

CONSOLIDATED FINANCIAL RESULTS
FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2012
[Japanese GAAP]

November 5, 2012

Company name: EBARA CORPORATION
 Stock exchange listings: Tokyo and Sapporo
 Code number: 6361
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Scheduled date for submission of quarterly report: November 7, 2012

Scheduled date for dividend payment: December 4, 2012

Preparing supplementary material on financial results: Yes

Holding financial results presentation meeting (for institutional investors and analysts): Yes

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

1. Results for the Six Months Ended September 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
Six Months Ended September 30, 2012	163,673	(7.0)%	1,164	(61.8)%	509	235.5%	(1,051)	—
Six Months Ended September 30, 2011	175,972	1.7%	3,048	(68.4)%	151	(98.0)%	(333)	—

Note : Comprehensive Income: September 30, 2012; (908) million yen —%
 September 30, 2011; 23 million yen —%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Six Months Ended September 30, 2012	(2.49)	—
Six Months Ended September 30, 2011	(0.79)	—

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio
As of September 30, 2012	439,455	151,615	33.5 %
As of March 31, 2012	488,964	154,653	30.9 %

Note : Shareholders' Equity: September 30, 2012; 147,347 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	—	2.50			
Fiscal Year Ending March 31, 2013 (Forecast)			—	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	397,000	(3.7)%	22,500	(3.3)%	21,500	2.0%	10,500	263.4%	24.86

Note : Revisions to forecast of financial results in this quarter: Yes

4. Other Information

- (1) Changes in significant subsidiaries during the six 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 from 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 September 30, 2012	423,086,658	As of March 31, 2012	422,899,658
(ii) Number of treasury stocks	As of September 30, 2012	697,040	As of March 31, 2012	689,200
(iii) Average number of common stocks	Six Months Ended September 30, 2012	422,353,058	Six Months Ended September 30, 2011	422,109,648

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 not been completed.

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

- We revised the forecast of financial results for the year ending March 31, 2013, previously announced on August 10, 2012. For further details, please refer to “(3) Qualitative Information Regarding Forecast of Consolidated Financial Results” on page 6.
- 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.

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1. Qualitative Information Regarding Consolidated Financial Results

(1) Qualitative Information Regarding Consolidated Financial Results

During the second quarter (six months), ended September 30, 2012, in the United States, the economy is recovering gradually, however in Europe, it is stagnating because of continuing uncertainty regarding the financial system. In Asia, there are signs of a weakening of growth, and in Japan, while investment in the public sector is continuing to be firm, the future of the economy is still uncertain.

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 second quarter under review, although orders received increased in comparison with the same period of the previous year, sales in all business segments were lower year on year. Operating income decreased as the Environmental Engineering (EE) company could not cover for the declines in the Fluid Machinery & Systems (FMS) company and the Precision Machinery (PM) company.

Consolidated net sales for the second quarter amounted to ¥163,673 million (a decrease of 7.0% year on year), operating income amounted to ¥1,164 million (a decrease of 61.8% year on year), ordinary income amounted to ¥509 million (an increase of 235.5% year on year) and net loss amounted to ¥1,051 million (a decrease of ¥717 million year on year).

Operating results by business segments are as follows:

Fluid Machinery & Systems

In the pump business, electric power generation plant projects in the electric power market, mainly in the emerging countries; fertilizer plant projects in the chemical market; and refining plant projects in the oil and gas market held firm. 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 in Asia is increasing along with the rise in energy demand, but competition for major projects with European and U.S. companies is intense. In such situation, the Group is proceeding with its strategy of differentiation based on the strength of its products and taking initiatives to strengthen the service and support business 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 second quarter amounted to ¥114,486 million (a decrease of 2.3% year on year). The segment loss amounted to ¥2,042 million (a decrease of ¥2,765 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 on the increase. In addition, we are working aggressively to deal 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 strength, and its domestic network for providing O&M services on a nationwide basis.

