FINANCIAL SECTION 2016

EBARA CORPORATION
For the Year Ended March 31, 2016

Financial Review

Overview

During the fiscal year ended March 31, 2016, uncertainty about future trends continued overall, as crude oil prices stagnated and concerns about geopolitical risk remained. Amid these conditions, the economies of the United States and Europe continued to recover moderately. In Asia, although growth in the Chinese economy slowed and public investment in Japan remained on a moderate downward trend, there were signs of improvement in private capital investment in Japan. Overall, the trend toward recovery continued.

Amid these economic conditions, the EBARA Group (the "Group") has prepared three-year, medium-term management plan entitled "E-Plan 2016" which has the four basic policies: (1) steadily capturing the growth in global market into the Group's business; (2) becoming a service provider that targets the entire lifecycle of the product / plant; (3) continuously enhancing our core competence (technological capabilities) as an industrial machinery manufacturer; and (4) enhancing the management infrastructure that supports global business expansion. Under these principles, the Group has positioned the period of E-Plan 2016 as "a turning point in which it will explicitly steer a course from the current stage of 'reinforcement of the management foundation' to a stage of 'growth'" and intends to realize change and accelerate growth in a timely manner.

As a consequence, net sales for the fiscal year amounted to ¥486,235 million (an increase of 0.7% year on year), and operating income amounted to ¥38,011 million (an increase of 10.0% year on year). Sales were about the same as in the prior year due to an increase in the PM Company and the EE Company despite a decrease in the FMS Company. Operating income were higher year on year due to a large improvement in the PM Company.

Other income (expenses), net, amounted to expenses of ¥6,325 million, and decreased ¥8,546 million from the previous fiscal year, mainly as a result of a provision for loss on litigation of ¥6,457 million in the fiscal year under review.

Consequently, income before income taxes and non-controlling interests amounted to ¥31,686 million. Profit attributable to owners of parent amounted to ¥17,254 million, a decrease of 26.8% year on year.

Financial Position

Assets

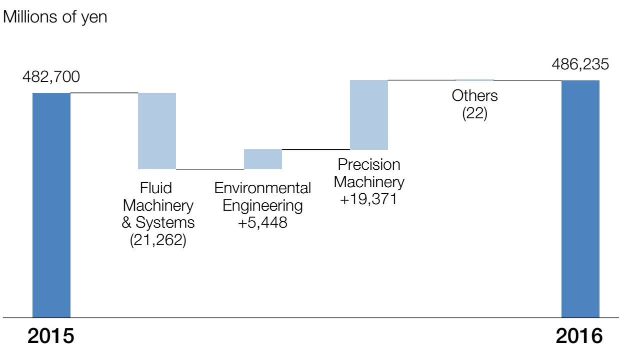
Total assets at the end of the fiscal year ended March 31, 2016, were ¥579,543 million, ¥9,151 million higher than at the end of the previous fiscal year. The principal causes for these movements were as follows.

Total current assets expanded ¥8,322 million because of an increase in notes and accounts receivable-trade of ¥6,447 million and an increase in inventories of ¥8,718 million despite a decrease in cash on hand and in banks and securities of ¥5,321 million.

Property, plant and equipment, net, increased ¥2,699 million because of the implementation of capital expenditures of ¥15,730 million and depreciation and amortization charges of ¥11,611 million.

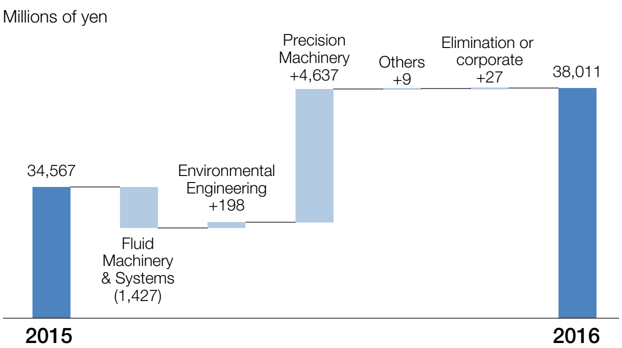
Total investments and other assets decreased due primarily to a decrease in investment securities.

Net Sales



(Fiscal years ended March 31)

Operating Income



(Fiscal years ended March 31)

Liabilities

Total liabilities at the end of the fiscal year ended March 31, 2016, were ¥329,098 million, ¥6,259 million higher than at the end of the previous fiscal year. The principal causes of these movements were as follows.

Total current liabilities increased ¥15,372 million because of a net increase in short-term loans payable and current portion of long-term debt of ¥12,808 million and a net increase in notes and accounts payable-trade and electronically recorded obligations of ¥5,391 million.

Total long-term liabilities decreased ¥9,113 million as a result of a decrease in long-term debt of ¥14,780 million despite an increase in provision for loss on litigation of ¥6,457 million.

Net Assets

Total net assets at the end of the fiscal year ended March 31, 2016, amounted to ¥250,445 million, ¥2,892 million higher than at the end of the previous fiscal year. Although EBARA CORPORATION (the "Company") paid cash dividends of ¥6,624 million and a decrease in translation adjustments of ¥4,864 million, this increase in net assets was due to the reporting of profit attributable to owners of parent of ¥17,254 million. Shareholders' equity (Total net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥241,017 million, and the equity ratio was 41.6%.

Cash Flows

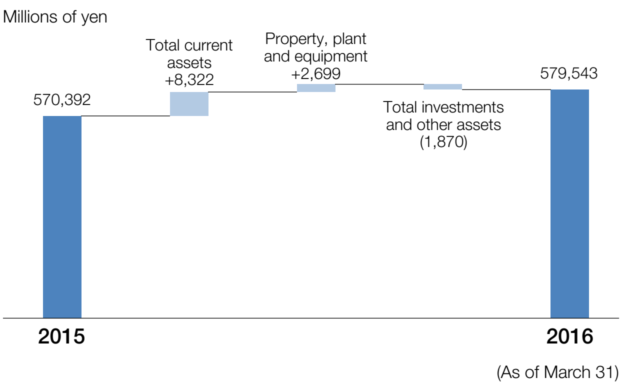
Net cash provided by operating activities amounted to a net inflow of ¥21,528 million, for the fiscal year ended March 31, 2016, compared with a net inflow ¥11,296 million for the previous fiscal year. This primarily reflected the recovery of notes and accounts receivable-trade.

Net cash used in investing activities amounted to a net outflow of ¥14,343 million for the fiscal year ended March 31, 2016, compared with a net outflow of ¥15,894 million for the previous fiscal year. This primarily reflected purchases of fixed assets of ¥12,499 million.

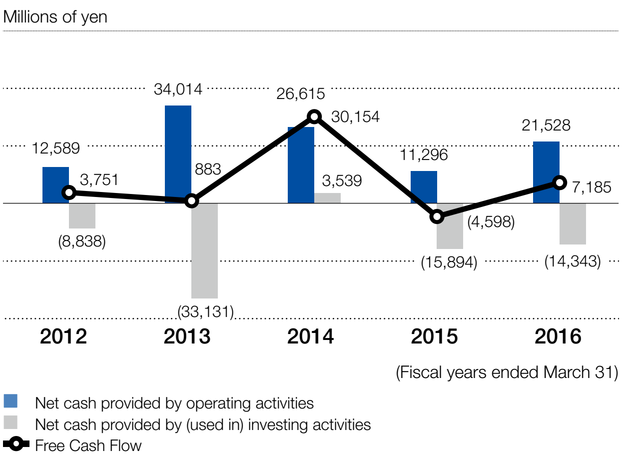
Free cash flow, or the sum of cash flows from operating and investing activities, amounted to a net inflow of ¥7,185 million for the fiscal year ended March 31, 2016, compared with a net outflow of ¥4,598 million for the previous fiscal year. Net cash used in financing activities amounted to a net outflow of ¥9,655 million for the fiscal year ended March 31, 2016, compared with a net outflow of ¥7,045 million for the previous fiscal year. This primarily reflected cash dividends paid of ¥6,624 million and a net decrease in short-term loans payable of ¥1,349 million.

As a consequence, cash and cash equivalents at the end of the fiscal year ended March 31, 2016, amounted to ¥91,185 million, ¥4,418 million lower than at the end of the previous fiscal year.

Total Assets



Cash Flows



Capital Expenditures

Regarding investments, during the fiscal year, the Group implemented capital expenditures amounting to ¥15,730 million. These were primarily for the expansion of production capacity and the introduction of equipment to enhance productivity. In addition, investment amounts include investments in property, plant and equipment and intangible fixed assets.

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 production capacity and increasing productivity, and the amount of capital investment during the fiscal year was ¥9,754 million.

Environmental Engineering Company

This segment invested in technology development to enhance IT equipment and functionality. Investments by this segment totaled ¥518 million.

Precision Machinery Company

Investments were made principally for equipment for the development of new products. Investments by this segment totaled ¥3,332 million.

Liquidity and Capital Resources

(1) Capital Resources

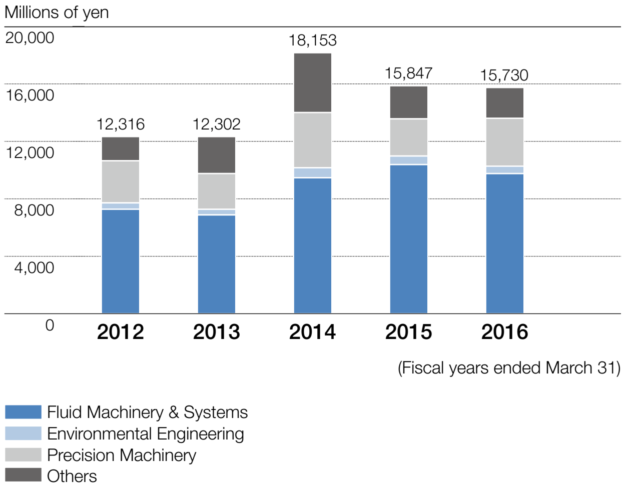
At the end of the fiscal year under review, on a consolidated basis, the Group had total interest-bearing debt of ¥120,127 million, comprising ¥78,456 million in short-term interest-bearing liabilities and ¥41,671 million in long-term interest-bearing liabilities. This balance decreased ¥1,374 million from the total balance at the end of the previous fiscal year of ¥121,501 million.

During the fiscal year under review, the Group's free cash flow, defined as net cash flow from operating activities plus net cash flow from investing activities, amounted to a net inflow of ¥7,185 million, and the amount of net inflow increased ¥11,783 million from the previous fiscal year. This was the result of a ¥10,232 million increase in net cash provided by operating activities and ¥1,551 million decrease of net cash used in investing activities.

(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.

