>Beginning with the fiscal year under review, the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, issued by ASBJ on June 30, 2010) has been applied. However, the consolidated amounts for “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” for the previous fiscal year have been presented in “Net unrealized gain” and “Total net unrealized gain”</p>

(7) Notes to consolidated financial statements

(Balance sheets)

March 31, 2010		March 31, 2011	
*1	Accumulated depreciation of tangible assets 154,248million	*1	Accumulated depreciation of tangible assets 158,409million
*2	Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows:	*2	Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows:
	Investment securities 5,637 million		Investment securities 5,795 million
	Others 1,447 million		Others 1,447 million
	<u>Total 7,084 million</u>		<u>Total 7,242 million</u>
*3	Collateral assets	*3	Collateral assets
	(Collateral assets for bank loans)		(Collateral assets for bank loans)
	Buildings 758 million		Buildings 1,253 million
	Machinery and equipment 7 million		Machinery and equipment 2,099 million
	Land 247 million		Land 235 million
	Investment securities 1,437 million		Investment securities 1,212 million
	<u>Total 2,449 million</u>		<u>Total 4,801 million</u>
	Amount of bank loans		Amount of bank loans
	Short-term loan 1,602 million		Short-term loan 2,534 million
	Long-term loan 5,470 million		Long-term loan 6,753 million
	The above collateral assets include a portion of industrial factory foundation as follows:		The above collateral assets include a portion of industrial factory foundation as follows:
	Land 113 million		Land 113 million
			Other 18 million
	Amount of bank loans		Amount of bank loans
	Short-term loan 700 million		Short-term loan 700 million
	(Collateral assets for purposes other than bank loans)		(Collateral assets for purposes other than bank loans)
	Investment securities — million		Investment securities — million
4	Commitments and contingent liabilities	4	Commitments and contingent liabilities
	(1) Loans guaranteed to employees: 487 million		(1) Loans guaranteed to employees: 389 million
	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:		(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:
	Oiwa Machinery Corporation 1,819 million		Oiwa Machinery Corporation 1,009 million
	Chubu Recycle Co., Ltd. 238 million		Chubu Recycle Co., Ltd. 200 million
	Other 3 companies 405 million		Other 3 companies 341 million
	<u>Total 2,463 million</u>		<u>Total 1,551 million</u>
	(3) Loan guaranteed to business partners:		(3) Loan guaranteed to business partners:
	Tomen Power Samukawa Co., Ltd. 87 million		Tomen Power Samukawa Co., Ltd. 56 million
	Tokyo Tama Ecocement Inc. 45 million		Ikata Eco Park Co., Ltd. 2,636 million
5	Overdrafts and commitment lines	5	Overdrafts and commitment lines
	The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the consolidated accounting year were as follows:		The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the consolidated accounting year were as follows:
	Current account overdrafts 5,000 million		Current account overdrafts 5,000 million
	Commitment lines 45,000 million		Commitment lines 45,000 million
	<u>Total 50,000 million</u>		<u>Total 50,000 million</u>

(Statements of income)

