RESULTS OF OPERATIONS FOR
THE FISCAL YEAR ENDED MARCH 31, 2012 (CONSOLIDATED)

May 10, 2012

Company name: EBARA CORPORATION
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(Stock Code. 6361, Tokyo and Sapporo Stock Exchange in Japan)
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Scheduled day of general meeting of shareholders: June 28, 2012
Scheduled day of commencement of delivery of dividend: June 29, 2012
Scheduled day of submission of annual security report: June 28, 2012

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, 2012

(1) Consolidated Financial Highlights

(Millions of yen, except per share data)

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Fiscal year ended March 31, 2012	412,076	2.6	23,266	(26.2)	21,086	(26.7)	2,889	(89.7)
Fiscal year ended March 31, 2011	401,675	(17.3)	31,541	66.4	28,750	71.7	28,191	418.0

Notes (i) Comprehensive income: March 31, 2012 ¥1,978 million ((91.3)%) March 31, 2011 ¥22,737 million (143.8%)
(ii) % represents percentage change from a comparable previous period

	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, 2012	6.85	6.72	1.9	4.2	5.6
Fiscal year ended March 31, 2011	66.78	59.11	20.0	5.6	7.9

Notes Profit & loss in equity method: March 31, 2012 ¥909 million March 31, 2011 ¥761 million

(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, 2012	488,964	154,653	30.9	357.79
March 31, 2011	507,898	154,939	29.9	360.01

Notes Shareholders' Equity (consolidated): March 31, 2012 ¥151,060 million March 31, 2011 ¥151,950 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, 2012	12,588	(8,837)	(19,997)	87,294
Fiscal year ended March 31, 2011	26,604	10,996	(14,096)	104,002

2. Dividend

	Cash Dividend per share of common stock					Total dividend for the year	Dividend payout ratio	Dividend rate per net assets
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total for the year		Consolidated	Consolidated
		Yen		Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2011	—	0.00	—	5.00	5.00	2,110	7.5	1.5
Fiscal year ended March 31, 2012	—	0.00	—	5.00	5.00	2,111	73.0	1.4
Fiscal year ending March 31, 2013 (Forecast)	—	2.50	—	2.50	5.00		16.2	

3. Forecast of results for the fiscal year ending March 31, 2013

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
Fiscal year ending March 31, 2013	400,000	(2.9)	27,000	16.0	25,000	18.6	13,000	349.9	30.79

Notes % represents percentage change from a comparable previous period

4. Others

(1) Changes in significant subsidiaries during the twelve months under review: Not applicable

Note: Refers to movements of specified subsidiaries that have resulted from any changes to the range of consolidated entities.

(2) Changes in accounting policies, Changes in accounting estimates, and Restatement of prior financial statements after error corrections

- (i) Changes due to revisions of accounting standards, etc.: Yes
- (ii) Changes other than (i) above: Not applicable
- (iii) Changes in accounting estimates: Not applicable
- (iv) Restatement of prior financial statements after error corrections: Not applicable

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)	March 31, 2012	422,899,658	March 31, 2011	459,245,678
(ii) Number of treasury stocks	March 31, 2012	689,200	March 31, 2011	37,168,870
(iii) Average number of common stocks	Fiscal year ended March 31, 2012	422,156,168	Fiscal year ended March 31, 2011	422,146,381

(Reference information)

1. Outline of the results for the fiscal year ended March 31, 2012, 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, 2012	157,937	(1.4)	4,698	3.0	16,320	22.1	14,756	(41.5)
Fiscal year ended March 31, 2011	160,224	(4.8)	4,561	―	13,368	―	25,214	―

	Net income per share	Net income per share, diluted
	Yen	Yen
Fiscal year ended March 31, 2012	34.96	32.93
Fiscal year ended March 31, 2011	59.73	52.92

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, 2012	381,887	168,073	43.9	397.04
March 31, 2011	399,829	155,160	38.7	366.75

Notes Shareholder's Equity (Non-consolidated): March 31, 2012 ¥167,634 million March 31, 2011 ¥154,797 million

Recording of Implementation Conditions regarding Auditing Procedures

This financial report 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 financial report, 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 ended March 31, 2012, the business environment overseas was characterized by gradual improvement in economic conditions despite the persistence of high unemployment rates in the United States, declines in housing prices, and other factors. However, in Europe, economic growth decelerated because of the continuation of unsettled fiscal and monetary conditions there. In Asia, the economies of China and India, which had shown robust performance supported mainly by domestic demand, began to weaken. In Japan, investment by the public sector, which had been delayed by the effects of the Great East Japan Earthquake, began to show a recovery trend due to the positive effects of supplementary budgets, and private sector capital investment, which moved into a slump following the Great East Japan Earthquake, is also bottoming out, and the economy is showing moderate improvement.

Amid these adverse economic conditions, the EBARA Group (the Group) launched a new three-year, medium-term management plan entitled "E-Plan2013" covering the period through the year ending March 31, 2013. This plan is based on four policies: (1)Promoting "regional production for regional supply" in priority areas and establishing an optimally located production and supply system from a global perspective, (2)working to enter new markets by expanding core business domains, (3)aiming to optimize *"monozukuri"* (manufacturing) processes through scientific approaches, and (4)expanding the functions of the corporate headquarters in keeping with the globalization of business domains. The beginning of E-Plan2013 marks the start of EBARA's movement toward establishing a stronger and stabler business structure.

As a consequence, sales in the Fluid Machinery & Systems (FMS) Company and the Precision Machinery (PM) Company increased, but operating income decreased in all business segments.

Consolidated net sales for the fiscal year amounted to ¥412,076 million (an increase of 2.6% year on year), operating income for the fiscal year amounted to ¥23,266 million (decreased 26.2% year on year), ordinary income for the fiscal year amounted to ¥21,086 million (decreased 26.7% year on year) and net income for the fiscal year amounted to ¥2,889 million (decreased 89.7% year on year), as a result of the reporting of an extraordinary loss of ¥10,294 million in connection with the withdrawal from a business accompanying the concluding of an agreement to make a final transfer of a plant to the client in the InfraServ project in Germany and the reversal of deferred tax assets by ¥2,453 million with tax reform in the fiscal year 2011.

Results by Business Segment

Fluid Machinery & Systems

In the FMS Company, in the pump business, demand expanded in overseas markets and led to an increase in the number of projects in the oil and gas as well as water infrastructure equipment industries, mainly in the Middle East. However, tough price competition continued due to the appreciation of the yen. In Japan, budgets in the public sector for pumps and other related equipment are on a declining trend, but the market for equipment for buildings in the private sector improved as the number of building starts continued above the level of the previous year.

Amid these conditions, the FMS Company identified customer needs through its marketing activities by region and strengthened its systems, including its network of service and support bases. In the compressor and turbines business, as crude oil prices remained at a high level, the number of projects in the oil and gas market increased, but tough competition with European and U.S. companies for large projects continued. Amid these conditions, measures were taken to upgrade and expand the FMS Company's global sales and service networks. In the chillers business, although demand for high-efficiency electric-powered chillers increased in the domestic market, growth in the market as a whole was weak, while, on the other hand, sales performance continued to be favorable in the expanding Chinese market.

