Eleven-Year Summary

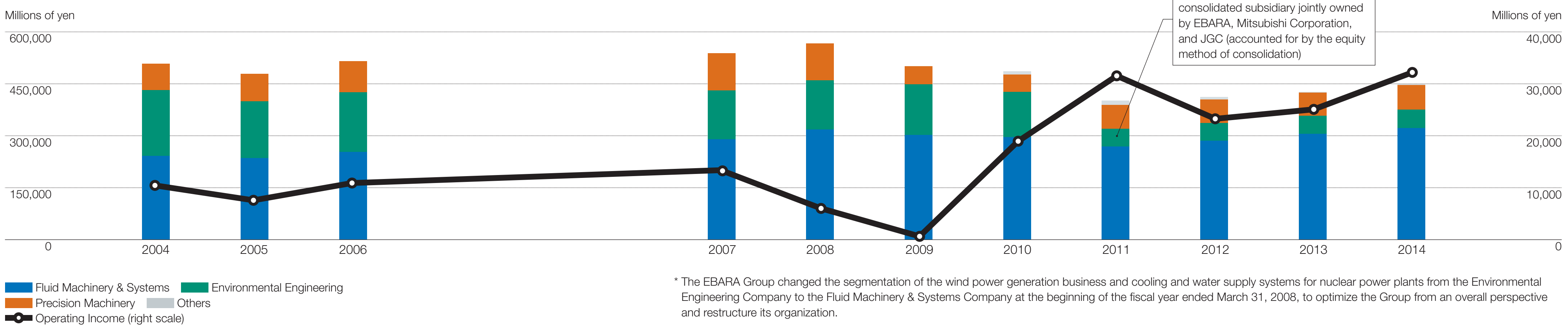
EBARA CORPORATION and Consolidated Subsidiaries
(Fiscal years ended March 31)

	Millions of yen											Thousands of U.S. dollars*1
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**	**2014**
Financial Results:												
Net sales	¥507,767	¥478,397	¥514,957	¥538,098	¥567,191	¥501,149	¥485,889	¥401,676	¥412,077	¥426,302	**¥448,658**	**$4,359,288**
Operating income	10,446	7,581	10,902	13,249	6,017	638	18,953	31,542	23,267	25,084	**32,195**	**312,814**
Net income (loss)	2,586	(19,649)	3,350	5,446	7,609	(13,113)	5,442	28,192	2,890	15,303	**18,974**	**184,357**
Depreciation and amortization	14,148	13,193	12,450	12,842	15,316	15,180	15,274	13,524	12,765	12,356	**12,118**	**117,742**
Capital expenditures	13,690	12,706	14,838	17,917	22,381	23,560	19,484	8,189	12,316	12,302	**18,153**	**176,379**
R&D expenses	10,965	9,994	10,883	11,357	10,812	8,829	4,977	4,067	3,827	5,026	**6,465**	**62,816**
Free cash flow	15,454	(7,636)	(13,872)	(1,006)	25,454	14,665	6,454	37,601	3,751	883	**30,154**	**292,984**
Financial Position:												
Total assets	¥576,412	¥558,265	¥592,631	¥625,033	¥607,007	¥562,456	¥522,540	¥507,898	¥488,964	¥504,576	**¥530,211**	**$5,151,681**
Total net assets	—	—	—	154,970	155,263	124,264	132,665	154,938	154,656	191,786	**215,047**	**2,089,458**
Shareholders' equity*2, *3	112,578	102,952	153,695	151,255	151,243	121,411	129,806	151,951	151,063	186,883	**208,036**	**2,021,337**
Interest-bearing debt	206,540	205,401	192,140	213,349	184,459	181,556	177,859	160,413	143,617	138,914	**119,673**	**1,162,777**
Per Share Data (yen and U.S. dollars)**:**												
Net income (loss)	¥ 8.34	¥ (64.43)	¥ 9.11	¥ 12.89	¥ 18.01	¥ (31.04)	¥ 12.89	¥ 66.78	¥ 6.85	¥ 35.93	**¥ 40.86**	**$ 0.397**
Total net assets	376.67	307.76	363.68	357.97	358.01	287.44	307.46	360.01	357.79	402.41	**448.05**	**4.353**
Cash dividends	7.50	7.50	7.50	7.50	7.50	—	—	5.00	5.00	5.00	**7.50**	**0.073**
Share Data:												
Number of issued shares (1,000 shares)	298,999	334,562	422,724	422,725	422,725	422,725	422,725	459,245	422,899	465,118	**465,187**	
Financial Indicators:												
ROIC (%)*4	0.8	(6.2)	1.0	1.5	2.2	(4.1)	1.8	9.1	1.0	4.9	**5.8**	
ROE (%)*5	2.3	(18.2)	2.6	3.6	5.0	(9.6)	4.3	20.0	1.9	9.1	**9.6**	
Debt/equity ratio	1.83	2.00	1.25	1.41	1.22	1.50	1.37	1.06	0.95	0.74	**0.58**	
Equity ratio (%)	19.5	18.4	25.9	24.2	24.9	21.6	24.8	29.9	30.9	37.0	**39.2**	
Overseas sales ratio (%)	21.3	24.4	26.7	31.0	37.5	36.1	39.3	44.1	44.0	50.6	**52.8**	

*1. The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥102.92=US$1, the rate of exchange prevailing on March 31, 2014.
*2. Shareholders' equity: Net assets excluding subscription rights to shares and minority interests
*3. The EBARA Group has applied "Accounting Standards for Presentation of Net Assets on the Balance Sheets" (ASBJ Statement No.5, issued on December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets on the Balance Sheets" (ASBJ Guidance No.8, issued on December 9, 2005) from the fiscal year ended March 31, 2007. The amount corresponding to shareholders' equity, according to the previous method of presentation, is ¥215,635 million for fiscal year 2014, ¥186,873 million for fiscal year 2013, ¥151,054 million for fiscal year 2012, ¥151,960 million for fiscal year 2011, ¥129,806 million for fiscal year 2010, ¥121,411 million for fiscal year 2009, ¥151,237 million for fiscal year 2008, and ¥151,242 million for fiscal year 2007.
*4. ROIC: Net income / (Interest-bearing debt (Average between beginning and end of period) + Shareholders' equity (Average between beginning and end of period)
*5. ROE: Net income / Shareholders' equity (Average between beginning and end of period)

Contents

Net Sales and Operating Income



* The EBARA Group changed the segmentation of the wind power generation business and cooling and water supply systems for nuclear power plants from the Environmental Engineering Company to the Fluid Machinery & Systems Company at the beginning of the fiscal year ended March 31, 2008, to optimize the Group from an overall perspective and restructure its organization.

Financial Review

Overview

During the fiscal year ended March 31, 2014, the economy of the United States continued on a moderate upward trend, and in Europe, where trends were weak because of public-sector debt issues, movements toward improvement appeared. In Asia, the slowdown that was evident in certain countries bottomed out, and overall a trend toward moderate expansion has continued. 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 the 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, consolidated net sales for the fiscal year amounted to ¥448,658 million, an increase of 5.2% year on year, and operating income amounted to ¥32,195 million, an increase of 28.3% year on year. Net sales increased compared with the previous fiscal year in all business segments. Operating income was higher year on year due to increases in the Fluid Machinery & Systems (FMS) Company and the Precision Machinery (PM) Company, despite a slight decrease in the Environmental Engineering (EE) Company.

Other income (expenses), net, amounted to expenses of ¥1,175 million, and improved ¥21 million from the previous fiscal year, mainly as a result of a decrease in interest expenses, an improvement in gain (loss) on sales and retirement of fixed assets, net, of ¥609 million and others, despite the reporting of taxes and dues related to the overseas project of ¥2,239 million in the fiscal year under review.

Consequently, income before income taxes and minority interests amounted to ¥31,020 million. Net income amounted to ¥18,974 million, an increase of 24.0% year on year.

Financial Position

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.

Total current assets expanded ¥16,830 million because of an increase in notes and accounts receivable-trade of ¥26,619 million, despite a decrease in cash on hand and in banks and securities of ¥10,952 million.

Property, plant and equipment, net, increased ¥5,860 million because of the implementation of capital expenditures of ¥18,153 million and the reporting of depreciation and amortization of ¥12,118 million.

Total investments and other assets increased due primarily to a decrease in deferred tax assets.

Liabilities

Total liabilities at the end of the fiscal year ended March 31, 2014, were ¥315,164 million, ¥2,374 million higher than at the end of the previous fiscal year. The principal causes of these movements were as follows.

Total current liabilities decreased ¥8,329 million because of a reduction 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.

Total long-term liabilities rose ¥10,703 million as a result of an issuance of bonds payable of ¥10,000 million.

Net Assets

Total net assets at the end of the fiscal year ended March 31, 2014, amounted to ¥215,047 million, ¥23,261 million higher than at the end of the previous fiscal year. Although EBARA CORPORATION (the "Company") paid cash dividends of ¥2,322 million and reported remeasurements of defined benefit plans of ¥7,585 million, this increase in net assets was due to the reporting of consolidated net income of ¥18,974 million and an improvement in translation adjustments of ¥11,340 million. Total shareholders' equity (net assets excluding subscription rights to shares and minority interests) amounted to ¥208,036 million, and the equity ratio was 39.2%.

Cash Flows

Net cash provided by operating activities amounted to a net inflow of ¥26,615 million for the fiscal year ended March 31, 2014, compared with a net inflow of ¥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 ¥31,020 million of income before income taxes and minority interests.

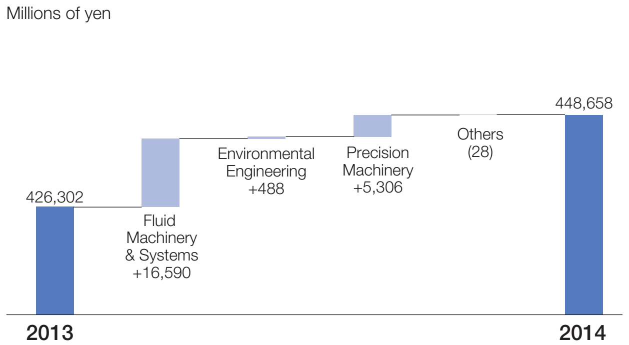
Net cash provided by investing activities amounted to a net inflow of ¥3,539 million for the fiscal year ended March 31, 2014, compared with a net outflow of ¥33,131 million for the previous fiscal year. This primarily reflected the purchases of fixed assets of ¥16,400 million and proceeds from sales and redemption of securities and investment securities of ¥27,266 million.

Free cash flow, or the sum of cash flows from operating and investing activities, amounted to a net inflow of ¥30,154 million for the fiscal year ended March 31, 2014, compared with a net inflow of ¥883 million for the previous fiscal year.

Net cash used in financing activities amounted to a net outflow of ¥25,337 million for the fiscal year ended March 31, 2014, compared with a net inflow of ¥3,264 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 ¥11,481 million.

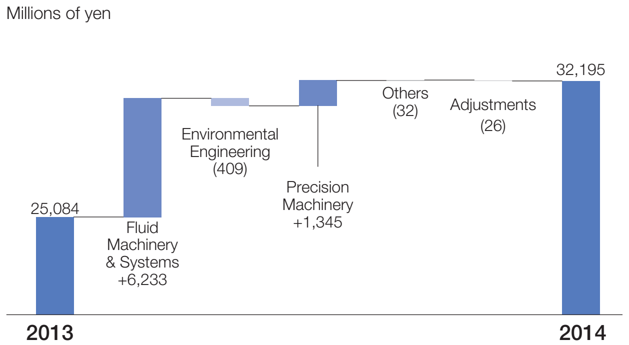
As a consequence, cash and cash equivalents at the end of the fiscal year ended March 31, 2014, amounted to ¥102,338 million, ¥8,547 million higher than at the end of the previous fiscal year.

