

**Notice of the 145th Ordinary General Meeting of Shareholders****Table of Contents**

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(Translation)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 6361
June 8, 2010

To Those Shareholders with Voting Rights

Natsunosuke Yago
President and Representative Director
EBARA CORPORATION
11-1, Haneda Asahi-cho, Ohta-ku, Tokyo
Japan

Notice of the 145th Ordinary General Meeting of Shareholders

We hereby inform you of the 145th Ordinary General Meeting of Shareholders of Ebara Corporation to be held as follows:

If you are unable to attend the meeting, please study the attached Reference Document for the Ordinary General Meeting of Shareholders, and you are requested to exercise your voting rights in either of the following methods by 5:15 p.m. on Monday, June 28, 2010 at Japan standard time.

[Exercise of voting rights in writing]

Please indicate your approval or disapproval of the respective items for resolution and return the enclosed Voting Rights Exercise Form so that it will reach us by the exercise deadline.

[Exercise of voting rights via an electromagnetic method (the Internet)]

Please access the Web site (<http://www.web54.net>) designated by the Company and input your approval or disapproval of the respective items for resolution according to the guidance on the screen using your Voting Rights Exercise Code and Password, both of which are indicated on the enclosed Voting Rights Exercise Form. As for the exercise of voting rights via the Internet, please refer to the “Guidance to the Exercise of Voting Rights via the Internet” shown on Page 54 of this document.

1. Date and Time: 10 a.m., Tuesday, June 29, 2010 at Japan standard time
(Reception of attendees will begin at 9:15 a.m.)

2. Location: Ota Kumin Hall (APRICO Hall)
5-37-3, Kamata, Ota-ku, Tokyo
(This location differs from that of the last year’s meeting.)

3. Purpose of the Meeting:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 145th Fiscal Year (from April 1, 2009, to March 31, 2010) and the Report of the Results of the Audits of the Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors
2. The Financial Statements for the 145th Fiscal Year (from April 1, 2009, to March 31, 2010)

Matters to be resolved:

Proposal 1: Election of Eleven (11) Directors
Proposal 2: Election of One (1) Corporate Auditor

4. Decisions Regarding the Convocation of the Ordinary General Meeting of Shareholders

If any shareholder has exercised his/her voting rights both by mailing the Voting Rights Exercise Form and via the electromagnetic method (the Internet), only the exercise of voting rights via the electromagnetic method (the Internet) shall be deemed effective.

If any shareholder has exercised his/her voting rights several times via the electromagnetic method (the Internet), only the final execution shall be deemed as his/her effective exercise of voting rights.

Notes:

1. For those attending, please present the enclosed Voting Rights Exercise Form at the reception desk on arrival at the meeting.
2. In case any circumstances require us to revise the attached documents and/or the Reference Document for the Ordinary General Meeting of Shareholders, the revised matter(s) will be immediately presented on the Company's Web site (<http://www.ebara.co.jp>).

Business Report for the 145th Period
(For the Period from April 1, 2009, to March 31, 2010)
EBARA CORPORATION

1. Condition of the Corporate Group

(1) Business Developments and Results

① Overall Review of Operations

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-Plan 2010” Medium-Term Management Plan, and all the Group’s business segments focused their fullest efforts on improving profitability. Under E-Plan 2010, 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 the improvement of 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 fiscal 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.

② Review 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 additional allowance of ¥8,000 million for the InfraServ project in Germany (accumulated total allowance for the project is ¥33,800 million), 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 ¥138 million, 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 photovoltaic cell 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 ¥50,534 million, 4.2% lower than for the previous fiscal year. Operating loss amounted to ¥2,750 million which represented an improvement of ¥2,026 million from the previous fiscal year.

(2) Capital Expenditures

Regarding investments, during the fiscal year the Group implemented capital investments amounting to ¥19,484 million. These were primarily for the expansion of production capability and the installation of equipment to enhance productivity. This figure for investment includes expenditures for the acquisition of intangible fixed assets and long-term prepaid expenses.

Principal capital investments by business segment were as follows. Please note that these investment figures include inter-segment transactions.

▪Fluid Machinery & Systems

Investments were made primarily in the new plant in Futtsu in Chiba Prefecture and for the expansion of production capability of compressors and turbines, and the amount of capital investment during the fiscal year was ¥15,251 million.

▪Environmental Engineering

This segment invested in equipment intended for the development of environment-responsive products. Investments by this segment totaled ¥1,800 million.

▪Precision Machinery

Investments were made principally for equipment intended for the development. Investments by this segment totaled ¥2,508 million.

(3) Fund-Raising and Capital Resources

During the fiscal year ended March 31, 2010, the Group raised funds through long-term borrowings amounting to ¥42,100 million including syndicated loan amounting to ¥32,100 million (with an execution date of July 31, 2009) and short-term borrowings amounting to ¥24,549 million. In addition, the Group repaid its seventh issue of unsecured straight bonds, amounting to ¥20,000 million (with a maturity date of March 8, 2010). The Group also repaid long-term borrowings amounting to ¥744 million and short-term borrowings totaling ¥49,313 million.

(4) Issues Being Addressed

To attain the targets of its three-year Medium-Term Management Plan "E-Plan 2010," which will be completed in the fiscal year starting April 1, 2010, the Group puts a priority on strengthening its management foundation and will allocate corporate resources with greater selectivity and concentration. A group-wide commitment to control of fixed expenses will also be completed, and the Precision Machinery group will improve profitability and establish business foundations that are not susceptible to the so-called silicon cycle of economic upturns and downturns unique to the semiconductor market.

Regarding the Infrserv project in Germany, plant construction was finished up to 96% of overall plan, and we will keep up with the construction plan and keep its quality at high level, and will make our best efforts to prevent the additional construction losses until its completion in October, 2010.

In addition, 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.

To strengthen our corporate governance and full compliance, we will continue to establish "Systems to Ensure that the Directors' Execution of Duties Complies with Laws and Regulations". We intend to ensure transparency

and objectivity of our management, and strengthen and complete our corporate governance all the more.

(5) Financial Results

Fiscal Year (FY) Item	142nd Period (FY ended March 31, 2007)	143rd Period (FY ended March 31, 2008)	144th Period (FY ended March 31, 2009)	145 th Period (FY under review) (FY ended March 31, 2010)
Orders received (Millions of yen)	605,778	597,943	481,398	426,622
Net Sales (Millions of yen)	538,097	567,190	501,149	485,899
Net Income (Loss) (Millions of yen)	5,446	7,608	(13,113)	5,441
Net Income (Loss) per Share (Yen)	12.89	18.01	(31.04)	12.89
Total Assets (Millions of yen)	625,032	607,006	562,456	522,540

(6) Important Matters Related to the Parent Company and Subsidiaries

① Matters Related to the Parent Company

None applicable

② Principal Subsidiaries (As of March 31, 2010)

Company	Capital	EBARA Ownership Percentage (%)	Main Lines of Business
EBARA DENSAN LTD.	¥450 millions	100.0	Manufacture and sale of electrical machinery and fixtures, and construction work for electrical machinery and instrumentation
Ebara Techno-serve Co., Ltd.	¥450 millions	100.0	Sale, installation, test operation, adjustment and maintenance for fluid machinery
Ebara Shinwa Ltd.	¥450 millions	93.7	Manufacture, sale, installation and construction work of cooling towers
Ebara Refrigeration Equipment & Systems Co., Ltd.	¥450 millions	100.0	Manufacture, sale, installation of refrigerators, and design and construction work of heat exchange systems etc.
Elliott Ebara Turbomachinery Corporation	¥450 millions	100.0*	Manufacture, sale, after-sales service of compressors, turbines and blowers
Ebara Yoshikura Hydro-Tech Co., Ltd.	¥472 millions	100.0	Manufacture and sale of pumps for industrial use, and plant-related construction
EBARA HAMADA BLOWER CO., LTD.	¥445 millions	97.6	Manufacture, sale and after-sales service of industrial fans and hydraulic machinery
Ebara Environmental Plant Co., Ltd.	¥813 millions	100.0	Design, construction work, operation and maintenance of waste processing systems
Ebara Field Tech. Corporation	¥100 millions	100.0*	Sale of dry vacuum pumps, after-sales service, installation, and test operation of CMP equipments
Ebara Kyushu Co., Ltd.	¥450 millions	100.0	Manufacture, installation and test operation of CMP equipments
Ebara Agency Co., Ltd.	¥80 millions	100.0	Business support services, internal agency service for insurance, travel agency services, printing and blueprint management services
Ebara Pumps Europe S.p.A.	€22,400 thousand	100.0	Manufacture and sale of stainless pumps and metallic mold pumps
Ebara International Corporation	US\$35,250 thousand	100.0*	Manufacture and sale of cryogenic submersible pumps and sale of standard pumps
Elliott Company	US\$83	100.0*	Manufacture, sale and after-sales service of air and gas turbo-compressors and steam turbines
Ebara Technologies Incorporated	US\$53,100 thousand	100.0*	Sale and after-sales service for dry vacuum pumps and CMP equipments
Yantai Ebara Air Conditioning Equipment Co., Ltd.	¥1,286 millions	60.0	Manufacture and sale of refrigerators and cooling towers
Ebara Boshan Pumps Co., Ltd.	US\$19,475 thousand	72.3	Manufacture and sale of large-scale pumps and high pressure pumps

Notes:

1. An asterisk (*) indicates a figure that includes indirect ownership.
2. Effective April 1, 2009, the Company conducted a split-off of its water treatment business that caused Ebara Engineering Service Co., Ltd., to become the successor company for these business activities. In addition, effective on the same date, the Company split off the waste treatment business of Ebara Engineering Service into Ebara Environmental Engineering Corporation and split-off the water supply and sewage businesses of Ebara Environmental Engineering Service into Ebara Engineering Service Co., Ltd. Please note that the corporate name of Ebara Environmental Engineering was changed to Ebara Environmental Plant Co., Ltd., on the same date.
3. Effective October 1, 2009, the Company conducted a split-off of its solid waste processing system business that caused Ebara Environmental Plant Co., Ltd., to become the successor company for these business activities.
4. Eco Power Co., Ltd. was excluded from the list of principal subsidiaries as a result of transferring all shares held by the Company on March 25, 2010.

③ Principal affiliated company (As of March 31, 2010)

Company	Capital (Millions)	EBARA Ownership Percentage (%)	Main Lines of Business
Ebara Engineering Service Co., Ltd.	¥650	33.3	Design, installation, operation and maintenance of water treatment facilities and environmental and sanitary facilities

Note: Ebara Engineering Service, Co., Ltd was excluded from the list of consolidated subsidiaries and became an affiliate company applied equity method as a result of transferring of a portion of shares on March 31, 2010.