Sales in the FMS Company for the fiscal year amounted to ¥286,089 million (an increase of 6.4% year on year). The segment income amounted to ¥15,578 million (a decrease of 27.9% year on year).

Environmental Engineering

In the EE Company, construction and related activities rose to a scale above the average level in previous years as public-sector investments related to operation and maintenance (O&M) of waste processing facilities rose along with construction work connected with recovery from the Great East Japan Earthquake. Although some new engineering, procurement, and construction (EPC) investments by the public sector were delayed by the earthquake, signs of gradual recovery appeared. 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 ¥50,128 million (a decrease of 3.0% year on year), but the segment secured income of ¥322 million (a decrease of 65.8% year on year) despite additional losses on construction that were incurred in an overseas waste incineration plant project (the InfraServ project in Germany).

Precision Machinery

In the PM Company, in the semiconductor market demand for flash memories for use in high-performance cell phones and tablet-type mobile terminals increased over the course of the fiscal year, but investment plans of semiconductor manufacturers were postponed, thus leading to stagnation in demand for semiconductor manufacturing equipment. In the PM Company's customer markets other than semiconductor manufacturers, capital investment in the flat panel display, photovoltaic batteries, and LEDs remained stagnant. Amid these conditions, the PM Company continued its production innovation campaign in its manufacturing divisions, implementing measures to reduce lead times, increase productivity, and lower manufacturing costs. Through its service and support business global network, the PM Company worked to increase customer satisfaction by maintaining the stable operation of client equipment, offering proposals for making improvements in equipment to upgrade productivity, and providing other services.

Sales in the PM Company for the fiscal year amounted to ¥68,373 million (an increase of 0.7% year on year). The segment income amounted to ¥6,594 million (a decrease of 17.7% year on year).

② Outlook for the Next Fiscal Year

Examining the overall market environment, economic recovery in the United States and Europe will continue to be gradual, and, although rates of growth will slow in China and India, which have driven global economic growth, economic conditions in Asia as a whole are expected to remain firm. In Japan, the economy as a whole and corporate profitability, which moved into a slump because of the earthquake and the appreciation of the yen are expected to trend upward gradually.

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

In the FMS Company, although conditions in some areas of the Middle East and Europe are uncertain, overall, moderate recovery in demand is expected. In the pump business, in the electric power field, construction of large-scale thermal power plants and LNG combined-cycle thermal power plants is expected to continue to be active, mainly in China, the Middle East, Southeast Asia, and India. In the chemical field also, fertilizer plant projects are starting up all over the world, and, in the general machinery and construction machinery fields, demand for projects is expected to rise, principally in the emerging countries. In the compressor and turbines business, the FMS Company is looking for increases in investments in gas projects along with the rise in demand for LNG as well as in projects related to shale gas recovery projects in the United States. In the chillers business, expansion in demand is anticipated for heat pump equipment in China. Amid these conditions, the FMS Company will seek to identify market needs around the world, work to structure global production systems that can supply various markets optimally with the best products suited to their needs, while also moving forward with initiatives to improve and expand its service and support systems.

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, in its principal customer market of semiconductor manufacturers, the market is expected to expand propelled by growth in demand for high-performance cell phones and tablet-type mobile terminals. Accordingly, in both the flash memory field and foundry field, aggressive capital investments among customers are expected to continue. In addition, along with the further miniaturization of semiconductor chips, transition to larger-diameter wafers, three dimensional integrated circuits, and other developments, further expansion in development investments is anticipated.

In the PM Company’s customer markets other than semiconductor manufacturers, this will be a time for continuing the careful monitoring of the timing of resumption of capital investments.

In view of these trends in the market, the PM Company will endeavor to expand its business activities by continuing its in-depth customer relationship and service activities, including making continued improvements in equipment performance in response to the trends in customer needs for greater miniaturization, durability, and other features. Along with this, the PM Company will work to reduce production lead times by increasing productivity and lowering manufacturing costs by increasing 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 ¥ 400 billion and ¥ 27 billion in operating income in the fiscal year ending March 31, 2013.

The outlook for Performance of the next Fiscal Year

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

	Consolidated	
Net sales	¥400.0	(2.9%)
Operating income	¥27.0	16.0%
Ordinary income	¥25.0	18.6%
Net income	¥13.0	349.9%

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

(Billions of yen, percentage composition)

Company	Sales		Operating Income	
Fluid Machinery & Systems	¥ 285.0	71.3%	¥ 16.0	59.3%
Environmental Engineering	¥ 48.0	12.0%	¥ 4.0	14.8%
Precision Machinery	¥ 65.0	16.2%	¥ 6.5	24.1%
Other	¥ 2.0	0.5%	¥ 0.5	1.8%
Total	¥ 400.0	100%	¥ 27.0	100%

The above information is projected at the expected foreign exchange rate 1US$=¥75, 1EUR=¥104, 1RMB=¥12.

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 first year under the Group's "E-Plan2013" medium-term management plan. Based on the fundamental policies of the plan, measures were implemented to expand and upgrade overseas bases, and sales targets were attained, but the emergence of losses in a certain overseas project and other factors resulted operating income and net income below target.

(Billions of yen)

	Performance figures	Medium-term management plan		
	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2012	Fiscal year ending March 31, 2013	Fiscal year ending March 31, 2014
Sales	¥412.0	¥405.0	¥456.0	¥497.0
Operating Income	¥23.2	¥28.0	¥37.0	¥465.0
Net Income	¥2.8	¥13.0	¥20.0	¥25.7

Under E-Plan2013, has set the following targets for the fiscal year ending March 31, 2014, the final year of the medium-term plan.

Return on Investment capital (ROIC): 8% or more

Operating Income on Sales Ratio: 9% or more

At the close of the fiscal year ended March 31, 2012, which was the first year under the Group's E-Plan2013, the status of attainment of the Group's target indicators was as follows:

Return on Investment capital (ROIC): 1.0%

Operating Income on Sales Ratio: 5.6%

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 ¥26,173 million and an increase in fixed assets of ¥7,239 million, total assets decreased ¥18,933 million to ¥488,964 million. The principal reasons for these movements in assets were as follows.

The decrease in current assets was due to decreases of ¥15,720 million in cash and time deposits and ¥13,408 million in deferred tax assets, although increased of ¥2,633 million in finished goods.

Tangible and intangible fixed assets decreased ¥2,288 million because of the implementation of capital expenditures of ¥12,316 million and depreciation charges of ¥12,764 million.

Investments and other assets increased ¥9,527 million from the previous fiscal year as a result of an increase in deferred tax assets.

② Liabilities

Compared with the previous fiscal year-end, current liabilities decreased ¥9,733 million, and long-term liabilities decreased ¥8,914 million, thus total liabilities decreased ¥18,647 million to ¥334,311 million. The principal causes of these decreases were as follows.

