CONSOLIDATED FINANCIAL RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2015
〔Japanese GAAP〕

August 5, 2015

Company name: EBARA CORPORATION
Stock exchange listings: Tokyo
Code number: 6361
URL: http://www.ebara.com/en/
Representative: Toichi Maeda, President
Contact person: Akihiko Nagamine, Executive Officer, Finance & Accounting Division
Tel. +81-3-3743-6111

Scheduled date for submission of quarterly report: August 7, 2015
Scheduled date for dividend payment: —
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 Three Months Ended June 30, 2015

(1) Financial Results

(% represents percentage change from a comparable previous period) Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
Three Months Ended June 30, 2015	89,579	4.7%	(2,059)	—	(2,635)	—	(2,426)	—
Three Months Ended June 30, 2014	85,555	7.2%	(1,470)	—	(1,778)	—	(1,865)	—

Note : Comprehensive Income: Three months ended June 30, 2015; (1,664) million yen —%
Three months ended June 30, 2014; (3,240) million yen —%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Three Months Ended June 30, 2015	(5.22)	—
Three Months Ended June 30, 2014	(4.02)	—

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio
As of June 30, 2015	557,532	242,074	41.9%
As of March 31, 2015	570,392	247,553	41.9%

Note : Shareholders' Equity (Net assets excluding subscription rights to shares and non-controlling interests) :
As of June 30, 2015; 233,355 million yen
As of March 31, 2015; 239,058 million yen

2. Dividends

	Dividends per Share (Yen)				
	End of 1st Quarter	End of 2nd Quarter	End of 3rd Quarter	Year-End	Annual
Fiscal Year Ended March 31, 2015	—	3.75	—	8.25	12.00
Fiscal Year Ending March 31, 2016	—				
Fiscal Year Ending March 31, 2016 (Forecast)		6.00	—	6.00	12.00

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

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2016

(% represents percentage change from a comparable previous period) Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share (Yen)
Fiscal Year Ending March 31, 2016	507,000	5.0%	37,000	7.0%	37,000	2.0%	24,000	1.8%	51.64

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): None

Included: － (－)

Excluded: － (－)

(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: Yes

(iii) Changes in accounting estimates: Yes

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

Note:The EBARA Group has applied the Accounting Standard for Business Combinations, and other relevant standards and guidances from April 1, 2015. As a result of this change, the previous fiscal year’s amount presented as“Net Income” has been transferred to “Profit Attributable to Owners of Parent.”Also, the Group has changed the depreciation method from April 1, 2015. 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, 2015	465,686,024	As of March 31, 2015	465,644,024
(ii) Number of treasury stocks	As of June 30, 2015	894,113	As of March 31, 2015	890,743
(iii) Average number of common stocks	Three Months Ended June 30, 2015	464,770,471	Three Months Ended June 30, 2014	464,320,129

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

1. The forecasts of performance and other forward-looking statements contained in this report are based on information that was available to Ebara Corporation as of the time of the issuance of this report and on certain assumptions about uncertainties that may have an impact on the Group’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 “Explanation of Forecast of Consolidated Financial Results” on page 6.

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

Contents

1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

During the first quarter (three months) ended June 30, 2015, although the economy of the United States continued to recover, in Europe, uncertainty about future trends spread due to the government debt issues in the Eurozone. In Asia, the pace of expansion in the Chinese economy has become moderate, and some countries in the region showed slower growth. In Japan, while trends in public investment are weak, signs of improvement have appeared in personal consumption, private housing investment, and private capital investment. Overall, the economy continued on a moderate recovery trend.

During the three months ended June 30, 2015, orders received increased compared to the same period in the previous fiscal year due to an increase in the Environmental Engineering (“EE”) Company and the Precision Machinery (“PM”) Company. Sales increased due to an increase in the Fluid Machinery & Systems (FMS) Company and the PM Company. On the other hand, operating income (loss) were worse year on year due to a deterioration in the FMS Company despite an improvement in the PM Company.

Consolidated net sales for the three months amounted to ¥89,579 million (an increase of 4.7% year on year), operating loss amounted to ¥2,059 million (¥588 million worse year on year), ordinary loss amounted to ¥2,635 million (¥857 million worse year on year) and loss attributable to owners of parent amounted to ¥2,426 million (¥560 million worse year on year).

Operating results by business segments are as follows:

Fluid Machinery & Systems

In the pump business, mainly in overseas, orders were strong for seawater pumps, pumps for use in fertilizer plants, and pumps to be used in electric power plants in the Middle East.

