

**RESULTS OF OPERATIONS FOR
THE YEAR ENDED MARCH 31, 2008 (CONSOLIDATED)**

May 15 2008

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

Representative: Natsunosuke Yago, President
Contact person: Shusuke Tsumura, General Manager, Corporate Accounting Department Tel: 81-3-3743-6111
Scheduled day of general meeting of shareholders: June 27 2008
Scheduled day of commencement of delivery of dividend: June 30 2008
Scheduled day of submission of annual security report: June 27 2008

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

1. Outline of the results for FY2008 (April 1-March 31, 2008)

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

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2008	567,190	5.4	6,016	(54.6)	2,757	(73.5)	7,608	39.7
FY2007	538,097	4.5	13,249	21.5	10,414	34.7	5,446	62.6

	Net income per share	Net income per share, diluted	Return on equity	Ordinary income on Total assets ratio	Operating income on sales ratio
	Yen	Yen	%	%	%
FY2008	18.01	15.84	5.0	0.4	1.1
FY2007	12.89	12.31	3.6	1.7	2.5

Notes (i) Profit & loss in equity method: FY2008 126 million FY 2007 -1,131 million
(ii) % represents percentage change from a comparable previous period

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

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2008	607,006	155,263	24.9	358.01
FY2007	625,032	154,969	24.2	357.97

Notes Shareholder's Equity (consolidated) FY2008 151,243 million FY2007 151,255 million

(3) Consolidated Cash Flow Millions of yen

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents
	FY2008	(6,316)	31,770	(21,807)
FY2007	9,543	(10,549)	17,166	66,086

2. Dividend

	Cash Dividend per share of common stock			Total dividend for the year	Dividend payout ratio Consolidated	Dividend rate per net assets Consolidated
	1 st half	End of 2 nd half	Total for the year			
	Yen	Yen	Yen	Million yen	%	%
FY2007	-	7.5	7.5	3,169	58.2	2.1
FY2008	-	7.5	7.5	3,168	41.6	2.1
FY2009 (Forecast)	-	7.5	7.5	-	70.4	-

3. Forecast of results for the year ending March 31, 2009 Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
FY2009 1st half	220,000	(7.2)	(9,000)	-	(11,000)	-	(6,000)	-	(14.20)
FY2009	560,000	(1.3)	13,000	116.1	9,000	226.4	4,500	(40.9)	10.65

Notes % represents percentage change from a comparable previous period

4. Others

(1) Changes in significant subsidiaries: Not applicable

(2) Changes in accounting policies

(i) Changes according to amendment of accounting standard: Not applicable

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

(Depreciation of tangible assets, Valuation standards and methods for inventories)

Notes Please refer Page 28 'Change in accounting policies' for detail information.

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (including treasury stocks) FY2008 422,725,658 FY2007 422,725,658

(ii) Number of treasury stocks FY2008 267,250 FY2007 190,191

Notes Please refer Page 45 'Information for stock' regarding the number of stocks to be basis of calculation of dividend rate per net assets.

(Reference information)

1. Outline of the results for FY2008 (April 1-March 31, 2008), Non-consolidated

(1) Non-consolidated Financial Highlights

Million of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2008	246,704	(1.9)	(6,205)	-	(3,218)	-	(1,988)	-
FY2007	251,520	(6.3)	3,427	14.6	6,128	6.9	3,525	16.9

	Net income per share	Net income per share, diluted
	Yen	Yen
FY2008	(4.71)	-
FY2007	8.34	8.07

Notes % represents percentage change from a comparable previous period

(2) Non-Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2008	435,254	138,905	31.9	328.80
FY2007	457,610	147,874	32.3	349.97

Notes Shareholder's Equity (Non-consolidated) FY2008 138,905million FY2007 147,874million

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

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

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

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

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

1. Management Performance

Management Performance

(1) Analysis of Management Performance

① Overview of Performance of the Fiscal Year

During the consolidated fiscal year under review, the world economy as a whole continued to experience firm conditions, but during the latter half of the fiscal year, signs of an economic slowdown began to appear as a result of increases in prices of energy and raw materials and spreading credit uncertainty in international financial markets. In the U.S. economy, as a result of turmoil in financial markets resulting from the emergence of the subprime housing loan issue, the decline in housing construction activity, and other factors, the economy slowed. In the European economies also, growth slowed as a consequence of instability in financial markets. On the other hand, in the newly emerging economies, centered around the BRIC nations, Asia, and the Middle East, economic expansion generally continued.

In the Japanese economy, signs of a recovery trend were in evidence as a result of increases in private capital investment and other developments following the improvement in corporate profitability; however, during the latter half of the fiscal year, stronger signs of a slowdown in private-sector demand appeared as a result of the impact of rising energy and raw material prices as well as a decline in construction starts. On the other hand, conditions in the public sector remained lackluster throughout the fiscal year.

Amid this operating environment, the EBARA Group (the Group), in its Fluid Machinery & Systems (FMS) Group, moved forward with initiatives to strengthen its sales network in global markets for custom pumps, compressors & fans and standard pumps, and continued to strengthen its manufacturing systems. In addition, the Group made the decision to move its Haneda Plant to a newly constructed facility located in Futtsu City in Chiba Prefecture, with the objectives of improving production efficiency and reducing the emissions load on the environment. In the Environmental Engineering (EE) Group, the Group focused especially on improving profitability. These activities included reallocating its management resources, including personnel, to respond to conditions in the market for domestic public works construction, which has matured, and took steps to lower fixed costs through the implementation of a preferential early retirement program. The Group also adopted measures that included strengthening its capabilities for making proposal-based sales and providing operation and maintenance (O&M) services, which are areas where demand is expected to grow. In the Precision Machinery (PM) Group, the Group endeavored to improve profitability by making further improvements in profit margins of core products, including dry pumps and chemical mechanical polishing (CMP) systems, by lowering procurement costs and substantially tightening manufacturing management and controls.

The Group continued activities to restructure its business portfolio and organization. These included the sale of shares held in former consolidated subsidiaries MATSUBO Corporation and Elliott Energy Systems, Inc.; the liquidation of Ebara Environmental International Co., Ltd.; and measures to reorganize other associated companies in the environment business.

As the previously mentioned measures were implemented, the Group reported an increase in sales of the FMS group, supported mainly by robust capital investment activities in overseas markets; a fractional increase in sales of the EE group because of increased competition for projects in the domestic public sector; and a decline in sales of the PM group owing to lackluster market conditions in the second half of the fiscal year. As a result of these trends by segment, total consolidated net sales increased over the previous fiscal year. Operating income posted a substantial decline from the previous year. The principal factors accounting for this were as follows. In the FMS

group, performance was adversely affected by sudden fluctuations in foreign currency exchange rates and a decline in sales of standard pumps and blowers owing to a drop in the number of construction starts resulting from the implementation of a revision of Japan's building code. In the EE group, additional costs were reported in connection with the Group's decision to withdraw from the overseas market for new orders for solid waste processing facilities, and the profitability of work for the domestic public sector declined as a result of more-intense price competition. In the PM group, sales declined as a result of requests from customers for delays of equipment deliveries in the face of stagnant conditions in the semiconductor market.

As a result of these various developments, the Group reported consolidated net sales of ¥567.1 billion, 5.4% higher than for the previous fiscal year; operating income of ¥6.0 billion, 54.6% below that of the prior year; and ordinary income of ¥2.7 billion, 73.5% lower than for the previous fiscal year. Among extraordinary items, the Group reported extraordinary gains totaling ¥74.5 billion, including a ¥72.4 billion gain on the sale of tangible fixed assets. Extraordinary losses amounted to ¥43.7 billion, including losses on the suspension of specific projects amounting to ¥9.8 billion, provisions to the reserve for losses of specific construction work amounting to ¥13.6 billion, and losses on completion guarantees for specific projects amounting to ¥5.2 billion. After a provision to the valuation reserve for deferred tax assets, consolidated net income amounted to ¥7.6 billion, representing an increase of 39.7% over the previous fiscal year.

Results by Business Segment

The Group changed the segmentation of wind power generation business and cooling and water supply systems for nuclear power plants from the Environmental Engineering Group to the Fluid Machinery Systems Group at the beginning of the fiscal year ending March 31 2008 to optimize the Group from an overall perspective and restructure its organization. Comparisons with the same period of the previous year were prepared after reclassification under the new segmentation.

Fluid Machinery & Systems

Among orders for the FMS group, orders for custom pumps and compressors & fans showed strong expansion supported by continued active capital investments in the oil and gas industry and the electric power industry, principally in overseas markets in the Middle East and the Asian region outside Japan. In addition, orders for standard pumps continued to be firm, principally in overseas markets. In the Japanese market, the FMS group was able to record a gain in orders over those of the previous year from the public sector, despite a difficult market environment by conducting activities to secure small- to medium-sized projects, while large-scale projects also contributed. In addition, the FMS group expanded the volume of orders from the private sector, where demand from the steel and other industries for the maintenance, renewal, and expansion of existing equipment was firm, through assiduous, customer-centric sales activities and improvement in after-sales service.

Sales of the FMS group for the fiscal year under review amounted to ¥318.4 billion, 9.8% higher than for the previous fiscal year. These results reflected robust orders for gaseous and fluid transport equipment, mainly from the overseas oil and gas industry and electric power industry, as well as strong demand for capital investment in the basic materials industries in Japan and overseas. However, operating income amounted to ¥10.2 billion, 2.9% lower than for the previous fiscal year owing to sudden fluctuations in foreign currency exchange rates and the decline in the number of construction starts resulting from the implementation of a revision of Japan's building code.

Environmental Engineering

In the EE group, challenging market conditions persisted because of more-intense competition in the domestic public-sector area, which is the principal market for the EE group. As a result of efforts by the EE group to strengthen its capabilities for making proposal-based sales and its competitiveness, the following important results were reported. In the water treatment and sewage processing field, these included winning an order for a submerged membrane filtration facility, which will be the largest of its kind. In the solid waste processing facility field, the EE group won an order for a large-scale municipal garbage incineration facility in the Kanto metropolitan area. In addition, the EE group is continuing to strengthen its capabilities for providing O&M services and was successful in winning long-term contracts for waste processing centers as well as multiyear contracts for water treatment facilities. On the other hand, the EE group made the decision to withdraw from accepting new contracts for overseas solid waste processing projects and bioethanol facilities, where it is difficult to avoid business risk. As a result of these various factors, orders declined from the level of the previous fiscal year.

Restructuring the profit base of the EE group is an urgent task. The EE group has concentrated resources on those businesses, mainly domestic ones, that are expected to grow going forward, reduced the number of personnel, liquidated certain subsidiaries, and taken other measures to reduce fixed costs. In addition, reserves for possible future construction and other losses, principally related to overseas projects, have been set aside.

Sales of the EE group were ¥141.4 billion, 0.8% higher than for the previous fiscal year, reflecting the difficult operating environment resulting from more-intense competition in the domestic public works project market. The EE group's operating loss increased to ¥12.1 billion, ¥4.7 billion expanded from the previous fiscal year. This was due to a number of factors, including the incurrence of additional costs in connection with the withdrawal from the overseas market for new orders in the solid waste processing facilities field and the decline in profitability owing to more-intense price competition in the domestic public works sector.

