

**RESULTS OF OPERATIONS FOR
THE YEAR ENDED MARCH 31, 2007 (CONSOLIDATED)**

May 18 2007

Company name: EBARA CORPORATION
11-1 Haneda Asahi-cho, Ota-ku, Tokyo 144-8510, Japan
(Stock Code. 6361, Tokyo and Sapporo Stock Exchange in Japan)
(URL <http://www.ebara.co.jp>)

Representative: Natsunosuke Yago, President
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Scheduled day of general meeting of shareholders: June 28 2007
Scheduled day of commencement of delivery of dividend: June 29 2007
Scheduled day of submission of annual security report: June 28 2007

Note: The amounts are rounded down to the nearest millions of yen.

1. Outline of the results for FY2007 (April 1-March 31, 2007)

(1) Consolidated Financial Highlights Millions of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2007	538,097	4.5	13,249	21.5	10,414	34.7	5,446	62.6
FY2006	514,957	7.6	10,902	43.8	7,731	56.6	3,349	-

	Net income per share	Net income per share, diluted	Return on equity	Ordinary income on Total assets ratio	Operating income on sales ratio
	Yen	Yen	%	%	%
FY2007	12.89	12.31	3.6	1.7	2.5
FY2006	9.11	8.89	2.6	1.3	2.1

Notes (i) Profit & loss in equity method: FY2007 -1,131million FY 2006 - million
(ii) % represents percentage change from a comparable previous period

(2) Consolidated Financial Position Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2007	625,032	154,969	24.2	357.97
FY2006	592,631	153,695	25.9	363.68

Notes Shareholder's Equity (consolidated) FY2007 151,255 million FY2006 - million

(3) Consolidated Cash Flow Millions of yen

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents
	FY2007	9,543	(10,549)	17,166
FY2006	(9,772)	(4,099)	21,760	47,510

2. Dividend

	Cash Dividend per share of common stock			Total dividend for the year	Dividend payout ratio Consolidated	Dividend rate per net assets Consolidated
	1 st half	End of 2 nd half	Total for the year			
	Yen	Yen	Yen	Million yen	%	%
FY2006	-	7.5	7.5	3,169	82.3	2.2
FY2007	-	7.5	7.5	3,169	58.2	2.1
FY2008 (Forecast)	-	7.5	7.5	-	52.8	-

3. Forecast of results for the year ending March 31, 2008

Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
FY2008 1st half	220,000	13.1	(6,000)	-	(7,000)	-	(7,000)	-	(16.57)
FY2008	560,000	4.1	16,000	20.8	12,000	15.2	6,000	10.2	14.20

Notes % represents percentage change from a comparable previous period

4. Others

(1) Changes in significant subsidiaries: Not applicable

(2) Changes in accounting policies

(i) Changes according to amendment of accounting standard: Yes

(ii) Changes with other reasons except clause (i) above: Yes

(Revenue recognition of the wind power generation business)

Notes Please refer Page 27 'Change in accounting policies' for detail information.

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (including treasury stocks) FY2007 422,725,658 FY2006 422,724,750

(ii) Number of treasury stocks FY2007 190,191 FY2006 110,650

Notes Please refer Page 44 'Information for stock' regarding the number of stocks to be basis of calculation of dividend rate per net assets.

(Reference information)

1. Outline of the results for FY2007 (April 1-March 31, 2007), Non-consolidated

(1) Non-consolidated Financial Highlights

Million of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2007	251,520	(6.3)	3,427	14.6	6,128	6.9	3,525	16.9
FY2006	268,366	(0.9)	2,990	-	5,731	363.2	3,015	-

	Net income per share	Net income per share, diluted
	Yen	Yen
FY2007	8.34	8.07
FY2006	8.20	8.02

Notes % represents percentage change from a comparable previous period

(2) Non-Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2007	457,610	147,874	32.3	349.97
FY2006	461,563	154,230	33.4	364.94

Notes Shareholder's Equity (Non-consolidated) FY2007 147,874million FY2006 154,230million

2. Forecast of results for the year ending March 31, 2008

Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
FY2008 1st half	95,000	5.0	(5,000)	-	(3,000)	-	(2,500)	-	(5.92)
FY2008	255,000	1.4	7,000	104.3	7,000	14.2	4,000	13.5	9.47

Notes % represents percentage change from a comparable previous period

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

The forecasts of performance and other forward-looking statements contained in this document are based on information that was available to Ebara as of the time of the issuance of this document and on certain assumptions about uncertainties that may have an impact on the Company's performance. Actual performance may differ substantially from these forecasts owing to a wide range of factors.

For further information on the assumptions made in the preparation of the forecasts of performance, please refer to the section entitled "1. Management Performance, (1) Analysis of Management Performance," on page 3 of this document.

Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.

Ebara undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

1. Management Performance

Management Performance

(1) Analysis of Management Performance

① Overview of Performance of the Fiscal Year

During the fiscal year under review, ended March 31, 2007, economic conditions remained firm despite concerns regarding the instability of energy prices, the continued high levels of raw materials, and political instability in some regions. In the United States, although the housing market weakened slightly, strong consumer spending compensated for this, and trends in the economy as a whole remained favorable. In Europe also, a gradual expansionary trend continued. Additionally, in Asia and neighboring regions, robust growth continued, led by the economies of China and India.

In the Japanese economy, corporate profitability continued to improve, sustained by robust private-sector capital investment and expansion in domestic demand. In addition, supported by consumer spending, which was sustained by improvements in employment conditions and gradual expansion in incomes, the economy as a whole remained on a recovery trend. On the other hand, conditions in the market for public works construction continued to be challenging, and this trend is expected to continue.

Amid this operating environment, the Ebara Group (the Group) was successful in achieving firm expansion in orders for fluid machinery and systems employed by the oil and gas industries, principally in the Middle East and Asia, and orders for precision machinery, supported by the favorable expansion in capital investment in the memory sector of the semiconductor industry. In the customer pump and standard pump businesses, the Group took further steps to enhance its global manufacturing and sales network, focusing especially on the Chinese market. In the environment-related and certain other businesses, the Group made progress toward lowering its previously high dependence on domestic, public-sector business by promoting expansion in its international activities.

Ebara took further measures to realign its business activities, including the realignment of the standard blower and fan business, through the merger of subsidiaries to form a new company, Ebara-Yoshikura Hydro-Tech Co., Ltd. In addition, other realignments included withdrawal from the sludge reprocessing equipment field and the split-off of the water and sewage processing business, the liquidation of an overseas subsidiary in the environmental business, as well as the restructuring of businesses and organizations to achieve an optimal balance within the Group as a whole. Along with these initiatives, the Group continued its policy from the previous fiscal year of reallocating its management resources, including human resources, to priority sectors.

As a consequence of these various developments, the Ebara Group reported consolidated net sales of ¥538,097 million, 4.5% higher than for the previous fiscal year. Operating income amounted to ¥13,249 million, 21.5% higher than the previous fiscal year, and ordinary income was ¥10,414 million, 34.7% above the prior fiscal year. Among extraordinary items, extraordinary income totaled ¥8,150 million, including ¥7,246 million in gains from the sale of investment securities. Extraordinary losses were ¥7,447 million, including ¥2,847 million in losses due to violations of Japan's Antimonopoly Act and ¥1,443 million in expenses in connection with the liquidation of associated companies. As a consequence of these factors, consolidated net income for the fiscal year under review was ¥5,446 million, 62.6% higher than the previous fiscal year.

Results by Business Segment

Fluid Machinery & Systems

In the Fluid Machinery & Systems (FMS) Group, high levels of capital investment in overseas markets in the oil and gas industry, especially the Middle East and Asia, and other energy-related sectors has brought a high level of orders for cryogenic pumps for transferring LNG, compressors for ethylene and other equipment, and various types of process pumps. In addition, the drive toward the full-scale expansion of overseas activities in the standard pump business has also gotten off to a favorable start.

On the other hand, even though private-sector capital investment has been firm in the steel, chemical, and other industries in Japan, as a result of the shrinkage in public-sector investment, conditions in the domestic market have been more challenging than in overseas markets. In the private-sector markets, the FMS Group has placed priority on proposal-based marketing activities to increase customer satisfaction and is making steady advances, especially in capturing demand for the replacement of facilities. In the market for public works projects, efforts are being directed toward realigning business activities to respond to structural changes in the market, including the decline in major projects.

As a result of these developments, although there was concern about the impact of the run-up in raw material prices, including those of copper and stainless steel, but as a result of the strengthening of the operating and financial positions of associated companies and the structural shift of marketing emphasis toward the private sector in Japan and toward international markets, sales of the FMS Group in the fiscal year under review amounted to ¥282,334 million, 11.7% higher than in the previous year, and operating income was ¥11,520 million, 60.3% higher than for a year earlier.

Environmental Engineering

In the Environmental Engineering (EE) Group, as a result of continued lackluster conditions in the market environment, orders for conventional domestic projects for the public sector remained generally weak. Within this operating environment, the EE Group was able to report some success in its marketing activities for biomass electric power generation equipment, and, in the waste treatment field also, an order was received for operation and maintenance services over a 15-year period for the electric power facilities of Tokyo Waterfront Recycle Power, which began operation in August 2006, as part of the Super EcoTown Project. This order reflects the EE Group's active marketing approach to potential customers in the operation and maintenance services field. Moreover, in overseas markets, the EE Group is adopting a proposal-based marketing approach tailored to various regions in Europe and Asia, and received two orders for waste treatment facilities in Europe (in Switzerland and Germany).

In the new energy field, the number of units of household fuel cell cogeneration systems, including those powered by city gas and kerosene, has climbed to a total of 248 (with 183 of these qualifying for subsidies under the system for the demonstration of large-scale facilities provided by the Ministry of Economy, Trade and Industry, NEDO (National Economic Development Office), and the New Energy Foundation). In addition, consolidated subsidiary Ebara Ballard Corporation has delivered full-scale pilot-model commercial fuel cell power generating units to joint development partners Tokyo Gas Co., Ltd., and Nippon Oil Corporation. These units incorporate compact, light prototype stacks with long life durability of 40,000 hours. Introduction of these units to the market is scheduled during fiscal 2008.

As a result of these and other developments, sales of the EE Group declined 14.3%, to ¥148,062 million, and the operating loss expanded ¥7,760 million, to an operating loss of ¥8,347 million.

Precision Machinery

In the Precision Machinery (PM) Group, orders and sales, principally of chemical mechanical polishing (CMP) equipment and dry pumps to leading-edge companies in the semiconductor industry, remained firm as the operating environment continued to be favorable throughout the fiscal year owing to investments in the semiconductor memory industry, especially in the flash memory and other areas within the memory sector in Japan and other countries in Asia. The PM Group is preparing to increase production capacity to meet the higher levels of demand. Also, in addition to the high throughput CMP units introduced to the market during the fiscal year under review, steady progress is being reported in introducing waste gas processing equipment on high-volume production lines for dealing with emissions of PFC gas in the memory manufacturing process.

As a consequence, sales of the PM Group rose 20.5%, to ¥107,700 million, and operating income grew 117.7%, to ¥10,083 million.

② Outlook for the Next Fiscal Year

The overall market environment is expected to show a generally expansionary trend, despite the movement toward slower growth in the United States and Europe. In Asia including Japan, steady expansion is expected, although China is forecast to experience a slight decline in growth. With these developments as a background, the Ebara Group is expected to report a firm performance in the FMS Group, supported by overseas business, especially in the Middle East, Asia, and elsewhere, and the PM Group, in the semiconductor manufacturing equipment field.

