CONSOLIDATED FINANCIAL RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 2016

〔Japanese GAAP〕

May 11, 2016

Company name: EBARA CORPORATION
Stock exchange listings: Tokyo
Code number: 6361
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Scheduled date of General Meeting of Shareholders: June 24, 2016
Scheduled date for dividend payment: June 27, 2016
Scheduled date of submission of annual securities report: June 27, 2016

Preparing supplementary material on financial results: Yes
Holding financial results presentation meeting: Yes (for institutional investors and analysts)

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

1. Results for the Fiscal Year Ended March 31, 2016

(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	
Year Ended March 31, 2016	486,235	0.7%	38,011	10.0%	36,471	0.6%	17,254	(26.8)%
Year Ended March 31, 2015	482,699	7.6%	34,567	7.4%	36,258	15.8%	23,580	24.3%

Note: Comprehensive Income: Year ended March 31, 2016; 9,794 million yen (73.2)%
Year ended March 31, 2015; 36,600 million yen 9.5%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)	Return on Equity	Ordinary Income on Total Assets Ratio	Operating Income on Sales Ratio
Year Ended March 31, 2016	37.12	33.88	7.2%	6.3%	7.8%
Year Ended March 31, 2015	50.77	46.41	10.5%	6.6%	7.2%

Reference: Equity in earnings of affiliates: Year ended March 31, 2016; 1,108 million yen
Year ended March 31, 2015; 871 million yen

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2016	579,543	250,444	41.6%	518.16
As of March 31, 2015	570,392	247,553	41.9%	514.38

Reference:Shareholders' Equity (Net assets excluding subscription rights to shares and non-controlling interests):
As of March 31, 2016; 241,016 million yen
As of March 31, 2015; 239,058 million yen

(3) Cash Flows

Millions of yen

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at End of Year
Year Ended March 31, 2016	21,528	(14,344)	(9,655)	91,185
Year Ended March 31, 2015	11,296	(15,894)	(7,044)	95,604

2. Dividends

	Dividends per Share (Yen)					Total Dividend Payment (Millions of Yen)	Pay-out Ratio (Consolidated)	Dividend to Net Assets (Consolidated)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
Year Ended March 31, 2015	−	3.75	−	8.25	12.00	5,576	23.6%	2.5%
Year Ended March 31, 2016	−	6.00	−	6.00	12.00	5,580	32.3%	2.3%
Year Ending March 31, 2017 (Forecast)	−	6.00	−	30.00	−		26.6%	

Note: Ebara Corporation plans to conduct a consolidation of common shares at a rate of one share for every five shares with an effective date of October 1, 2016. Consequently, the impact of this consolidation of shares is factored into the figures for the cash dividends per share for the fiscal year ending March 31, 2017 (Forecast), and the total figures for annual cash dividends are omitted. The fiscal year-end cash dividends per share for the fiscal year ending March 31, 2017 (Forecast) without the consolidation of shares factored in would be ¥6.00 and the annual cash dividends per share would be ¥12.00. For further details, please refer to "Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters".

3. Forecast of Financial Results for the Fiscal Year Ending March 31, 2017

(% 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)
Year Ending March 31, 2017	480,000	(1.3)%	37,000	(2.7)%	36,500	0.1%	21,000	21.7%	225.74

Note: The impact of the consolidation of shares is factored into the net income per share in the forecast of financial results for the fiscal year ending March 31, 2017. For further details, please refer to "Explanation of the Appropriate Use of Performance Forecasts and Other Related Matters".

4. Other Information

(1) Changes in significant subsidiaries during the fiscal year under review (Changes in specified subsidiaries involving changes in scope of consolidation): None

Included: − (−)

Excluded: − (−)

(2) 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 the section entitled "5. Consolidated financial statements (5) Notes to Consolidated Financial Statements (Changes in Accounting policies)" on page 30.

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (Including treasury stocks)	As of March 31, 2016	466,044,596	As of March 31, 2015	465,644,024
(ii) Number of treasury stocks	As of March 31, 2016	909,563	As of March 31, 2015	890,743
(iii) Average number of common stocks	Year Ended March 31, 2016	464,873,289	Year Ended March 31, 2015	464,501,661

(Reference information)

1. Non-Consolidated Results for the Fiscal Year Ended March 31, 2016

(1) Financial Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Year Ended March 31, 2016	210,948	10.5%	5,434	－%	25,293	96.4%	20,277	46.5%
Year Ended March 31, 2015	190,851	3.6%	(379)	－%	12,877	151.1%	13,839	162.1%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Year Ended March 31, 2016	43.62	39.82
Year Ended March 31, 2015	29.79	27.24

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share (Yen)
As of March 31, 2016	429,910	212,426	49.2%	454.65
As of March 31, 2015	411,784	201,011	48.6%	430.94

Note: Shareholders' Equity (Net assets excluding subscription rights to shares):
As of March 31, 2016; 211,473 million yen
As of March 31, 2015; 200,281 million yen

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 audit procedures for its 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 the section entitled "1. Management Performance and Financial Position (1) Analysis of Management Performance" on page 5. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.
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.

(Cash dividends forecast and forecast of financial results following the consolidation of shares)
Ebara Corporation resolved at a meeting of its Board of Directors held on May 11, 2016, to submit a proposal for a consolidation of shares (at a rate of one share for every five shares) to the Company's general meeting of shareholders to be held on June 24, 2016. Conditional on approval at the said general shareholders meeting, the Company will conduct a consolidation of its common shares at a rate of one share for every five shares, with the effective date of October 1, 2016. In accordance with this, the cash dividend forecast and the forecast of financial results for the fiscal year ending March 31, 2017, calculated without factoring in the consolidation of shares are as follows.

1. Cash dividend forecast for the fiscal year ending March 31, 2017
   Cash dividends per share
   Second quarter-end: ¥6.00 (Note1)
   Fiscal year-end: ¥6.00 (Note2)
2. Forecast of financial results for the fiscal year ending March 31, 2017
   Net Income per Share
   Fiscal year-end: ¥45.15

Note1: Cash dividends per share for the second quarter-end will be paid in accordance with the number of shares before the consolidation shares.
Note2: This is the amount of cash dividends calculated without factoring in the consolidation of shares.
Note3: Annual cash dividends for the fiscal year ending March 31, 2017 (without factoring in the consolidation of shares) will be ¥12.00.

Contents

1. Management Performance and Financial Position

(1) Analysis of Management Performance

i. Overview of Performance of the Fiscal Year

During the fiscal year ended March 31, 2016, uncertainty about future trends continued overall, as crude oil prices stagnated and concerns about geopolitical risk remained. Amid these conditions, the economies of the United States and Europe continued to recover moderately. In Asia, although growth in the Chinese economy slowed and public investment in Japan remained on a moderate downward trend, there were signs of improvement in private capital investment in Japan. Overall, the trend toward recovery continued.

Amid these economic conditions, the EBARA Group (the "Group") has prepared three-year, medium-term management plan entitled "E-Plan 2016" which has the four basic policies: (1) steadily capturing the growth in global market into the Group's business; (2) becoming a service provider that targets the entire lifecycle of the product / plant; (3) Continuously enhancing our core competence (technological capabilities) as an industrial machinery manufacturer; and (4) enhancing the management infrastructure that supports global business expansion. Under these principles, the Group has positioned the period of E-Plan 2016 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'" and intends to realize change and accelerate growth in a timely manner.

As a consequence, orders received increased compared to the previous fiscal year due to an increase in the Precision Machinery ("PM") Company and the Environmental Engineering ("EE") Company despite a decrease in the Fluid Machinery & Systems ("FMS") Company. Sales were about the same as in the prior year due to an increase in the PM Company and the EE Company despite a decrease in the FMS Company. Operating income were higher year on year due to a large improvement in the PM Company.

Consolidated net sales for the fiscal year amounted to ¥486,235 million (an increase of 0.7% year on year), operating income amounted to ¥38,011 million (an increase of 10.0% year on year), ordinary income amounted to ¥36,471 million (an increase of 0.6% year on year), profit attributable to owners of parent amounted to ¥17,254 million (a decrease of 26.8% year on year) mainly due to provision for loss on litigation of ¥6,457 million.

Operating results by business segments are as follows:

<u>Fluid Machinery & Systems</u>

In the pump business, in overseas countries, orders for electric power projects in Southeast Asia and elsewhere as well as orders for oil refineries and fertilizer plants continued to be firm. However, in the Middle East and Southeast Asia, some new projects for the oil and gas industries were partially suspended or postponed, and orders were below the level of the previous fiscal year. In Japan, in the private sector, the number of building construction projects was at approximately the same level as in the previous fiscal year, but the overall volume of orders exceeded the prior year because of the introduction of new products and the identification of demand for the renewal of existing plants. In the public sector, the overall volume orders also exceeded those of the previous year because of the receipt of orders for large-scale pump installations, major ventilation equipment, and other projects, even though investments for the renewal and maintenance of the social infrastructure were level with the previous year.