Consolidated Net Sales



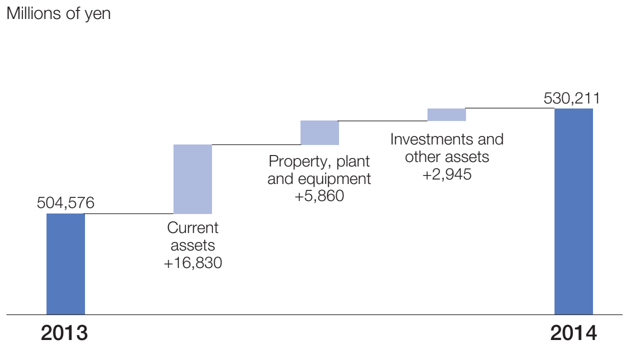
(Fiscal years ended March 31)

Operating Income



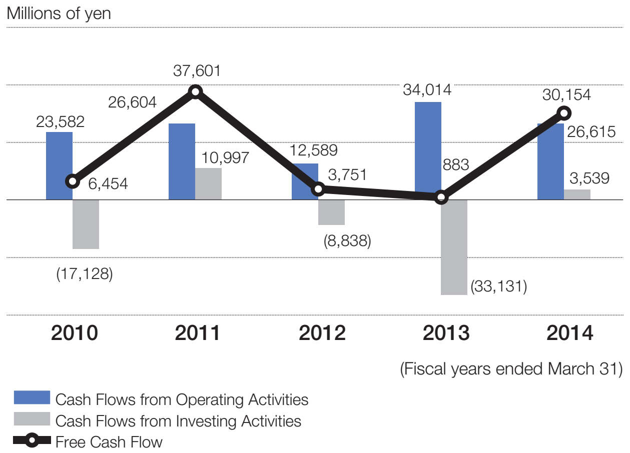
(Fiscal years ended March 31)

Total Assets



(As of March 31)

Cash Flows



(Fiscal years ended March 31)

Capital Expenditures

Regarding investments, during the fiscal year, the Group implemented capital expenditures amounting to ¥18,153 million. These were primarily for the expansion of production capacity and the introduction of equipment to enhance productivity. This investment includes expenditures for the acquisition of intangible fixed assets and long-term prepaid expenses.

Principal capital expenditures by business segment were as follows. Please note that these investment figures include intersegment transactions.

Fluid Machinery & Systems Company
Investments were made primarily for expanding capacity and increasing productivity, and the amount of capital investment during the fiscal year was ¥9,464 million.

Environmental Engineering Company
This segment invested in equipment for the development of environment-related products. Investments by this segment totaled ¥697 million.

Precision Machinery Company
Investments were made principally for equipment for the development of new products. Investments by this segment totaled ¥3,842 million.

Liquidity and Capital Resources

(1) Capital Resources
At the end of the fiscal year under review, on a consolidated basis, the Group had total interest-bearing debt of ¥119,673 million, comprising ¥63,546 million in short-term interest-bearing liabilities and ¥56,127 million in long-term interest-bearing liabilities. This balance decreased ¥19,241 million from the total balance at the end of the previous fiscal year of ¥138,914 million.

During the fiscal year under review, the Group's free cash flow, defined as net cash from operating activities plus net cash from investing activities, amounted to a net inflow of ¥30,154 million, and the amount of net inflow increased ¥29,271 million from the previous fiscal year. While net cash flow provided by operating activities amounted to ¥26,615 million, a ¥7,399 million decrease from ¥34,014 million of net cash provided by operating activities in the previous fiscal year, the increase in net inflow reflected an ¥36,670 million improvement in net cash provided in investing activities, to ¥3,539 million, compared with ¥33,131 million of net cash used in investing activities in the previous fiscal year.

(2) Management of Liquidity
Regarding asset liquidity, the Group maintains a level of cash and cash equivalents appropriate for the scale of its business activities. To manage liquidity risk, the Company has concluded commitment line contracts with its principal banks that provide an adequate amount of financial liquidity for its operations.

In addition, to increase the efficiency of cash within the Group, the Company has instituted a system whereby idle cash is concentrated in the parent company and then allocated to Group companies with cash requirements.

The consolidated balance of cash and cash equivalents at the end of the fiscal year was ¥102,338 million. In addition, the available balance of commitment lines was ¥45,000 million, and available overdrafts amounted to ¥5,000 million. While the total funding limit from overdrafts and commitment lines was ¥50,000 million, the Company had no borrowings from these sources at the end of the fiscal year.

R&D Expenses

R&D expenditures of the Group can be divided into four major categories:

1. R&D for common basic technology underpinning operations and for combining this technology to realize products' core technology,
2. Basic research and discovery of seed technology based on a medium-to-long-term perspective,
3. R&D for extending current technology and creating practical applications and new products' applications for new technology, and
4. R&D for improving products.

For the first two categories, corporate headquarters collaborates closely with operating companies and pursues joint research with outside research bodies. As for the third and fourth categories, individual business divisions and Group companies lead the initiatives. R&D expenses amounted to ¥6,465 million during the fiscal year under review.

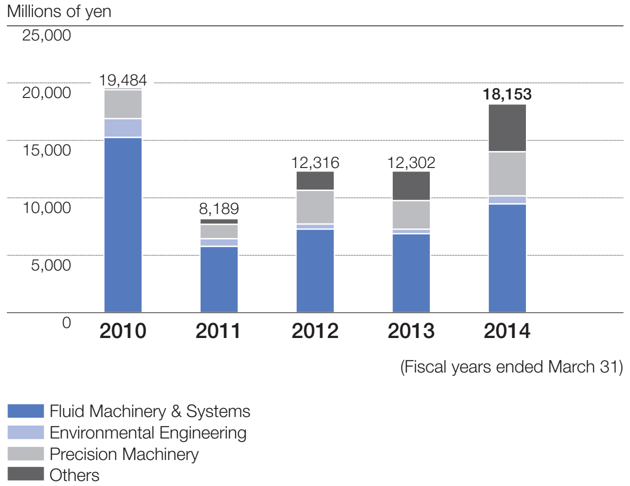
Further, until now the Group has established development centers with divisions directly related to the business fields of operating companies and subsidiaries and focused on R&D for commercializing operations and products. In April 2014, however, at corporate headquarters the Group established an organization tasked with conducting Groupwide R&D for common basic technology and for products' core technology.

Activities by business segment are as follows:

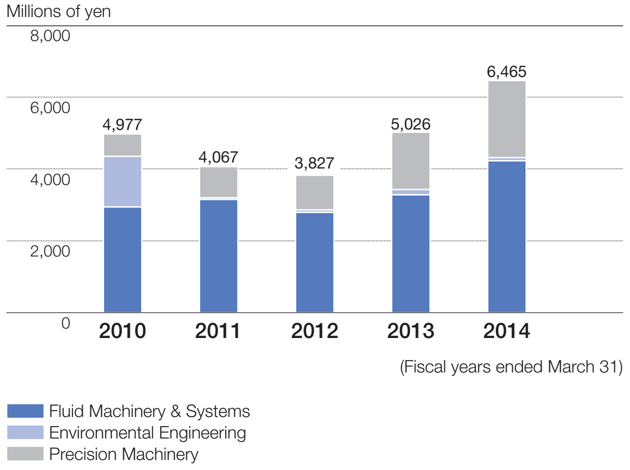
Fluid Machinery & Systems Company
In the fluid machinery and systems field, the Group expanded its product lineups for global markets that promise continuing medium-to-long-term growth, which include water infrastructure, energy (electricity, oil, and gas), and the environment (energy saving), and strengthened the appeal of products. In addition, the Group is promoting product development appropriate to "regional production for regional supply," including joint development with overseas Group companies. As for standard pumps, the Group continued to develop its lineup of energy-saving and material-saving products and advance their market penetration. Regarding turbo chillers marketed in Japan and China, the Group developed applications to expand the product lineup. In relation to basic technology, the Group strengthened numerical simulation technology and optimization technology aimed at further increasing developmental throughput, standardized analytical engineering, and developed and applied technology for businesses that provide services and support throughout product life cycles.

The FMS Company made expenditures on R&D amounting to ¥4,230 million during the fiscal year under review.

Capital Expenditures



R&D Expenses



Environmental Engineering Company

In the environmental engineering field, because the focus is shifting from new plant construction toward operation and maintenance (O&M) services more than ever, current conditions call for the provision of solutions capabilities in relation to existing facilities' renewal and O&M and the enabling of stronger cost-competitiveness. In light of these conditions, the Group is developing new products and technology that contribute to the strengthening of facilities' performance through renewal and contribute to the reduction of lifecycle costs. At the same time, the Group's development activities include the upgrade of existing products and repair, maintenance, and operating technology.

The EE Company made expenditures on R&D amounting to ¥89 million during the fiscal year under review.

Precision Machinery Company

In the precision machinery field, the Group is developing new equipment and upgrading processing equipment for the manufacture of semiconductor devices that is compatible with larger-diameter wafers, greater miniaturization of chips, and three-dimensional integration. As for component products, in accordance with the "green fab" semiconductor-manufacturing concept—which calls for semiconductor-manufacturing plants to save energy and materials—the Group is developing products that save energy and reduce the environmental burden. Also, the Group is continuing research into next-generation semiconductor process technologies by participating in joint development and consortia with customers and joint research with universities.

The PM Company made expenditures on R&D amounting to ¥2,146 million during the fiscal year under review.

Business Risks

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

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

1. Market Risk

The markets where the Group conducts its business activities are highly competitive, and downward pressure 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.

2. Large-Scale Projects and Overseas Business Activities

The Group engineers, manufactures, installs, and constructs machinery and plants through large-scale 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. Moreover, large-scale projects in foreign countries involve risks related to business environments that differ from those in 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.

3. 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.

4. 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.

5. 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, if 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. If 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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 type may have an impact on the Group's performance as well as on the trust placed in the Group by society.

11. 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.

12. 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 is impossible to make collections, this may have an adverse impact on the Group's performance.

13. 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 actuarial differences and costs related to prior services of employees may have an effect on the Group's financial position.

