RESULTS OF OPERATIONS FOR
THE FIRST HALF ENDED SEPTEMBER 30, 2006 (CONSOLIDATED)

November 20 2006

Company name: EBARA CORPORATION
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(Stock code 6361, Tokyo and Sapporo Stock Exchange in Japan)
（URL http://www.ebara.co.jp）
Representative: Fumio Shimakawa, President
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Semiannual board of directors meeting: November 20, 2006
Application of US GAAP: N/A

1. Outline of the first half results for FY2007 (April 1-September 30, 2006)

(1) Consolidated Financial Highlights

Millions of yen, except per share data

	Net sales		Operating income		Ordinary income	
		%		%		%
FY2007 1st half	194,442	7.8	(13,878)	-	(15,426)	-
FY2006 1st half	180,431	7.8	(17,142)	-	(18,153)	-
FY2006	514,957		10,902		7,731	

	Net income		Net income per share	Net income per share, diluted
		%	Yen	Yen
FY2007 1st half	(11,986)	-	(28.36)	-
FY2006 1st half	(11,155)	-	(33.35)	-
FY2006	3,349		9.11	8.89

Notes (i) Profit & loss on equity method:
September 30 2006 -312 million September 30 2005 – million March 31 2006 – million
(ii) Average number of shares outstanding (consolidated)
September 30 2006 422,598,456 September 30 2005 334,507,184 March 31 2006 367,845,960
(iii) Changes in accounting policies: N/A
(iv) % 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	Shareholders' equity per share of common stock
			%	Yen
FY2007 1st half	565,266	142,027	24.2	324.23
FY2006 1st half	547,110	94,033	17.2	281.12
FY2006	592,631	153,695	25.9	363.68

Notes (i) Number of shares outstanding (consolidated)
September 30 2006 422,582,247 September 30 2005 334,488,846 March 31 2006 422,614,100
(ii) Net assets in FY2007 1st half includes Minority Interest.

(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 1st half	1,758	(9,955)	8,030	47,996
FY2006 1st half	(26,089)	(3,407)	35,931	45,212
FY2006	(9,772)	(4,099)	21,760	47,510

(4) Scope of consolidation

Number of consolidated Subsidiaries	55	Number of subsidiaries accounted for equity method	1	Number of affiliated companies accounted for equity method	2

(5) Change in number of consolidated companies and companies applied equity method

Consolidation Added 3 Excluded 2 Equity Method Added 3 Excluded -

2. Forecast of results for the year ending March 31, 2007

	Net sales	Ordinary income	Net income
FY2007	520,000	12,000	5,000

Planned net income per share: ¥11.83

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

Cautionary statements with regard to forward-looking statements

This release contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. 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.

Corporate Group Information

The Ebara Group (the Group) comprises the parent company (Ebara Corporation, the Company), 109 subsidiaries (55 of which are consolidated), and 18 affiliates. With the 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 Company and principal consolidated subsidiaries, and their names are as shown below.

<table>
<tr><th>Segment</th><th>Principal Lines of Business</th><th>Functions and Areas of Responsibility</th><th>Ebara Corporation and principal consolidated subsidiaries</th></tr>
<tr><td rowspan="4">Fluid Machinery and Systems</td><td rowspan="4">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.</td><td>Manufacturing and sales</td><td>• 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</td></tr>
<tr><td>Engineering, construction, operation and maintenance</td><td>• Ebara Corporation
• Ebara Yoshikura Hydro-Tech Co., Ltd.</td></tr>
<tr><td>Sales and maintenance</td><td>• Ebara Techno-serve Co., Ltd.
• Ebara-Byron Jackson., Ltd.</td></tr>
<tr><td>Supply of materials, etc.</td><td>• Ebara Material Co., Ltd.</td></tr>
<tr><td rowspan="4">Environmental Engineering</td><td rowspan="4">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.</td><td>Engineering and construction</td><td>• Ebara Corporation
• Ebara Engineering Service Co., Ltd.
• Ebara Environmental Engineering Co., Ltd.
• Environmental Engineering Corporation
• Ebara Qindao Co., Ltd.</td></tr>
<tr><td>Operation and maintenance</td><td>• Ebara Engineering Service Co., Ltd.</td></tr>
<tr><td>Manufacturing and sales of chemicals</td><td>• Ebara Engineering Service Co., Ltd.</td></tr>
<tr><td>Energy supply</td><td>• Ebara Corporation
• Eco Power Co., Ltd.</td></tr>
<tr><td rowspan="2">Precision Machinery</td><td rowspan="2">Manufacturing, sales, and maintenance of vacuum pumps and machinery and equipment for the semiconductor industry</td><td>Manufacturing and sales</td><td>• Ebara Corporation
• Matsubo Group Ltd.</td></tr>
<tr><td>Manufacturing and maintenance</td><td>• Ebara Field Tech. Corporation
• Ebara Technologies Inc.</td></tr>
<tr><td rowspan="2">Others</td><td rowspan="2">All other lines of business not mentioned above</td><td>Research and development</td><td>• Ebara Research Co., Ltd.</td></tr>
<tr><td>Management of real estate, etc.</td><td>• Ebara Agency Co., Ltd.</td></tr>
</table>

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

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. In addition, 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.

Moreover, the Group's basic management policy is to endeavor to strengthen its management base and improve profitability through selectivity and concentration in the allocation of its resources as well as to increase its corporate value by managing its corporate resources efficiently.

2 Basic Policy for Allocation of Profit

The Ebara 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 aims to pay stable cash dividends on a continuing basis while taking into account its performance and financial position.

3 Perspective and Policy on Reduction of the Stock Trading Lot

At present, Ebara's shares are traded in minimum units of 1,000 shares, and the Group is not scheduled to reduce the size of this minimum unit. Going forward, Ebara will give careful consideration to this issue, taking into account trends in investor behavior and its share price.

4 Target Management Performance Measures

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

Ebara and other Group companies have chosen ROE as their key management indicator to make clear, both within and outside the Group, the shareholder-oriented nature of their management policies. In addition, ROA, cash flows, net sales, operating income and ordinary income have been selected as metrics to assess the performances of both business segments and Group companies operating within 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, these metrics are used in the Group's management by objectives (MBO) system to evaluate the performance of the management team and are linked to compensation.

In addition, 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 adopted as another indicator used in guiding the management of the Group. The Group has set the following financial objectives to attain by March 31, 2008.

ROE:	8% or more
Debt/equity ratio:	1.2 or less

5 Medium- to Long-Term Management Policies

Priority Issue No. 1: Achieving Sustained Earnings Growth

The Group is focusing on the following tasks to attain continuing expansion in earnings:

- Evaluating and analyzing all Group businesses from the perspectives of future potential and profitability, while continuing to exercise selectivity and concentration in the allocation of its resources.
- Improving the accuracy of the Group's capabilities for evaluating the strategic value, latent risk, and recovery of resources invested in R&D, capital equipment, businesses, and other areas.
- Creating in-depth systems for monitoring the attainment of objectives and evaluating performance by (1) shifting to an internal company system, (2) introducing a new personnel management system, and (3) focusing on corporate management from a consolidated perspective.

Priority Issue No. 2: Quick Expansion of New Businesses

To strengthen its earnings base for the medium-to-long term, the Group has positioned the following areas, which anticipate the needs of the future, as candidates for its leading, next-generation businesses and is working steadily to expand and nurture related activities:

- New energy-related businesses
- Precision machinery businesses
- Engineering, procurement, construction + operation & maintenance (EPC+OM) businesses
- Service provider businesses
- Private finance initiative (PFI) projects
- Biomass-related businesses
- Compound processing equipment
- Life-science related equipment
- Solutions businesses

Priority Issue No. 3: Increase the Ratio of Overseas Business

In anticipation of the expected continued growth in overseas demand, the Group is placing high priority on the further development of overseas business activities. Accordingly, the Group is implementing related measures in all its business segments, including taking steps to strengthen production and marketing capabilities overseas.

