

CONSOLIDATED FINANCIAL RESULTS
FOR THE FIRST QUARTER ENDED JUNE 30, 2012
[Japanese GAAP]

August 10, 2012

Company name: EBARA CORPORATION
 Stock exchange listings: Tokyo and Sapporo
 Code number: 6361
 URL: <http://www.ebara.co.jp/>
 Representative: Natsunosuke Yago, President
 Contact person: Kengo Choki, Executive Officer, Finance & Accounting Division
 Tel. +81-3-3743-6111

Scheduled date for submission of quarterly report: August 10, 2012

Preparing supplementary material on financial results: None

Holding financial results presentation meeting (for institutional investors and analysts): None

(Manetary amounts are rounded down to the nearest million yen)

1. Results for the Three Months Ended June 30, 2012

(1) Financial Results

(% represents percentage change from a comparable previous period.)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Amount	% Change	Amount	% Change	Amount	% Change	Amount	% Change
Three Months Ended June 30, 2012	81,288	1.6%	839	(64.7)%	772	(53.2)%	(424)	—
Three Months Ended June 30, 2011	80,037	(3.8)%	2,375	(54.0)%	1,648	(60.5)%	417	(57.8)%

Note : Comprehensive Income: June 30, 2012; 2,911 million yen 45.4%
 June 30, 2011; 2,002 million yen —%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Three Months Ended June 30, 2012	(1.00)	—
Three Months Ended June 30, 2011	0.99	0.97

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2012	480,051	155,420	31.5%
As of March 31, 2012	488,964	154,653	30.9%

Note : Shareholders' Equity: June 30, 2012; 151,405 million yen
 March 31, 2012; 151,060 million yen

2. Dividends

	Dividends per Share (Yen)				
	End of 1 st Quarter	End of 2 nd Quarter	End of 3 rd Quarter	Year-End	Annual
Fiscal Year Ended March 31, 2012	—	0.00	—	5.00	5.00
Fiscal Year Ending March 31, 2013	—				
Fiscal Year Ending March 31, 2013 (Forecast)		2.50	—	2.50	5.00

Note : Revisions to forecast of dividend in this quarter: None

3. Forecast of Financial Results for the Year Ending March 31, 2013

(% represents percentage change from a comparable previous period.)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Net Income		Net Income per Share (Yen)
Fiscal Year Ending March 31, 2013	400,000	(2.9)%	27,000	16.0%	25,000	18.6%	13,000	349.9%	30.79

Note : Revisions to forecast of financial results in this quarter: None

4. Other Information

- (1) Changes in significant subsidiaries during the three months under review (Changes in specified subsidiaries involving changes in scope of consolidation): Yes

Included: — (—)

Excluded: 1 company (Ebara Techno-serve Co., Ltd.)

Note: For further details, please refer to “2. Summary Information (Notes)” on page 7.

- (2) Adoption of specific accounting methods for preparation of quarterly financial statements: Yes

Note: For further details, please refer to “2. Summary Information (Notes)” on page 7.

- (3) Changes in accounting policies, Changes in accounting estimates, and Restatement of prior financial statements after error corrections

(i) Changes due to revisions of accounting standards, etc.: Yes

(ii) Changes other than (i) above: None

(iii) Changes in accounting estimates: Yes

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

Note: Effective for the first quarter ended June 30, 2012, Ebara Corporation and its domestic consolidated subsidiaries have changed the depreciation method. For further details, please refer to “2. Summary Information (Notes)” on page 7.

- (4) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)	As of June 30, 2012	423,054,658	As of March 31, 2012	422,899,658
(ii) Number of treasury stocks	As of June 30, 2012	691,867	As of March 31, 2012	689,200
(iii) Average number of common stocks	Three Months Ended June 30, 2012	422,315,431	Three Months Ended June 30, 2011	422,075,001

Recording of Implementation Conditions Regarding Auditing Procedures

This financial report does not fall within the scope of the Auditing Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the financial report, the quarterly review procedures for its quarterly financial statements have been completed.