Consolidated Balance Sheets

EBARA CORPORATION and Consolidated Subsidiaries
As of March 31, 2014 and 2013

ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 4) 2014
Current assets:			
Cash on hand and in banks and securities	¥ 103,354	¥ 114,306	$ 1,004,217
Notes and accounts receivable-trade	184,078	157,459	1,788,554
Allowance for doubtful accounts	(2,706)	(1,702)	(26,292)
Inventories (Note 5)	70,345	66,948	683,492
Deferred tax assets (Note 19)	11,912	11,002	115,740
Other current assets	13,145	15,285	127,721
Total current assets	380,128	363,298	3,693,432
Property, plant and equipment (Note 13)**:**			
Land	21,121	21,231	205,217
Buildings and structures	104,497	97,867	1,015,323
Machinery, equipment and vehicles	102,780	107,721	998,640
Lease assets	3,484	2,841	33,852
Construction in progress	5,887	4,609	57,200
Other	43,266	31,154	420,384
	281,035	265,423	2,730,616
Accumulated depreciation	(184,453)	(174,701)	(1,792,198)
Property, plant and equipment, net (Note 6)	96,582	90,722	938,418
Investments and other assets:			
Investment securities (Notes 6 and 15)	17,654	16,576	171,531
Investments in and advances to subsidiaries and affiliates	9,091	7,845	88,331
Long-term loans receivable	830	564	8,065
Deferred tax assets (Note 19)	12,398	14,723	120,462
Net defined benefit asset (Note 17)	53	—	515
Other investments	6,153	6,989	59,784
Other assets	10,086	7,084	97,999
Allowance for doubtful accounts	(2,764)	(3,225)	(26,856)
Total investments and other assets	53,501	50,556	519,831
Total assets	¥ 530,211	¥ 504,576	$ 5,151,681

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 4) 2014
Current liabilities:			
Short-term loans payable (Notes 6 and 8)	¥ 54,184	¥ 52,024	$ 526,467
Current portion of long-term debt (Notes 6 and 8)	8,734	33,991	84,862
Notes and accounts payable-trade	103,339	95,887	1,004,071
Accrued income taxes	4,098	2,178	39,817
Deferred tax liabilities	3	31	29
Lease obligations	628	655	6,102
Reserve for warranties for completed construction	3,211	3,169	31,199
Reserve for product warranties	3,369	2,769	32,734
Reserve for construction losses	6,941	5,585	67,441
Reserve for expenses related to the sales of land	1,844	1,847	17,917
Accrued expenses and other current liabilities	51,050	47,594	496,017
Total current liabilities	237,401	245,730	2,306,656
Long-term liabilities:			
Long-term debt (Notes 6 and 8)	54,951	51,338	533,920
Lease obligations	1,176	906	11,426
Reserve for retirement benefits (Note 17)	—	9,629	—
Reserve for directors' retirement benefits	175	172	1,700
Net defined benefit liability (Note 17)	16,440	—	159,736
Deferred tax liabilities	336	322	3,265
Asset retirement obligations	1,851	1,825	17,985
Other long-term liabilities	2,834	2,868	27,535
Total long-term liabilities	77,763	67,060	755,567
Net assets (Note 11)**:**			
Shareholders' equity:			
Common stock:			
Authorized: 1,000,000,000 shares			
Issued: 465,187,829 shares in 2014 and 465,118,658 shares in 2013	68,625	68,613	666,780
Capital surplus	72,554	72,542	704,955
Retained earnings	70,629	53,886	686,251
Treasury stock: 872,071 shares in 2014 and 703,461 shares in 2013	(386)	(284)	(3,750)
Total shareholders' equity	211,422	194,757	2,054,236
Accumulated other comprehensive income:			
Net unrealized gains (losses) on investment securities	2,419	1,662	23,504
Deferred gains (losses) on hedges	(12)	12	(117)
Translation adjustments	1,792	(9,548)	17,412
Remeasurements of defined benefit plans	(7,585)	—	(73,698)
Total accumulated other comprehensive income	(3,386)	(7,874)	(32,899)
Subscription rights to shares	827	547	8,035
Minority interests	6,184	4,356	60,086
Total net assets	215,047	191,786	2,089,458
Total liabilities and net assets	¥530,211	¥504,576	$5,151,681

Consolidated Statements of Income

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	2014
Net sales	¥448,658	¥426,302	$4,359,288
Cost of sales	329,060	322,192	3,197,242
Gross profit	119,598	104,110	1,162,046
Selling, general and administrative expenses	87,403	79,026	849,232
Operating income	32,195	25,084	312,814
Other income (expenses):			
Interest and dividend income	723	754	7,025
Interest expenses	(1,633)	(2,351)	(15,867)
Gain on sales of securities	41	5	398
Write-down of securities and other investments	(85)	(408)	(826)
Gain (loss) on sales and retirement of fixed assets, net	106	(503)	1,030
Impairment loss (Note 9)	(328)	(278)	(3,187)
Taxes and dues related to the overseas project	(2,239)	—	(21,755)
Loss on liquidation of subsidiaries and affiliates	—	(45)	—
Special retirement expenses	—	(298)	—
Other, net	2,240	1,928	21,767
	(1,175)	(1,196)	(11,415)
Income before income taxes and minority interests	31,020	23,888	301,399
Income taxes (Note 19)**:**			
Current taxes	7,981	5,766	77,546
Deferred tax expenses (benefits)	2,326	1,364	22,600
	10,307	7,130	100,146
Income before minority interests	20,713	16,758	201,253
Minority interests in income	1,739	1,455	16,896
Net income	¥ 18,974	¥ 15,303	$ 184,357

	Yen		U.S. dollars
Per share of common stock:			
Net income	¥40.86	¥35.93	$0.397
Fully diluted net income	36.44	33.69	0.354
Cash dividends (Note 11)	7.50	5.00	0.073

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	2014
Income before minority interests	¥20,713	¥16,758	$201,253
Other comprehensive income			
Net unrealized gains (losses) on investment securities	745	528	7,239
Unrealized gains (losses) on hedges	(24)	5	(233)
Translation adjustments	11,893	8,850	115,556
Share of other comprehensive income of associates accounted for using equity method	90	59	874
Total other comprehensive income (Note 10)	¥12,704	¥ 9,442	$123,436
Comprehensive income	¥33,417	¥26,200	$324,689
Comprehensive income attributable to shareholders of EBARA CORPORATION	¥31,046	¥24,397	$301,652
Comprehensive income attributable to minority interests	2,371	1,803	23,037

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	465,118,658	¥68,613	¥72,542	¥53,886	¥(284)	¥194,757
Changes during the fiscal year						
Issuance of new shares (exercise of subscription rights to shares)	69,171	12	12			24
Cash dividends				(2,322)		(2,322)
Net income				18,974		18,974
Change of scope of consolidation				91		91
Purchase of treasury stock					(102)	(102)
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	69,171	12	12	16,743	(102)	16,665
Balance at March 31, 2014	465,187,829	¥68,625	¥72,554	¥70,629	¥(386)	¥211,422

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2013	¥1,662	¥ 12	¥ (9,548)	¥ —	¥(7,874)	¥547	¥4,356	¥191,786
Changes during the fiscal year								
Issuance of new shares (exercise of subscription rights to shares)								24
Cash dividends								(2,322)
Net income								18,974
Change of scope of consolidation								91
Purchase of treasury stock								(102)
Net changes of items other than shareholders' equity	757	(24)	11,340	(7,585)	4,488	280	1,828	6,596
Total changes during the fiscal year	757	(24)	11,340	(7,585)	4,488	280	1,828	23,261
Balance at March 31, 2014	¥2,419	¥(12)	¥ 1,792	¥(7,585)	¥(3,386)	¥827	¥6,184	¥215,047

	Thousands of U.S. dollars (Note 4)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	$666,663	$704,838	$523,571	$(2,759)	$1,892,313
Changes during the fiscal year					
Issuance of new shares (exercise of subscription rights to shares)	117	117			234
Cash dividends			(22,561)		(22,561)
Net income			184,357		184,357
Change of scope of consolidation			884		884
Purchase of treasury stock				(991)	(991)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	117	117	162,680	(991)	161,923
Balance at March 31, 2014	$666,780	$704,955	$686,251	$(3,750)	$2,054,236

	Thousands of U.S. dollars (Note 4)							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2013	$16,149	$ 116	$ (92,771)	$ —	$(76,506)	$5,311	$42,323	$1,863,441
Changes during the fiscal year								
Issuance of new shares (exercise of subscription rights to shares)								234
Cash dividends								(22,561)
Net income								184,357
Change of scope of consolidation								884
Purchase of treasury stock								(991)
Net changes of items other than shareholders' equity	7,355	(233)	110,183	(73,698)	43,607	2,724	17,763	64,094
Total changes during the fiscal year	7,355	(233)	110,183	(73,698)	43,607	2,724	17,763	226,017
Balance at March 31, 2014	$23,504	$(117)	$ 17,412	$ (73,698)	$(32,899)	$8,035	$60,086	$2,089,458

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2012	422,899,658	¥61,314	¥65,243	¥41,752	¥(278)	¥168,031
Changes during the fiscal year						
Issuance of new shares	42,000,000	7,262	7,262			14,524
Issuance of new shares (exercise of subscription rights to shares)	219,000	37	37			74
Cash dividends				(3,169)		(3,169)
Net income				15,303		15,303
Purchase of treasury stock					(6)	(6)
Disposal of treasury stock			0		0	0
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	42,219,000	7,299	7,299	12,134	(6)	26,726
Balance at March 31, 2013	465,118,658	¥68,613	¥72,542	¥53,886	¥(284)	¥194,757

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustments	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at April 1, 2012	¥1,116	¥ 6	¥(18,090)	¥—	¥(16,968)	¥439	¥3,154	¥154,656
Changes during the fiscal year								
Issuance of new shares								14,524
Issuance of new shares (exercise of subscription rights to shares)								74
Cash dividends								(3,169)
Net income								15,303
Purchase of treasury stock								(6)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	546	6	8,542	—	9,094	108	1,202	10,404
Total changes during the fiscal year	546	6	8,542	—	9,094	108	1,202	37,130
Balance at March 31, 2013	¥1,662	¥12	¥ (9,548)	¥—	¥ (7,874)	¥547	¥4,356	¥191,786

Consolidated Statements of Cash Flows

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	2014
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 31,020	¥ 23,888	$ 301,399
Depreciation and amortization	12,118	12,356	117,742
Impairment loss	328	278	3,187
Loss (gain) on sales of securities and investment securities	(41)	(5)	(398)
Increase (decrease) in provision	3,375	(15,527)	32,792
Increase (decrease) in net defined benefit liability	(2,254)	—	(21,901)
Loss (gain) on sales of fixed assets	(395)	123	(3,838)
Interest and dividends income	(722)	(754)	(7,015)
Interest expenses	1,633	2,351	15,867
Decrease (increase) in notes and accounts receivable-trade	(20,388)	8,676	(198,096)
Decrease (increase) in inventories	807	5,959	7,841
Increase (decrease) in notes and accounts payable-trade	5,006	(11,485)	48,640
Increase / decrease in other assets / liabilities	1,745	13,881	16,955
Other loss (gain)	916	1,737	8,900
Sub-total	33,148	41,478	322,075
Interest and dividends received	716	816	6,957
Interest expenses paid	(1,653)	(2,400)	(16,061)
Income taxes paid	(5,596)	(5,880)	(54,372)
Net cash provided by operating activities	26,615	34,014	258,599
Cash Flows from Investing Activities:			
Purchases of fixed assets	(16,400)	(11,816)	(159,347)
Sales of fixed assets	814	60	7,909
Purchases of securities and investment securities	(8,576)	(26,278)	(83,327)
Sales and redemption of securities and investment securities	27,266	5,690	264,924
Payments into time deposits	(1,125)	(918)	(10,931)
Withdrawal of time deposits	1,210	1,023	11,757
Disbursement of loans receivable	(2,300)	(2,797)	(22,347)
Collection of loans receivable	2,259	2,761	21,949
Purchase of investments in capital of subsidiaries	—	(992)	—
Purchase of shares of subsidiaries	(22)	—	(214)
Other	413	136	4,012
Net cash provided by (used in) investing activities	3,539	(33,131)	34,385
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	462	(4,689)	4,489
Proceeds from long-term loans payable	2,414	2,629	23,455
Repayment of long-term loans payable	(14,357)	(24,635)	(139,497)
Proceeds from issuance of bonds	10,000	20,000	97,163
Redemption of bonds	(20,000)	—	(194,326)
Proceeds from issuance of common stock	0	14,524	0
Proceeds from disposal of (purchase of) treasury stock	(102)	(6)	(991)
Cash dividends paid	(2,322)	(3,169)	(22,561)
Proceeds from stock issuance to minority shareholders	—	97	—
Cash dividends paid to minority shareholders	(719)	(708)	(6,986)
Other	(713)	(779)	(6,928)
Net cash provided by (used in) financing activities	(25,337)	3,264	(246,182)
Translation Adjustments	3,716	2,348	36,106
Increase (Decrease) in Cash and Cash Equivalents	8,533	6,495	82,908
Cash and Cash Equivalents:			
At beginning of the fiscal year:			
Balance brought forward	93,791	87,296	911,300
Increase in cash and cash equivalents resulting from change of scope of consolidation	14	—	136
At end of the fiscal year (Note 12)	¥102,338	¥ 93,791	$ 994,344

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements

EBARA CORPORATION and Consolidated Subsidiaries

1 Basis of Presenting Consolidated Financial Statements

EBARA CORPORATION (the "Company") and its subsidiaries (hereinafter, collectively referred to as the "Group") maintain their records and prepare their statutory financial statements in accordance with generally accepted accounting principles in Japan, and its foreign subsidiaries in conformity with those of the countries of their domicile. The accompanying consolidated financial statements were also prepared in accordance with generally accepted accounting principles in Japan.