Current liabilities decreased ¥9,733 million as a result of a decrease in provision for reserve for loss on construction contracts of ¥8,220 million.

Long-term liabilities decreased ¥8,914 million as a result of a decreased ¥8,014 million in long term bank loans.

③ Net Assets

Net assets at the end of the fiscal year amounted to ¥154,653 million, ¥286 million lower than at the end of the previous fiscal year. Principal changes affecting net asset items were cash dividends paid of ¥2,110 million, a decrease of ¥2,007 million in foreign currency translation adjustment and a net income of ¥2,889 million.

④ Cash Flows

Net cash flow provided by operating activities before payments of interest and taxes was ¥17,683 million lower than for the previous fiscal year and amounted to a net inflow ¥12,588 million. Among investing activities, the Group reported a cash inflow from proceeds from sales of fixed assets was decreased ¥17,271 million, decreased ¥5,622 million in collection of loans receivable and the amounted to a net outflow ¥8,837 million. Net cash provided by financing activities amounted to a net outflow of ¥19,997 million through the Group made a net decrease of ¥16,861 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 ¥87,294 million, ¥16,707 million lower than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	March 31 2008	March 31 2009	March 31 2010	March 31 2011	March 31 2012
Shareholders' equity ratio:	24.9%	21.6%	24.8%	29.9%	30.9%
Shareholders' equity ratio at market value:	21.2%	16.2%	38.5%	37.0%	25.6%
Years to repay debt:	—	10.4 years	7.5 years	6.0 years	11.4 years
Interest coverage ratio:	—	5.1	6.9	8.7	4.9

Notes:

1. Shareholders' equity ratio: Shareholders' equity/Total assets
2. Shareholders' equity ratio at 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 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.

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, 2013, the Company is scheduled to pay its interim dividend at 2.5 per share of its annual dividend at ¥5.0 per share.

(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. 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 loses 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

Regarding the InfraServ project, agreement was reached with the client to make a final handover of the plant in its present form, but, because the client is making use of project finance arrangements to finance this plant, the final handover will require the approval of the banks providing the financing. The client is currently in the process of conducting procedures to secure the approval of the members of the project finance bank syndicate. In the event that approval of the banks cannot be secured, there is a possibility that this could have an adverse effect 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's 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 determines the possibility of 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 occur, 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 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.

⑪ Litigation risk

In conducting its business operations the 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.

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. Subsequently, during the course of the construction of a logistics terminal by this company, slate fragments containing asbestos were discovered. This company has brought a lawsuit for compensation of damages due to defects as provided for under the contract for sale of the property. After investigating this matter, the Company has drawn the conclusion that the said slate fragments do not constitute defects under the contract. The Company has obtained a written legal opinion from a law office substantiating this view and will use this to assert the correctness of its position in this matter. Nevertheless, depending on the subsequent course of events, this matter may have an adverse effect on the Group’s performance.

⑬ Risk of collection of export receivables

The Group exports its products to the Middle East, etc. 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 it’s impossible to make 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), 77 subsidiaries (53 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, fans, compressors, turbines, refrigeration and heating equipment, and other items. Engineering, construction, operation, and maintenance services for hydroelectric power Plants. Nuclear power related equipment.	Manufacturing and sales	• Ebara Corporation • Ebara Densan Ltd. • Ebara Hamada Blower Co., Ltd. • Ebara Yoshikura Hydro-Tech Co., Ltd. *2 • Elliott Ebara Turbomachinery Corporation *3 • 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	• Ebara Corporation • Ebara Yoshikura Hydro-Tech Co., Ltd. *2
		Sales and maintenance	• Ebara Techno-serve Co., Ltd. *2 • Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	• 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	• Ebara Environmental Plant Co., Ltd. • Ebara Qindao Co., Ltd. • Swing Corporation *1
		Operation and maintenance	• Ebara Environmental Plant Co., Ltd. • Swing Corporation *1
		Manufacturing and sales of chemicals	• Swing Corporation *1
Precision Machinery	Manufacturing, sales, and maintenance of vacuum pumps and machinery and equipment for the semiconductor industry	Manufacturing and sales	• Ebara Corporation
		Sales and maintenance	• Ebara Field Tech. Corporation • Ebara Technologies Inc.
Others	All other lines of business not mentioned above	Business support service, etc.	• Ebara Agency Co., Ltd.

Notes: *1 Subsidiaries of applied equity method.

*2 Ebara Yoshikura Hydro-Tech Co., Ltd. and Ebara Techno-serve Co., Ltd. were merged into the Company as of April 1, 2012.

*3 The name of Elliott Ebara Turbomachinery Corporation was changed, effective July 1, 2011, to Elliott Group Holdings Inc., and, following the establishment of the new company, Elliott Ebara Turbomachinery Corporation, through a split-off, all of Elliott Group Holdings' businesses have been transferred to the new company.

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)

= Net income/ Invested capital = Net income / (Interest bearing debt + 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 and Near 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, compressors and turbines, 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 newly 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

Based on 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 Strengthen its corporate governance and ensure the highest standards of compliance

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, 2011		March 31, 2012
		Millions of yen		Millions of yen
Assets				
Current assets				
Cash and time deposits		100,675		84,955
Trade receivables		161,512	*6	160,995
Securities		3,327		2,856
Finished goods		7,988		10,621
Work in process	*7	40,413	*7	40,112
Raw materials		18,473		18,976
Deferred tax assets		24,922		11,514
Others		16,557		17,323
Allowance for doubtful receivables		(1,447)		(1,106)
Total current assets		372,422		346,248
Fixed assets				
Tangible fixed assets				
Buildings, net		38,408		36,384
Machinery and equipment, net		22,756		21,391
Land		21,001		21,668
Construction in progress		2,521		4,642
Others		5,034		5,017
Total tangible assets	*1, *3	89,723	*1, *3	89,104
Intangible assets				
Goodwill		1,186		859
Software		3,637		3,015
Others		2,412		1,693
Total intangible assets		7,237		5,567
Investments and long-term receivables				
Investment securities	*2, *3	22,200	*2, *3	22,236
Long-term loans receivable		400		731
Deferred tax assets		8,474		19,115
Others	*2	10,673	*2	17,035
Allowance for doubtful receivables		(3,233)		(11,075)
Total investments and long-term receivables		38,515		48,043
Total fixed assets		135,476		142,715
Total assets		507,898		488,964

