

CONSOLIDATED FINANCIAL RESULTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2013
 [Japanese GAAP]

May 8, 2013

Company name: EBARA CORPORATION
 Stock exchange listings: Tokyo and Sapporo
 Code number: 6361
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Scheduled date of General Meeting of Shareholders: June 27, 2013
 Scheduled date for dividend payment: June 28, 2013
 Scheduled date of submission of annual security report: June 27, 2013

Preparing supplementary material on financial results: Yes
 Holding financial results presentation meeting: Yes (for institutional investors and analysts)

(Monetary amounts are rounded down to the nearest million yen)

1. Results for the Fiscal Year Ended March 31, 2013

(1) Financial Results

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year Ended March 31, 2013	426,302	3.5%	25,084	7.8 %	25,663	21.7 %	15,303	429.6 %
Year Ended March 31, 2012	412,076	2.6%	23,266	(26.2)%	21,086	(26.7)%	2,889	(89.7)%

Note: Comprehensive Income: March 31, 2013; 26,200 million yen — %
 March 31, 2012; 1,978 million yen (91.3)%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)	Return on Equity	Ordinary Income on Total Assets Ratio	Operating Income on Sales Ratio
Year Ended March 31, 2013	35.93	33.69	9.1%	5.2%	5.9%
Year Ended March 31, 2012	6.85	6.72	1.9%	4.2%	5.6%

Reference: Equity in earnings of affiliates: March 31, 2013; 657 million yen
 March 31, 2012; 909 million yen

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2013	504,576	191,788	37.0%	402.41
As of March 31, 2012	488,964	154,653	30.9%	357.79

Note : Shareholders' Equity: March 31, 2013; 186,885 million yen
 March 31, 2012; 151,060 million yen

(3) Cash Flows

Millions of yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year Ended March 31, 2013	34,014	(33,130)	3,265	93,792
Year Ended March 31, 2012	12,588	(8,837)	(19,997)	87,294

2. Dividends

	Dividends per Share (Yen)					Total Dividend Payment (Millions of Yen)	Pay-out Ratio (Consolidated)	Dividend to Net Assets (Consolidated)
	1 st Quarter	2 nd Quarter	3 rd Quarter	Year-End	Annual			
Year Ended March 31, 2012	—	0.00	—	5.00	5.00	2,111	73.0%	1.4%
Year Ended March 31, 2013	—	2.50	—	2.50	5.00	2,217	13.9%	1.3%
Year Ending March 31, 2014 (Forecast)	—	2.50	—	2.50	5.00		15.5%	

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2014

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
		(%)		(%)		(%)		(%)	
Year Ending March 31, 2014	422,000	(1.0)%	29,000	15.6%	28,000	9.1%	15,000	(2.0)%	32.30

4. Other Information

- (1) Changes in significant subsidiaries during the fiscal year under review (Changes in specified subsidiaries involving changes in scope of consolidation): Yes

Included: — (—)

Excluded: 1 company (Ebara Techno-serve Co., Ltd.)

Note: For further details, please refer to “(5) Note for Consolidated Financial Statements of 4. Consolidated financial statements” on page 27.

- (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: None

(iii) Changes in accounting estimates: Yes

(iv) Restatement of prior financial statements after error corrections: None

Note: Effective from the fiscal year ended March 31, 2013, Ebara Corporation and its domestic consolidated subsidiaries have changed the depreciation method. For further details, please refer to “(5) Notes to Consolidated Financial Statements of 4. Consolidated financial statements” on page 29.

- (3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)	As of March 31, 2013	465,118,658	As of March 31, 2012	422,899,658
(ii) Number of treasury stocks	As of March 31, 2013	703,461	As of March 31, 2012	689,200
(iii) Average number of common stocks	Year Ended March 31, 2013	425,873,381	Year Ended March 31, 2012	422,156,168

(Reference information)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2013

(1) Financial Results

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year Ended March 31, 2013	176,849	12.0%	(307)	—%	3,996	(75.5)%	4,665	(68.4)%
Year Ended March 31, 2012	157,937	(1.4)%	4,698	3.0%	16,320	22.1%	14,756	(41.5)%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Year Ended March 31, 2013	10.95	10.51
Year Ended March 31, 2012	34.96	32.93

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2013	406,348	184,968	45.4%	397.10
As of March 31, 2012	381,887	168,073	43.9%	397.04

Note : Shareholders' Equity: March 31, 2013; 184,420 million yen
March 31, 2012; 167,634 million yen

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 audit procedures for its financial statements have not been completed.

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 Corporation as of the time of the issuance of this document and on certain assumptions about uncertainties that may have an impact on the Group'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 and Financial Position (1) Analysis of Management Performance" on page 5. 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 and Financial Position

(1) Analysis of Management Performance

i. Overview of Performance of the Fiscal Year

During the fiscal year ended March 31, 2013, while the economy was showing gradual recovery in the United States, in Europe, the economy continued to stagnate due to factors such as the continuing uncertainty regarding the financial system. In Asia, although the pace of economic expansion has recovered to some degree, relatively low rates of growth are forecast for the time being. In Japan, the outlook is for the economy to show moderate improvement as investment by the public sector remains firm and signs of a bottoming out of investment in the private sector continue to emerge.

Amid these economic conditions, the EBARA Group (the “Group”) entered the second fiscal year of the three-year medium term management plan “E-Plan2013”, working to establish a firmer and more stable business structure under the plan, which has the four basic 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.

As a consequence, compared with the previous fiscal year, orders on a consolidated basis increased, and overall net sales rose, despite a decline in sales in the Precision Machinery (“PM”) Company. Operating income rose overall, in spite of a decline in the PM Company, because of higher income in the Fluid Machinery & Systems (“FMS”) Company and Environmental Engineering (“EE”) Company.

Consolidated net sales for the fiscal year amounted to ¥426,302 million (an increase of 3.5% year on year), operating income for the fiscal year amounted to ¥25,084 million (an increase of 7.8% year on year), ordinary income for the fiscal year amounted to ¥25,663 million (an increase of 21.7% year on year) and net income for the fiscal year amounted to ¥15,303 million (an increase of 429.6% year on year).

Operating results by business segments are as follows:

Fluid Machinery & Systems

In the FMS Company, in the pump business, inquiries regarding electric power generation plant projects in the electric power market, mainly in the emerging countries, fertilizer plant projects in the chemical market and oil refinery plant projects in the oil and gas market were active, and conditions overseas remained strong. In Japan also, portions of the private-sector market for building equipment recovered. In addition, although conditions in the public sector have not recovered to the level prevailing prior to the 2011 earthquake disaster, orders for large-scale projects held firm.

In the compressor and turbines business, against a background of increases in energy demand and expansion in shale gas production, projects in the oil and gas market increased and remained firm in North America, the Middle East, and Asia, including China, India, and certain other markets.

In the chillers business, conditions were severe in the domestic market, but conditions in the Chinese market were favorable.

Sales in the FMS Company for the fiscal year amounted to ¥305,586 million (an increase of 6.8% year on year). The segment income amounted to ¥15,942 million (an increase of 2.3% year on year).

In the domestic pump business, to manage the Group's corporate resources more efficiently and increase profitability, three consolidated subsidiaries —namely, Ebara Techno-serve Co., Ltd., Ebara Yoshikura Hydro-Tech Co., Ltd. and Ebara Environmental Technologies Hokkaido Co., Ltd.—were merged with the Company on April 1, 2012.