2 Summary of Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of certain of its subsidiaries. All significant intercompany transactions and accounts are eliminated in consolidation.

As of March 31, 2014, the numbers of consolidated subsidiaries, non-consolidated subsidiaries that applied the equity method, and affiliated companies that applied the equity method were 49, 1 and 2 (49, 1 and 2 in 2013), respectively.

The financial statements of 22 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.

The differences, at the time of acquisition or consolidation newly made, between the cost and underlying net equity of investments in consolidated subsidiaries are included in other assets and are amortized on a straight-line basis over a reasonable estimated period of time within a 20-year period in respect of each particular difference.

Foreign currency translation

Foreign currency denominated trade receivables and payables are translated into yen at the balance sheet date. Investments are translated into yen at the exchange rates current when the transactions occur.

Assets and liabilities of foreign consolidated subsidiaries are translated into yen at appropriate year-end rates. Revenue, expenses and net income of these companies are also translated into yen at the appropriate year-end rates. Capital contributed to those companies by the parent company is translated at the rates at which the transactions were made. Receivables and payables with the parent company are translated at the same rates used by the parent company, and the resultant translation adjustments are stated in the net assets section.

Investment securities and other financial instruments

Investment securities and other financial instruments are valued using the following methods:

(a) Securities having market value are stated at market value, and the unrealized gains or losses, net of tax, is credited or debited to net assets as shown in the balance sheets. Cost of securities sold is determined by the gross average method.
(b) Securities not having market value are recorded at the gross average cost.
(c) Bonds held to maturity are stated at cost less accumulated amortization.
(d) Other financial assets (or instruments), including golf memberships, are valued at market value, if available.

Inventories

Merchandise and finished goods and raw materials and supplies are primarily stated at the gross average cost method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets), except for in the Precision Machinery Group, which employs the moving average method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets), and work in process is valued at the specific identification cost method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets).

Property, plant and equipment and related depreciation (except lease assets)

The declining-balance method, applied according to the criteria specified in the corporate income tax laws, is used as the primary method for computing depreciation. However, depreciation of buildings (excluding fixtures installed in such buildings) that were acquired on or after April 1, 1998 is computed using the straight-line method. Consolidated foreign subsidiaries employ the straight-line method. Note that the method for depreciating minor assets valued from ¥100,000 to less than ¥200,000 is the lump-sum method specified in the corporate income tax laws, and these assets are depreciated in equal amounts over a three-year period.

Intangible assets and investments and other assets (except lease assets)

Intangible assets are amortized on a straight-line basis, according to the criteria specified in the Corporation Tax Law, and are used as the primary method for computing depreciation.

Software used by the Company is amortized on a straight-line basis for the estimated useful life of five years.

Lease assets

Lease assets under finance lease transactions that do not transfer ownership of the asset to the lessee are depreciated by the straight-line method over the lease term as the useful life and a residual value of zero.

For financial leases that do not transfer ownership to the lessee commencing on or prior to March 31, 2008, the Group adopts accounting standards normally applicable to ordinary operating lease transactions.

Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on past experience for normal receivables and on an estimate of the collectability of receivables from companies in financial difficulty.

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.

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.

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 high possibility of incurring losses and for which such construction losses can be reasonably estimated.

Inventories related to construction contracts on which losses are expected and the reserve for construction losses are both presented on the balance sheets without offsetting. The value of inventories related to construction contracts on which losses are expected that are contained within the reserve for construction losses was ¥1,112 million ($10,805 thousand) (including work in process of ¥1,112 million) and ¥4,693 million (including work in process of ¥4,693 million) for the fiscal years ended March 31, 2014 and 2013, respectively.

The provision to the reserve for construction losses contained in cost of sales was ¥3,681 million ($35,766 thousand) and ¥2,740 million for the fiscal years ended March 31, 2014 and 2013, respectively.

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 restoring this land to its original condition has been recognized in the fiscal year.

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.

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 end of the fiscal year is based on straight-line attribution.

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

Prior 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 accrual of it 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 benefit obligations are calculated as amounts paid for voluntary termination at the year-end.

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 that is deemed to be certain by the end of each 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.

Hedging accounting methods

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. For interest-rate swaps which fulfill the requirements for special exceptions under the Accounting Standard for Financial Instruments, such special exceptions are adopted.

Hedging instruments and hedged objects

<u>Hedging instruments</u>

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

<u>Hedged objects</u>

Currency exchange rate risk on existing assets and liabilities in foreign currencies and interest-rate risk

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 policy.

Assessing the effectiveness of hedging

<u>Interest risk</u>

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

<u>Currency exchange rate risk</u>

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

Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured by applying currently enacted tax rates and laws.

Stock and bond issue costs

Stock and bond issue costs are charged to income as incurred.

Research and development costs

Costs relating to research and development activities are charged to income as incurred. Research and development costs charged to income were ¥6,465 million ($62,816 thousand) and ¥5,026 million for the fiscal years ended March 31, 2014 and 2013, respectively.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with insignificant risk of changes in value which have maturities of three months or less.

Net income (loss) and dividends per share

Primary net income (loss) per share of common stock is based on the average number of shares of common stock outstanding during each period.

Common stock equivalents on warrants and convertible bonds are not taken into consideration for the above computation. Fully diluted net income per share of common stock is computed assuming outstanding convertible bonds at that date are all converted to common shares after adjustment of after-tax debt servicing costs, unless an antidilutive effect results.

Consumption tax

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

Consolidated taxation system

A consolidated taxation system is applied.

Standard issued but not yet effective

"Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No.26, issued on May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, issued on May 17, 2012)

(1) Overview

The standard provides guidance for accounting for unrecognized actuarial differences and unrecognized prior service costs, the calculation methods for retirement benefit obligation and service costs and enhancement of disclosures.

(2) Schedule date of adoption

Revisions to the calculation methods for the retirement benefit obligation and service costs are scheduled to be adopted from the beginning of the fiscal year ending March 31, 2015. The Group does not apply the standards retrospectively because the transitional treatment is stipulated in the standards.

(3) Impact of adopting revised accounting standard and guidance

The Company is currently evaluating the effect of revisions to calculation methods for the retirement benefit obligations and service costs on consolidated financial statements for the fiscal year ending March 31, 2015.

3 Changes in Accounting Policies

Application of Accounting Standard for Retirement Benefits

As of the end of 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 Guidance No.25, issued on May 17, 2012), except for paragraph 35 of the standard and paragraph 67 of the Guidance. Under the new standards, the Group is required to apply a revised method by which plan assets are deducted from retirement benefit obligations and the net amount is recognized as net defined benefit liability. Unrecognized actuarial gain or loss and unrecognized prior service costs are recorded as net defined benefit liability.

Concerning the application of the Accounting Standard for Retirement Benefits, in accordance with the transitional treatment as stipulated in paragraph 37 of the standard, the effect of the changes is recognized in remeasurements of the defined benefit plan of accumulated other comprehensive income as of March 31, 2014.

As a result of this change, net defined benefit asset of ¥53 million ($515 thousand) and net defined benefit liability of ¥16,440 million ($159,736 thousand) were recorded, and accumulated other comprehensive income decreased ¥7,585 million ($73,698 thousand) as of March 31, 2014.

In addition, the amount of net assets per share decreased ¥16.34 ($0.159) as of March 31, 2014.

4 U.S. Dollar Amounts

The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥102.92=US$1, the rate of exchange prevailing on March 31, 2014.

5 Inventories

Inventories comprised the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Merchandise and finished goods	¥10,931	¥ 9,949	$106,209
Work in process	38,133	37,881	370,511
Raw materials and supplies	21,281	19,118	206,772
Total	¥70,345	¥66,948	$683,492

6 Pledged Assets and Related Liabilities

Pledged assets are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Buildings and structures	¥3,103	¥2,783	$30,150
Machinery, equipment and vehicles	1,329	1,551	12,913
Land	102	83	991
Investment securities	1,806	1,774	17,548
Total	¥6,340	¥6,191	$61,602

Collateral for loans is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans payable	¥1,493	¥1,087	$14,506
Long-term loans payable	1,540	2,173	14,963

Pledged assets for purposes other than loans payable are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investment securities	¥20	¥20	$194

7 Commitments and Contingent Liabilities

The Company and its consolidated subsidiaries had the following commitments and contingent liabilities:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans guaranteed:			
Nonconsolidated subsidiaries and affiliates	¥656	¥626	$6,374
Other	207	275	2,011

8 Short-Term Loans Payable and Long-Term Debt

As of March 31, 2014 and 2013, short-term loans payable amounted to ¥54,184 million ($526,467 thousand) and ¥52,024 million, respectively, and generally represented short-term loans payable (having a life of less than 365 days), of which ¥1,020 million ($9,910 thousand) and ¥639 million were secured, respectively.

As of March 31, 2014 and 2013, ¥3,033 million ($29,469 thousand) and ¥3,260 million of short-term loans payable and long-term loans payable were collateralized by assets amounting to ¥6,340 million ($61,602 thousand) and ¥6,191 million, respectively.

The weighted-average interest rates for short-term loans payable and current portion of long-term loans payable as of March 31, 2014 and 2013 were 0.933% and 0.978%, respectively.

Long-term debt (excluding lease obligations) comprised:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans payable from banks, insurance companies and other, due 2015 to 2022 with interest rates of 0.650% to 12.0% at March 31, 2014 and with interest rates of 0.014% to 12.0% at March 31, 2013			
Secured	¥ 2,013	¥ 2,621	$ 19,559
Unsecured	31,675	42,708	307,763
1.30% unsecured bonds with stock acquisition rights due 2013 issued in the overseas market	—	20,000	—
Unsecured bonds with stock acquisition rights due 2018 issued in the domestic market	19,997	20,000	194,297
0.53% unsecured yen bonds due 2018 issued in the domestic market	10,000	—	97,163
	63,685	85,329	618,782
Less: current portion due within one year	(8,734)	(33,991)	(84,862)
Total	¥54,951	¥51,338	$533,920

The maturities of long-term debt (excluding lease obligations) are summarized as follows:

As of March 31	Millions of yen	Thousands of U.S. dollars
2015	¥ 8,734	$ 84,862
2016	4,333	42,101
2017	18,463	179,392
2018	21,001	204,052
2019	10,640	103,381
2020 and thereafter	514	4,994

9 Impairment Loss of Long-Lived Assets

Fiscal year ended March 31, 2014

The Group reported impairment loss of long-lived assets amounting to ¥328 million ($3,187 thousand) in the fiscal year ended March 31, 2014. The impairment loss was recognized in the following asset groups: Idle asset and assets planned to be sold.

Outline of asset grouping: The Group categorizes its assets according to its business segments, but idle assets are grouped individually.