In the compressor and turbines business, because of the impact of lower crude oil prices, customers in the oil and gas markets are continuing to postpone orders for new projects and delaying decisions on investments. Also, along with the recession in the market accompanying the slowing of growth in China, price competition for new projects has become more intense, and orders were below the same quarter of the previous year.

In the chillers business, although demand in Japan is on a recovery trend, in China, demand from the electric power industry continues to be stagnant.

Sales in the FMS Company for the three months amounted to ¥62,800 million (an increase of 3.0% year on year). The segment loss amounted to ¥3,577 million (¥772 million worse year on year).

Environmental Engineering

In the EE Company, in the engineering, procurement, and construction (EPC) for municipal waste incinerating facilities field, and in design, build, and operate (DBO) services, new orders ran at about the same level as in the previous period. Amid these conditions, we received orders for two new construction projects that we bid for in the previous period. The volume of orders for operating and maintenance (O&M) for existing facilities ran at about the same level as in a typical quarter.

Sales in the EE Company for the three months amounted to ¥9,501 million (a decrease of 2.1% year on year). The segment income amounted to ¥159 million (a decrease of 58.9% year on year).

Precision Machinery

In the PM Company, in the semiconductor market, demand from the manufacturers of smartphones as well as tablet computers and other mobile devices continued to drive the market from the previous period. Under these circumstances, investments in DRAM and NAND flash memory devices held steady, and, investments for further miniaturization continued to be robust. Conditions in the markets flat panel displays, photovoltaic batteries, and LEDs are recovering gradually.

Sales in the PM Company for the three months amounted to ¥16,857 million (an increase of 16.4% year on year). The segment income amounted to ¥1,196 million (an increase of 63.1% year on year).

(2) Explanation of Financial Position

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

Total Assets

Total assets as of June 30, 2015 were ¥557,532 million, ¥12,860 million lower than as of March 31, 2015. Principal changes in asset items included an increase of ¥32,457 million in securities, an increase of ¥6,470 million in work in process, and a decrease of ¥50,755 million in notes and accounts receivable-trade.

Total Liabilities

Total liabilities as of June 30, 2015 were ¥315,457 million, ¥7,381 million lower than as of March 31, 2015. Principal changes in liability items included an increase of ¥9,770 million in electronically recorded obligations, and a decrease of ¥16,295 million in notes and accounts payable-trade.

Net Assets

Net assets as of June 30, 2015 were ¥242,074 million, ¥5,478 million lower than as of March 31, 2015. Principal changes affecting net asset items were cash dividends paid of ¥3,834 million, and a loss attributable to owners of parent for the quarter of ¥2,426 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥233,355 million, and equity ratio was 41.9%.

(3) Explanation of Forecast of Consolidated Financial Results

The forecast of financial results for the fiscal year ending March 31, 2016, since the previous announcement on May 11, 2015, has not been revised.

Forecast of Financial Results for the Fiscal Year Ending March 31, 2016

(% represents percentage change from a comparable previous period)

Millions of yen

	Fiscal Year Ending March 31, 2016	
Net Sales	507,000	5.0%
Operating Income	37,000	7.0%
Ordinary Income	37,000	2.0%
Profit Attributable to Owners of Parent	24,000	1.8%

Forecast of Net Sales and Operating Income by Business Segment

(% represents composition ratio) Millions of yen

	Net Sales		Segment Income	
Fluid Machinery & Systems	355,000	70.0%	21,500	58.1%
Environmental Engineering	70,000	13.8%	7,000	18.9%
Precision Machinery	80,000	15.8%	8,000	21.6%
Others	2,000	0.4%	500	1.4%
Total	507,000	100.0%	37,000	100.0%

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. Risks related to the interest rate and funding
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. Risk of Litigation and other conflicts
11. Risk of increased costs of land sales
12. Risk of collection of export receivables
13. Projected benefit obligation

2. Summary Information (Notes)

(1) Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated 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 annual effective tax rate for the entire fiscal year with application of tax effect accounting.

(2) Changes in Accounting Policies and Accounting-based Estimates, and Revised Restatements

(Changes in Accounting Policies)

(Application of the Accounting Standard for Business Combinations)

Effective from the quarter under review, the Group has applied the “Accounting Standards for Business Combinations” (Accounting Standard Board of Japan [ASBJ] Statement No. 21, issued September 13, 2013), “Accounting Standards for Consolidated Financial Statements” (ASBJ Statement No. 22, issued September 13, 2013), and “Accounting Standards for Business Divestitures” (ASBJ Statement No. 7, issued September 13, 2013). As a result, representation of Net Income and other items was changed and “Minority Interests” was changed to “Non-Controlling Interests.” To reflect these changes in presentation, the consolidated financial statements for the first quarter of the previous year and the previous fiscal year have been reclassified.