In the FMS Group, a shift is expected in the domestic market for public works projects from emphasis only on price to a more general evaluation taking account of price and quality as a result of the passage of the Law Concerning Promotion of Quality Assurance in Public Works. In the domestic private-sector market, capital investment is expected to remain firm, especially in the manufacturing sector as demand among leading companies and other enterprises for high-performance production facilities grows and demand for replacement of older equipment continues. In overseas markets, although demand for capital investment may slow in the Middle East, it will remain at a high level, and, in Asia, demand for construction of petrochemical plants and energy-related facilities is forecast to continue, leading to continued firm sales of pumps, compressors, and other equipment. Amid these developments, the FMS Group will work to capture demand for replacement investments and maintenance services in Japan by strengthening its systems for building closer ties with customers. In overseas markets, the FMS Group will focus its efforts not only on the oil and gas sector but also on selling products for the social infrastructure.

In the EE Group, the outlook is for continued shrinkage in the size of the public works projects market and more intense price competition. To deal with these market conditions, the EE Group will work to strengthen and expand its position in the private markets for water treatment facilities, incineration and gasification of waste, use of biomass, and other areas; promote projects that combine engineering, procurement, and construction (EPC) with operation and maintenance (O&M); and promote overseas water and sewage processing, waste processing, and other infrastructure-related projects. Also, in domestic public works projects, the EE Group will work to secure new orders and profits by strengthening its cost-competitiveness and proposal-based marketing drawing on technology that will differentiate its products and services from the competition.

The PM Group is forecasting that capital investment in the semiconductor industry will continue to expand, despite some concerns arising from the drop in semiconductor prices and other developments. Amid these developments, the PM Group will respond flexibly to changes in capital investment conditions in the semiconductor industry while working to attain further expansion by enhancing the quality of support it offers to customers and aggressively promoting the development and marketing of new products.

Based on the previously mentioned policies and initiatives, the Group has set the objective of reaching consolidated net sales of ¥560 billion and ¥16.0 billion in operating income in the fiscal year ending March 31, 2007.

(Billions of yen, % increase from the previous period)

	Consolidated	
Net sales	¥560	(4.1%)
Operating income	¥16	(20.8%)
Ordinary income	¥12	(15.2%)
Net income	¥6	(10.2%)

Business Segment Information

The Group changed the segmentation of Wind power generation business and Cooling and water supply systems for nuclear power plants from the EE Group to the FMS Group at the beginning of the fiscal year ending March 31 2008.

The outlook for sales and operating by business segment is as follows.

(Billions of yen, percentage composition)

Group	Sales		Operating Income	
Fluid Machinery & Systems	¥300	(53.6%)	¥11.5	(-%)
Environmental Engineering	¥145	(25.9%)	(¥6.5)	(-%)
Precision Machinery	¥115	(20.5%)	¥11.0	(-%)
Total	¥560	(100%)	¥16.0	(-%)

The above information is projected at the expected foreign exchange rate US\$=¥115.

③ Progress toward Goals of the Medium-Term Management Plan

The fiscal year under review was the second year of the Group's current medium-term management plan and performance figures are shown below. Although the Group met the target for net sales, operating income and net income were below our targets, mainly because of shortfalls in the EE Group.

(Billions of yen)

	Performance figures	Midium-term management plan
Sales	¥538	¥525
Operating Income	¥13.2	¥20
Net Income	¥5.4	¥7

Regarding the shortfalls below target in the EE Group, the Group will deal with this issue by preparing a new medium-term management plan that will include restructuring of the EE Group's overall business activities. Current scheduling calls for launching this plan during the first half of fiscal year ending March 31 2008.

Also, under the current medium-term plan, the Group has set the following targets for attainment by the end of the fiscal year ending March 31, 2008, the last fiscal year of the current plan:

ROE: 8% or more

Debt/equity ratio: 1.2 or lower

At the end of the fiscal year under review (the second year of the current medium-term plan), these indicators of management performance were as follows:

ROE: 3.6%

Debt/equity ratio: 1.4

④ Attainment of Management Objectives

Please see related item covered previously.

(2) Analysis of Financial Position

The following is an analysis of assets, liabilities, net assets, and cash flows.

① Assets

As a result of an increase from the end of the previous year in current assets of ¥46,754 million and a decrease in fixed assets of ¥14,353 million, total assets amounted to ¥625,032 million. The principal reasons for these movements in assets were as follows.

The current asset categories showing increases were cash and cash equivalents and inventories. As a result of policies adopted to increase liquidity, cash and cash equivalents rose ¥18,575 million over the previous fiscal year-end. Inventories increased ¥12,468 million over the previous year-end, to ¥96,589 million, owing to larger balances of orders outstanding in the FMS Group and the PM Group. Other current assets were up ¥14,595 million, to ¥31,227 million, because of the emergence of claims for compensation accompanying the cancellation of a fluidized-bed gasification incinerator project for the Ministry of Housing and Local Government of Malaysia, an increase in prepayments accompanying the rise in orders outstanding, and other factors. Tangible and Intangible fixed assets were approximately the same as at the end of the previous fiscal year as a net result of capital expenditures of ¥17,917 million, depreciation write-offs of ¥12,842 million, the sale of certain assets, and other factors.

Investments and other assets declined ¥15,618 million from the previous fiscal year-end, to ¥80,821 million, because of the sales of investment securities (the amount of which was ¥16,342 million below than the previous fiscal year-end).

② Liabilities

Compared with the previous fiscal year-end, current liabilities increased ¥19,302 million, and long-term liabilities were up ¥16,846 million, thus bringing total liabilities to ¥470,063 million. The principal causes of these increases were as follows.

The increase in current liabilities was due primarily to higher balances of notes payable and other trade payables as well as an increase in interest-bearing debt. Notes payable and other trade payables rose ¥7,181 million, to ¥167,880 million, because of the increase in the balance of orders received. Short-term interest-bearing debt—which includes short-term borrowings, commercial paper, and the current portion of long-term debt—rose ¥3,386 million, to ¥98,035 million, owing to the amortization at maturity of ¥19,999 million in outstanding convertible bonds, an increase in commercial paper outstanding, and the transfer of ¥14,000 million in straight

bonds from long-term liabilities to the current portion of long-term debt. In addition, other current liabilities were up ¥5,968 million over the prior fiscal year-end, to ¥40,856 million, because of an increase in advance payments received.

The principal reason for the increase in long-term liabilities was the issuance of ¥40,000 million in bonds with rights to purchase new shares as a long-term, low-interest rate source of funding.

③ Net Assets

Shareholders' equity declined ¥2,440 million from the previous fiscal year-end, to ¥151,255 million. Retained earnings were up ¥2,489 million, to ¥19,455 million, owing to the net effect of reporting net income of ¥5,446 million and the payment of ¥3,169 million in cash dividends. In addition, accompanying the sale of investment securities, the net unrealized gain on marketable equity securities declined ¥6,710 million.

Beginning with the fiscal year under review, minority interests in consolidated subsidiaries, amounting to ¥3,714 million, have been included in net assets accompanying the application of "Accounting Standards for Presentation of Net Assets on the Balance Sheets."

④ Cash Flows

Net cash flow provided by operating activities before payments of interest and taxes was ¥15,244 million higher than for the previous fiscal year and amounted to ¥9,543 million, owing to increases in interest and dividends received and lower payments of corporate income taxes.

Net cash used in investing activities amounted to ¥10,549 million, as the Group purchased ¥17,489 million in fixed assets, including expenditures for the replacement of older equipment; purchased other fixed assets, including land and sold certain of its investment securities.

Net cash provided by financing activities amounted to a net inflow of ¥17,166 million as the Group made a net increase in funding of ¥19,608 million through the issuance of bonds and additions to other types of interest-bearing debt, which more than offset cash dividends paid of ¥3,169 million.

As a consequence, consolidated cash and cash equivalents at the end of the period were ¥66,086 million, ¥18,575 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	March 31 2003	March 31 2004	March 31 2005	March 31 2006	March 31 2007
Shareholders' equity ratio:	17.4%	19.5%	18.4%	25.9%	24.2%
Shareholders' equity ratio at market value:	17.8%	31.2%	28.5%	52.8%	37.8%
Years to repay debt:	145.3 years	9.4 years	-	-	22.4 years
Interest coverage ratio:	0.6	8.4	-	-	2.8

Notes:

1. Shareholders' equity ratio: Shareholders' equity/Total assets
2. Shareholders' equity ratio as 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-bearing debt is defined as all liabilities appearing on the Consolidated Balance Sheets on which interest must be paid. 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 Fiscal 2007 and Fiscal 2008

The Group regards returning a portion of its income to its shareholders as one of its most important management tasks. In setting its dividends, the Group takes into account its consolidated performance and financial position for the current and future fiscal period while aiming to pay stable cash dividends. Dividends are paid twice a year, with the dates of record being March 31 and September 30.

For the year under review, the Company suspended the payment of the interim dividend but, after careful consideration, will decide to pay a dividend of ¥7.5 per common share for the second half of the fiscal year.

For the next fiscal year, the Company is scheduled to keep its annual dividend at ¥7.5 per share in the interest of maintaining stability in dividend payments and will not pay a dividend for the interim period as in the prior fiscal year.

(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.

① Market Risk

Public works projects account for a high percentage of the sales of the FMS Group and the EE Group. Accordingly, there is a possibility that cutbacks in public works by the national government, regional governments, and related entities may increase fluctuations in the Group’s business activities, performance, and financial position.

In addition, the business of the PM Group is strongly influenced by the silicon cycle. Accordingly, fluctuations in the market for semiconductors may increase fluctuations in the Group’s business activities, performance, and financial position.

② Large-scale projects and overseas business activities

The Group manufactures and constructs machinery and plants in big projects both in Japan and foreign countries. Some of these projects involve a high level of technical difficulty. And big projects in foreign countries involve risks related to business environments which differ from those of Japan. The Group takes possible measures to control these risks and provides for construction losses by setting aside an amount based on its estimate of such costs; however, if actual additional costs exceed the reserves, this may have a detrimental impact on the Group’s performance.

Foreign currency transactions, etc., related to overseas business activities are converted into yen when

preparing the consolidated financial statements. The value of transactions may vary according to the foreign currency exchange rates prevailing at the time of conversion, but, if the yen appreciates, this may have an adverse impact on the business operations of the Group. Conversely, if the yen depreciates in value against foreign currencies, this may have positive impact on the Group's business activities.

③ Interest Rate Risk

The Group is working to reduce its interest-bearing debt, but, as of March 31, 2007, a short-term interest bearing debt amounted to ¥98,035 million and the balance of long-term interest bearing debt was ¥115,313 million, which reached a total of ¥213,349 million. Interest-bearing debt includes fixed- and floating-rate liabilities. For that portion of interest-bearing debt borrowed at floating rates, the Group has arranged for interest rate swaps to fix the interest liability and loans with floating – rates to lessen the risk of interest rate fluctuations; however, if interest payments on the unhedged portion rise due to higher interest rates, this may have an impact on the Group's performance.

④ 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 a detrimental impact on Group 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 Group performance.

⑤ Government Penalties, etc.

The Group violated the provisions of Japan's Antimonopoly Act (acting in restraint of trade) in construction work on sludge processing facilities and on tunnel-ventilating equipment.

Also, on March 30, 2004, the Group received an order from the Fair Trade Commission excluding the Group from activities described in "Construction Related to Sewage Pumps under Orders Placed by the Sewage Commission of the City of Tokyo," and judicial proceedings are still under way regarding this matter.

There is a possibility that as a result of violations or the results of judicial proceedings that the Group may receive an order from the Ministry of Land, Infrastructure and Transport, based on Japan's Construction Law, to temporarily cease operations. (The Group received such an order to cease operations from March 15 for a period of 15 days in connection with construction work on tunnel-ventilating equipment.