Precision Machinery

In the PM group, sales of semiconductor manufacturing equipment, which are the PM group's core products, held firm during the first half of the fiscal year as memory manufacturers in Japan, Korea, and Taiwan, who are the PM group's principal customers, continue their aggressive capital investment. However, in the second half of the fiscal year, the weakening of semiconductor prices, mainly for DRAMs, prompted one semiconductor manufacturer after another to delay or suspend their investment plans. Amid this operating environment, the PM group focused its marketing activities on high-throughput CMPs for technologically leading-edge copper interconnection processes and processors for removing PFC (perfluorinated carbon) gas, which is a greenhouse gas that places a heavy emissions load on the environment. However, orders were below the level of the previous year. In addition, in the fourth quarter, conditions in the semiconductor market experienced a further marked deterioration, and shipments were delayed at customers' request. As a consequence, sales and operating income were below the level of the previous fiscal year.

Sales of the PM group amounted to ¥107.2 billion, 0.4% lower than for the previous fiscal year. Operating income stood at ¥7.9 billion, representing a decline of 20.8% from the prior year.

② Outlook for the Next Fiscal Year

The outlook for the overall market environment is for the world economy to show a decelerating trend, as the United States and Europe continue to experience declining growth because of the influence of uncertainties in

financial markets. The economies of Asia outside Japan, which have reported high economic growth in recent years, are forecast to show slower rates of expansion as a consequence of the influence of deceleration in the economies of the advanced countries. For the Group, conditions in the oil and gas industries as well as the electric power industry in the Middle East and Asia outside Japan are expected to continue to be robust, while public-sector demand in the wind power generation equipment business is also expected to remain strong. On the other hand, a challenging market environment is forecast to continue in the engineering business in Japan as conditions in the public sector remain difficult. In the precision machinery and electronics business, concern remains regarding the trend among customers toward restraining capital investment because of the weakness in the semiconductor product market.

The outlook by business segment is as follows.

In the FMS group, although there is concern regarding foreign currency exchange risk in overseas transactions, demand for compressors and various types of process pumps in the oil and gas industries in East Asia, the Middle East, and elsewhere is forecast to remain at a high level. In addition, the market for infrastructure improvement projects, including electric power generation and seawater desalination, are expected to expand, while demand for standard pumps, principally in China, the Middle East, and Southeast Asia, is likely to continue to be robust. In the domestic private-sector market, even though there are some concerns, including possible delays in recovery of the construction market owing to the impact of revisions in Japan's building code, demand is expected to continue for services to maintain and renew facilities in the steel, petrochemical, and other industries. Moreover, demand linked to the movement of domestic customers into overseas markets is also expected to continue to be firm. On the other hand, demand in the public sector is expected to remain low. Amid these conditions, in overseas markets the Group will work to expand its business activities in the electric power generation and infrastructure sectors, and, working with its overseas subsidiaries, implement various policies to capture demand of Japan-affiliated companies. In the domestic public sector, the Group will further strengthen its marketing activities, drawing on its technological capabilities and, in the domestic private sector, will substantially improve its after-sales service systems and capabilities to bolster its earnings base.

In the EE group, challenging conditions are forecast to continue in the domestic public-sector market, which is the principal market for the EE group's services. However, within this market, demand for services to renew and extend the useful lifetimes of environmental facilities is expected to expand. In addition, there is a trend among public-sector entities to subcontract facilities maintenance, management, and operating services to private-sector companies, and steady growth is expected in the after-sales services business for such public facilities. In response to these trends in the business environment, the EE group is offering proposals for solutions to meet public-sector customer needs, building on its strengths, which include an extensive record of accomplishments in constructing and installing public-sector facilities as well as its capabilities for offering operating and maintenance (O&M) services through its nationwide network. In addition, in response to customer needs related to the sharp rise in oil prices and global warming, the EE group is strengthening its proposals for supplying methanol fermentation facilities using biomass as a basic material, biomass boilers, and facilities combining methanol production facilities and boilers. To enhance its efficiency and price competitiveness, the EE group is also working to standardize its technology and designs, develop and promote packages of services, and promote cost reduction both in manufacturing and construction. As a result of these measures, the EE group is working to restructure its earnings base by simultaneously achieving recoveries in orders and sales as well as reducing fixed costs with the goal of achieving the breakeven point in operating profit.

In the PM group, the outlook for the semiconductor manufacturing equipment market in fiscal year ending March 31, 2009 is for cutting-edge customers to continue strategic capital investments, mainly in equipment for NAND-type flash memories and microprocessors, but, if the current weakness in semiconductor prices prevails for some time, memory manufacturing plants, mainly in Asia, will continue to restrain their capital investment. Amid these conditions, the PM group will aggressively introduce chemical mechanical polishing (CMP) equipment, for the most-advanced 45nm plants, which feature superior productivity, while adopting the key phrases of “energy conservation” and “reducing the load on the environment” and working to expand sales of emission-control systems, focusing especially on dry vacuum pumps and emission-processing equipment. In addition, the PM group will work to strengthen its product support systems and improve efficiency to achieve higher levels of customer satisfaction.

Based on the previously mentioned policies and initiatives, the Group has set the objective of reaching consolidated net sales of ¥560 billion and ¥13.0 billion in operating income in the fiscal year ending March 31, 2009.

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

	Consolidated	
Net sales	¥560	(-1.3%)
Operating income	¥13	(116.1%)
Ordinary income	¥9	(226.4%)
Net income	¥4.5	(-40.9%)

Business Segment Information

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

(Billions of yen, percentage composition)

Group	Sales		Operating Income	
	¥	(%)	¥	(%)
Fluid Machinery & Systems	¥328	(58.6%)	¥11.0	(-%)
Environmental Engineering	¥150	(26.8%)	(¥3.0)	(-%)
Precision Machinery	¥82	(14.6%)	¥5.0	(-%)
Total	¥560	(100%)	¥13.0	(-%)

The above information is projected at the expected foreign exchange rate US\$=¥103.

③ Progress toward Goals of the Medium-Term Management Plan

As the summary of consolidated results below shows, for the fiscal year under review, which is the final year under the previous medium-term management plan, the Group did not attain the performance levels targeted by the plan.

(Billions of yen)

	Performance figures	Midium-term management plan
Sales	¥567	¥570
Operating Income	¥6.0	¥27
Net Income	¥7.6	¥10

In addition, the targets for key management indicators in the final year of the plan are shown as follows. Although the Group attained its target for the debt/equity ratio, return on equity (ROE) was below target.

	Performance figures	Midium-term management plan
ROE	5.0%	8% or more
Debt/equity ratio	1.2	1.2 or lower

④ Attainment of Management Objectives

Please see related item covered previously.

(2) Analysis of Financial Position

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

① Assets

As a result of a decrease from the end of the previous year in current assets of ¥14,733 million and a decrease in fixed assets of ¥3,292 million, total assets declined 18,025 million to ¥607,006 million. The principal reasons for these movements in assets were as follows.

Among current assets, the principal item showing an increase was securities, but inventories and other current assets posted declines. Securities increased ¥18,906 million, as the Group invested available funds in negotiable certificates of deposit (NCDs). Inventories, however, decreased ¥15,412 million, owing to the early application of the newly introduced “Standards for Evaluation of Inventories.” Other current assets declined ¥11,859 million because of the transfer of claims for compensation in connection with the cancellation of the gasification incinerator construction project by Malaysia’s Housing and Autonomy Ministry from other current assets to other investments.

Tangible and Intangible fixed assets were approximately the same as at the end of the previous fiscal year as a net result of capital expenditures of ¥22,381 million, depreciation write-offs of ¥15,316 million, the sale of certain assets, and other factors.

Investments and other assets declined ¥4,309 million from the previous fiscal year-end, to ¥76,512 million, because of the decrease of marketable investment securities and other factors.

② Liabilities

Compared with the previous fiscal year-end, current liabilities decreased ¥11,975 million, and long-term liabilities decreased ¥6,344 million, thus total liabilities declined ¥18,319 million to ¥451,743 million. The principal causes of these decreases were as follows.

Current liabilities declined ¥17,117 million owing to a rise in the settlement of notes and accounts payable, and declined ¥15,000 million owing to redemption of the commercial paper. Reserve for construction losses increased ¥16,459 million in connection with the Infrserv project in Germany and other undertakings.

Among long-term liabilities declined owing to Bonds. The transfer in straight bonds from long-term liabilities to the current portion of long-term debt and other undertakings decreased ¥10,300 million.

③ Net Assets

Among items in net assets, shareholders’ equity increased ¥4,759 million, but total valuation and translation adjustments and others rose ¥4,771 million, while minority interests in consolidated subsidiaries also increased, moving up ¥305 million. As a result, net assets were up ¥293 million and amounted to ¥155,263 million at the end of the period under review. The increase in shareholders’ equity was mainly due to the reporting of a net income of ¥7,608 million and the payment of dividends from retained earnings of ¥3,169 million.

④ Cash Flows

Net cash flow provided by operating activities before payments of interest and taxes was ¥14,070 million lower than for the previous fiscal year and amounted to a net outflow ¥6,316 million, owing to decreases in interest and dividends received and higher payments of corporate income taxes.

Among investing activities, the Group reported a gain on the sale of fixed assets of ¥64,286 million, including principally the sale of the land on which the Group's Haneda Plant was located. In addition, the Group made expenditures of ¥16,729 million on the acquisition of fixed assets. As a result of the purchase of ¥20.0 billion in securities using available cash and other activities, the Group was able to report net cash provided by investing activities of ¥31,770 million for the fiscal year under review.

Net cash provided by financing activities amounted to a net outflow of ¥21,807 million as the Group made a net decrease in refunding of ¥19,249 million through the redemption of bonds and refunds to other types of interest-bearing debt, cash dividends paid of ¥3,169 million, and other factors.

As a consequence, consolidated cash and cash equivalents at the end of the period were ¥69,160 million, ¥3,073 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	March 31 2004	March 31 2005	March 31 2006	March 31 2007	March 31 2008
Shareholders' equity ratio:	19.5%	18.4%	25.9%	24.2%	24.9%
Shareholders' equity ratio at market value:	31.2%	28.5%	52.8%	37.8%	21.2%
Years to repay debt:	9.4 years	-	-	22.4 years	-
Interest coverage ratio:	8.4	-	-	2.8	-

Notes:

1. Shareholders' equity ratio: Shareholders' equity/Total assets
 2. Shareholders' equity ratio as market value: Stock market capitalization/Total assets
 3. Years to repay debt: Interest-bearing debt/Operating cash flow
 4. Interest coverage ratio: Operating cash flow/Interest expenses
- * All indicators in the table above were computed with consolidated financial data.
- * Stock market capitalization was computed by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (less treasury stock).
- * Operating cash flow is "Net cash provided by operating activities" appearing in the Consolidated Statements of Cash Flows. Interest-bearing debt is defined as all liabilities appearing on the Consolidated Balance Sheets on which interest must be paid. Interest expenses are the amounts appearing in the item "Interest expenses paid" in the Consolidated Statements of Cash Flows.

(3) Basic Policy for Allocation of Profit and Dividends for Fiscal 2008 and Fiscal 2009

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

For the year under review, the Company suspended the payment of the interim dividend but, after careful

consideration, will decide to pay a dividend of ¥7.5 per common share for the second half of the fiscal year.

