CONSOLIDATED FINANCIAL RESULTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2014
〔Japanese GAAP〕

May 8, 2014

Company name: EBARA CORPORATION
Stock exchange listings: Tokyo
Code number: 6361
URL: http://www.ebara.com/en/
Representative: Toichi Maeda, President
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Scheduled date of General Meeting of Shareholders: June 26, 2014
Scheduled date for dividend payment: June 27, 2014
Scheduled date of submission of annual securities report: June 26, 2014

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, 2014

(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, 2014	448,657	5.2%	32,194	28.3%	31,311	22.0%	18,973	24.0%
Year Ended March 31, 2013	426,302	3.5%	25,084	7.8%	25,663	21.7%	15,303	429.6%

Note: Comprehensive Income: Year ended March 31, 2014; 33,416 million yen 27.5 %
Year ended March 31, 2013; 26,200 million yen －%

	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, 2014	40.86	36.44	9.6%	6.1%	7.2%
Year Ended March 31, 2013	35.93	33.69	9.1%	5.2%	5.9%

Reference: Equity in earnings of affiliates: Year ended March 31, 2014; 552 million yen
Year ended March 31, 2013; 657 million yen

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2014	530,211	215,048	39.2%	448.05
As of March 31, 2013	504,576	191,788	37.0%	402.41

Note : Shareholders' Equity (Net assets excluding subscription rights to shares and minority interests):
As of March 31, 2014; 208,037 million yen
As of March 31, 2013; 186,885 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, 2014	26,615	3,540	(25,336)	102,341
Year Ended March 31, 2013	34,014	(33,130)	3,265	93,792

2. Dividends

	Dividends per Share (Yen)					Total Dividend Payment (Millions of Yen)	Pay-out Ratio (Consolidated)	Dividend to Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
Year Ended March 31, 2013	―	2.50	―	2.50	5.00	2,217	13.9%	1.3%
Year Ended March 31, 2014	―	2.50	―	5.00	7.50	3,482	18.4%	1.8%
Year Ending March 31, 2015 (Forecast)	―	3.75	―	3.75	7.50		17.4%	

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2015

(% 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, 2015	490,000	9.2%	34,000	5.6%	34,000	8.6%	20,000	5.4%	43.07

4. Other Information

(1) Changes in significant subsidiaries during the fiscal year under review (Changes in specified subsidiaries involving changes in scope of consolidation): None

Included: ― (―)

Excluded: ― (―)

(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: None

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

Note: For further details, please refer to the section entitled “4. Consolidated financial statements (5) Notes to Consolidated Financial Statements (Changes in Accounting policies)” on page 29.

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)	As of March 31, 2014	465,187,829	As of March 31, 2013	465,118,658
(ii) Number of treasury stocks	As of March 31, 2014	872,071	As of March 31, 2013	703,461
(iii) Average number of common stocks	Year Ended March 31, 2014	464,324,222	Year Ended March 31, 2013	425,873,381

(Reference information)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2014

(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, 2014	184,195	4.2%	874	－%	5,128	28.3%	5,279	13.2%
Year Ended March 31, 2013	176,849	12.0%	(307)	－%	3,996	(75.5)%	4,665	(68.4)%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Year Ended March 31, 2014	11.37	10.25
Year Ended March 31, 2013	10.95	10.51

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2014	401,260	188,869	46.9%	404.99
As of March 31, 2013	406,348	184,968	45.4%	397.10

Note : Shareholders' Equity (Net assets excluding subscription rights to shares):
As of March 31, 2014; 188,043 million yen
As of March 31, 2013; 184,420 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.

Contents

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, 2014, the economy of the United States is continuing on a moderate upward trend, and in Europe, where trends were weak because of public-sector debt issues, movements toward improvement have appeared. In Asia, the slowdown that had been seen in certain countries bottomed out, and overall, a trend toward moderate expansion is continuing. In Japan, the outlook is for the economy to show steady and moderate recovery as investment by the public sector remains firm and movements toward improvement of consumer spending and housing construction as well as capital investment in the private sector continue to emerge.

Amid these economic conditions, the EBARA Group (the "Group") entered the final 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, orders received and sales increased compared to the previous fiscal year in all business segments. Operating income were higher year on year due to an increase in the Fluid Machinery & Systems ("FMS") Company and the the Precision Machinery ("PM") Company despite a slight decrease in the Environmental Engineering ("EE") Company.

Consolidated net sales for the fiscal year amounted to ¥448,657 million (an increase of 5.2% year on year), operating income amounted to ¥32,194 million (an increase of 28.3% year on year), ordinary income amounted to ¥31,311 million (an increase of 22.0% year on year) and net income amounted to ¥18,973 million (an increase of 24.0% year on year).

Operating results by business segments are as follows:

<u>Fluid Machinery & Systems</u>

In the pump business, in the overseas countries, inquiries regarding oil refinery plant projects in the oil and gas market, fertilizer plant projects accompanying the expansion in the production of shale gas and other factors in the chemicals market, and electric power generation plant projects in the electric power market are increasing, and firm orders for such projects are being received. In the domestic private sector, capital investments are on a moderate upward trend, and in the domestic public sector, trends in orders are favorable along with expansion in investments for renewal and repair of the social infrastructure.

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 trends in orders are favorable in the Middle East, Asia, including China, India, and certain other markets, and in North America.

In the chillers business, although growth in demand in China is slowing, inquiries regarding heat pumps are increasing, and trends in orders are favorable as a whole.

Sales in the FMS Company for the fiscal year amounted to ¥322,175 million (an increase of 5.4% year on year). The segment income amounted to ¥22,174 million (an increase of 39.1% year on year).

Environmental Engineering

In the EE Company, in the engineering, procurement, and construction (EPC) field, and in the develop, build, and operate (DBO) services, the amount of new orders shrank slightly from the previous fiscal year. In the operating and maintenance (O&M) field, the amount of new orders for municipal waste incinerating facilities—including major repairs of existing facilities, work to upgrade core facilities to restrain greenhouse gas emissions, and long-term comprehensive management contracts—are running at about the same level as in a typical year. Under these circumstances, the Group has won three orders for develop, build, and operation (DBO) services, and orders for work to upgrade core facilities are favorable.