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

- The forecast of consolidated financial results for the fiscal year ending March 31, 2013 has not been revised.
- The forecasts of performance and other forward-looking statements contained in this document are based on information that was available to EBARA Group as of the time of the issuance of this document and on certain assumptions about uncertainties that may have an impact on the Company's performance. Actual performance may differ substantially from these forecasts owing to a wide range of factors.

For further information on the assumptions made in the preparation of the forecasts of performance, please refer to “(3) Qualitative Information Regarding Forecast of Consolidated Financial Results” on page 6.

Contents

1. Qualitative Information Regarding Consolidated Financial Results	P.4
(1) Qualitative Information Regarding Consolidated Financial Results	P.4
(2) Qualitative Information Regarding Consolidated Financial Position	P.6
(3) Qualitative Information Regarding Forecast of Consolidated Financial Results	P.6
2. Summary Information (Notes)	P.7
(1) Changes in significant subsidiaries during the three months under review	P.7
(2) Adoption of specific accounting methods for preparation of quarterly financial statements	P.7
(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections	P.7
3. Consolidated Financial Statements	P.8
(1) Consolidated Balance Sheets	P.8
(2) Consolidated Statements of Income and Comprehensive Income	P.10
Consolidated Statements of Income	P.10
Consolidated Statements of Comprehensive Income	P.11
(3) Consolidated Statements of Cash Flows	P.12
(4) Note for the assumption of going concern	P.13
(5) Segment information	P.13
(6) Note for significant changes in the amount of shareholders' equity	P.14
4. Additional Information	P.15
Order received and sales	P.15

1. Qualitative Information Regarding Consolidated Financial Results

(1) Qualitative Information Regarding Consolidated Financial Results

During the first quarter (three months), ended June 30, 2012, in the United States, the economy is recovering gradually, as evidenced by improvement in the unemployment ratio and other indicators. However, in Europe, the economy is stagnating because of continuing uncertainty regarding the financial system. In Asia, there are signs of a weakening of growth, but, in Japan, the economy is showing gradual improvement as investment in the public sector is continuing to be firm because of the positive effects of supplementary budgets from the previous fiscal year and recovery in capital investment in the private sector.

Amid these economic conditions, the EBARA Group (the Group) launched a three-year, medium-term management plan entitled “E-Plan2013” covering the period through the year ending March 31, 2014. This plan is based on four policies: (1) Promoting “regional production for regional supply” in priority areas and establishing an optimally located production and supply system from a global perspective, (2) working to enter new markets by expanding core business domains, (3) aiming to optimize “*monozukuri*” (manufacturing) processes through scientific approaches, and (4) expanding the functions of the corporate headquarters in keeping with the globalization of business domains. Under this plan, the Group is working to establish a stronger and stabler business structure.

During the first quarter under review, orders received in the Fluid Machinery & Systems (FMS) company, the Environmental Engineering (EE) company and the Precision Machinery (PM) company were all above the levels of the previous year. Sales in the EE company and the PM company decreased but an increase in sales was reported in the FMS company, and, as a consequence overall consolidated net sales expanded year on year. Operating income increased in the EE company, but declines in the FMS company and the PM company, resulting in an overall decrease in consolidated operating income.

Consolidated net sales for the first quarter amounted to ¥81,288 million (an increase of 1.6% year on year), operating income for the first quarter amounted to ¥839 million (a decrease of 64.7% year on year), ordinary income for the first quarter amounted to ¥772 million (a decrease of 53.2% year on year) and net loss for the first quarter amounted to ¥424 million (a decrease of ¥841 million year on year).