Capital Expenditures



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 ¥91,185 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

The Group's R&D expenditures are focused on four major categories of R&D activities for creating high levels of value:

1. R&D for common basic technology for establishing the competitiveness that underpins operations and for combining this technology to create core product technology,
2. R&D for discovery and practical application of seed technology based on a medium-to-long-term perspective,
3. R&D for building upon current technology, creating practical applications for new technology, and developing technology for product applications, and
4. R&D for improving existing products.

In regard to the first two categories, the R&D organization that commenced activities in the corporate headquarters in April 2014 played a central role in advancing R&D in these categories, working closely with companies and pursuing joint research with universities and other outside research bodies. As for the third and fourth categories, individual business divisions and Group companies led the initiatives. In addition, we began implementing the Ebara Innovation for X (EIX) system to promote R&D activities in new fields that do not fall into any of the above categories. R&D expenses amounted to ¥7,633 million during the fiscal year under review.

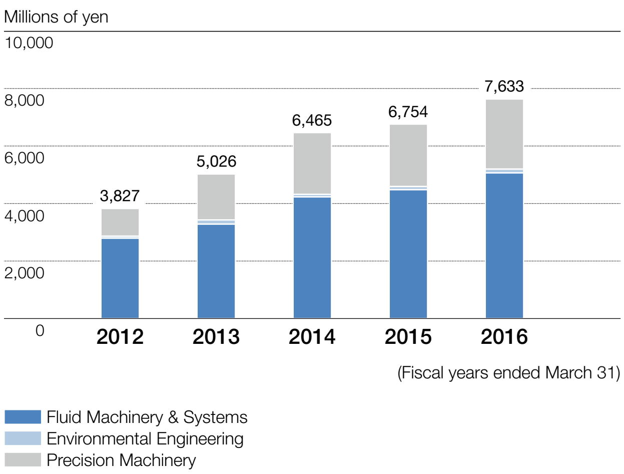
Activities by business segment are as follows:

Fluid Machinery & Systems Company

In the fluid machinery and systems field, the Group bolstered product lineups and strengthened product appeal through coordination with overseas Group companies, subsequently launching new products for the global market in its pump business. Specific areas targeted in this undertaking included those that promise continuing medium-to-long-term growth, which include water infrastructure, energy (electricity, oil, and gas), and the environment (energy saving). For developing products, the Group introduced an integrated product management system that encompasses everything from marketing activities to the accomplishment of post-market earnings targets. In the chillers business, we worked to develop new industrial-use turbo chillers while expanding product series. In regard to basic technologies, we proceeded with the development of machine elements that are critical for product creation, reinforced numerical simulation technology and optimization technology, standardized numerical analysis and evaluation processes, and developed and applied service and support technologies.

The FMS Company made expenditures on R&D amounting to ¥5,064 million during the fiscal year under review.

R&D Expenses



Environmental Engineering Company

In the environmental engineering field, the Group is engaged in design, build, and operate (DBO) services for waste processing facilities, which entail providing engineering, procurement, and construction (EPC) and operation and maintenance (O&M) services on a comprehensive, long-term basis. We are also developing facility lifetime-lengthening operations in which we make proposals for extending the lifespan of existing facilities as well as long-term comprehensive management contract operations in which we receive contracts for long-term O&M services at existing facilities. In these businesses, current conditions are creating ever greater demand for solutions provision capabilities and stronger cost competitiveness. In addition, the introduction of the feed-in tariff (FIT) scheme for renewable energy has been stimulating an increase in demand for biomass power generation. In light of these conditions, the Group is developing new products and technologies that contribute to the strengthening of facilities' functionality through upgrades and help to reduce lifecycle costs. At the same time, the Group's development activities include improving upon repair, maintenance, and operating technology and creating biomass generation element technologies. The EE Company made expenditures on R&D amounting to ¥131 million during the fiscal year under review.

Precision Machinery Company

In the precision machinery field, the Group is developing new processing equipment and improving existing equipment to manufacture semiconductor devices that are compatible with development requirements for the miniaturization of chips and three-dimensional integration as well as for new packaging technology, an area recently garnering attention. As for component products, the Group is developing products that can further contribute to energy savings and reduced environmental footprints. Also, the Group is continuing research on next-generation semiconductor processing technologies through joint development and consortia with customers and joint research with prominent universities. The PM Company made expenditures on R&D amounting to ¥2,438 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 pressures on the prices of most of the products and services it offers may have a negative impact on the Group's performance. In addition, the percentage of the business of the EE Company accounted for by the public sector is high, and its performance is influenced by trends in expenditures on public works projects. Moreover, the businesses of the PM Company are strongly affected by market fluctuations accompanying the silicon cycle.

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

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

11. Litigation about sales of the Company's Former Headquarters and its Haneda Plant

As provided for in the sales contract for the land where the Company's former headquarters and its Haneda Plant were located, the area was handed over to Yamato Transport Co., Ltd. Subsequently, during the course of the construction of a logistics terminal by this company, slate fragments containing asbestos were discovered. Yamato Transport Co., Ltd. has brought a lawsuit against the Company for the payment of damages in the amount of ¥8,505 million (including indemnities due to delay in payment) in connection with the Company's failure to perform its obligations as stated in the transfer contract and owing to its responsibility for the provision of defective collateral. The Company's view is that the fragments of slate do not constitute grounds for the charges of "failure to perform its obligations as stated in the transfer contract and owing to responsibility for the provision of defective collateral." The Company has obtained a written legal opinion from a law office substantiating this view, and the Company expressed its position in testimony and provided evidence. However, the Tokyo District Court ruled on April 28, 2016, the Company pay ¥5,618 million (including indemnities due to delay in payment), and the Company appeals this decision by the Tokyo District Court. The Company has already written off ¥6,457 million, as a provision for loss on litigation under this lawsuit, in its accounts for the period ended March 31, 2016. 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 unrecognized actuarial differences and unrecognized costs related to past 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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
ASSETS	2016	2015	2016
Current assets:			
Cash on hand and in banks and securities	¥ 94,189	¥ 99,510	$ 835,898
Notes and accounts receivable-trade	216,311	209,864	1,919,693
Electronically recorded monetary claims	727	156	6,452
Allowance for doubtful accounts	(3,234)	(2,371)	(28,700)
Inventories (Note 5)	88,909	80,191	789,040
Deferred tax assets (Note 19)	12,506	13,101	110,987
Other current assets	13,994	14,629	124,191
Total current assets	423,402	415,080	3,757,561
Property, plant and equipment:			
Land	21,246	21,083	188,552
Buildings and structures	110,873	110,248	983,963
Machinery, equipment and vehicles	125,495	122,409	1,113,729
Lease assets (Note 13)	3,902	3,564	34,629
Construction in progress	7,960	6,634	70,643
Other	34,570	34,550	306,798
	304,046	298,488	2,698,314
Accumulated depreciation	(199,077)	(196,218)	(1,766,746)
Property, plant and equipment, net (Note 6)	104,969	102,270	931,568
Investments and other assets:			
Investment securities (Notes 6 and 15)	16,670	21,084	147,941
Investments in and advances to subsidiaries and affiliates	12,726	10,298	112,939
Long-term loans receivable	802	851	7,118
Deferred tax assets (Note 19)	5,921	7,595	52,547
Net defined benefit asset (Note 17)	32	30	284
Other investments	8,411	7,007	74,645
Other assets	11,410	9,894	101,260
Allowance for doubtful accounts	(4,800)	(3,717)	(42,599)
Total investments and other assets	51,172	53,042	454,135
Total assets	¥ 579,543	¥ 570,392	$ 5,143,264

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 4) 2016
Current liabilities:			
Short-term loans payable (Notes 6 and 8)	**¥ 58,386**	¥ 60,252	**$ 518,158**
Current portion of long-term debt (Notes 6 and 8)	**19,329**	4,655	**171,539**
Notes and accounts payable-trade	**68,905**	81,121	**611,510**
Electronically recorded obligations	**47,551**	29,944	**422,000**
Accrued income taxes	**4,128**	1,792	**36,635**
Deferred tax liabilities	**—**	0	**—**
Lease obligations	**741**	664	**6,576**
Reserve for warranties for completed construction	**3,889**	4,346	**34,514**
Reserve for product warranties	**3,507**	2,907	**31,124**
Reserve for construction losses	**7,748**	6,327	**68,761**
Reserve for expenses related to the sales of land	**254**	1,844	**2,254**
Accrued expenses and other current liabilities	**45,162**	50,376	**400,798**
Total current liabilities	**259,600**	244,228	**2,303,869**
Long-term liabilities:			
Long-term debt (Notes 6 and 8)	**39,859**	54,639	**353,736**
Lease obligations	**1,812**	1,291	**16,081**
Reserve for directors' retirement benefits	**160**	208	**1,420**
Provision for loss on litigation	**6,457**	—	**57,304**
Net defined benefit liability (Note 17)	**16,682**	17,198	**148,048**
Deferred tax liabilities	**429**	341	**3,807**
Asset retirement obligations	**1,900**	1,857	**16,862**
Other long-term liabilities	**2,199**	3,077	**19,515**
Total long-term liabilities	**69,498**	78,611	**616,773**
Net assets (Note 11)**:**			
Shareholders' equity:			
Common stock:			
Authorized: 1,000,000,000 shares			
Issued: 466,044,596 shares in 2016 and 465,644,024 shares in 2015	**68,761**	68,697	**610,233**
Capital surplus	**72,691**	72,627	**645,110**
Retained earnings	**102,446**	91,816	**909,176**
Treasury stock: 909,563 shares in 2016 and 890,743 shares in 2015	**(408)**	(398)	**(3,621)**
Total shareholders' equity	**243,490**	232,742	**2,160,898**
Accumulated other comprehensive income:			
Net unrealized gains (losses) on investment securities	**2,740**	5,325	**24,317**
Deferred gains (losses) on hedges	**(12)**	74	**(106)**
Translation adjustments	**5,879**	10,743	**52,174**
Remeasurements of defined benefit plans	**(11,080)**	(9,825)	**(98,332)**
Total accumulated other comprehensive income	**(2,473)**	6,317	**(21,947)**
Subscription rights to shares	**952**	730	**8,449**
Non-controlling interests	**8,476**	7,764	**75,222**
Total net assets	**250,445**	247,553	**2,222,622**
Total liabilities and net assets	**¥579,543**	¥570,392	**$5,143,264**