Sales in the EE Company for the fiscal year amounted to ¥52,983 million (an increase of 0.9% year on year). The segment income amounted to ¥4,767 million (a decrease of 7.9% year on year).

Precision Machinery

In the PM Company, in the semiconductor market, demand for smartphones and tablet-type portable terminals remains favorable, and is driving the market as a whole through the year. Meanwhile, demand for personal computers and servers remains stagnant. In addition, demand from relevant markets such as the flat panel displays, photovoltaic batteries and LEDs continues to remain sluggish. Under these circumstances, orders recovered, along with the rise in investment in semiconductor equipment among memory manufacturers, foundries, and other companies that was stimulated by favorable demand for mobile devices.

Sales in the PM Company for the fiscal year amounted to ¥71,810 million (an increase of 8.0% year on year). The segment income amounted to ¥4,650 million (an increase of 40.7% year on year).

ii. Outlook for the Next Fiscal Year

Viewing the market environment from an overall perspective, although moderate recovery trends are viewed as likely to continue, risk factors have begun to appear. These include the effects of the scaling back of monetary easing measures in the United States; the uncertainty regarding future trends in China and other emerging countries in Asia; and the turmoil in the world economy accompanying the imposition of sanctions on Russia. 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. However, in the private sector, there is a possibility that the increase in the consumption tax rate, which may bring a reactionary decline in demand after the surge in prior months, may have an impact on recovery.

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

Fluid Machinery & Systems

In the FMS Company, the outlook for the world economy in the fiscal year ending March 31, 2015, is for moderate recovery in the business environment, as worldwide demand for energy expands and as conditions in the industrialized countries and emerging nations improve.

In the pump business, demand for pumps for use in oil refinery plants in the oil and gas market, and for cryogenic pumps and related equipment for use in LNG liquefaction plants, LNG storage bases, and transport vessels is expected. Also, the increase in demand is expected for pumps used in fertilizer plants in the chemicals market, along with growth in the production of shale gas. In the electric power market, the outlook is for continued demand accompanying 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, although there will be risks in Japan associated with the reactionary decline in demand following the surge prior to the increase in the consumption tax rate and a slowdown in the economy, demand in the markets for general machinery and building equipment is expected to continue to expand, especially in the emerging countries.

In the compressor and turbines business, expansion in demand for compressors is anticipated. Sources of this demand will be LNG plants in North America that use shale gas as a raw material as well as ethylene plants and propane dehydrogenation (PDH) plants in that region. Other sources of demand for compressors will be for petrochemical plants in China and for oil refining and petrochemical plants in various locations around the world.

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 and redevelopment 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, demand for renewal of facilities is expected to be firm, and 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 and construction work on core facilities. In addition, the Group will make major strides toward increasing efficiency by improving its business processes.

Precision Machinery

In the PM Company, in the semiconductor market, demand for mobile terminals is expected to continue to expand and be the driving force for economic conditions. Along with this trend, demand for DRAM and NAND flash memories is showing signs of recovery, and it is assumed that movements toward further capital investments will strengthen. Also, demand for products in the markets for flat panel displays, photovoltaic batteries, LEDs, and other products will expand gradually. Recovery in capital investment is expected from next fiscal year 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 ¥490,000 million and ¥34,000 million in operating income in the fiscal year ending March 31, 2015.

Forecast of Performance for the Fiscal Year ending March 31, 2015

(% represents percentage change from the previous period)

Millions of yen

	Consolidated	
Net sales	490,000	9.2%
Operating income	34,000	5.6%
Ordinary income	34,000	8.6%
Net income	20,000	5.4%

Forecast of Net Sales and Operating Income by Business Segment

(% represents composition ratio) Millions of yen

Segment	Net Sales		Operating Income	
Fluid Machinery & Systems	355,000	72.5%	22,000	64.8%
Environmental Engineering	60,000	12.2%	6,000	17.6%
Precision Machinery	73,000	14.9%	6,000	17.6%
Others	2,000	0.4%	0	0.0%
Total	490,000	100.0%	34,000	100.0%

The above information is projected at the expected foreign exchange rate US$1=¥100, EUR1=¥140, RMB1=¥16.5.

iii. Progress toward Goals of the Medium-Term Management Plan

The following are the Group's consolidated financial highlights for the fiscal year ended March 31, 2014, which was the final 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, 2014	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014
Net Sales	448,657	405,000	456,000	497,000
Operating Income	32,194	28,000	37,000	46,500
Net Income	18,973	13,000	20,000	25,700

Under E-Plan2013, the Group set the following targets for the fiscal year ended 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, 2014, which was the final year under E-Plan2013, the status of attainment of the Group's target indicators was as follows:

Return on Investment capital (ROIC): 5.8%

Operating Income on Sales Ratio: 7.2%

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, 2014 were ¥530,211 million, ¥25,635 million higher than at the end of the previous fiscal year. The principal causes for these movements were as follows.

Current assets expanded ¥16,829 million because of an increase in notes and accounts receivable-trade of ¥26,618 million and an increase in cash and deposits of ¥7,086 million, despite a decrease in securities of ¥18,038 million.

Tangible and intangible fixed assets increased ¥8,865 million because of the implementation of capital expenditures of ¥18,152 million and depreciation charges of ¥12,117 million.

Investments and other assets decreased ¥59 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, 2014 were ¥315,163 million, ¥2,375 million higher than at the end of the previous fiscal year. The principal causes of these movements were as follows.

Current liabilities decreased ¥8,329 million because of a decrease in current portion of bonds with subscription rights to shares of ¥20,000 million, despite an increase in notes and accounts payable-trade of ¥7,452 million.

Long-term liabilities increased ¥10,704 million as a result of an issuance of bonds payable of ¥10,000 million.

iii. Net Assets

Net assets at the end of the fiscal year ended March 31, 2014 amounted to ¥215,048 million, ¥23,259 million higher than at the end of the previous fiscal year. Although Ebara Corporation (the “Company”) paid cash dividends of ¥2,321 million and reported remeasurements of defined benefit plans of ¥7,584 million, this increase in net assets was due to the reporting of consolidated net income of ¥18,973 million and an increase in translation adjustments of ¥11,340 million. Shareholders’ equity (Net assets excluding subscription rights to shares and minority interests) amounted to ¥208,037 million, and equity ratio was 39.2%.

iv. Cash Flows

Net cash provided by operating activities amounted to a net inflow ¥26,615 million for the fiscal year ended March 31, 2014, compared to a net inflow ¥34,014 million for the previous fiscal year. The decrease was mainly attributable to an increase in notes and accounts receivable-trade, despite the reporting of ¥31,019 million of income before income taxes.

