RESULTS OF OPERATIONS FOR
THE YEAR ENDED MARCH 31, 2010 (CONSOLIDATED)

May 7 2010

Company name: EBARA CORPORATION
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(Stock Code. 6361, Tokyo and Sapporo Stock Exchange in Japan)
（URL http://www.ebara.co.jp）
Representative: Natsunosuke Yago, President
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Scheduled day of general meeting of shareholders: June 29 2010
Scheduled day of commencement of delivery of dividend: ―
Scheduled day of submission of annual security report: June 29 2010

Note: The amounts are rounded down to the nearest millions of yen.

1. Outline of the results for FY2010 (April 1-March 31, 2010)

(1) Consolidated Financial Highlights

Millions of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2010	485,889	(3.0)	18,953	―	16,749	―	5,441	―
FY2009	501,149	(11.6)	637	(89.4)	(2,383)	―	(13,113)	―

	Net income per share	Net income per share, diluted	Return on equity	Ordinary income on Total assets ratio	Operating income on sales ratio
	Yen	Yen	%	%	%
FY2010	12.89	11.82	4.3	3.1	3.9
FY2009	(31.04)	―	(9.6)	(0.4)	0.1

Notes (i) Profit & loss in equity method: FY2010 87 million FY 2009 28 million
(ii) % represents percentage change from a comparable previous period

(2) Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2010	522,540	132,665	24.8	307.46
FY2009	562,456	124,263	21.6	287.44

Notes Shareholders's Equity (consolidated) FY2010 129,805 million FY2009 121,411 million

(3) Consolidated Cash Flow

Millions of yen

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents
FY2010	23,581	(17,127)	(5,436)	81,711
FY2009	17,438	(2,774)	(3,233)	77,194

2. Dividend

	Cash Dividend per share of common stock					Total dividend for the year	Dividend payout ratio	Dividend rate per net assets
	1st quarter	End of 2nd quarter	End of 3rd quarter	End of 4th quarter	Total for the year		Consolidated	Consolidated
	Yen	Yen			Yen	Million yen	%	%
FY2009	―	0.0	―	0.0	0.0	0.0	―	―
FY2010	―	0.0	―	0.0	0.0	0.0	―	―
FY2011 (Forecast)	―	0.0	―	―	―		―	

No decision has been made at this time on the final dividend for FY 2011.

3. Forecast of results for the year ending March 31, 2011

Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
FY2011 1st half	190,000	(9.3)	6,000	150.1	5,000	361.2	3,000	―	7.10
FY2011	410,000	(15.6)	20,000	5.5	17,500	4.5	9,000	65.4	21.32

Notes % represents percentage change from a comparable previous period

4. Others

(1) Changes in significant subsidiaries: Not applicable

(2) Changes in accounting policies

(i) Changes according to amendment of accounting standard: Yes

(ii) Changes with other reasons except clause (i) above: No

Notes Please refer Page 33 ‘Change in accounting policies’ for detail information.

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (including treasury stocks)	FY2010	422,725,658	FY2009	422,725,658
(ii) Number of treasury stocks	FY2010	532,832	FY2009	341,744

Notes Please refer Page 49 ‘Per share data of common stock regarding the number of stocks to be basis of calculation of dividend rate per net assets.

(Reference information)

1. Outline of the results for FY2010 (April 1-March 31, 2010), Non-consolidated

(1) Non-consolidated Financial Highlights

Million of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2010	168,349	(17.7)	(5,455)	－	(1,505)	－	(4,113)	－
FY2009	204,520	(17.1)	(16,892)	－	3,300	－	(8,132)	－

	Net income per share	Net income per share, diluted
	Yen	Yen
FY2010	(9.74)	－
FY2009	(19.25)	－

Notes % represents percentage change from a comparable previous period

(2) Non-Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2010	397,757	122,183	30.7	289.16
FY2009	419,663	124,967	29.8	295.86

Notes Shareholder’s Equity (Non-consolidated) FY2010 122,079 million FY2009 124,967 million

Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters

The forecasts of performance and other forward-looking statements contained in this document are based on information that was available to Ebara as of the time of the issuance of this document and on certain assumptions about uncertainties that may have an impact on the Company’s performance. Actual performance may differ substantially from these forecasts owing to a wide range of factors.

For further information on the assumptions made in the preparation of the forecasts of performance, please refer to the section entitled “1. Management Performance, (1) Analysis of Management Performance,” on page 3 of this document.

Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.

Ebara undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

No decision has been made at last time on the final dividend for the FY2011. The Group will consider this matter, based on a determination of the profitability situation going forward. Since profitability is still undetermined, when it becomes possible to disclose this matter, the Group will disclose it promptly.

1. Management Performance

(1) Analysis of Management Performance

① Overview of Performance of the Fiscal Year

During the fiscal year under review, ended March 31, 2010, although the recent financial crisis and the deterioration in the real economy continued, beginning from about the middle of the fiscal year, the world economy moved from a bottoming-out phase toward a gradual upward trend in part because of the positive effects of economic policies adopted by governments around the world. The United States and Europe began to show recovery in personal consumption owing to the effects of government economic policies as well as growth in exports, which was supported by demand from emerging economies. In Asia, economies began to recover, as a result of the rise in domestic demand in China and India as well as other factors.

In Japan, in the private sector, although there were signs of improvement in some sectors, such as the increase in exports and recovery in production, overall, business conditions remained harsh. This was because of the stagnation in consumption, the steep decline in the number of housing starts, the decline in private capital investment, and other factors. Along with this, in the public sector, budgets were reduced, and public investment remained at a low level.

Amid these adverse economic conditions, the EBARA Group (the Group) proceeded with the implementation of its "E-Plan2010" Medium-Term Management Plan, and all the Group's business segments focused their fullest efforts on improving profitability. Under E-Plan2010, which is now in its second year of implementation and will cover the period through the target year of fiscal 2010 (ending March 31, 2011), the Group is concentrating on the basic policies of "strengthening the business base for sustained growth" and "implementing corporate activities that emphasize compliance." According to these basic policies, the Group is emphasizing selectivity and concentration in the allocation of its management resources, working to establish a business base from a global perspective, and improving cash flow.

In the Fluid Machinery & Systems (FMS) Group, strengthened its global production systems, including the completion of work on its cutting-edge new plant in Futtsu, which went into operation in January 2010. In addition, the Fluid Machinery & Systems (FMS) Group moved forward with upgrading and strengthening its sales and after-sales service network. In the Environmental Engineering (EE) Group, to expand operations in the water-related business in Japan and overseas, which is expected to be a growth field going forward, an alliance, involving both capital and strategic business arrangements, was concluded with Mitsubishi Corporation and JGC Corporation. Also, EBARA moved ahead with the realignment of its operations, including the withdrawal from the fuel cell business; the sale of its shares in Eco Power Co., Ltd., which was in charge of the EBARA Group's wind power generation business; and other measures.

As a consequence of the Group implemented the previously mentioned initiatives, net sales for the fiscal year under review in the FMS Group, the EE Group and the Precision Machinery (PM) Group were below the level of the previous fiscal year. Profitwise, however the FMS Group, the EE Group and the PM Group report an increase in operating income or improvement of operating loss because of the positive effects of measures to increase profitability and reduce fixed costs.

Consolidated net sales for the fiscal year amounted to ¥485,889 million (a decline of 3.0% year on year), and operating income increased ¥18,315 million from the previous fiscal year to 18,953 million. The Group reported an ordinary income of ¥16,749 million, increased ¥19,132 million from the previous fisical year. Factors influencing net income included extraordinary gains of ¥6,744 million, which included a gain on sales of subsidiaries and affiliates' stocks of ¥ 3,459 million. On the other hand, the Group reported extraordinary losses totaling ¥11,518 million due to a loss on sales of stocks of subsidiaries and affiliates of ¥7,365 million, income taxes of ¥5,920 million, and other factors. As a consequence of these various factors, the Group reported a net income for the fiscal year under review of ¥5,441 million, increased ¥18,555 million from the previous fiscal year.

EBARA positions allocating a portion of profits to shareholders as one of its highest priority tasks and maintains a policy of paying stable dividends on a continuing basis. However, after giving full consideration to the Company's performance for the fiscal year under review and its financial position at the end of the fiscal year as well as the need to increase retained earnings to make investments to strengthen the Company's competitiveness in core businesses, regrettably, the Company has decided not to pay a year-end dividend for the fiscal year under review. We wish to express our sincerest apologies to our shareholders for this decision.

Results by Business Segment

Fluid Machinery & Systems

In the FMS Group, in overseas markets, there were signs of a bottoming out in capital investment in the oil and gas industries, which previously had been stagnant, as a result of increases in crude oil prices and other factors, and the number of major projects began to increase. However, severe competition for new orders persisted as a consequence of the effects of intense price competition and the appreciation of the yen against other major currencies. In the Japanese market, although output in manufacturing and other industries is rising, it has not recovered to the levels attained prior to the economic downturn, and private capital investment has not recovered. Conditions continue to be harsh, as the number of construction starts remains at a low level and because of the effects of reductions in budgets for public works investment.

Amid these conditions, the FMS Group adopted measures to strengthen its service systems and capabilities for fluid and gas pump equipment and to focus on the energy and water-related environment fields where strong investment is expected in the medium-to-long term. In the standard fluid and gas pump business, the FMS Group is working to reduce its procurement and other costs and to promote renewal projects carefully tailored to customer requirements. In the chillers business, the FMS Group launched highly efficient new products and these met with a favorable response from customers.

Sales in the FMS Group declined 2.1% from the previous fiscal year, to ¥295,967 million, as a result of influence of severe market. However, operating income increased 30.3% from the previous fiscal year, to ¥21,873 million, due to reduce its procurement cost and other factors in the Custom Pumps and Compressors & Fans business.

Environmental Engineering

In the EE Group, there were harsh because of cuts in budgets for public works investment, the maturing of markets and other factors, as well as shrinkage in the scale of new engineering (design), procurement, and construction (EPC) projects. However, the number of projects requiring services ranging from the construction of facilities to operation and maintenance (O&M) is increasing. Also, the scale and scope of O&M projects is showing firm expansion because of the shift toward rising demand for lengthening the useful lives and renewal of facilities as well as the trend toward long-term comprehensive contracts.

Amid these conditions, the EE Group completed the realignment of its water treatment plant and environmental plant businesses. It is now implementing marketing activities that draw on its comprehensive capabilities for providing EPC and O&M services in connection with projects involving repair and renewal work, including lengthening the useful lives of facilities, and projects involving comprehensive service contracts. In addition, measures implemented thus far to reduce manufacturing and fixed costs and, thereby, improve profitability are beginning to show positive results.

Sales in the EE Group declined 4.6%, to ¥139,387 million, for the fiscal year under review. Despite an increase in losses of ¥11,334 million in connection with the InfraServ project in Germany, because of a certain level of improvement due to reductions in fixed costs and reforms in business processes, the operating loss for the EE Group decreased ¥11,334 million from the previous fiscal year, to ¥138million, during the fiscal year under review.

Please note that, effective March 31, 2010, Ebara Engineering Service Co., Ltd., a former major consolidated subsidiary in the water treatment plant business, is now jointly owned by EBARA, Mitsubishi Corporation, and JGC Corporation, and is accounted for by the equity method of consolidation. Looking forward, Ebara Engineering Service will unite the strengths of its three parent companies, and, as a company with comprehensive capabilities in the water treatment business, will step up its initiatives to win orders for water-related projects in Japan and overseas, where growth is anticipated.