Consolidated Statements of Income

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Net sales	¥486,235	¥482,700	$4,315,184
Cost of sales	353,344	356,425	3,135,818
Gross profit	132,891	126,275	1,179,366
Selling, general and administrative expenses	94,880	91,708	842,031
Operating income	38,011	34,567	337,335
Other income (expenses):			
Interest and dividends income	713	701	6,328
Interest expenses	(1,205)	(1,281)	(10,694)
Gain on sales of securities	381	251	3,381
Write-down of securities and other investments	(2)	—	(18)
Gain (loss) on sales and retirement of fixed assets, net	(38)	392	(337)
Impairment loss (Note 9)	(261)	(51)	(2,316)
Reversal of reserve for expenses related to the sales of land	1,590	—	14,111
Provision for loss on litigation	(6,457)	—	(57,304)
Taxes and dues related to the overseas project	—	(221)	—
Other, net	(1,046)	2,430	(9,283)
	(6,325)	2,221	(56,132)
Income before income taxes and non-controlling interests	31,686	36,788	281,203
Income taxes (Note 19)**:**			
Current taxes	9,582	8,439	85,037
Deferred tax expenses (benefits)	3,208	3,024	28,470
	12,790	11,463	113,507
Profit	18,896	25,325	167,696
Profit attributable to non-controlling interests	1,642	1,744	14,572
Profit attributable to owners of parent	¥ 17,254	¥ 23,581	$ 153,124

	Yen		U.S. dollars
Per share of common stock:			
Profit attributable to owners of parent	¥37.12	¥50.77	$0.329
Fully diluted profit attributable to owners of parent	33.88	46.41	0.301
Cash dividends (Note 11)	12.00	12.00	0.106

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	**2016**
Profit	**¥18,896**	¥25,325	**$167,696**
Other comprehensive income:			
Net unrealized gains (losses) on investment securities	**(2,579)**	2,833	**(22,888)**
Deferred gains (losses) on hedges	**(86)**	86	**(763)**
Translation adjustments	**(5,114)**	10,508	**(45,385)**
Retirement benefits liability adjustments	**(1,282)**	(2,237)	**(11,377)**
Share of other comprehensive income of associates accounted for using equity method	**(41)**	86	**(365)**
Total other comprehensive income (Note 10)	**¥ (9,102)**	¥11,276	**$ (80,778)**
Comprehensive income:	**¥ 9,794**	¥36,601	**$ 86,918**
Total comprehensive income attributable to:			
Owners of parent	**¥ 8,464**	¥34,287	**$ 75,115**
Non-controlling interests	**1,330**	2,314	**11,803**

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, 2016 and 2015

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	465,644,024	¥68,697	¥72,627	¥ 91,816	¥(398)	¥232,742
Cumulative effects of changes in accounting policies						
Restated balance		**¥68,697**	**¥72,627**	**¥ 91,816**	**¥(398)**	**¥232,742**
Changes during the fiscal year						
Issuance of new shares (exercise of subscription rights to shares)	**400,572**	**64**	**64**			**128**
Cash dividends				**(6,624)**		**(6,624)**
Profit attributable to owners of parent				**17,254**		**17,254**
Purchase of treasury stock					**(10)**	**(10)**
Disposal of treasury stock			**0**		**0**	**0**
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	**400,572**	**64**	**64**	**10,630**	**(10)**	**10,748**
Balance at March 31, 2016	**466,044,596**	**¥68,761**	**¥72,691**	**¥102,446**	**¥(408)**	**¥243,490**

	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	Non-controlling interests	Total net assets
Balance at April 1, 2015	¥ 5,325	¥ 74	¥10,743	¥ (9,825)	¥ 6,317	¥730	¥7,764	¥247,553
Cumulative effects of changes in accounting policies								
Restated balance	**¥ 5,325**	**¥ 74**	**¥10,743**	**¥ (9,825)**	**¥ 6,317**	**¥730**	**¥7,764**	**¥247,553**
Changes during the fiscal year								
Issuance of new shares (exercise of subscription rights to shares)								**128**
Cash dividends								**(6,624)**
Profit attributable to owners of parent								**17,254**
Purchase of treasury stock								**(10)**
Disposal of treasury stock								**0**
Net changes of items other than shareholders' equity	**(2,585)**	**(86)**	**(4,864)**	**(1,255)**	**(8,790)**	**222**	**712**	**(7,856)**
Total changes during the fiscal year	**(2,585)**	**(86)**	**(4,864)**	**(1,255)**	**(8,790)**	**222**	**712**	**2,892**
Balance at March 31, 2016	**¥ 2,740**	**¥(12)**	**¥ 5,879**	**¥(11,080)**	**¥(2,473)**	**¥952**	**¥8,476**	**¥250,445**

The accompanying notes are an integral part of these statements.

	Thousands of U.S. dollars (Note 4)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	$609,665	$644,542	$814,838	$(3,532)	$2,065,513
Cumulative effects of changes in accounting policies					
Restated balance	**$609,665**	**$644,542**	**$814,838**	**$(3,532)**	**$2,065,513**
Changes during the fiscal year					
Issuance of new shares (exercise of subscription rights to shares)	568	568			1,136
Cash dividends			(58,786)		(58,786)
Profit attributable to owners of parent			153,124		153,124
Purchase of treasury stock				(89)	(89)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	568	568	94,338	(89)	95,385
Balance at March 31, 2016	**$610,233**	**$645,110**	**$909,176**	**$(3,621)**	**$2,160,898**

	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	Non-controlling interests	Total net assets
Balance at April 1, 2015	$ 47,258	$ 657	$ 95,341	$(87,194)	$ 56,062	$6,479	$68,903	$2,196,957
Cumulative effects of changes in accounting policies								
Restated balance	**$ 47,258**	**$ 657**	**$ 95,341**	**$(87,194)**	**$ 56,062**	**$6,479**	**$68,903**	**$2,196,957**
Changes during the fiscal year								
Issuance of new shares (exercise of subscription rights to shares)								1,136
Cash dividends								(58,786)
Profit attributable to owners of parent								153,124
Purchase of treasury stock								(89)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	(22,941)	(763)	(43,167)	(11,138)	(78,009)	1,970	6,319	(69,720)
Total changes during the fiscal year	(22,941)	(763)	(43,167)	(11,138)	(78,009)	1,970	6,319	25,665
Balance at March 31, 2016	**$ 24,317**	**$(106)**	**$ 52,174**	**$(98,332)**	**$(21,947)**	**$8,449**	**$75,222**	**$2,222,622**

		Millions of yen				
		Shareholders' equity				
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	465,187,829	¥68,625	¥72,554	¥70,629	¥(386)	¥211,422
Cumulative effects of changes in accounting policies				36		36
Restated balance		¥68,625	¥72,554	¥70,665	¥(386)	¥211,458
Changes during the fiscal year						
Issuance of new shares (exercise of subscription rights to shares)	456,195	72	72			144
Cash dividends				(4,063)		(4,063)
Profit attributable to owners of parent				23,581		23,581
Change of scope of consolidation				1,633		1,633
Purchase of treasury stock					(12)	(12)
Disposal of treasury stock			1		0	1
Net changes of items other than shareholders' equity						
Total changes during the fiscal year	456,195	72	73	21,151	(12)	21,284
Balance at March 31, 2015	465,644,024	¥68,697	¥72,627	¥91,816	¥(398)	¥232,742

	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	Non-controlling interests	Total net assets
Balance at April 1, 2014	¥2,419	¥(12)	¥ 1,792	¥(7,585)	¥(3,386)	¥827	¥6,184	¥215,047
Cumulative effects of changes in accounting policies								36
Restated balance	¥2,419	¥(12)	¥ 1,792	¥(7,585)	¥(3,386)	¥827	¥6,184	¥215,083
Changes during the fiscal year								
Issuance of new shares (exercise of subscription rights to shares)								144
Cash dividends								(4,063)
Profit attributable to owners of parent								23,581
Change of scope of consolidation								1,633
Purchase of treasury stock								(12)
Disposal of treasury stock								1
Net changes of items other than shareholders' equity	2,906	86	8,951	(2,240)	9,703	(97)	1,580	11,186
Total changes during the fiscal year	2,906	86	8,951	(2,240)	9,703	(97)	1,580	32,470
Balance at March 31, 2015	¥5,325	¥ 74	¥10,743	¥(9,825)	¥ 6,317	¥730	¥7,764	¥247,553

Consolidated Statements of Cash Flows

EBARA CORPORATION and Consolidated Subsidiaries
For the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2016	2015	2016
Cash Flows from Operating Activities:			
Income before income taxes and non-controlling interests	**¥ 31,686**	¥ 36,788	**$ 281,203**
Depreciation and amortization	**11,611**	13,039	**103,044**
Impairment loss	**261**	51	**2,316**
Loss (gain) on sales of securities and investment securities	**(381)**	(251)	**(3,381)**
Increase (decrease) in provision	**8,516**	1,349	**75,577**
Increase (decrease) in net defined benefit liability	**(3,595)**	(1,811)	**(31,905)**
Loss (gain) on sales of fixed assets	**(62)**	(611)	**(550)**
Interest and dividends income	**(713)**	(701)	**(6,328)**
Interest expenses	**1,205**	1,281	**10,694**
Decrease (increase) in notes and accounts receivable-trade	**(9,858)**	(18,568)	**(87,487)**
Decrease (increase) in inventories	**(10,072)**	(5,767)	**(89,386)**
Increase (decrease) in notes and accounts payable-trade	**6,127**	3,118	**54,375**
Increase / decrease in other assets/liabilities	**(5,951)**	(5,968)	**(52,813)**
Other loss (gain)	**(1,011)**	1,833	**(8,971)**
Sub-total	**27,763**	23,782	**246,388**
Interest and dividends received	**717**	1,648	**6,363**
Interest expenses paid	**(1,265)**	(1,290)	**(11,227)**
Income taxes paid	**(5,687)**	(12,844)	**(50,471)**
Net cash provided by operating activities	**21,528**	11,296	**191,053**
Cash Flows from Investing Activities:			
Purchases of fixed assets	**(12,499)**	(15,000)	**(110,925)**
Sales of fixed assets	**109**	1,006	**967**
Purchases of securities and investment securities	**(10,846)**	(15,494)	**(96,255)**
Sales and redemption of securities and investment securities	**11,167**	12,881	**99,104**
Payments into time deposits	**(1,048)**	(1,158)	**(9,301)**
Withdrawal of time deposits	**1,048**	810	**9,301**
Disbursement of loans receivable	**(318)**	(1,688)	**(2,822)**
Collection of loans receivable	**459**	2,728	**4,073**
Purchase of shares of subsidiaries	**—**	(9)	**—**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(2,129)**	—	**(18,895)**
Other	**(286)**	30	**(2,538)**
Net cash used in investing activities	**(14,343)**	(15,894)	**(127,291)**
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term loans payable	**(1,349)**	3,314	**(11,972)**
Proceeds from long-term loans payable	**4,679**	4,133	**41,525**
Repayment of long-term loans payable	**(5,111)**	(8,831)	**(45,359)**
Proceeds from issuance of common stock	**0**	0	**0**
Proceeds from disposal of treasury stock	**1**	1	**9**
Purchase of treasury stock	**(10)**	(12)	**(89)**
Cash dividends paid	**(6,624)**	(4,063)	**(58,786)**
Cash dividends paid to non-controlling interests	**(466)**	(868)	**(4,136)**
Other	**(775)**	(719)	**(6,877)**
Net cash used in financing activities	**(9,655)**	(7,045)	**(85,685)**
Translation Adjustments	**(1,948)**	4,076	**(17,285)**
Increase (Decrease) in Cash and Cash Equivalents	**(4,418)**	(7,567)	**(39,208)**
Cash and Cash Equivalents:			
At beginning of the fiscal year:			
Balance brought forward	**95,603**	102,340	**848,447**
Increase in cash and cash equivalents resulting from change of scope of consolidation	**—**	830	**—**
At end of the fiscal year (Note 12)	**¥ 91,185**	¥ 95,603	**$ 809,239**

The accompanying notes are an integral part of these statements.