Environmental Engineering

In the EE Company, in domestic public works projects, the Group secured roughly the same level of orders for operation and maintenance (“O&M”) business for waste incineration facilities, while in the engineering, procurement, and construction (“EPC”) and other fields, demand for the replacement of facilities is increasing.

In such situation, the Group received orders for the construction and operation of temporary waste incineration facilities to deal with the disaster waste left behind by the Great East Japan Earthquake and for the construction of general waste incineration facility for a local authority and orders for develop, build, and operate (“DBO”) projects, including those covering services ranging from the construction of facilities to operation and business management services.

Sales in the EE Company for the fiscal year amounted to ¥52,495 million (an increase of 4.7% year on year). The segment income amounted to ¥5,176 million (an increase of 1,506.4% year on year).

Precision Machinery

In the PM Company, in the semiconductor market, although the market for smartphones and tablet-type portable terminals drove the market as a whole, growth in the personal computers and servers markets weakened as in the previous year, and conditions remained lackluster overall through the fiscal year. Thus with the exception of some leading foundries, capital investments by most semiconductor manufacturers continued to be postponed and major differences were seen among semiconductor manufacturers in their stances toward making capital investments. Further, demand from relevant markets other than semiconductors, such as the flat panel display, photovoltaic battery and LED markets, continued to remain sluggish.

Sales in the PM Company for the fiscal year amounted to ¥66,503 million (a decrease of 2.7% year on year). The segment income amounted to ¥3,305 million (a decrease of 49.9% year on year).

ii. Outlook for the Next Fiscal Year

Viewing the market environment from an overall perspective, although economic conditions in Europe will remain relatively weak, on the other hand, the United States is experiencing a moderate recovery trend, and even the pace of expansion in Asia, where China has shown signs of a decline in growth, is showing improvement. Overall, overseas economies are expected to show a moderate expanding trend. In Japan, the economy is reported to be in a period of moderate recovery, and, as a result, the outlook is for signs of improvement in corporate profits to emerge.

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

Fluid Machinery & Systems

In the FMS Company, although conditions in China and some areas of Europe are uncertain, demand is expected to show moderate recovery as a result of the expansion in worldwide demand for energy and other factors. In the pump business, the outlook is for continued active construction of large-scale thermal power generation plants and LNG combined cycle thermal power plants, principally in China, the Middle East, Southeast Asia, and India. In addition, demand in the markets for general machinery and building equipment is expected to continue to expand, especially in

the emerging countries. In the LNG plant business, a number of projects have begun, and demand for cryogenic pumps and related equipment for use in liquefaction plants, LNG storage bases, and transport vessels is expected. Also, demand is expected for pumps used in fertilizer plants, along with growth in the production of shale gas.

In the compressor and turbines business, expansion in demand is anticipated for compressors for use in LNG plants; ethylene plants, especially in North America, where shale gas is being used as a raw material; and for use in propane dehydrogenation (PDH) plants. In the chillers business, in addition to growth in demand for heat pumps in China, expansion in demand in the markets of Southeast Asia is also anticipated.

Amid these conditions, overseas, the Group is pursuing the development of products suited to the needs of individual regions, and, by strengthening its global production and sales systems as well as its service and support capabilities, the Group is moving forward with expanding the scope of its business activities. In addition, in Japan, the Group will continue to give highest priority to business related to recovery from the 2011 earthquake, as well as expand and upgrade its sales and service systems to meet customer needs.

Environmental Engineering

In the EE Company, in the public-sector market, there are signs appearing of an increase in EPC project and others 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 Group continues to anticipate expansion in long-term comprehensive O&M projects as well as DBO projects, including those involving the full range of services from the construction of facilities to operation and business management. In addition, along with the revision of Japan's energy policy, power-generating facilities using waste materials as energy fuel are drawing increasing attention.

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

Precision Machinery

In the PM Company, the semiconductor market is believed likely to remain stagnant for the time being. However, viewed in the medium-to-long term, demand will grow going forward, and our assumption is that capital investment to respond to this future demand will emerge gradually in the latter half of the current fiscal year. In addition, we anticipate that the markets for flat panel displays, solar batteries, LEDs, and other products will begin to recover step by step from 2014 onward.

Amid these conditions, the Group will work to stabilize its earnings structure through lowering its manufacturing costs by shortening lead times through reforms in production and procuring more from overseas sources. In parallel with this, the Group will also adopt measures to build stronger service and support systems that have close ties with customers. Also, the Group will endeavor to expand its business activities by continuing its development activities to respond to customer needs, such as further miniaturization, the launching of new devices, three-dimensional mounting, and the processing of wafers with larger diameters.

Based on the previously mentioned policies and initiatives, the Group has set the objective of reaching consolidated net sales of ¥ 422,000 million and ¥ 29,000 million in operating income in the fiscal year ending March 31, 2014.

Forecast of Performance for the Fiscal Year ending March 31, 2014

(% represents percentage change from the previous period)

Millions of yen

	Consolidated	
Net sales	422,000	(1.0)%
Operating income	29,000	15.6%
Ordinary income	28,000	9.1%
Net income	15,000	(2.0)%

Forecast of Net Sales and Operating Income by Business Segment

(% represents composition ratio)

Millions of yen

Segment	Net Sales		Operating Income	
Fluid Machinery & Systems	310,000	73.4%	20,000	69.0%
Environmental Engineering	48,000	11.4%	5,000	17.2%
Precision Machinery	62,000	14.7%	4,000	13.8%
Others	2,000	0.5%	—	—%
Total	422,000	100%	29,000	100%

The above information is projected at the expected foreign exchange rate 1US\$=¥90, 1EUR=¥120, 1RMB=¥14.

iii. 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 second 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, but targets of sales, operating income and net income were not attained.

Millions of yen

	Actual figures	Medium-term management plan		
	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ending March 31, 2014
Net Sales	426,300	405,000	456,000	497,000
Operating Income	25,000	28,000	37,000	46,500
Net Income	15,300	13,000	20,000	25,700

Under E-Plan2013, the Group 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 end of the fiscal year ended March 31, 2013, which was the second year under E-Plan2013, the status of attainment of the Group's target indicators was as follows:

Return on Investment capital (ROIC): 4.9%

Operating Income on Sales Ratio: 5.9%

iv. Attainment of Management Objectives

Please see related item covered previously.

(2) Analysis of Financial Position

An analysis of assets, liabilities, net assets and cash flows is as follows:

i. Assets

Total assets at the end of the fiscal year ended March 31, 2013 were ¥504,576 million, ¥15,611 million higher than at the end of the previous fiscal year. The principal causes for these movements in assets were as follows.

Current assets expanded ¥17,049 million because of an increase in cash and time deposits of ¥5,797 million and an increase in securities of ¥20,696 million, despite a decrease of ¥3,536 million in notes and accounts receivable-trade and a decrease of ¥2,231 million in work in process.

Tangible and intangible fixed assets increased ¥2,939 million because of the implementation of capital expenditures of ¥12,302 million and depreciation charges of ¥12,355 million.

Investments and other assets decreased ¥4,378 million as a result of a decrease in deferred tax assets.

ii. Liabilities

Total liabilities at the end of the fiscal year ended March 31, 2013 were ¥312,787 million, ¥21,523 million lower than at the end of the previous fiscal year. The principal causes of these decreases were as follows.