Precision Machinery

In the PM Group, operating conditions in the business's core semiconductor market, the core customer industry, semiconductors, was seriously impacted by the stagnant conditions in the semiconductor market and the global downturn. As a consequence, conditions for the Precision Machinery (PM) Group were extremely harsh as capital investment plans were cancelled or postponed. Beginning around the middle of the fiscal year under review, within the DRAM and logic segments of the business, which have been undergoing realignments, some semiconductor manufacturers, principally the leading-edge companies in Taiwan and South Korea, began to invest aggressively in manufacturing equipment in view of the expansion in the low-priced PC market, especially in the emerging economies. In addition, although capital investments in the solar battery industry have run their course, companies in the LED manufacturing industry are beginning to make investments in equipment for mass production.

Amid these conditions, the PM Group is continuing to reduce fixed costs, shorten lead times, and cut manufacturing costs to improve profitability. In the after-sales service business, the PM Group is drawing on its global support network to offer assistance to customers in maintaining stable operations and addressing their needs by providing proposals for making improvements in their equipment to enhance productivity.

Sales of the PM group amounted to ¥50,534million, 4.2% lower than for the previous fiscal year. Operating loss amounted to ¥2,750 million which represented an improvement of ¥2,026million from the previous fiscal year.

② Outlook for the Next Fiscal Year

Regarding the overall market, in the United States, economic conditions are expected to continue to recover at a moderate pace as a result of increases in exports to the emerging countries and recovery in private capital investment. However, there is concern regarding Europe because of the deterioration of the financial conditions of certain countries. In Asia outside Japan, economic expansion is viewed as likely to continue, as a consequence of demand within the region, especially in China and India. In Japan, although there is uncertainty about future trends because of the delay in the recovery of capital investment and other factors, the economy is expected to continue to show gradual improvement.

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

In the FMS Group, market conditions overall are forecast to recover gradually. In the overseas fluid and gas pumping equipment fields, capital investment in the oil and gas industries in the Middle East and elsewhere is expected to recover on the back of the rising trend in crude oil prices. In addition, in the electric power industry, major nuclear and thermal power generating projects are scheduled in Asia, the United States, and elsewhere. However, it appears that price competition will intensify and the adverse impact of yen appreciation will continue, resulting in a severely competitive business environment. On the other hand, in Japan, although production in the steel industry is on a recovery trend, more time will be necessary for recovery in the weak capital investment in that industry.

In view of this outlook, the FMS Group will significantly step up its marketing activities targeted as the neuclear power in China, the United States, and elsewhere, while also focusing on marketing the oil and gas industries and the water environment fields in the Middle East. In addition, the FMS Group will work toward developing a global horizontal division of production as it begins the full-scale production of Custom Pumps in the Futtsu Plant, strengthens the business activities of overseas production plants in China and elsewhere, and moves closer to the integrated management of Japanese and U.S. Compressors & Fans. In the public works market in Japan, the FMS Group will conduct strict supervision of projects and identify more after-sales service projects. In the domestic private-sector market, the FMS Group will launch a new series of energy-saving pumps that will enable customers to lower energy consumption and reduce costs and will aim to further expand plant renewal business, as it pursues marketing activities carefully tailored to customer needs.

In the EE Group, in the public-sector market, although an increase in new plant construction projects cannot be expected because of restraints on public investment and the maturing of the market for infrastructure improvements, demand for core repairs and maintenance as well as the upgrading of existing facilities is expected to hold strong. In addition, as a result of the weak financial condition of government and other public entities as well as the shortage of technical personnel, the trend toward comprehensive maintenance and management contracts for facilities and the increase in demand for services from the construction of facilities to operation and maintenance is expected to continue. In the private sector, because of the delay in economic recovery, tough operating conditions in the market for environment-related investment are forecast to continue.

Amid these conditions, will respond to changes in the market environment and customer needs as it makes proposals aggressively for major repairs as well as for basic upgrades and improvements in existing facilities by strengthening its proposal-preparing systems based on its strengths in EPC-related technology and delivery capabilities as well as the capabilities of its O&M after-sales service network.

In the PM Group, in the core customer industry of semiconductors, the market for semiconductor devices is forecast to expand as the markets for low-priced PCs, principally in the emerging countries grow, and as high-performance mobile phones with touch-panel functions and tablet-type computers with electronic book terminal functions come into wider use. Thus far, equipment for mass production of semiconductor devices has been purchased primarily by a few cutting-edge companies, but companies mainly in the memory device industry are expected to begin purchasing this equipment again. In addition, in the LCD and LED fields, as TVs with new functions, such as 3-D images, come into broader use and along with other developments, the market is expected to expand. As a result, investment in equipment for mass production is forecast to continue.

Amid these conditions, to respond quickly to customer needs, the PM Group will continue to work to shorten lead times and adopt measures to reduce costs to strengthen its profitability. In addition, drawing on its global marketing and support network, the PM Group will strive to identify customer needs for increasing productivity, and, by continuing to strengthen its after-sales service capabilities, stabilize its profitability and endeavor to build closer ties with its customers.

Based on the previously mentioned policies and initiatives, the Group has set the objective of reaching consolidated net sales of ¥ 410 billion and ¥ 20 billion in operating income in the fiscal year ending March 31, 2010.

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

	Consolidated	
Net sales	¥ 410.0	(15.6%)
Operating income	¥ 20.0	5.8%
Ordinary income	¥ 17.5	4.8%
Net income	¥ 9.0	66.7%

Business Segment Information

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

(Billions of yen, percentage composition)

Group	Sales		Operating Income	
Fluid Machinery & Systems	¥ 290.0	70.7%	¥ 15.0	75%
Environmental Engineering	¥ 58.0	14.1%	¥ 2.0	10%
Precision Machinery	¥ 62.0	15.1%	¥ 3.0	15%
Total	¥ 410.0	100%	¥ 20.0	100%

Since Ebara Engineering Service Co., Ltd., is now accounted for under the equity method, the water treatment plant business will no longer be included in the EE Group. Sales of Ebara Engineering Service Co., Ltd. for the fiscal year amounted to ¥68,908million, and operating income amounted to ¥4,347 million.

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

③ Progress toward Goals of the Medium-Term Management Plan

The following are the Group’s consolidated financial highlights for the fiscal year under review, which was the second year under the Group’s “E-Plan2010” medium-term management plan.

As a result of such factors as the emergence of additional costs related to an overseas incinerator project in the EE Group and the major decline in sales of the PM Group owing to severe restraints on capital investment in the semiconductor industry, net sales, operating income, and net income were all below the target figures set in the medium-term plan.

(Billions of yen)

	Performance figures	Midium-term management plan
Sales	¥485.8	¥575.0
Operating Income	¥18.9	¥27.0
Net Income	¥5.4	¥11.0

Under E-Plan2010, the Group is reviewing its business promotion systems and taking measures to restructure its management base and has set the following targets for the fiscal year ending March 31, 2011, the final year of the medium-term plan.

ROE: 8% or more

Debt/equity ratio: 0.9 or lower, or Equity ratio: 30% or more

At the close of the fiscal year ended March 31, 2010, which was the second year under the Group’s E-Plan2010, the status of attainment of the Group’s target indicators was as follows:

ROE：4.3 %

Debt/equity ratio：1.4

④ Attainment of Management Objectives

Please see related item covered previously.

(2) Analysis of Financial Position

The following is an analysis of assets, liabilities, net assets, and cash flows.

① Assets

As a result of a decrease from the end of the previous year in current assets of ¥6,561million and a decrease in fixed assets of ¥33,354million, total assets declined ¥39,915 million to ¥522,540 million. The principal reasons for these movements in assets were as follows.

The decline in current assets was due to decreases of ¥22,877million in trade receivables and increased ¥15,700 million for transfer the other investments to the other current assets.

Tangible and intangible fixed assets declined ¥334 million because of the implementation of capital expenditures of ¥23,560 million and depreciation charges of ¥15,274 million. In addition, decreases of ¥12,986 million as a result of excluded from consolidation owing to transfer of shares.

Investments and other assets declined ¥33,019million from the previous fiscal year as a result of a decrease ¥15,700 million for transfer the other investments to the other current assets, and decreases in deferred tax assets and long-term loans.

② Liabilities

Compared with the previous fiscal year-end, current liabilities decreased ¥66,347 million, and Long-Term Liabilities increased ¥18,029 million, thus total liabilities declined ¥48,317 million to ¥389,874 million. The principal causes of these decreases were as follows.

Current liabilities declined ¥66,347 million as a result of the net effect of decreases of ¥31,395 accompanying a rise in the settlement of notes and accounts payable and excluded from consolidation owing to transfer of shares, a decrease in short-term bank loans of ¥6,943million, and a decrease in the current portion of long-term debt of ¥20,000 million.

Long-term liabilities increased ¥18,029 million as a result of an increased ¥22,648 million in long term bank loans.

③ Net Assets

Among items in net assets, shareholders' equity increased ¥5,178million and net unrealized gain increased ¥3,215 million. As a result, net assets were increased ¥8,401 million and amounted to ¥132,665 million at the end of the period under review. The increase in shareholders' equity was mainly due to the reporting of a net profit of ¥5,441 million.

④ Cash Flows

Net cash flow provided by operating activities before payments of interest and taxes was ¥632 million upper than for the previous fiscal year and amounted to a net inflow ¥23,581 million, owing to lower payments of corporate income taxes.

Among investing activities, the Group reported a cash inflow from the sale of securities was decreased ¥17,800 million. On the other hand, the Group made a increace of ¥2,717 million through the transfer of the subsidiary's shares. As a result, cash used in investing activities amounted to ¥17,127 million.

Net cash provided by financing activities amounted to a net outflow of ¥5,436 million through the Group made a net decrease of ¥3,408 million through refunds to the interest-bearing debt and other factors.

As a consequence, consolidated cash and cash equivalents at the end of the period were ¥81,711million, ¥4,517 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	March 31 2006	March 31 2007	March 31 2008	March 31 2009	March 31 2010
Shareholders' equity ratio:	25.9%	24.2%	24.9%	21.6%	24.8%
Shareholders' equity ratio at market value:	52.8%	37.8%	21.2%	16.2%	38.5%
Years to repay debt:	—	22.4 years	—	10.4 years	7.5 years
Interest coverage ratio:	—	2.8	—	5.1	6.9

Notes:

1. Shareholders' equity ratio: Shareholders' equity/Total assets
2. Shareholders' equity ratio as market value: Stock market capitalization/Total assets
3. Years to repay debt: Interest-bearing debt/Operating cash flow
4. Interest coverage ratio: Operating cash flow/Interest expenses

* All indicators in the table above were computed with consolidated financial data.

* Stock market capitalization was computed by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (less treasury stock).

* Operating cash flow is "Net cash provided by operating activities" appearing in the Consolidated Statements of Cash Flows. Interest-bearing debt is defined as all liabilities appearing on the Consolidated Balance Sheets on which interest must be paid. Interest expenses are the amounts appearing in the item "Interest expenses paid" in the Consolidated Statements of Cash Flows.

(3) Basic Policy for Allocation of Profit and Dividends for FY 2009

The Company regards returning a portion of its income to its shareholders as one of its most important management tasks. In setting its dividends, the Company takes into account its consolidated performance and financial position for the current and future fiscal period while aiming to pay stable cash dividends. Dividends are paid twice a year, with the dates of record being March 31 and September 30.

After giving full consideration to the Company's performance for the fiscal year under review and its financial position at the end of the fiscal year as well as the need to increase retained earnings to make investments to strengthen the Company's competitiveness in core businesses, regrettably, the Company has decided not to pay a year-end dividend for the fiscal year under review. We wish to express our sincerest apologies to our shareholders for this decision.

Regarding dividends for the current fiscal year, ending March 31, 2011, the Company has decided to suspend its interim dividend. No decision has been made at this time on the final dividend for the current fiscal year.

(4) Business Risks

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

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

① Market Risk

Public works projects account for a high percentage of the sales of the fluid machinery system engineering and the EE Group. Accordingly, there is a possibility that cutbacks in public works by the national government, regional governments, and related entities. In addition, the business of the PM Group is influenced by the silicon cycle. Accordingly, fluctuations in the market for semiconductors may have a detrimental impact on the Group's business activities, performance, and financial position.