In the compressor and turbines business, customers in the oil and gas markets continued to delay placing orders and making investment judgments because of the impact of the decline in oil prices. In addition, orders were below the level of the previous year due to the shrinkage in the market accompanying the slowdown in the Chinese economy and increased price competition for new projects. However, the Company was successful in obtaining orders for petrochemical plants in North America, orders for oil refineries in South Korea and Africa, and orders for the comprehensive service and maintenance of petrochemical plants in the Middle East.

In the chillers business, although there was a trend toward recovery in demand in Japan, the competitive environment became severer because of the weakening of the market in China. Amid these conditions, the Company obtained major orders for industrial-use chiller equipment in the Middle East, and, as a consequence, overall orders exceeded those of the previous fiscal year.

Sales in the FMS Company for the fiscal year amounted to ¥320,829 million (a decrease of 6.2% year on year). The segment income amounted to ¥19,335 million (a decrease of 6.9% year on year).

Environmental Engineering

In the EE Company, in the engineering, procurement, and construction (EPC) field, and in design, build, and operate (DBO) services, new orders were somewhat below the previous year mainly due to delays in customers placing orders. In the operating and maintenance (O&M) for existing facilities, new orders ran at about the same level as in a typical year. In addition, the trend among local government entities to subcontract the operation of facilities to the private sector has grown stronger, and the transition from single-year comprehensive O&M contracts to multi-year (long-term) arrangements has continued.

Amid these conditions, the Company obtained one new order for facilities construction in the fourth quarter, and four long-term comprehensive contracts, including one for which the Company had obtained preferential negotiation. As the result, major orders during the fiscal year are construction work on three new facilities, improvement of core facilities in one existing plant, and four long-term comprehensive management projects.

Sales in the EE Company for the fiscal year amounted to ¥70,381 million (an increase of 8.4% year on year). The segment income amounted to ¥6,431 million (an increase of 3.2% year on year).

Precision Machinery

In the PM Company, growth of the semiconductor market as a whole was led by demand for smartphones and other mobile devices, but there has been a gradual weakening of growth in demand for these devices, and, for this reason, some overseas customers have restrained their cutting-edge investments. On the other hand, in Japan some image sensor and 3D NAND flash memory manufacturers are increasing their investments. Overseas also, investments in semiconductor manufacturing equipment among memory device manufacturers are showing steady increases. Amid these conditions, demand for the Company’s mainstay chemical mechanical polishing (CMP) equipment is recovering, and orders for new-type plating equipment are favorable.

Sales in the PM Company for the fiscal year amounted to ¥93,328 million (an increase of 26.2% year on year). The segment income amounted to ¥11,697 million (an increase of 65.7% year on year).

ii. Outlook for the Next Fiscal Year

Regarding the overall market environment, uncertainty about future trends due to geopolitical risks and other factors is expected to continue, but principally the United States economy is expected to act as the driver of the global economy and the recovery trend will continue. In this operating environment, the outlook is for the Company’s business environment to show moderate improvement. The outlook by reportable segment and strategies to be implemented in each business are as follows.

<u>Fluid Machinery & Systems</u>

In the pump business, demand overseas for electric power, petrochemical, fertilizer, water pumps, and other products is expected to remain firm, especially in the United States and Southeast Asia. In Japan, although in the market for building construction-related equipment the downward trend in condominium construction will continue, demand for investments in urban redevelopment projects, mainly in the Tokyo metropolitan area, is continuing, and overall conditions will be similar to those in the previous year.

In the compressor and turbines business, major projects are expected to come to fruition, including oil refineries, petrochemical projects, and LNG-related facilities in the United States, the Middle East, China, Russia, and elsewhere.

In the chillers business, in overseas markets, although the weakness in economic growth in the Chinese market will persist, domestic demand will continue to be firm.

Amid these conditions, overseas, the Group is pursuing the development of products suited to the needs of individual regions, and, by strengthening its global production and sales systems as well as its service and support capabilities, the Group is moving forward with expanding the scope of its business activities. In addition, in Japan, the Group will expand and upgrade its sales and service systems to meet customer needs.

<u>Environmental Engineering</u>

In the EE Company, in the public-sector market, a certain level of demand is expected to continue because of demand for construction of new facilities and for facility renovation, including major projects to extend the useful lifetimes of existing facilities, improvements in core equipment to restrain emissions of greenhouse gases, and other projects. Furthermore, the trend among local government which entities to subcontract the operation of facilities to private companies is growing stronger. Besides, it is expected that in long-term, comprehensive contracts for subcontracting O&M to private companies for an extended period of years would be increased. Therefore, DBO projects that include all phases from construction through long-term facilities operation will continue to be firm. In addition, along with revisions in Japan’s energy policy, in the private sector, demand for electric power generation plants that make use of wood fiber biomass is expected to increase.

Amid these conditions, the Group will work to expand its orders by drawing on its capabilities, which extend from facilities EPC to integrated O&M, and will bring its EPC and O&M technologies together to actively prepare proposals to meet customer needs. Such projects will include implementing DBO projects for the public sector, construction work on improvement of core facilities, electric power facilities for private companies, and other projects.

Precision Machinery

In the PM Company, while investments in semiconductor manufacturing equipment, mainly in the memory segment of the industry, which were strong last year, are expected to slow temporarily, on the other hand, investments in advanced logic devices is expected to recover. In addition, in the latter half of the fiscal year, demand in the memory segment is also expected to make a comeback.

Amid this environment, at the end of last fiscal year, the Company made the decision to expand its Kumamoto Plant. The new plant will feature a high degree of flexibility in responding to the needs for various types of semiconductor manufacturing equipment, beginning with the Company's core CMP equipment. Going forward, the Company will respond to a wide range of customer needs, while taking initiatives to increase productivity through innovation in production activities as it expands the scale of its business activities.

Based on the previously mentioned policies and initiatives, the Group has set the objective of reaching consolidated net sales of ¥480,000 million and ¥37,000 million in operating income in the fiscal year ending March 31, 2017

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Forecast of Performance for the Fiscal Year ending March 31, 2017

(% represents percentage change from the previous period)

Millions of yen

	Consolidated	
Net sales	480,000	(1.3)%
Operating income	37,000	(2.7)%
Ordinary income	36,500	0.1%
Profit Attributable to Owners of Parent	21,000	21.7%

Forecast of Net Sales and Operating Income by Business Segment

(% represents composition ratio) Millions of yen

Segment	Net Sales		Operating Income	
Fluid Machinery & Systems	310,000	64.6%	18,000	48.7%
Environmental Engineering	70,000	14.6%	7,000	18.9%
Precision Machinery	98,000	20.4%	12,000	32.4%
Others	2,000	0.4%	0	0.0%
Total	480,000	100.0%	37,000	100.0%

The above information is projected at the expected foreign exchange rate US$1=¥105, EUR1=¥120, RMB1=¥17.

iii. Progress toward Goals of the Medium-Term Management Plan

Performance during this fiscal year, which was the second year under the “E-Plan2016” medium-term management plan, was as follows:

Millions of yen

	Fiscal Year Ended March 31, 2015	Fiscal Year Ended March 31, 2016	Fiscal Year Ending March 31, 2017
	Actual figures	Actual figures	E-Plan2016
Net Sales	482,699	486,235	535,000
Operating Income	34,567	38,011	47,000
Profit Attributable to Owners of Parent	23,580	17,254	27,000
Return on Investment capital (ROIC)	6.9%	4.8%	7.0% or more
Operating Income on Sales Ratio	7.2%	7.8%	8.0% or more

(2) Analysis of Financial Position

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

i. Assets

Total assets at the end of the fiscal year ended March 31, 2016 were ¥579,543 million, ¥9,151 million higher than at the end of the previous fiscal year. The principal causes for these movements were as follows.

Current assets increased ¥8,322 million because of an increase in notes and accounts receivable-trade of ¥6,446 million and an increase in work in process of ¥5,273 million despite a decrease in cash and deposits of ¥4,733.

Tangible and intangible fixed assets increased ¥4,245 million because of the implementation of capital expenditures of ¥15,729 million and depreciation charges of ¥11,610 million.

Investments and other assets decreased ¥3,416 million as a result of a decrease in investment securities.

ii. Liabilities

Total liabilities at the end of the fiscal year ended March 31, 2016 were ¥329,099 million, ¥6,260 million higher than at the end of the previous fiscal year. The principal causes of these movements were as follows.