Current liabilities decreased ¥4,615 million because of a decrease in notes and accounts payable-trade of ¥9,752 million and a decrease in short-term loans payable of ¥13,362 million, despite an increase of ¥20,000 million in current portion of bonds with subscription rights to shares.

Long-term liabilities decreased ¥16,907 million as a result of a decrease of ¥11,302 million in long-term loans payable and a decrease of ¥5,418 million in reserve for retirement benefits.

iii. Net Assets

Net assets at the end of the fiscal year ended March 31, 2013 amounted to ¥191,788 million, ¥37,135 million higher than at the end of the previous fiscal year. Although the Company paid cash dividends of ¥3,167 million, this increase in net assets was due to the reporting of consolidated net income of ¥15,303 million, the issuance of 42 million new shares in March 2013, which added ¥14,523 million to shareholders' equity, and other factors. Shareholders' equity, after deduction of subscription rights to shares and minority interests from total net assets, amounted to ¥186,885 million, and equity ratio was 37.0%.

iv. Cash Flows

Net cash provided by operating activities amounted to a net inflow ¥34,014 million for the fiscal year ended March 31, 2013, compared to a net inflow ¥12,588 million for the previous fiscal year. The increase was mainly attributable to an increase of ¥13,022 million in income before income taxes.

Net cash used in investing activities amounted to a net outflow ¥33,130 million for the fiscal year ended March 31, 2013, compared to a net outflow ¥8,837 million for the previous fiscal year. This primarily reflected purchase of fixed assets of ¥11,816 million and purchase of securities and investment securities of ¥26,277 million.

Free cash flow, the sum of cash flows from operating and investing activities, amounted to a net inflow ¥883 million for the fiscal year ended March 31, 2013, compared to a net inflow ¥3,750 million for the previous fiscal year.

Net cash provided by financing activities amounted to a net inflow ¥3,265 million for the fiscal year ended March 31, 2013, compared to a net outflow ¥19,997 million for the previous fiscal year. This primarily reflected proceeds from issuance of common stock of ¥14,523 million and proceeds from issuance of bonds of ¥20,000 million, despite a net decrease in short-term loans payable and long-term loans payable of ¥26,695 million.

As a consequence, cash and cash equivalents at the end of the fiscal year ended March 31, 2013 amounted to ¥93,792 million, ¥6,497 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	Year ended March 31, 2009	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013
Equity ratio	21.6%	24.8%	29.9%	30.9%	37.0%
Equity ratio at market value	16.2%	38.5%	37.0%	25.6%	36.0%
Years to repay debt	10.4 years	7.5 years	6.0 years	11.4 years	4.1 years
Interest coverage ratio	5.1	6.9	8.7	4.9	14.2

Notes:

1. Equity ratio: Shareholders' equity / Total assets
 2. 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 years ended March 31, 2013 and ending March 31, 2014

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.

During the fiscal year ended March 31, 2013, the Company paid an interim cash dividend of ¥2.5 per share and is scheduled to pay a final cash dividend for the fiscal year of ¥2.5 per share.

For the fiscal year ending March 31, 2014 also, the Company is planning to pay an annual cash dividend of ¥5.0 per share (including an interim dividend of ¥2.5 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.

i. Market Risk

The markets where the Group conducts its business activities are highly competitive, and downward pressures on

the prices of most of the products and services it offers may have a negative impact on the Group's performance. In addition, the percentage of the business of the EE Company accounted for by the public sector is high, and its performance is influenced by trends in expenditures on public works projects. Moreover, the businesses of the PM Company are strongly affected by market fluctuations accompanying the silicon cycle.

ii. Large-scale projects and overseas business activities

The Group engineers, manufactures, installs 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. Group companies overseas and their employees may face difficulties related to compliance. The Group takes a full range of measures to manage this risk, but, in cases where appropriate steps cannot be taken, this may have an adverse effect on the Group's performance as well as on the trust placed in the Group by society.

iii. Business realignments, etc

The Group takes continuing initiatives to strengthen its management base and may withdraw from certain unprofitable businesses and liquidate or take other appropriate action with regard to affiliates. Such realignments may have an effect on the Group's performance.

iv. 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.

v. Risks related to the interest rate and funding

The Group has both fixed-rate and floating-rate interest-bearing debt, and there is a possibility that fluctuations in interest rates may have an effect on the Group's performance. Moreover, when the Group violates the covenants contained in its borrowing agreements, it may be required to increase the interest rates it pays and/or lose the advantages of repayment schedules. When the Group's debt ratings are lowered and during times of market turmoil, there is a possibility that the Group's borrowing costs and its ability to raise funds may be affected.

vi. 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 an adverse impact on the Group's 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 the Group's performance.

vii. Deferred tax assets

The Group's deferred tax assets are calculated by making a judgment regarding the future recoverability of income

taxes paid, identifying those deferred tax assets whose recoverability is uncertain (amount regarding which there is concern about future recoverability), and the amount of deferred tax assets judged to be recoverable is presented in the financial statements in a valuation reserve. Since the amount of taxes paid deemed to be recoverable fluctuates depending on corporate performance and other factors, if certain factors influence the estimate of taxable income, the Company revises the amount regarding which there is concern about future recoverability, and revises the value of its deferred tax assets. Such revisions may cause fluctuations in net income for the fiscal year.

viii. 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 effect on the Group's performance.

ix. Legal restrictions

The Group conducts operations in Japan and foreign countries, and is subject to the legal regulations of the countries where its operations take place related to approvals, product liability, trade, taxation, competition, corruption, intellectual property, environment, labor, and other matters. Therefore, if the Group should violate such legal regulations, this may have an impact on the Group's performance as well as on the trust placed in the Group by society. 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 impact on the Group's performance.

x. Risk of Litigation and other conflicts

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. In addition, there may be cases where lawsuits may be brought against the Group by product suppliers on the grounds that the Group's products violate intellectual property regulations. Depending on the outcome of such lawsuits, litigation of this kind may have an impact on the Group's performance as well as on the trust placed in the Group by society.

xi. Risk of increased costs of land sales

As provided for in the sales contract for the land where the Company'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. Yamato Transport Co., Ltd. has brought a lawsuit against the Company for the payment of damages in the amount of approximately ¥7.4 billion (including indemnities due to late payment) in connection with the Company's failure to perform on its obligations as stated in the transfer contract and owing to responsibility for the provision of defective collateral. 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.

xii. 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 an adverse impact on the Group's performance.

xiii. Projected benefit obligation

The changes in the cost burden of the Group's retirement benefit plans (due to changes and other variations in the market value of pension assets, return on pension assets under management, and other factors) may have an effect on the Group's performance and financial position. In addition, in accordance with the revised Accounting Standard for Retirement Benefits, which will be applied in financial statements beginning in the fiscal year ending March 31, 2014, the amounts of unrecognized actuarial differences and unrecognized costs related to past services of employees will be presented among net assets on the balance sheets after deductions for tax effects. The amount of net assets is forecast to decline in the first year this accounting standard is applied, and, therefore, these accounting changes may have an effect on the Group's financial position.

Please note that the amounts of unrecognized actuarial differences and unrecognized costs related to past services of employees are presented in "2 Benefit obligation of (Severance and Pension Plans) of (5) Notes to Consolidated Financial Statements".