② Large-scale projects and overseas business activities

The Group manufactures and constructs machinery and plants in big projects both in Japan and foreign countries.

Certain of these projects involve technical issues with a high degree of difficulty. There is a possibility that additional costs may be incurred due to failure to function properly, prolongation of the time required to achieve the specified capabilities, and other factors.

Some of these projects involve a high level of technical difficulty. And big projects in foreign countries involve risks related to business environments which differ from those of Japan. The Group takes possible measures to control these risks and provides for construction loses by setting aside an amount based on its estimate of such costs; however, if actual additional costs exceed the reserves, this may have a detrimental impact on the Group's performance.

③ The InfraServ project in Germany in view of progress

Since receiving the order for this project in December 2006, the Group has reported reserve for construction losses on several occasions. The Group has found it is necessary to continue to make provisions to loss reserves because of the occurrence of special circumstances that have arisen and that were beyond the Group's original expectations. This has been because this is the first time the Group has acted as general contractor for a major incinerator project overseas and because the project is situated in Germany where related regulations are exceptionally stringent and we were obliged to make changes in the design of the project and undertake additional construction work. In addition, following the receipt of the order for this project, the European economies experienced overheating, and this resulted in major increases of "bubble" proportions in material and personnel costs. These unusual circumstances were also reasons for the losses on the project.

The Group has estimated and set aside amounts in its reserve for construction losses that represent the maximum reasonable amounts the Group thinks may be incurred, given information available at the present time, but in the event that losses are larger than anticipated, there is a possibility that this may have an adverse impact on the Group's performance.

④ Business realignments, etc

The EBARA Group is allocating resources to its businesses with selectivity and focus and, in realigning its business activities, may withdraw from certain unprofitable businesses and liquidate or take other appropriate action with regard to associated companies. Such realignments may have an impact on the Group's performance and financial position.

⑤ Exchange risk

Transactions denominated in foreign currencies that are conducted as part of business activities overseas are converted to yen in the course of preparing the consolidated financial statements. As a result of changes in foreign exchange conversion rates at the time of conversion, there is a possibility that this may have an effect on the Group's performance.

⑥ Interest Rate Risk

The Group is working to reduce its interest-bearing debt, but, as of March 31, 2010, a short-term interest bearing debt amounted to ¥75,391 million and the balance of long-term interest bearing debt was ¥102,468 million, which reached a total of ¥177,859 million. Interest-bearing debt includes fixed- and floating-rate liabilities. For that portion of interest-bearing debt borrowed at floating rates, the Group has arranged for interest rate swaps to fix the interest liability and loans with floating – rates to lessen the risk of interest rate fluctuations; however, if interest payments on the unhedged portion rise due to higher interest rates, this may have an impact on the Group's performance a stoppage, or impairment, of business activities, this may have an adverse impact on Group performance.

⑦ Risks Related to the Impact of Natural Disasters and Impairment of the Social Infrastructure

If a Group place of business is struck by a major typhoon, earthquake, or other natural disaster that adversely affects its ability to conduct business activities, this may have a detrimental impact on Group performance. In addition, in the event of a major accident affecting the labor force or an accident involving equipment that leads to a stoppage, or impairment, of business activities, this may have an adverse impact on Group performance.

⑧ Deferred Tax Assets

The Group believes that its deferred tax assets will make it possible to make recoveries from future taxable income. Regarding the portion of deferred tax assets for which the Group believes there is doubt about making recoveries, the Group has provided the valuation allowance for such doubtful amounts. However, the estimate of future taxable income may vary depending on performance at that time. In the event that factors influencing the estimate of taxable income vary, it may be necessary to make changes in the valuation allowance amounts. In such cases, the Group will make adjustments in the doubtful portion of deferred tax assets, and, since an equivalent amount will be reflected in the deferred tax benefit on the Consolidated Statements of Income, there is a possibility that net income may decline as a result.

⑨ Material Procurement

The Group procures parts and materials for its manufacturing and construction activities and is influenced by fluctuations in market conditions for these materials. Increases in prices of materials result in higher material costs for the Group and may have an adverse impact on the Group's performance

⑩ Litigation risk

In conducting its business operations the EBARA Group may be the object of lawsuits or bring lawsuits against other parties with regard to such matters as product liability, intellectual property, environmental protection, labor issues, and other matters. Depending on the outcome of such lawsuits, litigation of this kind may have an impact on the Group's performance and financial position as well as on the trust placed in the Group by society.

⑪ Legal restrictions

The Group conducts operations in Japan and foreign countries and is subject to the laws of the countries where its operations take place. In some instances, the passage of laws and changes in existing legislation may result in an alteration of assumptions for operating and business plans. Such changes in assumptions may have an adverse impact on the Group’s performance.

2. Corporate Group Information

The Group comprises the parent Group (Ebara Corporation, the Company), 77 subsidiaries (51 of which are consolidated), and 12 affiliates. With the Group as the focus of its activities, the Group is engaged in manufacturing, sales, construction, maintenance, provision of services, and related activities in the fields of Fluid Machinery & Systems, Environmental Engineering, Precision Machinery, and other areas.

The principal lines of business, the functions and the areas of responsibility of the Company, principal consolidated subsidiaries, and affiliated companies (applied equity method), and their names are as shown below.

Segment	Principal Lines of Business	Functions and Areas of Responsibility	Ebara Corporation, principal consolidated subsidiaries, and affiliated companies (applied equity method)
Fluid Machinery and Systems	Manufacturing, sales, and maintenance of pumps, blowers, fans, compressors, turbines, refrigeration and heating equipment, and other items. Engineering, construction, operation, and maintenance services for hydroelectric power plants. Nuclear power related equipment.	Manufacturing and sales	• Ebara Corporation • Ebara Densan Ltd. • Ebara Shinwa Ltd. • Ebara Hamada Blower Co., Ltd. • Ebara Yoshikura Hydro-Tech Co., Ltd. • Elliott Ebara Turbomachinery Corporation • Ebara Refrigeration Equipment & Systems Co., Ltd • Elliott Company • Ebara International Corporation • Ebara Pumps Europe S. p. A
		Engineering, construction, operation and maintenance	• Ebara Corporation • Ebara Yoshikura Hydro-Tech Co., Ltd.
		Sales and maintenance	• Ebara Techno-serve Co., Ltd. • Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	• Ebara Material Co., Ltd.
Environmental Engineering	Engineering, construction, operation, and maintenance of environmental improvement equipment, incinerator plants, waterworks and sewage system, and other types of plants and equipment. Manufacturing and sales of industrial chemicals.	Engineering and construction	• Ebara Environmental Plant Co., Ltd. • Ebara Qindao Co., Ltd. ※Ebara Engineering Service Co., Ltd.
		Operation and maintenance	• Ebara Environmental Plant Co., Ltd. ※Ebara Engineering Service Co., Ltd.
		Manufacturing and sales of chemicals	※Ebara Engineering Service Co., Ltd.
Precision Machinery	Manufacturing, sales, and maintenance of vacuum pumps and machinery and equipment for the semiconductor industry	Manufacturing and sales	• Ebara Corporation
		Manufacturing and maintenance	• Ebara Field Tech. Corporation • Ebara Technologies Inc.
Others	All other lines of business not mentioned above	Business support service, etc.	• Ebara Agency Co., Ltd.

※ Subsidiaries of applied equity method

3. Management Policies

(1) Basic Policies

The corporate philosophy of the Ebara Group is “to contribute broadly to society by offering superior technologies and optimal services in the areas of water, the air, and the environment.” As a manufacturer of industrial machinery, the EBARA Group will grasp and anticipate customer needs, manufacture and sell superior products, and provide high-quality support to its customers with the aims of thereby contributing to society and attaining the further development in the Group as a whole.

In addition, the Group’s basic management policy is to endeavor to strengthen its management base and increase profitability through selectivity and concentration in the allocation of its resources and increase its corporate value and the value of its shares by managing its corporate resources efficiently.

(2) Target Management Performance Measures

The Ebara Group regard return on equity (ROE) and return on assets (ROA) as their most important management indicators. Management employs both indicators to measure the overall performance of the Ebara Group as a whole and considers ROA the most important indicator for the Group’s individual business segments and other Group companies operating within these segments. Among other indicators, next in significance are cash flows, net sales, and ordinary income.

The Ebara Group have chosen ROE as their key management indicator to make clear, both internally and externally, the shareholder-oriented stance of their management policies. In addition, ROA, cash flows, sales, and ordinary income have been selected as metrics to assess the performance of both business segments and Group companies operating under these segments because of their wide applicability and their usefulness in making comparisons and analyses over time.

To implement initiatives aimed at attaining targets set for these indicators, the above metrics are positioned as important indicators of management performance in medium- to long-term plans and the annual budgeting process. Moreover, they are used in the Group’s management by objectives (MBO) system to evaluate the performance of the management team and are linked to compensation.

To strengthen the Group’s financial position through the reduction of interest-bearing debt, the debt to equity ratio (defined as the ratio of interest-bearing debt to shareholders’ equity) has been selected as another indicator and it is used in guiding the management of the Group. Under E-Plan2010, the Group is reviewing its business promotion systems and implementing measures to strengthen its management foundation. The targets set for the year ending March 31, 2011, the final year of the plan, are as follows.

Under these basic policies, EBARA has prepared a specific plan for action to attain management objectives. By steadily implementing this plan, EBARA is aiming to enhance the satisfaction of its stakeholders and maximize its corporate value.

ROE: 8.0% or more

Debt/equity ratio: less than 0.9 or Equity ratio: more than 30%

(3) Medium-to-Long Term Management Policies

The Group will implement its business activity in accordance with new medium term management plan "E-Plan 2010" which set the fiscal 2011 for the target year. The Group has defined the period of this management plan, extending from fiscal 2009 through fiscal 2011, as "a period for restructuring the Group's management foundation," when it will review its overall business implementation system and address and resolve the issues identified. The period of the plan is positioned as a time for preparing for the next management plan (extending from fiscal 2012 forward), which will be "a period for taking up the challenge of business expansion."

Under this plan (E-Plan 2010), the Group will maintain the following basic stances:

- Work to further increase the profitability of existing businesses that have a strong operating base and work to make an early withdrawal from those businesses that have no prospects for improvement in profitability,
- Give priority to improvement in profitability in the allocation of limited human resources, and
- Make effective use of the Group's assets, allocating them on a priority basis to those businesses that are generating profits and employing the resources necessary to withdrawing from unprofitable businesses.

Under this plan (E-Plan 2010), the Group will implement its management with the following concerns.

① The Group's Concerns as a Manufacturing Enterprise

The Group is aware that manufacturing and marketing superior hardware and providing top-quality supporting services are the keys to business growth. The Group will further polish its capabilities in the areas where it is strong and will aim to be one of the world's leading manufacturers of industrial machinery.

② Concern for Improving the Natural Environment

By continuing to provide products and services that conserve energy and contribute to preserving the natural environment, the Group intends to contribute to improving the earth's environment and assist in passing this improved environment on to the next generations. At the same time, we will endeavor to improve our own work environment, which is the place where we work to achieve self-fulfillment.

③ Concern for Internal Control Systems and Improvement in Operating Efficiency

To create a culture that emphasizes compliance, we are continuing to work not only to enhance our internal control systems and enhance management transparency but also to improve operating efficiency.

④ Concern for the Group's Motto: "EBARA Walking with Its Customers"

The conceptual origin of the Group's business activities is "meeting customer needs," and devoting our efforts to meet customer needs is the way we have grown. We will aim to accurately identify and anticipate customer needs, which change from one era to the next, and, by responding to these needs, will work to enhance customer satisfaction and, at the same time, work toward the further development of the Group.