Current liabilities increased ¥15,372 million because an increase in short-term loans payable of ¥12,808 million and of a net increase in notes and accounts payable-trade and electronically recorded obligations of ¥5,390 million.

Long-term liabilities decreased ¥9,112 million as a result of a decrease in long-term loans payable of ¥14,774 million despite an increase in provision for loss on litigation of ¥6,457 million.

iii. Net Assets

Net assets at the end of the fiscal year ended March 31, 2016 amounted to ¥250,444 million, ¥2,891 million higher than at the end of the previous fiscal year. Although the Company paid cash dividends of ¥6,623 million and a decrease in translation adjustments of ¥4,863 million, this increase in net assets was due to the reporting of profit attributable to owners of parent of ¥17,254 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥241,016 million, and equity ratio was 41.6%.

iv. Cash Flows

Net cash provided by operating activities amounted to a net inflow of ¥21,528 million, for the fiscal year ended March 31, 2016, compared to a net inflow ¥11,296 million for the previous fiscal year. This primarily reflected the recovery of notes and accounts receivable.

Net cash used in investing activities amounted to a net outflow ¥14,344 million for the fiscal year ended March 31, 2016, compared to a net outflow ¥15,894 million for the previous fiscal year. This primarily reflected purchase of fixed assets of ¥12,498 million.

Free cash flow, the sum of cash flows from operating and investing activities, amounted to a net inflow ¥7,184 million for the fiscal year ended March 31, 2016, compared to a net outflow ¥4,597 million for the previous fiscal year.

Net cash used in financing activities amounted to a net outflow ¥9,655 million for the fiscal year ended March 31, 2016, compared to a net outflow ¥7,044 million for the previous fiscal year. This primarily reflected cash dividends paid of ¥6,623 million and a net decrease in short-term loans payable of ¥1,349 million.

As a consequence, cash and cash equivalents at the end of the fiscal year ended March 31, 2016 amounted to ¥91,185 million, ¥4,419 million lower than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Equity ratio	30.9%	37.0%	39.2%	41.9%	41.6%
Equity ratio at market value	25.6%	36.0%	56.7%	41.3%	37.7%
Years to repay debt	11.4 years	4.1 years	4.5 years	10.8years	5.6years
Interest coverage ratio	4.9	14.2	16.1	8.8	17.0

Notes:

1. Equity ratio: Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) / Total assets
2. Equity ratio at market value: Stock market capitalization / Total assets
3. Years to repay debt: Interest-bearing debt / Operating cash flow
4. Interest coverage ratio: Operating cash flow / Interest expenses

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

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

* Operating cash flow is "Net cash provided by operating activities" appearing in the Consolidated Statements of Cash Flows. Interest expenses are the amounts appearing in the item "Interest expenses paid" in the Consolidated Statements of Cash Flows.

(3) Basic Policy for Allocation of Profit and Dividends for the fiscal years ended March 31, 2016 and ending March 31, 2017

The Group regards returning a portion of its income to its shareholders as one of its most-important management policies. Regarding dividends, the Company has set a policy of linking dividends to performance and is aiming for a consolidated dividend payout ratio of about 25% in the medium-to-long term.

For the fiscal year under review, the Company paid an interim cash dividend of ¥6.00 per share. The Company is scheduled to pay its year-end dividend for the fiscal year under review by ¥6.00 per share. Regarding dividends for the current fiscal year (ending March 31, 2017), the Company is planning to pay an interim dividend of ¥6.00 per share and will pay a fiscal year-end dividend of ¥30.00 per share taking into account the consolidation of shares (at a rate of one share for every five shares). This will represent a fiscal year-end dividend on the previous basis (before the consolidation of shares) of ¥6.00 per share.

(4) Business Risks

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

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

i. Market Risk

The markets where the Group conducts its business activities are highly competitive, and downward pressures on the prices of most of the products and services it offers may have a negative impact on the Group’s performance. In addition, the percentage of the business of the EE Company accounted for by the public sector is high, and its performance is influenced by trends in expenditures on public works projects. Moreover, the businesses of the PM Company are strongly affected by market fluctuations accompanying the silicon cycle.

ii. Large-scale projects and overseas business activities

The Group engineers, manufactures, installs and constructs machinery and plants in big projects both in Japan and foreign countries. Certain of these projects involve technical issues with a high degree of difficulty. There is a possibility that additional costs may be incurred due to failure to function properly, prolongation of the time required to achieve the specified capabilities, and other factors. And big projects in foreign countries involve risks related to business environments which differ from those of Japan. Group companies overseas and their employees may face difficulties related to compliance. The Group takes a full range of measures to manage this risk, but, in cases where appropriate steps cannot be taken, this may have an adverse effect on the Group’s performance as well as on the trust placed in the Group by society.

iii. Business realignments, etc

The Group takes continuing initiatives to strengthen its management base and may withdraw from certain unprofitable businesses and liquidate or take other appropriate action with regard to affiliates. Such realignments may have an effect on the Group’s performance.

iv. Exchange risk

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

v. Risks related to the interest rate and funding

The Group has both fixed-rate and floating-rate interest-bearing debt, and there is a possibility that fluctuations in interest rates may have an effect on the Group’s performance. Moreover, when the Group violates the covenants contained in its borrowing agreements, it may be required to increase the interest rates it pays and/or lose the advantages of repayment schedules. When the Group’s debt ratings are lowered and during times of market turmoil, there is a possibility that the Group’s borrowing costs and its ability to raise funds may be affected.

vi. Risks related to the impact of natural disasters and impairment of the social infrastructure

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

vii. Deferred tax assets

The Group's deferred tax assets are calculated by making a judgment regarding the future recoverability of income taxes paid, identifying those deferred tax assets whose recoverability is uncertain (amount regarding which there is concern about future recoverability), and the amount of deferred tax assets judged to be recoverable is presented in the financial statements in a valuation reserve. Since the amount of taxes paid deemed to be recoverable fluctuates depending on corporate performance and other factors, if certain factors influence the estimate of taxable income, the Company revises the amount regarding which there is concern about future recoverability, and revises the value of its deferred tax assets. Such revisions may cause fluctuations in net income for the fiscal year.

viii. Material procurement

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

ix. Legal restrictions

The Group conducts operations in Japan and foreign countries, and is subject to the legal regulations of the countries where its operations take place related to approvals, product liability, trade, taxation, competition, corruption, intellectual property, environment, labor, and other matters. Therefore, if the Group should violate such legal regulations, this may have an impact on the Group's performance as well as on the trust placed in the Group by society. In some instances, the passage of laws and changes in existing legislation may result in an alteration of assumptions for operating and business plans. Such changes in assumptions may have an impact on the Group's performance.

x. Risk of Litigation and other conflicts

In conducting its business operations the Group may be the object of lawsuits or bring lawsuits against other parties with regard to such matters as product liability, intellectual property, environmental protection, labor issues, and other matters. In addition, there may be cases where lawsuits may be brought against the Group by product suppliers on the grounds that the Group's products violate intellectual property regulations. Depending on the outcome of such lawsuits, litigation of this kind may have an impact on the Group's performance as well as on the trust placed in the Group by society.

xi. Litigation about sales of the Company's former headquarters and its Haneda Plant

As provided for in the sales contract for the land where the Company's former headquarters and its Haneda Plant were located, the area was handed over to Yamato Transport Co., Ltd. Subsequently, during the course of the construction of a logistics terminal by this company, slate fragments containing asbestos were discovered. Yamato Transport Co., Ltd. has brought a lawsuit against the Company for the payment of damages in the amount of ¥8,505 million (including indemnities due to delay in payment) in connection with the Company's failure to perform its obligations as stated in the transfer contract and owing to its responsibility for the provision of defective collateral. The Company's view is that the fragments of slate do not constitute grounds for the charges of “failure to perform its obligations as stated in the transfer contract and owing to responsibility for the provision of defective collateral.” The Company has obtained a written legal opinion from a law office substantiating this view, and the Company expressed its position in testimony and provided evidence. However, the Tokyo District Court ruled on April 28, 2016, the Company pay ¥5,618 million (including indemnities due to delay in payment), and the Company appeals this decision by the Tokyo District Court. The Company has already written off ¥6,457 million, as a provision for loss on litigation under this lawsuit, in its accounts for the period ended March 31, 2016. Nevertheless, depending on the subsequent course of events, this matter may have an adverse effect on the Group’s performance.

xii. Risk of collection of export receivables

The Group exports its products to the Middle East, etc. There is concern that export receivables outstanding from customers in this region may not be collectible because of international cooperation measures, changes in regional political conditions, and other factors. In the event that it’s impossible to make collections, this may have an adverse impact on the Group’s performance.

xiii. Projected benefit obligation

The changes in the cost burden of the Group’s retirement benefit plans (due to changes and other variations in the market value of pension assets, return on pension assets under management, and other factors) may have an effect on the Group’s performance and financial position. In addition, the changes in the amounts of unrecognized actuarial differences and unrecognized costs relate to past services of employees may have an effect on the Group’s financial position.