From April 1, 2009 to March 31, 2010		From April 1, 2010 to March 31, 2011																									
*1 Research and development costs	4,977 million	*1 Research and development costs	4,066 million																								
*2 Gain on sales of fixed assets comprises the following:		*2 Gain on sales of fixed assets comprises the following:																									
Buildings	0 million	Buildings	5 million																								
Machinery and equipment	34 million	Machinery and equipment	72 million																								
Land	1,098 million	Land	948 million																								
Others	24 million	Others	0 million																								
Total	1,158 million	Total	1,026 million																								
*3 Loss on sales of fixed assets comprises the following:		*3 Loss on sales of fixed assets comprises the following:																									
Buildings	5 million	Buildings	8 million																								
Machinery and equipment	49 million	Machinery and equipment	8 million																								
Land	2 million	Land	350 million																								
Others	41 million	Others	1 million																								
Total	99 million	Total	369 million																								
*4 Loss on disposal of fixed assets comprises the following:		*4 Loss on disposal of fixed assets comprises the following:																									
Buildings	273 million	Buildings	74 million																								
Machinery and equipment	507 million	Machinery and equipment	293 million																								
Other tangible fixed assets	638 million	Other tangible fixed assets	111 million																								
Software	61 million	Software	34 million																								
Other intangible assets	28 million	Other intangible assets	6 million																								
Total	1,498 million	Total	521 million																								
*5 Impairment losses		*5 Impairment losses																									
(1) Summary of asset groups for which impairment losses were recognized		(1) Summary of asset groups for which impairment losses were recognized																									
<table border="1"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Wind power generation facilities</td> <td>Buildings Machinery</td> <td>Setana, Esashi Hokkaidou</td> </tr> <tr> <td>Idle assets</td> <td>Land Buildings</td> <td>Sodegaura Chiba</td> </tr> <tr> <td>Idle assets</td> <td>Telephone rights</td> <td>National</td> </tr> </tbody> </table>	Use	Type	Location	Wind power generation facilities	Buildings Machinery	Setana, Esashi Hokkaidou	Idle assets	Land Buildings	Sodegaura Chiba	Idle assets	Telephone rights	National		<table border="1"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Idle assets</td> <td>Land</td> <td>Kasamai Ishikawa</td> </tr> <tr> <td>Idle assets</td> <td>Land Buildings</td> <td>Ube Yamaguchi</td> </tr> <tr> <td>Idle assets</td> <td>Land Buildings</td> <td>Kitakyusyu Fukuoka</td> </tr> </tbody> </table>	Use	Type	Location	Idle assets	Land	Kasamai Ishikawa	Idle assets	Land Buildings	Ube Yamaguchi	Idle assets	Land Buildings	Kitakyusyu Fukuoka	
Use	Type	Location																									
Wind power generation facilities	Buildings Machinery	Setana, Esashi Hokkaidou																									
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Idle assets	Land	Kasamai Ishikawa																									
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Idle assets	Land Buildings	Kitakyusyu Fukuoka																									
(2) Outline of asset grouping		(2) Outline of asset grouping																									
The Group groups its assets according to its business segments, but idle assets are grouped individually.		Mentioned left																									
(3) Background of recognition of impairment losses		(3) Background of recognition of impairment losses																									
The book value of wind power generation facilities has been reduced to their recoverable value based on a review of the future cash flows with transfer of Eco Power Co. Ltd., to be generated by these facilities.		Regarding land and buildings, since the market value has decreased significantly compared with the book value, the book value has been reduced to the recoverable value.																									
Regarding land and buildings, since the market value has decreased significantly compared with the book value, the book value has been reduced to the recoverable value.																											
Regarding telephone rights since the future use has not been decided, the book value has been reduced to the recoverable value.																											

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010																						
<p>(4) Computation of recoverable value</p> <p>The amount deemed to be recoverable is computed as the net sale price. In the case of land, buildings, and structures, the recoverable amount is estimated from valuations of real estate appraisers.</p>	<p>(4) Computation of recoverable value</p> <p>The Company employs the net sale value as the recoverable amount of idle assets. The net sale value is estimated by reasonable methods, taking officially announced land prices along railways and other information as a base.</p>																						
<p>(5) Amount of impairment losses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Machinery</td> <td style="text-align: right;">123 million</td> </tr> <tr> <td>Buildings</td> <td style="text-align: right;">19 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">7 million</td> </tr> <tr> <td>Tools, Furniture & Fixtures</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td>Software</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td>Long-term prepaid expense</td> <td style="text-align: right;">1 million</td> </tr> <tr> <td>Other intangible assets</td> <td style="text-align: right;">68 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">220 million</td> </tr> </table>	Machinery	123 million	Buildings	19 million	Land	7 million	Tools, Furniture & Fixtures	0 million	Software	0 million	Long-term prepaid expense	1 million	Other intangible assets	68 million	Total	220 million	<p>(5) Amount of impairment losses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">68 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">5 million</td> </tr> <tr> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">74 million</td> </tr> </table>	Buildings	68 million	Land	5 million	Total	74 million
Machinery	123 million																						
Buildings	19 million																						
Land	7 million																						
Tools, Furniture & Fixtures	0 million																						
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Total	220 million																						
Buildings	68 million																						
Land	5 million																						
Total	74 million																						
<p>*6 The impact of the application of accounting standards for construction contracts</p> <p>The impact of the application of accounting standards for construction contracts, based on Item 25 of “Accounting Standards for Construction Contracts” (ASBJ No. 15, issued December 27, 2007), as applied to all construction contracts existing as of April 1, 2009, was a profit proportional to progress in construction in prior years.</p> <p>Please note that the amounts corresponding to revenue from construction completed in prior years and the amount corresponding to the cost of such construction were ¥ 1,526 million and ¥1,238 million, respectively.</p>	—																						
<p>*7 The provision to the reserve for construction losses contained in cost of sales</p> <p style="text-align: right;">¥14,200 million</p>	<p>*7 The provision to the reserve for construction losses contained in cost of sales</p> <p style="text-align: right;">¥9,534 million</p>																						