Under this plan (E-Plan 2010), the Group as a whole will focus on the following two fundamental items.

① Strengthening the Business Base for Sustained Growth

Going forward, the Group positions strengthening of its business base as a priority issue for sustained growth. To this end, the Group has planned and will decisively implement the following measures.

i) Promote Selectivity and Concentration

- The Group will withdraw from unprofitable businesses without prospects for improvement and businesses that require an extended period for recovery of invested capital. This will apply to such business whether they are within the parent company or subsidiaries.
- The Group will allocate capital on a priority basis to those businesses that have the potential of attaining annual sales in excess of ¥100 billion and a ratio of operating income to sales of greater than 7% (Standard pumps business, custom pumps business, compressors & fans business, and precision machinery business), with the aim of attaining further increases in sales and improvement in product profitability.

ii) Establish a Business Base from a Global Perspective

- The Group will enhance the efficiency of its systems for international marketing and support services for its product groups that are marketable globally.
- For those product groups that lack international marketability, the Group will withdraw from such businesses or projects in overseas markets and will have them continue their operations focusing on the domestic market.

iii) Improve Cash Flow

- With the exception of those new products and businesses where the Group will make developmental investments looking to the next medium-term plan in fiscal 2012 and later, all companies will be expected to generate positive free cash flow within two years.

② Implementing Corporate Activities that Emphasize Compliance

The Group will emphasize compliance and implement its corporate activities through appropriate and legal business processes. To this end, the Group will strengthen and upgrade its internal control systems and will implement a range of measures on a Groupwide basis that will enable a spirit that truly emphasizes compliance to take root in its corporate culture. In addition, the Group will review its individual business processes and strengthen internal controls, with the objectives of eliminating waste and duplication in its operations and improving efficiency.

Under this plan, the Group will establish concrete action plan to achieve objectives of management for sustained growth, and will decisively implement these measures so that satisfaction may be ensured for stakeholders and will aim for maximization of corporate value and stock value.

(4) Issues to Be Addressed

① Strengthening the Business Base for Sustained Growth

To attain the medium term management plan “E-Plan 2010” which set the fiscal 2011 for the target year , the Group has positioned strengthening its management foundation as a top priority objective. To this end, the Group is allocating its resources with selectivity and focus and making improvements in its business systems with the aim of concentrating its investments on businesses that have potential of generating high profit rates and withdrawing from unprofitable businesses. The Group as a whole is continuing to work to lower fixed costs, and in the PM Group, measures are being implemented to improve profitability and focusing on creating a business base that is not influenced by the silicon cycle. In addition, the Group as a whole is continuing to work to lower fixed costs.

② Achieving Financial Soundness

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

③ The InfraServ project in Germany

In the InfraServ project in Germany , about 96% of the plant construction work has been completed, but, looking to October 2010 as the start-up date for the operation of the plant, EBARA is exerting its best efforts to prevent any further increase in construction-related losses by continuing to work to ensure quality and compliance with prescribed processes.

④ Strengthen its corporate governance and create a corporate culture that places strong emphasis on compliance

To strengthen its corporate governance framework and ensure the highest standards of compliance, EBARA is structuring a system to ensure that its directors remain in compliance with relevant laws and the Company’s Articles of Incorporation in the conduct of their duties. The objectives of this system are to secure transparency and objectivity in management and expand as well as strengthen the corporate governance framework.

4. Consolidated financial statements

(1) Consolidated Balance Sheets

	March 31, 2009	March 31, 2010
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and time deposits	76,037	80,089
Trade receivables	186,703	163,825
Securities	1,156	1,622
Finished goods	10,081	11,033
Work in process	41,382	40,251
Raw materials	24,019	18,524
Deferred tax assets	8,747	14,658
Others	33,421	44,886
Allowance for doubtful receivables	(1,124)	(1,028)
Total current assets	380,426	373,864
Fixed assets		
Tangible fixed assets		
Buildings, net	28,395	40,034
Machinery and equipment, net	29,601	25,306
Land	21,323	21,595
Construction in progress	11,652	4,368
Others	5,998	6,474
Total tangible assets	96,971	97,779
Intangible assets		
Software	4,233	4,205
Goodwill	1,819	1,721
Others	4,073	3,057
Total intangible assets	10,127	8,984
Investments and long-term receivables		
Investment securities	20,649	23,252
Long-term loans receivable	8,002	496
Deferred tax assets	17,192	10,430
Others	33,146	10,810
Allowance for doubtful receivables	(3,955)	(3,078)
Reserve for revaluation of investments	(103)	—
Total investments and long-term receivables	74,931	41,911
Total fixed assets	182,029	148,675
Total assets	562,456	522,540

	March 31, 2009	March 31, 2010
	Millions of yen	Millions of yen
Liabilities		
Current liabilities		
Trade payables	131,181	99,785
Short-term bank loans	81,554	74,610
Current portion of bonds	20,000	—
Accrued income taxes	4,203	4,022
Deferred tax liabilities	87	31
Bonus payment reserve	6,536	5,232
Directors' bonus payment reserve	117	101
Reserve for losses on construction completion guarantees	9,755	9,601
Resenve for product warranties	863	1,365
Reserve for construction losses	19,230	20,157
Reserve for losses on contingent liabilities	41	31
Reserve for legal expenses	172	—
Reserve for expenses related to the sale of land	2,706	4,588
Others	52,572	43,146
Total current liabilities	329,023	262,676
Long-term liabilities		
Bonds with stock acquisition rights	40,000	40,000
Long-term bank loans	38,555	61,204
Deferred tax liabilities	864	59
Accrued severance and pension costs	22,783	20,704
Directors' retirement allowance reserve	709	362
Reserve for expenses related to the sale of land	2,800	—
Reserve for losses on contingent liabilities	13	—
Others	3,441	4,868
Total long-term liabilities	109,168	127,198
Total liabilities	438,192	389,874
Net assets		
Shareholders' equity		
Common stock	61,284	61,284
Capital surplus	65,212	65,212
Retained earnings	7,315	12,567
Treasury stock, at cost	(146)	(219)
Total shareholders' equity	133,665	138,844
Net unrealized gain		
Net unrealized gain on investment securities	259	1,576
Profit/Loss deferral hedge accounting	0	—
Translation adjustments	(12,514)	(10,615)
Total net unrealized gain	(12,254)	(9,039)
Subscription rights to shares	—	104
Minority interests in consolidated subsidiaries	2,852	2,755
Total Net assets	124,263	132,665
Total liabilities and net assets	562,456	522,540

(2) Consolidated statements of income

	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
	Millions of yen	Millions of yen
Net sales	501,149	485,889
Cost of sales	415,827	389,437
Gross profit	85,321	96,452
Sales commission	5,605	4,655
Packing and transportation	4,333	3,847
Sales promotion	980	1,447
Allowance for doubtful receivables	1,308	―
Personnel expenditure	34,403	33,901
Bonus payment reserve expense	1,315	1,904
Directors' bonus payment reserve expense	46	84
Employee's retirement expenses	2,324	3,436
Directors' retirement expenses	233	147
Traveling expenses	3,566	3,013
Public dues and taxes	1,608	1,502
Depreciation and amortization	2,552	2,856
Amortization of goodwill	710	803
Research and development costs	8,829	4,977
Others	16,866	14,921
Selling, general and administrative expenses	84,684	77,499
Operating income	637	18,953
Non-operating income		
Interest income	708	380
Dividend income	1,434	431
Insurance income	55	298
Profit in equity method	28	87
Compensation income	―	576
Others	1,021	1,425
Total of non-operating income	3,248	3,199
Non-operating expenses		
Interest expenses	3,183	3,566
Provision of allowance for doubtful receivables	97	―
Foreign exchange loss	1,132	59
Others	1,856	1,777
Total of non-operating expenses	6,270	5,403
Ordinary income (loss)	(2,383)	16,749

	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
	Millions of yen	Millions of yen
Extraordinary income		
Gain on sales of fixed assets	338	1,158
Gain on sales of investment securities	531	—
Gain on sales of subsidiaries and affiliates’ stocks	—	3,459
Gain on reversal of reserve for revaluation of investments	7	—
Gain on reversal of allowance for doubtful receivables	3,140	465
Reversal of provision for loss on guarantees	—	13
Profit on bad debt recovered	0	—
Gain on reversal of special retirement benefit paid	806	—
Gain on transfer among severance payment plans	653	238
Gain on transfer of business	—	645
Gain on adjustement for changes of accounting standard for construction contracts	—	287
Gain on forgiveness of debts	—	474
Total of extraordinary income	5,478	6,744
Extraordinary expenses		
Loss on sales of fixed assets	91	99
Loss on disposal of fixed assets	1,656	1,498
Loss on liquidation of subsidiaries and affiliates	288	1,327
Impairment losses	3,337	220
Loss on sales of investment securities	7	—
Loss on sales of stocks of subsidiaries and affiliates	—	7,365
Loss on valuation of investment securities	4,298	418
Provision for loss on guarantees	2	—
Losses arising from violation of the Antimonopoly Act	3	—
Losses on suspension of specific projects	250	—
Special retirement benefit paid	—	588
Penalty Expense	500	—
Total of extraordinary expenses	10,436	11,518
Income (Loss) before income taxes	(7,341)	11,974
Income taxes	4,674	9,539
Deferred tax benefits	2,750	(3,619)
Total of income taxes	7,424	5,920
Minority interests	(1,652)	612
Net income (loss)	(13,113)	5,441

(3) Consolidated Statements of Net assets

	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
	Millions of yen	Millions of yen
Shareholders' equity		
Capital stock		
Balance at the end of previous period	61,284	61,284
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	61,284	61,284
Capital surplus		
Balance at the end of previous period	65,212	65,212
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	65,212	65,212
Retained earnings		
Balance at the end of previous period	24,256	7,315
Effect of changes in accounting policies applied to foreign subsidiaries	(651)	—
Changes of items during the period		
Dividends from surplus	(3,168)	—
Net income (loss)	(13,113)	5,441
Change of scope of consolidation	—	(189)
Disposal of treasury stock	(7)	(0)
Total changes of items during the period	(16,288)	5,251
Balance at the end of current period	7,315	12,567
Treasury stock		
Balance at the end of previous period	(134)	(146)
Changes of items during the period		
Purchase of treasury stock	(28)	(74)
Disposal of treasury stock	15	1
Total changes of items during the period	(12)	(72)
Balance at the end of current period	(146)	(219)
Total shareholders' equity		
Balance at the end of previous period	150,618	133,665
Effect of changes in accounting policies applied to foreign subsidiaries	(651)	—
Changes of items during the period		
Dividends from surplus	(3,168)	—
Net income (loss)	(13,113)	5,441
Change of scope of consolidation	—	(189)
Purchase of treasury stock	(28)	(74)
Disposal of treasury stock	8	1
Total changes of items during the period	(16,301)	5,178
Balance at the end of current period	133,665	138,844

	From April 1, 2008 to March 31, 2009 Millions of yen	From April 1, 2009 to March 31, 2010 Millions of yen
Net unrealized gain		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,917	259
Changes of items during the period		
Net changes of items other than shareholders' equity	(2,658)	1,317
Total changes of items during the period	(2,658)	1,317
Balance at the end of current period	259	1,576
Deferred gains or losses on hedges		
Balance at the end of previous period	6	0
Changes of items during the period		
Net changes of items other than shareholders' equity	(5)	(0)
Total changes of items during the period	(5)	(0)
Balance at the end of current period	0	―
Translation adjustment		
Balance at the end of previous period	(2,298)	(12,514)
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,215)	1,899
Total changes of items during the period	(10,215)	1,899
Balance at the end of current period	(12,514)	(10,615)
Total net unrealized gain		
Balance at the end of previous period	625	(12,254)
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,879)	3,215
Total changes of items during the period	(12,879)	3,215
Balance at the end of current period	(12,254)	(9,039)
Subscription rights to shares		
Balance at the end of previous period	―	―
Changes of items during the period		
Net changes of items other than shareholders' equity	―	104
Total changes of items during the period	―	104
Balance at the end of current period	―	104
Minority interests		
Balance at the end of previous period	4,020	2,852
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,167)	(96)
Total changes of items during the period	(1,167)	(96)
Balance at the end of current period	2,852	2,755