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

(4) Business Risks

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

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

① Market Risk

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

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

② Large-scale projects and overseas business activities

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

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

③ Interest Rate Risk

The Group is working to reduce its interest-bearing debt, but, as of March 31, 2008, a short-term interest bearing debt amounted to ¥77,083 million and the balance of long-term interest bearing debt was ¥107,375 million, which reached a total of ¥184,458 million. Interest-bearing debt includes fixed- and floating-rate liabilities. For that portion of interest-bearing debt borrowed at floating rates, the Group has arranged for interest rate swaps to fix the interest liability and loans with floating – rates to lessen the risk of interest rate fluctuations; however, if interest payments on the unhedged portion rise due to higher interest rates, this may have an impact on the Group's performance.

④ Risks Related to the Impact of Natural Disasters and Impairment of the Social Infrastructure

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

⑤ Government Penalties, etc.

Regarding the order to cease certain operations that has been under consideration since 2004 by Japan's Fair Trade Commission, relating to orders for sewage pump construction work for the Sewage Commission of the City of Tokyo, in April 2008, the Company received the statement of a ruling requesting that such an exclusion order be issued.

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

⑥ Deferred Tax Assets

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

⑦ Material Procurement

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

⑧ Legal restrictions

The Group conducts operations in Japan and foreign countries and is subject to the laws of the countries where its operations take place. In some instances, the passage of laws and changes in existing legislation may result in an alteration of assumptions for operating and business plans. Such changes in assumptions may have an adverse impact on the Group's performance.

2. Corporate Group Information

The Ebara Group (the Group) comprises the parent company (Ebara Corporation, the Company), 108 subsidiaries (55 of which are consolidated), and 16 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 Group changed the segmentation of wind power generation business and cooling and water supply systems for nuclear power plants from the Environmental Engineering Group to the Fluid Machinery Systems Group at the beginning of the fiscal year ending March 31 2008 to optimize the Group from an overall perspective and restructure its organization.

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.

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

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

3. Management Policies

(1) Basic Policies

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

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

(2) Target Management Performance Measures

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

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

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

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

Under the previous medium-term management plan, the Group aimed to attain the following targets by the final year covered by the plan, which ended on March 31, 2008. Unfortunately, the Group fell short of the target set for ROE.

	Performance figures	Medium-term management plan
ROE	5.0%	8% or more
Debt/equity ratio	1.2	1.2 or lower

Under the new three-year, medium-term management plan, which the Group began to implement at the beginning of fiscal 2009, the Group is reviewing its business promotion systems and implementing measures to restructure its management foundation. By the final year of this new plan, ending March 31, 2011, the Group will be working to attain the following objectives.

ROE: 8% or more

Debt/equity ratio: less than 0.9 or Equity ratio: more than 30%

(3) Medium-to-Long Term Management Policies

The Group will implement its business activity in accordance with new medium term management plan “E-Plan 2010” which began in fiscal 2009. The Group has defined the period of this management plan, extending from fiscal 2009 through fiscal 2011, as “a period for restructuring the Group’s management foundation,” when it will review its overall business implementation system and address and resolve the issues identified. The period of the plan is positioned as a time for preparing for the next management plan (extending from fiscal 2012 forward), which will be “a period for taking up the challenge of business expansion.”

Under this plan (E-Plan 2010), the Group will maintain the following basic stances:

- Work to further increase the profitability of existing businesses that have a strong operating base and work to make an early withdrawal from those businesses that have no prospects for improvement in profitability,
- Give priority to improvement in profitability in the allocation of limited human resources, and
- Make effective use of the Group’s assets, allocating them on a priority basis to those businesses that are generating profits and employing the resources necessary to withdrawing from unprofitable businesses.

Under this plan (E-Plan 2010), the Group will implement its management with the following concerns.

① The Group’s Concerns as a Manufacturing Enterprise

The Group is aware that manufacturing and marketing superior hardware and providing top-quality supporting services are the keys to business growth. The Group will further polish its capabilities in the areas where it is strong and will aim to be one of the world’s leading manufacturers of industrial machinery.

② Concern for Improving the Natural Environment

By continuing to provide products and services that conserve energy and contribute to preserving the natural environment, the Group intends to contribute to improving the earth’s environment and assist in passing this improved environment on to the next generations. At the same time, we will endeavor to improve our own work environment, which is the place where we work to achieve self-fulfillment.

③ Concern for Internal Control Systems and Improvement in Operating Efficiency

To create a culture that emphasizes compliance, we are continuing to work not only to enhance our internal control systems and enhance management transparency but also to improve operating efficiency.

④ Concern for the Group’s Motto: “EBARA Walking with Its Customers”

The conceptual origin of the Group’s business activities is “meeting customer needs,” and devoting our efforts to meet customer needs is the way we have grown. We will aim to accurately identify and anticipate customer needs, which change from one era to the next, and, by responding to these needs, will work to enhance customer satisfaction and, at the same time, work toward the further development of the Group.

Under this plan (E-Plan 2010), the Group as a whole will focus on the following two fundamental items.

① Strengthening the Business Base for Sustained Growth

Going forward, the Group positions strengthening of its business base as a priority issue for sustained growth. To this end, the Group has planned and will decisively implement the following measures.

- i) Promote Selectivity and Concentration

- The Group will withdraw from unprofitable businesses without prospects for improvement and businesses that require an extended period for recovery of invested capital. This will apply to such business whether they are within the parent company or subsidiaries.
- The Group will allocate capital on a priority basis to those businesses that have the potential of attaining annual sales in excess of ¥100 billion and a ratio of operating income to sales of greater than 7% (the standard pump business, custom pump business, compressor business, and precision machinery business), with the aim of attaining further increases in sales and improvement in product profitability.

ii) Establish a Business Base from a Global Perspective

- The Group will enhance the efficiency of its systems for international marketing and support services for its product groups that are marketable globally.
- For those product groups that lack international marketability, the Group will withdraw from such businesses or projects in overseas markets and will have them continue their operations focusing on the domestic market.

iii) Improve Cash Flow

- With the exception of those new products and businesses where the Group will make developmental investments looking to the next medium-term plan in fiscal 2012 and later, all companies will be expected to generate positive free cash flow within two years.

② Implementing Corporate Activities that Emphasize Compliance

The Group will emphasize compliance and implement its corporate activities through appropriate and legal business processes. To this end, the Group will strengthen and upgrade its internal control systems and will implement a range of measures on a Groupwide basis that will enable a spirit that truly emphasizes compliance to take root in its corporate culture. In addition, the Group will review its individual business processes and strengthen internal controls, with the objectives of eliminating waste and duplication in its operations and improving efficiency.

Under this plan, the Group will establish concrete action plan to achieve objectives of management for sustained growth, and will decisively implement these measures so that satisfaction may be ensured for stakeholders and will aim for maximization of corporate value and stock value.

(4) Issues to Be Addressed

① Strengthening the Business Base for Sustained Growth

For the Group to attain the targets of the new medium-term management plan that began in fiscal 2009, one of the priority issues will be to strengthen the Group's management base. This will involve allocating corporate resources with greater selectivity and concentration, including withdrawing from unprofitable businesses, investing in products that have the potential for generating high profits, and implementing other measures to use resources with maximum efficiency. In particular, in the EE group, the Group is working to improve profitability by making changes in the group's organization and systems as well as reducing personnel to lower fixed costs.

② Achieving Financial Soundness

The Group pursues initiatives to increase the soundness of its financial position and address financial issues.

These initiatives include reducing the balance of the Group's interest-bearing debt, increasing capital, and securing liquidity for its operations.

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

The Company received a notice from the Ministry of Housing and Local Government of Malaysia to cancel the contract for a gasification incinerator plant with a capacity of 1,500 tons a day. At present, the Company is engaged in negotiations to complete the recovery of these claims at an early date.

④ Strengthening the corporate governance and emphasizing compliance

In connection with the improper use of Company funds by former members of management, the Company investigated factual information and confirmed the amount of damages involved. In addition, the Company has received recommendations from an independent evaluation committee composed of knowledgeable persons and has determined where the legal responsibilities lie while also working to recover damages. We have already recovered vast majority of the damages and have taken legal measures to recover the rest. In parallel with these activities, to prevent a recurrence of such issues, the Company has formed a committee that includes independent knowledgeable persons and implemented the preventive policies. To ensure that such unethical behavior does not recur, the Group continues to strengthen its corporate governance and endeavor to create a corporate culture that emphasizes compliance.

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

The Group regrets to report that, regarding the Group's violation of Japan's Antimonopoly Act in fiscal 2007 in connection with bidding for sludge-reprocessing facilities, the Group was received an order to cease certain operations based on Japan's Construction Law in September 2007 by the Ministry of Land, Infrastructure and Transport. In addition, regarding the order to cease certain operations that has been under consideration by Japan's Fair Trade Commission, relating to orders for sewage pump construction work for the Sewage Commission of the City of Tokyo, in April 2008, the Group received the statement of a ruling requesting that such an exclusion order be issued. In view of these circumstances, the Group made the decision not to engage in activities in violation of the Antimonopoly Act. Moreover, the Group has created a checking system for day-to-day activities and is monitoring activities on a continuing basis. We want to express our deepest regret to the many people who have been adversely affected by these issues and to call on our shareholders for their increased support and cooperation.

Consolidated balance sheets

	Notes	March 31, 2007		March 31, 2008		Changes
		Millions of yen	%	Millions of yen	%	Millions of yen
Assets						
I Current assets						
1 Cash and time deposits		66,085		70,252		4,167
2 Trade receivables	*5	225,004		215,790		(9,213)
3 Securities		0		18,907		18,906
4 Inventories		96,589		81,177		(15,412)
5 Deferred tax assets		14,765		12,075		(2,690)
6 Others		31,227		19,368		(11,859)
7 Allowance for doubtful receivables		(2,004)		(636)		1,368
Total current assets		431,669	69.1	416,935	68.7	(14,733)
II Fixed assets						
(1) Tangible fixed assets	*1 *3					
1 Buildings		31,847		30,238		(1,609)
2 Machinery and equipment		36,990		36,922		(68)
3 Land		18,883		19,566		683
4 Construction in progress		4,739		10,747		6,007
5 Others		5,814		5,392		(421)
Total tangible assets		98,276	15.7	102,867	16.9	4,591
(2) Intangible assets						
1 Software		3,315		2,792		(522)
2 Goodwill		5,046		3,477		(1,569)
3 Others		5,903		4,420		(1,482)
Total intangible assets		14,264	2.3	10,691	1.8	(3,573)
(3) Investments and long-term receivables						
1 Investment securities	*2 *3	37,583		27,425		(10,158)
2 Long-term loans receivable		3,857		6,480		2,623
3 Deferred tax assets		25,128		13,222		(11,905)
4 Others	*2 *3	16,974		41,186		24,212
5 Allowance for doubtful receivables		(1,096)		(11,692)		(10,595)
6 Reserve for revaluation of investments		(1,624)		(111)		1,513
Total investments and long-term receivables		80,821	12.9	76,512	12.6	(4,309)
Total fixed assets		193,363	30.9	190,071	31.3	(3,292)
Total assets		625,032	100.0	607,006	100.0	(18,025)