		March 31, 2011		March 31, 2012
		Millions of yen		Millions of yen
Liabilities				
Current liabilities				
Trade payables		98,923	*6	105,638
Short-term bank loans	*3	68,383	*3	79,377
Current portion of bonds with subscription rights to shares		20,000		—
Accrued income taxes		4,759		3,324
Deferred tax liabilities		30		18
Bonus payment reserve		6,337		6,219
Directors’ bonus payment reserve		164		119
Reserve for losses on construction completion guarantees		7,073		5,359
Reserve for product warranties		1,794		1,712
Reserve for construction losses	*7	16,977	*7	8,757
Reserve for expenses related to the sale of land		2,871		1,849
Others		32,764		37,967
Total current liabilities		260,078		250,345
Long-term liabilities				
Bonds with subscription rights to shares		20,000		20,000
Long-term bank loans	*3	50,655	*3	42,640
Deferred tax liabilities		38		259
Reserve for retirement benefits		15,681		15,047
Reserve for directors' retirement benefits		359		201
Asset retirement obligations		1,769		1,799
Others		4,375		4,015
Total long-term liabilities		92,880		83,965
Total liabilities		352,959		334,311
Net assets				
Shareholders’ equity				
Common stock		61,284		61,313
Capital surplus		65,213		65,243
Retained earnings		40,759		41,750
Treasury stock, at cost		(266)		(279)
Total shareholders’ equity		166,990		168,028
Accumulated other comprehensive income				
Net unrealized gain on investment securities		1,053		1,116
Deferred gains (losses) on hedges		(9)		6
Translation adjustments		(16,083)		(18,090)
Total accumulated other comprehensive income		(15,039)		(16,967)
Subscription rights to shares		363		438
Minority interests in consolidated subsidiaries		2,625		3,154
Total Net assets		154,939		154,653
Total liabilities and net assets		507,898		488,964

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

		From April 1, 2010 to March 31, 2011		From April 1, 2011 to March 31, 2012
		Millions of yen		Millions of yen
Net sales		401,675		412,076
Cost of sales	*1, *8	301,658	*1, *8	318,937
Gross profit		100,017		93,139
Sales commission		4,285		4,109
Packing and transportation		3,747		4,731
Sales promotion		1,464		1,472
Provision of allowance for doubtful receivables		680		1,158
Personnel expenditure		29,524		29,673
Bonus payment reserve expense		2,238		2,309
Directors' bonus payment reserve expense		148		88
Employee's retirement expenses		2,172		2,197
Directors' retirement expenses		117		82
Traveling expenses		3,067		3,133
Public dues and taxes		1,288		1,341
Depreciation and amortization		2,395		2,536
Amortization of goodwill		263		235
Research and development costs	*2	4,066	*2	3,827
Others		13,013		12,976
Selling, general and administrative expenses		68,475		69,872
Operating income		31,541		23,266
Non-operating income				
Interest income		205		187
Dividend income		652		624
Insurance income		36		91
Equity in earnings of affiliates		761		909
Others		1,048		1,195
Total of non-operating income		2,704		3,009
Non-operating expenses				
Interest expenses		3,028		2,514
Foreign exchange loss		708		1,568
Others		1,758		1,106
Total of non-operating expenses		5,495		5,188
Ordinary income		28,750		21,086

		From April 1, 2010 to March 31, 2011		From April 1, 2011 to March 31, 2012
		Millions of yen		Millions of yen
Extraordinary income				
Gain on sales of fixed assets	*3	1,026	*3	39
Gain on sales of investment securities		78		83
Gain on sales of subsidiaries and affiliates' stocks		1,167		461
Gain on transfer of business		—		150
Gain on transfer among severance payment plans		38		—
Total of extraordinary income		2,310		733
Extraordinary expenses				
Loss on sales of fixed assets	*4	369	*4	21
Loss on disposal of fixed assets	*5	521	*5	143
Loss on liquidation of subsidiaries and affiliates		—		168
Loss on business withdrawal		—	*6	10,294
Impairment losses	*7	74	*7	128
Loss on sales of investment securities		—		38
Loss on valuation of investment securities		574		139
Loss on valuation of membership		66		21
Loss on adjustment for changes of accounting standard for asset retirement obligations		906		—
Total of extraordinary expenses		2,512		10,955
Income before income taxes		28,548		10,865
Income taxes		9,019		3,335
Income taxes-deferred		(9,344)		3,597
Total of income taxes		(324)		6,932
Income before minority interests		28,873		3,932
Minority interests		681		1,042
Net income		28,191		2,889

Consolidated statements of comprehensive income

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
	Millions of yen	Millions of yen
Income before minority interests	28,873	3,932
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	(523)	51
Deferred gains (losses) on hedges	(9)	16
Translation adjustment	(5,540)	(2,014)
Share of other comprehensive income (loss) of associates accounted for using equity method	(63)	(7)
Total other comprehensive income (loss)	(6,136)	(1,953)
Comprehensive income	22,737	1,978
Comprehensive income attributable to		
Owners of the parent	22,190	961
Minority interests	546	1,016

(3) Consolidated Statements of Net assets

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
	Millions of yen	Millions of yen
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	61,284	61,284
Changes of items during the period		
Issuance of new shares (exercise of subscription rights to shares)	―	29
Total changes of items during the period	―	29
Balance at the end of current period	61,284	61,313
Capital surplus		
Balance at the beginning of current period	65,212	65,213
Changes of items during the period		
Issuance of new shares (exercise of subscription rights to shares)	―	29
Disposal of treasury stock	1	0
Total changes of items during the period	1	30
Balance at the end of current period	65,213	65,243
Retained earnings		
Balance at the beginning of current period	12,567	40,759
Changes of items during the period		
Dividends from surplus	―	(2,110)
Net income	28,191	2,889
Change of increase scope of consolidation	―	211
Total changes of items during the period	28,191	991
Balance at the end of current period	40,759	41,750
Treasury stock		
Balance at the beginning of current period	(219)	(266)
Changes of items during the period		
Purchase of treasury stock	(47)	(13)
Disposal of treasury stock	0	0
Total changes of items during the period	(47)	(12)
Balance at the end of current period	(266)	(279)
Total shareholders' equity		
Balance at the beginning of current period	138,844	166,990
Changes of items during the period		
Issuance of new shares (exercise of subscription rights to shares)	―	59
Dividends from surplus	―	(2,110)
Net income	28,191	2,889
Change of increase scope of consolidation	―	211
Purchase of treasury stock	(47)	(13)
Disposal of treasury stock	1	0
Total changes of items during the period	28,145	1,038
Balance at the end of current period	166,990	168,028

	From April 1, 2010 to March 31, 2011 Millions of yen	From April 1, 2011 to March 31, 2012 Millions of yen
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities		
Balance at the beginning of current period	1,576	1,053
Changes of items during the period		
Net changes of items other than shareholders' equity	(522)	63
Total changes of items during the period	(522)	63
Balance at the end of current period	1,053	1,116
Deferred gains (losses) on hedges		
Balance at the beginning of current period	―	(9)
Changes of items during the period		
Net changes of items other than shareholders' equity	(9)	16
Total changes of items during the period	(9)	16
Balance at the end of current period	(9)	6
Translation adjustment		
Balance at the beginning of current period	(10,615)	(16,083)
Changes of items during the period		
Net changes of items other than shareholders' equity	(5,468)	(2,007)
Total changes of items during the period	(5,468)	(2,007)
Balance at the end of current period	(16,083)	(18,090)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(9,039)	(15,039)
Changes of items during the period		
Net changes of items other than shareholders' equity	(6,000)	(1,927)
Total changes of items during the period	(6,000)	(1,927)
Balance at the end of current period	(15,039)	(16,967)
Subscription rights to shares		
Balance at the beginning of current period	104	363
Changes of items during the period		
Issuance of new shares (exercise of subscription rights to shares)	―	(59)
Net changes of items other than shareholders' equity	258	134
Total changes of items during the period	258	75
Balance at the end of current period	363	438
Minority interests		
Balance at the beginning of current period	2,755	2,625
Changes of items during the period		
Net changes of items other than shareholders' equity	(130)	528
Total changes of items during the period	(130)	528
Balance at the end of current period	2,625	3,154