Net cash provided by investing activities amounted to a net inflow ¥3,540 million for the fiscal year ended March 31, 2014, compared to a net outflow ¥33,130 million for the previous fiscal year. This primarily reflected purchase of fixed assets of ¥16,400 million and proceeds from sales and redemption of securities and investment securities of ¥27,265 million.

Free cash flow, the sum of cash flows from operating and investing activities, amounted to a net inflow ¥30,155 million for the fiscal year ended March 31, 2014, compared to a net inflow ¥883 million for the previous fiscal year.

Net cash used in financing activities amounted to a net outflow ¥25,336 million for the fiscal year ended March 31, 2014, compared to a net inflow ¥3,265 million for the previous fiscal year. This primarily reflected proceeds from issuance of bonds of ¥10,000 million, redemption of bonds of ¥20,000 million, and a net decrease in short-term loans payable and long-term loans payable of ¥11,480 million.

As a consequence, cash and cash equivalents at the end of the fiscal year ended March 31, 2014 amounted to ¥102,341 million, ¥8,548 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014
Equity ratio	24.8%	29.9%	30.9%	37.0%	39.2%
Equity ratio at market value	38.5%	37.0%	25.6%	36.0%	56.7%
Years to repay debt	7.5 years	6.0 years	11.4 years	4.1 years	4.5 years
Interest coverage ratio	6.9	8.7	4.9	14.2	16.1

Notes:

1. Equity ratio: Shareholders’ equity (Net assets excluding subscription rights to shares and minority interests) / 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, 2014 and ending March 31, 2015

The Company regards returning a portion of its income to its shareholders as one of its most-important management policies. In setting its dividends, the Company takes into account its consolidated performance and financial position for the fiscal year under review and future fiscal periods and aims to pay continuing and stable cash dividends. At the meeting of the Board of Directors today (May 8, 2014), the decision was made to change the Company’s dividend policy. Beginning in the fiscal year ending March 31, 2015, the Company will link its dividends to performance and adopt a target consolidated dividend payout ratio averaging about 25% in the medium to long term.

In addition, the Company adopts a policy of paying an interim cash dividend with a date of record of September 30, and, for the fiscal year under review, it paid an interim cash dividend of ¥2.50 per share. In determining the year-end dividend for the fiscal year under review, the Company has followed its previously existing dividend policy and is scheduled to pay a cash dividend of ¥5.0 per share.

Beginning with the current fiscal year (ending March 31, 2015), the Company is scheduled to pay an annual cash dividend of ¥7.5 per share (including an interim cash dividend of ¥3.75 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 as well as construction services for its manufacturing and construction activities and is influenced by fluctuations in market conditions for these materials. Increases in prices of materials and construction costs result in higher procurement 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. (the plaintiff) 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 discussion, the amount for damages (including indemnities due to late payment) were settled in the amount of ¥8,505 million, but there has been no change in the Company’s conclusion that the said slate fragments do not constitute a failure on the part of the Company to perform its obligations under the transfer contract nor are they 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, the changes in the amounts of unrecognized actuarial differences and unrecognized costs related to past services of employees may have an effect on the Group’s financial position.

2. Corporate Group Information

The Group comprises Ebara Corporation (the Company), 79 subsidiaries (49 of which are consolidated), and 11 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.

<table>
<tr><th>Segment</th><th>Principal Lines of Business</th><th>Functions and Areas of Responsibility</th><th>Ebara Corporation, principal consolidated subsidiaries, and affiliated companies (applied equity method)</th></tr>
<tr><td rowspan="4">Fluid Machinery and Systems</td><td rowspan="4">Pumps, compressors, turbines, refrigeration and heating equipment, blowers, fans</td><td>Manufacturing and sales</td><td>• Ebara Corporation
• Elliott Ebara Turbomachinery Corporation
• Ebara Refrigeration Equipment & Systems Co., Ltd
• Ebara Densan Ltd.
• Ebara Hamada Blower Co., Ltd.
• Ebara International Corporation
• Ebara Boshan Pumps Co., Ltd.
• Ebara Machinery (China) Co., Ltd.
• Ebara Great Pumps Co., Ltd.
• Ebara Pumps Europe S. p. A.
• Elliott Company
• Yantai Ebara Air Conditioning Equipment Co., Ltd.</td></tr>
<tr><td>Engineering, construction, operation and maintenance</td><td>• Ebara Corporation</td></tr>
<tr><td>Sales and maintenance</td><td>• Ebara-Byron Jackson., Ltd.</td></tr>
<tr><td>Supply of materials, etc.</td><td>• Ebara Material Co., Ltd.</td></tr>
<tr><td rowspan="3">Environmental Engineering</td><td rowspan="3">Municipal waste incineration plants,
industrial waste incineration plants,
water treatment plants</td><td>Engineering and construction</td><td>• Ebara Environmental Plant Co., Ltd.
• Ebara Qingdao Co., Ltd.
• Swing Corporation *1</td></tr>
<tr><td>Operation and maintenance</td><td>• Ebara Environmental Plant Co., Ltd.
• Swing Corporation *1</td></tr>
<tr><td>Manufacturing and sales of chemicals</td><td>• Swing Corporation *1</td></tr>
<tr><td rowspan="2">Precision Machinery</td><td rowspan="2">Dry vacuum pumps,
CMP equipment,
plating equipment,
exhaust-gas treatment equipment</td><td>Manufacturing and sales</td><td>• Ebara Corporation</td></tr>
<tr><td>Sales and maintenance</td><td>• Ebara Field Tech. Corporation
• Ebara Technologies Inc.
• Ebara Precision Machinery Korea Inc.
• Ebara Precision Machinery Taiwan</td></tr>
<tr><td>Others</td><td>—</td><td>Business support service, etc.</td><td>• Ebara Agency Co., Ltd.</td></tr>
</table>

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-Plan2016, which began in May 2014 and will conclude its final fiscal year ending March 31, 2017. 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 (Net assets excluding subscription rights to shares and minority interests) 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 (Net assets excluding subscription rights to shares and minority interests))

Target of key indicators

ROIC: 7.0% or more

Ratio of operating income to net sales: 8.0% 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.