2. Corporate Group Information

The Group comprises Ebara Corporation (the Company), 73 subsidiaries (49 of which are consolidated), and 12 affiliates. 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	Pumps, compressors, turbines, refrigeration and heating equipment, blowers, fans	Manufacturing and sales	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Densan Ltd. • Ebara Hamada Blower Co., Ltd. • Elliott Ebara Turbomachinery Corporation • Ebara Refrigeration Equipment & Systems Co., Ltd • Elliott Company • Ebara International Corporation • Ebara Pumps Europe S. p. A • Yantai Ebara Air Conditioning Equipment Co., Ltd. • Ebara Boshan Pumps Co., Ltd. • Ebara Machinery (China) Co., Ltd. • Ebara Great Pumps Co., Ltd.
		Engineering, construction, operation and maintenance	<ul style="list-style-type: none"> • Ebara Corporation
		Sales and maintenance	<ul style="list-style-type: none"> • Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	<ul style="list-style-type: none"> • Ebara Material Co., Ltd.
Environmental Engineering	Municipal waste incineration plants, industrial waste incineration plants, water treatment plants	Engineering and construction	<ul style="list-style-type: none"> • Ebara Environmental Plant Co., Ltd. • Ebara Qingdao Co., Ltd. • Swing Corporation *1
		Operation and maintenance	<ul style="list-style-type: none"> • Ebara Environmental Plant Co., Ltd. • Swing Corporation *1
		Manufacturing and sales of chemicals	<ul style="list-style-type: none"> • Swing Corporation *1
Precision Machinery	Dry vacuum pumps, CMP equipment, plating equipment, exhaust-gas treatment equipment	Manufacturing and sales	<ul style="list-style-type: none"> • Ebara Corporation
		Sales and maintenance	<ul style="list-style-type: none"> • Ebara Field Tech. Corporation • Ebara Technologies Inc. • Ebara Precision Machinery Taiwan • Ebara Precision Machinery Korea Inc.
Others	—	Business support service, etc.	<ul style="list-style-type: none"> • Ebara Agency Co., Ltd.

Notes: *1 Subsidiaries of applied equity method.

3. Management Policies

(1) Basic Policies

The corporate philosophy of the 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 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 Group has prepared a medium-term management plan, E-Plan2013, which began in May 2011 and will conclude its final fiscal year ending 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 indicator for executing business, and is working to maximize this ratio.

* Return on invested capital (ROIC)

= Net income/ Invested capital = Net income / (Interest bearing debt + Shareholders’ equity)

Target of key indicators

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.

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

The Group 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, the Group 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, India, Southeast Asia, the Middle and Near East, Brazil, and the United States), mainly from among the emerging areas, the Group will establish and expand sales and service functions as well as production capabilities based on the characteristics of these regions. The

Group 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, the Group will create a Group network that will make possible the development of other markets without passing through Japan.

ii. 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), the Group 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, the Group 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, the Group 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, the Group will draw on resources outside the Group through M&A and other means, making the needed strategic investments. By the fiscal year ending March 2016, the Group 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 the Group 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, the Group 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.

iii. 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, the Group 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. The Group 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, the Group 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, the Group will aim to create the most-efficient production systems in its industries.

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

As the Group 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, the Group will strengthen the functions of its Group headquarters and Global headquarters.

(4) Issues to be Addressed

i. 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 year ending March 2014 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 businesses.

ii. Achieving Financial Soundness

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

iii. Strengthen its corporate governance and ensure the highest standards of compliance

To strengthen its corporate governance framework and ensure the highest standards of compliance, the Group 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

Millions of yen

	As of March 31, 2012	As of March 31, 2013
Assets		
Current Assets		
Cash and time deposits	84,955	90,752
Notes and accounts receivable-trade	*6 160,995	*6 157,459
Securities	2,856	23,553
Finished goods	10,621	9,948
Work in process	*7 40,112	*7 37,881
Raw materials	18,976	19,118
Deferred tax assets	11,514	11,002
Others	17,323	15,284
Allowance for doubtful accounts	(1,106)	(1,701)
Total current assets	346,248	363,298
Fixed Assets		
Tangible fixed assets		
Buildings, net	36,384	37,528
Machinery and equipment, net	21,391	22,592
Land	21,668	21,231
Construction in progress	4,642	4,609
Others	5,017	4,761
Total tangible assets	*1, *3 89,104	*1, *3 90,722
Intangible assets		
Goodwill	859	1,785
Software	3,015	3,391
Others	1,693	1,712
Total intangible assets	5,567	6,889
Investments and other assets		
Investment securities	*2, *3 22,236	*2, *3 23,195
Long-term loans receivable	731	625
Deferred tax assets	19,115	14,723
Others	*2 17,035	*2 8,345
Allowance for doubtful accounts	(11,075)	(3,224)
Total investments and other assets	48,043	43,665
Total fixed assets	142,715	141,277
Total Assets	488,964	504,576

	As of March 31, 2012		As of March 31, 2013	
Liabilities				
Current Liabilities				
Notes and accounts payable-trade	*6	105,638	*6	95,886
Short-term loans payable	*3	79,377	*3	66,015
Current portion of bonds with subscription rights to shares		—		20,000
Accrued income taxes		3,324		2,177
Deferred tax liabilities		18		30
Bonus payment reserve		6,219		7,558
Directors' bonus payment reserve		119		257
Reserve for losses on construction completion guarantees		5,359		3,169
Reserve for product warranties		1,712		2,768
Reserve for construction losses	*7	8,757	*7	5,585
Reserve for expenses related to the sales of land		1,849		1,846
Others		37,967		40,434
Total current liabilities		250,345		245,730
Long-term Liabilities				
Bonds with subscription rights to shares		20,000		20,000
Long-term loans payable	*3	42,640	*3	31,338
Deferred tax liabilities		259		322
Reserve for retirement benefits		15,047		9,629
Reserve for directors' retirement benefits		201		172
Asset retirement obligations		1,799		1,825
Others		4,015		3,770
Total long-term liabilities		83,965		67,057
Total Liabilities		334,311		312,787
Net Assets				
Shareholders' Equity				
Common stock		61,313		68,613
Capital surplus		65,243		72,543
Retained earnings		41,750		53,886
Treasury stock		(279)		(284)
Total shareholders' equity		168,028		194,758
Accumulated Other Comprehensive Income				
Net unrealized gains on investment securities		1,116		1,662
Deferred gains on hedges		6		11
Translation adjustments		(18,090)		(9,547)
Total accumulated other comprehensive income		(16,967)		(7,873)
Subscription Rights to Shares		438		547
Minority Interests		3,154		4,356
Total Net Assets		154,653		191,788
Total Liabilities and Net Assets		488,964		504,576

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statements of Income**

Millions of yen

	Year Ended March 31, 2012	Year Ended March 31, 2013
Net Sales	412,076	426,302
Cost of Sales	*1, *8 318,937	*1, *8 322,191
Gross Profit	93,139	104,110
Sales commission	4,109	3,816
Packing and transportation	4,731	4,812
Sales promotion	1,472	1,899
Provision of allowance for doubtful accounts	1,158	—
Personnel expenditure	29,673	34,137
Bonus payment reserve expense	2,309	2,873
Directors' bonus payment reserve expense	88	233
Employees' retirement expenses	2,197	2,609
Directors' retirement expenses	82	38
Traveling expenses	3,133	3,562
Public dues and taxes	1,341	1,584
Depreciation and amortization	2,536	2,912
Amortization of goodwill	235	382
Research and development costs	*2 3,827	*2 5,025
Others	12,976	15,138
Selling, General and Administrative Expenses	69,872	79,026
Operating Income	23,266	25,084
Non-operating Income		
Interest income	187	210
Dividend income	624	543
Insurance income	91	17
Equity in earnings of affiliates	909	657
Foreign exchange gains	—	1,162
Others	1,195	1,506
Total non-operating income	3,009	4,099
Non-operating Expenses		
Interest expenses	2,514	2,351
Foreign exchange losses	1,568	—
Others	1,106	1,169
Total non-operating expenses	5,188	3,520
Ordinary Income	21,086	25,663