As a result of the circumstances described here, the Group may receive an order from the national and local governments or others that will exclude it from certain projects; this would result in a decline in orders and have an adverse impact on the Group's performance.

⑥ Deferred Tax Assets

The Group believes that its deferred tax assets will make it possible to make recoveries from future taxable income. Regarding the portion of deferred tax assets for which the Group believes there is doubt about making recoveries, the Group has provided the valuation allowance for such doubtful amounts. However, the estimate of future taxable income may vary depending on performance at that time. In the event that factors influencing the estimate of taxable income vary, it may be necessary to make changes in the valuation allowance amounts. In such cases, the Group will make adjustments in the doubtful portion of deferred tax assets, and, since an equivalent amount will be reflected in the deferred tax benefit on the Consolidated Statements of Income, there is a possibility that net income may decline as a result.

2. Corporate Group Information

The Ebara Group (the Group) comprises the parent company (Ebara Corporation, the Company), 112 subsidiaries (56 of which are consolidated), and 21 affiliates. With the parent company as the focus of its activities, 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 parent company and principal consolidated subsidiaries, and their names are as shown below.

Segment	Principal Lines of Business	Functions and Areas of Responsibility	Ebara Corporation and principal consolidated subsidiaries
Fluid Machinery and Systems	Manufacturing, sales, and maintenance of pumps, blowers, fans, compressors, turbines, refrigeration and heating equipment, and other items. Engineering, construction, operation, and maintenance services for wind-powered and hydroelectric power plants.	Manufacture and sales	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Densan Ltd. • Ebara Shinwa Ltd. • Ebara Hamada Blower Co., Ltd. • Ebara Yoshikura Hydro-Tech Co., Ltd. • Elliott Ebara Turbomachinery Corporation • Ebara Refrigeration Equipment & Systems Co., Ltd. • Ebara Kiden Co., Ltd. • Elliott Company • Ebara International Corporation • Ebara Pumps Europe S. p. A
		Engineering, construction, operation and maintenance	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Yoshikura Hydro-Tech Co., Ltd.
		Sales and maintenance	<ul style="list-style-type: none"> • Ebara Techno-serve Co., Ltd. • Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	<ul style="list-style-type: none"> • Ebara Material Co., Ltd.
Environmental Engineering	Engineering, construction, operation, and maintenance of environmental improvement equipment, incinerator plants, nuclear power related equipment, waterworks and sewage system, and other types of plants and equipment. Manufacturing and sales of industrial chemicals. Energy supply.	Engineering and construction	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Engineering Service Co., Ltd. • Ebara Environmental Engineering Co., Ltd. • Ebara Environmental International Co., Ltd. • Ebara Qindao Co., Ltd.
		Operation and maintenance	<ul style="list-style-type: none"> • Ebara Engineering Service Co., Ltd.
		Manufacturing and sales of chemicals	<ul style="list-style-type: none"> • Ebara Engineering Service Co., Ltd.
		Energy supply	<ul style="list-style-type: none"> • Ebara Corporation • Eco Power Co., Ltd.
Precision Machinery	Manufacturing, sales, and maintenance of vacuum pumps and machinery and equipment for the semiconductor industry	Manufacturing and sales	<ul style="list-style-type: none"> • Ebara Corporation • Matsubo Company Ltd.
		Manufacturing and maintenance	<ul style="list-style-type: none"> • Ebara Field Tech. Corporation • Ebara Technologies Inc.
Others	All other lines of business not mentioned above	Research and development	<ul style="list-style-type: none"> • Ebara Research Co., Ltd.
		Management of real estate, etc.	<ul style="list-style-type: none"> • Ebara Agency Co., Ltd.

Note: Results of the segment "Others" are not material and are reported in the Environmental Engineering segment.

3. Management Policies

(1) Basic Policies

The corporate philosophy of the Ebara Group is “to contribute broadly to society by offering superior technologies and optimal services in the areas of water, the air, and the environment.” The Group is committed to responding to a wide range of social needs by minimizing the impact of its activities on the natural environment and engaging in corporate activities that contribute to the creation of a sustainable, recycling-oriented society. Moreover, the Group aims to be a corporate entity in harmony with the natural environment, giving full consideration to environmental management to minimize the burden its corporate activities place on the environment, both directly and indirectly.

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

(2) Target Management Performance Measures

Ebara and the other companies of the Ebara Group regard return on equity (ROE) and return on assets (ROA) as their most important management indicators. Management employs both indicators to measure the overall performance of Ebara and the Ebara Group as a whole and considers ROA the most important indicator for the Company’s individual business segments and other Group companies operating within these segments. Among other indicators, next in significance are cash flows, net sales, and ordinary income.

Ebara and other Group companies have chosen ROE as their key management indicator to make clear, both internally and externally, the shareholder-oriented stance of their management policies. In addition, ROA, cash flows, sales, and ordinary income have been selected as metrics to assess the performance of both business segments and Group companies operating under these segments because of their wide applicability and their usefulness in making comparisons and analyses over time.

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.

To strengthen the Group’s financial position through the reduction of interest-bearing debt, the debt to equity ratio (defined as the ratio of interest-bearing debt to shareholders’ equity) has been selected as another indicator and it is used in guiding the management of the Group.

(3) Medium-to-Long Term Management Policies

One of the medium-to-long term management strategies that the Ebara Group is implementing is to reform its portfolio of business activities by reviewing and reducing dependence on domestic public-sector demand and achieve a better balance of business from the domestic private sector and overseas business activities. To achieve these objectives, the Group is already implementing necessary organizational realignments and the reallocation of management resources in the FMS Group and the EE Group and plans to continue these measures going forward.

In addition, the Group has positioned the restructuring of the EE Group as one of its most important strategic objectives and is implementing such restructuring initiatives. To this end, the Group undertook drastic structural reforms in April this year, with the aim of reviewing the Group’s initiatives in the new energy field, which are included within the EE Group; moreover, during the first half of the fiscal year ending March 31 2008, the Group will prepare a new medium-term management plan, which will include measures for the overall restructuring of engineering business

activities.

(4) Issues to Be Addressed

① Responding to the Market Environment for Domestic Public Work Projects

The Group is aware of the need to respond quickly to changes in markets, especially the domestic market for public works projects, and takes initiatives of restructuring of the Group's business for such market in consideration of options, such as alliance as well as reorganization in the Group, etc.

② Achieving Financial Soundness

The Group pursues initiatives to increase the soundness of its financial position and address financial issues. These initiatives include reducing the balance of the Group's interest-bearing debt, increasing capital, and securing liquidity for its operations.

③ Recovering claims for compensation related to the fluid-bed gasification project in Malaysia

The Group received a notice dated September 1, 2006 from the Ministry of Housing and Local Government of Malaysia to cancel the contract for a gasification incinerator plant with a capacity of 1,500 tons a day.

At present, the Group is engaged in negotiations with the relevant parties to complete the recovery of these claims at an early date. As of the end of March 2007, the Group had completed the preparation of and presented documents containing requests for payment, including detailed documentation related to compensation claims, to the relevant parties, and has begun negotiations. Periodic negotiations are scheduled going forward.

(5) Other Items Significant for the Company's Management

We regret to report that the Ebara Group was found to be in violation of Japan's Antimonopoly Act in its bidding activities related to construction work on tunnel-ventilation and sludge-reprocessing facilities and has been ordered by Japan's Fair Trade Commission to pay relevant penalties. As a result, in March 2007, the Group received an order from the Ministry of Land, Infrastructure and Transport to cease operations related to tunnel-ventilation construction work for a period of 15 days in Tokyo and six prefectures in the Kanto metropolitan area as well as in Yamanashi and Nagano prefectures. Regarding construction work on sludge-reprocessing facilities, on March 29, 2007, Ebara and certain of its former employees were found guilty of violations of the Antimonopoly Act by the Osaka District Public Prosecutor's Office. Judicial proceedings related to activities described in "Construction Related to Sewage Pumps under Orders Placed by the Sewage Commission of the City of Tokyo," for which the Group received an exclusion order in March 2006, are still under litigation. In addition, Ebara has taken action against former members of management who are believed to have used Company funds improperly, and confirmation of facts, determination of damages, and legal procedures are currently under way. We sincerely regret the concern and inconvenience that these various legal actions and matters may have caused among related parties.

As of April 3, 2007, Ebara has taken steps to revitalize its management team, including the appointment of a new president and representative director. In addition, the Company is adopting measures to strengthen its corporate governance as well as implementing reforms to heighten awareness among all management and staff of compliance issues. These reforms include the formation of a committee headed by the new president and including outside experts as members who will develop policies to prevent a recurrence of compliance and other issues previously described. The members of the committee are as follows:

Committee chairperson	Natsunosuke Yago	President and Representative Director Chairman of the Board
Members	Hiroshi Kamiya	Director Senior Managing Executive Officers
	Akihiro Ushitora	Managing Executive Officers
	Tetsuji Fujimoto	Executive Officers
	Yoshio Omori	Corporate Auditors
	Tatsuo Uemura	Dean of the Law Department, Waseda University

The Group will renew its efforts to encourage a thorough understanding of the necessity of being compliant with acceptable social practices and business ethics and to create a corporate culture that has fully internalized an emphasis on compliance.

Consolidated balance sheets

	Notes	March 31, 2006		March 31, 2007		Changes
		Millions of yen	%	Millions of yen	%	Millions of yen
Assets						
I Current assets						
1 Cash and time deposits		47,509		66,085		18,575
2 Trade receivables	*7	227,534		225,004		(2,529)
3 Securities		0		0		0
4 Inventories		84,121		96,589		12,468
5 Deferred tax assets		10,867		14,765		3,897
6 Others		16,631		31,227		14,595
7 Allowance for doubtful receivables		(1,751)		(2,004)		(252)
Total current assets		384,914	65.0	431,669	69.1	46,754
II Fixed assets						
(1) Tangible fixed assets	*1 *3					
1 Buildings		32,913		31,847		(1,065)
2 Machinery and equipment		34,398		36,990		2,592
3 Land		19,527		18,883		(643)
4 Construction in progress		3,511		4,739		1,228
5 Others		5,971		5,814		(157)
Total tangible assets		96,321	16.3	98,276	15.7	1,954
(2) Intangible assets						
1 Software		3,315		3,315		(0)
2 Consolidated goodwill		2,547		-		(2,547)
3 Goodwill		-		5,046		5,046
4 Others		9,091		5,903		(3,188)
Total intangible assets		14,954	2.5	14,264	2.3	(689)
(3) Investments and long-term receivables						
1 Investment securities	*2 *3	53,926		37,583		(16,342)
2 Long-term loans receivable		3,432		3,857		425
3 Deferred tax assets		27,371		25,128		(2,234)
4 Others	*2 *3	15,458		16,974		1,515
5 Allowance for doubtful receivables		(830)		(1,096)		(266)
6 Reserve for revaluation of investments		(2,917)		(1,624)		1,292
Total investments and long-term receivables		96,440	16.3	80,821	12.9	(15,618)
Total fixed assets		207,716	35.0	193,363	30.9	(14,353)
Total assets		592,631	100.0	625,032	100.0	32,401