Sales in the EE Company for the second quarter amounted to ¥15,551 million (a decrease of 8.4% year on year). The segment income amounted to ¥1,180 million (an increase of ¥4,601 year on year).

Precision Machinery

In the PM Company, in the semiconductor market, demand for memories used in personal computers remains sluggish, and growth in the tablet-type portable terminal market, especially smartphones, began to weaken. Also, with the exception of some leading foundries, utilization rates of almost all device manufacturers decreased, and capital investments were postponed. In addition, 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 second quarter amounted to ¥32,758 million (a decrease of 12.2% year on year). The segment income amounted to ¥1,647 million (a decrease of 69.4% year on year).

(2) Qualitative Information Regarding Consolidated Financial Position

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

Total Assets

At the end of the second quarter, the Group's total assets were ¥439,455 million, ¥49,508 million lower than at the end of the previous fiscal year. Principal changes in asset items included an increase in work in process of ¥7,514 million and in securities of ¥1,082 million, a decrease of ¥52,140 million in trade receivables.

Total Liabilities

Total liabilities at the end of the second quarter amounted to ¥287,839 million, ¥46,471 million lower than at the end of the previous fiscal year. Principal changes in liability items included a decline of ¥25,643 million in trade payables, ¥10,754 million in short-term bank loans, and ¥5,938 million in long-term bank loans.

Net Assets

Net assets at the end of the second quarter amounted to ¥151,615 million, ¥3,037 million lower 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 ¥1,051 million. Shareholders' equity, after deduction of subscription rights to shares and minority interests in consolidated subsidiaries from total net assets, amounted to ¥147,347 million, and equity ratio was 33.5%.

(3) Qualitative Information Regarding Forecast of Consolidated Financial Results

We revised the forecast of financial results for the year ending March 31, 2013, previously announced on August 10, 2012, reflecting the results after last announcement. The revised forecast of net sales, operating income, ordinary income and net income is as follows. However, please note that, as previously announced on August 10, 2012, the Company will pay an interim dividend of ¥2.50 per share.

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	397,000	(3.7)%
Operating Income	22,500	(3.3)%
Ordinary Income	21,500	2.0%
Net Income	10,500	263.4%

Forecast of Net Sales and Segment Income by Business Segment

(% represents composition ratio.)

	Net Sales		Segment Income	
Fluid Machinery & Systems	285,000	71.8%	14,000	62.2%
Environmental Engineering	48,000	12.1%	4,000	17.8%
Precision Machinery	62,000	15.6%	4,000	17.8%
Others	2,000	0.5%	500	2.2%
Total	397,000	100%	22,500	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 six 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 six months under review are calculated by multiplying income before income taxes for the six 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 accordance with the revision of the Corporate Tax Act, effective from the first quarter ended June 30, 2012, Ebara Corporation and its domestic consolidated subsidiaries have changed the depreciation method for tangible fixed assets acquired on or after April 1, 2012. 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 September 30, 2012
ASSETS		
Current Assets		
Cash and time deposits	84,955	83,715
Trade receivables	160,995	108,855
Securities	2,856	3,938
Finished goods	10,621	9,039
Work in process	40,112	47,626
Raw materials	18,976	19,048
Others	28,837	26,555
Allowance for doubtful accounts	(1,106)	(1,058)
Total current assets	346,248	297,721
Fixed Assets		
Tangible fixed assets		
Buildings, net	36,384	35,833
Machinery and equipment, net	21,391	21,241
Others, net	31,328	32,648
Total tangible assets	89,104	89,724
Intangible assets	5,567	6,134
Investments and long-term receivables		
Investment securities	22,236	19,466
Others	36,882	37,100
Allowance for doubtful accounts	(11,075)	(10,691)
Total investments and long-term receivables	48,043	45,875
Total fixed assets	142,715	141,734
Total Assets	488,964	439,455