Operating results by business segments are as follows:

Fluid Machinery & Systems

In the pump business, in overseas markets, conditions were brisk, and the number of electric power plant projects is increasing, mainly in India, Vietnam and Taiwan. In the chemicals market, demand is remaining firm for fertilizer plants and other facilities. In Japan, the market for equipment for buildings in the private sector is showing moderate recovery, and since the Great East Japan Earthquake demand from the public sector, which had been stagnant, is showing signs of recovery, too.

In the compressor and turbines business, the number of projects in the oil and gas markets is increasing along with the rise in energy demand, but competition for major projects with European and U.S. companies is intense. In contrast, the Group is proceeding with its strategy of differentiation based on the strength of its products and taking initiatives to strengthen the services and support provided through its global network of sales and service bases.

In the chillers business, conditions were severe in the domestic market, but in the Chinese market, they were favorable.

Sales in the FMS Company for the first quarter amounted to ¥56,204 million (an increase of 5.7% year on year). The segment loss amounted to ¥823 million (a decrease of ¥537 million year on year).

Environmental Engineering

In the EE Company, in domestic public works projects, the Company secured the same level of orders for the operation and maintenance (O&M) of waste processing facilities. On the other hand, among new construction projects (engineering, procurement, and construction, EPC) and other fields, demand for the replacement of facilities is expected to increase. In addition, an urgent issue is dealing with the rubble and debris left behind by the earthquake and tsunami. In the midst of these conditions, the EE Company is further strengthening its capabilities to respond accurately to changes in the market environment and customer needs by integrating its capabilities for providing EPC based on its technological capabilities, and the capabilities of its domestic network for providing O&M services on a nationwide basis.

Sales in the EE Company for the first quarter amounted to ¥6,772 million (a decrease of 8.5% year on year), but the segment income amounted to ¥442 million (an increase of 442.5% year on year).

Precision Machinery

In the PM Company, in the semiconductor market, rates of utilization at leading foundry producers is continuing at a high level supported by demand for tablet-type portable terminals, especially smartphones, and capital investment by these companies is favorable. On the other hand, demand for memories used in personal computers is sluggish, and conditions in the non-semiconductor fields, including flat panel displays, solar panels, and LEDs, are continuing to be dull. Under these conditions, the PM Company is working to shorten lead times by increasing productivity as well as produce and procure products from overseas.

Sales in the PM Company for the first quarter amounted to ¥17,860 million (a decrease of 1.6% year on year). The segment income amounted to ¥1,103 million (a decrease of 55.2% year on year).

(2) Qualitative Information Regarding Consolidated Financial Position

An analysis of assets, liabilities and net assets are as follows:

Total Assets

At the end of the first quarter, the Group's total assets were ¥480,051 million, ¥8,913 million lower than at the end of the previous fiscal year. Principal changes in asset items included an increase in Cash and time deposits of ¥23,027 million and in work in process of ¥5,995 million, a decrease of ¥38,031 million in trade receivables.

Total Liabilities

Total liabilities at the end of the first quarter amounted to ¥324,630 million, ¥9,680 million lower than at the end of the previous fiscal year. Principal changes in liability items included a decline of ¥6,450 million in trade payables, ¥2,014 million in short-term bank loans, and ¥1,182 million in long-term bank loans.

Net Assets

Net assets at the end of the first quarter amounted to ¥155,420 million, ¥767 million higher than at the end of the previous fiscal year. Principal changes affecting net asset items were cash dividends paid of ¥2,111 million, a net loss for the quarter of ¥424 million, an increase of ¥3,724 million in foreign currency translation adjustment and an increase of ¥440 million in minority interests in consolidated subsidiaries. Shareholders' equity, after deduction of subscription rights to shares and minority interests in consolidated subsidiaries from total net assets, amounted to ¥151,405 million, and equity ratio was 31.5%.

(3) Qualitative Information Regarding Forecast of Consolidated Financial Results

The forecast of results for the year ending March 2013, since the previous announcement on May 10, 2012, has not been revised.

Forecast of Results for the Year Ending March 31, 2013

(% represents percentage change from a comparable previous period.)