By steadily and effectively addressing these priority issues, the Group aims to increase the satisfaction of its stakeholders and maximize its value as a corporation and the value of its shares.

6 Issues to Be Addressed

In addition to the three priority issues of "Achieving Sustained Earnings Growth," "Quick Expansion of New Businesses," and "Increase the Ratio of Overseas Business," which were identified in the previous item, "5. Medium- to Long-Term Management Policies," the Group is aware of the need to respond quickly to changes in markets, especially the domestic market for public works projects, and is implementing initiatives in view of likely industrial realignments.

In its mainstay pump business, in April 2006, the Group took over the pump equipment businesses formerly operated by Ishikawajima-Harima Heavy Industries Co., Ltd., and Ishikawajima Hanyoki Service Co., Ltd. In addition, the Group purchased 100% of the shares of Yoshikura Ltd., a manufacturer specializing in pumps for electric power generation plants and public works systems, and, in June 2006, merged Yoshikura into Ebara Hydro-Tech Co., Ltd., a company engaging primarily in providing maintenance services and related construction work for fluid related plants. Following the merger, the name of the company was changed to Ebara Yoshikura Hydro-Tech Co., Ltd., and it is engaging in the further development of maintenance, operating, and related services, including the replacement and renewal of existing pump equipment. The Group also continued to restructure and exit certain businesses, including its withdrawal from the sludge recycling facilities business, where profitability has declined. Other related developments included splitting off the water and sewage treatment business into a separate company as well as other initiatives to respond to changes in the domestic public works market.

In addition to these activities, 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.

The Company received a notice dated September 1, 2006 from the Ministry of Housing and Local Government of Malaysia to cancel the contract for a gasfication incenerator plant with a capacity of 1500 tons a day. The Group endeavors to collect the amount of claim for compensation.

7 Matters Relating to the Parent Company

Not applicable.

Management Performance and Financial Position

Management Performance

1 Overview

(1) Review of the Interim Period

Looking first at the operating environment during the interim under review (April 1, 2006, to September 30, 2006), in Japan, public works investment remained stagnant; however, private capital investment increased along with the improvement in corporate profitability, and the economy as a whole continued to recover, supported by private-sector demand. Overseas, the economies of the United States and Asian countries outside Japan—including China, Taiwan, and Singapore—expanded, and the Eurozone reported continued gradual economic recovery.

Amid this operating environment, the Ebara Group concentrated its marketing activities on the private sector and on overseas markets to cover for the stagnant conditions in the market for public works projects in Japan. As a consequence, orders in the semiconductor manufacturing equipment business and orders from natural resource and energy related industries, especially in the Middle East and Asia, showed favorable expansion. In addition, the Group moved forward with the shifting of personnel into its priority businesses and areas, including overseas business operations. Measures were also implemented to realign certain businesses, including pumps and pumping systems, water and sewage treatment, standard blowers, and other equipment, all with the aim of strengthening the Group's business systems.

As a consequence of these and other factors, the Ebara Group reported consolidated net sales of ¥194,442 million for the interim period, 7.8% higher than for the interim period of the previous fiscal year. Also for the interim period, the Group reported an operating loss of ¥13,878 million, representing an improvement of ¥3,264 million from a year earlier; a ordinary loss of ¥15,426 million, an improvement of ¥2,726 million; and a net loss of ¥11,986 million, representing a deterioration of ¥830 million from the same period a year earlier. The Group's performance is seasonal, with a high percentage of sales concentrated near the end of the accounting period because a high percentage of construction work is completed near the end of the fiscal year.

(2) Business Segment Information

Results by business segment were as follows.

Fluid Machinery & Systems

Along with the continuation of robust conditions in the international oil and gas markets and other energy-related fields, orders of the Fluid Machinery & Systems (FMS) group held firm, especially for boiler water supply systems, pumps for the compression of fluid chemicals, engineered pumps, cryogenic pumps for use in ultra low temperature transport of LNG, and compressors for ethylene equipment. In addition, orders for standard pumps, which are sold globally through the company's regional core centers located in Italy and China, were also strong. In the Japanese market, where the company confronts intense competition because of the impact of shrinkage in government budgets for public works projects and other factors, the company focused its energies on expanding orders and sales by taking strong initiatives to capture demand for the replacement of existing equipment through directing its attention to opportunities created by robust private capital investment in the steel and other industries and conducting proposal-based sales activities.

As a result of these developments, sales of the FMS group during the interim period amounted to ¥106,046 million, 11.4% higher than during the interim period of the previous year. An operating loss was reported, amounting to ¥4,077 million, representing an improvement of ¥4,126 million from a year earlier.

Environmental Engineering

The Environmental Engineering (EE) group continued to confront challenging conditions in its activities to obtain new orders, owing to the stagnant conditions in the market for public works construction and the adverse effect of a suspension of nomination for tenders from national and local governments in Japan, which is discussed in the Business Risk section of this report. To deal with these difficult market conditions, the company's departments affected by these developments made further substantial reductions in fixed costs, and the company strengthened and expanded its activities to obtain orders from the private sector in Japan and from overseas sources. Efforts were focused on developing private-sector projects, such as power generation facilities using waste and biomass as fuel as well as gasification facilities. These marketing activities were successful in gaining orders for major projects. In the water treatment field, in addition to conventional water supply and wastewater treatment facilities, the Group marketed new products, including membrane filtration equipment, water purification systems, and water recycling equipment. In overseas operations, the Group conducted aggressive marketing activities, concentrating on combined waste incineration and power generation facilities and focusing especially on EU countries, where the disposal of waste in landfill sites will be restricted. The company also focused on marketing in Asia outside Japan, including China in particular, where activities are under way to upgrade infrastructure.

In the new energy field, in fuel cells, based on the contract signed last year with Ballard Power Systems, Inc., of Canada, for the development of fuel cell stack units, work in progress to develop a substantially improved prototype unit was completed. This unit features durability, with an operating life of 40,000 hours, as well as substantially improved compactness and lighter weight. To obtain evaluations of the durability of this new prototype, fuel cells for household use incorporating the prototype stacks will be supplied during the current fiscal year to Tokyo Gas Co., Ltd., and Nippon Oil Corporation, both of which partnered with the Ebara Group in developing these units.

As a consequence of these and other developments, sales of the EE group declined 2.5%, to ¥46,770 million. Also, as a result of an increase in expenses related to the development of fuel cells, the company's operating loss amounted to ¥12,887 million, representing a deterioration of ¥3,878 million from the same period of the previous fiscal year.

Precision Machinery

Orders and sales of the Precision Machinery (PM) group for core products, such as CMP (chemical mechanical polishing) units and dry pumps, held firm and exceeded those of the interim period of the previous year. A major factor accounting for this was the high level of investment by semiconductor memory manufacturers in 300mm wafer production equipment, particularly in equipment for manufacturing flash memories. An important factor contributing to performance was the introduction of new high throughput CMP units during the interim period under review, following the completion of customer evaluations and the commencement of installation of units on order.

As a result, sales of the PM group were ¥41,625 million, 11.5% higher than those for the interim period of the previous year. As a result of the increase in sales and cost-cutting measures, operating income amounted to ¥3,300 million, a substantial improvement from a year earlier.

Results by geographical segment were as follows.

Japan

Although stagnant conditions in the market for public works projects continued during the interim period in the domestic market, conditions in the private sector continued to be robust. As a consequence, sales in Japan amounted to ¥154,296 million, a 5.3% increase over a year earlier. In addition, the operating loss for the interim period was ¥15,310 million, an improvement of ¥592 million from a year earlier.

North America

Sales in North America amounted to ¥25,605 million, 15.0% higher than a year earlier, owing to the favorable conditions in the oil and gas markets, which supported performance of the FMS group. Operating income was ¥654 million, representing an improvement from a year earlier of ¥2,628 million.