LIABILITIES

Current Liabilities

Trade payables	105,638	79,995
Short-term bank loans	79,377	68,623
Current portion of bonds with subscription rights to shares	—	20,000
Bonus payment reserve	6,219	6,340
Directors' bonus payment reserve	119	83
Reserve for losses on construction completion guarantees	5,359	4,018
Reserve for product warranties	1,712	1,704
Reserve for construction losses	8,757	8,127
Reserve for expenses related to the sales of land	1,849	1,846
Others	41,310	39,276
Total current liabilities	250,345	230,015

Long-term Liabilities

Bonds with subscription rights to shares	20,000	—
Long-term bank loans	42,640	36,702
Reserve for retirement benefits	15,047	14,246
Reserve for directors' retirement benefits	201	155
Asset retirement obligations	1,799	1,812
Others	4,275	4,907
Total long-term liabilities	83,965	57,824

Total Liabilities

334,311 287,839

NET ASSETS

Shareholders' Equity

Common stock	61,313	61,345
Capital surplus	65,243	65,275
Retained earnings	41,750	38,587
Treasury stock, at cost	(279)	(281)
Total shareholders' equity	168,028	164,927

Accumulated Other Comprehensive Income

Net unrealized gains (losses) on investment securities	1,116	(429)
Deferred gains (losses) on hedges	6	6
Translation adjustments	(18,090)	(17,156)
Total accumulated other comprehensive income	(16,967)	(17,580)

Subscription Rights to Shares

438 444

Minority Interests

3,154 3,824

Total Net Assets

154,653 151,615

Total Liabilities and Net Assets

488,964 439,455

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Millions of yen

	Six Months Ended September 30, 2011	Six Months Ended September 30, 2012
Net Sales	175,972	163,673
Cost of Sales	139,531	126,978
Gross Profit	36,440	36,694
Selling, General and Administrative Expenses	33,391	35,530
Operating Income	3,048	1,164
Non-operating Income		
Interest income	92	88
Dividend income	209	203
Reversal of allowance for doubtful accounts	—	423
Others	507	647
Total of non-operating income	809	1,362
Non-operating Expenses		
Interest expenses	1,332	1,132
Foreign exchange loss	2,038	250
Equity in losses of affiliates	127	377
Others	208	257
Total of non-operating expenses	3,706	2,016
Ordinary Income	151	509
Extraordinary Income		
Gain on sales of fixed assets	33	22
Gain on transfer of business	150	1
Total of extraordinary income	183	23
Extraordinary Expenses		
Loss on sales of fixed assets	16	170
Loss on disposal of fixed assets	30	39
Loss on sales of investment securities	35	0
Loss on liquidation of subsidiaries and affiliates	168	—
Loss on valuation of investment securities	139	56
Loss on valuation of investments in capital	—	246
Others	4	15
Total of extraordinary expenses	394	529
Income (Loss) before Income Taxes	(59)	4
Income Taxes	(175)	380
Income (Loss) before Minority Interests	116	(376)
Minority Interests in Income	449	674
Net Loss	(333)	(1,051)

Consolidated Statements of Comprehensive Income

Millions of yen

	Six Months Ended September 30, 2011	Six Months Ended September 30, 2012
Income (Loss) before Minority Interests	116	(376)
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	(812)	(1,542)
Deferred gains (losses) on hedges	0	0
Translation adjustment	691	1,020
Share of other comprehensive income of associates accounted for using equity method	28	(9)
Total other comprehensive income	(92)	(531)
Comprehensive Income	23	(908)
Comprehensive income attributable to:		
Owners of the parent	(440)	(1,664)
Minority interests	464	755