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, 2016, the numbers of consolidated subsidiaries, non-consolidated subsidiaries that applied the equity method, and affiliated companies that applied the equity method were 54, 1 and 2 (53, 1 and 2 in 2015), respectively.

The financial statements of 27 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 straight-line method is used as the primary method for computing depreciation. 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.

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 ¥2,721 million ($24,148 thousand) (including work in process of ¥2,721 million) and ¥1,771 million (including work in process of ¥1,771 million) for the fiscal years ended March 31, 2016 and 2015, respectively.

The provision to the reserve for construction losses contained in cost of sales was ¥4,567 million ($40,531 thousand) and ¥3,930 million for the fiscal years ended March 31, 2016 and 2015, 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 fiscal year is based on the benefit formula basis.

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

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

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which the gain or loss is recognized 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 if all eligible employees voluntarily terminated their employment at the year-end.

Provision for loss on litigation

To prepare for possible losses on lawsuits, the Group estimates the amount of losses that may emerge in the future and sets aside the amount deemed necessary.

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

Hedging instruments

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

Hedged objects

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

Interest risk

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.

Currency exchange rate risk

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 ¥7,633 million ($67,741 thousand) and ¥6,754 million for the fiscal years ended March 31, 2016 and 2015, 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.

Profit (Loss) attributable to owners of parent and dividends per share

Primary profit (loss) attributable to owners of parent 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 profit attributable to owners of parent 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.

3. Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations

Effective from April 1, 2015, the Group has applied the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan [ASBJ] Statement No. 21, issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013), and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013). As a result, the Group has changed the accounting for changes in its ownership interest in the subsidiaries without loss of control as recognition of capital surplus for the difference caused by change in ownership interest, and has changed the accounting for acquisition-related costs as expenses in the fiscal year when they are incurred. Also, the Group changed its accounting treatment for the business combinations occurring on or after the beginning of the current fiscal year to reflect adjustments to the purchase price allocation under provisional accounting treatment on the consolidated financial statements in the fiscal year in which the business combinations become effective. In addition, the presentation method of profit attributable to owners of parent was changed and "Minority interests" was changed to "Non-controlling interests." To reflect the changes, the consolidated financial statements for the previous fiscal year have been reclassified.

The aforementioned accounting standards are adopted as of beginning of the current fiscal year and thereafter, according to the transitional treatment provided for in Accounting Standard for Business Combinations article 58-2 (4), Accounting Standard for Consolidated Financial Statements article 44-5 (4), and Accounting Standard for Business Divestitures article 57-4 (4).

In the consolidated statements of cash flows for the current fiscal year, cash flows from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are classified into "Cash flows from financing activities," while cash flows related to expenses arising from acquisition of shares of subsidiaries that result in change in the scope of consolidation, or expenses arising from acquisition or sale of shares of subsidiaries that do not result in change in the scope of consolidation are classified into "Cash flows from operating activities."

These changes had an immaterial impact on the consolidated financial statements for the current fiscal year.

Accounting standards issued but not yet effective

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016)

(1) Outline

The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" implements the following necessary revisions to the framework described in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Report No. 66, the audit committee of the Japanese Institute of Certified Public Accountants (JICPA)) for recoverability of deferred tax assets by dividing companies into five categories and estimating amounts of deferred tax assets to be recorded.

1. Treatment of companies that do not meet the conditions for categories 1–5
2. Conditions for categories 2 and 3
3. Treatment of future deductible temporary differences which cannot be scheduled in companies that qualify as category 2
4. Treatment of reasonable estimate period of future taxable income before temporary adjustments in companies that qualify as category 3
5. Treatment in cases that companies that meet the conditions for category 4 but qualify as categories 2 or 3

(2) Application schedule

The accounting guidance is adopted from the beginning of the fiscal year ending March 31, 2017.

(3) Effect of adoption of accounting standards

The effect of adopting the “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” is being evaluated at the time of preparation of these consolidated financial statements.

Changes in Accounting Policy that are Difficult to Distinguish from Changes in Accounting Estimates

(Changes in the Method of Calculating Depreciation on Tangible Fixed Assets)

Previously, EBARA CORPORATION (“the Company”) and its consolidated subsidiaries in Japan calculated depreciation on tangible fixed assets (excluding leased assets) principally using the declining-balance method, which is specified in the Corporation Tax Law. (For buildings (excluding fixtures attached to buildings) that were acquired on or after April 1, 1998, the Company uses the straight-line method.) However, the Company and its domestic consolidated subsidiaries have changed to the straight-line method from the current fiscal year. Under the Medium-Term Management Plan “E-Plan 2016” (covering the three-year period from fiscal year 2014 through fiscal year 2016) which is positioned as “a turning point in which it will explicitly steer a course from the current stage of ‘reinforcement of the management foundation’ to a stage of ‘growth,’ by prioritizing quantity (sales) in the overseas markets and quality (operating income) in the domestic market in Japan,” the Company, through the flexible and focused utilization of both internal and external resources, intends to realize change and accelerate growth in a timely manner. Based on this policy, the Group is transitioning to an optimal production system, including a review of functions and realignment of domestic and overseas production plants and is structuring a global production system.

For implementation of these policies, following a review of the usage of tangible fixed assets, the Company made the judgment that, since stable operation of domestic facilities is expected, changing from the declining-balance to the straight-line method of depreciation for tangible fixed assets of the Company and its domestic subsidiaries from the current fiscal year would more appropriately reflect the usage of these facilities.

As a result of this change, for the current fiscal year, operating income and income before income taxes were both ¥1,727 million ($15,326 thousand) higher than the case under the previous method.

The effects of this change for each segment are shown in the Segment Information section.

Additional Information

On October 23, 2015, a fire broke out at the waste processing facility for bulky refuse at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, as Ebara Environmental Plant Co., Ltd. (“EEP”), the Company’s consolidated subsidiary, was making repairs on the facility. EEP is responsible for the operation and management of a refuse incinerating facility that is located next to the bulky refuse processing plant where the fire occurred. Regarding this incident, the Company is discussing with Gifu City the restoration work for the damaged facility and compensation for related damages.

At this time, it is impossible to make a reasonable estimate of the effect of this incident on the Group’s consolidated statements of income.

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 ¥112.68=US$1, the rate of exchange prevailing on March 31, 2016.

5. Inventories

Inventories comprised the following:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Merchandise and finished goods	**¥13,046**	¥12,851	**$115,779**
Work in process	**47,122**	41,848	**418,193**
Raw materials and supplies	**28,741**	25,492	**255,068**
Total	**¥88,909**	¥80,191	**$789,040**

6. Pledged Assets and Related Liabilities

Pledged assets are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Buildings and structures	**¥4,255**	¥3,444	**$37,762**
Machinery, equipment and vehicles	**42**	1,139	**373**
Land	**103**	110	**914**
Others	**558**	3	**4,952**
Investment securities	**20**	20	**177**
Total	**¥4,978**	¥4,716	**$44,178**

Collateral for loans is as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Short-term loans payable	**¥283**	¥ 504	**$2,511**
Long-term loans payable	**942**	1,197	**8,360**

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

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Buildings and structures	**¥1,212**	¥—	**$10,756**
Investment securities	**20**	20	**177**
Others	**496**	—	**4,402**

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
	2016	2015	**2016**
Loans guaranteed:			
Nonconsolidated subsidiaries and affiliates	**¥ 9**	¥228	**$ 80**
Other	**112**	149	**994**

8. Short-Term Loans Payable and Long-Term Debt

As of March 31, 2016 and 2015, short-term loans payable amounted to ¥58,386 million ($518,158 thousand) and ¥60,252 million, respectively, and generally represented short-term loans payable (having a life of less than 365 days), of which ¥76 million ($674 thousand) and ¥0 million were secured, respectively.

As of March 31, 2016 and 2015, ¥1,225 million ($10,871 thousand) and ¥1,701 million of short-term loans payable and long-term loans payable were collateralized by the part of assets amounting to ¥4,978 million ($44,178 thousand) and ¥4,713 million, respectively.

The weighted-average interest rates for short-term loans payable and current portion of long-term loans payable as of March 31, 2016 and 2015 were 0.913% and 0.745%, respectively.

Long-term debt (excluding lease obligations) comprised:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans payable from banks, insurance companies and other, due 2017 to 2023 with interest rates of 0.410% to 15.4% at March 31, 2016 and with interest rates of 0.560% to 12.0% at March 31, 2015			
Secured	¥ 1,149	¥ 1,701	$ 10,197
Unsecured	28,051	27,599	248,944
Unsecured bonds with stock acquisition rights due 2018 issued in the domestic market	19,988	19,994	177,387
0.53% unsecured yen bonds due 2018 issued in the domestic market	10,000	10,000	88,747
	59,188	59,294	525,275
Less: current portion due within one year	(19,329)	(4,655)	(171,539)
Total	¥ 39,859	¥54,639	$ 353,736

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
2017	¥19,329	$171,539
2018	22,011	195,341
2019	11,394	101,119
2020	3,356	29,783
2021	2,998	26,606
2022 and thereafter	100	887

9. Impairment Loss of Long-Lived Assets

Fiscal year ended March 31, 2016

The Group reported impairment loss of long-lived assets amounting to ¥261 million ($2,316 thousand) in the fiscal year ended March 31, 2016. The impairment loss was recognized in the following asset groups: Idle assets and assets held for sale.