	Notes	March 31, 2007		March 31, 2008		Changes
		Millions of yen	%	Millions of yen	%	Millions of yen
Liabilities						
I Current liabilities	*5					
1 Trade payables		167,880		150,763		(17,117)
2 Short-term bank loans		69,035		66,883		(2,151)
3 Commercial paper		15,000		-		(15,000)
4 Current portion of bonds		14,000		10,200		(3,800)
5 Accrued income taxes		2,911		5,467		2,556
6 Deferred tax liabilities		5		111		106
7 Bonus payment reserve		7,274		7,357		82
8 Directors' Bonus payment reserve		159		153		(5)
9 Reserve for losses on construction completion guarantees		3,321		4,674		1,352
10 Reserve for construction losses		669		17,129		16,459
11 Reserve for losses arising from violation of the Antimonopoly Act		920		962		42
12 Reserve for legal expenses		-		200		200
13 Reserve for expenses related to the sale of land		-		2,774		2,774
14 Others		40,856		43,382		2,526
Total current liabilities		322,035	51.5	310,060	51.1	(11,975)
II Long-term liabilities						
1 Bonds		30,300		20,000		(10,300)
2 Bonds with stock acquisition rights		40,000		40,000		-
3 Long-term bank loans		45,013		47,375		2,361
4 Deferred tax liabilities		880		956		75
5 Accrued severance and pension costs		29,145		27,495		(1,650)
6 Directors' retirement allowance reserve		969		583		(386)
7 Reserve for expenses related to the sale of land		-		2,800		2,800
8 Reserve for losses on contingent liabilities		71		10		(61)
9 Others		1,646		2,461		814
Total long-term liabilities		148,027	23.7	141,682	23.3	(6,344)
Total liabilities		470,063	75.2	451,743	74.4	(18,319)
Net assets						
I Shareholders' equity						
1 Common stock		61,284	9.8	61,284	10.1	-
2 Capital surplus		65,212	10.4	65,212	10.7	-
3 Retained earnings		19,455	3.1	24,256	4.0	4,801
4 Treasury stock, at cost		(92)	(0.0)	(134)	(0.0)	(41)
Total shareholder' equity		145,858	23.3	150,618	24.8	4,759
II Net unrealized gain						
1 Net unrealized gain on investment securities		6,766	1.1	2,917	0.5	(3,848)
2 Profit/Loss deferral hedge accounting		13	0.0	6	0.0	(6)
3 Translation adjustments		(1,383)	(0.2)	(2,298)	(0.4)	(915)
Total net unrealized gain		5,396	0.9	625	0.1	(4,771)
III Minority interests in consolidated subsidiaries						
		3,714	0.6	4,020	0.7	305
Total Net assets		154,969	24.8	155,263	25.6	293
Total liabilities and net assets		625,032	100.0	607,006	100.0	(18,025)

Consolidated statements of income

	Notes	From April 1, 2006 to March 31, 2007		From April 1, 2007 to March 31, 2008		Changes		
		Millions of yen	%	Millions of yen	%	Millions of yen		
I Net sales			538,097	100.0		567,190	100.0	29,093
II Cost of sales			434,934	80.8		469,865	82.8	34,931
Gross profit			103,163	19.2		97,325	17.2	(5,838)
III Selling, general and Administrative expenses								
1 Sales commission		5,330			4,943			(387)
2 Packing and transportation		4,354			5,073			718
3 Sales promotion		1,296			1,314			17
4 Allowance for doubtful receivables		142			205			63
5 Personnel expenditure		37,277			37,566			289
6 Bonus payment reserve expense		1,336			1,219			(116)
7 Directors' bonus payment reserve expense		44			95			50
8 Employee's retirement expenses		2,722			2,557			(165)
9 Directors' retirement expenses		202			121			(81)
10 Traveling expenses		4,211			4,252			40
11 Public dues and taxes		1,498			1,797			298
12 Depreciation and amortization		2,790			2,765			(25)
13 Amortization of goodwill		744			656			(89)
14 Research and development costs	*1	11,357			10,811			(545)
15 Others		16,603	89,914	16.7	17,928	91,308	16.1	(1,324)
Operating income			13,249	2.5		6,016	1.1	(7,232)
IV Non-operating income								
1 Interest income		492			702			209
2 Dividend income		3,208			1,515			(1,693)
3 Insurance income		202			182			(20)
4 Foreign exchange gain		-			69			69
5 Profit in equity method		-			126			126
6 Others		1,088	4,992	0.9	1,307	3,903	0.7	218
V Non-operating expenses								
1 Interest expenses		3,738			3,987			249
2 Allowance for doubtful receivables		274			826			551
3 Foreign exchange loss		50			-			(50)
4 Loss on equity method		1,131			-			(1,131)
5 Others		2,631	7,827	1.5	2,349	7,163	1.3	(281)
Ordinary income			10,414	1.9		2,757	0.5	(7,657)
VI Extraordinary income								
1 Gain on sales of fixed assets	*2	647			72,413			71,766
2 Gain on sales of investment securities		7,246			1,724			(5,522)
3 Gain on reversal of allowance for doubtful receivables		44			-			(44)
4 Gain on reversal of reserve for revaluation of investments		-			135			135
5 Gain on reversal of reserve for losses on contingent liabilities		212			66			(145)
6 Profit on bad debt recovered		-	8,150	1.5	230	74,571	13.1	230

	Notes	From April 1, 2006 to March 31, 2007		From April 1, 2007 to March 31, 2008		Changes		
		Millions of yen	%	Millions of yen	%	Millions of yen		
VII Extraordinary expenses								
1 Loss on sales of fixed assets	*3	146		58		(88)		
2 Loss on disposal of fixed assets	*4	283		2,363		2,080		
3 Loss on liquidation of subsidiaries and affiliates		1,443		1,998		555		
4 Impairment losses	*5	341		902		561		
5 Loss on sales of investment securities		0		481		481		
6 Write-down of securities and other investments		44		1,036		992		
7 Write-down of inventories		-		6,095		6,095		
8 Reserve for revaluation of investments		197		-		(197)		
9 Losses arising from violation of the Antimonopoly Act		1,927		6		(1,921)		
10 Reserve for losses arising from violation of the Antimonopoly Act		920		298		(621)		
11 Loss on completion guarantees for specific projects		-		5,278		5,278		
12 Provision to the reserve for losses on specific construction work		-		13,658		13,658		
13 Losses on suspension of specific projects	*7	-		9,864		9,864		
14 Loss on the prior year adjustment	*6	1,183		-		(1,183)		
15 Legal expenses		959		-		(959)		
16 Reserve for legal expenses		-		200		200		
17 Special retirement benefit paid	*8	-	7,447	1.4	1,500	43,742	7.7	1,500
Income before income taxes			11,117	2.1		33,585	5.9	22,468
Income taxes		4,161		9,088		4,927		4,927
Deferred tax benefits		2,535	6,697	1.2	17,436	26,524	4.7	14,900
Minority interests in consolidated subsidiaries			1,026	0.2		547	0.1	478
Net income			5,446	1.0		7,608	1.3	2,162

Consolidated statements of shareholders' equity

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

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

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	61,284	65,212	19,455	(92)	145,858
Changes					
Cash dividend			(3,169)		(3,169)
Net profit			7,608		7,608
Changes in interest in newly consolidated subsidiaries			362		362
Acquisition of treasury stock				(49)	(49)
Disposal of treasury stock			(1)	8	6
Others					-
Total	-	-	4,801	(41)	4,759
Balance at March 31, 2008	61,284	65,212	24,256	(134)	150,618

	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, 2007	6,766	13	(1,383)	5,396	3,714	154,969
Changes						
Cash dividend				-		(3,169)
Net profit				-		7,608
Changes in interest in newly consolidated subsidiaries				-		362
Acquisition of treasury stock				-		(49)
Disposal of treasury stock				-		6
Others	(3,848)	(6)	(915)	(4,771)	306	(4,465)
Total	(3,848)	(6)	(915)	(4,771)	306	294
Balance at March 31, 2008	2,917	6	(2,298)	625	4,020	155,263

Consolidated statements of cash flows

		From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
		Millions of yen	Millions of yen
	Notes		
I	Cash flows from operating activities:		
1	Income before income taxes	11,117	33,585
2	Depreciation and amortization	12,842	15,316
3	Loss on impairment losses	341	902
4	Gain on sales of securities	(7,246)	(1,243)
5	Loss on violation of Antimonopoly Act	2,847	304
6	Legal expenses	959	200
7	Increase (decrease) in allowance	(2,567)	30,044
8	Gain on sales of fixed assets	(500)	(77,930)
9	Other noncash expenses	3,753	5,738
10	Interest and dividend income	(3,701)	(2,217)
11	Interest expenses	3,738	3,987
12	Decrease (increase) in trade receivables	2,068	(1,626)
13	Decrease (increase) in inventories	(11,867)	10,906
14	Decrease in trade payables	6,783	(13,378)
15	Others	(3,077)	(3,169)
	Sub-total	15,491	1,421
16	Interest and dividend received	3,816	2,278
17	Interest expenses paid	(3,451)	(4,138)
18	Loss on violation of Antimonopoly Act and Legal expenses paid	(1,998)	(834)
19	Income taxes paid	(4,314)	(5,043)
	Net cash provided by (used for) operating activities	9,543	(6,316)
II	Cash flows from investing activities		
1	Sales of fixed assets	2,606	64,286
2	Purchase of fixed assets	(17,489)	(16,729)
3	Sales of investment securities	10,179	5,040
4	Purchase of investment securities	(2,703)	(1,113)
5	Purchase of securities	-	(17,800)
6	Payments into time deposits	-	(2,200)
7	Sales (purchase) of other investments, net	764	933
8	Collection of loans receivable	4,107	4,039
9	Disbursement of loans receivable	(6,200)	(5,568)
10	Acquisition of consolidated subsidiaries	(1,620)	-
11	Sale of consolidated subsidiaries	(194)	881
	Net cash used for investing Activities	(10,549)	31,770
III	Cash flows from financing activities:		
1	Issuance of bonds	39,924	-
2	Redemption of bonds	(20,118)	(14,100)
3	Proceeds from short-term bank loans and commercial paper	56,490	133,717
4	Repayment of short-term bank loan and commercial paper	(58,748)	(153,550)
5	Proceeds from long-term bank loans	2,668	15,589
6	Repayment of long-term bank loans	(608)	(907)
7	Capital paid in from minority shareholders	919	1,007
8	Purchase and sales of treasury stock	(38)	(39)
9	Dividends paid	(3,169)	(3,169)
10	Dividends paid to minority shareholders in consolidated subsidiaries	(153)	(355)
	Net cash provided by (used for) financing activities	17,166	(21,807)
IV	Translation adjustments	1,691	(747)
V	Increase (decrease) in cash and cash equivalents	17,852	2,898
VI	Cash and cash equivalents At beginning of period:		
	Balance brought forward	47,510	66,086
VII	Net effect of deconsolidation and consolidation of subsidiaries	723	174
VIII	At end of period:		
	Balance brought forward	66,086	69,160
	*1		