Other Geographical Areas

Sales in other geographical areas amounted to ¥14,540 million, 24,9% higher than a year earlier, boosted by strong conditions in the market for fruid machinery and semiconductor production equipment. In addition, operating income was ¥1,188 million, an increase of ¥740 million from a year earlier.

(3) Allocation of Profit

We regret that the Group has decided not to pay a cash dividend for the interim period.

(4) Other Decisions or Important Events during the Interim Period

Based on a decision of the Board of Directors meeting held on September 6, 2006, Ebara made two issues of Euro-Yen bonds with stock acquisition rights. The first of these will mature in 2011 and the second in 2013. The details of these bond issues are as follows.

(i) Amount of the issues

2011 maturity: ¥20,000 million

2013 maturity: ¥20,000 million

(ii) Offering price (issue price)

102.5% of the face value

(iii) Date of issue

September 25, 2006

(iv) Period of validity of rights to purchase new shares

2011 maturity: From October 10, 2006, to September 16, 2011

2013 maturity: From October 10, 2006, to September 16, 2013

(v) Amortization date

2011 maturity: 0.7%

2013 maturity: 1.3%

(vi) Interest rate

2011 maturity: 0.7%

2013 maturity: 1.3%

(vii) Use of the funds raised

The proceeds of the issues, totaling ¥39,923 million, are scheduled to be used to improve liquidity as well as to redeem convertible bonds and repay short-term liabilities as a means of hedging the risk of rising interest rates. The remainder is scheduled to be used to cover R&D expenses and a portion of capital investments.

(viii) Initial conversion price

2011 maturity: ¥693

2013 maturity: ¥693

(ix) Method of offering

2011 maturity: Will be offered in overseas markets (excluding the United States) mainly in Europe, and the full amount will be underwritten by Mizuho International plc, Daiwa Securities SMBC Europe Limited, and other managing underwriters.

2013 maturity: Will be offered in overseas markets (excluding the United States) mainly in Europe, and the full amount will be underwritten by Mizuho International plc, Nikko Citigroup, and other managing underwriters.

2. Outlook for the Full Fiscal Year

(1) Overview

Since there have been no major changes in the overall outlook since the last earnings anouncement of the first quarter, on a consolidated basis, the Group is expecting net sales of ¥520.0 billion, operating income of ¥15.0 billion, ordinary income of ¥12.0 billion and net income of ¥5.0 billion for the full fiscal year ending March 31, 2007.

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

	Consolidated		Non-consolidated	
Net sales	520.0	1.0%	237.0	-11.7%
Operating income	15.0	37.6%	3.5	17.1%
Ordinary income	12.0	55.2%	4.5	-21.5%
Net income	5.0	49.3%	3.0	-0.5%

(2) Business Segment Information

The outlook by business segment for the fiscal year ending March 31, 2007, is as follows:

(Billions of yen, percentage composition)

Group	Sales		Operating Income	
Fluid Machinery & Systems	270.0	51.9%	9.0	-%
Environmental Engineering	160.0	30.8%	-2.0	-%
Precision Machinery	90.0	17.3%	8.0	-%
Total	520.0	100.0%	15.0	-%

(3) Allocation of Profit

Ebara is scheduled to pay a cash dividend of ¥7.5 per share for the fiscal year ending March 31, 2007.

(4) Other Decisions or Important Events for outlook of the fiscal year

No decisions or other important events are foreseen that may have an impact on performance.

Financial Position

Cash Flows

On a consolidated basis, net cash provided by operating activities amounted to ¥1,758 million, as recoveries of accounts receivable issued in the previous fiscal year were concentrated during the interim period under review and the cost of sales declined because of lower manufacturing costs.

Net cash used in investing activities was ¥9,955 million because of acquisition of fixed assets, principally for the maintenance and repair of equipment; expenditures related to the acquisition of development and manufacturing rights for a household fuel cell cogeneration system, which amounted to ¥6,298 million; and expenditures for corporate acquisitions totaling ¥1,620 million.

Net cash provided by financing activities amounted to ¥8,030 million. Factors affecting financial cash flows were the issuance of bonds with stock acquisition rights of ¥40,000 million, the redemption of the third unsecured convertible bonds amounting to ¥19,998 million, repayment of short-term borrowings, and payment of dividends totaling ¥3,169 million.

As a consequence, consolidated cash and cash equivalents at the end of the interim period were ¥47,996 million, ¥485 million higher than at the end of the previous fiscal year.

Trends in cash flow indicators are as follows:

	March 31 2004	September 30 2004	March 31 2005	September 30 2005	March 31 2006	September 30 2006
Shareholders' equity ratio:	19.5%	17.8%	18.4%	17.2%	25.9%	24.2%
Shareholders' equity ratio at market value:	31.2%	26.6%	28.5%	29.5%	52.8%	32.0%
Years to repay debt:	9.4 years	-	-	-	-	-
Interest coverage ratio:	8.4	-	-	-	-	1.4

Notes:

1. Shareholders' equity ratio: (Net assets – Minority interests in consolidated subsidiaries) /Total assets
2. Shareholders' equity ratio at market value: Stock market capitalization/Total assets
3. Years to repay debt: Interest-bearing debt/Operating cash flow
4. Interest coverage ratio: Operating cash flow/interest expenses

* All indicators in the table above were computed using 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.

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

Business Risks

The Ebara 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 loses 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 September 31, 2006, a short-term interest bearing debt amounted to ¥75,316 million and the balance of long-term interest bearing debt was ¥128,169 million, which reached a total of ¥203,486 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 -ratestolessen 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) Administrative disposition

(i) Recommendation to Companies Bidding from the Fair Trade Commission (FTC)

The Company and 13 other pump manufacturers received a recommendation to eliminate the violation on March 30, 2004, from the FTC in "The Sewer Pump Installation Work Ordered by the Tokyo Metropolitan Government."

Because the Company finds this recommendation unacceptable and believes it inappropriate to comply, the Company intends to make clear in judicial proceedings that no violation of the Antimonopoly Act occurred. In the event that the decision of the proceedings is that violations occurred, this may have an adverse impact on the Group's performance.

(ii) On-Site Inspections by the FTC

Certain facilities of the Company were subject to on-site inspection by the FTC for doubts regarding violations (acts in restraint of trade) under the Antimonopoly Act in the bidding for the projects listed below.

1. Construction work on the human waste disposal facilities construction (August 2005)
2. Construction work on a steel sluice gate project (March 2006)
3. Construction work on tunnel ventilation construction (March 2006)

Regarding the human waste disposal facilities construction, an indictment was made by the FTC, and employees of the Company were arrested by Osaka District Public Prosecutors Office. The Company was also indicted as a corporation. Regarding the construction work on tunnel ventilation equipment, an order was received from the FTC for the payment of a surcharge.

As a result of these legal actions, the Company is under orders from the national government, local governments, and others to cease certain operations. As a result, this may 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.