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 assets, casting equipment, testing facility, buildings and structures, machinery and equipment, land, software 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, land and others held for sale is below the book value of such assets, the Group 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 or the value in use. For land, reasonable estimates of its recoverable value have been made based on land tax assessment and other information. The value in use is assessed at zero in case the total of future cash flow is a negative amount.

Fiscal year ended March 31, 2015

The Group reported impairment loss of long-lived assets amounting to ¥51 million in the fiscal year ended March 31, 2015. The impairment loss was recognized in the following asset groups: Idle assets and assets held for sale.

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 machinery, equipment and vehicle, land, software 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 land held for sales is below the book value of such asset, the Group 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.

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, 2016 and 2015:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Net unrealized holding gains (losses) on securities:			
Amount arising during the fiscal year	**¥(3,524)**	¥ 4,020	**$(31,274)**
Reclassification adjustments for gains (losses) realized in net income	**(380)**	(17)	**(3,372)**
Amount of net unrealized holding gains (losses) on securities before tax effect	**(3,904)**	4,003	**(34,646)**
Tax effect	**1,325**	(1,170)	**11,758**
Unrealized holding gains (losses) on securities	**(2,579)**	2,833	**(22,888)**
Deferred gains (losses) on hedges:			
Amount arising during the fiscal year	**(26)**	103	**(231)**
Reclassification adjustments for gains (losses) realized in net income	**(100)**	23	**(886)**
Amount of deferred gains (losses) on hedges before tax effect	**(126)**	126	**(1,117)**
Tax effect	**40**	(40)	**354**
Deferred gains (losses) on hedges	**(86)**	86	**(763)**
Translation adjustments:			
Amount arising during the fiscal year	**(5,114)**	10,508	**(45,385)**
Retirement benefits liability adjustments:			
Amount arising during the fiscal year	**(2,636)**	(3,389)	**(23,394)**
Reclassification adjustments for gains (losses) realized in net income	**319**	501	**2,831**
Amount before tax effect	**(2,317)**	(2,888)	**(20,563)**
Tax effect	**1,035**	651	**9,186**
Retirement benefits liability adjustments	**(1,282)**	(2,237)	**(11,377)**
Share of other comprehensive income of associates accounted for using equity method:			
Amount arising during the fiscal year	**(41)**	86	**(365)**
Total other comprehensive income	**¥(9,102)**	¥11,276	**$(80,778)**

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, 2016

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 24, 2015	Common stock	**¥3,834**	**$34,026**	**¥8.25**	**$0.074**	March 31, 2015	June 25, 2015

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 10, 2015	Common stock	**¥2,790**	**$24,760**	**¥6.00**	**$0.053**	September 30, 2015	December 7, 2015

For the fiscal year ended March 31, 2015

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 26, 2014	Common stock	¥2,322	¥5.00	March 31, 2014	June 27, 2014

Resolution	Type of shares	Total dividends (millions of yen)	Dividends per share (yen)	Cut-off date	Effective date
Board Meeting on November 6, 2014	Common stock	¥1,742	¥3.75	September 30, 2014	December 2, 2014

2. Dividends with the cut-off date in the fiscal year ended March 31, 2016 and the effective date in the fiscal year ending March 31, 2017

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 24, 2016	Common stock	**¥2,791**	**$24,769**	Retained earnings	**¥6.00**	**$0.053**	March 31, 2016	June 27, 2016

Dividends with the cut-off date in the fiscal year ended March 31, 2015 and the effective date in the fiscal year ended March 31, 2016

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 24, 2015	Common stock	¥3,834	Retained earnings	¥8.25	March 31, 2015	June 25, 2015

12. Supplementary Cash Flow Information

Cash and cash equivalents in the consolidated statements of cash flows for the fiscal years ended March 31, 2016 and 2015 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
	2016	2015	**2016**
Cash on hand and in banks	**¥89,590**	¥94,323	**$795,083**
Securities	**4,599**	5,187	**40,815**
Securities and others with maturities of more than three months	**(2,163)**	(3,017)	**(19,196)**
Time deposits with maturities of more than three months	**(841)**	(890)	**(7,463)**
Cash and cash equivalents	**¥91,185**	¥95,603	**$809,239**

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 for the fiscal years ended March 31, 2016 and 2015 are summarized as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Due within one year	**¥ 860**	¥ 866	**$ 7,632**
Due after one year	**2,670**	2,180	**23,695**
Total	**¥3,530**	¥3,046	**$31,327**

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 and electronically recorded monetary claims, 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 and electronically recorded obligations, 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 management 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, 2016 and 2015 (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, 2016	On consolidated balance sheets	Fair value	Difference
Cash on hand and in banks	**¥ 89,590**	**¥ 89,590**	**¥ —**
Notes and accounts receivable-trade	**216,311**		
Electronically recorded monetary claims	**727**		
Allowance for doubtful accounts (*1)	**(3,234)**		
	¥213,804	**¥213,737**	**¥ (67)**
Securities and investment securities	**17,361**	**17,364**	**3**
Total	**¥320,755**	**¥320,691**	**¥ (64)**
Notes and accounts payable-trade	**¥ 68,905**	**¥ 68,905**	**¥ —**
Electronically recorded obligations	**47,551**	**47,551**	**—**
Short-term loans payable	**77,715**	**77,715**	**—**
Bonds payable	**10,000**	**10,117**	**117**
Bonds with subscription rights to shares	**19,988**	**19,948**	**(40)**
Long-term loans payable	**9,871**	**10,189**	**318**
Total	**¥234,030**	**¥234,425**	**¥395**
Derivative transactions (*2)	**¥ (20)**	**¥ (20)**	**¥ —**

	Millions of yen		
As of March 31, 2015	On consolidated balance sheets	Fair value	Difference
Cash on hand and in banks	¥ 94,323	¥ 94,323	¥ —
Notes and accounts receivable-trade	209,864		
Electronically recorded monetary claims	156		
Allowance for doubtful accounts (*1)	(2,371)		
	¥207,649	¥207,606	¥ (43)
Securities and investment securities	22,346	22,343	(3)
Total	¥324,318	¥324,272	¥ (46)
Notes and accounts payable-trade	¥ 81,121	¥ 81,121	¥ —
Electronically recorded obligations	29,944	29,944	—
Short-term loans payable	64,907	64,907	—
Bonds payable	10,000	10,079	79
Bonds with subscription rights to shares	19,994	19,827	(167)
Long-term loans payable	24,645	24,574	(71)
Total	¥230,611	¥230,452	¥(159)
Derivative transactions (*2)	¥ 106	¥ 106	¥ —

As of March 31, 2016	Thousands of U.S. dollars On consolidated balance sheets	Fair value	Difference
Cash on hand and in banks	$ 795,083	$ 795,083	$ —
Notes and accounts receivable-trade	1,919,693		
Electronically recorded monetary claims	6,452		
Allowance for doubtful accounts (*1)	(28,700)		
	$1,897,445	$1,896,850	$ (595)
Securities and investment securities	154,073	154,100	27
Total	$2,846,601	$2,846,033	$ (568)
Notes and accounts payable-trade	$ 611,510	$ 611,510	$ —
Electronically recorded obligations	422,000	422,000	—
Short-term loans payable	689,697	689,697	—
Bonds payable	88,747	89,785	1,038
Bonds with subscription rights to shares	177,387	177,031	(356)
Long-term loans payable	87,602	90,424	2,822
Total	$2,076,943	$2,080,447	$3,504
Derivative transactions (*2)	$ (177)	$ (177)	$ —

(*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, electronically recorded monetary claims 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 fair values.

b. Notes and accounts receivable-trade and electronically recorded monetary claims

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. The value for bonds is determined using the price provided by exchanges or financial institutions. Also, certificates of deposit are settled within short periods and are shown at their respective book value, which is almost equivalent to their fair values. For securities to be held to maturity and others, please refer to “Note 15. Marketable and Investment Securities.”

(2) Liabilities

a. Notes and accounts payable-trade, electronically recorded obligations 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

As of March 31	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
	On consolidated balance sheets		
Stocks of affiliate companies	¥ 9,992	¥ 7,526	$ 88,676
Unlisted stocks	3,909	3,925	34,691
Total	¥13,901	¥11,451	$123,367

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

As of March 31, 2016	Millions of yen			
	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	¥ 89,590	¥ —	¥ —	¥—
Notes and accounts receivable-trade	206,572	7,316	2,423	—
Electronically recorded monetary claims	727	—	—	—
Investment securities and other securities:				
Bonds to be held to maturity:				
Other	352	6	—	—
Other securities with maturity:				
Negotiable certificates of deposit	3,017	—	—	—
Total	¥300,258	¥7,322	¥2,423	¥—

As of March 31, 2015	Millions of yen			
	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	¥ 94,323	¥ —	¥ —	¥—
Notes and accounts receivable-trade	204,421	4,750	693	—
Electronically recorded monetary claims	156	—	—	—
Investment securities and other securities:				
Bonds to be held to maturity:				
Other	2	356	—	—
Other securities with maturity:				
Negotiable certificates of deposit	3,015	—	—	—
Total	¥301,917	¥5,106	¥693	¥—

As of March 31, 2016	Thousands of U.S. dollars			
	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	$ 795,083	$ —	$ —	$—
Notes and accounts receivable-trade	1,833,263	64,927	21,503	—
Electronically recorded monetary claims	6,452	—	—	—
Investment securities and other securities:				
Bonds to be held to maturity:				
Other	3,123	53	—	—
Other securities with maturity:				
Negotiable certificates of deposit	26,775	—	—	—
Total	$2,664,696	$64,980	$21,503	$—

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

As of March 31, 2016	Millions of yen					
	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	**¥58,386**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bonds payable	**—**	**—**	**10,000**	**—**	**—**	**—**
Bonds with subscription rights to shares	**—**	**19,988**	**—**	**—**	**—**	**—**
Long-term loans payable	**19,329**	**2,023**	**1,394**	**3,356**	**2,998**	**100**
Lease obligations	**741**	**620**	**503**	**354**	**166**	**169**
Total	**¥78,456**	**¥22,631**	**¥11,897**	**¥3,710**	**¥3,164**	**¥269**

As of March 31, 2015	Millions of yen					
	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	¥60,252	¥ —	¥ —	¥ —	¥ —	¥ —
Bonds payable	—	—	—	10,000	—	—
Bonds with subscription rights to shares	—	—	19,994	—	—	—
Long-term loans payable	4,655	18,988	1,405	917	2,976	359
Lease obligations	664	507	377	260	114	33
Total	¥65,571	¥19,495	¥21,776	¥11,177	¥3,090	¥392