	Year Ended March 31, 2012		Year Ended March 31, 2013	
Extraordinary Income				
Gain on sales of fixed assets	*3	39	*3	46
Gain on sales of investment securities		83		2
Gain on sales of subsidiaries and affiliates' stocks		461		—
Gain on transfer of business		150		1
Total extraordinary income		733		50
Extraordinary Expenses				
Loss on sales of fixed assets	*4	21	*4	169
Loss on disposal of fixed assets	*5	143	*5	380
Impairment losses	*7	128	*7	277
Loss on sales of investment securities		38		0
Loss on valuation of investment securities		139		397
Loss on liquidation of subsidiaries and affiliates		168		45
Loss on business withdrawal	*6	10,294	*6	—
Loss on valuation of membership		21		10
Loss on valuation of investments in capital		—		246
Special retirement expenses		—		297
Total extraordinary expenses		10,955		1,825
Income before Income Taxes		10,865		23,887
Income Taxes-current		3,335		5,765
Income Taxes-deferred		3,597		1,364
Total Income Taxes		6,932		7,129
Income before Minority Interests		3,932		16,758
Minority Interests in Income		1,042		1,454
Net Income		2,889		15,303

Consolidated Statements of Comprehensive Income

Millions of yen

	Year Ended March 31, 2012	Year Ended March 31, 2013
Income before minority interests	3,932	16,758
Other comprehensive income (loss)		
Net unrealized gains (losses) on investment securities	51	528
Deferred gains (losses) on hedges	16	5
Translation adjustment	(2,014)	8,849
Share of other comprehensive income (loss) of associates accounted for using equity method	(7)	59
Total other comprehensive income (loss)	(1,953)	9,442
Comprehensive income	1,978	26,200
Comprehensive income attributable to:		
Owners of the parent	961	24,397
Minority interests	1,016	1,803

(3) Consolidated Statements of Net Assets

Millions of yen

	Year Ended March 31, 2012	Year Ended March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	61,284	61,313
Changes of items during the period		
Issuance of new shares	—	7,261
Issuance of new shares (exercise of subscription rights to shares)	29	37
Total changes of items during the period	29	7,299
Balance at the end of current period	61,313	68,613
Capital surplus		
Balance at the beginning of current period	65,213	65,243
Changes of items during the period		
Issuance of new shares	—	7,261
Issuance of new shares (exercise of subscription rights to shares)	29	37
Disposal of treasury stock	0	0
Total changes of items during the period	30	7,299
Balance at the end of current period	65,243	72,543
Retained earnings		
Balance at the beginning of current period	40,759	41,750
Changes of items during the period		
Cash dividends	(2,110)	(3,167)
Net income	2,889	15,303
Change of increase scope of consolidation	211	—
Total changes of items during the period	991	12,136
Balance at the end of current period	41,750	53,886
Treasury stock		
Balance at the beginning of current period	(266)	(279)
Changes of items during the period		
Purchase of treasury stock	(13)	(5)
Disposal of treasury stock	0	0
Total changes of items during the period	(12)	(5)
Balance at the end of current period	(279)	(284)
Total shareholders' equity		
Balance at the beginning of current period	166,990	168,028
Changes of items during the period		
Issuance of new shares	—	14,523
Issuance of new shares (exercise of subscription rights to shares)	59	74
Cash dividends	(2,110)	(3,167)
Net income	2,889	15,303
Change of increase scope of consolidation	211	—
Purchase of treasury stock	(13)	(5)
Disposal of treasury stock	0	0
Total changes of items during the period	1,038	26,730
Balance at the end of current period	168,028	194,758

	Year Ended March 31, 2012	Year Ended March 31, 2013
Accumulated other comprehensive income		
Net unrealized gains (losses) on investment securities		
Balance at the beginning of current period	1,053	1,116
Changes of items during the period		
Net changes of items other than shareholders' equity	63	545
Total changes of items during the period	63	545
Balance at the end of current period	1,116	1,662
Deferred gains (losses) on hedges		
Balance at the beginning of current period	(9)	6
Changes of items during the period		
Net changes of items other than shareholders' equity	16	5
Total changes of items during the period	16	5
Balance at the end of current period	6	11
Translation adjustment		
Balance at the beginning of current period	(16,083)	(18,090)
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,007)	8,542
Total changes of items during the period	(2,007)	8,542
Balance at the end of current period	(18,090)	(9,547)
Total accumulated other comprehensive income		
Balance at the beginning of current period	(15,039)	(16,967)
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,927)	9,093
Total changes of items during the period	(1,927)	9,093
Balance at the end of current period	(16,967)	(7,873)
Subscription rights to shares		
Balance at the beginning of current period	363	438
Changes of items during the period		
Issuance of new shares (exercise of subscription rights to shares)	(59)	(74)
Net changes of items other than shareholders' equity	134	183
Total changes of items during the period	75	108
Balance at the end of current period	438	547
Minority interests		
Balance at the beginning of current period	2,625	3,154
Changes of items during the period		
Net changes of items other than shareholders' equity	528	1,202
Total changes of items during the period	528	1,202
Balance at the end of current period	3,154	4,356

	Year Ended March 31, 2012	Year Ended March 31, 2013
Net assets		
Balance at the beginning of current period	154,939	154,653
Changes of items during the period		
Issuance of new shares	—	14,523
Issuance of new shares (exercise of subscription rights to shares)	0	0
Cash dividends	(2,110)	(3,167)
Net income	2,889	15,303
Change of increase scope of consolidation	211	—
Purchase of treasury stock	(13)	(5)
Disposal of treasury stock	0	0
Net changes of items other than shareholders' equity	(1,264)	10,479
Total changes of items during the period	(286)	37,135
Balance at the end of current period	154,653	191,788