Changes in Accounting Policy that are Difficult to Distinguish from Changes in Accounting Estimates(Changes in the Method of Calculating Depreciation on Tangible Fixed Assets)

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

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

As a result of this change, compared to the previous method of calculating depreciation, for the quarter under review, the operating loss, ordinary loss, and loss before income taxes were all ¥250 million less than they would have been under the previous method of depreciation.

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

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

	As of March 31, 2015	As of June 30, 2015
ASSETS		
Current Assets		
Cash and deposits	94,323	88,876
Notes and accounts receivable-trade	209,864	159,108
Electronically recorded monetary claims	156	202
Securities	5,186	37,644
Merchandise and finished goods	12,851	13,681
Work in process	41,848	48,318
Raw materials and supplies	25,491	26,928
Others	27,729	28,995
Allowance for doubtful accounts	(2,370)	(2,362)
Total current assets	415,080	401,394
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	43,247	43,037
Machinery and equipment, net	24,850	25,993
Others, net	34,171	33,070
Total tangible assets	102,270	102,101
Intangible assets	9,596	10,025
Investments and other assets		
Investment securities	28,609	29,280
Others	18,552	18,400
Allowance for doubtful accounts	(3,717)	(3,670)
Total investments and other assets	43,445	44,010
Total fixed assets	155,311	156,137
Total Assets	570,392	557,532

Millions of yen

	As of March 31, 2015	As of June 30, 2015
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	81,121	64,825
Electronically recorded obligations	29,944	39,714
Short-term loans payable	64,906	67,817
Bonus payment reserve	9,036	10,721
Directors’ bonus payment reserve	273	280
Reserve for losses on construction completion guarantees	4,346	3,538
Reserve for product warranties	2,906	2,710
Reserve for construction losses	6,326	7,791
Reserve for expenses related to the sales of land	1,843	1,843
Others	43,522	40,000
Total current liabilities	244,228	239,244
Long-term Liabilities		
Bonds payable	10,000	10,000
Bonds with subscription rights to shares	19,994	19,994
Long-term loans payable	24,644	23,091
Reserve for directors' retirement benefits	208	126
Net defined benefit liability	17,197	16,801
Asset retirement obligations	1,857	1,863
Others	4,708	4,335
Total long-term liabilities	78,610	76,212
Total Liabilities	322,838	315,457
NET ASSETS		
Shareholders’ Equity		
Common stock	68,697	68,704
Capital surplus	72,627	72,634
Retained earnings	91,815	85,555
Treasury stock	(397)	(399)
Total shareholders’ equity	232,742	226,494
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	5,324	6,237
Deferred gains (losses) on hedges	73	32
Translation adjustments	10,742	10,486
Remeasurements of defined benefit plans	(9,824)	(9,895)
Total accumulated other comprehensive income	6,316	6,860
Subscription Rights to Shares	730	788
Non-Controlling Interests	7,764	7,931
Total Net Assets	247,553	242,074
Total Liabilities and Net Assets	570,392	557,532

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Millions of yen

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015
Net Sales	85,555	89,579
Cost of Sales	66,607	68,712
Gross Profit	18,948	20,866
Selling, General and Administrative Expenses	20,418	22,925
Operating Loss	(1,470)	(2,059)
Non-operating Income		
Interest income	45	47
Dividends income	94	70
Foreign exchange gains	—	103
Reversal of allowance for doubtful accounts	423	—
Others	232	101
Total non-operating income	796	323
Non-operating Expenses		
Interest expenses	331	317
Equity in losses of affiliates	158	261
Foreign exchange losses	469	—
Others	143	320
Total non-operating expenses	1,103	899
Ordinary Loss	(1,778)	(2,635)
Extraordinary Income		
Gain on sales of fixed assets	18	11
Gain on sales of investment securities	16	22
Total extraordinary income	35	33
Extraordinary Loss		
Loss on sales of fixed assets	16	2
Loss on retirement of fixed assets	49	3
Others	0	0
Total extraordinary loss	66	5
Loss before Income Taxes	(1,808)	(2,607)
Income Taxes	(217)	(417)
Loss	(1,591)	(2,190)
Profit Attributable to Non-Controlling Interests	274	236
Loss Attributable to Owners of Parent	(1,865)	(2,426)