(Statements of Comprehensive income)

From April 1, 2010 to March 31, 2011

*1 Comprehensive income for the fiscal year immediately prior to the fiscal year under review	
Comprehensive income attributable to owners of the parent	¥8,657 million
<u>Comprehensive income attributable to minority interests</u>	<u>¥670 million</u>
Total	¥9,328 million
*2 Other comprehensive income for the fiscal year immediately prior to the fiscal year under review	
Net unrealized gain on investment securities	¥1,322 million
Deferred gains (losses) on hedges	¥ (0) million
Translation adjustment	¥1,937 million
<u>Share of other comprehensive income of associates accounted for using equity method</u>	<u>¥14 million</u>
Total	¥3,274 million

(Statement of Changes in Consolidated Shareholders' Equity)

From April 1, 2009 to March 31, 2010

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2010
Shares issued				
Common stock	422,725,658	—	—	422,725,658
Total	422,725,658	—	—	422,725,658
Treasury stock				
Common stock	341,744	195,218	4,130	532,832
Total	341,744	195,218	4,130	532,832

Notes: 1 Increase in treasury common stock of 195,218 was due to the purchase of shareholdings of less than one trading unit.

2 The decrease in treasury common stock of 4,130 was due to the sale of shareholdings of less than one trading unit.

2. Subscription rights to shares and own subscription rights to shares

Category	Breakdown	Type of shares for purpose	Number of shares for purpose				March 31, 2010 (Millions of yen)
			March 31, 2009	Increase	Decrease	March 31, 2010	
Submitting company	Stock options issued as compensation in 2009	Common stock	—	—	—	—	104
Total			—	—	—	—	104

Notes: The increase in stock options issued as compensation in 2009 was due to the increase in rights to purchase subscription rights to shares.

3. Items Related to Dividend

(1) Payment of Dividends

Not applicable

(2) Mention related to any dividends belonging to the base date of the period for which the effective date falls after the end of the interim period.

Not applicable

From April 1, 2010 to March 31, 2011

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2010	Increase	Decrease	Number of shares as of March 31, 2011
Shares issued				
Common stock	422,725,658	36,520,020	—	459,245,678
Total	422,725,658	36,520,020	—	459,245,678
Treasury stock				
Common stock	532,832	36,640,507	4,469	37,168,870
Total	532,832	36,640,507	4,469	37,168,870

Notes: 1 Increase in common shares issued of 36,520,020 was due to an exchange of shares with a subsidiary

2 Increase in treasury common stock of 36,640,507 was due to the purchase of 120,487 shareholdings of less than one trading unit and the purchase of 36,520,020 shares accompanying the liquidation of a subsidiary.