Significant accounting principles

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 56</p> <p>Significant consolidated subsidiaries: Mentioned in Corporate Group Information</p> <p>The following subsidiaries were newly consolidated:</p> <p>The following subsidiaries were newly consolidated:</p> <p>Ebara Environmental Engineering Co., Ltd. Elliott Ebara Servicios para Equipamentos Rotativos Ltda. Yoshikura Ltd. Yoshikura Ltd. was merged with Ebara Hydro-Tech Co., Ltd. and the trading name of the surviving company was changed to Ebara Yoshikura Hydro-tech Co., Ltd. on the merging date. Ebara-Elliott Service (Taiwan) Co., Ltd. Elliott Ebara Singapore Pte. Ltd.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off.</p> <p>IT Engineering Limited Ebara Fan Engineering Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia</p> <p>(3) The accounts of non-consolidated subsidiaries are not included in the consolidated financial statements owing to insignificance in volume of assets, sales, net income and retained earnings.</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method</p> <p>The following subsidiary was newly adopted equity method Ebara Espana Bombas S.A.</p> <p>(2) Number of affiliated companies applied equity method 2</p> <p>The following affiliated companies were newly adopted equity method.</p> <p>IT Engineering Limited e-BEAM Corporation</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in Names of significant nonconsolidated subsidiaries (Affiliated company) Hyosung-Ebara Co., Ltd.</p> <p>(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.</p> <p>3 Financial year end of consolidated subsidiaries</p> <p>The period end of the following consolidated subsidiaries is December 31:</p> <p>Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp.</p> <p>Significant transactions between December 31 and the period end were adjusted in consolidation.</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 55</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated:</p> <p>The following subsidiaries were newly consolidated:</p> <p>Ebara Great Pumps Co., Ltd.</p> <p>The following subsidiaries were excluded from consolidation owing to transfer of shares.</p> <p>Matsubo Company Ltd., Elliott Energy Systems, Inc.</p> <p>(2) Mentioned left</p> <p>(3) Mentioned left</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method 1</p> <p>Ebara Espana Bombas S.A.</p> <p>(2) Number of affiliated companies applied equity method 1</p> <p>IT Engineering Limited The following subsidiaries were excluded from application to equity method owing to liquidation. e-BEAM Corporation</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left</p> <p>(4) Mentioned left</p> <p>3 Financial year end of consolidated subsidiaries</p> <p>Mentioned left</p>

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008				
<p>4 Significant accounting principles</p> <p>(1) Valuation standards and valuation methods of assets</p> <p>①Securities</p> <p>Held-to-maturity securities Amortized cost method</p> <p>Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to shareholders' equity as shown in the balance sheets</p> <p>Securities not quoted Gross average cost</p> <p>②Inventories</p> <p>Finished products and raw materials are stated at the gross average cost, except for in the Precision Machinery group, which employs the moving average method, and work in process is valued at accumulated job cost. Real estate for sale represents the accumulated cost for each parcel of land and each structure.</p> <p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets</p> <p>Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of the assets of the Company and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Company and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese income tax regulations, are shown below:</p> <table data-bbox="239 1400 790 1467"> <tr> <td>Buildings</td> <td>3 to 50 years</td> </tr> <tr> <td>Machinery and equipment</td> <td>2 to 20 years</td> </tr> </table> <p>②Intangible assets and other investments</p> <p>Intangible assets are amortized on a straight-line basis. Software used in the Company is amortized on a straight-line basis for the estimated useful lives, 5 years.</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables</p> <p>An allowance for doubtful receivables is provided on an amount sufficient to cover possible losses on collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.</p> <p>②Bonus payment reserve</p> <p>Bonus payment reserve is provided based on the future liabilities.</p> <p>③Directors' bonus payment reserve</p> <p>Directors' bonus payment reserve is provided based on the future liabilities.</p>	Buildings	3 to 50 years	Machinery and equipment	2 to 20 years	<p>4 Significant accounting principles</p> <p>(1) Valuation standards and valuation methods of assets</p> <p>①Securities</p> <p>Held-to-maturity securities Mentioned left</p> <p>Other securities with market value Mentioned left</p> <p>Securities not quoted Mentioned left</p> <p>②Inventories</p> <p>Finished products and raw materials are stated at the gross average cost (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets), except for in the Precision Machinery group, which employs the moving average method (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets), and work in process is valued at accumulated job cost (computed by lowering the value on the balance sheets from book value to account for any decline in earnings-generation capacity of such assets). Real estate for sale represents the accumulated cost for each parcel of land and each structure.</p> <p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets Mentioned left</p> <p>②Intangible assets and other investments Mentioned left</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables Mentioned left</p> <p>②Bonus payment reserve Mentioned left</p> <p>③Directors' bonus payment reserve Mentioned left</p>
Buildings	3 to 50 years				
Machinery and equipment	2 to 20 years				

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
<p>④Severance and pension plans The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. Actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.</p> <p>⑤Directors' retirement allowance reserve Directors' retirement allowance reserve is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.</p> <p>⑥Reserve for revaluation of investments To prepare for possible declines in the value of stocks of subsidiaries and affiliated companies, the Company makes provisions based on estimates of the effects of major fluctuations in foreign exchange rates and changes in the financial positions of these subsidiaries and affiliated companies.</p> <p>⑦Reserve for losses on contingent liabilities To prepare for possible losses related to liabilities of subsidiaries and affiliated companies that are guaranteed by the Company (contingent liabilities), the Company makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.</p> <p>⑧Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Company makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.</p> <p>⑨Reserve for construction losses To prepare for possible losses on construction projects contracted to the Company, the Company makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.</p> <p>⑨Reserve for losses arising from violation of the Antimonopoly Act To provide for possible expenses arising from violation of the Antimonopoly Act, the Group makes reasonable estimates of the expenses.</p> <p>⑪-----</p> <p>⑫-----</p>	<p>④Severance and pension plans Mentioned left</p> <p>⑤Directors' retirement allowance reserve Mentioned left</p> <p>⑥Reserve for revaluation of investments Mentioned left</p> <p>⑦Reserve for losses on contingent liabilities Mentioned left</p> <p>⑧Reserve for losses on construction completion guarantees Mentioned left</p> <p>⑨Reserve for construction losses Mentioned left</p> <p>⑩Reserve for losses arising from violation of the Antimonopoly Act Mentioned left</p> <p>⑪Reserve for legal expenses To provide for possible expenses arising from lawsuits, the Group makes reasonable estimates of the expenses.</p> <p>⑫Reserve for expenses related to the sale of land Accompanying the sale of the land formerly occupied by the Group's Haneda Plant, this reserve has been created to provide for expenses related to restoring the land to its original condition and moving to the new Futtsu Plant as well as other related costs.</p>

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
<p>(4) Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of-completion basis. Sales recorded on a percentage-of-completion basis is 104,933 million. In the Wind power generation business, for those long-term contracts that provide for future reductions in the “unit price that can be charged,” Ebara recognizes revenues based on one of two methods: the “adjusted unit price” or the “weighted average unit price over the period of the contract.” The differences between consolidated net sales based on the “unit price that can be charged” and consolidated net sales based on one of the two methods are recognized in the fiscal year when the “unit price that can be charged” declines and is treated as a carryforward. The amount carried forward is presented under other long-term liabilities.</p> <p>(5) Leases All leases of the Company and its domestic subsidiaries are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions.</p> <p>(6) Significant hedging accounting methods</p> <p>①Hedging transactions Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.</p> <p>②Hedging instruments and hedging objects Hedging instruments Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used. Hedging objects Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.</p> <p>③Hedging policy The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others in accordance with internal fund management regulation.</p> <p>④Assessing the effectiveness of hedging Interest risk The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with hedge criteria, the assessments are omitted. Currency exchange rate risk As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.</p>	<p>(4) Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of-completion basis. Sales recorded on a percentage-of-completion basis is 134,570million. Mentioned left</p> <p>(5) Leases Mentioned left</p> <p>(6) Significant hedging accounting methods</p> <p>①Hedging transactions Mentioned left</p> <p>②Hedging instruments and hedging objects Hedging instruments Mentioned left Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p>

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
<p>(7) Consumptive tax Consumptive taxes are accounted for using the net-of-tax method.</p> <p>(8) Consolidated taxation system A consolidated tax system is applied.</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries The assets and liabilities of consolidated subsidiaries are stated as a whole at fair market value.</p> <p>6. Amortization of Goodwill and Negative Goodwill The Company has set 20 years as a reasonable period for the amortization of goodwill and negative goodwill and uses the straight-line method to determine the amount to be amortized in each period. Those goodwill items that are not deemed to be material may be amortized in periods when they arise.</p> <p>7. Cash and Cash Equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.</p>	<p>(7) Consumptive tax Mentioned left</p> <p>(8) Consolidated taxation system Mentioned left</p> <p>5. Valuation of assets and liabilities of consolidated subsidiaries Mentioned left</p> <p>6. Amortization of Goodwill and Negative Goodwill Mentioned left</p> <p>7. Cash and Cash Equivalents Mentioned left</p>

Change in accounting policies

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
<p>(Accounting Standards for Presentation of Net Assets on the Balance Sheets) Beginning with the period under review, the Group has applied “Accounting Standards for Presentation of Net Assets on the Balance Sheets” (ASBJ Statement No. 5, issued on December 9, 2005) and “Guidance on Accounting Standards for Presentation of Net Assets on the Balance Sheets (ASBJ Guidance No. 8, issued on December 9, 2005). The amount corresponding to Shareholders’ Equity, according to the previous method of presentation, is ¥151,241 million. Please note that for the consolidated accounting period under review, accompanying the revision of the Rules for Presentation of Consolidated Financial Statements, the Net Assets section of the Consolidated Balance Sheets has been presented according to the revised rules for the presentation of consolidated financial statements.</p> <p>(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).</p>	<p>(Depreciation of tangible assets) Accompanying the revision of Japan’s Corporate Tax Law, beginning with the current fiscal year, tangible fixed assets acquired on April 1 or later are depreciated according to methods stipulated in the revised corporate tax regulations. As a result of this accounting change, operating income, ordinary income and income before income taxes was ¥414 million lower than this loss would have been under the previous method of accounting.</p> <p>(Valuation standards and method for inventories) Accompanying the granting of permission to apply the “Accounting Standards for Valuation of Inventories” (Corporate Accounting Standard No. 9; July 5, 2006) for consolidated financial statements for years commencing March 31, 2008, or earlier, the Group has applied this accounting standard beginning with the fiscal year under review. As a consequence, income before income taxes was ¥6,095 million lower than it would have been otherwise.</p>

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
<p>(Sales of the Wind power generation business)</p> <p>Previously, the Group accounted for the sales of the wind power generation business based on the “unit price that can be charged,” but, within the wind power generation business, there are certain long-term contracts that provide for stepwise reductions in the “unit price that can be charged.” To provide for a more appropriate intertemporal allocation of revenues and properly match revenues with expenses, in this fiscal year under review, for those contracts providing for reductions in the “unit price that can be charged,” the Group has begun to employ either the “adjusted unit price” or the “weighted average unit price over the period of the contract.” The differences between consolidated net sales based on the “unit price that can be charged” and consolidated net sales based on one of the two methods are recognized in the fiscal year when the “unit price that can be charged” declines and is treated as a carryforward. The amount carried forward is presented under other long-term liabilities.</p> <p>Note that accompanying this change in accounting treatment, revenues from previous periods that will be carried forward have been included under other long-term liabilities and were treated as extraordinary loss.</p> <p>At a result, sales and operating income are ¥243 million lower, respectively; ordinary income is ¥260 million lower and income before income taxes is ¥1,443 million lower than they would have been under the previous method of accounting. In addition, other long-term liabilities are ¥1,409 million higher than they would have been under the previous method.</p>	<p>-----</p>

Changes in classification

From April 1, 2006 To March 31, 2007	From April 1, 2007 to March 31, 2008
<p>(Consolidated Balance Sheets)</p> <p>The “consolidated goodwill” that was presented in the previous fiscal year among intangible fixed assets is now shown under “goodwill” beginning with the fiscal year under review. In addition, the “consolidated goodwill” that was presented under long-term liabilities in the previous fiscal year is now shown under “negative goodwill” beginning with the fiscal year under review; however, since these amounts are not material, they have been included in other long-term liabilities. Note that for the fiscal year under review “negative goodwill” on a consolidated basis included in other long-term liabilities was ¥2 million.</p> <p>“Operating rights,” which were included among other intangible fixed assets in the previous fiscal year, have been included in “goodwill” beginning with the fiscal year under review. Note that for the fiscal year under review “operating rights” on a consolidated basis included in “goodwill” amounted to ¥2,575 million.</p> <p>(Consolidated Statements of Income)</p> <p>The “amortization of the consolidated goodwill” that was presented in selling, general and administrative expenses in the prior fiscal year is now shown under “amortization of goodwill” beginning with the fiscal year under review.</p>	-----