Millions of yen

	Fiscal Year Ending March 31, 2013	
Net Sales	400,000	(2.9)%
Operating Income	27,000	16.0%
Ordinary Income	25,000	18.6%
Net Income	13,000	349.9%

Forecast of Sales and Segment Income by Business Segment

(% represents composition ratio.)

Millions of yen

	Net Sales		Segment Income	
Fluid Machinery & Systems	285,000	71.3%	16,000	59.3%
Environmental Engineering	48,000	12.0%	4,000	14.8%
Precision Machinery	65,000	16.2%	6,500	24.1%
Others	2,000	0.5%	500	1.8%
Total	400,000	100%	27,000	100%

Factors that may have an influence on the Group's actual performance include those listed below; however, such factors are not limited to those on this list.

1. Market Risk
2. Large-scale projects and overseas business activities
3. Business realignments, etc.
4. Exchange risk
5. Interest-rate risk
6. Risks related to the impact of natural disasters and impairment of the social infrastructure
7. Deferred tax assets
8. Material procurement
9. Legal restrictions
10. Litigation risk
11. Risk of increased costs of land sales
12. Risk of collection of export receivables

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the three months under review

Operations of Ebara Techno-serve Co. Ltd., which was a specified subsidiary of Ebara Corporation, have been terminated, following that company's absorption and merger into the parent company as of April 1, 2012.

(2) Adoption of specific accounting methods for preparation of quarterly financial statements

Tax expenses on income before income taxes for the three months under review are calculated by multiplying income before income taxes for the three months under review by the reasonably estimated effective tax rate for the fiscal year after applying tax effect accounting.

(3) Changes in accounting policies and accounting estimates, and restatement of prior period financial statements after error corrections

(Changes in the depreciation method)

In the first quarter ended June 30, 2012, Ebara Corporation and its domestic consolidated subsidiaries changed the depreciation method for tangible fixed assets acquired on or after April 1, 2012 in line with the revision of the Corporate Tax Act. This change had an immaterial impact on financial statements.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2012	As of June 30, 2012
ASSETS		
Current assets		
Cash and time deposits	84,955	107,982
Trade receivables	160,995	122,964
Securities	2,856	5,717
Finished goods	10,621	9,504
Work in process	40,112	46,107
Raw materials	18,976	19,712
Others	28,837	26,914
Allowance for doubtful accounts	(1,106)	(1,074)
Total current assets	346,248	337,828
Fixed assets		
Tangible fixed assets		
Buildings, net	36,384	36,413
Machinery and equipment, net	21,391	21,685
Others, net	31,328	31,965
Total tangible assets	89,104	90,065
Intangible assets	5,567	5,570
Investments and long-term receivables		
Investment securities	22,236	20,336
Others	36,882	36,954
Allowance for doubtful accounts	(11,075)	(10,704)
Total investments and long-term receivables	48,043	46,586
Total fixed assets	142,715	142,222
Total assets	488,964	480,051

As of March 31, 2012

As of June 30, 2012

LIABILITIES

Current liabilities		
Trade payables	105,638	99,188
Short-term bank loans	79,377	77,363
Bonus payment reserve	6,219	8,519
Directors' bonus payment reserve	119	84
Reserve for losses on construction completion guarantees	5,359	4,559
Reserve for product warranties	1,712	1,570
Reserve for construction losses	8,757	8,740
Reserve for expenses related to the sales of land	1,849	1,846
Others	41,310	39,475
Total current liabilities	250,345	241,348
Long-term liabilities		
Bonds with subscription rights to shares	20,000	20,000
Long-term bank loans	42,640	41,458
Reserve for retirement benefits	15,047	15,413
Reserve for directors' retirement benefits	201	179
Asset retirement obligations	1,799	1,806
Others	4,275	4,424
Total long-term liabilities	83,965	83,282
Total liabilities	334,311	324,630
NET ASSETS		
Shareholders' equity		
Common stock	61,313	61,340
Capital surplus	65,243	65,269
Retained earnings	41,750	39,215
Treasury stock, at cost	(279)	(280)
Total shareholders' equity	168,028	165,545
Accumulated other comprehensive income		
Net unrealized gain on investment securities	1,116	219
Deferred gains (losses) on hedges	6	6
Translation adjustments	(18,090)	(14,366)
Total accumulated other comprehensive income	(16,967)	(14,139)
Subscription rights to shares	438	420
Minority interests in consolidated subsidiaries	3,154	3,594
Total Net assets	154,653	155,420
Total liabilities and net assets	488,964	480,051