(7) Principal Products (As of March 31, 2010)

Segment	Principal Products
Fluid Machinery & Systems	Pumps, blowers, compressors, turbines, freezer chillers, fluid machinery systems and cooling and water supply systems for nuclear power plants
Environmental Engineering	Municipal waste processing plants, industrial waste incineration plants, energy-related plants and facilities, water treatment systems, other plants, and industrial chemicals
Precision Machinery	Vacuum pumps, CMP systems, plating systems, and other machinery and equipment used in the semiconductor manufacturing industry

(8) Principal Business Offices and Factories (As of March 31, 2010)

① EBARA CORPORATION

Name	Location	Name	Location
Head Office·Haneda District	Ohta-ku, Tokyo	Osaka Branch	Kita-ku, Osaka
Haneda South District	Ohta-ku, Tokyo	Hokkaido Branch	Chuo-ku, Sapporo
Futtsu District	Futtsu, Chiba	Tohoku Branch	Miyagino-ku, Sendai
Sodegaura District	Sodegaura, Chiba	Niigata Branch	Chuo-ku, Niigata
Fujisawa District	Fujisawa, Kanagawa	Chugoku Branch	Naka-ku, Hiroshima
Suzuka District	Suzuka, Mie	Shikoku Branch	Takamatsu, Kagawa
Chubu Branch	Naka-ku, Nagoya	Kyushu Branch	Chuo-ku, Fukuoka

② **Principal Subsidiaries**

In Japan

Name	Location
EBARA DENSAN LTD.	Ohta-ku, Tokyo
Ebara Techno-serve Co., Ltd.	Ohta-ku, Tokyo
Ebara Shinwa Ltd.	Ohta-ku, Tokyo
Ebara Refrigeration Equipment & Systems Co., Ltd.	Ohta-ku, Tokyo
Elliott Ebara Turbomachinery Corporation	Sodegaura, Chiba
Ebara Yoshikura Hydro-Tech Co., Ltd.	Chuo-ku, Tokyo
EBARA HAMADA BLOWER CO., LTD.	Suzuka, Mie
Ebara Environmental Plant Co., Ltd	Ohta-ku, Tokyo
Ebara Field Tech. Corporation	Fujisawa, Kanagawa
Ebara Kyushu Co., Ltd.	Tamana-gun, Kumamoto
Ebara Agency Co., Ltd.	Ohta-ku, Tokyo

Overseas

Name	Location
Ebara Pumps Europe S.p.A.	Trento, Italy
Ebara International Corporation	Nevada, U.S.A.
Elliott Company	Pennsylvania, U.S.A.
Ebara Technologies Incorporated	California, U.S.A.
Yantai Ebara Air Conditioning Equipment Co., Ltd.	Shandong, China
Ebara Boshan Pumps Co., Ltd.	Shandong, China

③ **Principal affiliate company**

In Japan

Company	Location
Ebara Engineering Service Co., Ltd.	Ohta-ku, Tokyo

(9) Employees by Business Segment (As of March 31, 2010)

Business Segment	Number of Employees	Change from the Previous Fiscal Year
Fluid Machinery & Systems	9,519	+1,028
Environmental Engineering	2,345	-3,052
Precision Machinery	1,440	-294
Corporate Departments, etc.	496	+16
Total	13,800	-2,302

Note: Remarkable decrease of employees of Environmental Engineering segment was caused by the exclusion of Ebara Engineering Service Co., Ltd. from the list of consolidated subsidiaries.

(10) Principal Banks (As of March 31, 2010)

Principal Lenders to the Group	Amount Lent (Millions of yen)
Mizuho Corporate Bank, Ltd.	17,426
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,683
Development Bank of Japan Inc.	17,377
The Shoko Chukin Bank, Ltd.	4,500
Sumitomo Mitsui Banking Corporation	4,411
Resona Bank, Limited	3,850

Note: Apart from the above, a syndicated loan (total ¥52,449 million) exists.

2. Common Stock (As of March 31, 2010)

- (1) Number of shares authorized 1,000,000,000
(2) Total number of shares issued 422,725,658 (Change from previous year: 0)
(Including 532,832 shares of Treasury stock)
(3) Paid-in capital ¥61,284,065,423 (Change from previous year: ¥0)
(4) Number of shareholders 48,203 (Change from previous year: -7,931)

(5) Principal Shareholders

Name	Number of Shares Held (thousands)	Percentage against Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,205	10.2
Japan Trustee Services Bank, Ltd. (Trust Account)	38,853	9.2
Mizuho Corporate Bank, Ltd.	10,000	2.4
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,127	1.7
JP Morgan Securities Japan Co., Ltd.	6,537	1.5
EBARA CORPORATION Employee Shareholders	6,463	1.5
Nippon Life Insurance Company	5,093	1.2
Aioi Insurance Co., Ltd.	5,000	1.2
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,050	1.0
State Street Bank and Trust Company 505041	4,042	1.0

Note: Treasury stocks (532,832) were eliminated from total number of shares issued in calculating the percentage.

3. Warrants to Purchase New Shares, etc. (As of March 31, 2010)

(1) Warrants to purchase new shares issued in compensation for the execution of duties and held by the Company's Corporate Officers who were in office at the end of the fiscal year

① Brief description of warrants to purchase new shares, etc.

Name	1st Stock Acquisition Rights
Date of issuance	November 5, 2009
Number of shares purchasable with the Stock Acquisition Rights	1,000 shares
Amount to be paid upon exercise of the Stock Acquisition Rights	¥1 per share
Period during which the Stock Acquisition Rights may be exercised	July 1, 2011, to November 5, 2024

Notes: The major conditions for exercising the stock acquisition rights are as follows.

1. Holders of the stock acquisition rights can exercise the rights during the period in which they serve as the Company's Directors and/or Executive Officers or within five years after their retirement.
2. If the Company's consolidated return on equity (ROE) actually achieved (hereinafter the "actual achievement") for the latest fiscal year that ends within two years since the rights were allotted (hereinafter the "latest year") does not reach 8%, or the "target achievement" hereinafter, the number of exercisable rights shall be defined by multiplying the number of allotted rights by the degree of achievement—which shall be the number obtained by dividing the actual achievement by the target achievement and not be less than 0.5.
3. For the holders of the stock acquisition rights who assumed the office of the Company's Directors and/or Executive Officers on July 1, 2009, or after or who retired from office prior to the end of the latest year, the number of exercisable rights shall be defined by multiplying the number of exercisable rights determined as described in Note 2 by the rate of time in office—which shall be the rate of days in office against the period from April 2009 to March 2011.

② Holders of warrants to purchase new shares, etc.

Position	Number of Rights Held	Number of Holders
Directors (excluding outside Directors)	569	9
Outside Directors	—	—
Corporate Auditors	—	—

(2) Warrants to purchase new shares issued to the Company's Executive Officers and employees and the Corporate Officers and employees of the Company's subsidiaries in compensation for the execution of their duties during the fiscal year

① Brief description of warrants to purchase new shares, etc.

As described in the above paragraph (1) ①.

② Holders of warrants to purchase new shares, etc.

Position	Number of Rights Issued	Number of People to which the Rights were Issued
The Company's Executive Officers (excluding the Company's Corporate Officers)	654	23
The Company's employees	—	—
Corporate Officers and employees of the Company's subsidiaries (excluding the Company's Corporate Officers and employees)	—	—

(3) Other matters related to warrants to purchase new shares, etc.

At the end of the fiscal year under review, the following bonds with stock acquisition rights were outstanding (issued on September 25, 2006).

Name of Issue	Balance of Bonds with Stock Acquisition Rights Outstanding	Class of Shares Purchasable with the Stock Acquisition Rights	Conversion Price	Date of Maturity
Euroyen bonds, maturing in 2011, with stock acquisition rights	¥20,000 million	Common shares	Initial conversion price: ¥693	September 30, 2011
Euroyen bonds, maturing in 2013, with stock acquisition rights	¥20,000 million	Common shares	Initial conversion price: ¥693	September 30, 2013

4. Corporate Officers

(1) Names and other information on Directors and Auditors (As of March 31, 2010)

Name	Position	Assignment and important concurrent positions
Natsunosuke Yago	President and Representative Director	
Masayoshi Hirose	Director, Vice President Executive Officer	President, Environmental Engineering Company President and Representative Director, Ebara Engineering Service Co., Ltd.
Atsuo Suzuki	Director, Senior Managing Executive Officer	President, Fluid Machinery & Systems Company
Kozo Nakao	Director, Managing Executive Officer	President, Precision Machinery Company
Itaru Shirasawa	Director, Managing Executive Officer	Vice President, Fluid Machinery & Systems Company Division Executive, Domestic Sales Office Division
Akihiro Ushitora	Director, Managing Executive Officer	Vice President, Environmental Engineering Company President and Representative Director, Ebara Environmental Plant Co., Ltd.
Tetsuji Fujimoto	Director, Managing Executive Officer	Responsible for Finance & Corporate Accounting and Internal Control (Financial Instruments and Exchange Act) Division Executive, Finance & Corporate Accounting Division
Akira Itoh	Director, Managing Executive Officer	Responsible for CSR, HR, General affairs, Legal affairs, Construction business management, Information & Communication System, Internal Control (Corporate Law of Japan) and Domestic offices Division Executive, CSR division Deputy Division Executive, Internal Control Division Executive General Manager, Haneda Office
Manabu Tsujimura	Director, Managing Executive Officer	Division Executive, Technologies, Research & Development Division Vice President, Precision Machinery Company Division Executive, Advanced Technology Division, Precision Machinery Company
Tetsuya Yamamoto	Director	
Seiichi Ochiai	Director	Professor, Chuo Law School
Michihisa Hozumi	Full-Time Corporate Auditor	
Yasuo Watarai	Full-Time Corporate Auditor	
Seigoh Hirayama	Corporate Auditor	Attorney at Law Corporate Auditor of EBARA JITSUGYO CO.,LTD.
Yoshio Omori	Corporate Auditor	Executive Director of Japan Corporate Auditors Association Auditor of CEAFOF CO.,LTD.
Yoshihiro Machida	Corporate Auditor	Professor, Graduate School of Professional Accountancy, Aoyama Gakuin University

Notes:

- Two Directors, Tetsuya Yamamoto and Seiichi Ochiai, are outside directors as specified in Article 2-15 of the Corporation Law of Japan.
- Three Auditors, Seigoh Hirayama, Yoshio Omori and Yoshihiro Machida, are outside auditors as specified in Article 2-16 of the Corporation Law of Japan.
- Full-time Corporate Auditor, Michihisa Hozumi has held the position of Division Executive of Finance & Corporate Accounting Division and has respectable knowledge in finance and accounting.
- Full-time Corporate Auditor, Yasuo Watarai got engaged in taxation related work at National Tax Agency,

- and has respectable knowledge in finance and accounting.
5. Corporate Auditor, Yoshihiro Machida is a specialist of audit and internal control, and has respectable knowledge in finance and accounting.
 6. Director, Manabu Tsujimura was newly elected at the 144th Regular General Meeting of Shareholders held on June 26, 2009, and assumed his position thereafter.
 7. Director, Hoirosi Kamiya completed his term of service at the end of the 144th Regular General Meeting of Shareholders held on June 26, 2009, and retired from his position.
 8. Corporate Auditor, Seigoh Hirayama is also an Outside Auditor of Ebara Jitsugyo Co., Ltd., which has contracted a distribution agreement with the Company. EBARA JITSUGYO CO., LTD has 0.43% of issued stocks of the Company.
 9. Corporate Auditor, Yoshio Omori is also an Executive Director of Japan Corporate Auditors Association and an Auditor of CEAFOM CO.,LTD. The Company has no special relationship with both of the organizations.

(2) Amount of Compensation Paid to Directors and Corporate Auditors

① Amount of Compensation Paid to Directors and Corporate Auditors during the fiscal year

Position	Total Amount of Compensation, etc.	Number	Comment
Directors	¥237 million	12	Includes two Outside Directors receiving a total of ¥24 million
Corporate Auditors	¥69 million	5	Includes three outside Corporate Auditors receiving a total of ¥32 million

Notes:

1. The above amounts include the compensation of ¥20 million paid for the service as Executive Officers of Directors who concurrently served as Executive Officers from April 1, 2009 to June 30, 2009. Effective from July 1, 2009, the Company revised its remuneration system for corporate officers and decided to pay the compensation to Directors entirely for their service as Directors, irrespective of whether they concurrently serve as Executive Officers.
2. The compensation paid to Directors includes the stock acquisition rights of ¥48 million, which were granted as stock options to nine Directors according to a resolution made at a meeting of the Board of Directors held on October 19, 2009.
3. The upper limit on total compensation for Directors, set by a decision made at the General Meeting of Shareholders, is ¥40 million per month. (Set by a decision made at the 137th Regular General Meeting of Shareholders held on June 27, 2002)
4. The upper limit on total compensation for Corporate Auditors, set by a decision made at the General Meeting of Shareholders, is ¥10 million per month. (Set by a decision made at the 136th Regular General Meeting of Shareholders held on June 28, 2001)

② Policies regarding a decision on the content of compensation for individual Executive Officers

a. Method of deciding the policies

The policy regarding compensation for the Company's Directors is determined by a resolution of the Board of Directors, with reference to the results of discussions made by the Compensation Committee, which consists of the President and Representative Director and two outside Directors.