Additional information

From April 1, 2006 To March 31, 2007	From April 1, 2007 to March 31, 2008
-----	<p>(Depreciation of residual value of tangible assets purchased on or before March 31, 2007)</p> <p>Accompanying the revision of Japan’s Corporate Tax Law, the Group have adopted the following method for the calculation of tangible fixed assets that were purchased on or before March 31, 2007, and have been fully depreciated to the limit prescribed in previous corporate tax provisions.</p> <p>Beginning with the year following depreciation to the limit of 5% of the original value, the difference between the remaining value of such assets and a hypothetical reminder value will be depreciated in equal amounts over a five-year period.</p> <p>As a result of this adoption, operating income, ordinary income and income before income taxes was ¥581 million lower than this loss would have been under the previous method of calculation.</p>

Notes to consolidated financial statements

(Balance sheets)

March 31, 2007		March 31, 2008	
*1	Accumulated depreciation of tangible assets 171,139 million	*1	Accumulated depreciation of tangible assets 173,813 million
*2	Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows: Investment securities 7,331 million Others 6,275 million	*2	Investments in non-consolidated subsidiaries and affiliated companies in investments securities and others are as follows: Investment securities 6,327 million Others 5,092 million
*3	Collateral assets (Collateral assets for bank loans) Buildings 1,557 million Machinery and equipment 10,651 million Land 824 million Investment securities 4,213 million <u>Total 17,246 million</u> Amount of bank loans Short-term loan 1,524 million Long-term loan 9,775 million The above collateral assets include a portion of industrial factory foundation as follows: Buildings 906 million Machinery and equipment 109 million Land 501 million <u>Total 1,517 million</u> Amount of bank loans Short-term loan 600 million Long-term loan 245 million (Collateral assets for purposes other than bank loans) Investment securities 546 million	*3	Collateral assets (Collateral assets for bank loans) Buildings 2,089 million Machinery and equipment 9,789 million Land 955 million Investment securities 2,823 million <u>Total 15,657 million</u> Amount of bank loans Short-term loan 1,311 million Long-term loan 9,470 million The above collateral assets include a portion of industrial factory foundation as follows: Buildings 670 million Machinery and equipment 88 million Land 507 million <u>Total 1,266 million</u> Amount of bank loans Short-term loan 140 million Long-term loan 66 million (Collateral assets for purposes other than bank loans) Investment securities 62 million
4	Commitments and contingent liabilities (1) Loans guaranteed to employees: 988 million (2) Loans guaranteed to unconsolidated subsidiaries and affiliates: Oiwa Machinery Corporation 3,713 million E-Square Co., Ltd. 2,668 million Hasaki Wind Farm Co., Ltd. 1,270 million Other 16 companies 3,854 million (3) Loan guaranteed to business partners: Tomen Power Samukawa Co., Ltd. 173 million (4) Off-balance notes receivables with repurchase obligation 6,837 million	4	Commitments and contingent liabilities (1) Loans guaranteed to employees: 801 million (2) Loans guaranteed to unconsolidated subsidiaries and affiliates: Oiwa Machinery Corporation 3,097 million E-Square Co., Ltd. 2,370 million Ebara Boshan Pumps. 1,309 million Hasaki Wind Farm Co., Ltd. 1,270 million Ebara Machinery (China) 1,153 million Other 10 companies 2,527 million (3) Loan guaranteed to business partners: Tomen Power Samukawa Co., Ltd. 149 million (4) Off-balance notes receivables with repurchase obligation 584 million
*5	Treatment of Notes Reaching Maturity on the Final Day of the Fiscal Year Regarding notes reaching maturity on the final day of the fiscal year, notes are settled in the Company's accounts on the date they clear the note exchange. Since the last day of the fiscal year under review was a holiday for financial institutions, some notes maturing on the final date of the next fiscal year are included in the balance of notes at the end of the fiscal year under review. Notes receivable 1,596 million Notes payable 5,798 million	5	-----

March 31, 2007	March 31, 2008																
<p>6 Overdrafts and commitment lines</p> <p>The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the consolidated accounting year were as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current account overdrafts</td> <td style="text-align: right;">13,900 million</td> </tr> <tr> <td>Commitment lines</td> <td style="text-align: right;">36,600 million</td> </tr> <tr> <td><u>Balance of borrowings</u></td> <td style="text-align: right;"><u>-million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">50,500 million</td> </tr> </table>	Current account overdrafts	13,900 million	Commitment lines	36,600 million	<u>Balance of borrowings</u>	<u>-million</u>	Total	50,500 million	<p>6 Overdrafts and commitment lines</p> <p>The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the consolidated accounting year were as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current account overdrafts</td> <td style="text-align: right;">13,900 million</td> </tr> <tr> <td>Commitment lines</td> <td style="text-align: right;">36,600 million</td> </tr> <tr> <td><u>Balance of borrowings</u></td> <td style="text-align: right;"><u>-million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">50,500 million</td> </tr> </table>	Current account overdrafts	13,900 million	Commitment lines	36,600 million	<u>Balance of borrowings</u>	<u>-million</u>	Total	50,500 million
Current account overdrafts	13,900 million																
Commitment lines	36,600 million																
<u>Balance of borrowings</u>	<u>-million</u>																
Total	50,500 million																
Current account overdrafts	13,900 million																
Commitment lines	36,600 million																
<u>Balance of borrowings</u>	<u>-million</u>																
Total	50,500 million																

(Statements of income)

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008																																																																
<p>*1 Research and development costs 11,357 million</p> <p>*2 Gain on sales of fixed assets comprises the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">27 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">617 million</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>1 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">647 million</td> </tr> </table> <p>*3 Loss on sales of fixed assets comprises the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">24 million</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">57 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">18 million</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>45 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">146 million</td> </tr> </table> <p>*4 Loss on disposal of fixed assets comprises the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">43 million</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">146 million</td> </tr> <tr> <td>Other tangible fixed assets</td> <td style="text-align: right;">92 million</td> </tr> <tr> <td>Software</td> <td style="text-align: right;">1 million</td> </tr> <tr> <td><u>Other intangible assets</u></td> <td style="text-align: right;"><u>0 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">283 million</td> </tr> </table>	Buildings	0 million	Machinery and equipment	27 million	Land	617 million	<u>Others</u>	<u>1 million</u>	Total	647 million	Buildings	24 million	Machinery and equipment	57 million	Land	18 million	<u>Others</u>	<u>45 million</u>	Total	146 million	Buildings	43 million	Machinery and equipment	146 million	Other tangible fixed assets	92 million	Software	1 million	<u>Other intangible assets</u>	<u>0 million</u>	Total	283 million	<p>*1 Research and development costs 10,811 million</p> <p>*2 Gain on sales of fixed assets comprises the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">33 million</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">95 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">72,277 million</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>7 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">72,413 million</td> </tr> </table> <p>*3 Loss on sales of fixed assets comprises the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">4 million</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">10 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">27 million</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>15 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">58 million</td> </tr> </table> <p>*4 Loss on disposal of fixed assets comprises the following:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Buildings</td> <td style="text-align: right;">163 million</td> </tr> <tr> <td>Machinery and equipment</td> <td style="text-align: right;">1,003 million</td> </tr> <tr> <td>Other tangible fixed assets</td> <td style="text-align: right;">606 million</td> </tr> <tr> <td>Software</td> <td style="text-align: right;">329 million</td> </tr> <tr> <td><u>Other intangible assets</u></td> <td style="text-align: right;"><u>260 million</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">2,363 million</td> </tr> </table>	Buildings	33 million	Machinery and equipment	95 million	Land	72,277 million	<u>Others</u>	<u>7 million</u>	Total	72,413 million	Buildings	4 million	Machinery and equipment	10 million	Land	27 million	<u>Others</u>	<u>15 million</u>	Total	58 million	Buildings	163 million	Machinery and equipment	1,003 million	Other tangible fixed assets	606 million	Software	329 million	<u>Other intangible assets</u>	<u>260 million</u>	Total	2,363 million
Buildings	0 million																																																																
Machinery and equipment	27 million																																																																
Land	617 million																																																																
<u>Others</u>	<u>1 million</u>																																																																
Total	647 million																																																																
Buildings	24 million																																																																
Machinery and equipment	57 million																																																																
Land	18 million																																																																
<u>Others</u>	<u>45 million</u>																																																																
Total	146 million																																																																
Buildings	43 million																																																																
Machinery and equipment	146 million																																																																
Other tangible fixed assets	92 million																																																																
Software	1 million																																																																
<u>Other intangible assets</u>	<u>0 million</u>																																																																
Total	283 million																																																																
Buildings	33 million																																																																
Machinery and equipment	95 million																																																																
Land	72,277 million																																																																
<u>Others</u>	<u>7 million</u>																																																																
Total	72,413 million																																																																
Buildings	4 million																																																																
Machinery and equipment	10 million																																																																
Land	27 million																																																																
<u>Others</u>	<u>15 million</u>																																																																
Total	58 million																																																																
Buildings	163 million																																																																
Machinery and equipment	1,003 million																																																																
Other tangible fixed assets	606 million																																																																
Software	329 million																																																																
<u>Other intangible assets</u>	<u>260 million</u>																																																																
Total	2,363 million																																																																
<p>*5 Impairment losses</p> <p>(1) Summary of asset groups for which impairment losses were recognized</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Use</th> <th style="width: 30%;">Type</th> <th style="width: 40%;">Location</th> </tr> </thead> <tbody> <tr> <td>Wind power generation equipment</td> <td>Equipment Other intangible assets</td> <td>Haboro-cho Tomae-gun, Hokkaido</td> </tr> <tr> <td>Wind power generation equipment</td> <td>Equipment, Buildings, Other tangible assets Other intangible assets</td> <td>Rumoe-si, Hokkaido</td> </tr> </tbody> </table> <p>(2) Outline of asset grouping</p> <p>The Group groups its assets according to its business segments, but idle assets are grouped individually.</p>	Use	Type	Location	Wind power generation equipment	Equipment Other intangible assets	Haboro-cho Tomae-gun, Hokkaido	Wind power generation equipment	Equipment, Buildings, Other tangible assets Other intangible assets	Rumoe-si, Hokkaido	<p>*5 Impairment losses</p> <p>(1) Summary of asset groups for which impairment losses were recognized</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;">Use</th> <th style="width: 30%;">Type</th> <th style="width: 40%;">Location</th> </tr> </thead> <tbody> <tr> <td>Rental housing</td> <td>Land Buildings</td> <td>Miura-shi Kanagawa</td> </tr> <tr> <td>Rental housing</td> <td>Land Buildings</td> <td>Toshima-ku Tokyo</td> </tr> <tr> <td>Goodwill</td> <td>Goodwill</td> <td>Ebara-Yoshikura Hydro-Tech Co., Ltd.</td> </tr> <tr> <td>Parking</td> <td>Land</td> <td>Fukushima-ku Osaka</td> </tr> <tr> <td>Idle assets</td> <td>Other intangible assets</td> <td>Ohta-ku Tokyo</td> </tr> <tr> <td>Idle assets</td> <td>Building Other intangible assets</td> <td>Shinagawa-ku Tokyo</td> </tr> </tbody> </table> <p>(2) Outline of asset grouping</p> <p>The Group groups its assets according to its business segments, but idle assets are grouped individually.</p>	Use	Type	Location	Rental housing	Land Buildings	Miura-shi Kanagawa	Rental housing	Land Buildings	Toshima-ku Tokyo	Goodwill	Goodwill	Ebara-Yoshikura Hydro-Tech Co., Ltd.	Parking	Land	Fukushima-ku Osaka	Idle assets	Other intangible assets	Ohta-ku Tokyo	Idle assets	Building Other intangible assets	Shinagawa-ku Tokyo																																		
Use	Type	Location																																																															
Wind power generation equipment	Equipment Other intangible assets	Haboro-cho Tomae-gun, Hokkaido																																																															
Wind power generation equipment	Equipment, Buildings, Other tangible assets Other intangible assets	Rumoe-si, Hokkaido																																																															
Use	Type	Location																																																															
Rental housing	Land Buildings	Miura-shi Kanagawa																																																															
Rental housing	Land Buildings	Toshima-ku Tokyo																																																															
Goodwill	Goodwill	Ebara-Yoshikura Hydro-Tech Co., Ltd.																																																															
Parking	Land	Fukushima-ku Osaka																																																															
Idle assets	Other intangible assets	Ohta-ku Tokyo																																																															
Idle assets	Building Other intangible assets	Shinagawa-ku Tokyo																																																															