2. Corporate Group Information

The Group comprises Ebara Corporation (the Company), 82 subsidiaries (54 of which are consolidated), and 10 affiliates. The Group is engaged in manufacturing, sales, construction, maintenance, provision of services, and related activities in the fields of Fluid Machinery & Systems, Environmental Engineering, Precision Machinery, and other areas.

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

Segment	Principal Lines of Business	Functions and Areas of Responsibility	Ebara Corporation, principal consolidated subsidiaries, and affiliated companies (applied equity method)
Fluid Machinery and Systems	Pumps, compressors, turbines, refrigeration and heating equipment, blowers, fans	Manufacturing and sales	• Ebara Corporation • Elliott Ebara Turbomachinery Corporation • Ebara Refrigeration Equipment & Systems Co., Ltd • Ebara Densan Ltd. • Ebara Hamada Blower Co., Ltd. • Ebara International Corporation • Ebara Machinery Zibo Co., Ltd. • Ebara Machinery (China) Co., Ltd. • Ebara Great Pumps Co., Ltd. • Ebara Pumps Europe S. p. A. • Elliott Company • Yantai Ebara Air Conditioning Equipment Co., Ltd.
		Engineering, construction, operation and maintenance	• Ebara Corporation
		Sales and maintenance	• Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	• Ebara Material Co., Ltd.
Environmental Engineering	Municipal waste incineration plants, industrial waste incineration plants, water treatment plants	Engineering and construction	• Ebara Environmental Plant Co., Ltd. • Ebara Qingdao Co., Ltd. • Swing Corporation *1
		Operation and maintenance	• Ebara Environmental Plant Co., Ltd. • Swing Corporation *1
		Manufacturing and sales of chemicals	• Swing Corporation *1
Precision Machinery	Dry vacuum pumps, CMP equipment, plating equipment, exhaust-gas treatment equipment	Manufacturing and sales	• Ebara Corporation
		Sales and maintenance	• Ebara Field Tech. Corporation • Ebara Technologies Inc. • Ebara Precision Machinery Korea Inc. • Ebara Precision Machinery Taiwan • Ebara Precision Machinery Europe GmbH
Others	—	Business support service, etc.	• Ebara Agency Co., Ltd.

Notes: *1 Affiliates of applied equity method.

3. Management Policies

(1) Basic Policies

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

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

(2) Target Management Performance Measures

The Group has prepared a medium-term management plan, E-Plan2016, which began in May 2014 and will conclude its final fiscal year ending March 31, 2017. Under this plan, the Group has positioned return on invested capital (ROIC)* as its key management indicator and is taking steps toward improving it. In addition, the Group positioned the debt-to-equity (D/E) ratio (a measure of financial stability) and the return on shareholders’ equity (Net assets excluding subscription rights to shares and non-controlling interests) ratio (ROE), a measure of efficiency, as key indicators and is working to attain a proper balance between the two. In view of these corporate objectives, each business unit is positioning its ratio of operating income to net sales as a key indicator for executing business, and is working to maximize this ratio.

* Return on invested capital (ROIC)

= Profit attributable to owners of parent / Invested capital = Profit attributable to owners of parent / (Interest bearing debt + Shareholders’ equity (Net assets excluding subscription rights to shares and non-controlling interests))

Target of key indicators

ROIC: 7.0% or more

Ratio of operating income to net sales: 8.0% or more

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

(3) Medium-to-Long Term Management Policies

During the period of the plan, the Group has established an overall policy that will involve the implementation of the following four policies.

<u>I. Steadily capture the growth in global market into the Company’s business</u>

1) The Group will determine priority domains in the growing markets in terms of both region and industry, and expand its market shares upon establishing a system of accountability for business execution in each domain.
2) The Group will reinforce its product planning and development capabilities, which will allow it to continuously supply products that meet market needs.
3) The Group will proactively engage in M&As as a viable option for gaining a foothold in new domains.

II. Become a service provider that targets the entire lifecycle of the product / plant

1) In the domestic market in Japan, the Group will implement various measures that will maximize profits from previously delivered machinery and plants in the matured market on the strength of its abundant track records.
2) In overseas markets, the Group will reinforce its business framework mainly in areas where it has had strong track records to raise its coverage of existing equipment that it delivered, particularly in the Service & Support(S&S) business.
3) The Group will launch new business systems that go beyond the existing framework of “manufacturing”.

III. Continuously enhance its core competence (technological capabilities) as an industrial machinery manufacturer

1) The Group will clearly define and continuously enhance its core competence (including technology relating to production, quality control, and other matters as well as products), which is the source of product competitiveness of each business. In the pumps business, in particular, the enhancement of core competence will be recognized as a Companywide objective, and fundamental overhauls from the design level will be undertaken through the utilization of Companywide resources to reinforce our product competitiveness.
2) The Group will develop and operate basic technology and internal infrastructure applicable to all businesses to enhance “core competence”.
3) In terms of the productivity innovation activities, which aims to build the most efficient production system in the industry, the Group will accelerate the further optimization of the *monozukuri* (manufacturing) process and set specific quantitative indicators that will enable the verification of its progress, thereby practicing thorough management over the progress made in achieving these targets, as well as accelerate its rollout to the overseas production hubs.
4) The Group will plan for the improvement of production efficiency and the timely reflection of regional / customer needs in its products and accelerate the shift to optimally located production, including the rearrangement of production functions and the reorganization of production plants both in and outside of Japan, while at the same time conducting the ongoing development of human resources who will play a vital role in the global production system.

IV. Enhance the management infrastructure that supports global business expansion

1) By deepening the various specialized functions and refining services based on such functions, the Group will reinforce the corporate headquarters’ functions required for adequately supporting the global expansion of each business.
2) The Group will fully utilize Information and Communication Technology (ICT) in the monitoring and control of every aspect of business activities, including production, sales, inventory, and procurement, as well as develop a management system that takes full advantage of such technology.

(4) Issues to be Addressed

Based on the medium term management plan "E-Plan 2016" which set the fiscal year ending March 31, 2017 for the target year, the Group is pursuing business development on a global scale and establishing a high profit generating structure that maximizes its global presence. To realize these objectives, the Group is solidifying the position of all its businesses in their respective domains with the aim of accelerating change and realizing growth through the flexible and focused utilization of its resources in Japan and overseas.

In addition, beginning in June 2015, the Company made the transition to the organization form of a "Company with Three Committees," with the Nomination Committee, the Compensation Committee and the Audit Committee. Under this new structure, the Board of Directors will strive to strengthen its oversight function over management. The Company has, therefore, built the foundations to improve transparency and will also work to expand its business operation authority in its executive organization as it reinforces its competitiveness and structures a corporate governance system that will be easily understood from a global perspective.

4. Basic Approach to Selection of Accounting Standards

As Japanese accounting standards are in the process of converging with the International Financial Reporting Standards (IFRS), the Group has decided to continue to adopt generally accepted accounting principles in Japan in consideration of the need for comparisons of consolidated financial statements among fiscal years. Regarding the adoption of IFRS, the Group will continue to monitor closely developments in this area in Japan and overseas and will continue to survey the impact on management and financial matters and will consider the application of IFRS, and the timing of the application.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

Millions of yen

		As of March 31, 2015		As of March 31, 2016
ASSETS				
Current Assets				
Cash and deposits		94,323		89,589
Notes and accounts receivable-trade		209,864		216,310
Electronically recorded monetary claims		156		727
Securities		5,186		4,599
Merchandise and finished goods		12,851		13,046
Work in process	*6	41,848	*6	47,121
Raw materials and supplies		25,491		28,740
Deferred tax assets		13,100		12,505
Others		14,628		13,994
Allowance for doubtful accounts		(2,370)		(3,233)
Total current assets		415,080		423,402
Fixed Assets				
Tangible fixed assets				
Buildings and structures, net	*3	43,247	*3	41,780
Machinery and equipment, net	*3	24,850	*3	26,644
Land	*3	21,083	*3	21,246
Construction in progress		6,633		7,960
Others, net	*3	6,454	*3	7,336
Total tangible assets	*1	102,270	*1	104,968
Intangible assets				
Goodwill		1,426		3,253
Software		5,813		5,755
Others		2,356		2,133
Total intangible assets		9,596		11,143
Investments and other assets				
Investment securities	*2, *3	28,609	*2, *3	26,662
Long-term loans receivable		850		802
Net defined benefit asset		29		31
Deferred tax assets		7,594		5,921
Others	*2	10,077	*2	11,411
Allowance for doubtful accounts		(3,717)		(4,800)
Total investments and other assets		43,445		40,029
Total fixed assets		155,311		156,140
Total Assets		570,392		579,543