The policy on compensation for Corporate Auditors is decided through discussions of the Board of Corporate Auditors.

b. Outline of the policies

The Company's remuneration system for Directors is designed to encourage the execution and supervision of operations in line with the Company's management philosophy and to strongly motivate them to achieve the medium- and long-term management targets. Such remuneration consists of "Basic Compensation," "Performance-Linked Annual Bonus" and "Long-Term Incentives." The remuneration for Directors with higher positions and therefore greater responsibility for the performance of the Company is more linked to the business results of the Company.

- (a) The "Basic Compensation" is a fixed amount of monthly payment. The amount depends on whether the individual holds the right of representation and concurrent office, or the position of Executive Officer, but not the performance of the individual and the Company.
- (b) The "Performance-Linked Annual Bonus" focuses on accountability to stakeholders, including shareholders, and incentives for Corporate Officers. This is a profit-sharing type of bonus in that its resources depend on the profit of the Company and are allotted for the bonus payment according to the degree of achieving profit targets.

(c) The “Long-Term Incentives” are designed to avoid shortsighted managerial acts and ensure agreement with the interests of shareholders, and therefore consist of share-based payment stock options that are linked to the Company’s medium- and long-term performance and share prices. Under this stock option program, stock acquisition rights with restriction on transfer are allotted, for which the amount to be paid upon the exercise of the right is ¥1 per share.

Outside Directors who are in a position independent from the execution of operations do not qualify for any performance-linked compensation. Therefore, they are paid only the fixed-amount compensation.

The amount of remuneration for each Corporate Auditor is determined through discussions among the Corporate Auditors according to whether the auditor serves full-time or part-time, what degree of auditing duties he/she is assigned and other factors.

③ Amount of compensation to be received by the Company’s Directors and Corporate Auditors, which was settled during the fiscal year

Following the abolition of the practice of paying retirement bonuses to Directors and Corporate Auditors at the conclusion of the 144th Ordinary General Meeting of Shareholders held on June 26, 2009, the Company decided to make payments equivalent to retirement bonuses, as well as to pay conventional retirement bonuses, to eligible Directors and Corporate Auditors by a resolution of said meeting.

The total amount of such payments and the number of eligible Directors and Corporate Auditors made are as follows.

Position	Amount of Retirement Bonuses	Number	Comment
Directors	¥233 million	9	Outside Directors are excluded
Corporate Auditors	¥82 million	5	Three outside Corporate Auditors were paid ¥40 million in total.

Please note that the above retirement benefits include the “Provision for directors’ retirement benefits,” which was included in the “Total Amount of Compensation” for the current and previous fiscal years.

(3) Matters Related to Outside Directors and Outside Corporate Auditors

① Important other positions held concurrently and their relationship with the Company

As stated in the table, **(1) Names and other information on Directors and Auditors.**

② Specific relationships with major business partners and others

None

③ Principal activities during the fiscal year under review

i Attendance at Board of Directors meetings and Board of Corporate Auditors meetings and statements made:

	Name	Attendance at Board of Directors meetings	Attendance at Board of Corporate Auditors meetings	Status of statements
Outside Directors	Tetsuya Yamamoto	16/16	—	Based on his extensive experience and knowledge of a former corporate management at a listed company, he expressed his opinions from the view point of general management.
	Seiichi Ochiai	15/16	—	Based on his extensive knowledge and high-level insight as a university professor specializing in juristic research, he expressed his opinions from the view point of legality of the execution of Directors’ duties.

	Name	Attendance at Board of Directors meetings	Attendance at Board of Corporate Auditors meetings	Status of statements
Outside Auditors	Seigoh Hirayama	14/16	12/15	Based on his extensive knowledge and high-level insight as a lawyer, he expressed his opinions about audit issues of management and performance of the Company's duties.
	Yoshio Omori	15/16	15/15	Based on his extensive knowledge and experience as a national government official and a former director of other companies, he expressed his opinions from the view point of audit issues of management and execution of the Director's duties.
	Yoshihiro Machida	16/16	15/15	Based on his extensive knowledge as a professor of audits and internal controls, he expressed his opinions from the view point of audit issues of management and execution of the Director's duties.

ii. Company policies that were changed as a result of opinions expressed by Corporate Auditors

None

iii. Outline of their responses to the Company's violations of the law, etc.:

None

④ Outline of the agreement to limit liability for damage

The Company has entered into an agreement with them to limit his liability for reparation within the statutory maximum liability with regard to the damages outlined under Article 423, Paragraph 1, of the Company Law in accordance with Article 427-1 of the Company Law. However, this limit will be applicable only when the performance of his duties giving rise to such responsibilities is recognized to have been carried out in good faith and with no gross negligence.

⑤ Amount of compensation received as director/auditor of a subsidiary of the Company during the fiscal year

None

5. Independent Audit Company

(1) Name of Independent Audit Company

Ernst & Young ShinNihon LLC

(2) Outline of Contracts Limiting Responsibility

None

(3) Amount of Compensation Paid to the Audit Company

- a. Compensation paid to the Audit Company in its capacity as independent audit company: ¥116 million
In the agreement between the Company and the Audit Company, the amount of compensation is determined as a lump-sum payment without breakdown for the audit in accordance with the Company Law and the Financial Instruments and Exchange Law. Accordingly, the amount shown above represents the total amount of compensation.
- b. Other monetary and other payments to be paid by the Company and its subsidiaries: ¥176 million

(4) Description of Other Services Provided by the Independent Audit Company

Special advisory for the evaluation of the financial reporting process and internal controls, etc.

(5) Policy Regarding Dismissal or Nonrenewal of the Contract with the Independent Audit Company

When it is recognized that the provisions of Article 340-1 of the Company Law of Japan are applicable, the Board of Corporate Auditors will dismiss the independent audit company by unanimous approval.

In other cases, when it is recognized that the independent audit company has not maintained its qualifications and independence, a proposal for the dismissal or nonrenewal of the independent audit company will be submitted to the General Meeting of Shareholders by the Directors with the approval of the Board of Corporate Auditors or at the request of the Board of Corporate Auditors.

6. The Company's Systems and Policies

(1) Systems to Ensure that the Directors' Execution of Duties Complies with Laws and Regulations and the Company's Articles of Incorporation, and Other Systems to Ensure the Properness of Operations of the Company

The Company clarified its intention to establish and operate systems for internal control by a resolution of its Board of Directors in May 2006. The contents of the resolution were officially adopted as a Company regulation titled "Basic Policies for Internal Control," which have been revised as necessary. This regulation is mentioned below.

In addition, the Company adopts a resolution on the "Board of Directors' Action Plan for Compliance" at a meeting of the Board of Directors every fiscal year and ensures operation of the Plan, which sets details of such action to be taken by the Board of Directors as leaders.

In accordance with the Basic Policies for Internal Control and the Board of Directors' Action Plan for Compliance, all Directors will respect compliance in pursuing their duties and endeavors to create a corporate culture that emphasizes compliance.

(a) Systems to Ensure that the Directors' Execution of Duties Complies with Laws and Regulations and the Company's Articles of Incorporation

- i. The Company will establish a Company regulation titled "Rules for the Board of Directors" and establish systems to ensure that the Directors' execution of their duties comply with laws and regulations as well as the Articles of Incorporation.
- ii. The Company will adopt the EBARA Group Code of Conduct as the basis to establish systems for compliance by the Company and its subsidiaries with laws and regulations as well as social practices, and apply it to all Directors.
- iii. A Corporate Ethics Committee will be formed to investigate and ensure compliance with the EBARA Group Code of Conduct.
- iv. The Company will establish the Office regulations for discipline of officers and apply it to all Directors and Executive Officers.

(b) Systems for Storage and Management of Information Related to Directors' Execution of Duties

- i. The Directors will, appropriately and without fail, keep records of information regarding the performance of their duties, including minutes of the meetings of the Board of Directors.
- ii. The information regarding the performance of duties by the Directors will be stored and managed, following rules for the storage and management of information for the prescribed number of years, and by methods that will include electronic data.

- (c) Regulations and Other Systems Related to Management of the Risk on Losses
- i. The Risk Management Panel will be established to manage various risks of the Company and its subsidiaries including compliance risks.
 - ii. For strategic risks, the EBARA Risk Management Regulations will be prepared, and the Risk Management Panel will make decisions regarding systems for managing risks on a Companywide basis and will manage the risks of projects as well as other matters involving especially high risk.
 - iii. Regarding operational risks, units in charge within the departments will manage such risks, in accordance with the Regulations of Authority and the Regulations of Segregation of Duties to be applied to the departments.
 - iv. To manage specific types of risk, cross-departmental committees, such as the EBARA Safety Assurance and Trade Management Committee and the Companywide Environmental Management Committee, will be formed.
 - v. To deal with crisis situations, immediate crisis management activities will be undertaken based on the EBARA Crisis Management Rules.
- (d) Systems to Ensure the Efficient Execution of Duties by the Directors
- i. The Company will adopt the executive officer system and delegate the execution of operations to the respective Executive Officers.
 - ii. To increase the efficiency of execution of duties by the Directors, the Company will separate the decision-making functions and surveillance functions of the Directors from functions of the conduct of operations by the Executive Officers in charge of the respective business departments.
 - iii. To give more careful consideration to major matters that have an impact on the Company and its subsidiaries as a whole, including management policies and strategies, such matters will be deliberated at the Management Meeting, in addition to the Board of Directors meetings.
 - iv. The Board of Directors will deliberate overall management conditions at least once every three months. In addition, the Management Planning Committee will hold deliberations regarding the execution of the annual budget every quarter.
- (e) Systems for Ensuring that the Execution of Duties by Employees Complies with Laws and Regulations and the Articles of Incorporation.
- i. The EBARA Group Code of Conduct, as the basis to establish systems for compliance with laws and regulations as well as social practices, will apply to all employees.
 - ii. To heighten the awareness of compliance, including the observance of the EBARA Group Code of Conduct, systems for related education and training will be established.
 - iii. To provide systems for internal reporting regarding violations of laws and regulations as well as other corporate ethical issues, the Company will establish an internal advisory function and appoint outside legal counsel to offer advisory services. In addition, compliance liaison personnel will be appointed in working-level units to make the internal reporting system more readily available.
 - iv. The Company will establish a Corporate Audit Department, which is independent of the business departments, and make audit and monitor the business departments as an internal auditing unit.
- (f) Systems to Ensure the Appropriate Operations of the EBARA Group, Comprising the Company and Its Subsidiaries
- i. The EBARA Group Code of Conduct will be established to provide guidelines for action applicable to the Company and its subsidiaries. To provide systems to ensure compliance with laws and regulations as well as social practices within the corporate Group, comprising the Company and its subsidiaries, each subsidiary will prepare a set of rules and regulations based on the EBARA Group Code of Conduct.
 - ii. To heighten the awareness of corporate ethics and compliance, including the observance of the EBARA Group Code of Conduct, subsidiaries will establish related education and training programs.
 - iii. To establish internal controls and have them function properly, subsidiaries will prepare basic policies for internal control, and, by revising these periodically, improve and maintain internal control systems in proper order.
 - iv. To provide systems for internal reporting regarding violations of laws and regulations as well as corporate ethical issues, subsidiaries will establish an internal advisory function and appoint outside legal counsel to offer advisory services.
 - v. The Company's subsidiaries will be managed according to the Administrative Rules concerning Subsidiaries and Affiliated Companies, and the Company will receive reports from these subsidiaries and make necessary decisions.