Recognition of impairment loss: Since idle buildings and structures, machinery, equipment and vehicle, land and others are no longer expected to contribute to earnings in future periods, the book value has been reduced to a memorandum value. Also, since the price at which buildings and structures and land held for sales is below the book value of such assets, the Company has written down the book value to the recoverable value.

Computation of recoverable value: The recoverable value of assets has been calculated as the net sales value. For land, reasonable estimates of its recoverable value have been made based on land tax assessment and other information.

Fiscal year ended March 31, 2013

The Group reported impairment loss of long-lived assets amounting to ¥278 million in the fiscal year ended March 31, 2013. The impairment loss was recognized in the following asset groups: Asset held for sale, equipment for the manufacturing of chillers machinery and idle assets.

Outline of asset grouping: The Group categorizes its assets according to its business segments, but idle assets are grouped individually.

Recognition of impairment loss: Since the price at which buildings and structures and land held for sale is below the book value of such assets, the Company has written down the book value to the recoverable value. Also, since the value in use 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, equipment and vehicles and land are no longer expected to contribute to earnings in future periods, the book value has been reduced to the memorandum value or recoverable value.

Computation of recoverable value: The recoverable value of assets has been calculated as the value in use or the net sales value. The recoverable value of land is estimated by reasonable methods, taking land tax assessment and other information as a base. The discount rate used for measuring the value in use as the recoverable value based on future cash flows was 6.0%.

10 Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the fiscal years ended March 31, 2014 and 2013:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized holding gains (losses) on securities:			
Amount arising during the fiscal year	¥ 1,151	¥ 771	$ 11,184
Reclassification adjustments for gains (losses) realized in net income	6	44	58
Amount of unrealized holding gains (losses) on securities before tax effect	1,157	815	11,242
Tax effect	(412)	(287)	(4,003)
Unrealized holding gains (losses) on securities	745	528	7,239
Deferred gains (losses) on hedges:			
Amount arising during the fiscal year	(39)	8	(379)
Reclassification adjustments for gains (losses) realized in net income	—	—	—
Amount of unrealized holding gains (losses) on securities before tax effect	(39)	8	(379)
Tax effect	15	(3)	146
Deferred gains (losses) on hedges	(24)	5	(233)
Translation adjustment:			
Amount arising during the fiscal year	11,893	8,596	115,556
Reclassification adjustments for gains (losses) realized in net income	—	254	—
Translation adjustment	11,893	8,850	115,556
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the fiscal year	90	59	874
Total other comprehensive income	¥12,704	¥9,442	$123,436

11 Net Assets

The Companies Act of Japan (Act No.86 of 2005, as amended) provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the total of the capital reserve and the legal reserve equals 25% of the common stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

Dividends

1. Dividends paid

For the fiscal year ended March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Regular General Meeting of Shareholders on June 27, 2013	Common stock	¥1,161	$11,281	¥2.50	$0.024	March 31, 2013	June 28, 2013

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Board Meeting on November 8, 2013	Common stock	¥1,161	$11,281	¥2.50	$0.024	September 30, 2013	December 3, 2013

For the fiscal year ended March 31, 2013

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Regular General Meeting of Shareholders on June 28, 2012	Common stock	¥2,111	¥5.00	March 31, 2012	June 29, 2012

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Board Meeting on November 5, 2012	Common stock	¥1,056	¥2.50	September 30, 2012	December 4, 2012

2. Dividends with the cut-off date in the fiscal year ended March 31, 2014 and the effective date in the fiscal year ending March 31, 2015

Resolution	Type of shares	Total dividends (millions of yen)	Total dividends (thousands of U.S. dollars)	Source of dividends	Dividends per share (yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Regular General Meeting of Shareholders on June 26, 2014	Common stock	¥2,322	$22,561	Retained earnings	¥5.00	$0.049	March 31, 2014	June 27, 2014

Dividends with the cut-off date in the fiscal year ended March 31, 2013 and the effective date in the fiscal year ended March 31, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Source of dividends	Dividends per share (yen)	Cut-off date	Effective date
Regular General Meeting of Shareholders on June 27, 2013	Common stock	¥1,161	Retained earnings	¥2.50	March 31, 2013	June 28, 2013

12 Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2014 and 2013 are reconciled to cash on hand and in banks and securities in the consolidated balance sheets as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash on hand and in banks	¥ 97,840	¥ 90,753	$950,641
Securities	5,514	23,553	53,576
Securities and others with maturities of more than three months	(531)	(20,005)	(5,160)
Time deposits with maturities of more than three months	(485)	(510)	(4,713)
Cash and cash equivalents	¥102,338	¥ 93,791	$994,344

13 Leases

(As lessee)

1. Finance lease transactions

Finance lease transactions other than those for which the ownership transfers to the lessee

(1) Components of lease assets

Tangible fixed assets

This mainly comprises production equipment (tool, furniture and fixtures, etc.).

(2) Declining balance method of lease assets

This is presented under “Lease assets” in the section “Note 2. Summary of Significant Accounting Policies.”

2. Operating lease transactions

Future minimum lease payments for non-cancelable operating leases are summarized as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥ 776	¥ 582	$ 7,540
Due after one year	2,197	2,375	21,347
Total	¥2,973	¥2,957	$28,887

14 Financial Instruments

1. Status of financial instruments

(1) Policies regarding financial instruments

The Company raises the necessary long-term funds for its capital investment and other requirements principally from bank borrowings, the issuance of bonds and other means. Short-term working capital is raised through bank borrowings and other sources, as necessary. Available short-term funds are invested in highly secure financial assets. In addition, derivatives are used to avoid risk based on actual demand, and the Company’s policy is not to use derivatives for speculative purposes.

(2) Types and risk for financial instruments

Notes and accounts receivable-trade, which are operating assets, are exposed to customer credit risk. In addition, since the Company conducts its business activities globally, its operating assets denominated in foreign currencies are exposed to foreign currency risk. To manage foreign currency risk, the Company hedges its net foreign currency assets and liabilities position through the use of foreign currency borrowings and deposits. The Company’s consolidated subsidiaries use foreign currency forward contracts to hedge foreign currency exposure.

Securities and investment securities are principally certificates of deposit, money market funds (MMFs) and stocks in financial institutions and other companies that are held for business relationship purposes and are, therefore, exposed to market price fluctuations.

Notes and accounts payable-trade, which are operating liabilities, are settled, for the most part, within one year. In addition, a portion of these, which arise in connection with imports of motors and other items, are denominated in foreign currencies and are exposed to foreign currency risk; however, in general, the balance of these liabilities is within the amounts of accounts receivable-trade denominated in foreign currencies. Among these, a portion of borrowings have floating interest rates and are subject to interest-rate risk. These are hedged through the use of derivatives (interest-rate swaps).

Derivative transactions comprise forward exchange contract transactions for the purpose of hedging exchange rate fluctuation risk for trade payables and receivables denominated in foreign currencies and interest rate swap transactions for the purpose of hedging interest rate fluctuation risk for interest payable on loans. Please note that further information on hedge accounting, including hedging instruments, hedged items, hedging policy, and assessing the effectiveness of hedging, may be found in a previous section entitled “Hedging accounting methods” in the section “Note 2. Summary of Significant Accounting Policies.”

(3) Risk management systems for financial instruments

a. Management of credit risk (risk related to nonperformance of contractual obligations by transaction counterparties)

Regarding operating assets, the Company’s finance and business departments, based on the Company’s regulations related to credit management, monitor the conditions of principal business customers and supervise the payment dates and balances by customers with the aims of identifying possible deterioration in the financial conditions of customers and other issues related to the recovery of exposure at an early date and taking steps to minimize credit risk. The Company’s consolidated subsidiaries have also adopted the same method of management.

For securities held to maturity, under the Company’s regulations, investments are made only in securities with high credit ratings, and the credit risk of these investments is minimal.

The maximum value of credit risk, as of the date of the closing of accounts, is shown by the value on the balance sheets of financial assets subject to credit risk.

b. Management of market risk (risk of fluctuations in foreign currency rates, interest rates and other indicators)

To manage foreign currency risk, assets and liabilities denominated in foreign currencies are classified by currency, and risk is hedged through the use of foreign currency borrowings and deposits. Also, for foreign currency assets and liabilities, the Company makes use of foreign currency forward contracts to hedge its exposure. Please note that depending on conditions in foreign currency markets, for confirmed and scheduled foreign currency assets and obligations that are certain to take place, the Company makes arrangements for foreign currency forward contracts. To hedge against interest-rate fluctuations, the Company makes use of interest-rate swaps.

For securities and investment securities, the Company confirms the market prices and the financial condition of the issuers (transactions counterparties). In addition, for securities other than those held to maturity, the Company reviews its holdings on a continuing basis, taking account of the relationship with the issuer (counterparty).

For derivatives, the Company and its consolidated subsidiaries manage such exposure based on the Company's regulations for accounting for financial instruments.

c. Management of liquidity risk related to fund-raising (risk of being unable to meet payment obligations on the scheduled date)

The Company's finance department prepares and revises cash flow plans based on reports from the Company's departments, and manages liquidity risk by maintaining a volume of liquidity appropriate for business conditions. Also, as an alternative to liquid assets, the Company manages its liquidity by arranging for commitment lines in a specified amount.

(4) Supplementary information on the fair value of financial instruments

The fair value of financial instruments, in addition to values based on market prices, includes the value of instruments that do not have market prices that have been calculated based on reasonable methods. Since factors that may fluctuate are taken into account in these calculations, the respective values may change when different assumptions are adopted.

In addition, the contract value of derivatives, as contained in "Information of the fair value of financial instruments," does not indicate the value of the market risk of these derivative transactions.

2. Information on the fair value of financial instruments

The amounts shown on the consolidated balance sheets as of March 31, 2014 and 2013 (the Company's closing date of the consolidated accounts), the corresponding fair values, and differences between book and fair value are as follows.

Please note that the values of the financial instruments for which ascertaining the fair value is recognized to be extremely difficult have not been included. (Refer to Note 2.)

	Millions of yen		
As of March 31, 2014	On consolidated balance sheets	Fair value	Difference
Cash on hand and in banks	¥ 97,840	¥ 97,840	¥ —
Notes and accounts receivable-trade	184,078		
Allowance for doubtful accounts (*1)	(2,706)		
	¥181,372	¥181,239	¥ (133)
Securities and investment securities	18,736	18,736	—
Total	¥297,948	¥297,815	¥ (133)
Notes and accounts payable-trade	¥103,339	¥103,339	¥ —
Short-term loans payable	62,918	62,918	—
Bonds payable	10,000	9,743	(257)
Bonds with subscription rights to shares	19,997	19,331	(666)
Long-term loans payable	24,954	28,767	3,813
Total	¥221,208	¥224,098	¥2,890
Derivative transactions (*2)	¥ (20)	¥ (20)	¥ —

	Millions of yen		
As of March 31, 2013	On consolidated balance sheets	Fair value	Difference
Cash on hand and in banks	¥ 90,753	¥ 90,753	¥ —
Notes and accounts receivable-trade	157,459		
Allowance for doubtful accounts (*1)	(1,702)		
	¥155,757	¥155,594	¥ (163)
Securities and investment securities	35,282	35,282	—
Total	¥281,792	¥281,629	¥ (163)
Notes and accounts payable-trade	¥ 95,887	¥ 95,887	¥ —
Short-term loans payable	66,014	66,014	—
Current portion of bonds with subscription rights to shares	20,000	20,000	—
Bonds with subscription rights to shares	20,000	18,731	(1,269)
Long-term loans payable	31,338	31,225	(113)
Total	¥233,239	¥231,857	¥(1,382)
Derivative transactions (*2)	¥ 19	¥ 19	¥ —

	Thousands of U.S. dollars		
As of March 31, 2014	On consolidated balance sheets	Fair value	Difference
Cash on hand and in banks	$ 950,641	$ 950,641	$ —
Notes and accounts receivable-trade	1,788,554		
Allowance for doubtful accounts (*1)	(26,292)		
	1,762,262	1,760,970	(1,292)
Securities and investment securities	182,044	182,044	—
Total	$2,894,947	$2,893,655	$ (1,292)
Notes and accounts payable-trade	1,004,071	1,004,071	$ —
Short-term loans payable	611,329	611,329	—
Bonds payable	97,163	94,666	(2,497)
Bonds with subscription rights to shares	194,297	187,826	(6,471)
Long-term loans payable	242,460	279,508	37,048
Total	$2,149,320	$2,177,400	$28,080
Derivative transactions (*2)	$ (194)	$ (194)	$ —

(*1) The full amount of the allowance for doubtful accounts is excluded. Please note that the allowance for doubtful accounts includes notes receivable-trade, accounts receivable-trade and accounts receivable-other that are considered to be doubtful.