Millions of yen

	As of March 31, 2015		As of March 31, 2016	
LIABILITIES				
Current Liabilities				
Notes and accounts payable-trade		81,121		68,905
Electronically recorded obligations		29,944		47,550
Short-term loans payable	*3	64,906	*3	77,714
Income taxes payable		1,792		4,128
Deferred tax liabilities		0		—
Bonus payment reserve		9,036		9,200
Directors’ bonus payment reserve		273		311
Reserve for losses on construction completion guarantees		4,346		3,889
Reserve for product warranties		2,906		3,506
Reserve for construction losses	*6	6,326	*6	7,748
Reserve for expenses related to the sales of land		1,843		254
Others		41,729		36,391
Total current liabilities		244,228		259,600
Long-term Liabilities				
Bonds payable		10,000		10,000
Bonds with subscription rights to shares		19,994		19,988
Long-term loans payable	*3	24,644	*3	9,870
Deferred tax liabilities		341		428
Reserve for directors' retirement benefits		208		160
Provision for loss on litigation		—		6,457
Net defined benefit liability		17,197		16,681
Asset retirement obligations		1,857		1,899
Others		4,367		4,011
Total long-term liabilities		78,610		69,498
Total Liabilities		322,838		329,099
NET ASSETS				
Shareholders’ Equity				
Common stock		68,697		68,760
Capital surplus		72,627		72,691
Retained earnings		91,815		102,446
Treasury stock		(397)		(408)
Total shareholders’ equity		232,742		243,490
Accumulated Other Comprehensive Income				
Net unrealized gains (losses) on investment securities		5,324		2,739
Deferred gains (losses) on hedges		73		(12)
Translation adjustments		10,742		5,878
Remeasurements of defined benefit plans		(9,824)		(11,080)
Total accumulated other comprehensive income		6,316		(2,473)
Subscription Rights to Shares		730		952
Non-Controlling Interests		7,764		8,475
Total Net Assets		247,553		250,444
Total Liabilities and Net Assets		570,392		579,543

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Millions of yen

		Year Ended March 31, 2015		Year Ended March 31, 2016
Net Sales		482,699		486,235
Cost of Sales	*1, *7	356,424	*1, *7	353,344
Gross Profit		126,275		132,891
Sales commission		4,056		3,954
Packing and transportation		5,538		5,904
Sales promotion		1,920		1,827
Provision of allowance for doubtful accounts		606		2,147
Personnel expenditure		41,468		40,929
Bonus payment reserve expense		3,573		3,499
Directors' bonus payment reserve expense		246		291
Retirement benefit expenses		1,217		1,146
Provision for directors' bonuses		72		40
Traveling and transportation expenses		4,222		3,881
Taxes and dues		1,900		2,183
Depreciation and amortization		4,012		3,819
Amortization of goodwill		345		351
Research and development expenses	*2	6,754	*2	7,632
Others		15,771		17,271
Selling, General and Administrative Expenses		91,708		94,879
Operating Income		34,567		38,011
Non-operating Income				
Interest income		219		223
Dividends income		482		489
Equity in earnings of affiliates		871		1,108
Foreign exchange gains		1,597		—
Others		920		535
Total non-operating income		4,090		2,357
Non-operating Expenses				
Interest expenses		1,281		1,205
Foreign exchange losses		—		1,845
Taxes and dues related to the overseas project		221		—
Others		896		846
Total non-operating expenses		2,399		3,897
Ordinary Income		36,258		36,471

Millions of yen

	Year Ended March 31, 2015		Year Ended March 31, 2016	
Extraordinary Income				
Gain on sales of fixed assets	*3	656	*3	77
Gain on sales of investment securities		251		380
Reversal of reserve for expenses related to the sales of land		—		1,589
Others		7		1
Total extraordinary income		916		2,049
Extraordinary Loss				
Loss on sales of fixed assets	*4	45	*4	15
Loss on retirement of fixed assets	*5	218	*5	99
Impairment loss	*6	50	*6	260
Loss on valuation of investments in capital		70		—
Provision for loss on litigation		—		6,457
Others		0		2
Total extraordinary loss		385		6,834
Income before Income Taxes		36,788		31,686
Income Taxes-current		8,439		9,581
Income Taxes-deferred		3,024		3,207
Total Income Taxes		11,463		12,789
Profit		25,324		18,896
Profit Attributable to Non-Controlling Interests		1,743		1,642
Profit Attributable to Owners of Parent		23,580		17,254

Consolidated Statements of Comprehensive Income

Millions of yen

	Year Ended March 31, 2015	Year Ended March 31, 2016
Profit	25,324	18,896
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	2,833	(2,579)
Deferred gains (losses) on hedges	86	(86)
Translation adjustment	10,507	(5,113)
Remeasurements of defined benefit plans, net of tax	(2,236)	(1,281)
Share of other comprehensive income of associates accounted for using equity method	85	(41)
Total other comprehensive income	11,275	(9,102)
Comprehensive Income	36,600	9,794
Comprehensive income attributable to:		
Owners of the parent	34,287	8,463
Non-controlling interests	2,313	1,330

(3) Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2015

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	68,625	72,555	70,629	(386)	211,423
Cumulative effects of changes in accounting policies			36		36
Restated balance	68,625	72,555	70,665	(386)	211,459
Changes of items during period					
Issuance of new shares (exercise of subscription rights to shares)	71	71			143
Cash dividends			(4,063)		(4,063)
Profit attributable to owners of parent			23,580		23,580
Change of scope of consolidation			1,633		1,633
Purchase of treasury stock				(11)	(11)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	71	72	21,150	(11)	21,283
Balance at March 31, 2015	68,697	72,627	91,815	(397)	232,742

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Net Assets
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at April 1, 2014	2,418	(12)	1,792	(7,584)	(3,385)	826	6,183	215,048
Cumulative effects of changes in accounting policies								36
Restated balance	2,418	(12)	1,792	(7,584)	(3,385)	826	6,183	215,084
Changes of items during period								
Issuance of new shares (exercise of subscription rights to shares)								143
Cash dividends								(4,063)
Profit attributable to owners of parent								23,580
Change of scope of consolidation								1,633
Purchase of treasury stock								(11)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	2,905	86	8,950	(2,240)	9,701	(96)	1,580	11,185
Total changes during the period	2,905	86	8,950	(2,240)	9,701	(96)	1,580	32,469
Balance at March 31, 2015	5,324	73	10,742	(9,824)	6,316	730	7,764	247,553

Year Ended March 31, 2016

Millions of yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2015	68,697	72,627	91,815	(397)	232,742
Cumulative effects of changes in accounting policies					—
Restated balance	68,697	72,627	91,815	(397)	232,742
Changes of items during period					
Issuance of new shares (exercise of subscription rights to shares)	63	63			126
Cash dividends			(6,623)		(6,623)
Profit Attributable to Owners of Parent			17,254		17,254
Purchase of treasury stock				(10)	(10)
Disposal of treasury stock		0		0	0
Net changes of items other than shareholders' equity					
Total changes during the period	63	63	10,630	(10)	10,747
Balance at March 31, 2016	68,760	72,691	102,446	(408)	243,490

	Accumulated other comprehensive income					Subscription rights to shares	Non-Controlling Interests	Net Assets
	Net unrealized gains (losses) on investment securities	Deferred gains (losses) on hedges	Translation adjustment	Remeasurements of defined benefit plans	Total Accumulated other comprehensive income			
Balance at April 1, 2015	5,324	73	10,742	(9,824)	6,316	730	7,764	247,553
Cumulative effects of changes in accounting policies								—
Restated balance	5,324	73	10,742	(9,824)	6,316	730	7,764	247,553
Changes of items during period								
Issuance of new shares (exercise of subscription rights to shares)								126
Cash dividends								(6,623)
Profit Attributable to Owners of Parent								17,254
Purchase of treasury stock								(10)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	(2,584)	(86)	(4,863)	(1,255)	(8,790)	222	711	(7,856)
Total changes during the period	(2,584)	(86)	(4,863)	(1,255)	(8,790)	222	711	2,891
Balance at March 31, 2016	2,739	(12)	5,878	(11,080)	(2,473)	952	8,475	250,444