3 The decrease in treasury common stock of 4,469 was due to the sale of shareholdings of less than one trading unit.

2. Subscription rights to shares and own subscription rights to shares

Category	Breakdown	Type of shares for purpose	Number of shares for purpose				March 31, 2011 (Millions of yen)
			March 31, 2010	Increase	Decrease	March 31, 2011	
Submitting company	Stock options issued as compensation in 2009	Common stock	—	—	—	—	354
	Stock options issued as compensation in 2010	Common stock	—	—	—	—	8
Total		—	—	—	—	—	363

Notes: The increase in stock options issued as compensation in 2010 was due to the increase in rights to purchase subscription rights to shares.

3. Items Related to Dividend

(1) Payment of Dividends

Not applicable

(2) Mention related to any dividends belonging to the base date of the period for which the effective date falls after the end of the interim period.

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 24, 2011 at the Regular General Meeting of Shareholders	Common stock	2,110	5.0	March 31, 2011	June 27, 2011

(Statements of cash flows)

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011																																																						
<p>1.A reconciliation of cash and cash</p> <p>Equivalents to the amounts shown in the balance sheets is as follows:</p> <table> <tr> <td>Cash and time deposits</td> <td style="text-align: right;">80,089 million</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">1,622 million</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>81,711 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">81,711 million</td> </tr> </table> <p>2. Breakdown of Principal Assets and Liabilities of companies excluded from Consolidation because of the transfer of shares. Eco Power Co., Ltd. and Hasaki Wind Farm Co., Ltd. (As of March 31, 2010)</p> <table> <tr> <td>Current Assets</td> <td style="text-align: right;">1,675 million</td> </tr> <tr> <td><u>Fixed Assets</u></td> <td style="text-align: right;"><u>17,658 million</u></td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>19,334 million</u></td> </tr> <tr> <td>Current Liabilities</td> <td style="text-align: right;">4,267 million</td> </tr> <tr> <td><u>Long-term Liabilities</u></td> <td style="text-align: right;"><u>7,657 million</u></td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>11,925 million</u></td> </tr> <tr> <td>Assignment price of stock of Eco Power Co., Ltd.</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td>Cash and cash equivalents (2 companies)</td> <td style="text-align: right;">(787) million</td> </tr> <tr> <td><u>Decrease of Cash and cash equivalents for assignment</u></td> <td style="text-align: right;"><u>787 million</u></td> </tr> </table> <p>Ebara Engineering Service Co., Ltd., EBARA INDUSTRIAL CLEANING CO., LTD., and Aqua Engineering Co., Ltd. (As of March 31, 2010)</p> <table> <tr> <td>Current Assets</td> <td style="text-align: right;">40,233 million</td> </tr> <tr> <td><u>Fixed Assets</u></td> <td style="text-align: right;"><u>5,503 million</u></td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>45,736 million</u></td> </tr> <tr> <td>Current Liabilities</td> <td style="text-align: right;">35,651 million</td> </tr> <tr> <td><u>Long-term Liabilities</u></td> <td style="text-align: right;"><u>1,687 million</u></td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>37,338 million</u></td> </tr> <tr> <td>Assignment price of stock of Ebara Engineering Service Co., Ltd.</td> <td style="text-align: right;">9,000 million</td> </tr> <tr> <td>Cash and cash equivalents (3 companies)</td> <td style="text-align: right;">(6,282) million</td> </tr> <tr> <td><u>Increase of Cash and cash equivalents for assignment</u></td> <td style="text-align: right;"><u>2,717 million</u></td> </tr> </table>	Cash and time deposits	80,089 million	Securities	1,622 million	<u>Total</u>	<u>81,711 million</u>	Cash and cash equivalents	81,711 million	Current Assets	1,675 million	<u>Fixed Assets</u>	<u>17,658 million</u>	<u>Total</u>	<u>19,334 million</u>	Current Liabilities	4,267 million	<u>Long-term Liabilities</u>	<u>7,657 million</u>	<u>Total</u>	<u>11,925 million</u>	Assignment price of stock of Eco Power Co., Ltd.	0 million	Cash and cash equivalents (2 companies)	(787) million	<u>Decrease of Cash and cash equivalents for assignment</u>	<u>787 million</u>	Current Assets	40,233 million	<u>Fixed Assets</u>	<u>5,503 million</u>	<u>Total</u>	<u>45,736 million</u>	Current Liabilities	35,651 million	<u>Long-term Liabilities</u>	<u>1,687 million</u>	<u>Total</u>	<u>37,338 million</u>	Assignment price of stock of Ebara Engineering Service Co., Ltd.	9,000 million	Cash and cash equivalents (3 companies)	(6,282) million	<u>Increase of Cash and cash equivalents for assignment</u>	<u>2,717 million</u>	<p>1.A reconciliation of cash and cash</p> <p>Equivalents to the amounts shown in the balance sheets is as follows:</p> <table> <tr> <td>Cash and time deposits</td> <td style="text-align: right;">100,675 million</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">3,327 million</td> </tr> <tr> <td>Securities which the term is over 3 months</td> <td style="text-align: right;">(0) million</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>104,002 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">104,002 million</td> </tr> </table> <p style="text-align: center;">—</p>	Cash and time deposits	100,675 million	Securities	3,327 million	Securities which the term is over 3 months	(0) million	<u>Total</u>	<u>104,002 million</u>	Cash and cash equivalents	104,002 million
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(Segment information)