	Notes	March 31, 2006		March 31, 2007		Changes
		Millions of yen	%	Millions of yen	%	Millions of yen
Liabilities						
I Current liabilities	*7					
1 Trade payables		160,699		167,880		7,181
2 Short-term bank loans		71,650		69,035		(2,614)
3 Commercial paper		3,000		15,000		12,000
4 Current portion of bonds		-		14,000		14,000
5 Current portion of convertible bonds		19,999		-		(19,999)
6 Accrued income taxes		2,677		2,911		234
7 Deferred tax liabilities		123		5		(118)
8 Bonus payment reserve		6,946		7,274		328
9 Directors' Bonus payment reserve		139		159		20
10 Reserve for losses on construction completion guarantees		2,129		3,321		1,192
11 Reserve for construction losses		479		669		189
12 Reserve for losses arising from violation of the Antimonopoly Act		-		920		920
13 Others		34,888		40,856		5,968
Total current liabilities		302,733	51.1	322,035	51.5	19,302
II Long-term liabilities						
1 Bonds		44,000		30,300		(13,700)
2 Bonds with stock acquisition rights		-		40,000		40,000
3 Long-term bank loans		53,489		45,013		(8,476)
4 Deferred tax liabilities		1,197		880		(317)
5 Accrued severance and pension costs		30,923		29,145		(1,778)
6 Directors' retirement allowance reserve		1,043		969		(74)
7 Consolidated goodwill		19		-		(19)
8 Reserve for losses on contingent liabilities		283		71		(212)
9 Others		222		1,646		1,424
Total long-term liabilities		131,181	22.1	148,027	23.7	16,846
Total liabilities		433,914	73.2	470,063	75.2	36,148
Minority interests in consolidated subsidiaries						
Minority interests in consolidated subsidiaries		5,021	0.8	-	-	
Shareholders' equity						
I Common stock	*5	61,283	10.3	-	-	
II Capital surplus		65,211	11.0	-	-	
III Retained earnings		16,965	2.9	-	-	
IV Net unrealized gain on investment securities		13,476	2.3	-	-	
V Translation adjustments		(3,188)	(0.5)	-	-	
VI Treasury stock, at cost	*6	(54)	(0.0)	-	-	
Total shareholders' equity		153,695	25.9	-	-	
Total liabilities and shareholders' equity		592,631	100.0	-	-	

	Notes	March 31, 2006		March 31, 2007		Changes
		Millions of yen	%	Millions of yen	%	Millions of yen
Net assets						
I Shareholders' equity						
1 Common stock		—	—	61,284	9.8	
2 Capital surplus		—	—	65,212	10.4	
3 Retained earnings		—	—	19,455	3.1	
4 Treasury stock, at cost		—	—	(92)	(0.0)	
Total shareholder' equity				145,858	23.3	
II Net unrealized gain						
1 Net unrealized gain on investment securities		—	—	6,766	1.1	
2 Profit/Loss deferral hedge accounting		—	—	13	0.0	
3 Translation adjustments		—	—	(1,383)	(0.2)	
Total net unrealized gain		—	—	5,396	0.9	
III Minority interests in consolidated subsidiaries		—	—	3,714	0.6	
Total Net assets		—	—	154,969	24.8	
Total liabilities and net assets		—	—	625,032	100.0	

Consolidated statements of income

	Notes	From April 1, 2005 to March 31, 2006		From April 1, 2006 to March 31, 2007		Changes		
		Millions of yen	%	Millions of yen	%	Millions of yen		
I Net sales			514,957	100.0		538,097	100.0	23,140
II Cost of sales			418,413	81.3		434,934	80.8	16,520
Gross profit			96,543	18.7		103,163	19.2	6,619
III Selling, general and Administrative expenses								
1 Sales commission		4,847			5,330			483
2 Packing and transportation		4,894			4,354			(539)
3 Sales promotion		1,366			1,296			(69)
4 Allowance for doubtful receivables		333			142			(191)
5 Personnel expenditure		34,925			37,277			2,351
6 Bonus payment reserve expense		1,240			1,336			95
7 Directors' bonus payment reserve expense		107			44			(62)
8 Employee's retirement expenses		2,949			2,722			(227)
9 Directors' retirement expenses		183			202			19
10 Travelling expenses		4,069			4,211			141
11 Public dues and taxes		1,628			1,498			(129)
12 Depreciation and amortization		3,288			2,790			(497)
13 Amortization of consolidated goodwill		1,110			-			(1,110)
14 Amortization of goodwill		-			744			744
15 Research and development costs	*1	10,883			11,357			474
16 Others		13,813	85,641	16.6	16,603	89,914	16.7	2,790
Operating income			10,902	2.1		13,249	2.5	2,346
IV Non-operating income								
1 Interest income		319			492			173
2 Dividend income		748			3,208			2,460
3 Insurance income		114			202			87
4 Foreign exchange gain		799			-			(799)
5 Others		793	2,776	0.5	1,088	4,992	0.9	294
V Non-operating expenses								
1 Interest expenses		3,523			3,738			214
2 Allowance for doubtful receivables		674			274			(399)
3 Foreign exchange loss		-			50			50
4 Loss on equity method		-			1,131			(1,131)
5 Others		1,749	5,947	1.2	2,631	7,827	1.5	882
Ordinary income			7,731	1.5		10,414	1.9	2,683
VI Extraordinary income								
1 Gain on sales of fixed assets	*2	4,768			647			(4,121)
2 Gain on sales of investment securities		5,074			7,246			2,172
3 Gain on reversal of allowance for doubtful receivables		-			44			44
4 Gain on reversal of reserve for losses on contingent liabilities		105	9,949	1.9	212	8,150	1.5	106

	Notes	From April 1, 2006 to March 31, 2007		From April 1, 2006 to March 31, 2007		Changes
		Millions of yen	%	Millions of yen	%	Millions of yen
VII Extraordinary expenses						
1 Loss on sales of fixed assets	*3	104		146		42
2 Loss on disposal of fixed assets	*4	1,051		283		(767)
3 Loss on liquidation of subsidiaries and affiliates		51		1,443		1,392
4 Impairment losses	*5	459		341		(118)
5 Loss on sales of investment securities		20		0		(19)
6 Write-down of securities and other investments		135		44		(91)
7 Write-down of inventories		1,080		-		(1,080)
8 Reserve for revaluation of investments		345		197		(148)
9 Losses arising from violation of the Antimonopoly Act		-		1,927		1,927
10 Reserve for losses arising from violation of the Antimonopoly Act		-		920		920
11 Loss on the prior year adjustment	*7	-		1,183		1,183
12 Legal expenses		-		959		959
13 Product warranty expenses		747	3,996	-	7,447	1.4
Income before income taxes			13,685		11,117	2.1
Income taxes		3,622		4,161		539
Deferred tax benefits		6,670	10,293	2.0	2,535	6,697
Minority interests in consolidated subsidiaries			(41)	0.0	1,026	0.2
Net income			3,349	0.7	5,446	1.0

Consolidated statements of shareholders' equity

	Notes	From April 1, 2005 to March 31, 2006	
		Millions of yen	
Capital surplus			
I Capital Surplus at beginning			45,264
II Increase in capital surplus			
Shares issued on conversion of convertible bonds		19,947	19,947
III Capital surplus at ending			65,211
Retained earnings			
I Retained earnings at beginning			15,850
II Increase in retained earnings			
1 Net income		3,349	
2 Increase in interest in newly consolidated subsidiaries		274	3,624
III Decrease in retained earnings			
1 Cash dividends		(2,508)	
2 Loss on disposal of treasury stock		(0)	(2,509)
IV Retained earnings at ending			16,965

Consolidated statements of shareholders' equity

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	61,283	65,211	16,965	(54)	143,406
Changes					
Conversion of convertible bonds	0	0			0
Cash dividend			(3,169)		(3,169)
Net profit			5,446		5,446
Changes in interest in newly consolidated subsidiaries			524		524
Changes in interest in divested consolidated subsidiaries			489		489
Changes in interest in newly accounted for equity method			(801)		(801)
Acquisition of treasury stock				(43)	(43)
Disposal of treasury stock			(0)	4	4
Others					-
Total	0	0	2,489	(38)	2,451
Balance at March 31, 2007	61,284	65,212	19,455	(92)	145,858

	Valuation, transition adjustment and others				Minority interest	Total net assets
	Net unrealized gain on investment securities	Deferred hedge gain (loss)	Translation adjustment	Sub-total		
Balance at March 31, 2006	13,476	-	(3,188)	10,288	5,021	158,716
Changes						
Conversion of convertible bonds				-		0
Cash dividend				-		(3,169)
Net profit				-		5,446
Changes in interest in newly consolidated subsidiaries				-		524
Changes in interest in divested consolidated subsidiaries				-		489
Changes in interest in newly accounted for equity method				-		(801)
Acquisition of treasury stock				-		(43)
Disposal of treasury stock				-		4
Others	(6,710)	13	1,805	(4,891)	(1,307)	(6,199)
Total	(6,710)	13	1,805	(4,891)	(1,307)	(3,747)
Balance at March 31, 2007	6,766	13	(1,383)	5,396	3,714	154,969

Consolidated statements of cash flows

		From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
		Millions of yen	Millions of yen
	Notes		
I	Cash flows from operating activities:		
1	Income before income taxes	13,685	11,117
2	Depreciation and amortization	12,449	12,842
3	Loss on impairment losses	459	341
4	Gain on sales of securities	(5,054)	(7,246)
5	Loss on violation of Antimonopoly Act	-	2,847
6	Legal expenses	-	959
7	Increase (decrease) in allowance	(4,649)	(2,567)
8	Gain on sales of fixed assets	(4,664)	(500)
9	Other noncash expenses	3,299	3,753
10	Interest and dividend income	(1,068)	(3,701)
11	Interest expenses	3,523	3,738
12	Decrease (increase) in trade receivables	(19,991)	2,068
13	Decrease (increase) in inventories	1,109	(11,867)
14	Decrease in trade payables	10,485	6,783
15	Others	(9,336)	(3,077)
	Sub-total	247	15,491
16	Interest and dividend received	823	3,816
17	Interest expenses paid	(3,704)	(3,451)
18	Loss on violation of Antimonopoly Act and Legal expenses paid	-	(1,998)
19	Income taxes paid	(7,138)	(4,314)
	Net cash provided by (used for) operating activities	(9,772)	9,543
II	Cash flows from investing activities		
1	Sales of fixed assets	6,343	2,606
2	Purchase of fixed assets	(13,959)	(17,489)
3	Sales of investment securities	7,798	10,179
4	Purchase of investment securities	(2,793)	(2,703)
5	Sales (purchase) of other investments, net	320	764
6	Collection of loans receivable	1,755	4,107
7	Disbursement of loans receivable	(3,565)	(6,200)
8	Acquisition of consolidated subsidiaries	-	(1,620)
9	Sale of consolidated subsidiaries	-	(194)
	Net cash used for investing activities	(4,099)	(10,549)
III	Cash flows from financing activities:		
1	Issuance of bonds	39,992	39,924
2	Redemption of bonds	(16,000)	(20,118)
3	Proceeds from short-term bank loans and commercial paper	37,011	56,490
4	Repayment of short-term bank loan and commercial paper	(49,832)	(58,748)
5	Proceeds from long-term bank loans	12,732	2,668
6	Repayment of long-term bank loans	(71)	(608)
7	Capital paid in from minority shareholders	648	919
8	Purchase and sales of treasury stock	(36)	(38)
9	Dividends paid	(2,508)	(3,169)
10	Dividends paid to minority shareholders in consolidated subsidiaries	(175)	(153)
	Net cash provided by (used for) financing activities	21,760	17,166
IV	Translation adjustments	376	1,691
V	Increase (decrease) in cash and cash equivalents	8,265	17,852
VI	Cash and cash equivalents At beginning of period:		
	Balance brought forward	38,960	47,510
VII	Net effect of deconsolidation and consolidation of subsidiaries	285	723
VIII	At end of period:		
	Balance brought forward	47,510	66,086
	*1		