Consolidated balance sheets

	Notes	September 30, 2005		September 30, 2006		March 31, 2006	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Assets							
I Current assets							
1 Cash and time deposits		44,834		47,995		47,509	
2 Trade receivables		151,833		160,528		227,534	
3 Securities		378		0		0	
4 Inventories		104,825		105,980		84,121	
5 Deferred tax assets		20,098		13,679		10,867	
6 Others		17,610		25,616		16,631	
7 Allowance for doubtful receivables		(982)		(1,624)		(1,751)	
Total current assets		338,598	61.9	352,177	62.3	384,914	65.0
II Fixed assets							
(1) Tangible fixed assets	*1 *2						
1 Buildings		33,622		32,087		32,913	
2 Machinery and equipment		32,891		33,705		34,398	
3 Others		28,059		31,878		29,010	
Total tangible assets		94,573	17.3	97,671	17.3	96,321	16.3
(2) Intangible fixed assets		15,892	2.9	14,321	2.5	14,954	2.5
(3) Investments and long-term receivables							
1 Investment securities	*2	50,383		52,770		53,926	
2 Deferred tax assets		32,833		31,238		27,371	
3 Others	*2	18,206		20,534		18,891	
4 Allowance for doubtful receivables		(817)		(1,161)		(830)	
5 Reserve for revaluation of investments		(2,560)		(2,285)		(2,917)	
Total investments and long-term receivables		98,045	17.9	101,096	17.9	96,440	16.3
Total fixed assets		208,511	38.1	213,089	37.7	207,716	35.0
Total assets		547,110	100.0	565,266	100.0	592,631	100.0

	Notes	September 30, 2005 Millions of yen	%	September 30, 2006 Millions of yen	%	March 31, 2006 Millions of yen	%
Liabilities							
I Current liabilities							
1 Trade payables		118,896		133,022		160,699	
2 Short-term bank loans		83,083		75,196		71,650	
3 Commercial paper		5,000		-		3,000	
4 Current portion of bonds		10,000		120		-	
5 Current portion of convertible bonds		19,999		-		19,999	
6 Bonus payment reserve		6,989		6,899		6,946	
7 Directors' Bonus payment reserve		69		89		139	
8 Reserve for losses on construction completion guarantees		4,022		2,893		2,129	
9 Reserve for construction losses		892		1,000		479	
10 Reserve for legal expenses		-		802		-	
11 Reserve for losses arising from violation of the Antimonopoly Act		-		710		-	
12 Others		38,248		42,288		37,689	
Total current liabilities		287,199	52.5	263,022	46.5	302,733	51.1
II Long-term liabilities							
1 Bonds		44,000		44,260		44,000	
2 Bonds with stock acquisition rights		40,000		40,000		-	
3 Long-term bank loans		43,742		43,909		53,489	
4 Accrued severance and pension costs		31,505		29,946		30,923	
5 Directors' retirement allowance reserve		931		865		1,043	
6 Reserve for losses on contingent liabilities		243		74		283	
7 Others		1,281		1,161		1,440	
Total long-term liabilities		161,705	29.6	160,216	28.3	131,181	22.1
Total liabilities		448,905	82.1	423,239	74.9	433,914	73.2
Minority interests in consolidated subsidiaries							
Minority interests in consolidated subsidiaries		4,172	0.8	-	-	5,021	0.8

	Notes	September 30, 2005		September 30, 2006		March 31, 2006	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Shareholders' equity							
I Common stock		41,230	7.5	-	-	61,283	10.3
II Capital surplus		45,264	8.3	-	-	65,211	11.0
III Retained earnings		2,460	0.4	-	-	16,965	2.9
IV Net unrealized gain on investment securities		10,414	1.9	-	-	13,476	2.3
V Translation adjustments		(5,303)	(1.0)	-	-	(3,188)	(0.5)
VI Treasury stock, at cost		(33)	(0.0)	-	-	(54)	(0.0)
Total shareholders' equity		94,033	17.2	-	-	153,695	25.9
Total liabilities and shareholders' equity		547,110	100.0	-	-	592,631	100.0
Net assets							
I Shareholders' equity							
Common stock		-	-	61,284	10.8	-	-
Capital surplus		-	-	65,212	11.5	-	-
Retained earnings		-	-	1,497	0.3	-	-
Treasury stock, at cost		-	-	(70)	(0.0)	-	-
Total shareholders' equity		-	-	127,923	22.6	-	-
II Valuation, transition adjustment and others							
Net unrealized gain on investment securities		-	-	12,126	2.1	-	-
Deferred hedge gain(loss)		-	-	0	0.0	-	-
Translation adjustments		-	-	(3,038)	(0.5)	-	-
Total valuation, transition adjustment and others		-	-	9,088	1.6	-	-
III Minority interests in consolidated subsidiaries		-	-	5,015	0.9	-	-
Total net assets				142,027	25.1		
Total liabilities and net assets		-	-	565,266	100.0	-	-

Consolidated statements of income

	Note	From April 1, 2005 to September 30, 2005			From April 1, 2006 to September 30, 2006			From April 1, 2005 to March 31, 2006		
		Millions of yen		%	Millions of yen		%	Millions of yen		%
I Net sales	*2		180,431	100.0		194,442	100.0		514,957	100.0
II Cost of sales			156,073	86.5		165,491	85.1		418,413	81.3
Gross profit			24,358	13.5		28,950	14.9		96,543	18.7
III Selling, general and administrative expenses	*1		41,500	23.0		42,829	22.0		85,641	16.6
Operating income (loss)			(17,142)	(9.5)		(13,878)	(7.1)		10,902	2.1
IV Non-operating income										
1 Interest income		160			187			319		
2 Dividend income		248			254			748		
3 Insurance income		48			168			114		
4 Foreign exchange gain		489			-			799		
5 Others		495	1,442	0.8	404	1,015	0.5	793	2,776	0.5
V Non-operating expenses										
1 Interest expenses		1,801			1,742			3,523		
2 Loss on equity method		-			312			-		
3 Foreign exchange loss		-			62			-		
4 Others		652	2,453	1.4	446	2,563	1.3	2,423	5,947	1.2
Ordinary income (loss)			(18,153)	(10.1)		(15,426)	(7.9)		7,731	1.5
VI Extraordinary income										
1 Gain on sales of fixed assets	*3	1,835			7			4,768		
2 Gain on sales of investment securities		94			281			5,074		
3 Gain on reversal of allowance for doubtful receivables		-			44			-		
4 Gain on reversal of reserve for revaluation of investments		11			-			-		
5 Gain on reversal of reserve for losses on contingent liabilities		145	2,087	1.2	209	542	0.3	105	9,949	1.9

	Note	From April 1, 2005 to September 30, 2005			From April 1, 2006 to September 30, 2006			From April 1, 2005 to March 31, 2006		
		Millions of yen		%	Millions of yen		%	Millions of yen		%
VII Extraordinary expenses										
1 Loss on sales of fixed assets	*4	29			66			104		
2 Loss on disposal of fixed assets		197			118			1,051		
3 Loss on liquidation of subsidiaries and affiliates		-			-			51		
4 Loss on sales of investment securities		5			-			20		
5 Write-down of securities and other investments		113			24			135		
6 Write-down of inventories		-			-			1,080		
7 Reserve for revaluation of investments		-			20			345		
8 Impairment losses	*5	452			-			459		
9 Product warranty expenses		-			-			747		
10 Surcharge expenses		-			381			-		
11 Reserve for legal expenses		-			802			-		
12 Reserve for losses arising from violation of the Antimonopoly Act		-	798	0.4	710	2,124	1.1	-	3,996	0.8
Income (loss) before income taxes			(16,864)	(9.3)		(17,008)	(8.7)		13,685	2.7
Income taxes		895			1,221			3,622		
Deferred tax benefits		(6,480)	(5,585)	(3.1)	(5,802)	(4,580)	(2.4)	6,670	10,293	2.0
Minority interests in consolidated subsidiaries			122	0.1		441	0.2		41	0.0
Net income (loss)			(11,155)	(6.2)		(11,986)	(6.2)		3,349	0.7

Consolidated statements of retained earnings and Consolidated statements of shareholders' equity

Consolidated statements of retained earnings

		September 30, 2005		March 31, 2006	
	Notes	Millions of yen		Millions of yen	
Capital surplus					
I Capital surplus at beginning			45,264		45,264
II Increase in capital surplus					
Shares issued on conversion of convertible bonds			-		19,947
III Capital surplus at ending			45,264		65,211
Retained earnings					
I Retained earnings at beginning			15,850		15,850
II Increase in retained earnings					
1 Net income		-		3,349	
2 Increase in interest in newly consolidated subsidiaries		274	274	274	3,624
III Decrease in retained earnings					
1 Cash dividends		(2,508)		(2,508)	
2 Net loss		(11,155)		-	
3 Loss on disposal of treasury stock		0	(13,664)	0	2,509
III Retained earnings at ending			2,460		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 loss			(11,986)		(11,986)
Changes in interest in newly consolidated subsidiaries			(0)		(0)
Changes in interest in divested consolidated subsidiaries			489		489
Changes in interest in newly accounted for equity method			(801)		(801)
Acquisition of treasury stock				(20)	(20)
Disposal of treasury stock			(0)	3	3
Others					-
Total	0	0	(15,467)	(16)	(15,483)
Balance at September 30, 2006	61,284	65,212	1,497	(70)	127,923