<u>I. Steadily capture the growth in global market into the Company’s business</u>

1) The Group will determine priority domains in the growing markets in terms of both region and industry, and expand its market shares upon establishing a system of accountability for business execution in each domain.
2) The Group will reinforce its product planning and development capabilities, which will allow it to continuously supply products that meet market needs.
3) The Group will proactively engage in M&As as a viable option for gaining a foothold in new domains.

II. Become a service provider that targets the entire lifecycle of the product / plant

1) In the domestic market in Japan, the Group will implement various measures that will maximize profits from previously delivered machinery and plants in the matured market on the strength of its abundant track records.
2) In overseas markets, the Group will reinforce its business framework mainly in areas where it has had strong track records to raise its coverage of existing equipment that it delivered, particularly in the Service & Support(S&S) business.
3) The Group will launch new business systems that go beyond the existing framework of “manufacturing”.

III. Continuously enhance its core competence (technological capabilities) as an industrial machinery manufacturer

1) The Group will clearly define and continuously enhance its core competence (including technology relating to production, quality control, and other matters as well as products), which is the source of product competitiveness of each business. In the pumps business, in particular, the enhancement of core competence will be recognized as a Companywide objective, and fundamental overhauls from the design level will be undertaken through the utilization of Companywide resources to reinforce our product competitiveness.
2) The Group will develop and operate basic technology and internal infrastructure applicable to all businesses to enhance “core competence”.
3) In terms of the productivity innovation activities, which aims to build the most efficient production system in the industry, the Group will accelerate the further optimization of the *monozukuri* (manufacturing) process and set specific quantitative indicators that will enable the verification of its progress, thereby practicing thorough management over the progress made in achieving these targets, as well as accelerate its rollout to the overseas production hubs.
4) The Group will plan for the improvement of production efficiency and the timely reflection of regional / customer needs in its products and accelerate the shift to optimally located production, including the rearrangement of production functions and the reorganization of production plants both in and outside of Japan, while at the same time conducting the ongoing development of human resources who will play a vital role in the global production system.

IV. Enhance the management infrastructure that supports global business expansion

1) By deepening the various specialized functions and refining services based on such functions, the Group will reinforce the corporate headquarters’ functions required for adequately supporting the global expansion of each business.
2) The Group will fully utilize Information and Communication Technology (ICT) in the monitoring and control of every aspect of business activities, including production, sales, inventory, and procurement, as well as develop a management system that takes full advantage of such technology.

(4) Issues to be Addressed

Based on the medium term management plan “E-Plan 2016” which set the fiscal year ending March 31, 2017 for the target year, the Group is pursuing business development on a global scale and establishing a high profit generating structure that maximizes its global presence. To realize these objectives, the Group is solidifying the position of all its businesses in their respective domains with the aim of accelerating change and realizing growth through the flexible and focused utilization of its resources in Japan and overseas.

In addition, 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, 2013		As of March 31, 2014
Assets				
Current Assets				
Cash and deposits		90,752		97,839
Notes and accounts receivable-trade	*6	157,459	*6	184,077
Securities		23,553		5,514
Merchandise and finished goods		9,948		10,930
Work in process	*7	37,881	*7	38,133
Raw materials and supplies		19,118		21,280
Deferred tax assets		11,002		11,912
Others		15,284		13,145
Allowance for doubtful accounts		(1,701)		(2,705)
Total current assets		363,298		380,128
Fixed Assets				
Tangible fixed assets				
Buildings and structures, net		37,528		41,342
Machinery and equipment, net		22,592		22,705
Land		21,231		21,121
Construction in progress		4,609		5,886
Others		4,761		5,526
Total tangible assets	*1, *3	90,722	*1, *3	96,582
Intangible assets				
Goodwill		1,785		1,605
Software		3,391		6,125
Others		1,712		2,163
Total intangible assets		6,889		9,894
Investments and other assets				
Investment securities	*2, *3	23,195	*2, *3	25,011
Long-term loans receivable		625		885
Net defined benefit asset		―		52
Deferred tax assets		14,723		12,398
Others	*2	8,345	*2	8,022
Allowance for doubtful accounts		(3,224)		(2,764)
Total investments and other assets		43,665		43,606
Total fixed assets		141,277		150,083
Total Assets		504,576		530,211

Millions of yen

		As of March 31, 2013		As of March 31, 2014
Liabilities				
Current Liabilities				
Notes and accounts payable-trade	*6	95,886	*6	103,339
Short-term loans payable	*3	66,015	*3	62,917
Current portion of bonds with subscription rights to shares		20,000		—
Accrued income taxes		2,177		4,098
Bonus payment reserve		7,558		8,328
Directors’ bonus payment reserve		257		286
Reserve for warranties for completed construction		3,169		3,210
Reserve for product warranties		2,768		3,368
Reserve for construction losses	*7	5,585	*7	6,940
Reserve for expenses related to the sales of land		1,846		1,843
Deferred tax liabilities		30		3
Others		40,434		43,062
Total current liabilities		245,730		237,400
Long-term Liabilities				
Bonds payable		—		10,000
Bonds with subscription rights to shares		20,000		19,997
Long-term loans payable	*3	31,338	*3	24,954
Reserve for retirement benefits		9,629		—
Reserve for directors' retirement benefits		172		175
Net defined benefit liability		—		16,440
Asset retirement obligations		1,825		1,851
Deferred tax liabilities		322		335
Others		3,770		4,008
Total long-term liabilities		67,057		77,762
Total Liabilities		312,787		315,163
Net Assets				
Shareholders’ Equity				
Capital stock		68,613		68,625
Capital surplus		72,543		72,555
Retained earnings		53,886		70,629
Treasury stock		(284)		(386)
Total shareholders’ equity		194,758		211,423
Accumulated Other Comprehensive Income				
Net unrealized gains (losses) on investment securities		1,662		2,418
Deferred gains (losses) on hedges		11		(12)
Translation adjustments		(9,547)		1,792
Remeasurements of defined benefit plans		—		(7,584)
Total accumulated other comprehensive income		(7,873)		(3,385)
Subscription Rights to Shares		547		826
Minority Interests		4,356		6,183
Total Net Assets		191,788		215,048
Total Liabilities and Net Assets		504,576		530,211