Significant accounting principles

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 54</p> <p>Significant consolidated subsidiaries: Mentioned in Corporate Group Information</p> <p>The following subsidiaries were newly consolidated: Ebara Kiden Co., Ltd. Yantai Ebara Air Conditioning Equipment Co., Ltd. Elliott Ebara Middle East Maintenance W.L.L.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off. Ebara Technosystem Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia</p> <p>(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.</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method Not applicable</p> <p>(2) Number of affiliated companies applied equity method Not applicable</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in Names of significant nonconsolidated subsidiaries (Affiliated company) Hyosung-Ebara Co., Ltd.</p> <p>(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.</p> <p>3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is December 31: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between December 31 and the period end were adjusted in consolidation.</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 56</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated: The following subsidiaries were newly consolidated: Ebara Environmental Engineering Co., Ltd. Elliott Ebara Servicios para Equipamentos Rotativos Ltda. Yoshikura Ltd. Yoshikura Ltd. was merged with Ebara Hydro-Tech Co., Ltd. and the trading name of the surviving company was changed to Ebara Yoshikura Hydro-tech Co., Ltd. on the merging date. Ebara-Elliott Service (Taiwan) Co., Ltd. Elliott Ebara Singapore Pte. Ltd.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off. IT Engineering Limited Ebara Fan Engineering Co., Ltd.</p> <p>(2) Mentioned left</p> <p>(3) Mentioned left</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method 1 The following subsidiary was newly adopted equity method Ebara Espana Bombas S.A.</p> <p>(2) Number of affiliated companies applied equity method 2 The following affiliated companies were newly adopted equity method. IT Engineering Limited e-BEAM Corporation</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left</p> <p>(4) Mentioned left</p> <p>3 Financial year end of consolidated subsidiaries Mentioned left</p>

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007				
<p>4 Significant accounting principles</p> <p>(1) Valuation standards and valuation methods of assets</p> <p>①Securities</p> <p>Held-to-maturity securities Amortized cost method</p> <p>Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to shareholders' equity as shown in the balance sheets</p> <p>Securities not quoted Gross average cost</p> <p>②Inventories</p> <p>Finished products and raw materials are stated at the gross average cost, except for in the Precision Machinery segment, which employs the moving average method, and work in process is valued at accumulated job cost. Real estate for sale represents the accumulated cost for each parcel of land and each structure.</p> <p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets</p> <p>Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of the assets of the Company and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Company and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese income tax regulations, are shown below:</p> <table data-bbox="239 1187 790 1254"> <tr> <td>Buildings</td> <td>3 to 50 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>2 to 20 years</td> </tr> </table> <p>②Intangible assets and other investments</p> <p>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.</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables</p> <p>An allowance for doubtful receivables 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 collectibility of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.</p> <p>②Bonus payment reserve</p> <p>Bonus payment reserve is provided based on the future liabilities.</p> <p>③Directors' bonus payment reserve</p> <p>Directors' bonus payment reserve is provided based on the future liabilities.</p>	Buildings	3 to 50 years	Machinery and equipment	2 to 20 years	<p>4 Significant accounting principles</p> <p>(1) Valuation standards and valuation methods of assets</p> <p>①Securities</p> <p>Held-to-maturity securities Mentioned left</p> <p>Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to net assets as shown in the balance sheets</p> <p>Securities not quoted Mentioned left</p> <p>②Inventories Mentioned left</p> <p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets Mentioned left</p> <p>②Intangible assets and other investments Mentioned left</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables Mentioned left</p> <p>②Bonus payment reserve Mentioned left</p> <p>③Directors' bonus payment reserve Mentioned left</p>
Buildings	3 to 50 years				
Machinery and equipment	2 to 20 years				

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
<p>④Severance and pension plans The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. Actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.</p> <p>⑤Directors' retirement allowance reserve Directors' retirement allowance reserve 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.</p> <p>⑥Reserve for revaluation of investments To prepare for possible declines in the value of stocks of subsidiaries and affiliated companies, the Company makes provisions based on estimates of the effects of major fluctuations in foreign exchange rates and changes in the financial positions of these subsidiaries and affiliated companies.</p> <p>⑦Reserve for losses on contingent liabilities To prepare for possible losses related to liabilities of subsidiaries and affiliated companies that are guaranteed by the Company (contingent liabilities), the Company makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.</p> <p>⑧Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Company makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.</p> <p>⑨Reserve for construction losses To prepare for possible losses on construction projects contracted to the Company, the Company makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.</p> <p>⑩-----</p>	<p>④Severance and pension plans Mentioned left</p> <p>⑤Directors' retirement allowance reserve Mentioned left</p> <p>⑥Reserve for revaluation of investments Mentioned left</p> <p>⑦Reserve for losses on contingent liabilities Mentioned left</p> <p>⑧Reserve for losses on construction completion guarantees Mentioned left</p> <p>⑨Reserve for construction losses Mentioned left</p> <p>⑩Reserve for losses arising from violation of the Antimonopoly Act To provide for possible expenses arising from violation of the Antimonopoly Act, the Group makes reasonable estimates of the expenses.</p>

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
<p>(4) Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of-completion basis. Sales recorded on a percentage-of-completion basis is 106,505 million.</p> <p>(5) Leases All leases of the Company and its domestic subsidiaries are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions.</p> <p>(6) Significant hedging accounting methods</p> <p>①Hedging 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.</p> <p>②Hedging 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.</p> <p>③Hedging 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.</p> <p>④Assessing 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.</p>	<p>(4) Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of-completion basis. Sales recorded on a percentage-of-completion basis is 104,933 million. In the Wind power generation business, for those long-term contracts that provide for future reductions in the “unit price that can be charged,” Ebara recognizes revenues based on one of two methods: the “adjusted unit price” or the “weighted average unit price over the period of the contract.” The differences between consolidated net sales based on the “unit price that can be charged” and consolidated net sales based on one of the two methods are recognized in the fiscal year when the “unit price that can be charged” declines and is treated as a carryforward. The amount carried forward is presented under other long-term liabilities.</p> <p>(5) Leases Mentioned left</p> <p>(6) Significant hedging accounting methods</p> <p>①Hedging transactions Mentioned left</p> <p>②Hedging instruments and hedging objects Hedging instruments Mentioned left Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p>

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
<p>(7) Consumptive tax Consumptive taxes are accounted for using the net-of-tax method.</p> <p>(8) Consolidated taxation system A consolidated tax system is introduced.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.</p> <p>6. Depreciation of consolidated adjustment account Depreciation of consolidated goodwill is calculated using the straight-line method based on the period less than 20 years. However, immaterial amounts are depreciated with a one-time charge in the period in which they occur.</p> <p>7. -----</p> <p>8. Appropriation of Retained Earnings Appropriations of retained earnings at each year-end are reflected in the financial statements for the following year upon shareholders' approval.</p> <p>9. Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.</p>	<p>(7) Consumptive tax Mentioned left</p> <p>(8) Consolidated taxation system Mentioned left</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Mentioned left</p> <p>6. Depreciation of consolidated adjustment account Mentioned left</p> <p>7. Amortization of Goodwill and Negative Goodwill The Company has set 20 years as a reasonable period for the amortization of goodwill and negative goodwill and uses the straight-line method to determine the amount to be amortized in each period. Those goodwill items that are not deemed to be material may be amortized in periods when they arise.</p> <p>8. Appropriation of Retained Earnings Mentioned left</p> <p>9. Cash and Cash Equivalents Mentioned left</p>

Change in accounting policies

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
<p>(Accounting Standards for Impairment of Fixed Assets) Beginning with the year ended March 31, 2006, the Group has applied the standards for accounting for the impairment of fixed assets contained in Opinion Concerning the Establishment of Accounting Standards for Impairment of Fixed Assets (issued by the Corporate Accounting Deliberation Council on August 9, 2002) and Guidelines for the Application of Accounting Standards for Impairment of Fixed Assets (issued on October 31, 2003, as the Guideline for Application of Corporate Accounting Standards No. 6). As a result of this accounting change, the income before income taxes was ¥459 million smaller than this income under the previous method of accounting. Regarding accumulated impairment losses, each asset was directly written off in accordance with revised regulations governing consolidated financial statements.</p>	<p>(Accounting Standards for Presentation of Net Assets on the Balance Sheets) Beginning with the period under review, the Group has applied "Accounting Standards for Presentation of Net Assets on the Balance Sheets" (ASBJ Statement No. 5, issued on December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets on the Balance Sheets (ASBJ Guidance No. 8, issued on December 9, 2005). The amount corresponding to Shareholders' Equity, according to the previous method of presentation, is ¥151,241 million. Please note that for the consolidated accounting period under review, accompanying the revision of the Rules for Presentation of Consolidated Financial Statements, the Net Assets section of the Consolidated Balance Sheets has been presented according to the revised rules for the presentation of consolidated financial statements.</p>

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
	<p>(Accounting Standards for Business Combination and Business Divestitures)</p> <p>Beginning with the interim consolidated accounting period under review, the Group has applied “Accounting Standards for Business Combinations” (ASBJ, issued on October 31, 2003), “Accounting Standards for Business Divestitures” (ASBJ Statement No. 7, issued on December 27, 2005), and “Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures” (ASBJ Guidance No. 10, issued on December 27, 2005).</p> <p>(Sales of the Wind power generation business)</p> <p>Previously, the Group accounted for the sales of the wind power generation business based on the “unit price that can be charged,” but, within the wind power generation business, there are certain long-term contracts that provide for stepwise reductions in the “unit price that can be charged.” To provide for a more appropriate intertemporal allocation of revenues and properly match revenues with expenses, in this fiscal year under review, for those contracts providing for reductions in the “unit price that can be charged,” the Group has begun to employ either the “adjusted unit price” or the “weighted average unit price over the period of the contract.” The differences between consolidated net sales based on the “unit price that can be charged” and consolidated net sales based on one of the two methods are recognized in the fiscal year when the “unit price that can be charged” declines and is treated as a carryforward. The amount carried forward is presented under other long-term liabilities.</p> <p>Note that accompanying this change in accounting treatment, revenues from previous periods that will be carried forward have been included under other long-term liabilities and were treated as extraordinary loss.</p> <p>At a result, sales and operating income are ¥243 million lower, respectively; ordinary income is ¥260 million lower and income before income taxes is ¥1,443 million lower than they would have been under the previous method of accounting. In addition, other long-term liabilities are ¥1,409 million higher than they would have been under the previous method.</p>

Changes in classification

From April 1, 2005 To March 31, 2006	From April 1, 2006 to March 31, 2007
-----	<p>(Consolidated Balance Sheets)</p> <p>The “consolidated goodwill” that was presented in the previous fiscal year among intangible fixed assets is now shown under “goodwill” beginning with the fiscal year under review. In addition, the “consolidated goodwill” that was presented under long-term liabilities in the previous fiscal year is now shown under “negative goodwill” beginning with the fiscal year under review; however, since these amounts are not material, they have been included in other long-term liabilities. Note that for the fiscal year under review “negative goodwill” on a consolidated basis included in other long-term liabilities was ¥2 million.</p> <p>“ Operating rights,” which were included among other intangible fixed assets in the previous fiscal year, have been included in “goodwill” beginning with the fiscal year under review. Note that for the fiscal year under review “operating rights” on a consolidated basis included in “goodwill” amounted to ¥2,575 million.</p> <p>(Consolidated Statements of Income)</p> <p>The “amortization of the consolidated goodwill” that was presented in selling, general and administrative expenses in the prior fiscal year is now shown under “amortization of goodwill” beginning with the fiscal year under review.</p>

Notes to consolidated financial statements

(Balance sheets)