	From April 1, 2008 to March 31, 2009 Millions of yen	From April 1, 2009 to March 31, 2010 Millions of yen
Net assets		
Balance at the end of previous period	155,263	124,263
Increases (decreases) owing to changes in accounting principles of overseas subsidiaries	(651)	―
Changes of items during the period		
Dividends from surplus	(3,168)	―
Net income (loss)	(13,113)	5,441
Change of scope of consolidation	―	(189)
Purchase of treasury stock	(28)	(74)
Disposal of treasury stock	8	1
Net changes of items other than shareholders' equity	(14,047)	3,222
Total changes of items during the period	(30,348)	8,401
Balance at the end of current period	124,263	132,665

(4) Consolidated statements of cash flows

	From April 1, 2008 to March 31, 2009 Millions of yen	From April 1, 2009 to March 31, 2010 Millions of yen
Cash flows from operating activities:		
Income (loss) before income taxes	(7,341)	11,974
Depreciation and amortization	15,179	15,274
Loss on impairment losses	3,337	220
Gain on sales of securities	(523)	3,906
Loss on violation of Antimonopoly Act	3	—
Increase (decrease) in allowance	3,007	(147)
Gain on sales of fixed assets	(247)	(1,035)
Other no cash expenses	7,655	3,559
Interest and dividend income	(2,142)	(443)
Interest expenses	3,183	3,566
Decrease (increase) in trade receivables	24,623	(3,188)
Decrease (increase) in inventories	2,955	7,255
Decrease in trade payables	(16,285)	(14,834)
Others	(3,085)	4,846
Sub-total	30,321	30,954
Interest and dividend received	1,332	1,362
Interest expenses paid	(3,432)	(3,402)
Loss on violation of Antimonopoly Act and Legal expenses paid	(965)	—
Income taxes paid	(9,817)	(5,332)
Net cash provided by (used for) operating activities	17,438	23,581
Cash flows from investing activities:		
Sales of fixed assets	6,351	511
Purchase of fixed assets	(23,768)	(19,370)
Sales of securities	17,800	—
Sales of investment securities	1,444	100
Purchase of investment securities	(3,848)	(51)
Withdrawal of time deposits	2,200	—
Sales (purchase) of other investments, net	435	876
Collection of loans receivable	3,262	2,957
Disbursement of loans receivable	(6,650)	(4,083)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	2,717
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(787)
Net cash used for investing Activities	(2,774)	(17,127)
Cash flows from financing activities:		
Redemption of bonds	(10,200)	(20,000)
Proceeds from short-term bank loans	29,761	24,549
Repayment of short-term bank loans	(16,519)	(49,313)
Proceeds from long-term bank loans	8,730	42,100
Repayment of long-term bank loans	(12,556)	(744)
Capital paid in from minority shareholders	1,173	—
Purchase and sales of treasury stock	(5)	(72)
Dividends paid	(3,168)	—
Dividends paid to minority shareholders in consolidated subsidiaries	(448)	(1,028)
Others	—	(927)
Net cash provided by (used for) financing activities	(3,233)	(5,436)

	From April 1, 2008 to March 31, 2009 Millions of yen	From April 1, 2009 to March 31, 2010 Millions of yen
Translation adjustments	(3,396)	362
Increase (decrease) in cash and cash equivalents	8,034	1,379
Cash and cash equivalents at beginning of the period:	69,160	77,194
Increase owing to change in scope of consolidation	—	3,137
Cash and cash equivalents at end of the period:	77,194	81,711

Significant accounting principles

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
1 Scope of consolidation (1) Number of consolidated subsidiaries 53 Significant consolidated subsidiaries: Mentioned in Corporate Group Information	1 Scope of consolidation (1) Number of consolidated subsidiaries 51 Significant consolidated subsidiaries: Mentioned in Corporate Group Information
The following subsidiaries were newly consolidated: Elliott MVP service, LLC. As a result of the merger, on April 1, 2008, of Aqua Chemical Co., Ltd., which was a consolidated subsidiary at the end of the previous fiscal year, with Ebara Engineering Service Co., Ltd.	The following subsidiaries were newly consolidated: E-Square Co., Ltd. Hasaki Wind Farm Co., Ltd. Ebara Boshan Pumps Co., Ltd. Ebara Machinery (China) Hood-EIC, LLC. ※ Hasaki Wind Farm Co., Ltd. was excluded from consolidation, as of March 31, 2010, owing to transfer of shares of Eco Power Co., Ltd..
The following subsidiaries were excluded from consolidation owing to liquidation. EBARA KIDEN Co., Ltd. Ebara Environmental International Co., Ltd.	The following subsidiaries were excluded from consolidation owing to liquidation. Ebara Research Co., Ltd. Ebara Ballard Co., Ltd. Ebara Engineering Service Co., Ltd. was excluded from consolidation and become an affiliated companies applied equity method, owing to transfer of a portion of shares. The following subsidiaries were excluded from consolidation owing to transfer of shares of Engineering Service Co., Ltd. Aqua Engineering Co., Ltd. EBARA INDUSTRIAL CLEANING Co., Ltd. Eco Power Co., Ltd. was excluded from consolidation owing to transfer of shares.
(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia	(2) Names of significant non-consolidated subsidiaries Mentioned left
(3) The accounts of non-consolidated subsidiaries are not included in the consolidated financial statements owing to insignificance in volume of assets, sales, net income and retained earnings.	(3) Mentioned left
2 Equity method (1) Number of subsidiaries applied equity method 1 Ebara Espana Bombas S.A.	2 Equity method (1) Number of subsidiaries applied equity method 1 Mentioned left
(2) Number of affiliated companies applied equity method 0 The following affiliates were excluded from application to equity method owing to transfer of shares. IT Engineering Limited	(2) Number of affiliated companies applied equity method 2 Pacific Machinery and Engineering Co., Ltd. Ebara Engineering Service Co., Ltd. Ebara Engineering Service Co., Ltd. was excluded from consolidation and become an affiliated companies applied equity method, owing to transfer of a portion of shares.
(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in Names of significant non-consolidated subsidiaries (Affiliated company) Hyosung-Ebara Co., Ltd.	(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left
(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.	(4) Mentioned left

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is December 31: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between December 31 and the period end were adjusted in consolidation.	3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is December 31: Overseas consolidated subsidiaries Elliott Ebara Turbomachinery Corp. Significant transactions between December 31 and the period end were adjusted in consolidation.
4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Amortized cost method Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to shareholders' equity as shown in the balance sheets Securities not quoted Gross average cost ②Inventories Finished goods and raw materials are stated at the gross average cost (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 accumulated job cost (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets). (2) Property, plant and equipment and related depreciation ①Tangible assets Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of the assets of the Company and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Company and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese income tax regulations. ②Intangible assets and other investments Intangible assets are amortized on a straight-line basis. Software used in the Company is amortized on a straight-line basis for the estimated useful lives, 5 years. ③Lease assets The Group adopts the method of taking the useful life of the asset as the term of the lease for which lease assets under finance lease transactions other than those for which the ownership transfers to the lessee and depreciating the residual value to zero. Please note that for financial leases for which ownership is not transferred to the lessee and which commenced on or prior to March 31, 2008, the Group adopts accounting standards normally applicable to ordinary rental transactions.	4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left (2) Property, plant and equipment and related depreciation ①Tangible assets(except lease assets) Mentioned left ②Intangible assets and other investments(except lease assets) Mentioned left ③Lease assets Mentioned left

¥From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
(3) Standards of significant allowance ①Allowance for doubtful receivables An allowance for doubtful receivables is provided on an amount sufficient to cover possible losses on collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.	(3) Standards of significant allowance ①Allowance for doubtful receivables Mentioned left
②Bonus payment reserve Bonus payment reserve is provided based on the future liabilities.	②Bonus payment reserve Mentioned left
③Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities.	③Directors' bonus payment reserve Mentioned left
④Severance and pension plans The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. Actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.	④Severance and pension plans Mentioned left
⑤Directors' retirement allowance reserve Directors' retirement allowance reserve is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.	⑤Directors' retirement allowance reserve Mentioned left
⑥Reserve for revaluation of investments To prepare for possible declines in the value of stocks of subsidiaries and affiliated companies, the Group makes provisions based on estimates of the effects of major fluctuations in foreign exchange rates and changes in the financial positions of these subsidiaries and affiliated companies.	⑥ー
⑦Reserve for losses on contingent liabilities To prepare for possible losses related to liabilities of subsidiaries and affiliated companies that are guaranteed by the Group (contingent liabilities), the Group makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.	⑦Reserve for losses on contingent liabilities Mentioned left
⑧Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.	⑧Reserve for losses on construction completion guarantees Mentioned left
⑨Reserve for construction losses To prepare for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.	⑨Reserve for construction losses Mentioned left
⑩Reserve for legal expenses To provide for possible expenses arising from lawsuits, the Group makes reasonable estimates of the expenses.	⑩ー
⑪Reserve for expenses related to the sale of land Accompanying the sale of the land formerly occupied by the Group's Haneda Plant, this reserve has been created to provide for expenses related to restoring the land to its original condition and moving to the new Futtsu Plant as well as other related costs.	⑪Reserve for expenses related to the sale of land Accompanying the sale of the land formerly occupied by the Group's Haneda Plant, this reserve has been created to provide for expenses related to restoring the land to its original condition.
⑫Provision 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.	⑫Provision for product warranties Mentioned left

¥From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
(4) Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of-completion basis. Sales recorded on a percentage-of-completion basis are 123,582 million. In the Wind power generation business, for those long-term contracts that provide for future reductions in the "unit price that can be charged," Ebara recognizes revenues based on one of two methods: the "adjusted unit price" or the "weighted average unit price over the period of the contract." The differences between consolidated net sales based on the "unit price that can be charged" and consolidated net sales based on one of the two methods are recognized in the fiscal year when the "unit price that can be charged" declines and is treated as a carry forward. The amount carried forward is presented under other long-term liabilities.	(4) Revenue recognition Standard for cost of completed work and construction revenue The percentage-of-completion method has been applied for the completion of a portion of the construction work is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost). For other construction work, the completed-contract method has been applied.
(5) Significant hedging accounting methods ①Hedging transactions Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.	(5) Significant hedging accounting methods ①Hedging transactions Mentioned left
②Hedging instruments and hedging objects Hedging Hedging instruments Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used. Hedging objects Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.	② Hedging instruments and hedging objects Hedging Hedging instruments Mentioned left Hedging objects Mentioned left
③Hedging policy The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others in accordance with internal fund management regulation.	③Hedging policy Mentioned left
④Assessing the effectiveness of hedging Interest risk The effectiveness of hedging is assessed by comparing he accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with hedge criteria, the assessments are omitted. Currency exchange rate risk As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.	④Assessing the effectiveness of hedging Mentioned left
(6) Consumption tax Consumption taxes are accounted for using the net-of-tax method.	(6) Consumption tax Mentioned left
(7) Consolidated taxation system A consolidated tax system is applied.	(7) Consolidated taxation system Mentioned left
5. Valuation of assets and liabilities of consolidated subsidiaries The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.	5. Valuation of assets and liabilities of consolidated subsidiaries Mentioned left

¥From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
6. Amortization of Goodwill and Negative Goodwill The Company has set 20 years as a reasonable period for the amortization of goodwill and negative goodwill and uses the straight-line method to determine the amount to be amortized in each period. Those goodwill items that are not deemed to be material may be amortized in periods when they arise.	6. Amortization of Goodwill and Negative Goodwill Mentioned left
7. Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.	7. Cash and Cash Equivalents Mentioned left