- vi. Regarding the supervision of management in subsidiaries, the Group Management Planning Committee will decide on an annual budget, taking into account the management policy of each in-house company, and periodically review the progress of subsidiaries toward implementing their respective business plans.
- (g) Systems for Shutting Out Antisocial Elements
The Company will create systems to prevent the providing of any economic profit, benefits, favors, etc., whatsoever to antisocial elements for any reason or engaging in any activities that provide profit for antisocial elements.
- (h) Systems for Assigning Employees to Assist Corporate Auditors in Their Duties
- i. To strengthen audit systems, the Company will position the Corporate Auditor's Department to report to the Board of Corporate Auditors.
 - ii. To preserve the independence of employees assigned to provide supplementary assistance to the Board of Corporate Auditors, such employees will be selected in consultation with the Board of Corporate Auditors and assigned to the Corporate Auditor's Department.
- (i) Ensuring the Independence of the Employees Mentioned in the Previous Item from Directors
- i. The employees assigned to provide supplementary assistance to the Board of Corporate Auditors will not engage concurrently in other business activities.
 - ii. Reassignment, evaluation, and other matters regarding employees assigned to provide supplementary assistance to the Board of Corporate Auditors will be decided by the Director in charge of personnel matters with the approval of the Board of Corporate Auditors.
- (j) System for Directors', Employees' and Independent Auditor's Reporting to Corporate Auditors and Systems Related to Other Reports to Corporate Auditors
- i. When the Corporate Auditors conduct audit activities according to the annual audit plan, the Directors in charge of the activities being audited and the employees engaged in these activities will provide information regarding the implementation of management matters and information related to the legality and proper performance of such activities.
 - ii. The department in charge of the internal reporting system for violations of laws and regulations will report in an appropriate and timely manner regarding the implementation of this system to the Corporate Auditors.
 - iii. To enable the Directors and employees to report to the Corporate Auditors regarding issues related to the violation of laws and regulations as well as corporate ethical matters, the Corporate Auditors will institute a hotline communication system.
 - iv. A system to ensure that the independent auditor reports without delay to the Board of Corporate Auditors will be established and maintained.
- (k) Other Systems for Ensuring the Effective Implementation of Audits by the Corporate Auditors
- i. The President and Representative Director as well as the independent auditor will periodically exchange information and opinions with the Corporate Auditors and the Board of Corporate Auditors to ensure the effectiveness of the audits performed by the Corporate Auditors.
 - ii. The Corporate Audit Department and other units in charge of internal audits will exchange information with the Corporate Auditors periodically, and, by working together, will contribute to enhancing the efficiency of the audits conducted by the Corporate Auditors.
- (l) Systems for Ensuring the Credibility of Financial Reports
- i. The range and level of the internal controls to be established and operated to ensure the credibility of financial reports will be determined.
 - ii. To implement internal controls at the entire corporate level as well as a business process level, internal control systems will be established and operated will be maintained for each of the following:
 - Company-wide controls
 - Accounting and financial reporting processes
 - Other business processes
 - All control related to information technologies
 - iii. The effectiveness of the implementation of internal controls will be evaluated by an independent entity for each of the items mentioned in the preceding Item as well as each of the business processes, and records of the evaluation will be maintained.
 - iv. The Corporate Audit Department will perform audits of the status and operation of internal controls.

(2) Policy for Deciding the Dividends of Surplus and Other Related Matters

The Company regards returning profits to shareholders as one of its most important tasks. Regarding dividends, the Company will aim to pay stable dividends on a continuing basis, taking into consideration the Company's performance, financial position, and other matters for the period to which the dividends apply and future periods.

Regarding retained earnings, the Company policies will be to invest them effectively to develop new businesses from a medium- to long-term perspective, strengthen competitiveness and improve the efficiency of business operations.

Consolidated Balance Sheet

As of March 31, 2010

(Millions of yen)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	373,864	Current liabilities	262,676
Cash and time deposits	80,089	Trade payables	99,785
Trade receivables	163,825	Short-term bank loans	74,610
Securities	1,622	Accrued income taxes	4,022
Merchandise and finished goods	11,033	Deferred tax liabilities	31
Work in process	40,251	Bonus payment reserve	5,232
Raw materials and supplies	18,524	Directors' bonus payment reserve	101
Deferred tax assets	14,658	Reserve for losses on	
Others	44,886	construction completion	
Allowance for doubtful receivables	(1,028)	guarantees	9,601
Fixed assets	148,675	Reserve for product warranties	1,365
Tangible fixed assets	97,779	Reserve for construction losses	20,157
Buildings	40,034	Reserve for losses on guarantees	31
Machinery and equipment	25,306	Reserve for expenses related to	
		the sale of land	4,588
Land	21,595	Others	43,146
Construction in progress	4,368	Long-term liabilities	127,198
Others	6,474	Bonds with stock acquisition	
Intangible assets	8,984	rights	40,000
Software	4,205	Long-term bank loans	61,204
Goodwill	1,721	Deferred tax liabilities	59
		Accrued severance and pension	
Others	3,057	costs	20,704
Investments and long-term		Directors' retirement allowance	
receivables	41,911	reserve	362
Investment securities	23,252	Others	4,868
Long-term loans receivable	496		
Deferred tax assets	10,430		
Others	10,810		
Allowance for doubtful receivables	(3,078)		
		Total liabilities	389,874
		Net assets	
		Shareholders' equity	138,844
		Common stock	61,284
		Capital surplus	65,212
		Retained earnings	12,567
		Treasury stock, at cost	(219)
		Net unrealized gain	(9,039)
		Net unrealized gain on	
		investment securities	1,576
		Translation adjustments	(10,615)
		Subscription rights to shares	104
		Minority interests in consolidated	
		subsidiaries	2,755
		Total net assets	132,665
Total assets	522,540	Total liabilities and net assets	522,540

Consolidated Statement of Income
From April 1, 2009, to March 31, 2010

(Millions of yen)

Account	Amount	
Net sales		485,889
Cost of sales		389,437
Gross profit		96,452
Selling, general and administrative expenses		77,499
Operating income		18,953
Non-operating income		
Interest income	380	
Dividend income	431	
Insurance income	298	
Profit in equity method	87	
Compensation income	576	
Others	1,425	3,199
Non-operating expenses		
Interest expense	3,566	
Foreign exchange loss	59	
Others	1,777	5,403
Ordinary income		16,749
Extraordinary income		
Gain on sales of fixed assets	1,158	
Gain on sales of subsidiaries and affiliates' stocks	3,459	
Gain on reversal of allowance for doubtful receivables	465	
Gain on transfer of business	645	
Reversal of provision for loss on guarantees	13	
Gain on transfer among severance payment plans	238	
Gain on forgiveness of debts	474	
Gain on adjustment for changes of accounting standard for construction contracts	287	6,744
Extraordinary expenses		
Loss on sales of fixed assets	99	
Loss on disposal of fixed assets	1,498	
Loss on liquidation of subsidiaries and affiliates	1,327	
Impairment losses	220	
Loss on sales of stocks of subsidiaries and affiliates	7,365	
Loss on valuation of investment securities	418	
Special retirement benefit paid	588	11,518
Income before income taxes		11,974
Income taxes	9,539	
Deferred tax benefits	(3,619)	5,920
Minority interests in consolidated subsidiaries		(612)
Net Income		5,441

Consolidated Statement of Changes in Net Assets

From April 1, 2009, to March 31, 2010

(Millions of yen)

Subject	Amount
Shareholders' equity	
Common stock	
Balance at March 31, 2009	61,284
Changes	
Total of changes	—
Balance at March 31, 2010	61,284
Capital surplus	
Balance at March 31, 2009	65,212
Changes	
Total of changes	—
Balance at March 31, 2010	65,212
Retained earnings	
Balance at March 31, 2009	7,315
Changes of items during the period	
Net Income	5,441
Change of scope of consolidation	(189)
Disposal of treasury stock	(0)
Total of changes	(5,251)
Balance at March 31, 2010	12,567
Treasury stock	
Balance at March 31, 2009	(146)
Changes of items during the period	
Purchase of treasury stock	(74)
Disposal of treasury stock	1
Total of changes	(72)
Balance at March 31, 2010	(219)
Total shareholders' equity	
Balance at March 31, 2009	133,665
Changes of items during the period	
Net Income	5,441
Change of scope of consolidation	(189)
Purchase of treasury stock	(74)
Disposal of treasury stock	1
Total of changes	5,178
Balance at March 31, 2010	138,844
Net unrealized gain	
Valuation difference on available-for-sale securities	
Balance at March 31, 2009	259
Changes of items during the period	
Others	1,317
Total of changes	1,317
Balance at March 31, 2010	1,576
Deferred gains or losses on hedges	
Balance at March 31, 2009	0
Changes of items during the period	
Others	(0)
Total of changes	(0)
Balance at March 31, 2010	—

Subject	Amount
Translation adjustment	
Balance at March 31, 2009	(12,514)
Changes of items during the period	
Others	1,899
Total of changes	1,899
Balance at March 31, 2010	(10,615)
Total net unrealized gain	
Balance at March 31, 2009	(12,254)
Changes of items during the period	
Others	3,215
Total of changes	3,215
Balance at March 31, 2010	(9,039)
Subscription rights to shares	
Balance at March 31, 2009	—
Changes of items during the period	
Others	104
Total of changes	104
Balance at March 31, 2010	104
Minority interests	
Balance at March 31, 2009	2,852
Changes of items during the period	
Others	(96)
Total of changes	(96)
Balance at March 31, 2010	2,755
Net assets	
Balance at March 31, 2009	124,263
Changes of items during the period	
Net Income	5,441
Changes of scope of consolidation	(189)
Purchase of treasury stock	(74)
Disposal of treasury stock	1
Others	3,222
Total of changes	8,401
Balance at March 31, 2010	132,665

Notes to the Consolidated Financial Statements

Significant accounting principles

1. Scope of consolidation

(1) Number of consolidated subsidiaries and name of significant consolidated subsidiaries

① Number of consolidated subsidiaries 51

② Name of significant consolidated subsidiaries

- EBARA DENSAN LTD.
- Ebara Techno-serve Co., Ltd.
- Ebara Shinwa Ltd.
- Ebara Refrigeration Equipment & Systems Co., Ltd.
- Elliott Ebara Turbomachinery Corporation
- Ebara Field Tech. Corporation
- Ebara Kyushu Co., Ltd.
- Ebara Agency Co., Ltd.
- Ebara Environmental Plant Co., Ltd.
- Ebara Yoshikura Hydro-Tech Co., Ltd.
- EBARA HAMADA BLOWE CO., LTD.
- Ebara Pumps Europe S.p.A.
- Ebara International Corporation
- Elliott Company
- Ebara Technologies Incorporated
- Yantai Ebara Air Conditioning Equipment Co., Ltd.
- Ebara Boshan Pumps Co., Ltd.

(2) Change in scope of consolidation

The following subsidiary was newly consolidated

Ebara Machinery (China) Co., Ltd.

Ebara Boshan Pumps Co., Ltd.

E-Square Co., Ltd.

Hasaki Wind Farm Co., Ltd.

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 Research Co., Ltd.

Ebara Ballard Co., Ltd.

Ebara Engineering Service Co., Ltd. was excluded from consolidation and became an affiliated company applied equity method, owing to transfer of a portion of shares.

The following subsidiaries were excluded from consolidation owing to transfer of shares of Ebara 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.

(3) Names of significant non-consolidated subsidiaries

Ebara-Densan Taiwan Manufacturing Co., Ltd.

P.T. Ebara Indonesia

(4) The accounts of non-consolidated subsidiaries are not included in the consolidated financial statements owing to insignificance in the volume of assets, sales, net income and retained earnings.

2. Equity method

(1) Number of non-consolidated subsidiaries and affiliated company to which the equity method is applied

Number of non-consolidated subsidiaries to which the equity method is applied 1

Ebara Espana Bombas S.A.

Number of affiliated companies to which the equity method is applied 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 company applied equity method, owing to transfer of a portion of shares.

(2) Names of subsidiaries and affiliated companies to which the equity method is not applied

(Non-consolidated subsidiaries)

Mentioned in Names of significant non-consolidated subsidiaries.