	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 loss				-		(11,986)
Changes in interest in newly consolidated subsidiaries				-		(0)
Changes in interest in divested consolidated subsidiaries				-		489
Changes in interest in newly accounted for equity method				-		(801)
Acquisition of treasury stock				-		(20)
Disposal of treasury stock				-		3
Others	(1,350)	0	150	(1,199)	(6)	(1,205)
Total	(1,350)	0	150	(1,199)	(6)	(16,689)
Balance at September 30, 2006	12,126	0	(3,038)	9,088	5,015	142,027

Consolidated statements of cash flows

	Notes	From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
		Millions of yen	Millions of yen	Millions of yen
I Cash flows from operating activities:				
1 Income (loss) before income taxes		(16,864)	(17,008)	13,685
2 Depreciation and amortization		5,880	6,051	12,449
3 Impairment losses		452	-	459
4 Gain on sales of securities		(89)	(281)	(5,054)
5 Increase (decrease) in allowance		(3,116)	305	(4,649)
6 Loss (gain) on sales of fixed assets		(1,806)	59	(4,664)
7 Other noncash expenses		1,173	931	3,299
8 Interest and dividend income		(409)	(442)	(1,068)
9 Interest expenses		1,801	1,742	3,523
10 Decrease (increase) in trade receivables		55,708	66,550	(19,991)
11 Decrease (increase) in inventories		(19,594)	(21,403)	1,109
12 Increase (decrease) in trade payables		(31,316)	(27,954)	10,485
13 Others		(10,767)	(4,420)	(9,336)
Sub-total		(18,947)	4,131	247
14 Interest and dividend received		490	760	823
15 Interest expenses paid		(1,841)	(1,228)	(3,704)
16 Income taxes paid		(5,791)	(1,905)	(7,138)
Net cash provided by (used for) operating activities		(26,089)	1,758	(9,772)
II Cash flows from investing activities				
1 Sales of fixed assets		2,918	158	6,343
2 Purchase of fixed assets		(4,424)	(6,298)	(13,959)
3 Sales of investment securities		261	339	7,798
4 Purchase of investment securities		(1,743)	(2,228)	(2,793)
5 Sales (purchase) of other investments, net		23	569	320
6 Collection of loans receivable		733	2,271	1,755
7 Disbursement of loans receivable		(1,175)	(2,951)	(3,565)
8 Aquisition of stock in subsidiaries with a change of basis of consolidation		-	(1,620)	-
9 Sale of stock in subsidiaries with a change of basis of consolidation		-	(194)	-
Net cash provided by (used for) investing activities		(3,407)	(9,955)	(4,099)

	Notes	From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
		Millions of yen	Millions of yen	Millions of yen
III Cash flows from financing activities:				
1 Issuance of bonds		39,998	39,923	39,992
2 Redemption of bonds		(6,000)	(20,038)	(16,000)
3 Proceeds from short-term bank loans and commercial paper		47,613	28,709	37,011
4 Repayment of short-term bank loan and commercial paper		(44,810)	(38,076)	(49,832)
5 Proceeds from long-term bank loans		1,834	546	12,732
6 Repayment of long-term bank loans		(57)	(615)	(71)
7 Capital paid in from minority shareholders		-	919	648
8 Purchase and sales of treasury stock		(15)	(16)	(36)
9 Dividends paid		(2,508)	(3,169)	(2,508)
10 Dividends paid to minority shareholders in consolidated subsidiaries		(123)	(153)	(175)
Net cash provided by (used for) financing activities		35,931	8,030	21,760
IV Translation adjustments		(467)	552	376
V Increase (decrease) in cash and cash equivalents		5,966	385	8,265
VI Cash and cash equivalents At beginning of period:		38,960	47,510	38,960
VII Net effect of deconsolidation and consolidation of subsidiaries		285	99	285
VIII Cash and cash equivalents at end of period		45,212	47,996	47,510

Significant accounting principles

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
1 Scope of consolidation (1) Number of consolidated subsidiaries 53 Significant consolidated subsidiaries: Mentioned in Corporate Group Information The following subsidiaries were newly consolidated: Ebara Kiden Co., Ltd. Yantai Ebara Air Conditioning Equipment Co., Ltd.	1 Scope of consolidation (1) Number of consolidated subsidiaries 55 Significant consolidated subsidiaries: Mentioned left The following subsidiaries were newly consolidated: Ebara Environmental Engineering Co., Ltd. Elliott Ebara Servicos para Equipmentos 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.	1 Scope of consolidation (1) Number of consolidated subsidiaries 54 Significant consolidated subsidiaries: Mentioned left 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.
The following subsidiaries were excluded from consolidation owing to liquidation. Ebara Technosystem Co., Ltd.	The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off. IT Engineering Limited	The following subsidiaries were excluded from consolidation owing to liquidation. Ebara Technosystem Co., Ltd.
(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia	(2) Names of significant non-consolidated subsidiaries Mentioned left	(2) Names of significant non-consolidated subsidiaries Mentioned left
(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.	(3) Mentioned left	(3) Mentioned left
2 Equity method (1) Number of subsidiaries applied equity method -	2 Equity method (1) Number of subsidiaries applied equity method 1 The following subsidiary was newly adopted equity method Ebara Espana Bombas S.A.	2 Equity method (1) Number of subsidiaries applied equity method -
(2) Number of affiliated companies applied equity method -	(2) Number of affiliated companies applied equity method 2 The following affiliated companies were newly adopted equity method. IT Engineering Limited e-BEAM Corporation	(2) Number of affiliated companies applied equity method -
(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in names of significant non-consolidated subsidiaries (Affiliated Group) Hyosung-Ebara Co., Ltd.	(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated Group) Mentioned left	(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated Group) Mentioned left

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.	(4) Mentioned left	(4) Mentioned left
3 The first half end of consolidated subsidiaries The period end of the following consolidated subsidiaries is June 30: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between June 30 and the period end were adjusted in consolidation.	3 The first half end of consolidated subsidiaries The period end of the following consolidated subsidiaries is June 30: Mentioned left	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.
4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Amortized cost method 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 Securities not quoted Gross average cost ②Inventories 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.	4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left	4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
(2) Property, plant and equipment and related depreciation ①Tangible assets 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 Group 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 Group 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: Buildings 3 to 50 years Machinery and equipment 2 to 20 years	(2) Property, plant and equipment and related depreciation ①Tangible assets Mentioned left	(2) Property, plant and equipment and related depreciation ①Tangible assets Mentioned left
②Intangible assets and other investments Intangible assets are amortized on a straight-line basis. Software used in the Group is amortized on a straight-line basis for the estimated useful lives, 5 years.	②Intangible assets and other investments Mentioned left	②Intangible assets and other investments Mentioned left
(3) Standards of significant allowance ①Allowance for doubtful receivables 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.	(3) Standards of significant allowance ①Allowance for doubtful receivables Mentioned left	(3) Standards of significant allowance ①Allowance for doubtful receivables Mentioned left
②Bonus payment reserve Bonus payment reserve is provided based on the future liabilities.	②Bonus payment reserve Mentioned left	②Bonus payment reserve Mentioned left
③Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities.	③Directors' bonus payment reserve Mentioned left	③Directors' bonus payment reserve Mentioned left