Change in accounting policies

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
(Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements) Beginning with the current fiscal year, the Group has applied "Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"(Practical Issues Task Force No. 18, issued by ASBJ on May 17, 2006). Revisions are made that are necessary for consolidation. The effect of these is not material. (Change in method for recognition of sales) Sales of chemical mechanical polishing (CMP) equipment and plating equipment in the PM Group were formerly recognized at the time of shipment but, beginning with the current fiscal year, are now accounted for when the installation of such equipment is completed. This change was implemented (1)because of the trend toward the lengthening of the period between shipment of such equipment and the completion of installation and (2) because it has become possible to obtain data on the time of completion of installation as a result of the review of the related business processes. This change results in reporting that is more in line with the realities of the sales process. As a consequence, for accumulated consolidated results through the fiscal year, sales of the Group were ¥228 million lower and the operating income, were ¥102 million lower ordinary loss, and loss before income taxes were each ¥102 million larger than under the previous method for the recognition of sales. Please note that the effect of this accounting change by segment is presented in the segment information section.	(Change in standard for cost of completed work and construction revenue) The Group has changed its method for recognizing revenues from construction business activities. Previously, the Group applied the percentage-of-completion method for construction contracts of a term of more than one year and a total construction value of ¥100 million. For other construction contracts, the Group applied the completed-contract method. However, Beginning with the first quarter of the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007), the percentage-of-completion method has been applied for all construction contracts, including those that existed at the beginning of the current fiscal year, if the completion of a portion of the construction work is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost). For other construction work, the completed-contract method has been applied. As a consequence, for accumulated consolidated results through the the current fiscal year, sales were ¥1,835 million larger and the operating income, ordinary income were each ¥400 million larger, and income before income taxes were ¥688 million larger than under the previous method for the recognition of calculation. Please note that the effect of this accounting change by segment is presented in the segment information section.
(Accounting Standards for Lease Transactions) For finance leases for which ownership is not transferred to the lessee, the Group previously treated such transactions in the same manner as rental transactions. However, beginning with the fiscal year under review, accompanying the application of "Accounting Standards for Lease Transactions" (Accounting Standards Board of Japan (ASBJ) Statement No. 13, originally issued by ASBJ on June 17, 1993 (by the First Subcommittee of the Corporate Accounting Deliberation Council), and the final revision issued on March 30, 2007) and the "Implementation Guidance on Accounting Standards for Lease Transactions (ASBJ Guidance No. 16, originally issued by ASBJ on January 18, 1994 (by the Accounting System Committee of the Japan Association of Certified Public Accountants), and the final revision issued on March 30, 2007), the accounting treatment for such leases has been changed from methods applicable to rental transactions to methods applicable to ordinary buying and selling transactions. Please note that for financial leases for which ownership is not transferred to the lessee and which commenced on or prior to March 31, 2008, the Group adopts accounting standards normally applicable to ordinary rental transactions.	(Accrued severance and pension costs) Beginning with the current fiscal year, the Group has applied "Revisions of Certain of Accounting Standards for Severance Payment" (Accounting Standards Bureau of Japan (ASBJ) Statement No. 19, issued July 31, 2008). There is no effect for operating income, ordinary income, and income before income taxes.

Changes in classification

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
(Consolidated balance sheet) Accompanying the application of revisions of certain of the rules for financial instruments, as contained in a cabinet order (Cabinet Order No. 50, issued on August 7, 2008), certain items presented in “inventories” through the end of the fiscal year prior to the fiscal year under review are now presented in “finished goods,” “work in process,” and “raw materials.” Please note that the values of items previously included in “inventories,” but now included in “finished goods,” “work in process,” and “raw materials” were ¥13,639 million, ¥41,792 million, and ¥25,745 million, respectively, for the fiscal year under review.	−

Additional information

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
(Change in method for estimating the useful lives of tangible fixed assets) Accompanying the revision of Japan's Corporation Tax Law, the Group have reviewed the conditions of use of their assets, and, beginning with the current fiscal year, has changed the useful lives of certain of its tangible fixed assets. As a result, for accumulated consolidated results, the operating income lower ¥450 million, ordinary loss, and loss before income taxes were each ¥450 million larger than under the previous method of calculation. Please note that the effect of the application of these accounting changes by segment is presented in the segment information section.	(Directors' retirement allowance reserve) Previously, to provide for retirement and severance payments to directors, EBARA made provisions to a reserve for officers' retirement benefits for those payments to be made at the end of the fiscal year, based on its internal regulations. However, at the General Meeting of Shareholders held on June 26, 2009, it was decided to terminate the retirement benefit plan for directors and make final payments under this plan. For this purpose, an amount payable of ¥254 million is included in the item "Other long-term liabilities" on the consolidated balance sheets. In addition, accompanying this, the unpaid portion of the reserve for retirement benefits for executive officers, amounting to ¥224 million, that was formerly included in the reserve for officers' retirement benefits has been transferred to current liabilities and "Other long-term liabilities" on the consolidated balance sheets.
（Accrued severance and pension costs） Accompanying the implementation of the Defined Contribution Pension Plan Law, in August 2008, the Group transferred a portion of its lump-sum severance payment plan to its defined contribution pension plan and applied "Accounting Standards for Transition among Severance Payment Plans" (Application Guidelines for Corporate Accounting Standards, No. 1). As a result of this transfer, the Group reported extraordinary income of ¥653 million in its accumulated consolidated results through the current fiscal year.	（Accrued severance and pension costs） Accompanying the implementation of the Defined Contribution Pension Plan Law, in August 2009, some domestic consolidated subsidiaries transferred a portion of its lump-sum severance payment plan to its defined contribution pension plan and applied "Accounting Standards for Transition among Severance Payment Plans" (Application Guidelines for Corporate Accounting Standards, No. 1). As a result of this transfer, the Group reported extraordinary income of ¥238 million in its accumulated consolidated results through the current fiscal year.
(Accounting Standard for Related Party Disclosures) Beginning with the fiscal year under review, the Group has applied "Accounting Standard for Related Party Disclosures (ASBJ Statement No. 11, issued by ASBJ on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13, issued by ASBJ on October 17, 2006).	―
(Provision for product warranties) Previously, the Group has treated product guarantee costs as an expense at the time such expenses are incurred, except for provisions to the reserve for losses on construction completion guarantees, which are based on the case-by-case consideration of specific projects and products and a reasonable estimate of such costs. Beginning with the fiscal year under review, in view of the rising importance of product guarantee costs, the Group estimates a defective product ratio as a percentage of sales and calculates appropriate provision for product warranties. As a result, for accumulated consolidated results, the gross profit and the operating income were each ¥863 million lower, ordinary loss, and loss before income taxes were each ¥863 million larger than under the previous year. Please note that the effect of the application of these accounting changes by segment is presented in the segment information section.	―

Notes to consolidated financial statements

(Balance sheets)

	March 31, 2009	March 31, 2010
*1 Accumulated depreciation of tangible assets	157,198million	154,248million
*2 Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows:		
Investment securities	5,307 million	5,637 million
Others	5,811 million	1,447 million
*3 Collateral assets		
(Collateral assets for bank loans)		
Buildings	1,913 million	758 million
Machinery and equipment	8,943 million	7 million
Land	1,047 million	247 million
Investment securities	1,538 million	1,437 million
Total	13,442 million	2,449 million
Amount of bank loans		
Short-term loan	1,754 million	1,602 million
Long-term loan	8,621 million	5,470 million
The above collateral assets include a portion of industrial factory foundation as follows:		
Buildings	678 million	－ million
Machinery and equipment	73 million	－ million
Land	620 million	113 million
Total	1,372 million	113 million
Amount of bank loans		
Short-term loan	440 million	700 million
Long-term loan	26 million	－ million
(Collateral assets for purposes other than bank loans)		
Investment securities	1 million	－ million
4 Commitments and contingent liabilities		
(1) Loans guaranteed to employees:	624 million	487 million
(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:		
Oiwa Machinery Corporation	2,603 million	1,819 million
E-Square Co., Ltd.	2,072 million	
Chubu Recycle Co., Ltd.		238 million
Ebara Boshan Pumps.	1,317 million	
Hasaki Wind Farm Co., Ltd.	1,270 million	
Other 8 companies	1,338 million	
Other 3 companies		405 million
(3) Loan guaranteed to business partners:		
Tomen Power Samukawa Co., Ltd.	118 million	87 million
Tokyo Tama Ecocement Inc.	62 million	45 million
(4) Off-balance notes receivables with repurchase obligation	1,801million	－ million
5 Overdrafts and commitment lines		
The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the consolidated accounting year were as follows:		
Current account overdrafts	13,900 million	5,000 million
Commitment lines	36,600 million	45,000 million
Balance of borrowings	15,000 million	－ million
Total	35,500 million	50,000 million

(Statements of income)

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
*1 Research and development costs 8,829 million	*1 Research and development costs 4,977 million

From April 1, 2008 to March 31, 2009

*1 Research and development costs 8,829 million

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

Buildings	1 million
Machinery and equipment	26 million
Land	262 million
Others	47 million
Total	338 million

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

Buildings	5 million
Machinery and equipment	33 million
Land	40 million
Others	11 million
Total	91 million

*4 Loss on disposal of fixed assets comprises the following:

Buildings	154 million
Machinery and equipment	1,157 million
Other tangible fixed assets	289 million
Software	29 million
Other intangible assets	25 million
Total	1,656 million

*5 Impairment losses

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

Use	Type	Location
Equipment for development of fuel cell batteries	Buildings Machinery	Fujisawa Kanagawa
Rights to technical alliances related to development of fuel cell batteries	Other depreciable assets	Ebara Ballard Corporation
Office	Land Buildings	Yokohama Kanagawa
Equipment for measuring development and test data	Machinery	Ebara Environmental Engineering Co., Ltd.

(2) Outline of asset grouping

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

(3) Background of recognition of impairment losses

Since operating losses have continued to worsen, the book value has been reduced to the recoverable value.

Regarding land, since the market value has decreased significantly compared with the book value, the book value has been reduced to the recoverable value.

From April 1, 2009 to March 31, 2010

*1 Research and development costs 4,977 million

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

Buildings	0 million
Machinery and equipment	34 million
Land	1,098 million
Others	24 million
Total	1,158 million

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

Buildings	5 million
Machinery and equipment	49 million
Land	2 million
Others	41 million
Total	99 million

*4 Loss on disposal of fixed assets comprises the following:

Buildings	273 million
Machinery and equipment	507 million
Other tangible fixed assets	628 million
Software	61 million
Other intangible assets	28 million
Total	1,498 million

*5 Impairment losses

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

Use	Type	Location
Wind power generation facilities	Buildings Machinery	Setana, Esashi Hokkaidou
Office	Land Buildings	Ohta-ku Tokyo
Use of line	Telephone rights	Ohta-ku Tokyo Fujisawa-si Kanagawa Osaka

(2) Outline of asset grouping

Mentioned left

(3) Background of recognition of impairment losses

The book value of wind power generation facilities has been reduced to their recoverable value based on a review of the future cash flows to be generated by these facilities.