(4) Consolidated Statements of Cash Flows

Millions of yen

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash Flows from Operating Activities:		
Income before income taxes	36,788	31,686
Depreciation and amortization	13,038	11,610
Impairment loss	50	260
Loss (gain) on sales of securities and investment securities	(251)	(380)
Increase (decrease) in reserve	1,348	8,516
Increase (decrease) in net defined benefit liability	(1,810)	(3,594)
Loss (gain) on sales of fixed assets	(611)	(61)
Interest and dividends income	(700)	(713)
Interest expenses	1,281	1,205
Decrease (increase) in notes and accounts receivable-trade	(18,568)	(9,858)
Decrease (increase) in inventories	(5,766)	(10,071)
Increase (decrease) in notes and accounts payable-trade	3,118	6,126
Increase /decrease in other assets / liabilities	(5,968)	(5,951)
Other loss (gain)	1,833	(1,010)
Sub-total	23,782	27,763
Interest and dividends received	1,648	716
Interest expenses paid	(1,290)	(1,264)
Income taxes paid	(12,843)	(5,686)
Net cash provided by operating activities	11,296	21,528
Cash Flows from Investing Activities:		
Purchase of fixed assets	(15,000)	(12,498)
Proceeds from sales of fixed assets	1,005	109
Purchase of securities and investment securities	(15,494)	(10,846)
Proceeds from sales and redemption of securities and investment securities	12,880	11,166
Payments into time deposits	(1,158)	(1,048)
Proceeds from withdrawal of time deposits	809	1,047
Payments of loans receivable	(1,688)	(317)
Collection of loans receivable	2,727	459
Purchase of shares of subsidiaries	(9)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (2,130)
Others	31	(285)
Net cash used in investing activities	(15,894)	(14,344)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	3,314	(1,349)
Proceeds from long-term loans payable	4,133	4,678
Repayment of long-term loans payable	(8,830)	(5,110)
Proceeds from issuance of common stock	0	0
Proceeds from disposal of treasury shares	0	0
Purchase of treasury shares	(11)	(10)
Cash dividends paid	(4,063)	(6,623)
Cash dividends paid to non-controlling interests	(868)	(465)
Others	(719)	(775)
Net cash used in financing activities	(7,044)	(9,655)
Translation Adjustments	4,075	(1,948)
Increase (Decrease) in Cash and Cash Equivalents	(7,566)	(4,419)
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	*1 95,604	*1 91,185

(5) Notes to Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries 54

Beginning with the consolidated fiscal year under review, Thebe Bombas Hidraulicas S.A. was included within the scope of consolidation because all its shares outstanding were acquired by consolidated subsidiary Ebara Industrias Mecanicas e Comercio Ltda.

(2) Names of significant non-consolidated subsidiary

Ebara Espana Bombas S.A.

Chubu Recycle Co., Ltd.

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

2. Equity method

(1) Number of non-consolidated subsidiaries applied equity method 1

Ebara Espana Bombas S.A.

(2) Number of affiliated companies applied equity method 2

Swing Corporation

Pacific Machinery and Engineering Co., Ltd.

(3) Name of non-consolidated subsidiaries and affiliated companies non-applied equity method

Chubu Recycle Co., Ltd.

(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.

3. Fiscal year end of consolidated subsidiaries

The account closing date of the 27 overseas consolidated subsidiaries is December 31.

The financial statements of foreign subsidiaries are consolidated by using their financial statements as of the fiscalyear-end,and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31.

4. Significant accounting principles

(1) Valuation standards and valuation methods of assets

i. Securities

Held-to-maturity securities

Amortized cost method

ii. Other securities

Other securities with market value

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

Other securities without market value

Gross average cost method

iii. Derivatives

Fair market value method

iv. Inventories

Finished goods and raw materials are primary stated at gross average cost method (in PM company, moving-average method is stated), and work in process is stated at identified cost method.

(For figures shown on balance sheet, the book value write-down method based on decreased profitability is used.)

(2) Property, plant and equipment and related depreciation

i. Tangible assets (except lease assets)

Tangible assets are mainly amortized on a straight-line basis.

Note that the method for depreciating minor assets valued from ¥100,000 to less than ¥200,000 is the lump-sum method specified in the corporate income tax laws, and these asset are depreciated in equal amounts over a three-year period.

ii. Intangible assets and investments and other assets (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, 5 years.

iii. Lease assets

The Group adopts the method of taking the useful life of the asset as the term of the lease for which lease assets under finance lease transactions other than those for which the ownership transfers to the lessee and depreciating the residual value to zero.

(3) Standards of significant allowance

i. Allowance for doubtful accounts

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

ii. Bonus payment reserve

Bonus payment reserve is provided based on the future liabilities.

iii. Directors’ bonus payment reserve

Directors’ bonus payment reserve is provided based on the future liabilities.

iv. Reserve for directors' retirement benefits

In domestic consolidated subsidiaries, reserve for directors’ retirement benefits is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.

v. Reserve for warranties for completed construction

To provide for possible expenses arising from warranties against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.

vi. Reserve 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.

vii. 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.

viii. Reserve for expenses related to the sales of land

Accompanying the sales of the land formerly occupied by the Group’s Haneda Plant, the estimated cost of returning this land to its original condition has been recognized in the fiscal year under review.

ix. Provision for loss on litigation

To prepare for losses in connection with lawsuits, the Group estimates the amount of losses that may emerge in the future and sets aside the amount deemed necessary.

(4) Accounting treatment regarding retirement benefits

i. Method of attribution of projected benefit obligations

In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the fiscal year under review is benefit formula basis.

ii. Method of amortization of actuarial gain or loss and past service cost

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occur using the declining-balance method over a certain number of years within the average remaining service period of employees.

iii. Adoption of the simplified accounting method in small companies, etc.

Certain consolidated subsidiaries adopt the simplified accounting method in calculating their net defined benefit liabilities and retirement benefit expenses. Under the simplified method, retirement obligations are calculated as retirement and severance costs that would be incurred if all employees retired at the end of the accounting period under review.

(5) 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.

(6) Significant hedging 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 and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others in accordance with internal fund management regulation.

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 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.

(7) Method and Period for Amortization of Goodwill

The Company has set 20 years as a reasonable period for the amortization of 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.

(8) Scope of Cash and Cash Equivalents in Consolidated Statements of Cash Flows

Cash and cash equivalents include cash on hand, demand deposits, and time deposits with insignificant risk of changes in value which have maturities of three months or less.

(9) Other basis of preparation of the Consolidated Financial Statements

i. Consumption tax

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

ii. Consolidated taxation system

A consolidated tax system is applied.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Business Combinations)

Effective from the fiscal year 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, for subsidiaries remaining under the Group’s control, the Group has changed its method of reporting amounts due to changes in its equity ownership percentages in subsidiaries in capital surplus and expenses related to acquisition costs of consolidated subsidiaries in expenses in the fiscal year when they are incurred. Also, the Group changed its accounting method to reflecting adjustments to the amount allocated to acquisition cost under provisional accounting treatment in the fiscal year in which the business combinations become effective. This is applied to the business combinations occurring on or after the beginning of the current fiscal year. In addition, 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 previous fiscal year have been reclassified.

The aforementioned accounting standards are adopted as of beginning of the current fiscal year and thereafter, accounting to the transitional treatment provided for in Accounting Standards for Business Combinations article 58-2 (4), Accounting Standards for Consolidated Financial Statements article 44-5 (4), and Accounting Standards for Business Divestitures article 57-4 (4).

In the Consolidated Statements of Cash Flows for the fiscal year, cash flows from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are classified into “Cash flows from financing activities,” while cash flows related to expenses arising from acquisition of shares of subsidiaries affecting the scope of consolidation, or expenses arising from acquisition or sale of shares of subsidiaries not affecting the scope of consolidation are classified into “Cash flows from operating activities.”

This change had an immaterial impact on consolidated financial statements for the fiscal year.

(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, Ebara Corporation ("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 fiscal year 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 fiscal year under review, the operating income, ordinary income, and income before income taxes were all ¥1,727 million higher 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.

(Additional Information)

On October 23, 2015, a fire broke out at the waste processing facility for bulky refuse at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, as Ebara Environmental Plant Co., Ltd. ("EEP"), the Company's consolidated subsidiary, was making repairs on the facility. Please note that EEP is responsible for the operation and management of a refuse incinerating facility that is located next to the bulky refuse processing plant where the fire occurred. Regarding this incident, the Company is discussing with Gifu City the construction work required to make the damaged facility operational again and compensation for related damages.

At this time, it is not possible to make a reasonable estimate of the effect of this incident on the Group's consolidated statements of income.