	From April 1, 2010 to March 31, 2011 Millions of yen	From April 1, 2011 to March 31, 2012 Millions of yen
Net assets		
Balance at the beginning of current period	132,665	154,939
Changes of items during the period		
Issuance of new shares (exercise of subscription rights to shares)	−	0
Dividends from surplus	−	(2,110)
Net income	28,191	2,889
Change of increase scope of consolidation	−	211
Purchase of treasury stock	(47)	(13)
Disposal of treasury stock	1	0
Net changes of items other than shareholders' equity	(5,871)	(1,264)
Total changes of items during the period	22,273	(286)
Balance at the end of current period	154,939	154,653

(4) Consolidated statements of cash flows

		From April 1, 2010 to March 31, 2011 Millions of yen		From April 1, 2011 to March 31, 2012 Millions of yen
Cash flows from operating activities:				
Income before income taxes		28,548		10,865
Depreciation and amortization		13,523		12,764
Loss on adjustment for changes of accounting standard for asset retirement obligations		906		―
Impairment loss		74		128
Loss (gain) on sales of securities and investment securities		(1,245)		(503)
Increase (decrease) in provision		(10,145)		(3,712)
Loss (gain) on sales of fixed assets		(656)		(17)
Interest and dividends income		(858)		(812)
Interest expenses		3,028		2,514
Decrease (increase) in trade receivables		(241)		(2,838)
Decrease (increase) in inventories		1,233		(3,387)
Increase (decrease) in trade payables		1,256		8,613
Increase /decrease in other assets / liabilities		583		(2,647)
Other loss (gain)		239		(189)
Sub-total		36,247		20,777
Interest and dividend received		726		822
Interest expenses paid		(3,075)		(2,550)
Income taxes paid		(7,294)		(6,461)
Net cash provided by (used in) operating activities		26,604		12,588
Cash flows from investing activities:				
Purchase of fixed assets		(14,646)		(10,132)
Proceeds from sales of fixed assets		17,515		243
Purchase of securities and investment securities		(543)		(3,392)
Proceeds from sales and redemption of securities and investment securities		1,987		3,825
Payments into time deposits		―		(515)
Payments of loans receivable		(1,699)		(3,076)
Collection of loans receivable		8,239		2,617
Purchase of investments in subsidiaries		(28)		―
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation		―	*2	869
Others		172		722
Net cash provided by (used in) investing Activities		10,996		(8,837)
Cash flows from financing activities:				
Net increase (decrease) in short-term loans payable		(925)		1,336
Proceeds from long-term bank loans		4,900		16,267
Repayment of long-term bank loans		(18,383)		(14,465)
Redemption of bonds		―		(20,000)
Proceeds from disposal of (Purchase of) treasury stock		(45)		(12)
Cash dividends paid		―		(2,110)
Proceeds from stock issuance to minority shareholders		―		240
Dividends paid to minority shareholders in consolidated subsidiaries		(437)		(691)
Others		795		(561)
Net cash provided by (used for) financing activities		(14,096)		(19,997)
Translation adjustments		(1,214)		(771)
Increase (decrease) in cash and cash equivalents		22,290		(17,018)
Cash and cash equivalents at the beginning of the period	*1	81,711	*1	104,002
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation		―		311
Cash and cash equivalents at end of the period	*1	104,002	*1	87,294

(5) Note for the assumption of going concern

Not applicable

(6) Basis of preparation of the Consolidated Financial Statements

From April 1, 2011
to March 31, 2012

1 Scope of consolidation

(1) Number of consolidated subsidiaries 53

Significant consolidated subsidiaries:

The following subsidiaries which were non consolidated in previous fiscal year were newly consolidated due to their increased materiality.

Shanghai Ebara Precision Machinery Co., Ltd.
Ebara Densan Taiwan Mfg. Co., Ltd.
Ebara Densan (Kunshan) Co., Ltd.
Ebara Densan (Taiwan) Samoa Mfg. Co., Ltd.

The following subsidiaries were newly consolidated by new establishment.

Elliott Turbomachinery Services (Tianjin) Co., Ltd.
Elliott Ebara Turbomachinery Corporation

The name of was Elliott Ebara Turbomachinery Corporation changed, effective July 1, 2011, to Elliott Group Holdings Inc., and, following the establishment of the new company, Elliott Ebara Turbomachinery Corporation, through a split-off, all of Elliott Group Holdings' businesses have been transferred to the new company.

The following subsidiary was excluded from consolidation owing to transfer of shares.

Nissetsu Co., Ltd.

(2) Names of significant non-consolidated subsidiary

P.T. Ebara Indonesia

(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.

2 Equity method

(1) Number of subsidiaries applied equity method 1

Ebara Espana Bombas S.A.

(2) Number of affiliated companies applied equity method 2

Pacific Machinery and Engineering Co., Ltd.
Swing Corporation

On April 1, 2011, the corporate name of Ebara Engineering Service Co., Ltd. was changed to Swing Corporation.

(3) Name of subsidiaries and affiliated companies non-applied equity method

(Non-consolidated subsidiary)

Mentioned in Names of significant non-consolidated subsidiary

(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.

3 Fiscal year end of consolidated subsidiaries

The period end of the following consolidated subsidiaries is December 31:

Overseas consolidated subsidiaries

Previously, the date for closing the accounts of Elliott Group Holdings Inc. (the name of which was changed from Elliott Ebara Turbomachinery Corporation, effective July 1, 2011) was December 31. As a result of the change in the date for closing the accounts of this company to March 31, the financial statements consolidated with EBARA's accounts for the fiscal year under review cover the 15-month period from January 1, 2011, through March 31, 2012.

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 primary stated at gross average cost (in PM company, moving-average method is stated), and work in process is stated at identified cost.
(For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)

From April 1, 2011
to March 31, 2012

(2) Property, plant and equipment and related depreciation

①Tangible assets(except lease assets)

The declining balance method, applied according to the criteria specified in the corporate income tax laws, is used as the primary method for computing depreciation. However, depreciation of buildings (excluding fixtures installed in such buildings) that were acquired on or after April 1, 1998 is computed using the straight-line method. Consolidated foreign subsidiaries employ the straight-line method.