March 31, 2006		March 31, 2007		
*1	Accumulated depreciation of tangible assets	165,112million	*1 Accumulated depreciation of tangible assets	171,139 million
*2	Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows:		*2 Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows:	
	Investment securities	8,462 million	Investment securities	7,331 million
	Others	5,228 million	Others	6,275 million
*3	Collateral assets		*3 Collateral assets	
	(Collateral assets for bank loans)		(Collateral assets for bank loans)	
	Buildings	1,570 million	Buildings	1,557 million
	Machinery and equipment	11,472 million	Machinery and equipment	10,651 million
	Other tangible assets	824 million	Other tangible assets	824 million
	Investment securities	5,284 million	Investment securities	4,213 million
	Total	19,151 million	Total	17,246 million
	Amount of bank loans		Amount of bank loans	
	Short-term loan	1,504 million	Short-term loan	1,524 million
	Long-term loan	10,605 million	Long-term loan	9,775 million
	The above collateral assets include a portion of industrial factory foundation as follows:		The above collateral assets include a portion of industrial factory foundation as follows:	
	Buildings	957 million	Buildings	906 million
	Machinery and equipment	175 million	Machinery and equipment	109 million
	Other tangible assets	501 million	Other tangible assets	501 million
	Total	1,634 million	Total	1,517 million
	Amount of bank loans		Amount of bank loans	
	Short-term loan	834 million	Short-term loan	600 million
	Long-term loan	245 million	Long-term loan	245 million
	(Collateral assets for purposes other than bank loans)		(Collateral assets for purposes other than bank loans)	
	Investment securities	546 million	Investment securities	546 million
	Other investment	130 million		
4	Commitments and contingent liabilities		4 Commitments and contingent liabilities	
	(1) Loans guaranteed to employees:	1,193 million	(1) Loans guaranteed to employees:	988 million
	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:		(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:	
	Aomori Renewable Energy	1,179 million	Oiwa Machinery Corporation	3,713 million
	Recycling Co., Ltd.		E-Square Co., Ltd.	2,668 million
	E-Square Co., Ltd.	2,966 million	Hasaki Wind Farm Co., Ltd.	1,270 million
	Hasaki Wind Farm Co., Ltd.	1,270 million	Other 16 companies	3,854 million
	Other 16 companies	3,295 million		
	(3) Loan guaranteed to business partners:		(3) Loan guaranteed to business partners:	
	Oiwa Corporation	4,086 million	Tomen Power Samukawa Co., Ltd.	173 million
	Tomen Power Samukawa Co., Ltd.	181 million		
	(4) Off-balance notes receivables with repurchase obligation		(4) Off-balance notes receivables with repurchase obligation	
		5,964 million		6,837 million
*5	Number of issued and outstanding shares		5 -----	
	Common stock	422,724 thousand shares		
*6	Number of treasury stocks the Company have		6 -----	
	Common stock	110 thousand shares		
7	-----		*7 Treatment of Notes Reaching Maturity on the Final Day of the Fiscal Year	
			Regarding notes reaching maturity on the final day of the fiscal year, notes are settled in the Company's accounts on the date they clear the note exchange. Since the last day of the fiscal year under review was a holiday for financial institutions, some notes maturing on the final date of the next fiscal year are included in the balance of notes at the end of the fiscal year under review.	
			Notes receivable	1,596 million
			Notes payable	5,798 million

March 31, 2006		March 31, 2007	
8	Overdrafts and commitment lines	8	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 consolidated accounting year were as follows:		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 consolidated accounting year were as follows:
	Current account overdrafts		Current account overdrafts
	12,700 million		13,900 million
	Commitment lines		Commitment lines
	37,800 million		36,600 million
	Balance of borrowings		Balance of borrowings
	- million		-million
	<u>Total</u>		<u>Total</u>
	50,500 million		50,500 million

(Statements of income)

From April 1, 2005 to March 31, 2006		From April 1, 2006 to March 31, 2007			
*1	Research and development costs	10,883 million	*1	Research and development costs	11,357 million
*2	Gain on sales of fixed assets comprises the following:		*2	Gain on sales of fixed assets comprises the following:	
	Buildings	530 million		Buildings	0 million
	Machinery and equipment	47 million		Machinery and equipment	27 million
	Land	4,169 million		Land	617 million
	Others	20 million		Others	1 million
	<u>Total</u>	4,768 million		<u>Total</u>	647 million
*3	Loss on sales of fixed assets comprises the following:		*3	Loss on sales of fixed assets comprises the following:	
	Buildings	13 million		Buildings	24 million
	Machinery and equipment	76 million		Machinery and equipment	57 million
	Land	6 million		Land	18 million
	Others	7 million		Others	45 million
	<u>Total</u>	104 million		<u>Total</u>	146 million
*4	Loss on disposal of fixed assets comprises the following:		*4	Loss on disposal of fixed assets comprises the following:	
	Buildings	161 million		Buildings	43 million
	Machinery and equipment	292 million		Machinery and equipment	146 million
	Other tangible fixed assets	586 million		Other tangible fixed assets	92 million
	Software	8 million		Software	1 million
	Other intangible assets	3 million		Other intangible assets	0 million
	<u>Total</u>	1,051 million		<u>Total</u>	283 million

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007																																							
<p>*5 Impairment losses</p> <p>(1) Summary of asset groups for which impairment losses were recognized</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Land for business office use</td> <td>Land</td> <td>Chiba, Chiba Prefecture</td> </tr> <tr> <td>Wind power generation equipment</td> <td>Equipment</td> <td>Noheji-machi, Aomori Prefecture</td> </tr> <tr> <td>Group housing, other</td> <td>Land</td> <td>Fujisawa, Kanagawa Prefecture</td> </tr> </tbody> </table> <p>(2) Outline of asset grouping</p> <p>The Group groups its assets according to its business segments, but idle assets are grouped individually.</p> <p>(3) Background of recognition of impairment losses</p> <p>The market value of land for business office use and Group housing, etc., has declined. Accordingly, the book value has been reduced to the amount deemed recoverable.</p> <p>Because wind power generation equipment continues to generate operating losses, the book value was written down to the recoverable value.</p> <p>(4) Computation of recoverable value</p> <p>The recoverable value of land for business office use and Group housing, etc., has been computed based on estimates of the net sale value, the assessed value for computing fixed asset taxes, and other factors.</p> <p>The recoverable value of wind power generation equipment is based on the value of this equipment in use by discounting future cash flows at the rate of 2.9% per annum.</p> <p>(5) Amount of impairment losses</p> <table style="width: 100%;"> <tr> <td style="width: 60%;">Land</td> <td style="text-align: right;">¥366 million</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">¥92 million</td> </tr> <tr> <td>Buildings and structures</td> <td style="text-align: right;">¥0 million</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥459 million</td> </tr> </table> <p>*6 Product warranty expenses</p> <p>Product warranty expenses related to accident of effluent treatment facility which the Company delivered.</p> <p>7 -----</p>	Use	Type	Location	Land for business office use	Land	Chiba, Chiba Prefecture	Wind power generation equipment	Equipment	Noheji-machi, Aomori Prefecture	Group housing, other	Land	Fujisawa, Kanagawa Prefecture	Land	¥366 million	Equipment	¥92 million	Buildings and structures	¥0 million	Total	¥459 million	<p>*5 Impairment losses</p> <p>(1) Summary of asset groups for which impairment losses were recognized</p> <table border="1"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Wind power generation equipment</td> <td>Equipment Other intangible assets</td> <td>Haboro-cho Tomae-gun, Hokkaido</td> </tr> <tr> <td>Wind power generation equipment</td> <td>Equipment, Buildings, Other tangible assets Other intangible assets</td> <td>Rumoe-si, Hokkaido</td> </tr> </tbody> </table> <p>(2) Outline of asset grouping</p> <p>The Group groups its assets according to its business segments, but idle assets are grouped individually.</p> <p>(3) Background of recognition of impairment losses</p> <p>The market value of land for business office use and Group housing, etc., has declined. 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Revenues for prior years that will be carried forward to subsequent years have been entered under liabilities.</p>	Use	Type	Location	Wind power generation equipment	Equipment Other intangible assets	Haboro-cho Tomae-gun, Hokkaido	Wind power generation equipment	Equipment, Buildings, Other tangible assets Other intangible assets	Rumoe-si, Hokkaido	Equipment	328 million	Buildings and structures	2 million	Other tangible assets	0 million	Other intangible assets	10 million	Total	341 million
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Other tangible assets	0 million																																							
Other intangible assets	10 million																																							
Total	341 million																																							

(Statement of Changes in Consolidated Shareholders' Equity)

From April 1, 2006 to March 31, 2007

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of March 31, 2007
Shares issued Common stock	422,724,750	908	—	422,725,658
Total	422,724,750	908	—	422,725,658
Treasury stock Common stock	110,650	89,084	9,543	190,191
Total	110,650	89,084	9,543	190,191

Notes: 1. The increase of 908 in shares issued was due to the conversion of convertible bonds.

2. The increase in treasury common stock of 89,084 was due to the purchase of shareholdings of less than one trading unit.

3. The decrease in treasury common stock of 9,543 was due to the sale of shareholdings of less than one trading unit.

2. Items Related to Dividend

(1) Payment of Dividends

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 29, 2006 at the Regular General Meeting of Shareholders	Common stock	3,169	7.5	March 31, 2006	June 30, 2006

(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.

The bill for payment of dividend below is expected to be resolved at general meeting of shareholders on June 29 2007.

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 28, 2007 at the Regular General Meeting of Shareholders (Planned)	Common stock	3,169	7.5	March 31, 2007	June 29, 2007

(Statements of cash flows)

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007																																																				
<p>1. A reconciliation of cash and cash Equivalents to the amounts shown in the balance sheets is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and time deposits</td> <td style="text-align: right;">47,509 million</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>47,510 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">47,510 million</td> </tr> </table> <p>2. Important other noncash expenses Increase in capital surplus by shares issued on conversion of convertible bonds 40,000 million</p> <p>3.-----</p> <p>4.-----</p>	Cash and time deposits	47,509 million	Securities	0 million	<u>Total</u>	<u>47,510 million</u>	Cash and cash equivalents	47,510 million	<p>1. A reconciliation of cash and cash Equivalents to the amounts shown in the balance sheets is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and time deposits</td> <td style="text-align: right;">66,085 million</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>66,086 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">66,086 million</td> </tr> </table> <p>2.-----</p> <p>3. A schedule of assets and liabilities of a newly consolidated company Accompanying the inclusion of Yoshikura Ltd. within the scope of consolidation owing to purchases of that company's shares, the breakdown of the assets and liabilities of that company at the time of commencement of consolidation as well as the purchase price of Yoshikura's shares and expenditures (net) in connection with the share purchases are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">2,110 million</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">2,604 million</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(1,892) million</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;"><u>(1,264) million</u></td> </tr> <tr> <td>Acquisition cost of investment securities of Yoshikura Ltd.</td> <td style="text-align: right;">2,600 million</td> </tr> <tr> <td>Cash and cash equivalents of IT Engineering Limited</td> <td style="text-align: right;"><u>(979) million</u></td> </tr> <tr> <td>Purchase of investment securities</td> <td style="text-align: right;">1,620 million</td> </tr> </table> <p>4. A schedule of assets and liabilities of an excluded Group from consolidation Accompanying the exclusion of IT Engineering Limited from the scope of consolidation owing to the sale of that company's shares, the breakdown of the assets and liabilities of that company at the time its shares were sold as well as the sale price of that company's shares and the decline in cash and cash equivalents as a result of the sale of the shares are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">1,446 million</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">276 million</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(886) million</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">(167) million</td> </tr> <tr> <td>Minority interest</td> <td style="text-align: right;">(327) million</td> </tr> <tr> <td>Investment securities after sale</td> <td style="text-align: right;">(727) million</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">401 million</td> </tr> <tr> <td>Gain on sales of investment securities in IT Engineering Limited</td> <td style="text-align: right;"><u>124 million</u></td> </tr> <tr> <td>Sales of investment securities in IT Engineering Limited</td> <td style="text-align: right;">139 million</td> </tr> <tr> <td>Cash and cash equivalents of IT Engineering Limited</td> <td style="text-align: right;"><u>(333) million</u></td> </tr> <tr> <td>Net: Decrease of cash and cash equivalents</td> <td style="text-align: right;">194 million</td> </tr> </table>	Cash and time deposits	66,085 million	Securities	0 million	<u>Total</u>	<u>66,086 million</u>	Cash and cash equivalents	66,086 million	Current assets	2,110 million	Fixed assets	2,604 million	Current liabilities	(1,892) million	Fixed liabilities	<u>(1,264) million</u>	Acquisition cost of investment securities of Yoshikura Ltd.	2,600 million	Cash and cash equivalents of IT Engineering Limited	<u>(979) million</u>	Purchase of investment securities	1,620 million	Current assets	1,446 million	Fixed assets	276 million	Current liabilities	(886) million	Fixed liabilities	(167) million	Minority interest	(327) million	Investment securities after sale	(727) million	Goodwill	401 million	Gain on sales of investment securities in IT Engineering Limited	<u>124 million</u>	Sales of investment securities in IT Engineering Limited	139 million	Cash and cash equivalents of IT Engineering Limited	<u>(333) million</u>	Net: Decrease of cash and cash equivalents	194 million
Cash and time deposits	47,509 million																																																				
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Net: Decrease of cash and cash equivalents	194 million																																																				