(4) Consolidated Statements of Cash Flows

Millions of yen

	Year Ended March 31, 2012	Year Ended March 31, 2013
Cash Flows from Operating Activities:		
Income before income taxes	10,865	23,887
Depreciation and amortization	12,764	12,355
Impairment loss	128	277
Loss (gain) on sales of securities and investment securities	(503)	(5)
Increase (decrease) in provision	(3,712)	(15,526)
Loss (gain) on sales of fixed assets	(17)	123
Interest and dividend income	(812)	(754)
Interest expenses	2,514	2,351
Decrease (increase) in notes and accounts receivable-trade	(2,838)	8,676
Decrease (increase) in inventories	(3,387)	5,959
Increase (decrease) in notes and accounts payable-trade	8,613	(11,485)
Increase /decrease in other assets / liabilities	(2,647)	13,880
Other loss (gain)	(189)	1,738
Sub-total	20,777	41,478
Interest and dividend received	822	815
Interest expenses paid	(2,550)	(2,399)
Income taxes paid	(6,461)	(5,879)
Net cash provided by (used in) operating activities	12,588	34,014
Cash Flows from Investing Activities:		
Purchase of fixed assets	(10,132)	(11,816)
Proceeds from sales of fixed assets	243	60
Purchase of securities and investment securities	(3,392)	(26,277)
Proceeds from sales and redemption of securities and investment securities	3,825	5,690
Payments into time deposits	(515)	(917)
Proceeds from withdrawal of time deposits	—	1,022
Payments of loans receivable	(3,076)	(2,797)
Collection of loans receivable	2,617	2,761
Purchase of investments in capital of subsidiaries	—	(992)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	869	—
Others	722	135
Net cash provided by (used in) investing activities	(8,837)	(33,130)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	1,336	(4,688)
Proceeds from long-term loans payable	16,267	2,628
Repayment of long-term loans payable	(14,465)	(24,635)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	(20,000)	—
Proceeds from issuance of common stock	—	14,523
Proceeds from disposal of (Purchase of) treasury stock	(12)	(4)
Cash dividends paid	(2,110)	(3,167)
Proceeds from stock issuance to minority shareholders	240	96
Dividends paid to minority shareholders in consolidated subsidiaries	(691)	(707)
Others	(561)	(780)
Net cash provided by (used for) financing activities	(19,997)	3,265
Translation Adjustments	(771)	2,348
Increase (Decrease) in Cash and Cash Equivalents	(17,018)	6,497
Cash and Cash Equivalents at Beginning of Period	104,002	87,294
Increase in Cash and Cash Equivalents resulting from Change of Scope of Consolidation	311	—
Cash and Cash Equivalents at End of Period	*	*
	87,294	93,792

(5) Notes to Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Basis of Preparation of Consolidated Financial Statements)

	Year Ended March 31, 2013
1. Scope of consolidation	
(1) Number of consolidated subsidiaries	49
The following subsidiaries were excluded from consolidation because they were absorbed into Ebara Corporation as of April 1, 2012:	
Ebara Techno-serve Co., Ltd.	
Ebara Yoshikura Hydro-Tech. Co., Ltd.	
Ebara Environmental Technologies Hokkaido Co., Ltd.	
The following subsidiary was excluded from consolidation owing to the completion of the liquidation:	
Ebara Environmental Engineering (Malaysia) Sdn. Bhd.	
(2) Names of significant non-consolidated subsidiary	
Ebara Espana Bombas S.A.	
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
Swing Corporation	
Pacific Machinery and Engineering Co., Ltd.	
(3) Name of subsidiaries and affiliated companies non-applied equity method	
P.T. Ebara Indonesia	
(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 account closing date of the 21 overseas consolidated subsidiaries is December 31.	
The financial statements of foreign subsidiaries are consolidated by using their financial statements as of the fiscal year-end, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.	
Previously, the account closing date of Elliott company and its 11 subsidiaries, Ebara-Elliott Service (Taiwan) Co., Ltd., Elliott Ebara Singapore Pte. Ltd. and Elliott Ebara Turbomachinery India Pvt. Ltd. was December 31. As a result of the change in the account closing date of these companies 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, 2012, through March 31, 2013.	
4. Significant accounting principles	
(1) Valuation standards and valuation methods of assets	
i. Securities	
Held-to-maturity securities	
Amortized cost method	
ii. Other securities	
Other securities with market value	
Securities having market value are stated at market value, and unrealized gains or losses, net of tax is credited or debited to shareholders' equity as shown in the balance sheets.	
Other securities without market value	
Gross average cost method	
iii. Derivatives	
Fair market value method	
iv. Inventories	
Finished goods and raw materials are primary stated at gross average cost method (in PM company, moving-average method is stated), and work in process is stated at identified cost method.	
(For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)	

Year Ended
March 31, 2013

(2) Property, plant and equipment and related depreciation

i. Tangible 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 overseas 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.

ii. Intangible assets and investments and other assets (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.

iii. Lease 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

i. Allowance for doubtful accounts

An allowance for doubtful accounts 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.

ii. Bonus payment reserve

Bonus payment reserve is provided based on the future liabilities.

iii. Directors' bonus payment reserve

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

iv. Reserve 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.

v. Reserve for directors' retirement benefits

In domestic consolidated subsidiaries, reserve for directors' retirement benefits 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.

vi. Reserve for losses on construction completion guarantees

To provide for possible expenses arising from guarantees against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.

vii. Reserve 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.

viii. Reserve for construction losses

To prepare for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.

ix. Reserve for expenses related to the sales of land

Accompanying the sales 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

i. Hedging 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.

ii. Hedging instruments and hedging objects Hedging

Hedging instruments

Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used.

Year Ended
March 31, 2013

Hedging objects

Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.

iii. Hedging 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.

iv. Assessing the effectiveness of hedging

Interest risk

The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with hedge criteria, the assessments are omitted.

Currency exchange rate risk

As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.

(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

i. Consumption tax

Consumption taxes are accounted for using the net-of-tax method.

Non-deductible consumption taxes are accounted for as an expense in the fiscal year under review.

ii. Consolidated taxation system

A consolidated tax system is applied.

(Changes in Accounting Policies)

(Changes in the depreciation method)

In accordance with the revision of the Corporate Tax Act of Japan, effective from the fiscal year ended March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets which were purchased on or after April 1, 2012. This change had an immaterial impact on the result of operation.

(Changes in Classification)

None

(Additional Information)

None

(Balance Sheets)

*1 Accumulated depreciation of tangible assets was as follows: Millions of yen

	As of March 31, 2012	As of March 31, 2013
Accumulated depreciation of tangible assets	163,058	174,064

*2 Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others were as follows: Millions of yen

	As of March 31, 2012	As of March 31, 2013
Investment securities (Stock)	6,355	6,619
Others (Investments in capital)	881	1,162

*3 Collateral assets and collateral for loans
Collateral assets are as follows: Millions of yen

	As of March 31, 2012	As of March 31, 2013
Buildings	1,120 (16)	2,783 (—)
Machinery and equipment	1,806 (—)	1,550 (—)
Land	189 (113)	83 (—)
Investment securities	1,289 (—)	1,773 (—)
Total	4,406 (130)	6,191 (—)

The above amounts noted in brackets represent foundation mortgage.

Collateral for loans are as follows: Millions of yen

	As of March 31, 2012	As of March 31, 2013
Short-term loans payable	6,877 (700)	1,086 (—)
Long-term loans payable	1,330 (—)	2,173 (—)

The above amounts noted in brackets represent liabilities of foundation mortgage.

Collateral assets for purposes other than loans payable are as follows: Millions of yen

	As of March 31, 2012	As of March 31, 2013
Investment securities	20	20

4 Commitments and contingent liabilities

(1) Loans guaranteed to employees: Millions of yen

	As of March 31, 2012	As of March 31, 2013
Employees	323	253

(2) Loans guaranteed to non-consolidated subsidiaries and affiliates: Millions of yen

As of March 31, 2012		As of March 31, 2013	
P.T. Ebara Indonesia	183	P.T. Ebara Indonesia	262
Chubu Recycle Co., Ltd.	150	Chubu Recycle Co., Ltd.	150
Ebara Pumps Malaysia Sdn. Bhd.	89	Ebara Pumps Malaysia Sdn. Bhd.	107
Oiwa Machinery Corporation	312	Oiwa Machinery Corporation	66
		Other 2 companies	38
Total	735	Total	625

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

	As of March 31, 2012	As of March 31, 2013
Tomen Power Samukawa Co., Ltd.	35	21

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	
	As of March 31, 2012	As of March 31, 2013
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	
	As of March 31, 2012	As of March 31, 2013
Notes receivable	2,483	2,342
Notes payable	3,148	2,907

*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.