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
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. A transition obligation arising from new accounting standards of 11,048 million is being amortized over five years, and actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.	④Severance and pension plans Mentioned left	④Severance and pension plans Mentioned left
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.	⑤Directors' retirement allowance reserve Mentioned left	⑤Directors' retirement allowance reserve Mentioned left
⑥Reserve for revaluation of investments To prepare for possible declines in the value of stocks of subsidiaries and affiliated companies, the Group 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.	⑥Reserve for revaluation of investments Mentioned left	⑥Reserve for revaluation of investments Mentioned left
⑦Reserve for losses on contingent liabilities To prepare for possible losses related to liabilities of subisidiaries and affiliated companies that are guaranteed by the Group (contingent liabilities), the Group makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.	⑦Reserve for losses on contingent liabilities Mentioned left	⑦Reserve for losses on contingent liabilities Mentioned left

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
⑧Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.	⑧Reserve for losses on construction completion guarantees Mentioned left	⑧Reserve for losses on construction completion guarantees Mentioned left
⑨Reserve for construction losses To prepare for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.	⑨Reserve for construction losses Mentioned left	⑨Reserve for construction losses Mentioned left
⑩-----	⑩Reserve for legal expenses To provide for possible expenses arising from lawsuits, the Group makes reasonable estimates of the expenses.	⑩-----
⑪-----	⑪Reserve for losses arising from violation of the Antimonopoly Act To provide for possible expenses arising from violation of the Antimopoly Act, the Group makes reasonable estimates of the expenses.	⑪-----
(4) Leases All leases of the Group 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.	(4) Leases Mentioned left	(4) Leases Mentioned left
(5) Significant hedging accounting methods 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.	(5) Significant hedging accounting methods ①Hedging transactions Mentioned left	(5) Significant hedging accounting methods ①Hedging transactions Mentioned left

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
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. ③Hedging policy The Group and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others. 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. (6) Other significant accounting principles ①Consumptive tax Consumptive taxes are accounted for using the net-of-tax method. ②Consolidated taxation system A consolidated tax system is introduced. ③Revenue 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 31,130 million. 5 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.	②Hedging instruments and hedging objects Hedging instruments Mentioned left Hedging objects Mentioned left ③Hedging policy Mentioned left ④Assessing the effectiveness of hedging Mentioned left (6) Other significant accounting principles ①Consumptive tax Mentioned left ②Consolidated taxation system A consolidated tax system is introduced. ③Revenue 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 41,310 million. 5 Cash and cash equivalents Mentioned left	②Hedging instruments and hedging objects Hedging instruments Mentioned left Hedging objects Mentioned left ③Hedging policy Mentioned left ④Assessing the effectiveness of hedging Mentioned left (6) Other significant accounting principles ①Consumptive tax Mentioned left ②Consolidated taxation system A consolidated tax system is introduced. ③Revenue 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. 5 Cash and cash equivalents Mentioned left

Change in accounting policies

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
(Accounting Standards for Impairment of Fixed Assets) Beginning with the interim period ended September 30, 2005, 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 (ASBJ, issued on August 9, 2002) and Guidance on Accounting Standards for Impairment of Fixed Assets (ASBJ Guidance No.6, issued on October 31, 2003). As a result of this accounting change, the income before income taxes was ¥452 million larger than this loss would have been under the previous method of accounting.	(Accounting Standards for Presentation of Net Assets on the Balance Sheets) Beginning with the interim 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 ¥137,011 million. Please note that for the interim consolidated accounting period under review, accompanying the revision of the Rules for Presentation of Interim Consolidated Financial Statements, the Net Assets section of the Interim Consolidated Balance Sheets has been presented according to the revised rules for the presentation of interim consolidated financial statements. (Accounting Standards for Business Combination and Business Divestitures) 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).	(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 (ASBJ, issued on August 9, 2002) and Guidance on Accounting Standards for Impairment of Fixed Assets (ASBJ Guidance No.6, issued on October 31, 2003). As a result of this accounting change, the income before income taxes was ¥459 million larger than this loss would have been under the previous method of accounting.

*ASBJ represents ‘Acconting Standards Board of Japan’

Changes in Method of Accounting Presentation

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006
(Balance sheets) 1. For the interim accounting period of the previous fiscal year, deferred tax assets (fixed) were included in others of investments and long-term receivables and amounted to ¥25,953 million at that time. For the interim period under review, these deferred tax assets have exceeded 5% of total assets, and they have, therefore, been reported as a separate item under investments and long-term receivables. 2. As a consequence of revisions in the Securities and Exchange Law, investments in investment funds with limited liability are now recognized as securities. Accompanying this revision, investments in such funds, which were formerly included in others of investments and long-term receivables, are now included in investment securities. Investments in such funds amounted to ¥207 million at the end of the interim period of the prior fiscal year and totaled ¥182 million at the end of the interim period under review.	-----

Notes to consolidated financial statements

(Balance sheets)

September 30, 2005	September 30, 2006	March 31, 2006
*1 Accumulated depreciation of tangible assets 164,324 million	*1 Accumulated depreciation of tangible assets 168,155million	*1 Accumulated depreciation of tangible assets 165,112million
*2 Collateral assets	*2 Collateral assets	*2 Collateral assets
(Collateral assets for bank loans)	(Collateral assets for bank loans)	(Collateral assets for bank loans)
Buildings 1,542 million	Buildings 1,528 million	Buildings 1,570 million
Machinery and equipment 11,621 million	Machinery and equipment 11,148 million	Machinery and equipment 11,472 million
Other tangible assets 793 million	Other tangible assets 824 million	Other tangible assets 824 million
Investment securities 4,111 million	Investment securities 4,579 million	Investment securities 5,284 million
	Others 13 million	
Total 18,069 million	Total 18,094 million	Total 19,151 million
Amount of bank loans	Amount of bank loans	Amount of bank loans
Short-term loan 1,484 million	Short-term loan 1,504 million	Short-term loan 1,504 million
Long-term loan 5,849 million	Long-term loan 10,153 million	Long-term loan 10,605 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:	The above collateral assets include a portion of industrial factory foundation as follows:
Buildings 984 million	Buildings 931 million	Buildings 957 million
Machinery and equipment 175 million	Machinery and equipment 158 million	Machinery and equipment 175 million
Others 501 million	Others 501 million	Others 501 million
Total 1,662 million	Total 1,591 million	Total 1,634 million
Amount of bank loans	Amount of bank loans	Amount of bank loans
Short-term loan 834 million	Short-term loan 834 million	Short-term loan 834 million
Long-term loan 362 million	Long-term loan 128 million	Long-term loan 245 million
(Collateral assets for purposes other than bank loans)	(Collateral assets for purposes other than bank loans)	(Collateral assets for purposes other than bank loans)
Investment securities 546 million	Investment securities 546 million	Investment securities 546 million
Other investment 130 million	Other investment 30 million	Other investment 130 million
3 Commitments and contingent liabilities	3 Commitments and contingent liabilities	3 Commitments and contingent liabilities
(1) Loans guaranteed to employees: 1,253 million	(1) Loans guaranteed to employees: 1,079 million	(1) Loans guaranteed to employees: 1,193 million
(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:
Aomori Renewable Energy Recycling Co., Ltd. 1,329 million	Aomori Renewable Energy Recycling Co., Ltd. 1,050 million	Aomori Renewable Energy Recycling Co., Ltd. 1,179 million
E-Square Co., Ltd. 3,115 million	E-Square Co., Ltd. 2,817 million	E-Square Co., Ltd. 2,966 million
EUP Co., Ltd. 1,022 million	Hasaki Wind Farm Co., Ltd. 1,270 million	Hasaki Wind Farm Co., Ltd. 1,270 million
Hasaki Wind Farm Co., Ltd. 1,270 million	Other 16 companies 4,038 million	Other 16 companies 3,295 million
Other 15 companies 2,932 million		