Note that the method for depreciating minor assets valued from ¥100,000 to less than ¥200,000 is the lump-sum method specified in the corporate income tax laws, and these asset are depreciated in equal amounts over a three-year period.

②Intangible assets and other investments(except lease assets)

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.

(3) Standards of significant allowance

①Allowance 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 collectability of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.

②Bonus payment reserve

Bonus payment reserve is provided based on the future liabilities.

③Directors’ bonus payment reserve

Directors’ bonus payment reserve is provided based on the future liabilities.

④Provision 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.

⑤Provision 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.

⑥Reserve 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.

⑦Provision 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.

⑧Reserve 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.

⑨Reserve for expenses related to the sale of land

Accompanying the sale of the land formerly occupied by the Group’s Haneda Plant, the estimated cost of returning this land to its original condition has been recognized in the fiscal year under review.

(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.

(5) Significant hedging accounting methods

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.

②Hedging instruments and hedging objects Hedging

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.

From April 1, 2011 to March 31, 2012
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. ④Assessing the effectiveness of hedging Interest risk The effectiveness of hedging is assessed by comparing he 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. (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. (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. (8) Other basis of preparation of the Consolidated Financial Statements ①Consumption tax Consumption taxes are accounted for using the net-of-tax method. ②Consolidated taxation system A consolidated tax system is applied.

(7) Change in accounting policies

From the fiscal year ended March 31, 2012, we have applied the “Accounting Standard for Earning Per Share” (Accounting Standards Board of Japan [ASBJ] Statement No.2 of June 30, 2010), the “Guidance on Accounting Standard for Earning Per Share” (ASBJ Guidance No.4 of June 30, 2010), and the “Practical Solution on Accounting for Earnings Per Share” (ASBJ PITF No.9 of June 30, 2010).

To calculate diluted net income per share of the quarter, we have changed the method to include potential services offered by the employees in the fair valuation of stock options of payment when exercising the right regarding stock options whose rights are secured after certain period of employment.

This change in accounting policy has been applied retroactively, and the figures for the previous fiscal year are shown after taking account of the dilutive effect of latent shares retroactively.

Please note that the effect of this change is shown in the “Notes to per share information.”

(8) Changes in classification

Not applicable

(9) Additional information

(Adoption of Accounting Standard for Accounting Changes and Error Corrections)

For accounting changes and corrections of prior period errors made on and after the beginning of the fiscal year under review, we adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, December 4, 2009).

(10) Notes to consolidated financial statements

(Balance sheets)

*1 Accumulated depreciation of tangible assets is as follow. (Millions of yen)

	March 31, 2011	March 31, 2012
Accumulated depreciation of tangible assets	158,409	163,058

*2 Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows:

(Millions of yen)

	March 31, 2011	March 31, 2012
Investment securities (Stock)	5,795	6,355
Others (Investments in capital)	1,447	881

*3 Collateral assets (Collateral for loans) (Millions of yen)

	March 31, 2011	March 31, 2012
Buildings	1,253	1,120
Machinery and equipment	2,099	1,806
Land	235	189
Investment securities	1,212	1,269
Total	4,801	4,386

Amount of bank loans (Millions of yen)

	March 31, 2011	March 31, 2012
Short-term loan	2,534	6,877
Long-term loan	6,753	1,330

The above collateral assets include a portion of industrial factory foundation as follows: (Millions of yen)

	March 31, 2011	March 31, 2012
Land	113	113
Other	18	16
Total	132	130

Amount of bank loans (Millions of yen)

	March 31, 2011	March 31, 2012
Short-term loan	700	700

Collateral assets for purposes other than bank loans (Millions of yen)

	March 31, 2011	March 31, 2012
Other	―	20

4 Commitments and contingent liabilities

(1) Loans guaranteed to employees: (Millions of yen)

	March 31, 2011	March 31, 2012
Employees	389	323

(2) Loans guaranteed to unconsolidated subsidiaries and affiliates: (Millions of yen)

March 31, 2011		March 31, 2012	
Oiwa Machinery Corporation	1,009	Oiwa Machinery Corporation	312
Chubu Recycle Co., Ltd.	200	P.T. Ebara Indonesia	183
Other 3 companies	341	Other 2 companies	239
Total	1,551	Total	735

(3) Loan guaranteed to business partners: (Millions of yen)

March 31, 2011		March 31, 2012	
Tomen Power Samukawa Co., Ltd.	56	Tomen Power Samukawa Co., Ltd.	35
Ikata Eco Park Co., Ltd.	2,636		
Total	2,693	Total	35

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:

(Millions of yen)

	March 31, 2011	March 31, 2012
Current account overdrafts	5,000	5,000
Commitment lines	45,000	45,000
Total	50,000	50,000

*6 Treatment of notes reaching maturity on the final day of the fiscal year

Regarding notes reaching maturity on the final day of the fiscal year, notes are settled in the Company's accounts on the date they clear the note exchange. Since the last day of the fiscal year under review was a holiday for financial institutions, some notes maturing on the final date of the next fiscal year are included in the balance of notes at the end of the fiscal year under review.

(Millions of yen)

	March 31, 2011	March 31, 2012
Notes receivable	—	2,483
Notes payable	—	3,148

*7 Inventories related to construction work for which losses are anticipated and the reserve for construction losses are not offset and are presented as separate items in the accounts. Among inventories related to construction work for which losses are anticipated, the following are the amounts corresponding to the reserve for construction losses.

	March 31, 2011	March 31, 2012
Work in process	3,714	3,289

(Statements of income)

*1 The amounts of inventories at the end of the fiscal year are shown after write-downs in book value to take account of declines in the profitability of inventories. The figure below for the loss on valuation of inventories is included in the cost of sales.

From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
1,224	1,208

*2 Research and development costs included in Selling, general and administrative expenses (Millions of yen)

From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
4,066	3,827

*3 Gain on sales of fixed assets comprises the following: (Millions of yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Buildings	5	18
Machinery and equipment	72	13
Land	948	5
Others	0	1
Total	1,026	39

*4 Loss on sales of fixed assets comprises the following: (Millions of yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Buildings	8	9
Machinery and equipment	8	9
Land	350	1
Others	1	0
Total	369	21

*5 Loss on disposal of fixed assets comprises the following: (Millions of yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Buildings	74	41
Machinery and equipment	293	60
Other tangible fixed assets	111	36
Software	34	3
Others	6	1
Total	521	143

*6 The loss on business withdrawal is the estimate of loss to be incurred in connection with the withdrawal from the InfraServ project in Germany. The breakdown of this loss is as follows. (Millions of yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Provision of allowance for doubtful accounts accompanying the aging of accounts receivable (accompanying the payment of certain accounts receivable on a long-term basis)	—	7,000
Portion borne of the cost of additional improvements	—	3,294
Total	—	10,294

*7 Impairment losses

The Group has recognized impairment losses on the following Group assets.