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008																												
<p>(3) Background of recognition of impairment losses</p> <p>The market value of land for business office use and Group housing, etc., has declined. Accordingly, the book value has been reduced to the amount deemed recoverable.</p> <p>Because wind power generation equipment continues to generate operating losses, the book value was written down to the recoverable value.</p> <p>(4) Computation of recoverable value</p> <p>The recoverable value of land for business office use and Group housing, etc., has been computed based on estimates of the net sale value, the assessed value for computing fixed asset taxes, and other factors.</p> <p>The recoverable value of wind power generation equipment is based on the value of this equipment in use by discounting future cash flows at the rate of 4.0% per annum.</p> <p>(5) Amount of impairment losses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Equipment</td> <td style="text-align: right;">328 million</td> </tr> <tr> <td>Buildings and structures</td> <td style="text-align: right;">2 million</td> </tr> <tr> <td>Other tangible assets</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td>Other intangible assets</td> <td style="text-align: right; border-top: 1px solid black;">10 million</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">341 million</td> </tr> </table> <p>*6 Loss on the prior year adjustment</p> <p>The criteria for the recognition of revenues for the wind power generation business was changed in this fiscal year under review. Revenues for prior years that will be carried forward to subsequent years have been entered under liabilities.</p> <p>7 -----</p> <p>8 -----</p>	Equipment	328 million	Buildings and structures	2 million	Other tangible assets	0 million	Other intangible assets	10 million	Total	341 million	<p>(3) Background of recognition of impairment losses</p> <p>Since the profit position of Ebara Yoshikura Hydro-Tech Co., Ltd., has continued to deteriorate, the Group has lowered the book value of asset groups to the amount deemed to be recoverable. In addition, for those asset groups among idle assets for which market value has declined substantially, the book value of such has been reduced to the amount deemed to be recoverable.</p> <p>(4) Computation of recoverable value</p> <p>The amount deemed to be recoverable is computed as the net sale price. In the case of land, buildings, and structures, the recoverable amount is estimated from valuations of real estate appraisers.</p> <p>(5) Amount of impairment losses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Equipment</td> <td style="text-align: right;">6 million</td> </tr> <tr> <td>Buildings and structures</td> <td style="text-align: right;">12 million</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">84 million</td> </tr> <tr> <td>Other tangible assets</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">781 million</td> </tr> <tr> <td>Other intangible assets</td> <td style="text-align: right; border-top: 1px solid black;">17 million</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black;">902 million</td> </tr> </table> <p>6-----</p> <p>*7 Losses on suspension of specific projects</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Allowance for doubtful receivables</td> <td style="text-align: right;">8,821 million</td> </tr> <tr> <td>Write-down of inventories</td> <td style="text-align: right;">1,042 million</td> </tr> </table> <p>*8 Special retirement benefit paid</p> <p>Special retirement benefit paid is an additional benefit due to preferential early retirement program.</p>	Equipment	6 million	Buildings and structures	12 million	Land	84 million	Other tangible assets	0 million	Goodwill	781 million	Other intangible assets	17 million	Total	902 million	Allowance for doubtful receivables	8,821 million	Write-down of inventories	1,042 million
Equipment	328 million																												
Buildings and structures	2 million																												
Other tangible assets	0 million																												
Other intangible assets	10 million																												
Total	341 million																												
Equipment	6 million																												
Buildings and structures	12 million																												
Land	84 million																												
Other tangible assets	0 million																												
Goodwill	781 million																												
Other intangible assets	17 million																												
Total	902 million																												
Allowance for doubtful receivables	8,821 million																												
Write-down of inventories	1,042 million																												

(Statement of Changes in Consolidated Shareholders' Equity)

From April 1, 2006 to March 31, 2007

1. Shares Issued and Treasury Shares

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

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

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

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

2. Items Related to Dividend

(1) Payment of Dividends

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

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

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

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

From April 1, 2007 to March 31, 2008

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2007	Increase	Decrease	Number of shares as of March 31, 2008
Shares issued Common stock	422,725,658	—	—	422,725,658
Total	422,725,658	—	—	422,725,658
Treasury stock Common stock	190,191	93,192	16,133	267,250
Total	190,191	93,192	16,133	267,250

Notes:1. The increase in treasury common stock of 93,192 was due to the purchase of shareholdings of less than one trading unit.

2. The decrease in treasury common stock of 16,133 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 28, 2007 at the Regular General Meeting of Shareholders	Common stock	3,169	7.5	March 31, 2007	June 29, 2007

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

The bill for payment of dividend below is expected to be resolved at general meeting of shareholders on June 27 2008.

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (¥)	Base date	Effective date
June 27, 2008 at the Regular General Meeting of Shareholders (Planned)	Common stock	3,168	7.5	March 31, 2008	June 30, 2008

(Statements of cash flows)

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008																																								
<p>1.A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and time deposits</td> <td style="text-align: right;">66,085 million</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">0 million</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>66,086 million</u></td> </tr> <tr> <td><u>Cash and cash equivalents</u></td> <td style="text-align: right;"><u>66,086 million</u></td> </tr> </table>	Cash and time deposits	66,085 million	Securities	0 million	<u>Total</u>	<u>66,086 million</u>	<u>Cash and cash equivalents</u>	<u>66,086 million</u>	<p>1.A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Cash and time deposits</td> <td style="text-align: right;">70,252 million</td> </tr> <tr> <td>Time deposits which the deposit term is over 3 months</td> <td style="text-align: right;">(2,200) million</td> </tr> <tr> <td>Securities</td> <td style="text-align: right;">18,907 million</td> </tr> <tr> <td>Short-term investment which the term is over 3 months(Negotiable time certificate of deposit)</td> <td style="text-align: right;">(17,800) million</td> </tr> <tr> <td><u>Total</u></td> <td style="text-align: right;"><u>69,160 million</u></td> </tr> <tr> <td><u>Cash and cash equivalents</u></td> <td style="text-align: right;"><u>69,160 million</u></td> </tr> </table>	Cash and time deposits	70,252 million	Time deposits which the deposit term is over 3 months	(2,200) million	Securities	18,907 million	Short-term investment which the term is over 3 months(Negotiable time certificate of deposit)	(17,800) million	<u>Total</u>	<u>69,160 million</u>	<u>Cash and cash equivalents</u>	<u>69,160 million</u>																				
Cash and time deposits	66,085 million																																								
Securities	0 million																																								
<u>Total</u>	<u>66,086 million</u>																																								
<u>Cash and cash equivalents</u>	<u>66,086 million</u>																																								
Cash and time deposits	70,252 million																																								
Time deposits which the deposit term is over 3 months	(2,200) million																																								
Securities	18,907 million																																								
Short-term investment which the term is over 3 months(Negotiable time certificate of deposit)	(17,800) million																																								
<u>Total</u>	<u>69,160 million</u>																																								
<u>Cash and cash equivalents</u>	<u>69,160 million</u>																																								
<p>2. A schedule of assets and liabilities of a newly consolidated company</p> <p>Accompanying the inclusion of Yoshikura Ltd. within the scope of consolidation owing to purchases of that company's shares, the breakdown of the assets and liabilities of that company at the time of commencement of consolidation as well as the purchase price of Yoshikura's shares and expenditures (net) in connection with the share purchases are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">2,110 million</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">2,604 million</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(1,892) million</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;"><u>(1,264) million</u></td> </tr> <tr> <td>Acquisition cost of investment securities of Yoshikura Ltd.</td> <td style="text-align: right;">2,600 million</td> </tr> <tr> <td>Cash and cash equivalents of IT Engineering Limited</td> <td style="text-align: right;"><u>(979) million</u></td> </tr> <tr> <td>Purchase of investment securities</td> <td style="text-align: right;">1,620 million</td> </tr> </table>	Current assets	2,110 million	Fixed assets	2,604 million	Current liabilities	(1,892) million	Fixed liabilities	<u>(1,264) million</u>	Acquisition cost of investment securities of Yoshikura Ltd.	2,600 million	Cash and cash equivalents of IT Engineering Limited	<u>(979) million</u>	Purchase of investment securities	1,620 million	<p>2.-----</p>																										
Current assets	2,110 million																																								
Fixed assets	2,604 million																																								
Current liabilities	(1,892) million																																								
Fixed liabilities	<u>(1,264) million</u>																																								
Acquisition cost of investment securities of Yoshikura Ltd.	2,600 million																																								
Cash and cash equivalents of IT Engineering Limited	<u>(979) million</u>																																								
Purchase of investment securities	1,620 million																																								
<p>3. A schedule of assets and liabilities of an excluded Group from consolidation</p> <p>Accompanying the exclusion of IT Engineering Limited from the scope of consolidation owing to the sale of that company's shares, the breakdown of the assets and liabilities of that company at the time its shares were sold as well as the sale price of that company's shares and the decline in cash and cash equivalents as a result of the sale of the shares are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">1,446 million</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">276 million</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(886) million</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">(167) million</td> </tr> <tr> <td>Minority interest</td> <td style="text-align: right;">(327) million</td> </tr> <tr> <td>Investment securities after sale</td> <td style="text-align: right;">(727) million</td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">401 million</td> </tr> <tr> <td>Gain on sales of investment securities in IT Engineering Limited</td> <td style="text-align: right;"><u>124 million</u></td> </tr> <tr> <td>Sales of investment securities in IT Engineering Limited</td> <td style="text-align: right;">139 million</td> </tr> <tr> <td>Cash and cash equivalents of IT Engineering Limited</td> <td style="text-align: right;"><u>(333) million</u></td> </tr> <tr> <td><u>Net: Decrease of cash and cash equivalents</u></td> <td style="text-align: right;"><u>194 million</u></td> </tr> </table>	Current assets	1,446 million	Fixed assets	276 million	Current liabilities	(886) million	Fixed liabilities	(167) million	Minority interest	(327) million	Investment securities after sale	(727) million	Goodwill	401 million	Gain on sales of investment securities in IT Engineering Limited	<u>124 million</u>	Sales of investment securities in IT Engineering Limited	139 million	Cash and cash equivalents of IT Engineering Limited	<u>(333) million</u>	<u>Net: Decrease of cash and cash equivalents</u>	<u>194 million</u>	<p>3. A schedule of assets and liabilities of an excluded Group from consolidation</p> <p>Accompanying the exclusion of Matsubo Company Ltd., from the scope of consolidation owing to the sale of that company's shares, the breakdown of the assets and liabilities of that company at the time its shares were sold as well as the sale price of that company's shares and the decline in cash and cash equivalents as a result of the sale of the shares are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">18,494 million</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">688 million</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(18,000) million</td> </tr> <tr> <td>Fixed liabilities</td> <td style="text-align: right;">(480) million</td> </tr> <tr> <td>Minority interest</td> <td style="text-align: right;">(1) million</td> </tr> <tr> <td>Gain on sales of investment securities in Matsubo Company Ltd.,</td> <td style="text-align: right;"><u>1,594 million</u></td> </tr> <tr> <td>Sales of investment securities in Matsubo Company Ltd.,</td> <td style="text-align: right;">2,294 million</td> </tr> <tr> <td>Cash and cash equivalents of Matsubo Company Ltd.,</td> <td style="text-align: right;"><u>(1,394) million</u></td> </tr> <tr> <td><u>Net: Decrease of cash and cash equivalents</u></td> <td style="text-align: right;"><u>900 million</u></td> </tr> </table>	Current assets	18,494 million	Fixed assets	688 million	Current liabilities	(18,000) million	Fixed liabilities	(480) million	Minority interest	(1) million	Gain on sales of investment securities in Matsubo Company Ltd.,	<u>1,594 million</u>	Sales of investment securities in Matsubo Company Ltd.,	2,294 million	Cash and cash equivalents of Matsubo Company Ltd.,	<u>(1,394) million</u>	<u>Net: Decrease of cash and cash equivalents</u>	<u>900 million</u>
Current assets	1,446 million																																								
Fixed assets	276 million																																								
Current liabilities	(886) million																																								
Fixed liabilities	(167) million																																								
Minority interest	(327) million																																								
Investment securities after sale	(727) million																																								
Goodwill	401 million																																								
Gain on sales of investment securities in IT Engineering Limited	<u>124 million</u>																																								
Sales of investment securities in IT Engineering Limited	139 million																																								
Cash and cash equivalents of IT Engineering Limited	<u>(333) million</u>																																								
<u>Net: Decrease of cash and cash equivalents</u>	<u>194 million</u>																																								
Current assets	18,494 million																																								
Fixed assets	688 million																																								
Current liabilities	(18,000) million																																								
Fixed liabilities	(480) million																																								
Minority interest	(1) million																																								
Gain on sales of investment securities in Matsubo Company Ltd.,	<u>1,594 million</u>																																								
Sales of investment securities in Matsubo Company Ltd.,	2,294 million																																								
Cash and cash equivalents of Matsubo Company Ltd.,	<u>(1,394) million</u>																																								
<u>Net: Decrease of cash and cash equivalents</u>	<u>900 million</u>																																								