【Business segment information】

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating income						
Sales						
(1) Sales to third parties	295,967	139,387	50,534	485,889	—	485,889
(2) Intersegment sales and transfer	2,598	4,219	15	6,833	(6,833)	—
Total	298,565	143,606	50,550	492,722	(6,833)	485,889
Operating costs and expenses	276,692	143,745	53,300	473,738	(6,801)	466,936
Operating income (loss)	21,873	(138)	(2,750)	18,984	(31)	18,953
II Assets, depreciation and amortization and capital expenditure						
Assets	284,476	96,652	67,807	448,936	73,603	522,540
Depreciation and amortization	9,080	971	5,277	15,329	(55)	15,274
Impairment losses	172	21	26	220	—	220
Capital expenditure	15,251	1,800	2,508	19,560	(76)	19,484

Notes: 1 The companies operate in three business segments as follows:

Business segment	Products
Fluid Machinery & Systems	Pumps, Browsers, Turbo-compressors, Gas and steam turbines, Chillers, Machinery plant and Pumping system engineering, Cooling and water supply systems for nuclear power plants
Environmental Engineering	Environmental restoration equipment, Incinerators, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

2 The amount of the corporate assets included in 'Elimination and corporate' is ¥76,832 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

3 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

4 Beginning with the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007). As a result, sales in the FMS Company were ¥1,094 million and the EE Company were 740 million larger, and the operating profit and loss in the FMS Company were ¥242 million and EE Company were ¥158 million improve than the previous method of calculat

【Geographical segment information】

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	372,391	73,099	40,397	485,889	—	485,889
(2) Intersegment sales and transfer	9,993	2,128	5,342	17,463	(17,463)	—
Total	382,385	75,227	45,740	503,353	(17,463)	485,889
Operating costs and expenses	376,394	66,772	40,813	483,980	(17,044)	466,936
Operating income(loss)	5,990	8,454	4,927	19,373	(419)	18,953
II Assets	423,308	58,909	47,737	529,955	(7,415)	522,540

Notes: 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥66,861million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

2 Countries and areas included in Other are as follows:

Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil, Korea and Malaysia

3 Beginning with the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007).

As a result, sales in Japan were ¥1,835 million, and the operating income were ¥400 million larger than the previous method of calculation.

【Overseas sales】

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	75,667	47,136	68,220	191,025
II Consolidated net sales				485,889
III Percentage of overseas sales to net sales(%)	15.6	9.7	14.0	39.3

Notes: 1 Significant countries and areas included in the above classification are as follows:

(1) Asia China, Taiwan, and South Korea

(2)North America USA

(3)Other areas Saudi Arabia, Italy, Germany, Russia, Iran

2 Overseas sales is net sales of the Group and its subsidiaries other than in Japan.

3 Beginning with the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007).

As a result, sales of overseas in North America were ¥448 million larger, and in Asia were ¥223 million larger than under the previous method of calculation.