From March 31, 2010 to March 31, 2011

(1) Summary of asset groups for which impairment losses were recognized

Location	Use	Type
Kasamai Ishikawa and Kitakyusyu Fukuoka	Idle assets	Land
Ube Yamaguchi	Idle assets	Land and Buildings

(2) Outline of asset grouping

The Group groups its assets according to its business segments, but idle assets are grouped individually.

(3) Background of recognition of impairment losses

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.

(4) Computation of recoverable value

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.

(5) Amount of impairment losses (Millions of yen)

Buildings	68
Land	5
Total	74

From March 31, 2011 to March 31, 2012

(1) Summary of asset groups for which impairment losses were recognized

Location	Use	Type
Tokyo metropolitan	Contracts of technical alliances and others	Patent
Sodegaura Chiba, Kitakyusyu Fukuoka and Kanazawa Ishikawa	Idle assets	Land
All around Japan	Idle assets	Buildings, machinery and equipment and other

(2) Outline of asset grouping

The Group groups its assets according to its business segments, but idle assets are grouped individually.

(3) Background of recognition of impairment losses

Regarding machinery and equipment, patent and others that are no longer expected to contribute to future income, the value of such assets has been derogated to the memorandum 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.

(4) Computation of recoverable value

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.

(5) Amount of impairment losses (Millions of yen)

Buildings	31
Machinery and equipment	59
Land	9
Patent	22
Other	5
Total	128

*8 The provision to the reserve for construction losses contained in cost of sales (Millions of yen)

From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
9,455	8,471

(Statement of Changes in Consolidated Net assets)

From April 1, 2010 to March 31, 2011

1. Shares Issued and Treasury Shares

	Number of shares as of April 1, 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)
			April 1, 2010	Increase	Decrease	March 31, 2011	
Submitting company	Stock options issued as compensation in 2010	Common stock	—	—	—	—	354
	Stock options issued as compensation in 2011	Common stock	—	—	—	—	8
Total		—	—	—	—	—	363

Notes: The first date for the exercise of compensation-type stock options for fiscal 2009 and fiscal 2010 has not arrived (as of the balance sheet date).

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	Dividend resource	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 24, 2011 at the Regular General Meeting of Shareholders	Common stock	Retained earnings	2,110	5.00	March 31, 2011	June 27, 2011

From April 1, 2011 to March 31, 2012

1. Shares Issued and Treasury Shares

	Number of shares as of April 1, 2011	Increase	Decrease	Number of shares as of March 31, 2012
Shares issued Common stock	459,245,678	174,000	36,520,020	422,899,658
Total	459,245,678	174,000	36,520,020	422,899,658
Treasury stock Common stock	37,168,870	42,808	36,522,478	689,200
Total	37,168,870	42,808	36,522,478	689,200

Notes: 1 Increase in common shares issued of 174,000 was due to exercise of subscription rights to shares.

2 Increase in treasury common stock of 42,808 was due to the purchase of shareholdings of less than one trading unit.

3 The decrease in treasury common stock of 36,522,478 was due to the retirement of 36,520,020 treasury stock and the sale of 2,458 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, 2012 (Millions of yen)
			April 1, 2011	Increase	Decrease	March 31, 2012	
Submitting company	Stock options issued as compensation in 2010	Common stock	—	—	—	—	344
	Stock options issued as compensation in 2011	Common stock	—	—	—	—	12
	Stock options issued as compensation in 2012	Common stock	—	—	—	—	81
Total		—	—	—	—	—	438

Notes: The first date for the exercise of compensation-type stock options for fiscal 2011 has not arrived (as of the balance sheet date).

3. Items Related to Dividend

(1) Payment of Dividends

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	5.00	March 31, 2011	June 27, 2011

(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	Dividend resource	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 28, 2012 at the Regular General Meeting of Shareholders	Common stock	Retained earnings	2,111	5.00	March 31, 2012	June 29, 2012

(Statements of cash flows)

*1 A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: (Millions of yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Cash and time deposits	100,675	84,955
Securities	3,327	2,856
Securities which the term is over 3 months	(0)	(1)
Time deposits which the term is over 3 months	—	(515)
Total	104,002	87,294
Cash and cash equivalents	104,002	87,294

*2 Breakdown of Principal Assets and Liabilities of companies excluded from Consolidation because of the sales of the shares.

Accompanying the exclusion of Nissetsu Co., Ltd. from the scope of consolidation because of the sale of the Company's holdings of its shares, the breakdown of that company's assets and liabilities as of the time of sale, the value of the shares sold, and revenue from the sale of the shares are as follows. (Millions of yen)

Current assets	3,312
Fixed assets	637
Current liabilities	(2,370)
Long-term liabilities	(384)
Minority interests in consolidated subsidiaries	(328)
Unrealized income, etc	(2)
Gain (Loss) on sales of stock	461
Sales price of stock of Nissetsu Co., Ltd.	1,325
Cash and cash equivalents of Nissetsu Co., Ltd.	(455)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	869

(Segment information)

1. Overview of reportable segments

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, blowers, fans, 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, 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 (loss) shows eliminations among intersegment sales and transfers.

(2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounted to ¥105,099 million, and intersegment eliminations amounted to ¥(4,334) million. The main total assets of the Group are Cash and time deposits, a part of investment securities, deferred tax assets and others.

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

From April 1, 2011 to March 31, 2012

(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	286,089	50,128	68,373	404,592	7,484	412,076	—	412,076
Intersegment sales and transfers	953	0	6	960	3,593	4,554	(4,554)	-
Total	287,043	50,128	68,380	405,552	11,078	416,630	(4,554)	412,076
Segment income	15,578	322	6,594	22,494	616	23,111	154	23,266
Segment assets	268,430	47,974	67,590	383,995	18,060	402,056	86,908	488,964
Others								
Depreciation and amortization	8,568	355	3,264	12,188	696	12,885	(120)	12,764
Amortization of Goodwill	235	—	—	235	—	235	—	235
Investment for companies applied equity method	1,187	3,966	—	5,153	—	5,153	—	5,153
Increase in tangible and intangible assets	7,272	440	2,931	10,645	1,684	12,330	(13)	12,316

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) The total value of the adjustment of segment assets for the Company was total assets of the Group amounted to ¥90,091 million, and intersegment eliminations amounted to ¥(3,183) million. The main total assets of the Group are Cash and time deposits, a part of investment securities, deferred tax assets and others.