(Affiliated company)

Hyosung-Ebara Co., Ltd.

(3) Non-consolidated subsidiaries and affiliated companies are excluded from application of the equity method owing to insignificance in the volume of net income and retained earnings.

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

Securities

Held-to-maturity securities

Amortized cost method

Other securities

Other securities with market value

Securities having market value are stated at that market value, and an unrealized gain or loss, net of tax, is credited or debited to shareholders' equity as shown in the balance sheets.

Other securities not quoted

Gross average cost

Inventories

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

(2) Property, plant and equipment and related depreciation

① Tangible assets (except lease 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, the depreciation of which is computed by 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 is used for computing depreciation, which is the same as the useful lives provided for under the Japanese income tax regulations.

② Intangible assets and other investments (except lease assets)

Intangible assets are amortized on a straight-line basis.

Software used in the Company is amortized on a straight-line basis for the estimated useful lives, which is 5 years.

③ Lease assets

Leased assets regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee:

Depreciation is computed with the straight-line method over a period up to the length of the relevant lease contracts with no residual value, except for leases started on or before March 31, 2008.

Finance leases started on or before March 31, 2008, that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, whereas other finance leases started on or before March 31, 2008, are permitted to be accounted for as operating lease transactions.

(3) Standards of significant allowance

① Allowance for doubtful receivables

An allowance for doubtful receivables is provided in an amount sufficient to cover possible losses on the collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectability of individual receivables and a ratio based on the historical ratio of write-offs of receivables.

- ② Bonus payment reserve
A bonus payment reserve is provided based on future liabilities.
 - ③ Directors' bonus payment reserve
A directors' bonus payment reserve is provided based on future liabilities.
 - ④ Severance 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 differences are amortized over a period of years that is equivalent to or less than the average remaining years of service of employees during the consolidated accounting year when these differences arise. These differences are treated as expenses that are distributed over the subsequent years based on the declining-balance method, beginning with the fiscal year following the fiscal year in which they arise.
 - ⑤ Directors' retirement allowance reserve
A directors' retirement allowance reserve is accrued at the amounts of future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.
 - ⑥ Reserve 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 estimates of possible losses, taking into account the financial positions of the related companies.
 - ⑦ Provision 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.
 - ⑧ Reserve for losses on construction completion guarantees
To provide for possible expenses arising from guarantees against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.
 - ⑨ Reserve for construction losses
To prepare for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.
 - ⑩ Reserve for expenses related to the sale of land
Accompanying the sale of the land formerly occupied by the Company'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.
- (4) Significant accounting principles
- ① Consumption tax
Consumption taxes are accounted for using the net-of-tax method.
 - ② Significant hedge accounting methods
 - i. Hedging transactions
Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.
 - ii. Hedging instruments and hedging objects

Hedging instruments	Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used.
Hedging objects	Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.
 - iii. Hedging policy
The Company use derivatives only for the purpose of hedging related to exports, imports, funding and others in accordance with internal fund management regulation.
 - iv. Assessing the effectiveness of hedging

Interest risk	The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with the 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.
 - ③ 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.

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 Consolidated taxation system

A consolidated tax system is applied.

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.

6. Change in accounting policies

(1) 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.

(2) 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.

Notes to the Consolidated Balance Sheet

1. Accumulated depreciation of tangible assets ¥154,248 million

2. Collateral assets

(1) Collateral assets for bank loans

Buildings	¥758 million
Machinery and equipment	7 million
Land	247 million
<u>Investment securities</u>	<u>1,437 million</u>
Total	¥2,449 million

(2) Amount of bank loans

Short-term loans	¥1,602 million
<u>Long-term loans</u>	<u>¥5,470 million</u>
Total	¥7,073 million

The above collateral assets include a portion of the industrial factory foundation as follows:

Land	113 million
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Amount of bank loans

Short-term loans	¥700 million
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3. Commitments and contingent liabilities

(1) Loans guaranteed to employees ¥487 million

(2) Loans guaranteed to subsidiaries and affiliates:

Oiwa Machinery Corporation	¥1,819 million
Chubu Recycle Co., Ltd.	¥238 million
Other three companies	¥405 million

(3) Loans guaranteed to business partners:

Tomen Power Samukawa Co., Ltd.	¥87 million
Tokyo Tama Eco-cement Co., Ltd.	¥45 million

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued Common stock 422,725,658

2. Type and number of bonds with rights to purchase new shares

Bonds with rights to purchase new shares Common stock 57,720,056

Notes to financial instruments

1. Status of financial instruments

(1) Policies regarding financial instruments

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

(2) Types of financial products and systems for risk management

Notes and accounts receivable, which are operating assets, are exposed to customer credit risk. In addition, since the Company conducts its business activities globally, its operating assets denominated in foreign currencies are exposed to foreign currency risk. To manage foreign currency risk, the Company hedges its net foreign currency assets and liabilities position through the use of foreign currency borrowings and deposits. The Company's consolidated subsidiaries use foreign currency forward contracts to hedge foreign currency exposure. The Company's securities and investment securities are principally money market funds (MMFs) and stocks in other companies that are held for business relationship purposes and are, therefore, exposed to market price fluctuations.

Notes and accounts payable, which are operating liabilities, come due for payment, for the most part, within one year. In addition, a portion of these, which arise in connection with imports of raw materials and other items, are denominated in foreign currencies and are exposed to foreign currency risk; however, in general, the balance of these liabilities is within the scope of accounts and notes payable denominated in foreign currencies. Borrowings, bonds, and other obligations under finance leases are mainly related to capital investment and R&D. Their settlement dates are after the closing of accounts, and the longest term to settlement of these obligations is 6.5 years. Among these, a portion of borrowings have floating interest rates and are subject to interest rate risk. These are hedged through the use of derivatives (interest rates swaps). The Company also makes use of other derivatives: namely, foreign currency forward contracts that are employed to hedge the foreign currency risk of operating assets and liabilities denominated in foreign currencies as well as interest rate swaps that are arranged to hedge the foreign currency risk of interest paid

on borrowings. Please note that further information on hedge accounting, including hedging instruments, hedging objects, hedging policy, and assessing the effectiveness of hedging may be found in a previous section entitled “Significant hedging accounting methods” contained in the section “Change in accounting policy.”

(3) Risk management systems for financial instruments

① Management of credit risk (risk related to nonperformance of contractual obligations by transaction counterparties)

Regarding operating assets, the Company’s finance and business departments, based on Company regulations related to invoices and the receipt of payments, monitor the condition of principal business customers, and supervise the payment dates and balances by customer with the aims of identifying possible deterioration in the financial condition of customers and other issues related to the recovery of exposure at an early date and taking steps to minimize credit risk.

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

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

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

② Management of market risk (risk of fluctuations in foreign currency rates, interest rates, and other indicators)

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

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

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

③ Management of liquidity risk related to fund-raising (risk of being unable to meet payment obligations on the scheduled date)

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

④ Supplementary information on the market value, etc., of financial instruments

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

In addition, the contract value of derivatives, as contained in “2. Market value of financial instruments,” does not indicate the value of the market risk of these derivative transactions.

2. Information on the market value, etc., of financial instruments

The amounts shown on the consolidated balance sheets as of March 31, 2010 (the date of settlement of the consolidated accounts), the corresponding market values, and differences between book and market value are as follows.

(Million yen)

	On consolidated balance sheets	Market value	Difference
Cash and time deposits	80,089	80,089	—
Trade receivable	162,797	162,728	(68)
Securities	12,085	12,085	—
Trade payable	(99,785)	(99,785)	—
Short-term loan	(74,610)	(74,610)	—
Convertible bond	(40,000)	(38,515)	1,484
Long-term loan	(61,204)	(61,174)	29
Derivatives trading	—	—	—

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

1. Cash and time deposits

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

2. Trade receivable

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

3. Securities

These market values for stocks are based on exchange prices.

4. Trade payable and 5. Short-term loan

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

6. Convertible bond and 7. Long-term loan

These market values are calculated using the discount rate that would apply if the full amount of the principal were newly borrowed. Long-term borrowings at floating rates are subject to special treatment as interest rate swaps (refer to (8)), with the total amount of principal being treated together with the related interest swap, and the value is calculated as the present value, of the same kind of borrowing, using a discount rate determined by reasonable estimation methods.

8. Derivatives trading

Those items given special treatment as interest rate swaps are treated together with long-term borrowings that are subject to hedging; therefore, their market values are presented together with the market value of the related long-term borrowings (refer to (7) above).

Note 2 Shares of unlisted companies, affiliated companies, and certain others (amounting to ¥11,166 million on the consolidated balance sheets), for which market values are not available, and for which ascertaining market value would be extremely difficult, have not been included in “(3) Investment securities and other securities.”

Per share data

1. Net assets per share of common stock	¥307.46
2. Net income per share	¥12.89

Subsequent Event

None

Additional information

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.

Non-consolidated balance sheet

As of March 31, 2010

(Millions of yen)

Account	Amount	Account	Amount
Assets		Liabilities	
Current assets	229,495	Current liabilities	163,744
Cash and time deposits	55,889	Acceptance payable	7,433
Trade notes receivable	16,803	Accounts payable	44,352
Accounts receivable	65,224	Short-term bank loans	62,492
Finished goods	755	Current portion of long-term bank loans	12,645
Work in process	16,718	Lease obligations	577
Raw materials and supplies	12,301	Accrued liabilities	9,142
Advance payment	6,008	Advances received	3,481
Short-term loans receivable	25,420	Deposits received	492
Deferred tax assets	5,247	Bonus payment reserve	1,986
Accounts receivable-other	18,512	Reserve for losses on construction completion guarantees	2,027
Others	6,829	Provision for product warranties	870
Allowance for doubtful receivables	(215)	Reserve for construction losses	12,419
Fixed assets	168,262	Reserve for expenses related to the sale of land	4,588
Tangible fixed assets	63,670	Others	1,235
Buildings	28,468	Long-term liabilities	111,829
Machinery	11,056	Bonds with stock acquisition rights	40,000
Automotive equipment	34	Long-term bank loans	58,288
Equipment and fixtures	1,474	Lease obligations	680
Land	18,881	Long-term advances received	469
Lease assets	977	Accrued severance and pension costs	12,390
Construction in progress	2,777	Others	0
Intangible assets	6,668	Total liabilities	275,574
Patent rights	3,313	Net assets	
Telephone rights	43	Shareholders' equity	120,615
Utility rights	16	Common stock	61,284
Software	3,074	Capital surplus	65,212
Lease assets	220	Additional paid-in capital	65,212
Investments and long-term receivables	97,923	Retained earnings	(5,661)
Investment securities	17,367	Other retained earnings	(5,661)
Stock of affiliated company	60,609	Reserve for compressed entry	1,880
Investments in subsidiaries and affiliates	7,912	Earned surplus carried forward	(7,541)
Long-term loans receivable	5,909	Treasury stock, at cost	(219)
Long-term prepaid expense	221	Net unrealized gain	1,463
Deferred tax assets	3,437	Net unrealized gain on investment securities	1,463
Other investments	5,658	Subscription rights to shares	104
Allowance for doubtful receivables	(3,194)	Total net assets	122,183
Total assets	397,757	Total liabilities and net assets	397,757

Non-consolidated Statement of Income

From April, 2009, to March 31, 2010

(Millions of yen)