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Millions of yen

		Year Ended March 31, 2013		Year Ended March 31, 2014
Net Sales		426,302		448,657
Cost of Sales	*1, *7	322,191	*1, *7	329,059
Gross Profit		104,110		119,597
Sales commission		3,816		4,554
Packing and transportation		4,812		5,358
Sales promotion		1,899		3,212
Provision of allowance for doubtful accounts		—		657
Personnel expenditure		34,137		37,219
Bonus payment reserve expense		2,873		3,407
Directors’ bonus payment reserve expense		233		260
Employees’ retirement expenses		2,609		1,525
Directors’ retirement expenses		38		25
Traveling expenses		3,562		3,790
Public dues and taxes		1,584		1,777
Depreciation and amortization		2,912		3,350
Amortization of goodwill		382		325
Research and development expenses	*2	5,025	*2	6,465
Others		15,138		15,472
Selling, General and Administrative Expenses		79,026		87,403
Operating Income		25,084		32,194
Non-operating Income				
Interest income		210		215
Dividend income		543		507
Insurance income		17		12
Equity in earnings of affiliates		657		552
Foreign exchange gains		1,162		1,546
Others		1,506		772
Total non-operating income		4,099		3,607
Non-operating Expenses				
Interest expenses		2,351		1,632
Taxes and dues related to the overseas project		—		2,239
Others		1,169		618
Total non-operating expenses		3,520		4,490
Ordinary Income		25,663		31,311

Millions of yen

	Year Ended March 31, 2013		Year Ended March 31, 2014	
Extraordinary Income				
Gain on sales of fixed assets	*3	46	*3	451
Gain on sales of investment securities		2		40
Gain on transfer of business		1		—
Others		—		2
Total extraordinary income		50		494
Extraordinary Expenses				
Loss on sales of fixed assets	*4	169	*4	57
Loss on retirement of fixed assets	*5	380	*5	288
Impairment loss	*6	277	*6	327
Loss on sales of investment securities		0		—
Loss on valuation of investment securities		397		83
Loss on liquidation of subsidiaries and affiliates		45		—
Loss on valuation of investments in capital		246		—
Special retirement expenses		297		—
Others		10		29
Total extraordinary expenses		1,825		786
Income before Income Taxes		23,887		31,019
Income Taxes-current		5,765		7,981
Income Taxes-deferred		1,364		2,325
Total Income Taxes		7,129		10,306
Income before Minority Interests		16,758		20,712
Minority Interests in Income		1,454		1,738
Net Income		15,303		18,973

Consolidated Statements of Comprehensive Income

Millions of yen

	Year Ended March 31, 2013	Year Ended March 31, 2014
Income before minority interests	16,758	20,712
Other comprehensive income		
Net unrealized gains (losses) on investment securities	528	744
Deferred gains (losses) on hedges	5	(23)
Translation adjustment	8,849	11,893
Share of other comprehensive income of associates accounted for using equity method	59	89
Total other comprehensive income	9,442	12,704
Comprehensive income	26,200	33,416
Comprehensive income attributable to:		
Owners of the parent	24,397	31,046
Minority interests	1,803	2,370

(3) Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2013

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	61,313	65,243	41,750	(279)	168,028
Changes during the period					
Issuance of new shares	7,261	7,261			14,523
Issuance of new shares (exercise of subscription rights to shares)	37	37			74
Cash dividends			(3,167)		(3,167)
Net income			15,303		15,303
Purchase of treasury stock				(5)	(5)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	7,299	7,299	12,136	(5)	26,730
Balance at March 31, 2013	68,613	72,543	53,886	(284)	194,758

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Net Assets
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at April 1, 2012	1,116	6	(18,090)	―	(16,967)	438	3,154	154,653
Changes during the period								
Issuance of new shares								14,523
Issuance of new shares (exercise of subscription rights to shares)								74
Cash dividends								(3,167)
Net income								15,303
Purchase of treasury stock								(5)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	545	5	8,542	―	9,093	108	1,202	10,404
Total changes during the period	545	5	8,542	―	9,093	108	1,202	37,135
Balance at March 31, 2013	1,662	11	(9,547)	―	(7,873)	547	4,356	191,788

Year Ended March 31, 2014

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	68,613	72,543	53,886	(284)	194,758
Changes during the period					
Issuance of new shares (exercise of subscription rights to shares)	12	12			24
Cash dividends			(2,321)		(2,321)
Net income			18,973		18,973
Change of scope of consolidation			90		90
Purchase of treasury stock				(102)	(102)
Net changes of items other than shareholders' equity					
Total changes during the period	12	12	16,742	(102)	16,664
Balance at March 31, 2014	68,625	72,555	70,629	(386)	211,423

	Accumulated other comprehensive income					Subscription rights to shares	Minority interests	Net Assets
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at April 1, 2013	1,662	11	(9,547)	—	(7,873)	547	4,356	191,788
Changes during the period								
Issuance of new shares (exercise of subscription rights to shares)								24
Cash dividends								(2,321)
Net income								18,973
Change of scope of consolidation								90
Purchase of treasury stock								(102)
Net changes of items other than shareholders' equity	756	(23)	11,340	(7,584)	4,488	279	1,827	6,595
Total changes during the period	756	(23)	11,340	(7,584)	4,488	279	1,827	23,259
Balance at March 31, 2014	2,418	(12)	1,792	(7,584)	(3,385)	826	6,183	215,048