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

(Income taxes)

1 Significant components of the deferred tax assets and liabilities

(Millions of yen)

	March 31, 2011	March 31, 2012
Deferred tax assets		
Excess provision of accrued bonuses to employees	2,325	2,086
Loss recognized on a percentage-of-completion basis	16,218	641
Accrued enterprise tax	497	116
Excess provision of accrued severance Indemnities	6,120	5,478
Directors' retirement expense	442	66
Unrealized income on fixed assets	789	886
Tax loss carried forward	5,683	21,267
Loss on valuation of investment securities	3,173	2,232
Loss on liquidation of subsidiaries and affiliates	31	46
Research and development expenses	342	333
Loss from write-down of real estate for sale	2	—
Loss on write-down of inventories	3,625	3,794
Reserve for losses on construction completion guarantees	7,040	5,027
Allowance for doubtful receivables	1,492	4,033
Others based on tax codes outside Japan	3,981	4,241
Others	6,658	5,603
Subtotal	58,426	55,857
Valuation allowance	(20,337)	(20,797)
Total deferred tax assets	38,089	35,059
Deferred tax liabilities		
Reserve for deferral of capital gains on sales of property	1,656	1,414
Net unrealized gain on investment securities	648	617
Other	2,456	2,676
Total deferred tax liabilities	4,761	4,708
Net deferred tax assets	33,328	30,351

2 The breakdown of the principal factors accounting for the differences between the statutory tax rate and the burden of taxes, etc., after the application of tax-effect accounting is as follows.

	March 31, 2011	March 31, 2012
Statutory tax rate, giving tax effect on enterprise tax payable	40.7%	40.7%
(adjustment)		
Entertainment expenses and other expenses not deductible	1.9%	3.4%
Per capital equalization inhabitants' taxes	1.2%	2.8%
Dividends received not taxable	(18.4)%	(62.7)%
Dividends received effected by the excluded from consolidation	20.0%	69.7%
Valuation allowance	(41.6)%	25.7%
Tax rate differences with overseas consolidated subsidiaries	—%	(21.5)%
Reductions in deferred tax assets at the end of the period due to changes in tax rates	—%	21.8%
Others	(4.9)%	(16.2)%
Effective tax rate as shown in statements of income	(1.1)%	63.8%

3 Correction of deferred tax assets and liabilities due to change in effective corporation tax rates

December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), corporation tax rates will be reduced, and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed, for the fiscal years beginning on or after April 1, 2012.

Accompanying these revisions, the statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities will be changed from the previous 40.7% to 38.0% for consolidated accounts covering the fiscal year beginning April 1, 2012, through the fiscal year beginning April 1, 2014, and then to 35.6% for fiscal years beginning April 1, 2015, and subsequent fiscal years.

As a result of this change, deferred tax assets (net of deferred tax assets and liabilities) decreased by ¥2,453 million. Moreover, deferred income taxes increased by ¥2,365 million and net unrealized gain on investment securities increased by ¥87 million.

(Severance and Pension Plans)

1 Outline of Severance and Pension Plans

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. In addition, the Company has provided for defined contribution pension plans, that allow employees to make specified contributions up to the time of retirement.

2 Benefit obligation

(Millions of yen)

	March 31, 2011	March 31, 2012
(1) Benefit obligation	55,835	54,567
(2) Fair value of plan assets	(35,738)	(35,692)
(3) Unfunded benefit obligation	20,097	18,874
(4) Unrecognized actuarial loss	(3,793)	(3,214)
(5) Unrecognized prior service cost	(621)	(611)
(6) Net amount on the consolidated balance sheets	15,681	15,047
(7) Net amount recognized	15,681	15,047

3 Benefit cost

(Millions of yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Benefit cost	5,228	5,151
(1) Service cost	2,918	2,839
(2) Interest cost	1,889	1,736
(3) Expected return on plan assets	(875)	(1,019)
(4) Recognized actuarial loss	492	772
(5) Recognized prior service cost	34	71
(6) Special retirement benefit paid	18	23
(7) Others	751	726

4 Assumptions to determine above obligation and cost

(1) Discount rate

From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
(Japan) 2.0% (Subsidiaries outside Japan) 5.4%	(Japan) 2.0% (Subsidiaries outside Japan) 4.4%

(2) Expected return on plan assets

From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
(Japan) 2.7% (Subsidiaries outside Japan) 8.0%	(Japan) 2.7% (Subsidiaries outside Japan) 8.0%

(3) Amortization period of prior service cost

10 years

(4) Recognition period of actuarial loss

10 years

(Per share data of common stock)

(Yen)

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Shareholders' equity per share of common stock	360.01	357.79
Net income per share	66.78	6.85
Diluted net income per share	59.11	6.72

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

	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Total net assets (millions of yen)	154,939	154,653
Amount excluded from total net assets (Millions of yen)	2,988	3,592
(Subscription rights to shares (Millions of yen))	(363)	(438)
(Minority interests (Millions of yen))	(2,625)	(3,154)
Net assets attributable to common stock at the end of the period (Millions of yen)	151,950	151,060
Number of common stocks outstanding at the end of the period calculated under "Shareholders' equity per share of common stock"	422,076,808	422,210,458

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

	From April 1, 2010 to March 31, 2011	From April 1,2011 to March 31,2012
Net income per share		
Net income (Millions of yen)	28,191	2,889
Amount not allocated to ordinary shares (Millions of yen)	—	—
Net income available to common shareholders (Millions of yen)	28,191	2,889
Average shares of common stocks (Number)	422,146,381	422,156,168
Diluted net income per share		
Adjustment of net income (Millions of yen)	237	154
(Interest payable after tax deduction (Millions of yen))	(237)	(154)
Increase of common stocks (Number)	58,805,135	30,617,450
(Bonds with subscription rights to shares (Number))	(57,720,056)	(28,860,028)
(Subscription rights to shares (Number))	(1,085,079)	(1,757,422)
Potential shares excluded from computation of diluted income per share which don't have a dilutive effect	――――――	――――――

Note: As indicated in the section "Changes in accounting policies," the changes in accounting policies have been applied retroactively to the consolidated financial statements through the fiscal year under review, and have been applied also retroactively to the consolidated financial statements for the previous fiscal year. As a result, compared with the financial statements prior to these retroactive adjustments, the net income per share after adjustments for latent shares and retroactive adjustments were ¥0.02 higher.

5. Order received and sales

Order received and sales

(1) Output

(Millions of yen)

Name of Segment	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Fluid Machinery & Systems	237,372	263,732
Environmental Engineering	14,683	11,328
Precision Machinery	59,251	54,588
Reportable segments	311,307	329,649
Other	—	—
Total	311,307	329,649

(2) Order received

(Millions of yen)

Name of Segment	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Fluid Machinery & Systems	262,155	278,182
Environmental Engineering	82,550	51,270
Precision Machinery	74,620	61,721
Reportable segments	419,327	391,175
Other	11,665	3,746
Total	430,992	394,921

(3) Sales

(Millions of yen)

Name of Segment	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Fluid Machinery & Systems	268,942	286,089
Environmental Engineering	51,660	50,128
Precision Machinery	67,902	68,373
Reportable segments	388,505	404,592
Other	13,169	7,484
Total	401,675	412,076

(4) Backlog of order received

(Millions of yen)

Name of Segment	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012
Fluid Machinery & Systems	157,801	147,147
Environmental Engineering	88,813	89,955
Precision Machinery	18,942	12,128
Reportable segments	265,557	249,231
Other	4,727	17
Total	270,285	249,249

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