(Lease)

From April 1, 2005 to March 31, 2006				From April 1, 2006 to March 31, 2007			
1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee				1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee			
From the lessee's perspective				From the lessee's perspective			
① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items				① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items			
	Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value		Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value
Machinery, Equipment and conveyance vehicles	8,425 million	1,935 million	6,489 million	Machinery, Equipment and conveyance vehicles	8,352 million	2,886 million	5,465 million
Other items	3,285 million	1,671 million	1,613 million	Other items	3,242 million	1,750 million	1,492 million
Total	11,710 million	3,607 million	8,103 million	Total	11,594 million	4,636 million	6,957 million
② Lease payments remaining at the end of the fiscal year				② Lease payments remaining at the end of the fiscal year			
Payments due within one year				Payments due within one year			
1,947 million				2,019 million			
Payments due after one year				Payments due after one year			
<u>6,311 million</u>				<u>5,178 million</u>			
Total				Total			
8,259 million				7,198 million			
③ Lease payments made, accumulated depreciation, and interest payments				③ Lease payments made, accumulated depreciation, and interest payments			
Lease payments made				Lease payments made			
2,849 million				2,314 million			
Accumulated depreciation				Accumulated depreciation			
2,300 million				2,034 million			
Interest payments				Interest payments			
209 million				182 million			
④ Method of computing depreciation				④ Method of computing depreciation			
Depreciation are computed with the straight-line method over a period up to the length of the relevant lease contracts with no residual value.				Mentioned left			
⑤ Method of computing interest				⑤ Method of computing interest			
Interests are computed as the difference between the total lease payments and the value of leased assets and are allocated to each period using the interest method.				Mentioned left			
2. Information for operating leases				2. Information for operating leases			
From the lessee's perspective				From the lessee's perspective			
Lease payments remaining				Lease payments remaining			
Payments due within one year				Payments due within one year			
510 million				518 million			
Payments due after one year				Payments due after one year			
<u>871 million</u>				<u>887 million</u>			
Total				Total			
1,382 million				1,405 million			

(Marketable and investment securities)

From April 1, 2005 to March 31, 2006				From April 1, 2006 to March 31, 2007					
1. Other marketable securities				1. Other marketable securities					
Equity securities				Equity securities					
	Historical cost (Millions of yen)	Book value (Millions of yen)	Unrealized gains (losses), net (Millions of yen)		Historical cost (Millions of yen)	Book value (Millions of yen)	Unrealized gains (losses), net (Millions of yen)		
Fair value over historical cost	11,283	34,051	22,767	Fair value over historical cost	7,940	19,646	11,706		
Historical cost over fair value	2,234	1,921	(313)	Historical cost over fair value	2,962	2,350	(612)		
Total	13,518	35,973	22,455	Total	10,903	21,997	11,093		
Note: Securities were judged as impaired when their market values had declined 50% or more from their values at the end of respective fiscal years, or had declined from 30% to 50% from their book values for three fiscal years.				Note: Securities were judged as impaired when their market values had declined 50% or more from their values at the end of respective fiscal years, or had declined from 30% to 50% from their book values for three fiscal years.					
3. Sale of other securities				3. Sale of other securities					
Amount of sold other securities		7,798 million		Amount of sold other securities		12,087 million			
Gain on sale of other securities		5,074 million		Gain on sale of other securities		7,246 million			
Loss on sale of other securities		20 million		Loss on sale of other securities		0 million			
4. Non marketable securities				4. Non marketable securities					
Held-to-maturity bonds				Held-to-maturity bonds					
Other government bonds		6 million		Other government bonds		6 million			
Other securities				Other securities					
Unlisted securities		9,304 million		Unlisted securities		8,070 million			
Investments in and advances to subsidiaries and affiliates		8,462 million		Investments in and advances to subsidiaries and affiliates		7,331 million			
Investments in limited investment partnerships		180 million		Investments in limited investment partnerships		179 million			
5. The maturity schedule of held-to-maturity securities with due dates is as follows:				5. The maturity schedule of held-to-maturity securities with due dates is as follows:					
	Within 1 year	Over 1 year and less than 5 years	Over 5 years and less than 10 years	Over 10 years		Within 1 year	Over 1 year and less than 5 years	Over 5 years and less than 10 years	Over 10 years
Other government bonds	0	3	2	-	Other government bonds	0	4	2	-

(Derivatives)

From April 1, 2005 To March 31, 2006	From April 1, 2006 to March 31, 2007
<p>1. Matters Related to Transactions</p> <p>(1) Content of transactions During the fiscal year under review, on a consolidated basis, transactions employed by the Company were forward foreign currency exchange contracts and interest rate swaps involving the swapping of floating rate obligations for fixed rate obligations.</p> <p>(2) Policy for conducting transactions Ebara's policy is to employ derivative transactions only for export and import, fund management/fund-raising, and other transactions that are actually required by its business activities.</p> <p>(3) Objectives in using transactions</p> <p>① Hedging instruments and hedged items Hedging instruments: Forward foreign currency exchange transactions, currency swap transactions, and interest rate swap transactions. Hedged items: For hedging foreign exchange fluctuation risk of foreign currency denominated assets and liabilities held and scheduled transactions, for hedging interest rate fluctuation risk in fund management and und-raising</p> <p>② Method for evaluating the effectiveness of hedges For interest rate fluctuation risk (as noted in the previous item (1)) Effectiveness is judged by comparing the cash flow of the hedged item from the time of the commencement of the hedge transaction to the time of evaluation with the cash flow of the hedge instrument. However, for interest rate swaps that satisfy the conditions for special accounting treatment, evaluation is omitted. For foreign currency fluctuation risk (as noted in the previous item (1)) Effectiveness is judged by confirming the effects of the use of the hedged instrument for each hedged transaction.</p> <p>(4) Risks inherent in transactions The derivatives employed by the Company have inherent interest rate and foreign currency risk, but these are cancelled out by the risk of hedged items. In addition, counterparties in derivative transactions are all financial institutions with high creditworthiness, meaning the risk of non-fulfillment on derivative contracts is virtually zero.</p> <p>(5) Systems for managing transaction risk The Company has prepared internal rules that specify the persons with authority for the approval of transactions and transaction limits. In addition, these transactions are supervised under the Company's cash management rules.</p>	<p>1. Matters Related to Transactions</p> <p>(1) Content of transactions Mentioned left</p> <p>(2) Policy for conducting transactions Mentioned left</p> <p>(3) Objectives in using transactions</p> <p>① Hedging instruments and hedged items Hedging instruments: Mentioned left Hedged items: Mentioned left</p> <p>② Method for evaluating the effectiveness of hedges For interest rate fluctuation risk (as noted in the previous item (1)) Mentioned left For foreign currency fluctuation risk (as noted in the previous item (1)) Mentioned left</p> <p>(4) Risks inherent in transactions Mentioned left</p> <p>(5) Systems for managing transaction risk Mentioned left</p>

From April 1, 2005 To March 31, 2006	From April 1, 2006 to March 31, 2007
(6) Supplementary information regarding market value, etc., of transactions -----	(6) Supplementary information regarding market value, etc., of transactions -----
2. Matters Related to Market Value, Etc., of Transactions During the fiscal year under review, on a consolidated basis, the Company applied hedge accounting principles to its derivative transactions, and there were no transactions for which disclosure was required.	2. Matters Related to Market Value, Etc., of Transactions Mentioned left

(Severance and Pension Plans)

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
1. Outline of Severance and Pension Plans The company, its domestic consolidated subsidiaries and some foreign consolidated subsidiaries have termination allowance plans and retirement pension plans as severance and defined benefit pension plans.	1. Outline of Severance and Pension Plans Mentioned left
2. Benefit obligation	2. Benefit obligation
Benefit obligation 97,735 million	Benefit obligation 101,185 million
Fair value of plan assets (53,347) million	Fair value of plan assets (59,232) million
Unrecognized actuarial loss (12,388) million	Unrecognized actuarial loss (11,903) million
Unrecognized prior service cost (1,075) million	Unrecognized prior service cost (904) million
Net amount recognized 30,923 million	Net amount recognized 29,145 million
3. Benefit cost	3. Benefit cost
Service cost 5,061 million	Service cost 4,450 million
Interest cost 2,811 million	Interest cost 2,633 million
Expected return on plan assets (2,763) million	Expected return on plan assets (2,497) million
Recognized prior service cost 188 million	Recognized prior service cost 179 million
Recognized actuarial loss 903 million	Recognized actuarial loss 252 million
Net periodic benefit cost 6,202 million	Net periodic benefit cost 5,017 million
4. Assumptions to determine above obligation and cost	4. Assumptions to determine above obligation and cost
Discount rate (Japan) 2.0%	Discount rate (Japan) 2.0%
Discount rate (Subsidiaries outside Japan) 6.3%	Discount rate (Subsidiaries outside Japan) 5.8%
Expected return on plan assets (Japan) 2.7%	Expected return on plan assets (Japan) 2.7%
Expected return on plan assets (Subsidiaries outside Japan) 8.0%	Expected return on plan assets (Subsidiaries outside Japan) 8.0%
Recognition period of actuarial loss 10 years	Recognition period of actuarial loss 10 years
Amortization period of prior service cost 13 years	Amortization period of prior service cost 10 years

(Income taxes)