【Segment information】

From April 1, 2010 to March 31, 2011

1. Overview of reportable segments

From April 1, 2010 to The reportable segments are constituent units of the EBARA Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The EBARA Group is conducting its business operations through three in-house companies: the FMS Company, EE Company, and PM Company. Therefore, the EBARA Group is composed of product and service segments based along the lines of the in-house companies, and its three reporting segments are Fluid Machinery & Systems, Environmental Engineering, and Precision Machinery.

The Group's operate in three business segments as follows:

Segment	Principal Products	Contents
Fluid Machinery & Systems	Pumps, browers, turbo-compressors, turbines, freezer chillers and others	Manufacture, sale, operation and maintenance (O&M) services and others
Environmental Engineering	Municipal waste processing plants, industrial waste incineration plants and others	Engineering, construction, O&M services and others
Precision Machinery	Dry vacuum pumps, CMP equipment, planting systems and other machinery and equipment used in the semiconductor manufacturing industry	Manufacture, sale and maintenance

2. Calculation method used for sales, profits and loss, assets and liabilities and other items for each reportable segment

The accounting method used for reportable business segments is the same as the method stated in "Basis of preparation of the Consolidated Financial Statements."

Profits from reportable segments are figures based on operating income.

3. Information about sales, profits and losses, assets and liabilities, and other items for each reportable segment

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Reportable segments				Others (Notes 1)	Total	Adjustment (Notes 2)	Consolidated (Notes 3)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Sales to third parties	295,967	130,333	50,534	476,835	9,054	485,889	—	485,889
Intersegment sales and transfers	2,598	331	15	2,945	5,890	8,836	(8,836)	—
Total	298,565	130,664	50,550	479,780	14,944	494,725	(8,836)	485,889
Segment income (loss)	21,873	(1,247)	(2,750)	17,875	991	18,867	85	18,953
Segment assets	284,476	68,094	67,807	420,378	31,649	452,027	70,512	522,540
Others								
Depreciation and amortization	9,080	976	5,277	15,334	38	15,373	(98)	15,274
Amortization of Goodwill	803	—	—	803	803	803	—	803
Investment for companies applied equity method	1,030	2,683	—	3,713	-	3,713	—	3,713
Increase in tangible and intangible assets	15,251	1,639	2,508	19,399	160	19,560	(76)	19,484

Notes: 1 The "Others" item in the table above is the business segment for operations that are not included among reporting segments. It contains business support services and other activities.

2 The "Adjustment" item is as follows:

(1) Segment income (loss) shows eliminations among intersegment sales and transfers.

(2) Segment assets shows eliminations among intersegment sales and transfers.

(3) Increase in tangible and intangible assets shows eliminations among intersegment sales and transfers.

3 Segment income (loss) has been adjusted with operating income in the consolidated statements of income.

From April 1, 2010 to March 31, 2011

(Millions of yen)

	Reportable segments				Others (Notes 1)	Total	Adjustment (Notes 2)	Consolidated (Notes 3)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Sales to third parties	268,942	51,660	67,902	388,505	13,169	401,675	—	401,675
Intersegment sales and transfers	1,164	175	0	1,340	4,697	6,038	(6,038)	-
Total	270,107	51,836	67,902	389,846	17,867	407,713	(6,038)	401,675
Segment income	21,596	942	8,016	30,555	779	31,334	207	31,541
Segment assets	256,911	55,638	70,977	383,527	23,605	407,132	100,765	507,898
Others								
Depreciation and amortization	8,686	337	3,931	12,956	690	13,646	(122)	13,523
Amortization of Goodwill	263	—	—	263	—	263	—	263
Investment for companies applied equity method	1,054	3,333	—	4,388	—	4,388	—	4,388
Increase in tangible and intangible assets	5,770	668	1,248	7,687	501	8,189	—	8,189

Notes: 1 The “Others” item in the table above is the business segment for operations that are not included among reporting segments. It contains business support services and other activities.