(*2) The net amount of the assets and liabilities is shown.

Note 1: Methods of calculating the fair value of financial instruments and matters related to securities and derivatives

(1) Assets

a. Cash on hand and in banks

These items are settled within short periods and are shown at their respective book value, which is almost equivalent to their settlement values.

b. Notes and accounts receivable-trade

The fair value of these financial instruments is calculated, by specified period and type of security, as the present value by discounting the cash flow to maturity using a discount rate that takes account of credit risk.

c. Securities and investment securities

The fair value for stocks is based on quoted market prices. Also, certificates of deposit are settled within short periods and are shown at their respective book value, which is almost equivalent to their settlement values. For securities to be held to maturity, please refer to "Note 15. Marketable and Investment Securities."

(2) Liabilities

a. Notes and accounts payable-trade and short-term loans payable

Since these items are settled within short periods of time and the book value is close to fair value, they are presented at book value.

b. Bonds payable, bonds with subscription rights to shares and long-term loans payable

These fair values are calculated using the discount rate that would apply if the full amount of the principal were newly borrowed. Long-term borrowings at floating rates are subject to special treatment as interest-rate swaps, with the total amount of the principal being treated together with the related interest-rate swap, and the value is calculated as the present value, of the same kind of borrowing, using a discount rate determined by reasonable estimation methods.

(3) Derivative transactions

Please refer to "Note 16. Derivative Financial Instruments."

Note 2: Financial instruments for which ascertaining the fair value is recognized to be extremely difficult

	On consolidated balance sheets		
As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Stocks of affiliate companies	¥ 7,357	¥ 6,620	$ 71,483
Unlisted stocks	4,433	4,847	43,072
Total	¥11,790	¥11,467	$114,555

Note: Market values are not available for these stocks, and, since ascertaining their fair value is recognized to be extremely difficult, the values of these stocks have not been included in "Securities and investment securities."

Note 3: Monetary claims and securities with maturity dates that are scheduled to be amortized after the closing date of the consolidated accounts

	Millions of yen			
As of March 31, 2014	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash on hand and in banks	¥ 97,840	¥ —	¥ —	¥—
Notes and accounts receivable-trade	178,502	5,469	107	—
Investment securities and other securities:				
Bonds to be held to maturity:				
Other	2	356	0	—
Other securities with maturity:				
Other	1,823	—	—	—
Total	¥278,167	¥5,825	¥107	¥—

	Millions of yen			
As of March 31, 2013	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash on hand and in banks	¥ 90,753	¥ —	¥ —	¥—
Notes and accounts receivable-trade	152,050	5,216	193	—
Investment securities and other securities:				
Bonds to be held to maturity:				
Other	1	356	0	—
Other securities with maturity:				
Other	23,549	—	—	—
Total	¥266,353	¥5,572	¥193	¥—

	Thousands of U.S. dollars			
As of March 31, 2014	Within 1 year	Over 1 year and within 5 years	Over 5 years and within 10 years	Over 10 years
Cash on hand and in banks	$ 950,641	$ —	$ —	$—
Notes and accounts receivable-trade	1,734,376	53,138	1,040	—
Investment securities and other securities:				
Bonds to be held to maturity:				
Other	19	3,459	0	—
Other securities with maturity:				
Other	17,713	—	—	—
Total	$2,702,749	$56,597	$1,040	$—

Note 4: Interest-bearing debt that is scheduled to be repaid after the closing date of the consolidated accounts

	Millions of yen					
As of March 31, 2014	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	¥54,184	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	—	—	—	10,000	—
Bonds with subscription rights to shares	—	—	—	19,997	—	—
Long-term loans payable	8,734	4,333	18,463	1,004	640	514
Lease obligations	628	482	325	195	103	71
Total	¥63,546	¥4,815	¥18,788	¥21,196	¥10,743	¥585

	Millions of yen					
As of March 31, 2013	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	¥52,024	¥ —	¥ —	¥ —	¥ —	¥ —
Current portion of bonds with subscription rights to shares	20,000	—	—	—	—	—
Bonds with subscription rights to shares	—	—	—	—	20,000	—
Long-term loans payable	13,991	8,215	4,030	17,955	504	634
Lease obligations	655	449	287	131	35	4
Total	¥86,670	¥8,664	¥4,317	¥18,086	¥20,539	¥638

	Thousands of U.S. dollars					
As of March 31, 2014	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 3 years	Over 3 years and within 4 years	Over 4 years and within 5 years	Over 5 years
Short-term loans payable	$526,467	$ —	$ —	$ —	$ —	$ —
Bonds payable	—	—	—	—	97,163	—
Bonds with subscription rights to shares	—	—	—	194,297	—	—
Long-term loans payable	84,862	42,101	179,392	9,755	6,218	4,994
Lease obligations	6,102	4,683	3,158	1,895	1,001	689
Total	$617,431	$46,784	$182,550	$205,947	$104,382	$5,683

15 Marketable and Investment Securities

Marketable and investment securities comprise securities which have fair value. The book value, gross unrealized gains and losses and fair value for such securities at March 31, 2014 and 2013 are as follows.

Held-to-maturity-securities:

	Millions of yen			
As of March 31, 2014	Book value	Unrealized gains	Unrealized losses	Fair value
Book value over fair value				
Others	¥350	¥—	¥2	¥348

	Thousands of U.S. dollars			
As of March 31, 2014	Book value	Unrealized gains	Unrealized losses	Fair value
Book value over fair value				
Others	$3,401	$—	$20	$3,381

No items reported for the year ended March 31, 2013

Other securities:

	Millions of yen			
As of March 31, 2014	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	¥7,677	¥3,766	¥—	¥11,443
Historical cost over book value				
Equity securities	1,504	—	74	1,430
Others	5,513	—	—	5,513

	Millions of yen			
As of March 31, 2013	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	¥ 7,639	¥2,806	¥ —	¥10,445
Historical cost over book value				
Equity securities	1,551	—	263	1,288
Others	23,549	—	—	23,549

	Thousands of U.S. dollars			
As of March 31, 2014	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	$74,592	$36,591	$ —	$111,183
Historical cost over book value				
Equity securities	14,613	—	719	13,894
Others	53,566	—	—	53,566

Proceeds from sales of marketable and investment securities and realized gains and losses for the fiscal years ended March 31, 2014 and 2013 are as follows.

Other securities:

	Millions of yen		
For the fiscal year ended March 31, 2014	Proceeds from sales	Realized gains	Realized losses
Equity securities	¥96	¥41	¥—

	Millions of yen		
For the fiscal year ended March 31, 2013	Proceeds from sales	Realized gains	Realized losses
Equity securities	¥57	¥7	¥1

	Thousands of U.S. dollars		
For the fiscal year ended March 31, 2014	Proceeds from sales	Realized gains	Realized losses
Equity securities	$933	$398	$—

Impairment loss on securities:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation loss on investment securities	¥84	¥398	$816

16 Derivative Financial Instruments

Fiscal year ended March 31, 2014

1. Derivatives not subject to hedge accounting

No items reported

2. Derivatives subject to hedge accounting

(1) Currency related

			Millions of yen		
Classification	Transaction	Hedged items	Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract	Accounts receivable-trade and accounts payable-trade			
	To sell:				
	CAD		¥ 25	¥—	¥ 0
	EUR		465	—	(20)
	To buy:				
	EUR		23	—	0
	Total		¥513	¥—	¥(20)

			Thousands of U.S. dollars		
Classification	Transaction	Hedged items	Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract	Accounts receivable-trade and accounts payable-trade			
	To sell:				
	CAD		$ 243	$—	$ 0
	EUR		4,518	—	(194)
	To buy:				
	EUR		223	—	0
	Total		$4,984	$—	$(194)

Note: Fair value is computed based on quotes from financial institutions, among other sources.

(2) Interest-rate related

			Millions of yen		
Classification	Transaction	Hedged items	Contractual value	Contractual value over 1 year	Fair value
Special treatment of interest-rate swaps	Interest-rate swap contract Receipts floating, payments fixed	Long-term loans payable	¥19,013	¥15,000	(See note below)

			Thousands of U.S. dollars		
Classification	Transaction	Hedged items	Contractual value	Contractual value over 1 year	Fair value
Special treatment of interest-rate swaps	Interest-rate swap contract Receipts floating, payments fixed	Long-term loans payable	$184,736	$145,744	(See note below)

Note: Items subject to special treatment of interest-rate swaps are handled together with long-term loans payable that are subject to hedging. The fair value is presented in "2. Information on the fair value of financial instruments" in the section "Note 14. Financial Instruments."

Fiscal year ended March 31, 2013

1. Derivatives not subject to hedge accounting

No items reported

2. Derivatives subject to hedge accounting

(1) Currency related

Classification	Transaction	Hedged items	Millions of yen Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract	Accounts receivable-trade and accounts payable-trade			
	To sell:				
	CAD		¥ 25	¥—	¥ 0
	EUR		804	—	18
	To buy:				
	EUR		142	—	(1)
	GBP		1	—	(0)
	JPY		99	—	2
	Total		¥1,071	¥—	¥19

Note: Fair value is computed based on quotes from financial institutions, among other sources.

(2) Interest-rate related

Classification	Transaction	Hedged items	Millions of yen Contractual value	Contractual value over 1 year	Fair value
Special treatment of interest-rate swaps	Interest-rate swap contract Receipts floating, payments fixed	Long-term loans payable	¥27,038	¥19,013	(See note below)

Note: Items subject to special treatment of interest-rate swaps are handled together with long-term loans payable that are subject to hedging. The fair value is presented in "2. Information on the fair value of financial instruments" in the section "Note 14. Financial Instruments."

17 Retirement Benefits

Fiscal year ended March 31, 2014

The Company and certain consolidated subsidiaries have either funded or unfunded defined benefit plans and a defined contribution plan.

The Company and certain consolidated subsidiaries have defined benefit plans that consist of a defined-benefit corporate pension plan and a lump-sum payment plan. Further, the Company has set up a retirement benefit trust. Also, certain consolidated subsidiaries apply the simplified method to calculate the retirement benefit obligation.