(4) Consolidated Statements of Cash Flows

Millions of yen

	Year Ended March 31, 2013	Year Ended March 31, 2014
Cash Flows from Operating Activities:		
Income before income taxes	23,887	31,019
Depreciation and amortization	12,355	12,117
Impairment loss	277	327
Loss (gain) on sales of securities and investment securities	(5)	(40)
Increase (decrease) in reserve	(15,526)	3,374
Increase (decrease) in net defined benefit liability	—	(2,253)
Loss (gain) on sales of fixed assets	123	(394)
Interest and dividend income	(754)	(722)
Interest expenses	2,351	1,632
Decrease (increase) in notes and accounts receivable-trade	8,676	(20,388)
Decrease (increase) in inventories	5,959	806
Increase (decrease) in notes and accounts payable-trade	(11,485)	5,006
Increase /decrease in other assets / liabilities	13,880	1,745
Other loss (gain)	1,738	916
Sub-total	41,478	33,147
Interest and dividend received	815	715
Interest expenses paid	(2,399)	(1,652)
Income taxes paid	(5,879)	(5,595)
Net cash provided by operating activities	34,014	26,615
Cash Flows from Investing Activities:		
Purchase of fixed assets	(11,816)	(16,400)
Proceeds from sales of fixed assets	60	813
Purchase of securities and investment securities	(26,277)	(8,575)
Proceeds from sales and redemption of securities and investment securities	5,690	27,265
Payments into time deposits	(917)	(1,125)
Proceeds from withdrawal of time deposits	1,022	1,209
Payments of loans receivable	(2,797)	(2,299)
Collection of loans receivable	2,761	2,259
Purchase of investments in capital of subsidiaries	(992)	—
Purchase of shares of subsidiaries	—	(22)
Others	135	414
Net cash provided by (used in) investing activities	(33,130)	3,540

	Year Ended March 31, 2013	Year Ended March 31, 2014
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	(4,688)	462
Proceeds from long-term loans payable	2,628	2,414
Repayment of long-term loans payable	(24,635)	(14,357)
Proceeds from issuance of bonds	20,000	10,000
Redemption of bonds	—	(20,000)
Proceeds from issuance of common stock	14,523	0
Proceeds from disposal of (Purchase of) treasury stock	(4)	(102)
Cash dividends paid	(3,167)	(2,321)
Proceeds from stock issuance to minority shareholders	96	—
Dividends paid to minority shareholders in consolidated subsidiaries	(707)	(718)
Others	(780)	(713)
Net cash provided by (used in) financing activities	3,265	(25,336)
Translation Adjustments	2,348	3,715
Increase (Decrease) in Cash and Cash Equivalents	6,497	8,534
Cash and Cash Equivalents at Beginning of Period	87,294	93,792
Increase in Cash and Cash Equivalents resulting from Change of Scope of Consolidation	—	14
Cash and Cash Equivalents at End of Period	* 93,792	* 102,341

(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, 2014
1. Scope of consolidation (1) Number of consolidated subsidiaries 49 The following subsidiary was newly consolidated due to its increased materiality: Ebara Pompy Polska Sp. z o.o. The following subsidiary was excluded from consolidation owing to the completion of the liquidation: Elliott MVP Services, LLC (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 22 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. 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.) (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.

Year Ended March 31, 2014

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 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.

v. Reserve for warranties for completed construction

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

vi. 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.

vii. 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.

viii. 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) Accounting treatment regarding retirement benefits

i. Method of attribution of projected benefit obligations

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is straight-line attribution.

ii. Method of amortization of actuarial gain or loss and past service cost

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occur using the declining-balance method over a certain number of years within the average remaining service period of employees.

iii. Adoption of the simplified accounting method in small companies, etc.

Certain consolidated subsidiaries adopt the simplified accounting method in calculating their net defined benefit liabilities and retirement benefit expenses. Under the simplified method, retirement obligations are calculated as retirement and severance costs that would be incurred if all employees retired at the end of the accounting period under review.

(5) 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.

(6) 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 instruments

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

Year Ended March 31, 2014
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 he accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with hedge criteria, the assessments are omitted. Currency exchange rate risk As long as one hedging instrument and one hedging object correspond, the hedge is considered effective. (7) 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. (8) Scope of Cash and Cash Equivalents in Consolidated Statements of Cash Flows Cash and cash equivalents include cash on hand, demand deposits, and time deposits with insignificant risk of changes in value which have maturities of three months or less. (9) Other basis of preparation of the Consolidated Financial Statements i. Consumption tax Consumption taxes are accounted for using the net-of-tax method. ii. Consolidated taxation system A consolidated tax system is applied.

(Changes in Accounting Policies)

(Application of Accounting Standard for Retirement Benefits)

Effective from the fiscal year ended March 31, 2014, the Group adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, issued on May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Statement No.25, issued on May 17, 2012), except for paragraph 35 of the Standard and paragraph 67 of the Guidance. Under the new standard, plan assets are deducted from benefit obligations and the net amount is recognized as net defined benefit liability, and previously unrecognized actuarial gain or loss and unrecognized past services costs are recorded as net defined benefit liability.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits, the effect of the changes in accounting policies arising from initial application is recognized in remeasurements of defined benefit plans within accumulated other comprehensive income of the net asset section, as of March 31, 2014.

As a result, net defined benefit asset of ¥52 million and net defined benefit liability of ¥16,440 million were recorded, and accumulated other comprehensive income decreased by ¥7,584 million as of March 31, 2014.

In addition, the amount of net assets per share decreased by ¥16.34 as of March 31, 2014.

(Changes in Classification)

(Consolidated Statements of Income)

The item “Loss on valuation of membership,” which is not material, was formerly presented as an independent item under “Extraordinary Expenses” on the consolidated financial statements, has been reclassified and included in the “Others” item beginning with the consolidated financial statements for the fiscal year under review.

As a result of this change, the ¥10 million in “Loss on valuation of membership” within “Extraordinary Expenses” has been transferred to “Others.”

(Balance Sheets)

*1 Accumulated depreciation of tangible assets was as follows:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Accumulated depreciation of tangible assets	174,064	183,690

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

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Investment securities (Stock)	6,619	7,356
Others (Investments in capital)	1,162	1,678

*3 Collateral assets and collateral for loans

Collateral assets were as follows:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Buildings and structures	2,783	3,103
Machinery and equipment	1,550	1,329
Land	83	101
Investment securities	1,773	1,805
Total	6,191	6,339

Collateral for loans were as follows:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Short-term loans payable	1,086	1,493
Long-term loans payable	2,173	1,540

Collateral assets for purposes other than loans payable were as follows:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Investment securities	20	20

4 Commitments and contingent liabilities

(1) Loans guaranteed to employees:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Employees	253	200

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

Millions of yen

As of March 31, 2013		As of March 31, 2014	
P.T. Ebara Indonesia	262	P.T. Ebara Indonesia	210
Chubu Recycle Co., Ltd.	150	Chubu Recycle Co., Ltd.	150
Ebara Pumps Malaysia Sdn. Bhd.	107	Ebara Pumps Malaysia Sdn. Bhd.	134
Other 3 companies	105	Other 3 companies	160
Total	625	Total	655

(3) Loans guaranteed to business partners:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Tomen Power Samukawa Co., Ltd.	21	7

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 fiscal year were as follows:

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Current account overdrafts	5,000	5,000
Commitment lines	45,000	45,000
Used portions under these contracts	—	—
Balance	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 were included in the balance of notes at the end of the fiscal year under review.