September 30, 2005	September 30, 2006	March 31, 2006
(3) Loan guaranteed to business partners: Oiwa Corporation 4,961 million Tomen Power Samukawa Co., Ltd. 181 million (4) ----- (5) -----	(3) Loan guaranteed to business partners: Oiwa Machinery Corporation 4,125 million Tomen Power Samukawa Co., Ltd. 181 million (4) Off-balance notes receivables with repurchase obligation 1,552 million (5) Treatment of notes that matured on the last day of the first half of the fiscal year In principle, mature bills are settled on the clearing date. However, bills that matured on the last day of the first half of the fiscal year under review are included in the balance sheet as listed below as the last day of the said period was a bank holiday. Notes receivable: 3,073 million Notes payable: 6,208 million	(3) Loan guaranteed to business partners: Oiwa Corporation 4,086 million Tomen Power Samukawa Co., Ltd. 181 million (4) Off-balance notes receivables with repurchase obligation 5,964 million (5) -----
4 -----	4 Overdrafts and commitment lines The Company signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the first quarter period were as follows: Current account overdrafts 12,700 million Commitment lines 36,600 million Balance of borrowings - million Total 49,300 million	4 Overdrafts and commitment lines The Company signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the first quarter period were as follows: Current account overdrafts ¥12,700 million Commitment lines ¥37,800 million Balance of borrowings - million Total ¥50,500 million

(Statements of income)

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
*1 Principal items of selling, general and administrative expenses Sales commission 2,506 million Packing and transportation 2,427 million Sales promotion 568 million Allowance for doubtful receivables 9 million Personnel expenditure 16,700 million Bonus payment reserve expense 1,085 million Directors' bonus payment reserve expense 56 million Employees' retirement expenses 1,549 million Rental and lease expenses 1,473 million Directors' retirement expenses 104 million Traveling expenses 1,977 million Public dues and taxes 722 million Depreciation and amortization 1,525 million Amortization of consolidated goodwill 359 million Research and development costs 4,464 million	*1 Principal items of selling, general and administrative expenses Sales commission 2,200 million Packing and transportation 2,014 million Sales promotion 581 million Personnel expenditure 16,996 million Bonus payment reserve expense 1,278 million Directors' bonus payment reserve expense 29 million Employees' retirement expenses 1,433 million Rental and lease expenses 1,718 million Directors' retirement expenses 102 million Traveling expenses 2,049 million Public dues and taxes 664 million Depreciation and amortization 1,346 million Amortization of goodwill 349 million Research and development costs 4,506 million	*1 Principal items of selling, general and administrative expenses Sales commission 4,847 million Packing and transportation 4,894 million Sales promotion 1,366 million Personnel expenditure 34,925 million Bonus payment reserve expense 1,240 million Directors' bonus payment reserve expense 107 million Employees' retirement expenses 2,949 million Rental and lease expenses 3,523 million Directors' retirement expenses 183 million Traveling expenses 4,069 million Public dues and taxes 1,628 million Depreciation and amortization 3,288 million Amortization of consolidated goodwill 1,110 million Research and development costs 10,883 million
*2 Since a high percentage of the Ebara Group's net sales are accounted for by the public sector, there is a major difference between sales in the first half and the second half of the fiscal year.	*2 Mentioned left	* 2 -----
*3 Gain on sales of fixed assets comprises the following: Buildings 530 million Machinery and equipment 16 million Others 1,288 million Total 1,835 million	*3 Gain on sales of fixed assets comprises the following: Buildings 0 million Machinery and equipment 4 million Others 2 million Total 7 million	*3 Gain on sales of fixed assets comprises the following: Buildings 530 million Machinery and equipment 47 million Others 4,190 million Total 4,768 million
*4 Loss on sales of fixed assets comprises the following: Buildings 1 million Machinery and equipment 26 million Others 1 million Total 29 million	*4 Loss on sales of fixed assets comprises the following: Buildings 0 million Machinery and equipment 18 million Others 47 million Total 66 million	*4 Loss on sales of fixed assets comprises the following: Buildings 13 million Machinery and equipment 76 million Others 13 million Total 104 million

From April 1, 2005 to September 30, 2005

*5 Impairment losses

(1) Summary of asset groups for which impairment losses were recognized

Use	Type	Location
Land for business office use	Land	Chiba, Chiba Prefecture
Wind power generation equipment	Machinery and equipment	Noheji-machi, Aomori Prefecture
Group housing, other	Land	Fujisawa, Kanagawa Prefecture

(2) Outline of asset grouping

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

(3) Background of recognition of impairment losses

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.

(4) Computation of recoverable value

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.

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.

(5) Amount of impairment losses

Land	366 million
Equipment	85 million
Buildings and structures	0 million
Total	452 million

From April 1, 2006 to September 30, 2006

*5 -----

From April 1, 2005 to March 31, 2006

*5 Impairment losses

(1) Summary of asset groups for which impairment losses were recognized

Use	Type	Location
Land for business office use	Land	Chiba, Chiba Prefecture
Wind power generation equipment	Machinery and equipment	Noheji-machi, Aomori Prefecture
Group housing, other	Land	Fujisawa, Kanagawa Prefecture

(2) Outline of asset grouping

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

(3) Background of recognition of impairment losses

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.

(4) Computation of recoverable value

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.

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.

(5) Amount of impairment losses

Land	366 million
Equipment	92 million
Buildings and structures	0 million
Total	459 million

(Statement of Changes in Consolidated Shareholders' Equity for the Interim Period)

From April 1, 2006 to September 30, 2006

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of September 30, 2006
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	40,466	7,705	143,411
Total	110,650	40,466	7,705	143,411

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 40,466 was due to the purchase of shareholdings of less than one trading unit.

3.The decrease in treasury common stock of 7,705 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 interim period for which the effective date falls after the end of the interim period.

Not applicable

(Statements of cash flows)

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
1. A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 44,834 million Securities 378 million Total 45,212 million Cash and cash equivalents 45,212 million	1. A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 47,995 million Securities 0 million Total 47,996 million Cash and cash equivalents 47,996 million	1. A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 47,509 million Securities 0 million Total 47,510 million Cash and cash equivalents 47,510 million

(Marketable and investment securities)

1 Marketable securities

	September 30, 2005 (Millions of yen)	September 30, 2006 (Millions of yen)	March 31, 2006 (Millions of yen)
Held to maturity:			
Japanese government bonds			
Book value	9	-	-
Fair value	10	-	-
Unrealized gains (losses), net	0	-	-
Other securities			
Equity securities			
Historical cost	15,919	15,255	13,518
Book value	33,255	35,446	35,973
Unrealized gains (losses), net	17,336	20,190	22,455

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.

2 Non-marketable securities

	September 30, 2005 (Millions of yen)	September 30, 2006 (Millions of yen)	March 31, 2006 (Millions of yen)
Held-to-maturity			
Other government bonds	6	6	6
Total	6	6	6
Other securities			
Unlisted securities	8,760	8,210	9,304
Investments in and advances to subsidiaries and affiliates	8,169	8,928	8,462
Investments in capital of limited partnerships	182	179	180
Others	377	-	-
Total	17,490	17,318	17,947

(Segment information)

【Business segment information】

From April 1, 2005 to September 30, 2005

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating loss Sales (1) Sales to third parties (2) Intersegment sales and transfer	95,164 642	47,945 2,269	37,321 96	180,431 3,008	- (3,008)	180,431 -
Total	95,807	50,215	37,418	183,440	(3,008)	180,431
Operating costs and expenses	104,011	59,223	37,179	200,414	(2,840)	197,574
Operating income (loss)	(8,204)	(9,008)	239	(16,974)	(168)	(17,142)
II Assets, depreciation and amortization and capital expenditure Assets	218,043	118,270	118,010	454,324	92,785	547,110
Depreciation and amortization	2,607	1,712	1,573	5,893	(12)	5,880
Capital expenditure	1,973	675	1,824	4,473	(48)	4,424

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

Business segment	Products
Fluid Machinery & Systems	Pumps, Browers, 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

2 The amount of the corporate assets included in ‘Elimination and corporate’ is ¥96,861 million.The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

3 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

From April 1, 2006 to September 30, 2006

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating loss Sales (1) Sales to third parties (2) Intersegment sales and transfer	106,046 583	46,770 2,326	41,625 134	194,442 3,044	- (3,044)	194,442 -
Total	106,629	49,097	41,759	197,486	(3,044)	194,442
Operating costs and expenses	110,707	61,984	38,458	211,150	(2,830)	208,320
Operating income (loss)	(4,077)	(12,887)	3,300	(13,664)	(214)	(13,878)
II Assets, depreciation and amortization and capital expenditure Assets	244,100	111,477	129,471	485,049	80,217	565,266
Depreciation and amortization	2,482	1,714	1,867	6,063	(12)	6,051
Capital expenditure	2,786	1,809	1,729	6,324	(46)	6,278

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

Business segment	Products
Fluid Machinery & Systems	Pumps, Browers, 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

2 The amount of the corporate assets included in ‘Elimination and corporate’ is ¥83,844 million.The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Group.