	Millions of yen	
	As of March 31, 2012	As of March 31, 2013
Work in process	3,289	4,693

(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.

	Millions of yen	
	Year Ended March 31, 2012	Year Ended March 31, 2013
	1,208	1,308

*2 Research and development costs included in Selling, general and administrative expenses

	Millions of yen	
	Year Ended March 31, 2012	Year Ended March 31, 2013
	3,827	5,025

*3 Gain on sales of fixed assets comprises the following:

	Millions of yen	
	Year Ended March 31, 2012	Year Ended March 31, 2013
Buildings	18	14
Machinery and equipment	13	26
Land	5	—
Others	1	5
Total	39	46

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

	Year Ended March 31, 2012	Year Ended March 31, 2013
Buildings	9	1
Machinery and equipment	9	1
Land	1	165
Others	0	1
Total	21	169

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

	Year Ended March 31, 2012	Year Ended March 31, 2013
Buildings	41	270
Machinery and equipment	60	70
Other tangible fixed assets	36	23
Software	3	13
Others	1	1
Total	143	380

*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 was as follows. Millions of yen

	Year Ended March 31, 2012	Year Ended March 31, 2013
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.

Year Ended March 31, 2012

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

Location	Use	Type
Tokyo	Contracts of technical alliances and others	Patent
Sodegaura Chiba, Kitakyusyu Fukuoka, Kanazawa Ishikawa	Idle assets	Land
Fujisawa Kanagawa, Sodegaura Chiba	Idle assets	Buildings, machinery and equipment, others

(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 sales value as the recoverable amount of idle assets. The net sales 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

Year Ended March 31, 2013

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

Location	Use	Type
Kanazawa Ishikawa	Plan to sell	Buildings, land
Fujisawa Kanagawa	Refrigerating	Machinery and equipment, others
Fujisawa Kanagawa	Idle assets	Buildings, machinery and equipment
Sano Tochigi, Sodegaura Chiba	Idle assets	Land

(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

Since the price at which buildings and land scheduled to be sold is below the book value of such assets, the Company has revised the book value to the recoverable value. Also, since the value of equipment for the manufacturing of chillers machinery was below the book value of such machinery, the book value has been reduced to the recoverable value. Since idle buildings, machinery and equipment and land are no longer expected to contribute to earnings in future periods, the book value has been reduced to a memorandum value.

(4) Computation of recoverable value

The recovery value of assets has been calculated as the value in use or the net sales value. For land, reasonable estimates of its value have been made based on publicly available prices along railway lines. The discount rate used for estimating the recovery value in use based on future cash flows was 6.0%.

Amount of impairment losses	Millions of yen
Buildings	0
Machinery and equipment	153
Land	64
Software	4
Other	54
Total	277

*8 The provision to the reserve for construction losses contained in cost of sales	Year Ended March 31, 2012	Year Ended March 31, 2013	Millions of yen
	8,151		2,740

(Statement of Changes in Consolidated Net Assets)

Year Ended March 31, 2012

1. Shares Issued and Treasury Stock

	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 the exercise of subscription rights to shares.

2. Decrease in common shares issued of 36,520,020 was due to the retirement of treasury stock.

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

4. Decrease in treasury common stock of 36,522,478 was due to the retirement of 36,520,020 treasury stock and the sales 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				As of March 31, 2012 (Millions of yen)
			April 1, 2011	Increase	Decrease	March 31, 2012	
Ebara Corporation	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 2012 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 (Yen)	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 (Yen)	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

Year Ended March 31, 2013

1. Shares Issued and Treasury Stock

	Number of Shares as of April 1, 2012	Increase	Decrease	Number of Shares as of March 31, 2013
Shares issued Common stock	422,899,658	42,219,000	—	465,118,658
Total	422,899,658	42,219,000	—	465,118,658
Treasury stock Common stock	689,200	16,941	2,680	703,461
Total	689,200	16,941	2,680	703,461

Notes: 1. Increase in common shares issued of 42,219,000 was due to the issuance of 42,000,000 shares through a public offering and private placements and the exercise of subscription rights to shares issued of 219,000.

2. Increase in treasury common stock of 16,941 was due to the purchase of shareholdings of less than one trading unit.

3. Decrease in treasury common stock of 2,680 was due to the sales 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				As of March 31, 2013 (Millions of yen)
			April 1, 2012	Increase	Decrease	March 31, 2013	
Ebara Corporation	Stock options issued as compensation in 2010	Common stock	—	—	—	—	269
	Stock options issued as compensation in 2011	Common stock	—	—	—	—	12
	Stock options issued as compensation in 2012	Common stock	—	—	—	—	221
	Stock options issued as compensation in 2013	Common stock	—	—	—	—	43
Total			—	—	—	—	547

Notes: The first date for the exercise of compensation-type stock options for fiscal 2012 and 2013 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 (Yen)	Base date	Effective date
June 28, 2012 at the Regular General Meeting of Shareholders	Common stock	2,111	5.00	March 31, 2012	June 29, 2012
November 5, 2012 at the Board Meeting	Common stock	1,055	2.50	September 30, 2012	December 4, 2012

(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 (Yen)	Base date	Effective date
June 27, 2013 at the Regular General Meeting of Shareholders	Common stock	Retained earnings	1,161	2.50	March 31, 2013	June 28, 2013

(Statements of Cash Flows)

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

	Year Ended March 31, 2012	Year Ended March 31, 2013
Cash and time deposits	84,955	90,752
Securities	2,856	23,553
Securities which the term is over 3 months	(1)	(20,003)
Time deposits which the term is over 3 months	(515)	(509)
Cash and cash equivalents	87,294	93,792

(Segment Information)

1. Overview of reportable segments

The reportable segments are constituent units of the 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 Group is conducting its business operations through three in-house companies: the FMS Company, EE Company, and PM Company. Therefore, the 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 operations in three business segments are as follows:

Segment	Principal Products	Contents
Fluid Machinery & Systems	Pumps, compressors, turbines, freezer chillers, blowers, fans and others	Manufacture, sales, operation and maintenance (O&M) services and others
Environmental Engineering	Municipal waste processing plants, industrial waste incineration plants, water treatments plants and others	Engineering, construction, O&M services and others
Precision Machinery	Dry vacuum pumps, CMP equipment, plating equipment, exhaust-gas treatment equipment and others	Manufacture, sales 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. Intersegment sales and transfers are recorded at the same prices used in transactions with customers.

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

Year Ended March 31, 2012

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2, 3)	Consolidated (Notes 4)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	286,089	50,128	68,373	404,592	7,484	412,076	—	412,076
Intersegment 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 "Adjustments" 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. The adjustment in the increase in “Others” items under depreciation, fixed assets, and intangible assets is due to the elimination of intersegment transactions.
4. Segment income has been adjusted with operating income in the consolidated statements of income.