Account	Amount	
Net sales		168,349
Cost of sales		149,043
Gross profit		19,305
Selling, general and administrative expenses		24,761
Operating profit		5,455
Non-operating income		
Interest income	612	
Dividend income	6,199	
Foreign exchange gain	61	
Others	790	7,663
Non-operating expenses		
Interest expense	2,266	
Interest on bonds	607	
Others	839	3,713
Ordinary income		1,505
Extraordinary income		
Gain on sales of fixed assets	170	
Gain on reversal of reserve for doubtful receivables	774	
Gain on reversal of allowance for doubtful receivables	13	
Gain on reversal of reserve for revaluation of investments	24	
Gain on sales of subsidiaries and affiliates' stocks	4,567	
Gain on transfer of business	135	
Gain on adjustment for changes of accounting standard for construction contracts	275	5,961
Extraordinary expenses		
Loss on sales of fixed assets	89	
Loss on disposal of fixed assets	1,150	
Loss on liquidation of subsidiaries and affiliates	1,638	
Loss on sales of stocks of subsidiaries and affiliates	7,110	
Loss on sales of investment securities	25	
Loss on valuation of investment securities	382	
Impairment losses	84	
Special retirement benefit paid	342	10,824
Income before income taxes		6,368
Income taxes	(2,308)	
Deferred tax benefits	53	(2,254)
Net income		4,113

Non-consolidated Statement of Changes in Net Assets

From April 1, 2009, to March 31, 2010

(Millions of yen)

Subject	Amount
Shareholders' equity	
Common stock	
Balance at March 31, 2009	61,284
Changes of items during the period	
Total of changes	—
Balance at March 31, 2010	61,284
Capital surplus	
Additional paid-in capital	
Balance at March 31, 2009	65,212
Changes of items during the period	
Total of changes	—
Balance at March 31, 2010	65,212
Retained earnings	
Other retained earnings	
Reserve for compressed entry	
Balance at March 31, 2009	—
Changes of items during the period	
Reserve for compressed entry	1,099
Reversal of compressed entry	(17)
Total of changes	1,081
Balance at March 31, 2010	1,880
Reserve for special account for advanced depreciation	
Balance at March 31, 2009	980
Changes of items during the period	
Reversal of special account for advanced depreciation	(980)
Total of changes	(980)
Balance at March 31, 2010	—
Earned surplus carried forward	
Balance at March 31, 2009	(3,326)
Changes of items during the period	
Reserve for compressedes entry	(118)
Reversal of compressedes entry	17
Net loss	(4,113)
Disposal of treasury stock	(0)
Total of changes	(4,214)
Balance at March 31, 2010	(7,541)
Total retained earnings	
Balance at March 31, 2009	(1,547)
Changes of items during the period	
Reserve for compressed entry	980
Reversal of compressed entry	—
Reversal of special account for advanced depreciation	(980)
Net loss	(4,113)
Disposal of treasury stock	(0)
Total of changes	(4,113)
Balance at March 31, 2010	(5,661)
Treasury stock	
Balance at March 31, 2009	(146)
Changes of items during the period	
Acquisition of treasury stock	(74)
Disposal of treasury stock	1
Total of changes	(72)
Balance at March 31, 2010	(219)

Subject	Amount
Total shareholders' equity	
Balance at March 31, 2009	124,802
Changes of items during the period	
Reserve for compressed entry	980
Reversal of compressed entry	—
Reversal of special account for advanced depreciation	(980)
Net loss	(4,113)
Acquisition of treasury stock	(74)
Disposal of treasury stock	1
Total of changes	(4,186)
Balance at March 31, 2010	120,615
Net unrealized gain	
Net unrealized gain on investment	
Balance at March 31, 2009	163
Changes of items during the period	
Others	1,299
Total of changes	1,299
Balance at March 31, 2010	1,463
Deferred gains or losses on hedges	
Balance at March 31, 2009	0
Changes of items during the period	
Others	(0)
Total of changes	(0)
Balance at March 31, 2010	—
Total net unrealized gain	
Balance at March 31, 2009	164
Changes of items during the period	
Others	1,298
Total of changes	1,298
Balance at March 31, 2010	1,463
Subscription rights to shares	
Balance at March 31, 2009	—
Changes of items during the period	
Others	104
Total of changes	104
Balance at March 31, 2010	104
Net assets	
Balance at March 31, 2009	124,967
Changes of items during the period	
Reserve for compressed entry	980
Reversal of compressed entry	—
Reversal of special account for advanced depreciation	(980)
Net loss	(4,113)
Acquisition of treasury stock	(74)
Disposal of treasury stock	1
Others	1,402
Total of changes	(2,783)
Balance at March 31, 2010	122,183

Notes to the Non-consolidated Financial Statements

Significant accounting principles

1. Valuation standards and valuation methods of assets

(1) Securities

Held-to-maturity securities

Amortized cost method

Investment in subsidiaries and affiliates

Gross average cost

Other securities

Other securities with market value

Securities having market value are stated at that market value, and an unrealized gain or loss, net of tax, is credited or debited to net assets as shown in the balance sheet.

Other securities not quoted

Gross average cost

(2) Inventories

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

2. Property, plant and equipment and related depreciation

(1) Tangible assets (except lease 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, except for buildings placed in service after April 1, 1998, the depreciation of which is computed on the straight-line method.

Maintenance, repairs and minor renewals are charged to income as incurred.

The estimated useful lives of the assets is used for computing depreciation, which is the same as the useful lives provided for under the Japanese income tax regulations.

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

Intangible assets are amortized on a straight-line basis. Software used in the Company is amortized on a straight-line basis for the estimated useful lives, which is 5 years.

(3) Lease assets

Lease assets regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee:

Depreciation is computed with the straight-line method over a period up to the length of the relevant lease contracts with no residual value, except for leases started on or before March 31, 2008.

Finance leases started on or before March 31, 2008, that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, whereas other finance leases started on or before March 31, 2008, are permitted to be accounted for as operating lease transactions.

3. Standards of significant allowance

(1) Allowance for doubtful receivables

An allowance for doubtful receivables is provided in an amount sufficient to cover possible losses on the collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectability of individual receivables and a ratio based on the historical ratio of write-offs of receivables.

- (2) Bonus payment reserve
A bonus payment reserve is provided based on future liabilities.
- (3) Severance 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.
- (4) Provision 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.
- (5) Reserve for losses on construction completion guarantees
To provide for possible expenses arising from guarantees against defects, the Company makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.
- (6) Reserve for construction losses
To prepare for possible losses on construction projects contracted to the Company, the Company 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.
- (7) Reserve for expenses related to the sale of land
Accompanying the sale of the land formerly occupied by the Company's Haneda Plant, this reserve has been created to provide for expenses related to restoring the land to its original condition.

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 hedge accounting methods

(1) Consumption tax

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

(2) Hedging transactions

① Hedging transactions

Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.

② Hedging instruments and hedging objects

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.

③ Hedging policy

The Company use derivatives only for the purpose of hedging related to exports, imports, funding and others in accordance with internal fund management regulation.

④ Assessing the effectiveness of hedging

Interest risk	The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with the 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.

(3) Consolidated taxation system

A consolidated tax system is applied.

Change in accounting policies

1. 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 current fiscal year, sales were ¥982 million larger and the operating loss, ordinary loss were each ¥207 million smaller, and loss before income taxes were ¥483 million smaller than under the previous method for the recognition of calculation.

2. 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.

Notes to the Non-Consolidated Balance Sheet

1. Accumulated depreciation of tangible assets ¥90,188 million

2. Collateral assets

(1) Collateral assets for bank loans

Investment securities ¥1,431 million

(2) Amount of bank loans

Short-term loans ¥500 million

Current portion of long-term loans 133 million

Long-term loans 5,470 million

Total ¥6,103 million

3. Commitments and contingent liabilities

(1) Loans guaranteed to employees ¥441 million

(2) Loans guaranteed to subsidiaries and affiliates:

Consolidated subsidiaries

Ebara Engineering Service Co., Ltd. ¥6,164 million

Ebara Environmental Plant Co., Ltd. ¥6,046 million

Ebara America Corporation ¥5,850 million

Elliott Ebara Turbomachinery Corporation ¥4,000 million

Ebara Techno-serve Co., Ltd. ¥3,251 million

Elliott Company ¥2,002 million

E-square Co., Ltd. ¥1,744 million

Ebara Pumps Europe S.p.A. ¥1,322 million

Ebara Boshan Pumps Co., Ltd. ¥1,253 million

Ebara Densan Ltd. ¥1,236 million

Ebara International Corporation ¥1,152 million

Five other companies ¥1,354 million

Total ¥35,408 million

Non-consolidated subsidiaries and affiliates

Oiwa Machinery Corporation ¥1,819 million

Four other companies ¥643 million

Total ¥2,463 million

(3) Loans guaranteed to business partners:

Tomen Power Samukawa Co., Ltd. ¥87 million

Tokyo Tama Eco-cement Inc. ¥45 million

(4) Monetary claim and liabilities to subsidiaries and affiliates

Short-term monetary claim to subsidiaries and affiliates ¥52,949 million

Long-term monetary claim to subsidiaries and affiliates ¥6,263 million

Short-term monetary liabilities to subsidiaries and affiliates ¥27,455 million

Notes to the Non-Consolidated Statement of Income

Amount of transactions with subsidiaries and affiliates

Amount of sales ¥56,093 million

Amount of purchases ¥34,658 million

Amount of non-operating transactions ¥8,971 million

Notes to the Non-Consolidated Statement of Changes in Net Assets

Treasury Shares

Type of shares	Number of shares as of March 31, 2009	Increase	Decrease	Number of shares as of March 31, 2010
Common stock	341,744	195,218	4,130	532,832

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

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

Income taxes

Significant components of the deferred tax assets and liabilities

Deferred tax assets:	
Loss on write-down of inventories	¥3,332 million
Excess provision of accrued bonuses to employees	¥808 million
Loss recognized on a percentage-of completion basis	¥9,526 million
Reserve for losses on construction completion guarantees	¥6,232 million
Depreciation expenses	¥70 million
Excess provision of accrued severance indemnities	¥5,834 million
Write-down of investments on subsidiaries and affiliates	¥9,044 million
Write-down of investment securities	¥1,510 million
Tax loss carried forward	¥6,421 million
Loss on liquidation of subsidiary companies	¥1,380 million
Excess allowance for doubtful receivables	¥1,381 million
Accrued liabilities	¥480 million
Loss on disposal of fixed assets	¥1,436 million
Reserve for expenses related to the sale of land	¥978 million
Others	¥868 million
Subtotal	¥49,307 million
Valuation allowance	(¥37,979 million)
Total deferred tax assets	¥11,327 million
Deferred tax liabilities:	
Special reserve for compressed entry	¥1,209 million
Net unrealized gain on investment securities	¥1,004 million
Others	¥428 million
Subtotal	¥2,642 million
Net deferred tax assets	¥8,685 million

Leases

1. Pro forma amounts representing the acquisition costs, accumulated depreciation and net book value of lease items

	Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value
Machinery	¥39 million	¥34 million	¥5 million
Equipment and fixtures	¥597 million	¥354 million	¥243 million
Total	¥636 million	¥388 million	¥248 million

2. Lease payments remaining at the end of the fiscal year

Payments due within one year	¥100 million
Payments due after one year	¥124 million
Total	<u>¥225 million</u>

Transactions with related parties

Subsidiaries, etc.