1. The changes in the retirement benefit obligation (excluding plans that applied the simplified method) during the fiscal year ended March 31, 2014 are as follows:

As of March 31	Millions of yen 2014	Thousands of U.S. dollars 2014
Balance at April 1, 2013	¥66,782	$648,873
Service cost	2,644	25,690
Interest cost	2,068	20,093
Actuarial (gain) loss	(2,103)	(20,433)
Retirement benefits paid	(6,746)	(65,546)
Others	4,903	47,639
Balance at March 31, 2014	¥67,548	$656,316

2. The changes in plan assets during the fiscal year ended March 31, 2014 are as follows:

As of March 31	Millions of yen 2014	Thousands of U.S. dollars 2014
Balance at April 1, 2013	¥45,325	$440,391
Expected return on plan assets	2,501	24,300
Actuarial gain (loss)	2,324	22,581
Company contributions	3,922	38,107
Retirement benefits paid	(4,544)	(44,151)
Others	3,351	32,559
Balance at March 31, 2014	¥52,879	$513,787

3. The changes in net defined benefit liability for plans that applied the simplified method during the fiscal year ended March 31, 2014 are as follows:

As of March 31	Millions of yen 2014	Thousands of U.S. dollars 2014
Balance at April 1, 2013	¥1,621	$15,751
Retirement benefit expense	200	1,943
Retirement benefits paid	(103)	(1,001)
Balance at March 31, 2014	¥1,718	$16,693

4. The following table sets forth the funded status of the plan and the amounts recognized in the consolidated balance sheets as of March 31, 2014 for the defined benefit plans:

As of March 31	Millions of yen 2014	Thousands of U.S. dollars 2014
Funded retirement benefit obligation	¥52,541	$510,503
Plan assets	(52,879)	(513,787)
	(338)	(3,284)
Unfunded retirement benefit obligation	16,725	162,505
Net liability for retirement benefits in the consolidated balance sheets	16,387	159,221
Net defined benefit liability	16,440	159,736
Net defined benefit asset	(53)	(515)
Net liability for retirement benefits in the consolidated balance sheets	¥16,387	$159,221

5. The components of retirement benefit expense for the fiscal year ended March 31, 2014 are as follows:

For the fiscal years ended March 31	Millions of yen 2014	Thousands of U.S. dollars 2014
Service cost	¥2,644	$25,690
Interest cost	2,068	20,093
Expected return on plan assets	(2,501)	(24,300)
Amortization of actuarial loss (gain)	991	9,629
Amortization of prior service cost	15	146
Retirement benefit expense calculated by the simplified method	200	1,943
Others	41	398
Retirement benefit expense	¥3,458	$33,599

6. Unrecognized prior service cost and actuarial gain (loss) included in remeasurements of defined benefit plans of accumulated other comprehensive income (before tax effect) as of March 31, 2014 are as follows:

As of March 31	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ (419)	$ (4,071)
Unrecognized actuarial gain (loss)	(8,776)	(85,270)
Total	¥(9,195)	$(89,341)

7. Plan assets

(1) Plan assets

Percentages of total plan assets for major components as of March 31, 2014 are as follows:

As of March 31	2014
Stocks	53%
Debt securities	23
General accounts	17
Others	7
Total	100%

Note: A retirement benefit trust set up for the corporate pension plan accounts for 13% of total plan assets.

(2) Method of determining expected long-term rate of return on plan assets

In determining an expected long-term rate of return on plan assets, the Company considers current and projected plan asset allocations and current and expected future long-term rates of return on various components of plan assets.

8. Assumptions used for actuarial calculation

The assumptions used mainly for actuarial calculation for the above plans were as follows:

For the fiscal years ended March 31	2014
Assumptions to determine above obligation and cost:	
Discount rate (the Company and domestic subsidiaries)	2.0%
Discount rate (foreign subsidiaries)	4.4%
Expected long-term rate of return on plan assets (the Company and domestic subsidiaries)	2.7%
Expected long-term rate of return on plan assets (foreign subsidiaries)	8.0%

9. Defined contribution plans

The amount to be paid by the Company and its consolidated subsidiaries to defined contribution plans was ¥846 million ($8,220 thousand) for the fiscal year ended March 31, 2014.

Fiscal year ended March 31, 2013

The Company, its domestic consolidated subsidiaries and some foreign consolidated subsidiaries have defined benefit plans and defined contribution plans. The defined benefit plans consist of a lump-sum payment plan and a defined-benefit corporate pension plan. The details are as follows:

As of March 31	Millions of yen
	2013
Benefit obligation:	
Benefit obligation	¥ 68,403
Plan assets	(45,325)
Unrecognized actuarial loss	(12,930)
Unrecognized prior service cost	(519)
Net amount recognized	¥ 9,629

Notes 1. Certain consolidated subsidiaries apply the simplified method to calculate the retirement benefit obligation.
2. Retirement benefit obligation and reserve for retirement benefits include post-retirement healthcare benefits of ¥4,147 million that an overseas consolidated subsidiary has recognized.

For the fiscal years ended March 31	Millions of yen
	2013
Benefit cost:	
Service cost	¥3,034
Interest cost	2,182
Expected return on plan assets	(998)
Recognized actuarial loss	681
Recognized prior service cost	50
Special retirement benefits	266
Others	760
Net periodic benefit cost	¥5,975

Note: Retirement benefit expenses for consolidated subsidiaries adopting the simplified method are included in "Service cost."

For the fiscal years ended March 31	
	2013
Assumptions to determine above obligation and cost:	
Discount rate (the Company and domestic subsidiaries)	2.0%
Discount rate (foreign subsidiaries)	4.0%
Expected return rate on plan assets (the Company and domestic subsidiaries)	2.7%
Expected return rate on plan assets (foreign subsidiaries)	8.0%
Amortization period of actuarial loss	10 years
Amortization period of prior service cost	10 years

18 Stock Options

1. Items and amounts of related expenses presented in the consolidated accounts for the fiscal years ended March 31, 2014 and 2013 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cost of sales	¥ 29	¥ 26	$ 282
Selling, general and administrative expenses	272	158	2,643

2. Description and movement of stock options

(1) Description of stock options granted by the end of the fiscal year ended March 31, 2014

	1st subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 9 persons
	2. Executive officers in the Company: 23 persons
Number of stock options granted by type of stock	Common stock: 1,223,000 shares (Note 1)
Granted date	November 5, 2009
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2011 to November 5, 2024

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted share options may exercise those options only while serving as directors or executive officers of the Company and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on equity (ROE; the "attained performance") is less than 8.0% (the "target performance") for the final fiscal year-end within a two-year period (the "final fiscal year"), those granted share options may only exercise share option rights for a number of shares calculated by multiplying the number of share option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those granted share options are those newly appointed as directors or executive officers after July 1, 2009, or when those granted share options retire from their positions as directors or executive officers before the final day of the final fiscal year, the number of share option rights they may exercise is calculated by multiplying the adjusted figure described in Note 3 above by a tenure period ratio (a figure representing the ratio of days of tenure to the number of days in the period from April 1, 2009, through March 31, 2011).
5. When the calculations described in notes 3 and 4 above result in numbers of exercisable share option rights including a fraction of a right (a figure less than one), this fractional right is to be discarded.
6. When those who were granted share options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of share option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted share options in question may not exercise a number of share options in excess of the restricted number.
7. When those granted share options die, the heirs of those people may exercise the share options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
8. In addition to the provisions described in each of the previous notes, the exercise of share options is to be undertaken in accordance with the conditions stipulated in "share option grant contracts" agreed between the Company and those granted share options.

	2nd subscription rights to shares
Scope and number of people eligible to be granted stock options	Executive officers in the Company: 4 persons
Number of stock options granted by type of stock	Common stock: 36,000 shares (Note 1)
Granted date	September 28, 2010
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2011 to November 5, 2024

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted share options may exercise those options only while serving as directors or executive officers of the Company and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on equity (ROE; the "attained performance") is less than 8.0% (the "target performance") for the final fiscal year-end within a one-year period (the "final fiscal year"), those granted share options may only exercise share option rights for a number of shares calculated by multiplying the number of share option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those granted share options are those newly appointed as directors or executive officers after July 1, 2010, or when those granted share options retire from their positions as directors or executive officers before the final day of the final fiscal year, the number of share option rights they may exercise is calculated by multiplying the adjusted figure described in Note 3 above by a tenure period ratio (a figure representing the ratio of days of tenure to the number of days in the period from April 1, 2010, through March 31, 2011).
5. When the calculations described in notes 3 and 4 above result in numbers of exercisable share option rights including a fraction of a right (a figure less than one), this fractional right is to be discarded.
6. When those who were granted share options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of share option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted share options in question may not exercise a number of share options in excess of the restricted number.
7. When those granted share options die, the heirs of those people may exercise the share options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
8. In addition to the provisions described in each of the previous notes, the exercise of share options is to be undertaken in accordance with the conditions stipulated in "share option grant contracts" agreed between the Company and those granted share options.

	3rd subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 8 persons
	2. Executive officers in the Company: 23 persons
Number of stock options granted by type of stock	Common stock: 1,615,000 shares (Note 1)
Granted date	September 27, 2011
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2014 to June 30, 2026

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted share options may exercise those options only while serving as directors or executive officers of the Company and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") is less than 8.0% (the "target performance") for the final fiscal year-end within a three-year period (the "final fiscal year"), those granted share options may only exercise share option rights for a number of shares calculated by multiplying the number of share option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those who were granted share options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of share option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted share options in question may not exercise a number of share options in excess of the restricted number.
5. When those granted share options die, the heirs of those people may exercise the share options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
6. In addition to the provisions described in each of the previous notes, the exercise of share options is to be undertaken in accordance with the conditions stipulated in "share option grant contracts" agreed between the Company and those granted share options.

	4th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 4 persons 2. Executive officers in the Company: 4 persons 3. Directors and executive officers in subsidiaries: 10 persons
Number of stock options granted by type of stock	Common stock: 534,000 shares (Note 1)
Granted date	October 1, 2012
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2014 to June 30, 2026

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted share options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") reaches 8.0% (the "target performance") for the final fiscal year that ends within a two-year period from the date of grant of share options (the "final fiscal year"), those granted share options may exercise all share option rights. On the other hand, if the Company's attained performance is less than the target performance for the final fiscal year, those granted share options may only exercise share option rights for a number of shares calculated by multiplying the number of share option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those who were granted share options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of share option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted share options in question may not exercise a number of share options in excess of the restricted number.
5. When those granted share options die, the heirs of those people may exercise the share options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
6. In addition to the provisions described in each of the previous notes, the exercise of share options is to be undertaken in accordance with the conditions stipulated in "share option grant contracts" agreed between the Company and those granted share options.

	5th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 5 persons 2. Executive officers in the Company: 4 persons 3. Directors and executive officers in subsidiaries: 7 persons
Number of stock options granted by type of stock	Common stock: 212,000 shares (Note 1)
Granted date	October 1, 2013
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2014 to June 30, 2026

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted share options may exercise those options only while serving as directors or executive officers of the Company or subsidiaries and during a period of five years after retiring from those positions.
3. If the Company's consolidated return on invested capital (ROIC; the "attained performance") reaches 8.0% (the "target performance") for the final fiscal year that ends within a one-year period from the date of grant of share options (the "final fiscal year"), those granted share options may exercise all share option rights. On the other hand, if the Company's attained performance is less than the target performance for the final fiscal year, those granted share options may only exercise share option rights for a number of shares calculated by multiplying the number of share option rights by the vesting ratio (a figure with a lower limit of 0.5 calculated by dividing the attained performance by the target performance).
4. When those who were granted share options are recognized to have executed their official duties in an illegal or improper manner during their tenure, it is possible for the Company to restrict the number of share option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted share options in question may not exercise a number of share options in excess of the restricted number.
5. When those granted share options die, the heirs of those people may exercise the share options until a date three months after the day following the date of death or until a date six months after the last day of the final fiscal year, whichever is later.
6. In addition to the provisions described in each of the previous notes, the exercise of share options is to be undertaken in accordance with the conditions stipulated in "share option grant contracts" agreed between the Company and those granted share options.