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
(4) Computation of recoverable value The amount deemed to be recoverable is computed as the net sale price. In the case of land, buildings, and structures, the recoverable amount is estimated from valuations of real estate appraisers. (5) Amount of impairment losses Machinery 277 million Buildings and structures 294 million Land 171 million Tools, Furniture & Fixtures 273 million Other tangible assets 57 million Software 102 million Long-term prepaid expense 2,124 million Other intangible assets 35 million Total 3,337 million	(4) Computation of recoverable value Menthioned left (5) Amount of impairment losses Machinery 123 million Buildings and structures 15 million Land 7 million Tools, Furniture & Fixtures 0 million Other tangible assets 3 million Software 0 million Long-term prepaid expense 1 million Other intangible assets 68 million Total 220 million *6 The impact of the application of accounting standards for construction contracts The impact of the application of accounting standards for construction contracts, based on Item 25 of “Accounting Standards for Construction Contracts” (ASBJ No. 15, issued December 27, 2007), as applied to all construction contracts existing as of April 1, 2009, was a profit proportional to progress in construction in prior years. Please note that the amounts corresponding to revenue from construction completed in prior years and the amount corresponding to the cost of such construction were ¥ 1,835 million and ¥1,434 million, respectively. *7 The provision to the reserve for construction losses contained in cost of sales ¥14,200 million

(Statement of Changes in Consolidated Shareholders' Equity)

From April 1, 2008 to March 31, 2009

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2008	Increase	Decrease	Number of shares as of March 31, 2009
Shares issued Common stock	422,725,658	―	―	422,725,658
Total	422,725,658	―	―	422,725,658
Treasury stock Common stock	267,250	111,513	37,019	341,744
Total	267,250	111,513	37,019	341,744

Notes:1. The increase in treasury common stock of 111,513 was due to the purchase of shareholdings of less than one trading unit.

2. The decrease in treasury common stock of 37,019 was due to the sale of shareholdings of less than one trading unit.

2. Items Related to Dividend

(1) Payment of Dividends

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 27, 2008 at the Regular General Meeting of Shareholders	Common stock	3,168	7.5	March 31, 2008	June 30, 2008

From April 1, 2009 to March 31, 2010

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2010
Shares issued Common stock	422,725,658	―	―	422,725,658
Total	422,725,658	―	―	422,725,658
Treasury stock Common stock	341,744	195,218	4,130	532,832
Total	341,744	195,218	4,130	532,832

Notes:1. The increase in treasury common stock of 195,218 was due to the purchase of shareholdings of less than one trading unit.

2. The decrease in treasury common stock of 4,130 was due to the sale of shareholdings of less than one trading unit.

2. Subscription rights to shares and own subscription rights to shares

Category	Breakdown	Type of shares for purpose	Number of shares for purpose				March 31, 2010 (Millions of yen)
			March 31, 2009	Increase	Decrease	March 31, 2010	
Submitting company	Stock options issued as compensation in 2009	Common stock	―	1,223,000	―	1,223,000	104
Total		―	―	1,223,000	―	1,223,000	104

Notes:The increase in stock options issued as compensation in 2009 was due to the increase in rights to purchase subscription rights to shares.

(Statements of cash flows)

From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
1.A reconciliation of cash and cash Equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 76,037 million Securities 1,156 million Total 77,194 million Cash and cash equivalents 77,194 million	1.A reconciliation of cash and cash Equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 80,089 million Securities 1,622 million Total 81,711 million Cash and cash equivalents 81,711 million 2. Breakdown of Principal Assets and Liabilities of companies excluded from Consolidation because of the transfer of shares. Eco Power Co., Ltd. and Hasaki Wind Farm Co., Ltd. (As of March 31, 2010) Current Assets 1,675 million Tansible Assets 17,658 million Total 19,334 million Current Liabilities 4,267 million Tansible Liabilities 7,657 million Total 11,925 million Assignment price of stock of Eco Power Co., Ltd. 0 million Cash and cash equivalents (2 companies) (787) million Decrease of Cash and cash equivalents for assignment 787 million Ebara Engineering Service Co., Ltd., EBARA INDUSTRIAL CLEANING CO., LTD., and Aqua Engineering Co., Ltd. (As of March 31, 2010) Current Assets 40,233 million Tansible Assets 5,503 million Total 45,736 million Current Liabilities 35,651 million Tansible Liabilities 1,687 million Total 37,338 million Assignment price of stock of Ebara Engineering Service Co., Ltd. 9,000 million Cash and cash equivalents (3 companies) (6,282) million Increase of Cash and cash equivalents for assignment 2,717 million

(Severance and Pension Plans)

	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
1.Outline of Severance and Pension Plans	The company, its domestic consolidated subsidiaries and some foreign consolidated subsidiaries have termination allowance plans and retirement pension plans as severance and difined benefit pension plans. The company has shifted a portion of the lump-sunt retirement payment plan to defined contribution pention plan in August 2008.	The company, its domestic consolidated subsidiaries and some foreign consolidated subsidiaries have termination allowance plans and retirement pension plans as severance and difined benefit pension plans. The company and some subsidiaries have shifted a portion of their lump-sum retirement payment plan to a defined contribution pension plan in August 2008.
2. Benefit obligation		
Benefit obligation	68,593 million	62,809 million
Fair value of plan assets	(37,784) million	(38,378) million
Unrecognized actuarial loss	(7,247) million	(3,232) million
Unrecognized prior service cost	(778) million	(494) million
Net amount recognized	22,783 million	20,704million
3. Benefit cost		
Service cost	3,214 million	3,356 million
Interest cost	2,182 million	2,204 million
Expected return on plan assets	(1,613) million	(235) million
Recognized prior service cost	19 million	42 million
Recognized actuarial loss	532 million	1,424 million
Special retirement benefit paid	185 million	135 million
Net periodic benefit cost	4,521 million	6,927 million
4. Assumptions to determine above obligation and cost		
Discount rate (Japan)	2.0%	2.0%
Discount rate (Subsidiaries outside Japan)	6.3%	5.8%
Expected return on plan assets (Japan)	2.7%	2.7%
Expected return on plan assets (Subsidiaries outside Japan)	8.0%	8.0%
Recognition period of actuarial loss	10 years	10 years
Amortization period of prior service cost	10 years	10 years

(Income taxes)

1. Significant components of the deferred tax assets and liabilities

	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Deferred tax assets:		
Excess provision of accrued bonuses to employees	2,680 million	2,060million
Loss recognized on a percentage-of-completion basis	3,831 million	9,640 million
Accrued enterprise tax	258 million	367 million
Excess provision of accrued severance indemnities	8,856 million	7,937 million
Directors' retirement expense	251 million	137 million
Intercom any profit on fixed assets	1,741 million	858 million
Tax loss carried forward	2,730 million	7,288 million
Write-down of investment securities	1,360 million	3,108 million
Loss on liquidation of subsidiary companies	1,869 million	1,400 million
Research and development expenses	520 million	407 million
Loss from write-down of real estate for sale	977 million	2 million
Loss on write-down of inventories	3,732 million	3,537 million
Reserve for losses on construction completion guarantees	11,655 million	12,248 million
Allowance for doubtful receivables	1,621 million	1,737 million
Others based on tax codes outside Japan	5,473 million	4,699 million
Others	8,860 million	7,482 million
Subtotal	56,420 million	62,913 million
Valuation allowance	(27,450)million	(33,229) million
Total deferred tax assets	28,969 million	29,684 million
Deferred tax liabilities:		
Reserve for deferral of capital gains on sales of property	(1,193) million	(1,685) million
Reserve for compressed entry	(1,220) million	— million
Net unrealized gain on investment securities	(122) million	(1,011) million
Other	(1,444) million	(1,987) million
Total deferred tax liabilities	(3,981) million	(4,685) million
Net deferred tax assets	24,988 million	24,999 million

2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate.

From April 1, 2008 to March 31, 2009:

From April 1, 2009 to March 31, 2010:

Statutory tax rate, giving tax effect on enterprise tax payable	40.7%
Entertainment expenses and other expenses not deductible	2.4%
Per capita equalization inhabitants' taxes	2.8%
Dividends received not taxable	6.8%
Amortization of goodwill	2.1%
Valuation allowance	5.8%
Others	(11.2)%
Effective tax rate as shown in statements of income	49.4%

(Segment information)

【Business segment information】

From April 1, 2008 to March 31, 2009

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating income						
Sales						
(1) Sales to third parties	302,343	146,045	52,760	501,149	―	501,149
(2)Intersegment sales and transfer	3,297	5,818	12	9,128	(9,128)	―
Total	305,641	151,864	52,772	510,277	(9,128)	501,149
Operating costs and expenses	288,851	163,336	57,549	509,737	(9,226)	500,511
Operating income (loss)	16,789	(11,472)	(4,776)	540	97	637
II Assets, depreciation and amortization and capital expenditure						
Assets	289,952	142,479	76,621	509,053	53,402	562,456
Depreciation and amortization	7,153	2,055	6,020	15,229	(49)	15,179
Impairment losses	133	3,090	112	3,336	1	3,337
Capital expenditure	10,781	5,292	7,508	23,582	(21)	23,560

Notes 1 The companies operate in three business segments as follows:

Business segment	Products
Fluid Machinery & Systems	Pumps, Browers, Turbo－compressors, Gas and steam turbines, Chillers, Machinery plant and Pumping system engineering, Cooling and water supply systems for nuclear power plants, Energy supply
Environmental Engineering	Environmental restoration equipment, Incinerators, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

2 The amount of the corporate assets included in 'Elimination and corporate' is ¥58,001 million.The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

3 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

4 Beginning with the current fiscal year, the Group has applied "Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"(Practical Issues Task Force No. 18, issued by ASBJ on May 17, 2006).

5 Sales of chemical mechanical polishing (CMP) equipment and plating equipment in the PM Group were formerly recognized at the time of shipment but, beginning with the current fiscal year, are now accounted for when the installation of such equipment is completed. This change was implemented (1) because of the trend toward the lengthening of the period between shipment of such equipment and the completion of installation and (2) because it has become possible to obtain data on the time of completion of installation as a result of the review of the related business processes. This change results in reporting that is more in line with the realities of the sales process. As a results sales of the PM Group were ¥228 million lower, the operating loss were ¥102 million larger than under the previous method for the recognition of sales.

6 Accompanying the revision of Japan's Corporation Tax Law, the Group have reviewed the conditions of use of their assets, and, beginning with the current fiscal year, has changed the useful lives of certain of its tangible fixed assets. As a result, the operating income of the FMS Group were ¥48 million lower , the operating loss of the EE Group were ¥36 million larger, the operating loss of the PM Group were ¥365 million larger than under the previous method of accounting for depreciation.

7 Because the Provision for product warranties was summed up, the operating income of the FMS Group were ¥567 million lower , the operating loss of the EE Group were ¥2 million larger, the operating loss of the PM Group were ¥294 million larger than the previous method of calculation.

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating income						
Sales						
(1) Sales to third parties	295,967	139,387	50,534	485,889	—	485,889
(2)Intersegment sales and transfer	2,598	4,219	15	6,833	(6,833)	—
Total	298,565	143,606	50,550	492,722	(6,833)	485,889
Operating costs and expenses	276,692	143,745	53,300	473,738	(6,801)	466,936
Operating income (loss)	21,873	(138)	(2,750)	18,984	(31)	18,953
II Assets, depreciation and amortization and capital expenditure						
Assets	284,476	96,652	67,807	448,936	73,603	522,540
Depreciation and amortization	9,080	971	5,277	15,329	(55)	15,274
Impairment losses	172	21	26	220	—	220
Capital expenditure	15,251	1,800	2,508	19,560	(76)	19,484

Notes 1 The companies operate in three business segments as follows:

Business segment	Products
Fluid Machinery & Systems	Pumps, Browers, Turbo-compressors, Gas and steam turbines, Chillers, Machinery plant and Pumping system engineering, Cooling and water supply systems for nuclear power plants
Environmental Engineering	Environmental restoration equipment, Incinerators, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

2 The amount of the corporate assets included in ‘Elimination and corporate’ is ¥76,832 million.The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

3 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

4 Beginning with the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007).

As a result, sales in the FMS Group were ¥1,094 million and the EE Group were 740 million larger, and the operating profit and loss in the FMS Group were ¥242 million and EE Group were ¥158 million improve than the previous method of calculation.