Attribute	Name	Investment ratio	Concern with related parties	Details of the transaction	Amount of the transaction (Millions of yen)	Accounting item	Balance (Millions of yen)
Subsidiary	Ebara Techno-serve Co., Ltd.	Ownership Directly 100%	<ul style="list-style-type: none"> • Sales of products supplied by the Company and after-sale service • Leasing of buildings • Lending money • Interlocking director (1) • Guarantee of bank loan 	<ul style="list-style-type: none"> Sales Purchase Interest income Dividend income Interest expense Compensation for services, etc. Bank loan guarantee 	<ul style="list-style-type: none"> 26,121 643 44 720 10 78 3,251 	<ul style="list-style-type: none"> Trade notes receivable Accounts receivable Short-term loan Accounts receivable-other Accounts payable Other short-term liabilities 	<ul style="list-style-type: none"> 3,402 3,398 3,000 452 127 15
Subsidiary	Ebara Field Tech. Corporation	Ownership Directory 51% Indirectly 49%	<ul style="list-style-type: none"> • Interlocking director (1) • After-sales service, installation and test operation of products supplied by the Company • Leasing of buildings • Lending money 	<ul style="list-style-type: none"> Sales Purchase Interest income Dividend income 	<ul style="list-style-type: none"> 7,326 1,227 11 28 	<ul style="list-style-type: none"> Trade notes receivable Accounts receivable Short-term loan Accounts receivable-other Accounts payable Other short-term liabilities 	<ul style="list-style-type: none"> 4,016 1,877 955 63 708 4
Subsidiary	Elliott Ebara Turbo machinery Corporation	Ownership Indirectly 100%	<ul style="list-style-type: none"> • Purchase of finished products • Leasing of plants and buildings • Guarantee of bank loan • Borrowing money • Interlocking director (1) 	<ul style="list-style-type: none"> Sales Purchase Interest income Interest expense Bank loan guarantee Compensation for services, etc. 	<ul style="list-style-type: none"> 1,105 5,263 4 29 4,000 33 	<ul style="list-style-type: none"> Trade notes receivable Accounts receivable Accounts receivable-other Other short-term claim Accounts payable Short-term loan Other short-term liabilities 	<ul style="list-style-type: none"> 0 106 76 309 3,252 5,500 59

Attribute	Name	Investment ratio	Concern with related parties	Details of the transaction	Amount of the transaction (Millions of yen)	Accounting item	Balance (Millions of yen)
Subsidiary	Ebara America Corporation	Ownership Directly 100%	<ul style="list-style-type: none"> •Guarantee of bank loan •Borrowing money 	Bank loan guarantee Interest expense Compensation for services, etc.	5,850 367 1	Other short-term claim Short-term loan Other short-term liabilities	1 4,093 65
Subsidiary	Elliott Company	Ownership Indirectly 100%	<ul style="list-style-type: none"> •Supply compressors and turbines mutually •Guarantee of bank loan •Interlocking director (1) 	Purchase Compensation for services, etc. Bank loan guarantee	177 0 2,002	Accounts receivable-other Other short-term claim Accounts payable	8 0 19
Subsidiary	Ebara Environmental Plant Co., Ltd.	Ownership Directly 100%	<ul style="list-style-type: none"> •Interlocking director (1) •Leasing of buildings •Borrowing money •Guarantee of banking loan 	Sales Purchase Interest income Interest expense Bank loan guarantee Company split (Note 5) Assets Liabilities Compensation (Stocks)	825 997 6 14 6,046 20,961 16,237 4,724	Trade notes receivable Accounts receivable Accounts receivable-other Other short-term claim Accounts payable Trade notes payable Short-term loan Other short-term liabilities	43 255 1,460 354 2 31 4,200 286
Subsidiary (Notes 6)	Eco Power Co., Ltd.	Ownership Directly 98.8%	<ul style="list-style-type: none"> •Sales and installation of the equipment for wind power generation •Leasing of land and buildings •Guarantee of bank loan •Lending money •Interlocking director (1) 	Sales Purchase Interests income Underwriting of capital increase (Note 7) Collecting loan	19 157 84 4,850 6,860	Accounts payable	125
Affiliate	Ebara Engineering Service Co., Ltd.	Ownership Directly 33.3%	<ul style="list-style-type: none"> •Interlocking directors (3) •After-sales service of products supplied by the Company •Leasing of pant and building •Lending money •Guarantee of bank loan 	Sales Purchase Interest income Dividend income Interest expense Compensation for services, etc. Bank loan guarantee Corporate separation (Note 5) Assets Liabilities Compensation (Stocks)	2,314 1,319 65 2,615 10 10 6,164 5,898 1,377 4,521	Accounts receivable Short-term loan Accounts receivable-other Accounts payable Other short-term liabilities	720 6,700 539 469 30

Business conditions and policy for decisions related to business conditions

Notes:

1. Business conditions such as price shall be decided through negotiation in reference to a price proposal by the Company based on the market price.

2. Business conditions for the purchase of products from related parties shall be decided in the same way as those for a third party.
3. The interest rate for lending and borrowing with related parties shall be decided in reference to market interest rate.
4. The Company provides guarantees of bank loans for related parties and receives guarantee charges.
5. Since the corporate split-off is a realignment through corporate divestiture within the Group, the allocation of shares was decided on the basis of net assets.
6. Since all the shares owned in Eco Power Co., Ltd., were transferred on March 25, 2010, and it is no longer a related party, the value of transactions during the period when it was a related party and the outstanding balances at the end of the period in which it ceased to be a related party are presented.
7. Eco Power Co., Ltd., increased its capital (¥4,850 million) on February 19, 2010, through an issue of new shares (71,323,532), and the Company underwrote the full amount of this capital increase.

Per share data

1. Net assets per share of common stock	¥289.16
2. Net loss per share	¥9.74

Matters pertaining to business combinations

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

1. 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

i 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. (This company was changed from a consolidated company into an affiliated company on March 31, 2010)

ii 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

i 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)

ii 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)

iii 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).

2. 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

i Name of the business

The waste treatment business of the Group

ii 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).

Subsequent event

None

Copy of the Report of Independent Auditors on Consolidated Financial Statements (translation)

Report of Independent Auditors

May 19, 2010

The Board of Directors
EBARA CORPORATION

Ernst & Young ShinNihon LLC

Shuji Ota
Certified Public Accountant
Designated and Engagement Partner

Katsuhiko Hara
Certified Public Accountant
Designated and Engagement Partner

Masato Namekawa
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4, of the Corporation Law, we have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of EBARA CORPORATION (the "Company") applicable to the fiscal year from April 1, 2009, through March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the EBARA Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

(Additional information)

As described in the change in significant accounting principles, effective for the fiscal year ended March 31, 2010, the Company changed its method of accounting for recognizing revenues from construction business activities. We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Act.

<p>This document has been translated from a part of the Japanese audited original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company, the independent auditor and the corporate auditors assume no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.</p>
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Copy of the Report of Independent Auditors (translation)

Report of Independent Auditors

May 19, 2010

The Board of Directors
EBARA CORPORATION

Ernst & Young ShinNihon LLC

Shuji Ota
Certified Public Accountant
Designated and Engagement Partner

Katsuhiko Hara
Certified Public Accountant
Designated and Engagement Partner

Masato Namekawa
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1, of the Corporation Law, we have audited the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of EBARA CORPORATION (the "Company") applicable to the 145th fiscal year from April 1, 2009, through March 31, 2010. These financial statements and the related supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the related supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of EBARA CORPORATION applicable to the 145th fiscal year ended March 31, 2010, in conformity with accounting principles generally accepted in Japan.

(Additional information)

As described in the change in accounting policies, effective for the fiscal year ended March 31, 2010, the Company changed its method of accounting for recognizing revenues from construction business activities. We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Act.

<p>This document has been translated from a part of the Japanese audited original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company, the independent auditor and the corporate auditors assume no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.</p>
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Copy of the Board of Corporate Auditors' Report (translation)

Board of Corporate Auditors' Report

The Board of Corporate Auditors of EBARA CORPORATION has prepared and presented this report on the conduct of duties by the members of the Board of Directors during the 145th Business Year, which extended from April 1, 2009, to March 31, 2010, based on audit reports prepared by each of the members of the Board of Corporate Auditors and after due deliberation.

1. Method and Content of Audits by the Corporate Auditors and Board of Corporate Auditors

The Board of Corporate Auditors set the auditing policy, determined the allocation of duties and decided other related matters, and then received reports on the conduct and results of audits from each of the corporate auditors. The Board of Corporate Auditors also received reports from the directors and the independent auditor regarding the execution of duties and, as necessary, requested additional explanations.

Each of the corporate auditors, following standards for audits by the corporate auditors as well as the auditing policy, the allocation of duties and other related matters that were established by the Board of Corporate Auditors, communicated with the directors, the Corporate Audit Department and others; collected information; and endeavored to improve the environment for implementing audits. The corporate auditors also attended important meetings, including the meetings of the Board of Directors, received reports from the directors and others regarding the execution of the directors' duties, requested explanations as necessary, examined documents related to the approval of important matters and examined the condition of operations and assets in EBARA's Head Office and major business locations. With respect to the resolution of Board of Directors related to the design of systems to ensure that the Directors' execution of their duties complies with laws and establishment and management of internal control system thereof based on the resolution, each corporate auditor received explanation from the Directors of the Board and other relevant personnel, and expressed opinion thereon as necessary. Regarding subsidiaries, the corporate auditors communicated with the directors, auditors and others in these subsidiaries, worked to exchange information and, as necessary, received reports from these companies. Based on the previously described methods, the corporate auditors considered the Business Report and the Appended Documents for the fiscal year under review.

In addition, the corporate auditors ensured whether the independent auditor maintained its independent status and conducted its auditing activities appropriately. The corporate auditors received reports from the independent auditor regarding the performance of its duties, process of the audits, and results of the audits, and requested explanations as necessary. In addition, the corporate auditors have received notices from the independent auditor that their activities are in compliance with the "Systems for Ensuring that Duties Are Conducted Appropriately", and requested explanations as necessary. Based on the previously described methods, the corporate auditors considered the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and the notes to the non-consolidated financial statements) and the annexed detailed statement, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and the notes to the consolidated financial statements).

2. Results of the Audit

(1) Results of the Audit of the Business Report and other Documents

- i. In our opinion, the Business Report and the Appended Documents have been prepared in accordance with relevant laws and EBARA's Articles of Incorporation and present the condition of EBARA fairly.
- ii. We found no instances of improper behavior in the conduct of duties by the Directors and no major facts regarding violations of laws or the Articles of Incorporation.
- iii. We found the content of decisions made by the Board of Directors regarding internal control systems to be appropriate. Moreover, with regard to the execution of duties by the directors related to such internal control systems, in our opinion, activities are ongoing to make continuing improvements.

(2) Results of the Audit of the Non-Consolidated Financial Statements and the Annexed Detailed Statement

We found the methods used and the results of the audit conducted by the independent auditor, Ernst & Young ShinNihon LLC, to be appropriate.

(3) Results of the Audit of the Consolidated Financial Statements

We found the methods used and the results of the audit conducted by the independent auditor, Ernst & Young ShinNihon LLC, to be appropriate.