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Millions of yen

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012
Net Sales	80,037	81,288
Cost of Sales	60,704	63,188
Gross Profit	19,333	18,099
Selling, General and Administrative Expenses	16,957	17,260
Operating Income	2,375	839
Non-operating Income		
Interest income	39	37
Dividend income	90	81
Reversal of allowance for doubtful accounts	7	459
Others	133	512
Total of non-operating income	271	1,090
Non-operating Expenses		
Interest expenses	676	604
Foreign exchange loss	126	109
Equity in losses of affiliates	92	317
Others	103	126
Total of non-operating expenses	998	1,157
Ordinary Income	1,648	772
Extraordinary Income		
Gain on sales of fixed assets	7	3
Gain on transfer of business	150	1
Total of extraordinary income	157	4
Extraordinary Expenses		
Loss on disposal of fixed assets	22	28
Loss on sales of investment securities	35	0
Loss on liquidation of subsidiaries and affiliates	168	—
Loss on valuation of investment securities	2	45
Loss on valuation of investments in capital	—	246
Others	10	15
Total of extraordinary expenses	240	336
Income before Income Taxes	1,564	439
Income Taxes	993	563
Income (Loss) before Minority Interests	571	(123)
Minority Interests	154	300
Net Income (Loss)	417	(424)

Consolidated Statements of Comprehensive Income

Millions of yen

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012
Income (Loss) before Minority Interests	571	(123)
Other Comprehensive Income:		
Net unrealized loss on investment securities	(256)	(893)
Deferred gain (loss) on hedges	(0)	0
Translation adjustment	1,660	3,903
Share of other comprehensive income of associates accounted for using equity method	28	23
Total other comprehensive income	1,431	3,034
Comprehensive Income	2,002	2,911
Comprehensive income attributable to:		
Owners of the parent	1,813	2,403
Minority interests	188	507

(3) Consolidated Statements of Cash Flows

Millions of yen

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012
Cash flows from operating activities:		
Income before income taxes	1,564	439
Depreciation and amortization	3,147	2,823
Loss (gain) on sales of securities and investment securities	35	1
Increase (decrease) in provision	(575)	1,253
Loss (gain) on sales of fixed assets	0	0
Interest and dividends income	(130)	(119)
Interest expenses	676	604
Decrease (increase) in trade receivables	40,590	40,047
Decrease (increase) in inventories	(7,835)	(4,294)
Increase (decrease) in trade payables	(7,307)	(7,212)
Other loss (gain)	3,584	1,847
Sub-total	<u>33,752</u>	<u>35,391</u>
Interest and dividend received	460	323
Interest expenses paid	(385)	(348)
Income taxes paid	(4,647)	(3,219)
Net cash provided by (used in) operating activities	<u>29,180</u>	<u>32,148</u>
Cash flows from investing activities:		
Purchase of fixed assets	(1,607)	(2,082)
Proceeds from sales of fixed assets	3	0
Purchase of securities and investment securities	(175)	(2,905)
Proceeds from sales and redemption of securities and investment securities	476	1
Payments into time deposits	—	(507)
Proceeds from withdrawal of time deposits	—	435
Payments of loans receivable	(439)	(582)
Collection of loans receivable	602	559
Others	(2)	805
Net cash provided by (used in) investing activities	<u>(1,143)</u>	<u>(4,277)</u>
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	1,944	(3,025)
Proceeds from long-term bank loans	—	410
Repayment of long-term bank loans	(315)	(573)
Proceeds from disposal of (Purchase of) treasury stock	(1)	(0)
Cash dividends paid	(2,110)	(2,111)
Dividends paid to minority shareholders in consolidated subsidiaries	(227)	(51)
Others	(127)	(179)
Net cash provided by (used in) financing activities	<u>(836)</u>	<u>(5,530)</u>
Translation adjustments	578	970
Increase (decrease) in cash and cash equivalents	<u>27,777</u>	<u>23,311</u>
Cash and cash equivalents at the beginning of the period	104,002	87,294
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	311	—
Cash and cash equivalents at the end of the period	<u>132,091</u>	<u>110,606</u>