(2) Movement of stock options and status of related changes

With respect to stock options existing during the consolidated fiscal year ended March 31, 2014, the relevant numbers of stock options and numbers of shares issuable on the conversion of stock options are as follows:

a) Number of stock options

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares	5th subscription rights to shares
Share subscription rights which are not yet vested					
Outstanding as of March 31, 2013	—	—	1,615,000	534,000	—
Granted	—	—	—	—	212,000
Forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Unvested balance	—	—	1,615,000	534,000	212,000
Share subscription rights which have already been vested					
Outstanding as of March 31, 2013	791,000	36,000	—	—	—
Vested	—	—	—	—	—
Exercised	63,000	—	—	—	—
Forfeited	—	—	—	—	—
Unexercised balance	728,000	36,000	—	—	—

b) Price information

	1st subscription rights to shares	2nd subscription rights to shares	3rd subscription rights to shares	4th subscription rights to shares	5th subscription rights to shares
Exercise price (yen)	1	1	1	1	1
Weighted average exercise price (yen)	452	—	—	—	—
Fair value per stock at the granted date (yen)	341	343	245	288	520

3. Method of estimating the fair value of stock options

Regarding 5th subscription rights to shares issued during the consolidated fiscal year ended March 31, 2014, the method of estimating the fair value of the share options is as follows.

a) Evaluation method used: Black-Scholes Method

b) Basic parameters and evaluation methods

	5th subscription rights to shares
Expected volatility (Note 1)	40.93%
Expected holding period (Note 2)	7.0 years
Expected dividend (Note 3)	¥4.29 per share
Risk-free rate (Note 4)	0.410%

Notes: 1. Expected volatility is calculated based on actual stock prices during the preceding seven years (from October 1, 2006, through September 30, 2013).
2. Because sufficient data has not yet been accumulated and a rational estimate is difficult, estimates were performed based on an assumption that share options are exercised at the midpoint of the period in which the options may be exercised.
3. The expected dividend is a simple average value calculated based on actual dividends during the most recent seven fiscal years.
4. The risk-free rate corresponds to the interest rate (compounded) on Japanese government bonds with remaining periods to maturity of approximately seven years as of September 30, 2013.

4. Method of estimating the number of vested stock option rights

Basically, because rationally estimating the number of rights invalidated in the future is difficult, the method used is to reflect only the number of rights that are actually forfeited.

19 Income Taxes

1. Significant components of deferred tax assets and liabilities are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Bonus payment reserve	¥ 2,402	¥ 2,554	$ 23,339
Loss recognized on a percentage-of-completion basis	583	730	5,665
Accrued enterprise tax	210	117	2,040
Reserve for retirement benefits	—	5,064	—
Net defined benefit liability	6,502	—	63,175
Reserve for directors' retirement benefits	53	54	515
Unrealized gains on fixed assets	1,233	1,269	11,980
Tax loss carried forward	19,200	22,415	186,553
Valuation loss on investment securities	2,174	1,604	21,123
Research and development expenses	46	100	447
Loss on write-down of inventories	3,277	3,645	31,840
Reserve for warranties for completed construction	4,010	3,742	38,962
Allowance for doubtful accounts	1,540	1,470	14,963
Others	6,434	6,235	62,515
Subtotal	¥ 47,664	¥ 48,999	$ 463,117
Valuation allowance	¥(18,031)	¥(19,240)	$(175,194)
Total deferred tax assets	¥ 29,633	¥ 29,759	$ 287,923
Deferred tax liabilities:			
Reserve for deferred gains on sales of fixed assets	(1,140)	(1,350)	(11,077)
Net unrealized gains (losses) on investment securities	(1,317)	(904)	(12,796)
Others	(3,205)	(2,133)	(31,141)
Total deferred tax liabilities	¥ (5,662)	¥ (4,387)	$ (55,014)
Net deferred tax assets	¥ 23,971	¥25,372	$ 232,909

2. A summary of the major differences between the Japanese statutory tax rate and the Group's effective tax rate is as follows:

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

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 used to calculate deferred tax assets and deferred tax liabilities was changed from 38.0% to 35.6% for the temporary differences expected to be realized or settled from consolidated fiscal years beginning April 1, 2014.

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

20 Segment Information

For the fiscal years ended March 31, 2014 and 2013

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 operates in three business segments as follows:

Segment	Principal Products	Contents
Fluid Machinery & Systems	Pumps, compressors, turbines, refrigeration equipment, fans and others	Manufacture, sale, operation and maintenance (O&M) services and others
Environmental Engineering	Municipal waste incineration plants, industrial waste incineration plants, water treatment plants and others	Engineering, construction, O&M services and others
Precision Machinery	Dry vacuum pumps, CMP systems, plating systems, gas abatement systems and others	Manufacture, sale and maintenance

2. Calculation method used for sales, profits and losses, 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 "Notes to the Consolidated Financial Statements."

Profits from reportable segments are figures based on operating income.

Intersegment sales 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 for the fiscal years ended March 31, 2014 and 2013 is as follows:

	Millions of yen							
	Reportable segments							
For the fiscal year ended March 31, 2014	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to customers	¥322,176	¥52,984	¥71,810	¥446,970	¥ 1,688	¥448,658	¥ —	¥448,658
Intersegment sales and transfers	224	20	9	253	3,186	3,439	(3,439)	—
Total	¥322,400	¥53,004	¥71,819	¥447,223	¥ 4,874	¥452,097	¥ (3,439)	¥448,658
Segment income	¥ 22,175	¥ 4,768	¥ 4,651	¥ 31,594	¥ 520	¥ 32,114	¥ 81	¥ 32,195
Segment assets	¥307,203	¥45,020	¥73,934	¥426,157	¥15,689	¥441,846	¥88,365	¥530,211
Others:								
Depreciation expense	¥ 7,926	¥ 312	¥ 2,680	¥ 10,918	¥ 1,260	¥ 12,178	¥ (60)	¥ 12,118
Amortization of goodwill	325	—	—	325	—	325	—	325
Investments for companies applying equity method	1,474	4,674	—	6,148	—	6,148	—	6,148
Increase in tangible and intangible assets	9,464	697	3,842	14,003	4,165	18,168	(15)	18,153

	Thousands of U.S. dollars							
	Reportable segments							
For the fiscal year ended March 31, 2014	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to customers	$3,130,354	$514,808	$697,726	$4,342,888	$ 16,400	$4,359,288	$ —	$4,359,288
Intersegment sales and transfers	2,176	194	87	2,457	30,956	33,413	(33,413)	—
Total	$3,132,530	$515,002	$697,813	$4,345,345	$ 47,356	$4,392,701	$ (33,413)	$4,359,288
Segment income	$ 215,458	$ 46,327	$ 45,190	$ 306,975	$ 5,051	$ 312,026	$ 788	$ 312,814
Segment assets	$2,984,872	$437,427	$718,364	$4,140,663	$152,438	$4,293,101	$858,580	$5,151,681
Others:								
Depreciation expense	$ 77,011	$ 3,031	$ 26,040	$ 106,082	$ 12,243	$ 118,325	$ (583)	$ 117,742
Amortization of goodwill	3,158	—	—	3,158	—	3,158	—	3,158
Investments for companies applying equity method	14,322	45,414	—	59,736	—	59,736	—	59,736
Increase in tangible and intangible assets	91,955	6,772	37,330	136,057	40,468	176,525	(146)	176,379

Notes: 1. The "Others" item in the table above is the business segment for operations that are not included among reportable 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) Segment assets consisted of ¥90,719 million ($881,452 thousand) for corporate assets and ¥(2,354) million ($(22,872) thousand) for eliminations among intersegment sales and transfers. The corporate assets primarily consisted of cash and cash equivalents, some investment securities and deferred tax assets of the Group.
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 reconciled within operating income in the consolidated statements of income.

For the fiscal year ended March 31, 2013	Millions of yen							
	Reportable segments							
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to customers	¥305,586	¥52,496	¥66,504	¥424,586	¥ 1,716	¥426,302	¥ —	¥426,302
Intersegment sales and transfers	319	5	—	324	3,721	4,045	(4,045)	—
Total	¥305,905	¥52,501	¥66,504	¥424,910	¥ 5,437	¥430,347	¥ (4,045)	¥426,302
Segment income	¥ 15,942	¥ 5,177	¥ 3,306	¥ 24,425	¥ 552	¥ 24,977	¥ 107	¥ 25,084
Segment assets	¥267,037	¥46,393	¥60,327	¥373,757	¥20,594	¥394,351	¥110,225	¥504,576
Others:								
Depreciation expense	¥ 8,221	¥ 340	¥ 2,950	¥ 11,511	¥ 921	¥ 12,432	¥ (76)	¥ 12,356
Amortization of goodwill	382	—	—	382	—	382	—	382
Investments for companies applying equity method	1,283	4,418	—	5,701	—	5,701	—	5,701
Increase in tangible and intangible assets	6,876	394	2,486	9,756	2,574	12,330	(28)	12,302

Notes: 1. The "Others" item in the table above is the business segment for operations that are not included among reportable 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) Segment assets consisted of ¥113,022 million for corporate assets and ¥(2,797) million for eliminations among intersegment sales and transfers. The corporate assets primarily consisted of cash and cash equivalents, some investment securities, and deferred tax assets of the Group.
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 reconciled within operating income in the consolidated statements of income.

Reference information

1. Geographical segment information for the fiscal years ended March 31, 2014 and 2013 is as follows:

a. Net sales

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japan	¥211,859	¥210,566	$2,058,482
Asia	129,995	117,126	1,263,068
North America	50,059	45,631	486,387
Others	56,745	52,979	551,351
Total	¥448,658	¥426,302	$4,359,288

Note: Net sales information above is based on the location of the customer.

b. Property, plant and equipment

As of March 31	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japan	¥67,707	¥66,299	$657,860
Asia	11,492	9,320	111,660
North America	15,459	13,638	150,204
Others	1,924	1,465	18,694
Total	¥96,582	¥90,722	$938,418

Information about impairment loss on fixed assets by reportable segments for the fiscal years ended March 31, 2014 and 2013 is as follows:

For the fiscal year ended March 31, 2014	Millions of yen						
	Reportable segments						
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	¥5	¥1	¥18	¥24	¥304	¥—	¥328

For the fiscal year ended March 31, 2013	Millions of yen						
	Reportable segments						
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	¥263	¥0	¥0	¥263	¥15	¥—	¥278

For the fiscal year ended March 31, 2014	Thousands of U.S. dollars						
	Reportable segments						
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	$49	$10	$174	$233	$2,954	$—	$3,187

Information about amortization of goodwill and year-end balances by reportable segments for the fiscal years ended March 31, 2014 and 2013 is as follows:

For the fiscal year ended March 31, 2014	Millions of yen						
	Reportable segments						
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	¥ 325	¥—	¥—	¥ 325	¥—	¥—	¥ 325
Balance as of March 31	1,605	—	—	1,605	—	—	1,605

For the fiscal year ended March 31, 2013	Millions of yen						
	Reportable segments						
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	¥ 382	¥—	¥—	¥ 382	¥—	¥—	¥ 382
Balance as of March 31	1,785	—	—	1,785	—	—	1,785

For the fiscal year ended March 31, 2014	Thousands of U.S. dollars						
	Reportable segments						
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	$ 3,158	$—	$—	$ 3,158	$—	$—	$ 3,158
Balance as of March 31	15,595	—	—	15,595	—	—	15,595

Independent Auditor's Report

The Board of Directors
EBARA CORPORATION

We have audited the accompanying consolidated financial statements of EBARA CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of EBARA CORPORATION and its consolidated subsidiaries as at March 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC

June 26, 2014
Tokyo, Japan