As of March 31, 2016	Thousands of U.S. dollars					
	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	**$518,158**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Bonds payable	**—**	**—**	**88,747**	**—**	**—**	**—**
Bonds with subscription rights to shares	**—**	**177,387**	**—**	**—**	**—**	**—**
Long-term loans payable	**171,539**	**17,954**	**12,372**	**29,783**	**26,606**	**887**
Lease obligations	**6,576**	**5,502**	**4,464**	**3,142**	**1,473**	**1,500**
Total	**$696,273**	**$200,843**	**$105,583**	**$32,925**	**$28,079**	**$2,387**

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, 2016 and 2015 are as follows.
Held-to-maturity-securities:

As of March 31, 2016	Millions of yen			
	Book value	Unrealized gains	Unrealized losses	Fair value
Fair value over book value				
Others	**¥350**	**¥3**	**¥—**	**¥353**

As of March 31, 2015	Millions of yen			
	Book value	Unrealized gains	Unrealized losses	Fair value
Book value over fair value				
Others	¥350	¥—	¥4	¥346

As of March 31, 2016	Thousands of U.S. dollars			
	Book value	Unrealized gains	Unrealized losses	Fair value
Fair value over book value				
Others	**$3,106**	**$27**	**$—**	**$3,133**

Other securities:

As of March 31, 2016	Millions of yen			
	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	**¥3,316**	**¥4,078**	**¥ —**	**¥7,394**
Historical cost over book value				
Equity securities	**5,657**	**—**	**288**	**5,369**
Others	**4,248**	**—**	**—**	**4,248**

As of March 31, 2015	Millions of yen			
	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	¥9,021	¥7,708	¥—	¥16,729
Historical cost over book value				
Equity securities	100	—	17	83
Others	5,185	—	—	5,185

As of March 31, 2016	Thousands of U.S. dollars			
	Historical cost	Unrealized gains	Unrealized losses	Book value
Book value over historical cost				
Equity securities	**$29,428**	**$36,191**	**$ —**	**$65,619**
Historical cost over book value				
Equity securities	**50,204**	**—**	**2,556**	**47,648**
Others	**37,700**	**—**	**—**	**37,700**

Proceeds from sales of marketable and investment securities and realized gains and losses for the fiscal years ended March 31, 2016 and 2015 are as follows.

For the fiscal year ended March 31, 2016	Millions of yen		
	Proceeds from sales	Realized gains	Realized losses
Equity securities	**¥540**	**¥381**	**¥—**

For the fiscal year ended March 31, 2015	Millions of yen		
	Proceeds from sales	Realized gains	Realized losses
Equity securities	¥821	¥251	¥—

For the fiscal year ended March 31, 2016	Thousands of U.S. dollars		
	Proceeds from sales	Realized gains	Realized losses
Equity securities	**$4,792**	**$3,381**	**$—**

Impairment loss on securities:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation loss on investment securities	**¥1**	¥—	**$9**

16. Derivative Financial Instruments

Fiscal year ended March 31, 2016

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 To sell: EUR	Accounts receivable-trade and accounts payable-trade	**¥400**	**¥—**	**¥(20)**
	Total		**¥400**	**¥—**	**¥(20)**

Classification	Transaction	Hedged items	Thousands of U.S. dollars Contractual value	Contractual value over 1 year	Fair value
Deferred hedge accounting	Forward exchange contract To sell: EUR	Accounts receivable-trade and accounts payable-trade	**$3,550**	**$—**	**$(177)**
	Total		**$3,550**	**$—**	**$(177)**

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	**¥15,000**	**¥—**	(See note below)

Classification	Transaction	Hedged items	Thousands of U.S. dollars 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	**$133,120**	**$—**	(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, 2015

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:				
	EUR		¥ 855	¥—	¥ 74
	To buy:				
	EUR		22	—	(0)
	YEN		1,211	—	32
	Total		¥2,088	¥—	¥106

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	¥15,000	¥15,000	(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

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. In addition, the Company and certain consolidated subsidiaries have multi-employer plans. As the amount of pension assets for these plans can be reasonably calculated, they are included in the note regarding defined benefit plans.

1. The changes in the retirement benefit obligation during the fiscal years ended March 31, 2016 and 2015 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at April 1	**¥79,358**	¥69,267	**$704,278**
Cumulative effects of changes in accounting policies	**—**	269	**—**
Restated balance	**79,358**	69,536	**704,278**
Service cost	**3,192**	3,068	**28,327**
Interest cost	**1,773**	1,971	**15,735**
Actuarial (gain) loss	**(1,700)**	4,803	**(15,087)**
Retirement benefits paid	**(5,555)**	(6,294)	**(49,299)**
Others	**(2,894)**	6,274	**(25,683)**
Balance at March 31	**¥74,174**	¥79,358	**$658,271**

2. The changes in plan assets during the fiscal years ended March 31, 2016 and 2015 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at April 1	**¥62,190**	¥52,879	**$551,917**
Expected return on plan assets	**2,753**	2,890	**24,432**
Actuarial gain (loss)	**(4,962)**	2,558	**(44,036)**
Company contributions	**3,676**	3,695	**32,623**
Retirement benefits paid	**(3,833)**	(4,533)	**(34,017)**
Others	**(2,300)**	4,701	**(20,412)**
Balance at March 31	**¥57,524**	¥62,190	**$510,507**

3. The following table sets forth the funded status of the plan and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the defined benefit plans:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 56,760	¥ 61,184	$ 503,727
Plan assets	(57,524)	(62,190)	(510,507)
	(764)	(1,006)	(6,780)
Unfunded retirement benefit obligation	17,414	18,174	154,544
Net liability for retirement benefits in the consolidated balance sheets	16,650	17,168	147,764
Net defined benefit liability	16,682	17,198	148,048
Net defined benefit asset	(32)	(30)	(284)
Net liability for retirement benefits in the consolidated balance sheets	¥ 16,650	¥ 17,168	$ 147,764

4. The components of retirement benefit expense for the fiscal years ended March 31, 2016 and 2015 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost	¥ 3,192	¥ 3,068	$ 28,328
Interest cost	1,773	1,971	15,735
Expected return on plan assets	(2,753)	(2,890)	(24,432)
Amortization of actuarial loss (gain)	205	465	1,819
Amortization of past service cost	113	36	1,003
Others	(3)	(22)	(27)
Retirement benefit expense	¥ 2,527	¥ 2,628	$ 22,426

5. The components of retirement benefits liability adjustments (before tax effect) for the fiscal years ended March 31, 2016 and 2015 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service cost	¥ 15	¥ (191)	$ 133
Actuarial loss (gain)	(2,332)	(2,697)	(20,696)
Total	¥(2,317)	¥(2,888)	$(20,563)

6. Unrecognized past 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, 2016 and 2015 are as follows:

As of March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized past service cost	¥ (466)	¥ (498)	$ (4,136)
Unrecognized actuarial gain (loss)	(13,995)	(11,920)	(124,201)
Total	¥(14,461)	¥(12,418)	$(128,337)

7. Plan assets

(1) Plan assets

Percentages of total plan assets for major components as of March 31, 2016 and 2015 are as follows:

As of March 31	2016	2015
Stocks	35%	41%
Debt securities	41	36
General accounts	17	15
Others	7	8
Total	100%	100%

Note: A retirement benefit trusts set up for the corporate pension plan as of March 31, 2016 and 2015 accounts for 12% and 13% respectively 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		
	2016	2015
Assumptions to determine above obligation and cost:		
Discount rate (the Company and domestic subsidiaries)	**0.5%**	0.5%
Discount rate (foreign subsidiaries)	**4.1%**	3.8%
Expected long-term rate of return on plan assets (the Company and domestic subsidiaries)	**2.5%**	2.7%
Expected long-term rate of return on plan assets (foreign subsidiaries)	**6.8%**	7.3%

9. Defined contribution plans

The amount to be paid by the Company and its consolidated subsidiaries to defined contribution plans for the fiscal years ended March 31, 2016 and 2015 were ¥918 million ($8,147 thousand) and ¥934 million, respectively.

18. Stock Options

1. Items and amounts of related expenses presented in the consolidated accounts for the fiscal years ended March 31, 2016 and 2015 are as follows:

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cost of sales	**¥ 39**	¥12	**$ 346**
Selling, general and administrative expenses	**304**	40	**2,698**

2. Description and movement of stock options

(1) Description of stock options granted by the end of the fiscal year ended March 31, 2016

	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 people 2. Executive officers in the Company: 23 people
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 stock 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 stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock 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 stock options are those newly appointed as directors or executive officers after July 1, 2009, or when those granted stock options retire from their positions as directors or executive officers before the final day of the final fiscal year, the number of stock 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 stock 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 stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
7. When those granted stock options die, the heirs of those people may exercise the stock 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 stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	2nd subscription rights to shares
Scope and number of people eligible to be granted stock options	Executive officers in the Company: 4 people
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 stock 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 stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock 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 stock options are those newly appointed as directors or executive officers after July 1, 2010, or when those granted stock options retire from their positions as directors or executive officers before the final day of the final fiscal year, the number of stock 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 stock 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 stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
7. When those granted stock options die, the heirs of those people may exercise the stock 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 stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock 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 people 2. Executive officers in the Company: 23 people
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 stock 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 stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock 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 stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
5. When those granted stock options die, the heirs of those people may exercise the stock 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 stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock 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 people 2. Executive officers in the Company: 4 people 3. Directors and executive officers in subsidiaries: 10 people
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 stock 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 stock options (the "final fiscal year"), those granted stock options may exercise all stock 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 stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock 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 stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
5. When those granted stock options die, the heirs of those people may exercise the stock 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 stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock 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 people 2. Executive officers in the Company: 4 people 3. Directors and executive officers in subsidiaries: 7 people
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 stock 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 stock options (the "final fiscal year"), those granted stock options may exercise all stock 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 stock options may only exercise stock option rights for a number of shares calculated by multiplying the number of stock 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 stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
5. When those granted stock options die, the heirs of those people may exercise the stock 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 stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	6th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors excluding outside directors in the Company: 8 people 2. Executive officers in the Company: 19 people 3. Directors and executive officers in subsidiaries: 16 people
Number of stock options granted by type of stock	Common stock: 1,309,000 shares (Note 1)
Granted date	October 1, 2014
Vesting conditions	(Note 3)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2017 to June 30, 2029