(4) Note for the assumption of going concern

None

(5) Segment informationThree Months Ended June 30, 2011

1. Information regarding sales and income (loss) by reportable segments

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	53,197	7,399	18,141	78,738	1,299	80,037	—	80,037
Intersegment and transfer	106	0	14	120	892	1,012	(1,012)	—
Total	53,303	7,399	18,155	78,859	2,191	81,050	(1,012)	80,037
Segment Income (Loss)	(285)	81	2,463	2,259	53	2,313	61	2,375

Notes: 1. The “Others” item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.

2. The “Adjustments” item for Segment Income (Loss) shows eliminations among intersegment sales and transfers.

3. Segment Income (Loss) has been adjusted with operating income in the quarterly consolidated statements of income.

2. Information regarding impairment loss of fixed assets, goodwill and negative goodwill by reportable segment

(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

Three Months Ended June 30, 2012

1. Information regarding sales and income (loss) by reportable segments

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2)	Consolidated (Notes 3)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	56,204	6,772	17,860	80,836	451	81,288	—	81,288
Intersegment and transfer	69	0	—	69	934	1,003	(1,003)	—
Total	56,273	6,772	17,860	80,906	1,385	82,291	(1,003)	81,288
Segment Income (Loss)	(823)	442	1,103	722	89	811	27	839

Notes: 1. The “Others” item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.

2. The “Adjustments” item for Segment Income (Loss) shows eliminations among intersegment sales and transfers.

3. Segment Income (Loss) has been adjusted with operating income in the quarterly consolidated statements of income.

2. Information regarding impairment loss of fixed assets, goodwill and negative goodwill by reportable segment
(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

(6) Note for significant changes in the amount of shareholders’ equity

None

4. Additional Information

Order received and sales

(1) Order received

Millions of yen

Name of Segment	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012	Twelve Months Ended March 31, 2012
Fluid Machinery & Systems	58,190	73,918	278,182
Environmental Engineering	16,945	18,690	51,270
Precision Machinery	12,638	14,252	61,721
Reportable segments	87,773	106,861	391,175
Others	645	22	3,746
Total	88,419	106,883	394,921

(2) Sales

Millions of yen

Name of Segment	Three Months Ended June 30, 2011	Three Months Ended June 30, 2012	Twelve Months Ended March 31, 2012
Fluid Machinery & Systems	53,197	56,204	286,089
Environmental Engineering	7,399	6,772	50,128
Precision Machinery	18,141	17,860	68,373
Reportable segments	78,738	80,836	404,592
Others	1,299	451	7,484
Total	80,037	81,288	412,076

(3) Backlog of order received

Millions of yen

Name of Segment	As of June 30, 2011	As of June 30, 2012	As of March 31, 2012
Fluid Machinery & Systems	164,069	174,445	147,147
Environmental Engineering	98,365	101,899	89,955
Precision Machinery	13,661	8,764	12,128
Reportable segments	276,096	285,108	249,231
Others	4,527	0	17
Total	280,624	285,108	249,249

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