(Balance Sheets)

*1 Accumulated depreciation of tangible assets was as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Accumulated depreciation of tangible assets	195,595	198,096

*2 Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others were as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Investment securities (Stock)	7,525	9,992
Others (Investments in capital)	2,772	2,733

*3 Collateral assets and collateral for loans

Collateral assets were as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Buildings and structures	3,443	4,254
Machinery and equipment	1,138	41
Land	110	103
Investment securities	20	20
Others	3	557
Total	4,716	4,977

Collateral for loans were as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Short-term loans payable	504	283
Long-term loans payable	1,197	942

Collateral assets for purposes other than loans payable were as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Buildings and structures	—	1,212
Investment securities	20	20
Others	—	496

4 Commitments and contingent liabilities

(1) Loans guaranteed to employees:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Employees	149	112

(2) Loans guaranteed to non-consolidated subsidiaries and affiliates:

Millions of yen

As of March 31, 2015		As of March 31, 2016	
Chubu Recycle Co., Ltd.	150	Ebara Vietnam Pump Company Limited	9
Ebara Vietnam Pump Company Limited	78		
Total	228	Total	9

5 Overdrafts and commitment lines

The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity.

The unused portions under these contracts at the end of the fiscal year were as follows:

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Current account overdrafts	5,000	5,000
Commitment lines	45,000	45,000
Used portions under these contracts	—	—
Balance	50,000	50,000

*6 Inventories related to construction work for which losses are anticipated and the reserve for construction losses are not offset and are presented as separate items in the accounts. Among inventories related to construction work for which losses are anticipated, the following were the amounts corresponding to the reserve for construction losses.

Millions of yen

	As of March 31, 2015	As of March 31, 2016
Work in process	1,771	2,720

(Statements of Income)

*1 The amounts of inventories at the end of the fiscal year are shown after write-downs in book value to take account of declines in the profitability of inventories. The figure below for the loss on valuation of inventories was included in the cost of sales.

Millions of yen

Year Ended March 31, 2015	Year Ended March 31, 2016
329	515

*2 Research and development expenses included in Selling, general and administrative expenses

Millions of yen

Year Ended March 31, 2015	Year Ended March 31, 2016
6,754	7,632

*3 Gain on sales of fixed assets comprised the following:

Millions of yen

	Year Ended March 31, 2015	Year Ended March 31, 2016
Buildings and structures	0	–
Machinery and equipment	91	72
Land	562	4
Others	2	0
Total	656	77

*4 Loss on sales of fixed assets comprised the following:

Millions of yen

	Year Ended March 31, 2015	Year Ended March 31, 2016
Buildings and structures	11	1
Machinery and equipment	7	0
Land	25	10
Others	0	3
Total	45	15

*5 Loss on retirement of fixed assets comprised the following:

Millions of yen

	Year Ended March 31, 2015	Year Ended March 31, 2016
Buildings and structures	42	31
Machinery and equipment	16	37
Other tangible fixed assets	104	19
Software	16	2
Others	38	8
Total	218	99

*6 Impairment loss

The Group has recognized impairment loss on the following Group assets.

Year Ended March 31, 2015

(1) Summary of asset groups for which impairment loss was recognized

Location	Use	Type
Toyama Toyama, Fujisawa Kanagawa, Sodegaura Chiba	Idle assets	Machinery and equipment, Land, Software, Others
Sano Tochigi	Plan to sell	Land

(2) Outline of asset grouping

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

(3) Background of recognition of impairment loss

Since idle machinery and equipment, land, software and others are no longer expected to contribute to earnings in future periods, the book value has been reduced to a memorandum value. Also, since the price at which land scheduled to be sold is below the book value of such assets, the Group has revised the book value to the recoverable value.

(4) Computation of recoverable value

The recoverable value of assets has been calculated as the net sales value. For land, reasonable estimates of its value have been made based on publicly available prices along railway lines.

(5) Amount of impairment loss

	Millions of yen
Machinery and equipment	12
Land	23
Software	13
Other	1
Total	50

Year Ended March 31, 2016

(1) Summary of asset groups for which impairment loss was recognized

Location	Use	Type
Sodegaura Chiba, Niigata Niigata, Fujisawa Kanagawa	Idle assets	Machinery and equipment, Land, Software, Others
Suzuka Mie, Sendai Miyagi, Hachimantai Iwate	Plan to sell	Buildings and structures, Land, Others
Beijing China	Casting equipment	Buildings and structures, Machinery and equipment,
Ube Yamaguchi	Testing facility	Others

(2) Outline of asset grouping

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

(3) Background of recognition of impairment loss

Since idle asset, casting equipment, testing facility, buildings and structures, machinery and equipment, land, software and others are no longer expected to contribute to earnings in future periods, the book value has been reduced to a memorandum value. Also, since the price at which buildings and structures, land and others scheduled to be sold is below the book value of such assets, the Group has revised the book value to the recoverable value.

(4) Computation of recoverable value

The recoverable value of assets has been calculated as the net sales value or the value in use. For land, reasonable estimates of its value have been made based on publicly available prices along railway lines. The value in use is assessed at zero in case the total of future cash flow is a negative amount.

(5) Amount of impairment loss

	Millions of yen
Buildings and structures	27
Machinery and equipment	186
Land	31
Software	1
Other	13
Total	260

*7 The provision to the reserve for construction losses contained in cost of sales Millions of yen

Year Ended March 31, 2015	Year Ended March 31, 2016
3,930	4,567

(Statements of Changes in Net Assets)

Year Ended March 31, 2015

1. Shares Issued and Treasury Stock

	Number of Shares as of April 1, 2014	Increase	Decrease	Number of Shares as of March 31, 2015
Shares issued Common stock	465,187,829	456,195	—	465,644,024
Total	465,187,829	456,195	—	465,644,024
Treasury stock Common stock	872,071	20,150	1,478	890,743
Total	872,071	20,150	1,478	890,743

Notes: 1. Increase in common shares issued of 456,195 was due to the exercise of subscription rights to shares.
2. Increase in treasury common stock of 20,150 was due to the purchase of shareholdings of less than one trading unit.
3. Decrease in treasury common stock of 1,478 was due to the sales of shareholdings of less than one trading unit.

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

Category	Breakdown	Type of shares for purpose	Number of shares for purpose				As of March 31, 2015 (Millions of yen)
			As of April 1, 2014	Increase	Decrease	As of March 31, 2015	
Ebara Corporation	Stock options issued as compensation in 2010	—	—	—	—	—	169
	Stock options issued as compensation in 2011	—	—	—	—	—	12
	Stock options issued as compensation in 2012	—	—	—	—	—	250
	Stock options issued as compensation in 2013	—	—	—	—	—	83
	Stock options issued as compensation in 2014	—	—	—	—	—	68
	Stock options issued as compensation in 2015	—	—	—	—	—	145
Total			—	—	—	—	730

Notes: The first dates for the exercise of compensation-type stock options for fiscal 2015 have not arrived (as of the balance sheet date).

3. Items Related to Dividend

(1) Payment of Dividends

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
June 26, 2014 at the Regular General Meeting of Shareholders	Common stock	2,321	5.00	March 31, 2014	June 27, 2014
November 6, 2014 at the Board Meeting	Common stock	1,741	3.75	September 30, 2014	December 2, 2014

(2) Mention related to any dividends belonging to the base date of the period for which the effective date falls after the end of the interim period.

Date of approval	Type of shares	Dividend resource	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
June 24, 2015 at the Regular General Meeting of Shareholders	Common stock	Retained earnings	3,834	8.25	March 31, 2015	June 25, 2015

Year Ended March 31, 2016

1. Shares Issued and Treasury Stock

	Number of Shares as of April 1, 2015	Increase	Decrease	Number of Shares as of March 31, 2016
Shares issued Common stock	465,644,024	400,572	―	466,044,596
Total	465,644,024	400,572	―	466,044,596
Treasury stock Common stock	890,743	20,606	1,786	909,563
Total	890,743	20,606	1,786	909,563

Notes: 1. Increase in common shares issued of 400,572 was due to the exercise of subscription rights to shares.
2. Increase in treasury common stock of 20,606 was due to the purchase of shareholdings of less than one trading unit.
3. Decrease in treasury common stock of 1,786 was due to the sales of shareholdings of less than one trading unit.

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

Category	Breakdown	Type of shares for purpose	Number of shares for purpose				As of March 31, 2016 (Millions of yen)
			As of April 1, 2015	Increase	Decrease	As of March 31, 2016	
Ebara Corporation	Stock options issued as compensation in 2010	―	―	―	―	―	84
	Stock options issued as compensation in 2011	―	―	―	―	―	7
	Stock options issued as compensation in 2012	―	―	―	―	―	219
	Stock options issued as compensation in 2013	―	―	―	―	―	83
	Stock options issued as compensation in 2014	―	―	―	―	―	68
	Stock options issued as compensation in 2015	―	―	―	―	―	437
	Stock options issued as compensation in 2016	―	―	―	―	―	50
Total			―	―	―	―	952

Notes: The first dates for the exercise of compensation-type stock options for fiscal 2015 and 2016 have not arrived (as of the balance sheet date).