2 The “Adjustment” item is as follows:

(1) Segment income shows eliminations among intersegment sales and transfers.

(2) Segment assets shows eliminations among intersegment sales and transfers.

3 Segment income has been adjusted with operating income in the consolidated statements of income.

(Income taxes)

March 31, 2010	March 31, 2011		
1. Significant components of the deferred tax assets and liabilities	1. Significant components of the deferred tax assets and liabilities		
Deferred tax assets:	Deferred tax assets:		
Excess provision of accrued bonuses to employees	2,060million	Excess provision of accrued bonuses to employees	2,325million
Loss recognized on a percentage-of-completion basis	9,640 million	Loss recognized on a percentage-of-completion basis	16,218 million
Accrued enterprise tax	367 million	Accrued enterprise tax	497 million
Excess provision of accrued severance Indemnities	7,937 million	Excess provision of accrued severance Indemnities	6,120 million
Directors' retirement expense	137 million	Directors' retirement expense	442 million
Intercom any profit on fixed assets	858 million	Intercom any profit on fixed assets	789 million
Tax loss carried forward	7,288 million	Tax loss carried forward	5,683 million
Write-down of investment securities	3,108 million	Write-down of investment securities	3,173 million
Loss on liquidation of subsidiary companies	1,400 million	Loss on liquidation of subsidiary companies	31 million
Research and development expenses	407 million	Research and development expenses	342 million
Loss from write-down of real estate for sale	2 million	Loss from write-down of real estate for sale	2 million
Loss on write-down of inventories	3,537 million	Loss on write-down of inventories	3,625 million
Reserve for losses on construction completion guarantees	12,248 million	Reserve for losses on construction completion guarantees	7,040 million
Allowance for doubtful receivables	1,737 million	Allowance for doubtful receivables	1,492 million
Others based on tax codes outside Japan	4,699 million	Others based on tax codes outside Japan	3,981 million
Others	7,482 million	Others	6,658 million
Subtotal	62,913 million	Subtotal	58,426 million
Valuation allowance	(33,229) million	Valuation allowance	(20,337) million
Total deferred tax assets	29,684 million	Total deferred tax assets	38,089 million
Deferred tax liabilities:		Deferred tax liabilities:	
Reserve for deferral of capital gains on sales of property	(1,685) million	Reserve for deferral of capital gains on sales of property	(1,656) million
Net unrealized gain on investment securities	(1,011) million	Net unrealized gain on investment securities	(648) million
Other	(1,987) million	Other	(2,456) million
Total deferred tax liabilities	(4,685) million	Total deferred tax liabilities	(4,761) million
Net deferred tax assets	24,999 million	Net deferred tax assets	33,328 million
2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate.		2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate.	
Statutory tax rate, giving tax effect on enterprise tax payable	40.7%	Statutory tax rate, giving tax effect on enterprise tax payable	40.7%
Entertainment expenses and other expenses not deductible	2.4%	Entertainment expenses and other expenses not deductible	1.9%
Per capita equalization inhabitants' taxes	2.8%	Per capita equalization inhabitants' taxes	1.2%
Dividends received not taxable	(18.1)%	Dividends received not taxable	(18.4)%
Dividends received effected by the excluded from consolidation	24.9%	Dividends received effected by the excluded from consolidation	20.0%
Amortization of goodwill	2.1%	Valuation allowance	(41.6)%
Valuation allowance	(3.6)%	Others	(4.9)%
Others	(1.8)%	Effective tax rate as shown in statements of income	(1.1)%
Effective tax rate as shown in statements of income	49.4%		

(Severance and Pension Plans)