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted stock 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 7.0% (the "target performance") for the final fiscal year that ends within a three-year period from the date of grant of stock options (the "final fiscal year"), those granted stock options may exercise all stock option rights. On the other hand, if the target performance is not met, the number of exercisable stock option rights shall not exceed an amount defined by multiplying the number of allotted rights by the degree of achievement—which shall be the number obtained by dividing the attained performance by the target performance and not less than 0.5 (the "post-performance adjustment upper limit for exercisable rights"). However, an exception may be made when a rights holder was also allocated another stock option rights during the period from October 1, 2014, to the final day of the final fiscal year, but this provision will be limited to rights for the stock option scheme that is part of the stock-linked compensation plan that is similar to the stock options (the "similar stock options"). Should the post-performance adjustment upper limit for exercisable rights for similar stock options allocated prior to the allocation of the stock options include a fraction less than one, this fraction will be added to the post-performance adjustment upper limit for exercisable rights for the stock options. One is the unit of exercise of the stock option and the fraction is not exercisable.
4. When those who were granted stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
5. When those granted stock options die, the heirs of those people may exercise the stock 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 stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

	7th subscription rights to shares
Scope and number of people eligible to be granted stock options	1. Directors in the Company: 11 people 2. Executive officers in the Company: 15 people 3. Directors and executive officers in subsidiaries: 5 people
Number of stock options granted by type of stock	Common stock: 447,000 shares (Note 1)
Granted date	October 1, 2015
Vesting conditions	(Note 5)
Vesting period	No relevant service period has been established.
Exercise period	From July 1, 2017 to June 30, 2029

Notes: 1. Options are presented after conversion to the number of shares.
2. Those granted stock 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. When those who were granted stock 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 stock option rights that the people in question may exercise based on a decision by the Board of Directors. In such cases, the people granted stock options in question may not exercise a number of stock options in excess of the restricted number.
4. When those granted stock options die, the heirs of those people may exercise the stock 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 that ends within a two-year period from the date of the grant of stock options (the "final fiscal year"), whichever is later.
5. The following conditions are stipulated in stock option grant contracts agreed between the Company and those granted stock options based on the position of the individual granted stock options. One is the unit of exercise of stock options and the fraction is not exercisable.
(1) When those granted stock options are executive officers of the Company or directors or executive officers of subsidiaries of the Company as of the grant date.
(Attained performance conditions)
If the Company's consolidated return on invested capital (ROIC; the "attained performance") reaches 7.0% (the "target performance") for the final fiscal year, those granted stock options may exercise all stock option rights. On the other hand, if the target performance is not met, the number of exercisable stock option rights shall not exceed an amount defined by multiplying the number of allotted rights by the degree of achievement—which shall be the number obtained by dividing the attained performance by the target performance and not less than 0.5 (the "post-performance adjustment upper limit for exercisable rights"). However, an exception may be made when a rights holder was also allocated other stock option rights during the period from October 1, 2014, to the final day of the final fiscal year, but this provision will be limited to rights for the stock option scheme that is part of the stock-linked compensation plan that is similar to the stock options (the "similar stock options"). Should the post-performance adjustment upper limit for exercisable rights for similar stock options allocated prior to the allocation of the stock options include a fraction less than one, this fraction will be added to the post-performance adjustment upper limit for exercisable rights for the stock options. Other details are stipulated in the stock option grant contracts.
(2) When those granted stock options are outside directors of the Company as of the grant date
(Exercise period limitations)
Regardless of the provisions described above, stock options may not be exercisable during three years after the date of the grant of stock options.
(3) When those granted stock options are non-executive directors of the Company (excluding outside directors) as of the grant date
The period for exercise for all or some of the stock options granted to non-executive directors shall follow the provision described in (2) above, and the attained performance conditions described in (1) above shall also be applied. Details are stipulated in the stock option grant contracts.
6. In addition to the provisions described in each of the previous notes, the exercise of stock options is to be undertaken in accordance with the conditions stipulated in "stock option grant contracts" agreed between the Company and those granted stock options.

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

With respect to stock options existing during the fiscal year ended March 31, 2016, 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	6th subscription rights to shares	7th subscription rights to shares
Share subscription rights which are not yet vested							
Outstanding as of March 31, 2015	—	—	—	—	—	1,309,000	—
Granted	—	—	—	—	—	—	447,000
Forfeited	—	—	—	—	—	—	—
Vested	—	—	—	—	—	—	—
Unvested balance	—	—	—	—	—	1,309,000	447,000
Share subscription rights which have already been vested							
Outstanding as of March 31, 2015	498,000	36,000	1,021,000	289,000	132,000	—	—
Vested	—	—	—	—	—	—	—
Exercised	249,000	15,000	124,000	—	—	—	—
Forfeited	—	—	—	—	—	—	—
Unexercised balance	249,000	21,000	897,000	289,000	132,000	—	—

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	6th subscription rights to shares	7th subscription rights to shares
Exercise price (yen)	1	1	1	1	1	1	1
Weighted average exercise price (yen)	548	532	537	—	—	—	—
Fair value per stock at the granted date (yen)	341	343	245	288	520	613	399

3. Method of estimating the fair value of stock options

Regarding 7th subscription rights to shares issued during the fiscal year ended March 31, 2016, the method of estimating the fair value of the stock options is as follows:

a) Evaluation method used: Black-Scholes Method

	7th subscription rights to shares
Expected volatility (Note 1)	38.93%
Expected holding period (Note 2)	8.0 years
Expected dividend (Note 3)	¥5.25 per share
Risk-free rate (Note 4)	0.182%

b) Basic parameters and evaluation methods

Notes: 1. Expected volatility is calculated based on actual stock prices during the preceding eight years (from October 1, 2007, through September 30, 2015).
2. Because sufficient data has not yet been accumulated and a rational estimate is difficult, estimates were performed based on an assumption that stock 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 eight fiscal years.
4. The risk-free rate corresponds to the interest rate (compounded) on Japanese government bonds with remaining periods to maturity of approximately eight years as of September 30, 2015.

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
	2016	2015	2016
Deferred tax assets:			
Bonus payment reserve	¥ 2,333	¥ 2,313	$ 20,705
Loss recognized on a percentage-of-completion basis	543	573	4,819
Accrued enterprise tax	302	124	2,680
Net defined benefit liability	6,154	6,634	54,615
Reserve for directors' retirement benefits	36	58	319
Unrealized gains on fixed assets	1,095	1,078	9,718
Tax loss carried forward	9,541	14,239	84,673
Valuation loss on investment securities	1,123	1,431	9,966
Loss on write-down of inventories	2,887	2,919	25,621
Reserve for warranties for completed construction	4,326	3,887	38,392
Allowance for doubtful accounts	1,857	1,342	16,480
Provision for loss on litigation	1,977	—	17,545
Others	3,569	5,828	31,674
Subtotal	¥ 35,743	¥ 40,426	$ 317,207
Valuation allowance	¥(12,053)	¥(13,768)	$(106,966)
Total deferred tax assets	¥ 23,690	¥ 26,658	$ 210,241
Deferred tax liabilities:			
Retained earnings of subsidiaries	(2,958)	(2,446)	(26,251)
Net unrealized gains (losses) on investment securities	(1,161)	(2,486)	(10,304)
Others	(1,573)	(1,371)	(13,959)
Total deferred tax liabilities	¥ (5,692)	¥ (6,303)	$ (50,514)
Net deferred tax assets	¥ 17,998	¥ 20,355	$ 159,727

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	2016	2015
Statutory tax rate, giving tax effect on enterprise tax payable	33.1%	35.6%
Entertainment expenses and other expenses not deductible	0.8	0.9
Per capital equalization inhabitants' taxes	0.6	1.4
Dividends received not taxable	(36.4)	(21.2)
Dividends received effected by elimination from consolidation	35.9	20.3
Valuation allowance	(5.4)	(11.6)
Tax rate differences with overseas consolidated subsidiaries	(2.5)	(5.0)
Reductions in deferred tax assets at the end of the period due to changes in tax rate	11.7	11.5
Others	2.7	(0.9)
Effective tax rate as shown in statements of income	40.4%	31.2%

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

The "Act for Partial Amendment of the Income Tax Act, etc." and the "Act for Partial Amendment of the Local Tax Act, etc." were enacted on March 29, 2016. As a result, the effective statutory tax rate used to measure deferred tax assets and liabilities (applicable only to relevant temporary differences which are expected to be reversed on or after April 1, 2016) was changed from 32.3% to 30.9% for the temporary differences expected to be realized or settled in the year during the period from April 1, 2016, to March 31, 2018, and to 30.6% for the temporary differences expected to be realized or settled after April 1, 2018.

As a result of this change, net deferred tax assets decreased by ¥3,630 million ($32,215 thousand) and increased deferred tax expenses by ¥3,710 million ($32,925 thousand), net unrealized gains on investment securities by ¥64 million ($568 thousand), and remeasurements of defined benefit plans by ¥17 million ($151 thousand) as of and for the fiscal year ended March 31, 2016.

20. Business Combination

Business Combination by Acquisition

1. Overview of business combination

(1) Name and business of acquiree

Name: Thebe Bombas Hidraulicas S.A.

Business: Manufacturing and sales of pump products for general industry, agriculture, building, and construction use

(2) Objective of acquisition

Expansion of pump business in growing South American market

(3) Date of acquisition

December 1, 2015

(4) Legal form of acquisition

Acquisition of shares for cash

(5) Name of acquired entity subsequent to acquisition

No change

(6) Change in voting rights ownership ratio

Before business combination: -%

Date of acquisition: 100%

After acquisition: 100%

(7) Determination of acquirer

Ebara Industrias Mecanicas e Comercio Ltda, which is a subsidiary of the Company, became an acquirer by acquiring the shares for cash.

2. Period for which operating results of acquiree were included in consolidated financial statement of the Company

From December 1, 2015 to December 31, 2015

3. Breakdown of cost and consideration transferred for acquisition

Cash on hand: ¥2,139 million ($18,983 thousand)

4. Major acquisition related cost

Advisory fees, etc.: ¥192 million ($1,704 thousand)

5. Amount of goodwill recognized, reason for recognition, amortization method, and amortization period

(1) Amount of goodwill recognized

¥2,273 million ($20,172 thousand)

The period between the date of acquisition and the year end was short, and identification of identifiable assets and liabilities and estimation of fair values at the date of acquisition have yet to be completed. Accordingly, the purchase price allocation is also not completed at the end of the current fiscal year, and the amounts are provisionally calculated.

(2) Reason for recognition

Future economic benefits by business development

(3) Amortization method, and amortization period

Straight-line method for 7 years

6. Assets acquired and liabilities assumed at the date of acquisition

As of March 31	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 1,026	$ 9,105
Fixed assets	632	5,609
Total assets	¥ 1,658	$ 14,714
Current liabilities	¥(1,401)	$(12,433)
Long-term liabilities	(391)	(3,470)
Total liabilities	¥(1,792)	$(15,903)

7. Approximate effects on the consolidated statements of income for the current fiscal year assuming that the business combination was completed at the beginning of the current fiscal year and method of calculation

For the fiscal years ended March 31	Millions of yen	Thousands of U.S. dollars
Net sales	¥2,225	$19,746
Operating income	(670)	(5,946)
Income before income taxes and non-controlling interests	(754)	(6,692)
Profit attributable to owners of parent	(724)	(6,425)

For the fiscal years ended March 31	yen	U.S. dollars
Profit attributable to owners of parent per share	¥(1.56)	$0

The approximate effects are calculated as the difference between amounts of net sales, profit and loss, and amortization of goodwill calculated based on the assumption that the business combination was completed at the beginning of the current fiscal year, and the amounts of net sales, profit and loss, and amortization of goodwill reported in the consolidated statements of income of the acquired company.