(3) Consolidated Statements of Cash Flows

Millions of yen

	Six Months Ended September 30, 2011	Six Months Ended September 30, 2012
Cash Flows from Operating Activities:		
Income (Loss) before income taxes	(59)	4
Depreciation and amortization	6,209	5,673
Loss (gain) on sales of securities and investment securities	37	0
Increase (decrease) in provision	(1,572)	(3,178)
Loss (gain) on sales of fixed assets	(17)	147
Interest and dividends income	(302)	(291)
Interest expenses	1,332	1,132
Decrease (increase) in trade receivables	39,589	52,512
Decrease (increase) in inventories	(9,347)	(5,802)
Increase (decrease) in trade payables	(20,596)	(25,808)
Others	137	2,676
Sub-total	15,412	27,065
Interest and dividend received	552	518
Interest expenses paid	(1,341)	(1,138)
Income taxes paid	(4,791)	(2,324)
Net cash provided by (used in) operating activities	9,832	24,120
Cash Flows from Investing Activities:		
Purchase of fixed assets	(3,595)	(5,175)
Proceeds from sales of fixed assets	157	20
Purchase of securities and investment securities	(175)	(3,645)
Proceeds from sales and redemption of securities and investment securities	476	2,382
Payments into time deposits	—	(595)
Proceeds from withdrawal of time deposits	—	527
Purchase of investments in capital of subsidiaries	—	(992)
Payments of loans receivable	(1,190)	(1,568)
Collection of loans receivable	1,130	1,665
Others	68	745
Net cash provided by (used in) investing activities	(3,129)	(6,635)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	2,891	(4,126)
Proceeds from long-term bank loans	222	793
Repayment of long-term bank loans	(5,571)	(12,902)
Redemption of bonds	(20,000)	—
Proceeds from disposal of (Purchase of) treasury stock	(3)	(2)
Cash dividends paid	(2,110)	(2,111)
Dividends paid to minority shareholders in consolidated subsidiaries	(255)	(51)
Others	(253)	(385)
Net cash provided by (used in) financing activities	(25,081)	(18,785)
Translation Adjustments	207	269
Increase (Decrease) in Cash and Cash Equivalents	(18,171)	(1,031)
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	86,141	86,263

(4) Note for the assumption of going concern

None

(5) Segment informationSix Months Ended September 30, 2011

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

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	117,124	16,981	37,326	171,431	4,540	175,972	—	175,972
Intersegment and transfer	290	0	—	291	1,791	2,082	(2,082)	—
Total	117,415	16,981	37,326	171,722	6,331	178,054	(2,082)	175,972
Segment Income (Loss)	723	(3,421)	5,377	2,679	251	2,930	118	3,048

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

Six Months Ended September 30, 2012

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

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	114,486	15,551	32,758	162,796	876	163,673	—	163,673
Intersegment and transfer	108	3	—	111	1,883	1,995	(1,995)	—
Total	114,594	15,554	32,758	162,908	2,760	165,669	(1,995)	163,673
Segment Income (Loss)	(2,042)	1,180	1,647	785	312	1,098	66	1,164

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

Orders received and sales

(1) Orders received

Millions of yen

Name of Segment	Six Months Ended September 30, 2011	Six Months Ended September 30, 2012	Twelve Months Ended March 31, 2012
Fluid Machinery & Systems	128,013	134,608	278,182
Environmental Engineering	27,021	25,354	51,270
Precision Machinery	28,397	28,205	61,721
Reportable segments	183,432	188,168	391,175
Others	2,236	56	3,746
Total	185,669	188,225	394,921

(2) Sales

Millions of yen

Name of Segment	Six Months Ended September 30, 2011	Six Months Ended September 30, 2012	Twelve Months Ended March 31, 2012
Fluid Machinery & Systems	117,124	114,486	286,089
Environmental Engineering	16,981	15,551	50,128
Precision Machinery	37,326	32,758	68,373
Reportable segments	171,431	162,796	404,592
Others	4,540	876	7,484
Total	175,972	163,673	412,076

(3) Backlog of orders received

Millions of yen

Name of Segment	As of September 30, 2011	As of September 30, 2012	As of March 31, 2012
Fluid Machinery & Systems	168,399	172,627	147,147
Environmental Engineering	98,856	99,763	89,955
Precision Machinery	10,149	7,623	12,128
Reportable segments	277,404	280,015	249,231
Others	3,299	1	17
Total	280,704	280,017	249,249

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