From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011																																
<p>1. Outline of Severance and Pension Plans</p> <p>The company, its domestic consolidated subsidiaries and some foreign consolidated subsidiaries have termination allowance plans and retirement pension plans as severance and defined benefit pension plans. The company and some subsidiaries have shifted a portion of their lump-sum retirement payment plan to a defined contribution pension plan in August 2009.</p>	<p>1. Outline of Severance and Pension Plans</p> <p>The company, its domestic consolidated subsidiaries and some foreign consolidated subsidiaries have termination allowance plans and retirement pension plans as severance and defined benefit pension plans. Some subsidiaries have shifted a qualified pension plan to a defined contribution pension plan in January 2011. The effect of these is not material.</p>																																
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(Per share data of common stock)

From April 1, 2009 to March 31, 2010		From April 1, 2010 to March 31, 2011	
Shareholders' equity per share of common stock	307.46	Shareholders' equity per share of common stock	360.01
Net income per share	12.89	Net income per share	66.78
Diluted net income per share	11.82	Diluted net income per share	59.09

1. Basic information for computation of total net assets per share

From April 1, 2009 to March 31, 2010		From April 1, 2010 to March 31, 2011	
(1) Total net assets	132,665 million	(1) Total net assets	154,939 million
(2) Amount excluded from total net assets	2,859 million	(2) Amount excluded from total net assets	2,988 million
(Subscription rights to shares)	104 million	(Subscription rights to shares)	363 million
(Minority interests)	2,755 million	(Minority interests)	2,625 million
(3) Net assets attributable to common stock at the end of the period	129,805 million	(3) Net assets attributable to common stock at the end of the period	151,950 million
(4) Number of common stocks outstanding at the end of the period calculated under "Shareholders' equity per share of common stock"	422,192,826	(4) Number of common stocks outstanding at the end of the period calculated under "Shareholders' equity per share of common stock"	422,076,808

2. Basic information for computation of net income (loss) per share

From April 1, 2009 to March 31, 2010		From April 1, 2010 to March 31, 2011	
(1) Net income per share		(1) Net income per share	
Net income	5,441 million	Net income	28,191 million
Net income available to common shareholders	5,441 million	Net income available to common shareholders	28,191 million
Average shares of common stocks	422,319,956	Average shares of common stocks	422,146,381
(2) Diluted net income per share		(2) Diluted net income per share	
Adjustment of net income	237 million	Adjustment of net income	237 million
(Interest payable after tax deduction)	237 million	(Interest payable after tax deduction)	237 million
Increase of common stocks	58,208,042	Increase of common stocks	58,958,168
(Bonds with subscription rights to shares)	57,720,056	(Bonds with subscription rights to shares)	57,720,056
(Subscription rights to shares)	487,986	(Subscription rights to shares)	1,238,112
(3) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect	—	(3) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect	—

5. Order received and sales

Order received and sales

(1) Out put

(Millions of yen)

Name of Segment	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Fluid Machinery & Systems	261,199	237,372
Environmental Engineering	46,937	14,683
Precision Machinery	36,488	59,251
Reportable segments	344,625	311,307
Other	—	—
Total	344,625	311,307

(2) Order received

(Millions of yen)

Name of Segment	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Fluid Machinery & Systems	255,555	262,155
Environmental Engineering	114,479	82,550
Precision Machinery	48,906	74,620
Reportable segments	418,942	419,327
Other	7,679	11,665
Total	426,622	430,992

(3) Sales

(Millions of yen)

Name of Segment	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Fluid Machinery & Systems	295,967	268,942
Environmental Engineering	130,333	51,660
Precision Machinery	50,534	67,902
Reportable segments	476,835	388,505
Other	9,054	13,169
Total	485,889	401,675

(4) Backlog of order received

(Millions of yen)

Name of Segment	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Fluid Machinery & Systems	170,113	157,801
Environmental Engineering	58,010	88,813
Precision Machinery	12,803	18,942
Reportable segments	240,927	265,557
Other	4,407	4,727
Total	245,335	270,285

Notes: 1. The above figures don't include consumptive taxes and are eliminated intersegment sales and transfer.

2. Beginning with the fiscal year under review, the "others" business, which was previously included in the EE Company, has been presented in the "Other" business segment, which contains results of activities not included in principal reporting segments. The figures shown above are those for the reporting segment classification after classification changes.