May 21, 2010

The Board of Corporate Auditors of EBARA CORPORATION
Michihisa Hozumi, Full-Time Corporate Auditor
Yasuo Watarai, Full-Time Corporate Auditor
Seigoh Hirayama, Outside Corporate Auditor
Yoshio Omori, Outside Corporate Auditor
Yoshihiro Machida, Outside Corporate Auditor

Reference Document for the Ordinary General Meeting of Shareholders

Proposals and references

Proposal 1: Election of Eleven (11) Directors

The term of office of eleven (11) current directors will expire at the conclusion of this 145th Ordinary General Meeting of Shareholders. Therefore, we intend to propose the election of eleven (11) directors. The nominees for director are as follows:

Nominee No.	Name (Date of birth)	Brief personal history, important concurrent position, and assignments and responsibilities in the Company	Number of the Company shares held
1	Natsunosuke Yago (May 16, 1951)	April 1977 Entered the Company as an employee June 2002 Executive Officer April 2004 Senior Executive Officer June 2004 Director of the Board April 2005 President, Precision Machinery Company Executive General Manager, Fujisawa District April 2006 Managing Executive Officer April 2007 President and Representative Director (to present) May 2007 Division Executive, Internal Control Improvement & Enhancement Division July 2009 Division Executive, Internal Control Division (to present)	24,000
2	Masayoshi Hirose (December 29, 1949)	April 1975 Entered the Company as an employee June 2000 Director of the Board June 2002 Managing Executive Officer April 2004 Senior Managing Executive Officer April 2005 President, Fluid Machinery & Systems Company April 2006 Representative Director, Vice President Executive Officer (to present) April 2007 President, Environmental Engineering Company(to present) April 2008 Director of the Board (to present) April 2009 President and Representative Director of Ebara Engineering Service Co., Ltd. (to present)	16,000
3	Atsuo Suzuki (January 24, 1950)	April 1972 Entered the Company as an employee June 2000 Director of the Board June 2002 Senior Executive Officer April 2004 Managing Executive Officer June 2004 Director of the Board April 2005 Vice President, Fluid Machinery & Systems Company April 2007 President, Fluid Machinery & Systems Company (to present) June 2007 Director of the Board (to present) April 2009 Senior Managing Executive Officer (to present)	11,000

Nominee No.	Name (Date of birth)	Brief personal history, representative positions at other companies, and assignments and responsibilities in the Company	Number of the Company's shares held
4	Kozo Nakao (October 29, 1947)	<p>April 1971 Entered the Company as an employee</p> <p>June 2000 Director of the Board</p> <p>June 2002 Senior Executive Officer</p> <p>April 2004 Managing Executive Officer (to present)</p> <p>April 2005 Division Executive, Marketing and Sales Division, Precision Machinery Company</p> <p>April 2006 Vice President, Precision Machinery Company</p> <p>June 2006 Director of the Board (to present)</p> <p>April 2007 President, Precision Machinery Company (to present)</p>	15,000
5	Itaru Shirasawa (August 3, 1948)	<p>April 1972 Entered the Company as an employee</p> <p>June 2002 Executive Officer</p> <p>April 2004 Senior Executive Officer</p> <p>June 2004 Director of the Board</p> <p>April 2005 Division Executive, Industrial Sector Marketing & Sales Division, and Division Executive, Solution Business Division, Fluid Machinery & Systems Company</p> <p>April 2006 Managing Executive Officer (to present) Vice President, Fluid Machinery & Systems Company (to present)</p> <p>June 2006 Director of the Board (to present)</p> <p>April 2008 Division Executive, Domestic Sales Office Division (to present)</p>	7,000
6	Akihiro Ushitora (January 5, 1950)	<p>April 1973 Entered the Company as an employee</p> <p>June 2002 Executive Officer</p> <p>April 2004 Senior Executive Officer</p> <p>July 2006 Division Executive, Corporate Strategy & New Business Planning Division</p> <p>April 2007 Managing Executive Officer (to present) Vice President, Environmental Engineering Company (to present)</p> <p>June 2007 Director of the Board (to present)</p> <p>October 2009 President and representative director of Ebara Environmental Plant Co., Ltd. (to present)</p>	10,000

Nominee No.	Name (Date of birth)	Brief personal history, representative positions at other companies, and assignments and responsibilities in the Company	Number of the Company's shares held
7	Tetsuji Fujimoto (January 9, 1953)	April 1976 Entered the Company as an employee April 2004 Executive Officer April 2005 Division Executive, Finance & Corporate Accounting Division (to present) June 2007 Director of the Board (to present) April 2008 Managing Executive Officer (to present)	44,000
8	Akira Itoh (July 20, 1950)	April 1976 Entered the Ministry of International Trade and Industry as an officer July 2004 Director General, Japanese Standards Association January 2007 Joined the Company April 2007 Executive Officer Division Executive, Technologies, Research & Development Division June 2007 Director of the Board (to present) April 2008 Deputy Division Executive, Internal Control Improvement & Enhancement Division April 2009 Managing Executive Officer (to present) Division Executive, CSR Division and Executive General Manager, Haneda Office (to present) July 2009 Deputy Division Executive, Internal Control Division (to present)	9,000
9	Manabu Tsujimura (March 11, 1951)	April 1974 Entered the Company as an employee June 2002 Executive Officer April 2004 Senior Executive Officer April 2005 Division Executive, Advanced Technology Division, Precision Machinery Company April 2007 Managing Executive Officer (to present) April 2009 Division Executive, Technologies, Research & Development Division Vice President, Precision Machinery Company (to present) June 2009 Director of the Board (to present) April 2010 Division Executive, Technologies, R&D, IP Division (to present)	7,000
10	Tetsuya Yamamoto (July 1, 1936)	April 1960 Entered Tokyo Shibaura Electric Co., Ltd. (currently TOSHIBA CORPORATION) June 1992 Director of the Board June 1994 Senior Vice President June 1995 Executive Vice President June 1996 Representative Director Senior Executive Vice President June 2000 Corporate Advisor May 2001 Chairman, Japan Institute of Industrial Engineering June 2004 Corporate Auditor, Toshiba Ceramics Co., Ltd. May 2005 Honorary Chairman, Japan Institute of Industrial Engineering June 2008 Director of the Board of the Company (to present)	0

Nominee No.	Name (Date of birth)	Brief personal history, representative positions at other companies, and assignments and responsibilities in the Company	Number of the Company's shares held
11	Seiichi Ochiai (April 10, 1944)	April 1974 Instructor, University of Tokyo Faculty of Law April 1977 Associate Professor, Seikei University April 1981 Professor, Seikei University April 1990 Professor, University of Tokyo Graduate Schools for Law and Politics / The University of Tokyo Faculty of Law April 2007 Professor, Chuo Law School (to present) Attorney at Law (to present) June 2007 Professor Emeritus, The University of Tokyo (to present) June 2008 Director of the Board of the Company (to present)	0

Notes:

1. No nominee has any special interest in the Company.
2. The matters relating to the outside director of the board are as follows:
 - (1) Tetsuya Yamamoto and Seiichi Ochiai are nominees for outside director of the board. The Company has filed a required notification to the Tokyo Stock Exchange and the Sapporo Securities Exchange for appointing the two as its independent directors/corporate auditors.
 - (2) Reasons for the appointment of the nominees
 - ① We nominated Tetsuya Yamamoto for outside director of the board in the belief that he will harness his ample experience and a wide range of knowledge as a former manager at a listed company for the management of the Company.
 - ② We nominated Seiichi Ochiai for outside director of the board in the belief that he will harness his wide range of knowledge and high-level insight as a university professor specializing in juristic research. Although he does not have experience of being involved in corporate management other than as an external officer, he will be able to implement his duties as an outside director of the board appropriately for the aforementioned reason.
 - (3) During the service of the nominees for outside director since they were last appointed, there were no violations of law, etc., at the Company.
 - (4) During the past five years, when the nominees for outside director of the board were in the post of director at other companies, there were no violations of law, etc., at those companies.
 - (5) Independence as candidate for outside director of the board
 - ① Neither nominee for outside director of the board is in a position to execute duties for a business entity in a special relationship with the Company. Furthermore, there has been no such relevant relationship during the past five years.
 - ② Neither nominee for outside director of the board is going to receive a large amount of money or other assets except for remuneration as director from the Company or any business entity in a special relationship with the Company. Furthermore, there has been no such arrangement in the past two years.
 - ③ Neither nominee for outside director of the board is a spouse, a relative within the third degree or such a closely related person of a business executor of the Company or any business entity in a special relationship with the Company.
 - ④ Neither nominee for outside director of the board was an outside director, an auditor or a business executor of a company with which the Company has merged for the past two years.
 - (6) Period of service as outside director of the Company
The period of service of both Tetsuya Yamamoto and Seiichi Ochiai will be two (2) years at the conclusion of this 145th Ordinary General Meeting of Shareholders.
 - (7) Outline of the agreement to limit liability for damages with the outside directors of the board
The Company is in an agreement with both Tetsuya Yamamoto and Seiichi Ochiai to limit their liability for reparation if such liabilities as stipulated in Article 423, Paragraph 1, of the Company Law fall under the requirement stipulated by law, to within the statutory maximum liability based on the provisions set forth under Article 427, Paragraph 1, of the Company Law.

Proposal 2: Election of One (1) Corporate Auditor

Corporate auditor Yasuo Watarai will resign from the position at the conclusion of this 145th Ordinary General Meeting of Shareholders. Therefore, we intend to propose the election of one (1) corporate auditor.

The term of office for the corporate auditor to be elected at said meeting is until the conclusion of the Ordinary General Meeting of Shareholders to be held in June 2014.

This proposal has acquired the prior consent of the board of corporate auditors.

The nominee for corporate auditor is as follows:

Name (Date of birth)	Brief personal history, important concurrent position, and responsibilities in the Company	Number of company shares held
Toshihiro Yamashita* (December 9, 1948)	April 1971 Entered the Company as an employee April 2005 General Manager, Corporate Audit Department (to present) April 2007 Director April 2008 Executive Officer (to present)	0

Notes

1. No nominee has any special interest in the Company.
2. The nominee with an asterisk (*) is a newly selected candidate for the position of corporate audit.

Guidance to the Exercise of Voting Rights via the Internet

The exercise of voting rights is available only on the Web site (<http://www.web54.net>) designated by the Company. If you wish to exercise voting rights via an electromagnetic method (the Internet), please read carefully the explanation described below before exercising your voting rights via the Internet.

1. System Environment

The following system environment is necessary for your use of the aforementioned Web site on your computer.

- (1) Display resolution shall be 800 dots horizontal × 600 dots vertical (SVGA) or higher.
- (2) The following software (applications) must have been installed.
 - a) Microsoft® Internet Explorer Ver.5.01 SP2 or later
 - b) Adobe® Acrobat® Reader™ Ver.4.0 or later or Adobe® Reader® Ver.6.0 or later (if you want to view the reference documents on the screen)
 - * Microsoft® and Internet Explorer are the registered trademark or the trademark of Microsoft Corporation in the United States and other countries.
 - * Adobe® Acrobat® Reader™ and Adobe® Reader® are the registered trademark or the trademark of Adobe Systems Incorporated in the United States and other countries.
 - * All of these software products are distributed at no charge from the Web site of the respective companies.
- (3) Internet-based communications might be restricted if a firewall function is installed and activated on a computer. In such a case, please consult with your system administrator.
- (4) The pop-up function is adopted for the Company's Web site. Accordingly, please temporarily suspend the Pop-up Blocker.

2. Handling of your exercise of voting rights

- If you have exercised your voting rights several times via the Internet, only the final execution shall be deemed as your effective exercise of voting rights.
- If you have exercised your voting rights both by mailing the Voting Rights Exercise Form and via the Internet, only the exercise of voting rights via the Internet shall be deemed effective.
- You are requested to exercise your voting rights before 5:15 p.m. on Monday, June 28, 2010 at Japan standard time.

3. Handling of your password

- The "Password" is a crucial means through which to ascertain that a voting person is really a qualified shareholder. Please carefully secure your password until the conclusion of this General Shareholders' Meeting.
The Company does not accept any referral on passwords by telephone or any other means.
- In case you commit more errors than a certain number of tries to input your password, the Internet-based voting system will be immediately locked, making further operation unavailable with regard to the aforementioned Web site. Follow the screen guide to ask for the reissuance of a new password.

4. Inquiries on the operation of your PC and other communication terminals

- If you are unclear as to the operation of your PC and other devices regarding the exercise of voting rights via the Internet, please contact the staff in charge by calling the following number:

Dedicated phone of Stock Transfer Agent "Web Support"

The Chuo Mitsui Trust and Banking Company, Limited

Phone number: 0120-65-2031 (domestic call only)

Reception time: 9 a.m.–9 p.m. weekdays (Monday–Friday except Saturdays, Sundays and national holidays)

- For other inquiries such as the number of shares held, please contact the staff in charge by calling the following number:

Stock Transfer Agent (*Shoken-Daiko-Jimu* Center)

The Chuo Mitsui Trust and Banking Company, Limited

Phone number: 0120-78-2031 (domestic call only)

Reception time: 9 a.m.–5 p.m. weekdays (Monday–Friday except Saturdays, Sundays and national holidays)

To Our Institutional Investors

Apart from the above exercise of voting rights via the Internet, you may use the Electronic Proxy Voting Platform operated by ICJ, Inc., which is financed by Tokyo Stock Exchange, Inc., and others, as a method of exercising your voting rights for the Company's general meetings of shareholders when you have applied for its use in advance to ICJ, Inc.

Notes:

1. This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
2. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.