3 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

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 (2) Intersegment sales and transfer	 252,741 2,865	 172,823 5,654	 89,392 331	 514,957 8,851	 - (8,851)	 514,957 -
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, Browers, 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

2 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 Group.

3 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

【Geographical segment information】

From April 1, 2005 to September 30, 2005

(Millions of yen)

	Japan	North America	Others	Total	Elimination and corporate	Consolidated
I Sales (1) Sales to third parties (2) Intersegment sales and transfer	 146,514 4,404	 22,274 1,260	 11,643 3,292	 180,431 8,958	 - (8,958)	 180,431 -
Total	150,918	23,535	14,935	189,389	(8,958)	180,431
Operating costs and expenses	166,821	25,509	14,487	206,818	(9,244)	197,574
Operating income (loss)	(15,902)	(1,974)	448	(17,428)	286	(17,142)
II Assets	427,601	51,526	30,248	509,376	37,734	547,110

Notes 1 The amount of the corporate assets included in ‘Elimination and corporate’ is ¥96,861 million.The material assets are cash and cash equivalent, some of the investmen securities and deferred tax assets of the Group.

2 Countries and areas other than Japan are shown in Others.

3 Countries and areas included in Others are as follows:
Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil and Korea

4 North America is classified from Others 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 September 30, 2004	From April 1, 2004 to March 31, 2005
I Sales (1) Sales to third parties (2) Intersegment sales and transfer	 19,574 1,270	 41,201 3,314
Total	20,845	44,516
Operating costs and expenses	22,351	45,513
Operating loss	(1,505)	(997)
II Assets	48,378	43,994

From April 1, 2006 to September 30, 2006

(Millions of yen)

	Japan	North America	Others	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	154,296	25,605	14,540	194,442	-	194,442
(2) Intersegment sales and transfer	8,232	817	2,981	12,030	(12,030)	-
Total	162,528	26,422	17,521	206,472	(12,030)	194,442
Operating costs and expenses	177,839	25,768	16,332	219,940	(11,620)	(208,320)
Operating income (loss)	(15,310)	654	1,188	(13,467)	(410)	(13,878)
II Assets	467,804	52,116	34,944	554,865	10,401	565,266

Notes 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥83,844 million.The material assets are cash and cash equivalent, some of the investmen securities and deferred tax assets of the Group.

2 Countries and areas other than Japan are shown in Others.

3 Countries and areas included in Others are as follows:

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

From April 1, 2005 to March 31, 2006

(Millions of yen)

	Japan	North America	Others	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 investmen securities and deferred tax assets of the Group.

2 Countries and areas other than Japan are shown in Other.

3 Countries and areas included in Other are as follows:

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

4 As a result of adoption of Reserve for losses on construction completion guarantees, operating income in Japan was ¥642 million higher than under the previous method of accounting.

5 As a result of adoption of Reserve for construction losses, operating income in Japan was ¥725 milion lower than under the previous method of accounting.

【Overseas sales】

From April 1, 2005 to September 30, 2005

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	20,554	15,598	17,918	54,071
II Consolidated net sales				180,431
III Percentage of overseas sales to net sales (%)	11.4	8.6	9.9	30.0

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

(1) Asia Taiwan, Korea, China

(2) North America USA

(3) Other areas Qatar, Germany, Italy, UK, Iran

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

From April 1, 2006 to September 30, 2006

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	21,811	17,461	22,370	61,643
II Consolidated net sales				194,442
III Percentage of overseas sales to net sales (%)	11.2	9.0	11.5	31.7

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 Italy, UK, Qatar, Saudi Arabia

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

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 Group and its subsidiaries other than in Japan.

(Per share data of common stock)

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
Shareholders'equity per share of common stock ¥281.12 Net loss per share ¥33.35 Net income per diluted share ¥- Basic information for computation of net loss per share (1) Net loss on consolidated statements of income 11,155 million (2) Net loss available to common shareholders 11,155 million (3) Average shares of common stocks 334,507,184 shares (4) Potential share excluded from computation of net income per diluted share: Bond Potential shares Convertible bonds due 2006 18,170,997 shares Bonds with rights to purchase new shares due 2007 1,480,221 shares (5) Amount adjusted for computation of net income per diluted share: ----- (6) Increase of common stocks for computation of net income per diluted share: -----	Shareholders'equity per share of common stock ¥324.23 Net loss per share ¥28.36 Net income per diluted share ¥- Basic information for computation of net loss per share (1) Net loss on consolidated statements of income 11,986 million (2) Net loss available to common shareholders 11,986 million (3) Average shares of common stocks 422,598,456 shares (4) Potential share excluded from computation of net income per diluted share: Bond Potential shares Euro Yen Bonds with stock acquisition rights due 2011 946,230 shares Euro Yen Bonds with stock acquisition rights due 2013 946,230 shares (5) Amount adjusted for computation of net income per diluted share: ----- (6) Increase of common stocks for computation of net income per diluted share: -----	Shareholders'equity per share of common stock ¥363.68 Net income per share ¥9.11 Net income per diluted share ¥8.89 Basic information for computation of net income (loss) per share (1) Net income on consolidated statements of income 3,349 million (2) Net income available to common shareholders 3,349 million (3) Average shares of common stocks 367,845,960 shares (4) Potential share excluded from computation of net income per diluted share: ----- (5) Amount adjusted for computation of net income per diluted share: Interest payable after tax deduction 77 million Consignment fee for paying interest after tax deduction 2 million Total adjustment of net income 80 million (6) Increase of common stocks for computation of net income per diluted share: Increase of common stocks by exercise of rights to purchase new shares 18,170,997 shares

(Subsequent Events)

From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
Following the close of the interim period under review, a portion of rights to purchase new shares of the Group's 5th Unsecured Bonds with Rights to Purchase New Shares was exercised, as follows (As of November 18, 2005): (1) Portion of rights exercised: ¥17,000 million (2) Increase in Common stock: ¥8,527 million (3) Increase in Capital surplus: ¥8,472 million (4) Number and type of shares increased: 38,583,748 common shares (5) Beginning date for proportional per diem computation of dividends: October 1, 2005	-----	-----

Order received and sales

(1) Output

(Millions of yen)

Business segment	From April 1, 2005 to September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
Fluid Machinery & Systems	93,156	99,343	227,712
Environmental Engineering	19,508	19,128	90,239
Precision Machinery	30,187	32,719	65,046
Total	142,852	151,190	382,999

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 September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
Fluid Machinery & Systems	135,666	148,262	280,365
Environmental Engineering	83,172	69,802	162,062
Precision Machinery	42,479	65,720	87,988
Total	261,318	283,785	530,416

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 September 30, 2005	From April 1, 2006 to September 30, 2006	From April 1, 2005 to March 31, 2006
Fluid Machinery & Systems	95,164	106,046	252,741
Environmental Engineering	47,945	46,770	172,823
Precision Machinery	37,321	41,625	89,392
Total	180,431	194,442	514,957

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	September 30, 2005	September 30, 2006	March 31, 2006
Fluid Machinery & Systems	153,638	187,972	145,197
Environmental Engineering	188,520	125,960	145,237
Precision Machinery	37,173	55,061	31,045
Total	379,332	368,993	321,480

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 gasfication 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.