Consolidated Statements of Comprehensive Income

Millions of yen

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015
Loss	(1,591)	(2,190)
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	511	925
Deferred gains (losses) on hedges	0	(41)
Translation adjustment	(2,382)	(225)
Remeasurements of defined benefit plans, net of tax	222	(73)
Share of other comprehensive income of associates accounted for using equity method	(0)	(59)
Total other comprehensive income	(1,649)	525
Comprehensive Income	(3,240)	(1,664)
Comprehensive income attributable to:		
Owners of parent	(3,275)	(1,882)
Non-controlling interests	35	217

(3) Consolidated Statements of Cash Flows

Millions of yen

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2015
Cash Flows from Operating Activities:		
Loss before income taxes	(1,808)	(2,607)
Depreciation and amortization	3,015	2,853
Loss (gain) on sales of securities and investment securities	(16)	(22)
Increase (decrease) in reserve	1,837	2,015
Increase (decrease) in net defined benefit liability	(405)	(297)
Loss (gain) on sales of fixed assets	(1)	(8)
Interest and dividends income	(140)	(118)
Interest expenses	331	317
Decrease (increase) in notes and accounts receivable-trade	53,126	50,303
Decrease (increase) in inventories	(4,760)	(9,246)
Increase (decrease) in notes and accounts payable-trade	(11,487)	(6,349)
Others	(1,689)	(1,450)
Sub-total	38,000	35,387
Interest and dividends income received	580	300
Interest expenses paid	(310)	(306)
Income taxes paid	(3,762)	(2,120)
Net cash provided by operating activities	34,507	33,261
Cash Flows from Investing Activities:		
Purchase of fixed assets	(3,024)	(4,052)
Proceeds from sales of fixed assets	198	36
Purchase of securities and investment securities	(4,117)	(3,965)
Proceeds from sales and redemption of securities and investment securities	580	1,835
Payments into time deposits	(432)	(494)
Proceeds from withdrawal of time deposits	256	494
Payments of loans receivable	(453)	(40)
Collection of loans receivable	338	321
Purchase of shares of subsidiaries	(9)	—
Others	(24)	87
Net cash used in investing activities	(6,687)	(5,775)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	1,533	2,723
Repayment of long-term loans payable	(1,590)	(1,701)
Purchase of treasury stocks	(2)	(1)
Cash dividends paid	(2,321)	(3,834)
Dividends paid to non-controlling interests	(3)	—
Others	(176)	(182)
Net cash used in financing activities	(2,560)	(2,996)
Translation Adjustments	(744)	16
Increase (Decrease) in Cash and Cash Equivalents	24,515	24,505
Cash and Cash Equivalents at Beginning of Period	102,341	95,604
Increase (Decrease) in Cash and Cash Equivalents Resulting from change of scope of consolidation	829	—
Cash and Cash Equivalents at End of Period	127,686	120,110

(4) Note for Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Note for Significant Changes in the Amount of Shareholders' Equity)

None

(Segment Information)

Three Months Ended June 30, 2014

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	60,947	9,705	14,480	85,133	421	85,555	—	85,555
Intersegment and transfer	106	3	—	109	845	954	(954)	—
Total	61,053	9,708	14,480	85,243	1,267	86,510	(954)	85,555
Segment Income (Loss)	(2,804)	387	733	(1,684)	192	(1,492)	21	(1,470)

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 loss 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, 2015

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	62,800	9,501	16,857	89,159	419	89,579	—	89,579
Intersegment and transfer	139	0	—	140	831	971	(971)	—
Total	62,940	9,501	16,857	89,299	1,251	90,550	(971)	89,579
Segment Income (Loss)	(3,577)	159	1,196	(2,221)	135	(2,086)	26	(2,059)

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 loss in the quarterly consolidated statements of income.

2. Changes in reportable segments

(Changes in the method of calculating depreciation on tangible fixed assets)

As indicated on page 7, “2. Summary Information (Notes), Item (2) Changes in Accounting Policies and Accounting-based Estimates, and Revised Restatements”, the Company and its domestic consolidated subsidiaries have changed its method of calculating depreciation on tangible fixed assets. As a result of this change, compared to the previous method, the segment loss for three months ended June 30, 2015 decreased by ¥131 million in the Fluid Machinery & Systems, and segment income increased by ¥3 million in the Environmental Engineering, ¥52 million in the Precision Machinery, and ¥63 million in the Others respectively.

3. 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