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Notes receivable-trade	2,342	―
Notes payable-trade	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 were the amounts corresponding to the reserve for construction losses.

Millions of yen

	As of March 31, 2013	As of March 31, 2014
Work in process	4,693	1,111

(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 was included in the cost of sales.

Millions of yen

Year Ended March 31, 2013	Year Ended March 31, 2014
1,308	411

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

Millions of yen

Year Ended March 31, 2013	Year Ended March 31, 2014
5,025	6,465

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

Millions of yen

	Year Ended March 31, 2013	Year Ended March 31, 2014
Buildings and structures	14	6
Machinery and equipment	26	79
Land	―	361
Others	5	4
Total	46	451

*4 Loss on sales of fixed assets comprised the following:

Millions of yen

	Year Ended March 31, 2013	Year Ended March 31, 2014
Buildings and structures	1	5
Machinery and equipment	1	1
Land	165	37
Others	1	12
Total	169	57

*5 Loss on retirement of fixed assets comprised the following:

Millions of yen

	Year Ended March 31, 2013	Year Ended March 31, 2014
Buildings and structures	270	22
Machinery and equipment	70	37
Other tangible fixed assets	23	216
Software	13	2
Others	1	9
Total	380	288

*6 Impairment loss

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

Year Ended March 31, 2013

(1) Summary of asset groups for which impairment loss was recognized

Location	Use	Type
Kanazawa Ishikawa	Plan to sell	Buildings and structures, Land
Fujisawa Kanagawa	Refrigerating	Machinery and equipment, Others
Fujisawa Kanagawa	Idle assets	Buildings and structures, 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 loss

Since the price at which buildings and structures, 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 and structures, 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 or a recoverable value.

(4) Computation of recoverable value

The recoverable 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 recoverable value in use based on future cash flows was 6.0%.

(5) Amount of impairment loss

	Millions of yen
Buildings and structures	0
Machinery and equipment	153
Land	64
Other	58
Total	277

Year Ended March 31, 2014

(1) Summary of asset groups for which impairment loss was recognized

Location	Use	Type
Sodegaura Chiba, Sano Tochigi	Idle assets	Buildings and structures, Machinery and equipment, Land, Others
Sapporo Hokkaido, Nishinomiya Hyogo, Shinjuku Tokyo, Sano Tochigi, Hatsukaichi Hiroshima, Shunan Yamaguchi, Kitakyushu Fukuoka	Plan to sell	Buildings and structures, 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 loss

Since the price at which buildings and structures, 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 idle buildings and structures, 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 or a recoverable value.

(4) Computation of recoverable value

The recoverable 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.

(5) Amount of impairment loss

	Millions of yen
Buildings and structures	103
Machinery and equipment	15
Land	199
Other	9
Total	327

*7 The provision to the reserve for construction losses contained in cost of sales — Millions of yen

Year Ended March 31, 2013	Year Ended March 31, 2014
2,740	3,681

(Statements of Changes in Net Assets)

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)
			As of April 1, 2012	Increase	Decrease	As of March 31, 2013	
Ebara Corporation	Stock options issued as compensation in 2010	—	—	—	—	—	269
	Stock options issued as compensation in 2011	—	—	—	—	—	12
	Stock options issued as compensation in 2012	—	—	—	—	—	221
	Stock options issued as compensation in 2013	—	—	—	—	—	43
Total			—	—	—	—	547

Notes: The first dates for the exercise of compensation-type stock options for fiscal 2012 and 2013 have 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

Year Ended March 31, 2014

1. Shares Issued and Treasury Stock

	Number of Shares as of April 1, 2013	Increase	Decrease	Number of Shares as of March 31, 2014
Shares issued Common stock	465,118,658	69,171	—	465,187,829
Total	465,118,658	69,171	—	465,187,829
Treasury stock Common stock	703,461	168,610	—	872,071
Total	703,461	168,610	—	872,071

Notes: 1. Increase in common shares issued of 69,171 was due to the exercise of subscription rights to shares.
2. Increase in treasury common stock of 168,610 was due to the purchase from shareholders whose whereabouts are unknown of 134,535 and the purchase of shareholdings of less than one trading unit of 34,075.

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, 2014 (Millions of yen)
			As of April 1, 2013	Increase	Decrease	As of March 31, 2014	
Ebara Corporation	Stock options issued as compensation in 2010	—	—	—	—	—	248
	Stock options issued as compensation in 2011	—	—	—	—	—	12
	Stock options issued as compensation in 2012	—	—	—	—	—	360
	Stock options issued as compensation in 2013	—	—	—	—	—	131
	Stock options issued as compensation in 2014	—	—	—	—	—	73
Total			—	—	—	—	826

Notes: The first dates for the exercise of compensation-type stock options for fiscal 2012, 2013 and 2014 have 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 27, 2013 at the Regular General Meeting of Shareholders	Common stock	1,161	2.50	March 31, 2013	June 28, 2013
November 8, 2013 at the Board Meeting	Common stock	1,160	2.50	September 30, 2013	December 3, 2013

(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 26, 2014 at the Regular General Meeting of Shareholders	Common stock	Retained earnings	2,321	5.00	March 31, 2014	June 27, 2014

(Statements of Cash Flows)

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

	Year Ended March 31, 2013	Year Ended March 31, 2014
Cash and deposits	90,752	97,839
Securities	23,553	5,514
Securities and others which the term is over 3 months	(20,003)	(529)
Time deposits which the term is over 3 months	(509)	(483)
Cash and cash equivalents	93,792	102,341

(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, 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 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, 2014