Year Ended March 31, 2013

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2, 3)	Consolidated (Notes 4)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	305,586	52,495	66,503	424,585	1,716	426,302	—	426,302
Intersegment and transfers	318	5	—	323	3,721	4,044	(4,044)	-
Total	305,905	52,500	66,503	424,909	5,437	430,347	(4,044)	426,302
Segment income	15,942	5,176	3,305	24,423	553	24,977	106	25,084
Segment assets	267,036	46,392	60,327	373,757	20,593	394,350	110,225	504,576
Others								
Depreciation and amortization	8,221	340	2,950	11,511	919	12,431	(75)	12,355
Amortization of Goodwill	382	—	—	382	—	382	—	382
Investment for companies applied equity method	1,283	4,417	—	5,700	—	5,700	—	5,700
Increase in tangible and intangible assets	6,875	394	2,485	9,755	2,574	12,329	(27)	12,302

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 “Adjustments” 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 ¥113,022 million, and intersegment eliminations amounted to ¥(2,796) million. The main total assets of the Group are Cash and time deposits, a part of investment securities, deferred tax assets and others.

3. The adjustment in the increase in “Others” items under depreciation, fixed assets, and intangible assets is due to the elimination of intersegment transactions.

4. 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	
	Year Ended March 31, 2012	Year Ended March 31, 2013
Deferred tax assets		
Excess provision of accrued bonuses to employees	2,086	2,553
Loss recognized on a percentage-of-completion basis	641	729
Accrued enterprise tax	116	117
Excess provision of accrued severance Indemnities	5,478	5,063
Directors' retirement expense	66	53
Unrealized gains on fixed assets	886	1,269
Tax loss carried forward	21,267	22,415
Loss on valuation of investment securities	2,232	1,603
Loss on liquidation of subsidiaries and affiliates	46	—
Research and development expenses	333	99
Loss on write-down of inventories	3,794	3,645
Reserve for losses on construction completion guarantees	5,027	3,742
Provision of allowance for doubtful accounts	4,033	1,470
Others based on tax codes outside Japan	4,241	4,097
Others	5,603	2,137
Subtotal	55,857	48,998
Valuation allowance	(20,797)	(19,239)
Total deferred tax assets	35,059	29,758
Deferred tax liabilities		
Reserve for deferral of capital gains on sales of property	1,414	1,350
Net unrealized gains on investment securities	617	904
Other	2,676	2,132
Total deferred tax liabilities	4,708	4,386
Net deferred tax assets	30,351	25,372

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.

	Year Ended March 31, 2012	Year Ended March 31, 2013
Statutory tax rate, giving tax effect on enterprise tax payable (adjustment)	40.7%	38.0%
Entertainment expenses and other expenses not deductible	3.4%	1.2%
Per capital equalization inhabitants' taxes	2.8%	2.2%
Dividends received not taxable	(62.7)%	(17.5)%
Dividends received effected by the excluded from consolidation	69.7%	16.1%
Valuation allowance	25.7%	(8.2)%
Tax rate differences with overseas consolidated subsidiaries	(21.5)%	(9.0)%
Reductions in deferred tax assets at the end of the year due to changes in tax rates	21.8%	—%
Others	(16.2)%	7.1%
Effective tax rate as shown in statements of income	63.8%	29.8%

(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

	Year Ended March 31, 2012	Year Ended March 31, 2013
(1) Benefit obligation	54,567	68,403
(2) Fair value of plan assets	(35,692)	(45,324)
(3) Unfunded benefit obligation	18,874	23,078
(4) Unrecognized actuarial loss	(3,214)	(12,929)
(5) Unrecognized prior service cost	(611)	(519)
(6) Net amount on the consolidated balance sheets	15,047	9,629
(7) Net amount recognized	15,047	9,629

3. Benefit cost

Millions of yen

	Year Ended March 31, 2012	Year Ended March 31, 2013
Benefit cost	5,151	5,974
(1) Service cost	2,839	3,034
(2) Interest cost	1,736	2,182
(3) Expected return on plan assets	(1,019)	(997)
(4) Recognized actuarial loss	772	680
(5) Recognized prior service cost	71	50
(6) Special retirement benefit paid	23	265
(7) Others	726	759

4. Assumptions to determine above obligation and cost

(1) Discount rate

Year Ended March 31, 2012	Year Ended March 31, 2013
(Japan) 2.0% (Subsidiaries outside Japan) 4.4%	(Japan) 2.0% (Subsidiaries outside Japan) 4.0%

(2) Expected return on plan assets

Year Ended March 31, 2012	Year Ended March 31, 2013
(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)

	Year Ended March 31, 2012	Year Ended March 31, 2013
Net assets per share (Yen)	357.79	402.41
Net income per share (Yen)	6.85	35.93
Diluted net income per share (Yen)	6.72	33.69

1. Basic information for computation of net assets per share

	Year Ended March 31, 2012	Year Ended March 31, 2013
Total net assets (Millions of yen)	154,653	191,788
Amount excluded from total net assets (Millions of yen)	3,592	4,903
(Subscription rights to shares (Millions of yen))	(438)	(547)
(Minority interests (Millions of yen))	(3,154)	(4,356)
Net assets attributable to common stock at the end of the period (Millions of yen)	151,060	186,885
Number of common stocks outstanding at the end of the period calculated under "Net assets per share"	422,210,458	464,415,197

2. Basic information for computation of net income per share

	Year Ended March 31, 2012	Year Ended March 31, 2013
Net income per share		
Net income (Millions of yen)	2,889	15,303
Amount not allocated to ordinary shareholders (Millions of yen)	—	—
Net income attributable to common stocks (Millions of yen)	2,889	15,303
Average shares of common stocks (Number)	422,156,168	425,873,381
Diluted net income per share		
Adjustment of net income (Millions of yen)	154	161
(Interest payable after tax deduction (Millions of yen))	(154)	(161)
Increase of common stocks (Number)	30,617,450	33,166,279
(Bonds with subscription rights to shares (Number))	(28,860,028)	(31,114,947)
(Subscription rights to shares (Number))	(1,757,422)	(2,051,332)
Potential shares excluded from computation of diluted net income per share which don't have a dilutive effect	—	—

5. Order Received and Sales

Order Received and Sales

(1) Output

Millions of yen

Name of Segment	Year Ended March 31, 2012	Year Ended March 31, 2013
Fluid Machinery & Systems	263,732	302,101
Environmental Engineering	11,328	11,014
Precision Machinery	54,588	44,713
Reportable segments	329,649	357,829
Others	—	—
Total	329,649	357,829

(2) Order received

Millions of yen

Name of Segment	Year Ended March 31, 2012	Year Ended March 31, 2013
Fluid Machinery & Systems	278,182	297,999
Environmental Engineering	51,270	66,631
Precision Machinery	61,721	62,212
Reportable segments	391,175	426,842
Others	3,746	1,697
Total	394,921	428,540

(3) Sales

Millions of yen

Name of Segment	Year Ended March 31, 2012	Year Ended March 31, 2013
Fluid Machinery & Systems	286,089	305,586
Environmental Engineering	50,128	52,495
Precision Machinery	68,373	66,503
Reportable segments	404,592	424,585
Others	7,484	1,716
Total	412,076	426,302

(4) Backlog of order received

Millions of yen

Name of Segment	As of March 31, 2012	As of March 31, 2013
Fluid Machinery & Systems	147,147	153,827
Environmental Engineering	89,955	104,144
Precision Machinery	12,128	8,292
Reportable segments	249,231	266,265
Others	17	—
Total	249,249	266,265

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