From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
1. Significant components of the deferred tax assets and liabilities Deferred tax assets: Excess provision of accrued bonuses to employees 2,823 million Loss recognized on a percentage-of-completion basis 1,050 million Accrued enterprise tax 231 million Intercompany profit on ending Inventories 400 million Excess provision of accrued severance indemnities 10,089 million Directors' retirement expense 415 million Intercompany profit on fixed assets 2,590 million Tax loss carried forward 21,696 million Write-down of other investments 1,564 million Loss from write-down of real estate for sale 1,065 million Loss on write-down of inventories 957 million Reserve for losses on construction completion guarantees 1,041 million Reserve for losses on contingent liabilities 706 million Others based on tax codes outside Japan 8,033 million Others 4,409 million Subtotal 57,078 million Valuation allowance (9,493) million Total deferred tax assets 47,584 million Deferred tax liabilities: Reserve for deferral of capital gains on sales of property (1,387) million Net unrealized gain on investment securities (9,205) million Other (74) million Total deferred tax liabilities (10,666) million Net deferred tax assets 36,917 million	1. Significant components of the deferred tax assets and liabilities Deferred tax assets: Excess provision of accrued bonuses to employees 2,815 million Loss recognized on a percentage-of-completion basis 764 million Accrued enterprise tax 360 million Intercompany profit on ending Inventories 57 million Excess provision of accrued severance indemnities 10,019 million Directors' retirement expense 462 million Intercompany profit on fixed assets 1,754 million Tax loss carried forward 19,468 million Write-down of investment securities 1,023 million Loss on liquidation of subsidiary companies 3,221 million Reserch and development expenses 881 million Loss from write-down of real estate for sale 972 million Loss on write-down of inventories 1,949 million Reserve for losses on construction completion guarantees 1,182 million Allowance for doubtful receivables 806 million Others based on tax codes outside Japan 7,326 million Others 6,426 million Subtotal 59,496 million Valuation allowance (14,187) million Total deferred tax assets 45,309 million Deferred tax liabilities: Reserve for deferral of capital gains on sales of property (1,321) million Net unrealized gain on investment securities (4,774) million Other (205) million Total deferred tax liabilities (6,301) million Net deferred tax assets 39,007 million
2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate Statutory tax rate, giving tax effect on enterprise tax payable 40.5% Entertainment expenses and other expenses not deductible 5.2% Per capita equalization inhabitants' taxes 1.5% Dividends received not taxable -23.2% Intercompany dividends received 29.3% Valuation allowance 24.6% Amortization of goodwill 3.2% Others -5.9% Effective tax rate as shown in statements of income 75.2%	2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate Statutory tax rate, giving tax effect on enterprise tax payable 40.5% Entertainment expenses and other expenses not deductible 5.2% Per capita equalization inhabitants' taxes 1.9% Dividends received not taxable -6.9% Amortization of goodwill 1.4% Valuation allowance 10.6% Unrecognized tax effect on intercompany profit 3.2% Others 4.2% Effective tax rate as shown in statements of income 60.2%

(Segment information)

【Business segment information】

From April 1, 2005 to March 31, 2006

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating income						
Sales						
(1) Sales to third parties	252,741	172,823	89,392	514,957	-	514,957
(2) Intersegment sales and transfer	2,865	5,654	331	8,851	(8,851)	-
Total	255,606	178,478	89,723	523,809	(8,851)	514,957
Operating costs and expenses	248,419	179,065	85,092	512,578	(8,523)	504,054
Operating income (loss)	7,186	(587)	4,631	11,230	(328)	10,902
II Assets, depreciation and amortization and capital expenditure						
Assets	249,860	144,832	121,677	516,371	76,259	592,631
Depreciation and amortization	5,415	3,633	3,426	12,475	(25)	12,449
Capital expenditure	6,063	3,445	5,470	14,978	(140)	14,838

Notes 1 The companies operate in three business segments as follows:

Business segment	Products
Fluid Machinery & Systems	Pumps, Browsers, Turbo-compressors, Gas and steam turbines, Chillers, Machinery plant and Pumping system engineering
Environmental Engineering	Environmental restoration equipment, Incinerators, Cooling and water supply systems for nuclear power plants, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

- The amount of the corporate assets included in 'Elimination and corporate' is ¥86,487 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Company.
- Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

From April 1, 2006 to March 31, 2007

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating income						
Sales						
(1) Sales to third parties	282,334	148,062	107,700	538,097	-	538,097
(2) Intersegment sales and transfer	2,875	4,868	692	8,436	(8,436)	-
Total	285,210	152,931	108,392	546,533	(8,436)	538,097
Operating costs and expenses	273,689	161,279	98,308	533,277	(8,428)	524,826
Operating income (loss)	11,520	(8,347)	10,083	13,256	(7)	13,249
II Assets, depreciation and amortization and capital expenditure						
Assets	281,033	158,574	129,900	569,508	55,524	625,032
Depreciation and amortization	5,371	3,358	4,142	12,872	(30)	12,842
Capital expenditure	8,539	2,482	6,941	17,963	(46)	17,917

Notes 1 The companies operate in three business segments as follows:

Business segment	Products
Fluid Machinery & Systems	Pumps, Browsers, Turbo-compressors, Gas and steam turbines, Chillers, Machinery plant and Pumping system engineering
Environmental Engineering	Environmental restoration equipment, Incinerators, Cooling and water supply systems for nuclear power plants, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

- The amount of the corporate assets included in 'Elimination and corporate' is ¥69,834 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Company.
- Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.
- Previously, the Group accounted for the sales of the wind power generation business based on the "unit price that can be charged," but, within the wind power generation business, there are certain long-term contracts that provide for stepwise reductions in the "unit price that can be charged." To provide for a more appropriate intertemporal allocation of revenues and properly match revenues with expenses, in this fiscal year under review, for those contracts providing for reductions in the "unit price that can be charged," the Group has begun to employ either the "adjusted unit price" or the "weighted average unit price over the period of the contract." The differences between consolidated net sales based on the "unit price that can be charged" and consolidated net sales based on one of the two methods are recognized in the fiscal year when the "unit price that can be charged" declines and is treated as a carryforward. As a result, sales is ¥243 million lower, operating loss is ¥243 million more than they would have been under the previous method of accounting in the EE Group above.

【Geographical segment information】

From April 1, 2005 to March 31, 2006

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	435,467	53,364	26,125	514,957	-	514,957
(2) Intersegment sales and transfer	12,949	4,440	6,752	24,143	(24,143)	-
Total	448,416	57,805	32,878	539,100	(24,143)	514,957
Operating costs and expenses	435,898	59,095	32,084	527,078	(23,023)	504,054
Operating income(loss)	12,518	(1,290)	793	12,021	(1,119)	10,902
II Assets	492,274	54,773	31,008	578,056	14,575	592,631

Notes 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥86,487 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Company.

2 Countries and areas included in Other are as follows:

Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil, Korea and Malaysia

3 North America is classified from Other this fiscal year. The figures of North America for the previous first half year and the previous fiscal year are as follows:

	From April 1, 2004 to March 31, 2005
I Sales	
(1) Sales to third parties	41,201
(2) Intersegment sales and transfer	3,314
Total	44,516
Operating costs and expenses	45,513
Operating loss	(997)
II Assets	43,994

From April 1, 2006 to March 31, 2007

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	440,575	61,956	35,565	538,097	-	538,097
(2) Intersegment sales and transfer	20,172	4,820	6,041	31,034	(31,034)	-
Total	460,748	66,776	41,607	569,132	(31,034)	538,097
Operating costs and expenses	452,077	64,173	38,615	554,867	(30,018)	524,848
Operating income(loss)	8,670	2,602	2,991	14,264	(1,015)	13,249
II Assets	537,849	55,846	40,240	633,936	(8,903)	625,032

Notes 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥69,834 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Company.

2 Countries and areas included in Other are as follows:

Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil, Korea and Malaysia

3 Previously, the Group accounted for the sales of the wind power generation business based on the "unit price that can be charged," but, within the wind power generation business, there are certain long-term contracts that provide for stepwise reductions in the "unit price that can be charged." To provide for a more appropriate intertemporal allocation of revenues and properly match revenues with expenses, in this fiscal year under review, for those contracts providing for reductions in the "unit price that can be charged," the Group has begun to employ either the "adjusted unit price" or the "weighted average unit price over the period of the contract." The differences between consolidated net sales based on the "unit price that can be charged" and consolidated net sales based on one of the two methods are recognized in the fiscal year when the "unit price that can be charged" declines and is treated as a carryforward. As a result, sales and operating income are ¥243 million lower, respectively, than they would have been under the previous method of accounting in Japan above.

【Overseas sales】

From April 1, 2005 to March 31, 2006

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	57,739	34,752	45,122	137,614
II Consolidated net sales				514,957
III Percentage of overseas sales to net sales (%)	11.2	6.7	8.8	26.7

Notes 1 Significant countries and areas included in the above classification are as follows:

- (1) Asia Taiwan, China, Korea
- (2) North America USA
- (3) Other areas Qatar, Italy, Iran, Germany

2 Overseas sales is net sales of the Company and its subsidiaries other than in Japan.

From April 1, 2006 to March 31, 2007

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	63,949	38,588	64,523	167,061
II Consolidated net sales				538,097
III Percentage of overseas sales to net sales (%)	11.9	7.2	12.0	31.0

Notes 1 Significant countries and areas included in the above classification are as follows:

- (1) Asia Taiwan, China, Korea
- (2) North America USA
- (3) Other areas Italy, Qatar, UK, Saudi Arabia

2 Overseas sales is net sales of the Company and its subsidiaries other than in Japan.

Per share data of common stock

From April 1, 2005 to March 31, 2006		From April 1, 2006 to March 31, 2007	
Shareholders' equity per share of common stock	363.68	Shareholders' equity per share of common stock	357.97
Net income per share	9.11	Net income per share	12.89
Diluted net income per share	8.89	Diluted net income per share	12.31
Basic information for computation of net income (loss) per share		Basic information for computation of net income (loss) per share	
(1) Net income (loss) on consolidated statements of income	3,349 million	(1) Net income (loss) on consolidated statements of income	5,446 million
(2) Net income (loss) available to common shareholders	3,349 million	(2) Net income (loss) available to common shareholders	5,446 million
(3) Average shares of common stocks	367,845,960	(3) Average shares of common stocks	422,576,307
(4) Amount excluded from computation of diluted net income per share:		(4) Amount excluded from computation of diluted net income per share:	
Interest payable after tax deduction	77 million	Interest payable after tax deduction	122 million
Consignment fee for paying interest after tax deduction	2 million	Consignment fee for paying interest after tax deduction	- million
Adjustment of net income	80 million	Adjustment of net income	122 million
(5) Increase of common stocks for computation of diluted net income per share:		(5) Increase of common stocks for computation of diluted net income per share:	
Increase of common stocks	18,170,997	Increase of common stocks	29,729,784
(Bonds with rights to purchase new shares)	(18,170,997)	(Bonds with rights to purchase new shares)	(29,729,784)
(5) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect		(6) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect	
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Order received and sales

(1) Output

(Millions of yen)

Business segment	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
Fluid Machinery & Systems	227,712	257,339
Environmental Engineering	90,239	55,396
Precision Machinery	65,046	72,651
Total	382,999	385,387

Note The above figures are amount of output in manufacturing companies and construction companies. The above figures don't include consumptive taxes and are eliminated intersegment sales and transfer.

(2) Order received

(Millions of yen)

Business segment	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
Fluid Machinery & Systems	280,365	304,951
Environmental Engineering	162,062	170,905
Precision Machinery	87,988	129,921
Total	530,416	605,778

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

(3) Sales

(Millions of yen)

Business segment	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007
Fluid Machinery & Systems	252,741	282,334
Environmental Engineering	172,823	148,062
Precision Machinery	89,392	107,700
Total	514,957	538,097

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

(4) Backlog of order received

(Millions of yen)

Business segment	March 31, 2006	March 31, 2007
Fluid Machinery & Systems	145,197	170,605
Environmental Engineering	145,237	127,044
Precision Machinery	31,045	53,340
Total	321,480	350,989

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

The Company received an notice to cancel the contract of a gasification incinerator plant with a capacity of 1,500 tons a day from the Ministry of Housing and Local Government of Malaysia. The backlog of the project included in that at the end of the previous fiscal year was excluded from the backlog at the end of the interim period under review.