These are unaudited.

8. Details of contingent consideration described in business combination agreement and accounting treatment policies for the current fiscal year, and after periods

Not applicable

21. Segment Information

For the fiscal years ended March 31, 2016 and 2015

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.

(Changes in the method of calculating depreciation on tangible fixed assets)
As indicated on Changes in Accounting Policy that are Difficult to Distinguish from Changes in Accounting Estimates (Changes in the Method of Calculating Depreciation on Tangible Fixed Assets) of 3. Changes in Accounting Policies, the Company and its domestic consolidated subsidiaries have changed its method of calculating depreciation on tangible fixed assets. As a result of this change, compared to the previous method, the segment income for the current fiscal year increased by ¥867 million ($7,694 thousand) in the Fluid Machinery & Systems, ¥14 million ($124 thousand) in the Environmental Engineering, ¥513 million ($4,553 thousand) in the Precision Machinery, and ¥333 million ($2,955 thousand) in the Others, respectively.

3. Information about sales, profits and losses, assets and liabilities, and other items for each reportable segment for the fiscal years ended March 31, 2016 and 2015 is as follows:

	Millions of yen							
	Reportable segments							
For the fiscal year ended March 31, 2016	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to customers	¥320,829	¥70,381	¥93,328	¥484,538	¥ 1,697	¥486,235	¥ —	¥486,235
Intersegment sales and transfers	785	12	—	797	3,370	4,167	(4,167)	—
Total	¥321,614	¥70,393	¥93,328	¥485,335	¥ 5,067	¥490,402	¥ (4,167)	¥486,235
Segment income	¥ 19,335	¥ 6,431	¥11,698	¥ 37,464	¥ 516	¥ 37,980	¥ 31	¥ 38,011
Segment assets	¥330,072	¥62,278	¥85,431	¥477,781	¥26,462	¥504,243	¥75,300	¥579,543
Others:								
Depreciation expense	¥ 7,441	¥ 382	¥ 2,181	¥ 10,004	¥ 1,627	¥ 11,631	¥ (20)	¥ 11,611
Amortization of goodwill	352	—	—	352	—	352	—	352
Investments for companies applying equity method	1,787	5,664	—	7,451	—	7,451	—	7,451
Increase in tangible and intangible assets	9,754	518	3,332	13,604	2,144	15,748	(18)	15,730

	Thousands of U.S. dollars							
	Reportable segments							
For the fiscal year ended March 31, 2016	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales to customers	$2,847,258	$624,610	$828,257	$4,300,125	$ 15,059	$4,315,184	$ —	$4,315,184
Intersegment sales and transfers	6,967	106	—	7,073	29,908	36,981	(36,981)	—
Total	$2,854,225	$624,716	$828,257	$4,307,198	$ 44,967	$4,352,165	$ (36,981)	$4,315,184
Segment income	$ 171,593	$ 57,073	$103,816	$ 332,482	$ 4,578	$ 337,060	$ 275	$ 337,335
Segment assets	$2,929,286	$552,698	$758,174	$4,240,158	$234,842	$4,475,000	$668,264	$5,143,264
Others:								
Depreciation expense	$ 66,037	$ 3,390	$ 19,356	$ 88,783	$ 14,439	$ 103,222	$ (178)	$ 103,044
Amortization of goodwill	3,124	—	—	3,124	—	3,124	—	3,124
Investments for companies applying equity method	15,859	50,266	—	66,125	—	66,125	—	66,125
Increase in tangible and intangible assets	86,564	4,597	29,570	120,731	19,028	139,759	(161)	139,598

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 ¥77,483 million ($687,638 thousand) for corporate assets and ¥(2,183) million ($(19,374) 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, 2015	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	¥342,091	¥64,933	¥73,957	¥480,981	¥ 1,719	¥482,700	¥ —	¥482,700
Intersegment sales and transfers	604	64	—	668	3,290	3,958	(3,958)	—
Total	¥342,695	¥64,997	¥73,957	¥481,649	¥ 5,009	¥486,658	¥ (3,958)	¥482,700
Segment income	¥ 20,762	¥ 6,233	¥ 7,061	¥ 34,056	¥ 507	¥ 34,563	¥ 4	¥ 34,567
Segment assets	¥343,771	¥53,734	¥69,563	¥467,068	¥25,300	¥492,368	¥78,024	¥570,392
Others:								
Depreciation expense	¥ 8,408	¥ 413	¥ 2,497	¥ 11,318	¥ 1,760	¥ 13,078	¥ (39)	¥ 13,039
Amortization of goodwill	345	—	—	345	—	345	—	345
Investments for companies applying equity method	1,635	4,785	—	6,420	—	6,420	—	6,420
Increase in tangible and intangible assets	10,382	596	2,586	13,564	2,307	15,871	(24)	15,847

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 ¥79,316 million for corporate assets and ¥(1,292) 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, 2016 and 2015 is as follows:

a. Net sales

For the fiscal years ended March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Japan	**¥232,631**	¥224,002	**$2,064,528**
Asia	**130,969**	139,615	**1,162,309**
North America	**53,074**	58,654	**471,015**
Others	**69,561**	60,429	**617,332**
Total	**¥486,235**	¥482,700	**$4,315,184**

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
	2016	2015	**2016**
Japan	**¥ 70,166**	¥ 67,297	**$622,701**
Asia	**12,767**	13,736	**113,303**
North America	**19,088**	19,130	**169,400**
Others	**2,948**	2,107	**26,164**
Total	**¥104,969**	¥102,270	**$931,568**

Information about impairment loss on fixed assets by reportable segments for the fiscal years ended March 31, 2016 and 2015 is as follows:

	Millions of yen						
	Reportable segments						
For the fiscal year ended March 31, 2016	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	**¥204**	**¥—**	**¥3**	**¥207**	**¥54**	**¥—**	**¥261**

	Millions of yen						
	Reportable segments						
For the fiscal year ended March 31, 2015	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	¥3	¥—	¥16	¥19	¥32	¥—	¥51

	Thousands of U.S. dollars						
	Reportable segments						
For the fiscal year ended March 31, 2016	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Impairment loss	**$1,810**	**$—**	**$27**	**$1,837**	**$479**	**$—**	**$2,316**

Information about amortization of goodwill and year-end balances by reportable segments for the fiscal years ended March 31, 2016 and 2015 is as follows:

	Millions of yen						
	Reportable segments						
For the fiscal year ended March 31, 2016	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	**¥ 352**	**¥—**	**¥—**	**¥ 352**	**¥—**	**¥—**	**¥ 352**
Balance as of March 31	**3,254**	**—**	**—**	**3,254**	**—**	**—**	**3,254**

	Millions of yen						
	Reportable segments						
For the fiscal year ended March 31, 2015	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	¥ 345	¥—	¥—	¥ 345	¥—	¥—	¥ 345
Balance as of March 31	1,426	—	—	1,426	—	—	1,426

	Thousands of U.S. dollars						
	Reportable segments						
For the fiscal year ended March 31, 2016	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Others	Adjustments	Consolidated
Amortization of goodwill	**$ 3,124**	**$—**	**$—**	**$ 3,124**	**$—**	**$—**	**$ 3,124**
Balance as of March 31	**28,878**	**—**	**—**	**28,878**	**—**	**—**	**28,878**

22. Significant Subsequent Events

Consolidation of shares

Based on Article 195 (1) of the Companies Act, the Company resolved at a meeting of its Board of Directors held on May 11, 2016, to submit a proposal for a change in the number of shares per unit and consolidation of shares to the Company's regular general meeting of shareholders to be held on June 24, 2016. The proposal was approved by the regular general meeting of shareholders.

1. Reason for change in the number of shares per unit and purpose of consolidation of shares

Japanese stock exchanges have announced an "Action Plan for Consolidating Trading Units" with the aim of standardizing the trading units (the number of shares per unit) for common stock of all listed domestic corporations to 100 shares by October 1, 2018.

As a corporation listed on the Tokyo Stock Exchange, the Company respects the intention of the plan and will change the number of shares per unit from 1,000 shares to 100 shares. Along with the change, the Company will also consolidate five shares into one share with objective of adjusting the investment unit to an appropriate level taking into consideration changes in stock prices in the medium to long term, etc.

2. Details of change in the number of shares per unit

The Company will change the number of shares per unit for the common stock from 1,000 to 100 with the effective date of October 1, 2016.

3. Consolidation of shares

(1) Class of shares to be consolidated

Common stock

(2) Consolidation method and ratio

The Company will consolidate five shares into one share on October 1, 2016 based on the number of shares held by shareholders listed in the final shareholders' register as of September 30, 2016.

(3) Decrease in number of shares due to consolidation

Number of shares outstanding before consolidation (as of March 31, 2016)	466,044,596 shares
Decrease in number of shares due to consolidation	372,835,677 shares
Number of shares outstanding after consolidation	93,208,919 shares

Note: "Decrease in number of shares due to consolidation" and "Number of shares outstanding after consolidation" are theoretical values calculated by multiplying the number of shares outstanding before consolidation by the consolidation ratio.

(4) Number of authorized shares after consolidation

In conjunction with the reduction of the total number of shares outstanding of the Company as a result of the consolidation of shares, in order to adjust the number of authorized shares to an appropriate level, the number of authorized shares shall be decreased in accordance with the consolidation ratio.

Number of authorized shares before consolidation (as of March 31, 2016)	1,000,000,000 shares
Number of authorized shares after consolidation	200,000,000 shares

4. Impact on amounts per share information

Assuming that the consolidation of shares was conducted at the beginning of the current fiscal year, amounts per share information for the fiscal years ended March 31, 2016 and 2015 are as follows.

As of March 31	Yen		U.S. dollars
	2016	2015	**2016**
Net assets per share	**¥2,590.82**	¥2,571.89	**$23**
Profit attributable to owners of parent per share	**185.58**	253.83	**2**
Fully diluted profit attributable to owners of parent per share	**169.42**	232.5	**2**

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, 2016, 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, 2016, 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 24, 2016
Tokyo, Japan

EBARA CORPORATION

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