3. Items Related to Dividend

(1) Payment of Dividends

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
June 24, 2015 at the Regular General Meeting of Shareholders	Common stock	3,834	8.25	March 31, 2015	June 25, 2015
November 10, 2015 at the Board Meeting	Common stock	2,789	6.00	September 30, 2015	December 7, 2015

(2) Mention related to any dividends belonging to the base date of the period for which the effective date falls after the end of the interim period.

Date of approval	Type of shares	Dividend resource	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
June 24, 2016 at the Regular General Meeting of Shareholders	Common stock	Retained earnings	2,790	6.00	March 31, 2016	June 27, 2016

(Statements of Cash Flows)

*1 A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets was as follows: Millions of yen

	Year Ended March 31, 2015	Year Ended March 31, 2016
Cash and deposits	94,323	89,589
Securities	5,186	4,599
Securities and others which the term is over 3 months	(3,017)	(2,162)
Time deposits which the term is over 3 months	(888)	(841)
Cash and cash equivalents	95,604	91,185

*2 Principal assets and liabilities of a company included within the scope of consolidation through the acquisition of shares from the fiscal year under review

Accompanying the inclusion of Thebe Bombas Hidraulicas S.A. within the scope of consolidation through the acquisition of shares, the assets and liabilities of this company at the time of inclusion in the scope of consolidation, stock acquisition cost, and payments (net) for the acquisition of the company's shares were as follows:

	Millions of yen
Current assets	1,025
Fixed assets	631
Goodwill	2,273
Current liabilities	(1,400)
Long-term liabilities	(391)
Stock acquisition cost	(2,138)
Cash and cash equivalents of the newly consolidated company	8
Deduction, purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,130)

(Segment Information)

1. Overview of reportable segments

The reportable segments are constituent units of the Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The Group is conducting its business operations through three in-house companies: the FMS Company, EE Company, and PM Company. Therefore, the Group is composed of product and service segments based along the lines of the in-house companies, and its three reportable segments are Fluid Machinery & Systems, Environmental Engineering, and Precision Machinery.

The Group's operations in three business segments are as follows:

Segment	Principal Products	Contents
Fluid Machinery & Systems	Pumps, compressors, turbines, freezer chillers, blowers, fans and others	Manufacture, sales, O&M services and others
Environmental Engineering	Municipal waste processing plants, industrial waste incineration plants, water treatments plants and others	Engineering, construction, O&M services and others
Precision Machinery	Dry vacuum pumps, CMP equipment, plating equipment, exhaust-gas treatment equipment and others	Manufacture, sales and maintenance

2. Calculation method used for sales, profits and loss, assets and liabilities and other items for each reportable segment

The accounting method used for reportable business segments is the same as the method stated in "Basis of preparation of the Consolidated Financial Statements." Profits from reportable segments are figures based on operating income. Intersegment sales and transfers are recorded at the same prices used in transactions with customers.

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

As indicated on page 31, "5. Consolidated financial statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policy that are Difficult to Distinguish from Changes in Accounting Estimates)", 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 income for the fiscal year ended March 31, 2016 increased by ¥867 million in the Fluid Machinery & Systems, ¥13 million in the Environmental Engineering, ¥512 million in the Precision Machinery, and ¥333 million in the Others respectively.

3. Information about sales, profits and losses, assets and liabilities, and other items for each reportable segment

Year Ended March 31, 2015

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2, 3)	Consolidated (Notes 4)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	342,091	64,932	73,956	480,980	1,719	482,699	―	482,699
Intersegment and transfers	603	63	―	667	3,289	3,957	(3,957)	―
Total	342,695	64,996	73,956	481,648	5,009	486,657	(3,957)	482,699
Segment income	20,762	6,231	7,060	34,054	507	34,562	4	34,567
Segment assets	343,771	53,734	69,563	467,068	25,299	492,367	78,024	570,392
Others								
Depreciation and amortization	8,408	413	2,497	11,318	1,760	13,079	(40)	13,038
Amortization of Goodwill	345	―	―	345	―	345	―	345
Investment for companies applied equity method	1,634	4,785	―	6,420	―	6,420	―	6,420
Increase in tangible and intangible assets	10,381	596	2,586	13,564	2,307	15,871	(24)	15,846

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 is as follows:
   (1) Segment income shows eliminations among intersegment sales and transfers.
   (2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounted to ¥79,316 million, and intersegment eliminations amounted to ¥(1,292) million. The main total assets of the Group are Cash and deposits, a part of investment securities, deferred tax assets and others.
3. The adjustment in the increase in “Others” items under depreciation, fixed assets, and intangible assets is due to the elimination of intersegment transactions.
4. Segment income has been adjusted with operating income in the consolidated statements of income.

Year Ended March 31, 2016

Millions of yen

	Reportable segments				Others (Notes 1)	Total	Adjustments (Notes 2, 3)	Consolidated (Notes 4)
	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total				
Sales								
Customers	320,829	70,381	93,328	484,538	1,696	486,235	－	486,235
Intersegment and transfers	785	11	－	797	3,370	4,167	(4,167)	－
Total	321,614	70,393	93,328	485,335	5,067	490,402	(4,167)	486,235
Segment income	19,335	6,431	11,697	37,464	515	37,980	30	38,011
Segment assets	330,071	62,277	85,431	477,781	26,461	504,242	75,300	579,543
Others								
Depreciation and amortization	7,441	381	2,180	10,003	1,626	11,630	(19)	11,610
Amortization of Goodwill	351	－	－	351	－	351	－	351
Investment for companies applied equity method	1,786	5,663	－	7,450	－	7,450	－	7,450
Increase in tangible and intangible assets	9,754	518	3,331	13,604	2,143	15,747	(17)	15,729

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 is as follows:

(1) Segment income shows eliminations among intersegment sales and transfers.

(2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounted to ¥77,483 million, and intersegment eliminations amounted to ¥(2,182) million. The main total assets of the Group are Cash and deposits, a part of investment securities, deferred tax assets and others.

3. The adjustment in the increase in “Others” items under depreciation, fixed assets, and intangible assets is due to the elimination of intersegment transactions.

4. Segment income has been adjusted with operating income in the consolidated statements of income.

(Per Share Data of Common Stock)

	Year Ended March 31, 2015	Year Ended March 31, 2016
Net assets per share (Yen)	514.38	518.16
Net income per share (Yen)	50.77	37.12
Diluted net income per share (Yen)	46.41	33.88

1. Basic information for computation of net assets per share

	Year Ended March 31, 2015	Year Ended March 31, 2016
Total net assets (Millions of yen)	247,553	250,444
Amount excluded from total net assets (Millions of yen)	8,494	9,428
(Subscription rights to shares (Millions of yen))	(730)	(952)
(Non-controlling interests (Millions of yen))	(7,764)	(8,475)
Net assets attributable to common stock at the end of the period (Millions of yen)	239,058	241,016
Number of common stocks outstanding at the end of the period calculated under “Net assets per share”	464,753,281	465,135,033

2. Basic information for computation of net income per share

	Year Ended March 31, 2015	Year Ended March 31, 2016
Net income per share		
Profit attributable to owners of parent (Millions of yen)	23,580	17,254
Amount not allocated to ordinary shareholders (Millions of yen)	―	―
Profit attributable to owners of parent attributable to common stocks (Millions of yen)	23,580	17,254
Average shares of common stocks (Number)	464,501,661	464,873,289
Diluted net income per share		
Adjustment of profit attributable to owners of parent (Millions of yen)	―	―
Increase of common stocks (Number)	43,585,689	44,326,814
(Bonds with subscription rights to shares (Number))	(41,260,120)	(41,742,429)
(Subscription rights to shares (Number))	(2,325,569)	(2,584,385)
Potential shares excluded from computation of diluted net income per share which don’t have a dilutive effect	―――――	―――――

(Significant Subsequent Events)

Change in number of shares per unit and consolidation of shares

Based on Article 195 (1) of the Companies Act, the Company resolved at a meeting of its Board of Directors held on May 11, 2016, to submit a proposal for a change in the number of shares per unit (from 1,000 to 100 shares) and a consolidation of shares (at a rate of one share for every five shares) to the Company's general meeting of shareholders to be held on June 24, 2016. Conditional on approval at the said general shareholders meeting, the Company will conduct a consolidation of its common shares with the effective date of October 1, 2016.

(Omission of certain disclosures)

The Company has not disclosed certain information in this report, because it was deemed not to be sufficiently material. Items not disclosed include accounting standards that have not been applied, note to the consolidated statement of comprehensive income, leasing transactions, financial instruments, securities, derivative trasactions, retirement benefits, stock options, income taxes, information on business combinations, etc., asset retirement obligations, rental real estate, and related parties.