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	322,175	52,983	71,810	446,969	1,688	448,657	—	448,657
Intersegment and transfers	223	20	8	252	3,186	3,439	(3,439)	—
Total	322,399	53,003	71,818	447,222	4,874	452,096	(3,439)	448,657
Segment income	22,174	4,767	4,650	31,592	520	32,113	81	32,194
Segment assets	307,203	45,020	73,933	426,157	15,688	441,845	88,365	530,211
Others								
Depreciation and amortization	7,926	311	2,679	10,918	1,259	12,177	(59)	12,117
Amortization of Goodwill	325	—	—	325	—	325	—	325
Investment for companies applied equity method	1,473	4,674	—	6,147	—	6,147	—	6,147
Increase in tangible and intangible assets	9,463	697	3,842	14,003	4,165	18,168	(15)	18,152

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 ¥90,719 million, and intersegment eliminations amounted to ¥(2,353) million. The main total assets of the Group are Cash and 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, 2013	Year Ended March 31, 2014
Deferred tax assets		
Bonus payment reserve	2,553	2,401
Loss recognized on a percentage-of-completion basis	729	582
Accrued enterprise tax	117	209
Reserve for retirement benefits	5,063	—
Net defined benefit liability	—	6,502
Reserve for directors' retirement benefits	53	52
Unrealized gains on fixed assets	1,269	1,232
Tax loss carried forward	22,415	19,199
Loss on valuation of investment securities	1,603	2,173
Research and development expenses	99	46
Loss on write-down of inventories	3,645	3,277
Reserve for warranties for completed construction	3,742	4,009
Provision of allowance for doubtful accounts	1,470	1,540
Others	6,234	6,435
Subtotal	48,998	47,663
Valuation allowance	(19,239)	(18,030)
Total deferred tax assets	29,758	29,633
Deferred tax liabilities		
Reserve for deferral of capital gains on sales of property	1,350	1,139
Net unrealized gains (losses) on investment securities	904	1,316
Other	2,132	3,205
Total deferred tax liabilities	4,386	5,661
Net deferred tax assets	25,372	23,971

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, 2013	Year Ended March 31, 2014
Statutory tax rate, giving tax effect on enterprise tax payable	38.0%	38.0%
(adjustment)		
Entertainment expenses and other expenses not deductible	1.2%	0.7%
Per capital equalization inhabitants' taxes	2.2%	1.7%
Dividends received not taxable	(17.5)%	(13.4)%
Dividends received effected by the excluded from consolidation	16.1%	13.1%
Valuation allowance	(8.2)%	(3.9)%
Tax rate differences with overseas consolidated subsidiaries	(9.0)%	(8.5)%
Reductions in deferred tax assets at the end of the year due to changes in tax rates	—%	2.3%
Others	7.1%	3.3%
Effective tax rate as shown in statements of income	29.8%	33.2%

3. Revision of the amount of deferred tax assets and deferred tax liabilities due to change in corporation tax rate

"The Act on Partial Revision of the Income Tax Act" (act No.10 of 2014) was promulgated on March 31, 2014 and the Special Reconstruction Corporation Tax will be abolished from consolidated fiscal years beginning on or after April 1, 2014. As a result, the effective corporate tax rate to calculate deferred tax liabilities which are expected to be settled during the fiscal year beginning April 1, 2014 were reduced from 38.0% to 35.6%.

This change had an immaterial impact on the amount of deferred tax assets (net amount of deferred tax liabilities) and the result of operation.

(Per Share Data of Common Stock)

	Year Ended March 31, 2013	Year Ended March 31, 2014
Net assets per share (Yen)	402.41	448.05
Net income per share (Yen)	35.93	40.86
Diluted net income per share (Yen)	33.69	36.44

1. Basic information for computation of net assets per share

	Year Ended March 31, 2013	Year Ended March 31, 2014
Total net assets (Millions of yen)	191,788	215,048
Amount excluded from total net assets (Millions of yen)	4,903	7,010
(Subscription rights to shares (Millions of yen))	(547)	(826)
(Minority interests (Millions of yen))	(4,356)	(6,183)
Net assets attributable to common stock at the end of the period (Millions of yen)	186,885	208,037
Number of common stocks outstanding at the end of the period calculated under “Net assets per share”	464,415,197	464,315,758

2. Basic information for computation of net income per share

	Year Ended March 31, 2013	Year Ended March 31, 2014
Net income per share		
Net income (Millions of yen)	15,303	18,973
Amount not allocated to ordinary shareholders (Millions of yen)	—	—
Net income attributable to common stocks (Millions of yen)	15,303	18,973
Average shares of common stocks (Number)	425,873,381	464,324,222
Diluted net income per share		
Adjustment of net income (Millions of yen)	161	80
(Interest payable after tax deduction (Millions of yen))	(161)	(80)
Increase of common stocks (Number)	33,166,279	58,519,365
(Bonds with subscription rights to shares (Number))	(31,114,947)	(55,616,147)
(Subscription rights to shares (Number))	(2,051,332)	(2,903,218)
Potential shares excluded from computation of diluted net income per share which don’t have a dilutive effect	――――	――――

(Significant Subsequent Events)

None

5. Order Received and Sales

(1) Output

Millions of yen

Name of Segment	Year Ended March 31, 2013	Year Ended March 31, 2014
Fluid Machinery & Systems	302,101	322,657
Environmental Engineering	11,014	11,643
Precision Machinery	44,713	49,365
Reportable segments	357,829	383,666
Others	—	—
Total	357,829	383,666

(2) Order received

Millions of yen

Name of Segment	Year Ended March 31, 2013	Year Ended March 31, 2014
Fluid Machinery & Systems	297,999	341,002
Environmental Engineering	66,631	98,690
Precision Machinery	62,212	70,893
Reportable segments	426,842	510,587
Others	1,697	1,689
Total	428,540	512,276

(3) Sales

Millions of yen

Name of Segment	Year Ended March 31, 2013	Year Ended March 31, 2014
Fluid Machinery & Systems	305,586	322,175
Environmental Engineering	52,495	52,983
Precision Machinery	66,503	71,810
Reportable segments	424,585	446,969
Others	1,716	1,688
Total	426,302	448,657

(4) Backlog of order received

Millions of yen

Name of Segment	As of March 31, 2013	As of March 31, 2014
Fluid Machinery & Systems	153,827	182,734
Environmental Engineering	104,144	151,429
Precision Machinery	8,292	8,090
Reportable segments	266,265	342,253
Others	—	0
Total	266,265	342,254

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