【Geographical segment information】

From April 1, 2008 to March 31, 2009

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	404,342	59,745	37,061	501,149	—	501,149
(2) Intersegment sales and transfer	15,504	3,561	4,945	24,011	(24,011)	—
Total	419,846	63,306	42,007	525,160	(24,011)	501,149
Operating costs and expenses	430,168	57,518	38,171	525,859	(25,347)	500,511
Operating income(loss)	(10,322)	5,788	3,835	(698)	1,336	637
II Assets	486,906	58,577	39,079	584,563	(22,107)	562,456

Notes 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥58,001million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

2 Countries and areas included in Other are as follows:

Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil, Korea and Malaysia

3 Beginning with the current fiscal year, the Group has applied "Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18, issued by ASBJ on May 17, 2006).

Revisions are made that are necessary for consolidation. The effect of these is not material.

4 Sales of chemical mechanical polishing (CMP) equipment and plating equipment in the PM Group were formerly recognized at the time of shipment but, beginning with the current fiscal year, are now accounted for when the installation of such equipment is completed. This change was implemented (1)because of the trend toward the lengthening of the period between shipment of such equipment and the completion of installation and (2) because it has become possible to obtain data on the time of completion of installation as a result of the review of the related business processes. This change results in reporting that is more in line with the realities of the sales process.

As a result of these adoption, sales in Japan was ¥228 million lower, operating loss in Japan was ¥102 million larger than the previous method of calculation.

5 Accompanying the revision of Japan's Corporation Tax Law, the Group have reviewed the conditions of use of their assets, and, beginning with the current fiscal year, has changed the useful lives of certain of its tangible fixed assets.

As a result of these adoptions, operating loss Japan was ¥450 million larger, than the previous method of calculation.

6 Because the Provision for product warranties was summed up, operating loss Japan was ¥863 million larger, than the previous method of calculation.

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	372,391	73,099	40,397	485,889	—	485,889
(2) Intersegment sales and transfer	9,993	2,128	5,342	17,463	(17,463)	—
Total	382,385	75,227	45,740	503,353	(17,463)	485,889
Operating costs and expenses	376,394	66,772	40,813	483,980	(17,044)	466,936
Operating income(loss)	5,990	8,454	4,927	19,373	(419)	18,953
II Assets	423,308	58,909	47,737	529,955	(7,415)	522,540

Notes 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥66,861million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

2 Countries and areas included in Other are as follows:

Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil, Korea and Malaysia

3 Beginning with the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007).

As a result, sales in Japan were ¥1,835 million, and the operating income were ¥400 million larger than the previous method of calculation.

【Overseas sales】

From April 1, 2008 to March 31, 2009

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	62,508	35,332	83,134	180,975
II Consolidated net sales				541,149
III Percentage of overseas sales to net sales(%)	12.5	7.1	16.6	36.1

Notes 1 Significant countries and areas included in the above classification are as follows:

(1) Asia China, Pakistan, Taiwan, and South Korea

(2)North America USA

(3)Other areas Saudi Arabia, Italy, Germany, Russia

2 Overseas sales is net sales of the Group and its subsidiaries other than in Japan.

From April 1, 2009 to March 31, 2010

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	75,667	47,136	68,220	191,025
II Consolidated net sales				485,889
III Percentage of overseas sales to net sales(%)	15.6	9.7	14.0	39.3

Notes 1 Significant countries and areas included in the above classification are as follows:

(1) Asia China, Taiwan, and South Korea

(2)North America USA

(3)Other areas Saudi Arabia, Italy, Germany, Russia, Iran

2 Overseas sales is net sales of the Group and its subsidiaries other than in Japan.

3 Beginning with the current fiscal year, accompanying the application of the Accounting Standard for Construction Contracts (Accounting Standards Bureau of Japan (ASBJ) Statement No. 15, issued December 27, 2007) and the Implementation Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18, issued December 27, 2007).

As a result, sales of overseas in North America were ¥448 million larger, and in Asia were ¥223 million larger than under the previous method of calculation.

(Matters pertaining to business combinations)

From April 1, 2009 to March 31, 2010

(Transactions, etc., among companies under the control of the same business entity)

Realignment within the Group through corporate divestiture within the engineering business (Item 1)

1. Name of the business subject to corporate divestiture and its lines of business. Legal form of the business combination, name of the company being merged, and outline of the objectives of the transaction

(1) Name of the business subject to corporate divestiture (or merger) and its lines of business

・Name of the business

The water treatment business of the Group and its consolidated subsidiary Ebara Environmental Plant Co., Ltd. (corporate name changed to Ebara Environmental Engineering Co., Ltd., on April 1, 2009)

The waste treatment business of the Group's subsidiary Ebara Engineering Service Co., Ltd.

・Lines of business

The water treatment business:

The Group is primarily engaged in the manufacture, construction, and marketing of industrial water and effluent treatment facilities, overseas water treatment facilities, and other facilities.

Ebara Environmental Plant Co., Ltd. is primarily engaged in the manufacture, design, and marketing of water supply and sewage treatment facilities, water purification facilities, and other facilities.

Waste treatment business:

Operation, maintenance, management, and repair, principally of municipal incinerator facilities

(2) Legal form of the business combination

① Corporate business divestiture, with the Group as divesting company and Ebara Engineering Service Co., Ltd., as the continuing company after divestiture and absorption (Subject business: Water treatment)

② Corporate divestiture, with Ebara Environmental Plant Co., Ltd., as the divesting company and Ebara Engineering Service Co., Ltd., as the continuing company after divestiture and absorption (Subject business: Water treatment)

③ Corporate divestiture, with Ebara Engineering Service Co., Ltd., as the divesting company and Ebara Environmental Plant Co., Ltd., as the continuing company after divestiture and absorption (Subject business: Waste treatment)

(3) Names of the companies subject to business combinations

Names of the companies remain unchanged

(4) Objectives of the transaction

The objectives of the transaction are to (a) restructure the business base of the environmental engineering business by establishing flexible operations and strengthening cost-competitiveness, (b) improve efficiency, (c) implement much more aggressive marketing and other activities based on strengthened EPC (engineering (design), procurement, and construction) capabilities and O&M (operation and maintenance) capabilities by bringing together and integrating the water treatment business capabilities and waste treatment business capabilities. The water treatment business capabilities will be integrated into Ebara Engineering Service Co., Ltd., and the waste treatment business will be integrated into Ebara Environmental Plant Co., Ltd.

(5) Date of the business combination

On April 4th, 2009

2. Outline of accounting treatment implemented

This business combination was treated for accounting purposes as a transaction among companies under the control of the same business entity and in accordance with Accounting Standard for Business Combinations and Related Matters (ASBJ, issued October 31, 2003) and Guidance on Accounting Standard for Business Combinations, Business Divestitures and Related Matters (ASBJ Guidance No. 10, issued November 15, 2007).

Realignment within the Group through corporate divestiture within the engineering business (Item 2)

1. Name of the business subject to corporate divestiture and its lines of business. Legal form of the business combination, name of the company being merged, and outline of the objectives of the transaction

(1) Name of the business subject to corporate divestiture (or merger) and its lines of business

Name of the business

The waste treatment business of the Group

Lines of business

Manufacture and marketing of environmental improvement and sanitation equipment, chemical equipment, cleaning facilities, waste treatment facilities, and other facilities

(2) Legal form of the business combination

Corporate business divestiture, with the Group as divesting company and Ebara Environmental Plant Co., Ltd., as the continuing company after divestiture and absorption.

(3) Names of the companies subject to business combinations

Names of the companies remain unchanged

(4) Objectives of the transaction

Ebara Environmental Plant Co., Ltd., was realigned and integrated to improve efficiency and the flexibility of business development through the unified management of EPC (engineering (design), procurement, and construction) and O&M (operation and maintenance) in the Company's waste treatment business.

(5) Date of the business combination

On October 1st, 2009

2. Outline of accounting treatment implemented

This business combination was treated for accounting purposes as a transaction among companies under the control of the same business entity and in accordance with Accounting Standard for Business Combinations and Related Matters (ASBJ, issued October 31, 2003) and Guidance on Accounting Standard for Business Combinations, Business Divestitures and Related Matters (ASBJ Guidance No. 10, issued November 15, 2007).

(Per share data of common stock)

From April 1, 2008 to March 31, 2009		From April 1, 2009 to March 31, 2010	
Shareholders' equity per share of common stock	287.44	Shareholders' equity per share of common stock	307.46
Net loss per share	31.04	Net income per share	12.89
Diluted net income per share	―	Diluted net income per share	11.82

Basic information for computation of total net assets per share

From April 1, 2008 to March 31, 2009		From April 1, 2009 to March 31, 2010	
(1) Total net assets	124,263 million	(1) Total net assets	132,665 million
(2) Amount excluded from total net assets	2,852 million	(2) Amount excluded from total net assets	2,859 million
(Subscription rights to shares)	―	(Subscription rights to shares)	104
(Minority interests)	2,852	(Minority interests)	2,755
(3) Net assets attributable to common stock at the end of the period	121,411 million	(3) Net assets attributable to common stock at the end of the period	129,805 million
(4) Number of common stocks outstanding at the end of the period calculated under "Shareholders' equity per share of common stock"	422,383,914	(4) Number of common stocks outstanding at the end of the period calculated under "Shareholders' equity per share of common stock"	422,192,826

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

From April 1, 2008 to March 31, 2009		From April 1, 2009 to March 31, 2010	
(1) Net income (loss) on consolidated statements of income	(13,113) million	(1) Net income (loss) on consolidated statements of income	5,441 million
(2) Net income (loss) available to common shareholders	(13,113) million	(2) Net income (loss) available to common shareholders	5,441 million
(3) Average shares of common stocks	422,420,113	(3) Average shares of common stocks	422,319,956
(4) Amount excluded from computation of diluted net income per share:		(4) Amount excluded from computation of diluted net income per share:	
―		Interest payable after tax deduction	237 million
		Consignment fee for paying interest after tax deduction	― million
		Adjustment of net income	237 million
(5) Increase of common stocks for computation of diluted net income per share:		(5) Increase of common stocks for computation of diluted net income per share:	
―		Increase of common stocks	58,207
		(Bonds with rights to purchase new shares)	57,720
		(Subscription rights to shares issued November 5, 2009)	487
(6) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect		(6) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect	
Unsecured bounds with stock acquisition rights due 2011 issued in the overseas market 28,860,028		―	
Unsecured bounds with stock acquisition rights due 2013 issued in the overseas market 28,860,028			

5. Order received and sales

(1) Output

(Millions of yen)

Business segment	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Fluid Machinery & Systems	274,961	261,199
Environmental Engineering	43,058	46,937
Precision Machinery	40,807	36,488
Total	358,827	344,625

Note The above figures are amount of output in manufacturing companies and construction companies. The above figures don’t include consumption taxes and are eliminated intersegment sales and transfer.

(2) Order received

(Millions of yen)

Business segment	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Fluid Machinery & Systems	307,150	255,555
Environmental Engineering	138,210	122,159
Precision Machinery	36,038	48,906
Total	481,398	426,622

Note The above figures don’t include consumption taxes and are eliminated intersegment sales and transfer.

(3) Sales

(Millions of yen)

Business segment	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Fluid Machinery & Systems	302,343	295,967
Environmental Engineering	146,045	139,387
Precision Machinery	52,760	50,534
Total	501,149	485,889

Note The above figures don’t include consumption taxes and are eliminated intersegment sales and transfer.

(4) Backlog of order received

(Millions of yen)

Business segment	March 31, 2009	March 31, 2010
Fluid Machinery & Systems	204,627	170,113
Environmental Engineering	124,065	62,418
Precision Machinery	14,331	12,803
Total	343,025	245,335

Note The above figures don’t include consumption taxes and are eliminated intersegment sales and transfer.