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008														
	<p>Following the sale of the Group's shares held in Elliott Energy Systems, Inc., that company has been excluded from the scope of consolidation. The breakdown of that company's assets and liabilities at the time of the sale of its shares, the sale price of that company's shares, and the decline in cash and cash equivalents as a result of the sale are as shown below.:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Current assets</td> <td style="text-align: right;">616 million</td> </tr> <tr> <td>Fixed assets</td> <td style="text-align: right;">164 million</td> </tr> <tr> <td>Current liabilities</td> <td style="text-align: right;">(424) million</td> </tr> <tr> <td>Loss on sales of investment securities in Elliott Energy Systems, Inc.</td> <td style="text-align: right;"><u>(312) million</u></td> </tr> <tr> <td>Sales of investment securities in Elliott Energy Systems, Inc.</td> <td style="text-align: right;">43 million</td> </tr> <tr> <td>Cash and cash equivalents of Elliott Energy Systems, Inc.</td> <td style="text-align: right;"><u>(62) million</u></td> </tr> <tr> <td>Net: Decrease of cash and cash equivalents</td> <td style="text-align: right;">(18) million</td> </tr> </table>	Current assets	616 million	Fixed assets	164 million	Current liabilities	(424) million	Loss on sales of investment securities in Elliott Energy Systems, Inc.	<u>(312) million</u>	Sales of investment securities in Elliott Energy Systems, Inc.	43 million	Cash and cash equivalents of Elliott Energy Systems, Inc.	<u>(62) million</u>	Net: Decrease of cash and cash equivalents	(18) million
Current assets	616 million														
Fixed assets	164 million														
Current liabilities	(424) million														
Loss on sales of investment securities in Elliott Energy Systems, Inc.	<u>(312) million</u>														
Sales of investment securities in Elliott Energy Systems, Inc.	43 million														
Cash and cash equivalents of Elliott Energy Systems, Inc.	<u>(62) million</u>														
Net: Decrease of cash and cash equivalents	(18) million														

(Lease)

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008																																																								
<p>1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee</p> <p>From the lessee's perspective</p> <p>① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Pro forma acquisition costs</th> <th style="text-align: center;">Pro forma accumulated depreciation</th> <th style="text-align: center;">Pro forma net book value</th> </tr> </thead> <tbody> <tr> <td>Machinery, Equipment and conveyance vehicles</td> <td style="text-align: right;">8,352 million</td> <td style="text-align: right;">2,886 million</td> <td style="text-align: right;">5,465 million</td> </tr> <tr> <td>Other items</td> <td style="text-align: right;">3,242 million</td> <td style="text-align: right;">1,750 million</td> <td style="text-align: right;">1,492 million</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>11,594 million</u></td> <td style="text-align: right;"><u>4,636 million</u></td> <td style="text-align: right;"><u>6,957 million</u></td> </tr> </tbody> </table> <p>② Lease payments remaining at the end of the fiscal year</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Payments due within one year</td> <td style="text-align: right;">2,019 million</td> </tr> <tr> <td>Payments due after one year</td> <td style="text-align: right;"><u>5,178 million</u></td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;"><u>7,198 million</u></td> </tr> </table> <p>③ Lease payments made, accumulated depreciation, and interest payments</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Lease payments made</td> <td style="text-align: right;">2,314 million</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">2,034 million</td> </tr> <tr> <td>Interest payments</td> <td style="text-align: right;">182 million</td> </tr> </table> <p>④ Method of computing depreciation Depreciation are computed with the straight-line method over a period up to the length of the relevant lease contracts with no residual value.</p> <p>⑤ Method of computing interest Interests are computed as the difference between the total lease payments and the value of leased assets and are allocated to each period using the interest method.</p>		Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value	Machinery, Equipment and conveyance vehicles	8,352 million	2,886 million	5,465 million	Other items	3,242 million	1,750 million	1,492 million	Total	<u>11,594 million</u>	<u>4,636 million</u>	<u>6,957 million</u>	Payments due within one year	2,019 million	Payments due after one year	<u>5,178 million</u>	Total	<u>7,198 million</u>	Lease payments made	2,314 million	Accumulated depreciation	2,034 million	Interest payments	182 million	<p>1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee</p> <p>From the lessee's perspective</p> <p>① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Pro forma acquisition costs</th> <th style="text-align: center;">Pro forma accumulated depreciation</th> <th style="text-align: center;">Pro forma net book value</th> </tr> </thead> <tbody> <tr> <td>Machinery, Equipment and conveyance vehicles</td> <td style="text-align: right;">7,973 million</td> <td style="text-align: right;">3,889 million</td> <td style="text-align: right;">4,083 million</td> </tr> <tr> <td>Other items</td> <td style="text-align: right;">3,965 million</td> <td style="text-align: right;">1,584 million</td> <td style="text-align: right;">2,380 million</td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>11,939 million</u></td> <td style="text-align: right;"><u>5,474 million</u></td> <td style="text-align: right;"><u>6,464 million</u></td> </tr> </tbody> </table> <p>② Lease payments remaining at the end of the fiscal year</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Payments due within one year</td> <td style="text-align: right;">2,408 million</td> </tr> <tr> <td>Payments due after one year</td> <td style="text-align: right;"><u>4,091 million</u></td> </tr> <tr> <td style="text-align: center;">Total</td> <td style="text-align: right;"><u>6,499 million</u></td> </tr> </table> <p>③ Lease payments made, accumulated depreciation, and interest payments</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Lease payments made</td> <td style="text-align: right;">2,256 million</td> </tr> <tr> <td>Accumulated depreciation</td> <td style="text-align: right;">1,903 million</td> </tr> <tr> <td>Interest payments</td> <td style="text-align: right;">150 million</td> </tr> </table> <p>④ Method of computing depreciation Mentioned left</p> <p>⑤ Method of computing interest Mentioned left</p>		Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value	Machinery, Equipment and conveyance vehicles	7,973 million	3,889 million	4,083 million	Other items	3,965 million	1,584 million	2,380 million	Total	<u>11,939 million</u>	<u>5,474 million</u>	<u>6,464 million</u>	Payments due within one year	2,408 million	Payments due after one year	<u>4,091 million</u>	Total	<u>6,499 million</u>	Lease payments made	2,256 million	Accumulated depreciation	1,903 million	Interest payments	150 million
	Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value																																																						
Machinery, Equipment and conveyance vehicles	8,352 million	2,886 million	5,465 million																																																						
Other items	3,242 million	1,750 million	1,492 million																																																						
Total	<u>11,594 million</u>	<u>4,636 million</u>	<u>6,957 million</u>																																																						
Payments due within one year	2,019 million																																																								
Payments due after one year	<u>5,178 million</u>																																																								
Total	<u>7,198 million</u>																																																								
Lease payments made	2,314 million																																																								
Accumulated depreciation	2,034 million																																																								
Interest payments	182 million																																																								
	Pro forma acquisition costs	Pro forma accumulated depreciation	Pro forma net book value																																																						
Machinery, Equipment and conveyance vehicles	7,973 million	3,889 million	4,083 million																																																						
Other items	3,965 million	1,584 million	2,380 million																																																						
Total	<u>11,939 million</u>	<u>5,474 million</u>	<u>6,464 million</u>																																																						
Payments due within one year	2,408 million																																																								
Payments due after one year	<u>4,091 million</u>																																																								
Total	<u>6,499 million</u>																																																								
Lease payments made	2,256 million																																																								
Accumulated depreciation	1,903 million																																																								
Interest payments	150 million																																																								

(Derivatives)

From April 1, 2007 To March 31, 2008	From April 1, 2007 to March 31, 2008
<p>1. Matters Related to Transactions</p> <p>(1) Content of transactions During the fiscal year under review, on a consolidated basis, transactions employed by the Company were forward foreign currency exchange contracts and interest rate swaps involving the swapping of floating rate obligations for fixed rate obligations.</p> <p>(2) Policy for conducting transactions Ebara's policy is to employ derivative transactions only for export and import, fund management/fund-raising, and other transactions that are actually required by its business activities.</p> <p>(3) Objectives in using transactions</p> <p>① Hedging instruments and hedged items Hedging instruments: Forward foreign currency exchange transactions, currency swap transactions, and interest rate swap transactions. Hedged items: For hedging foreign exchange fluctuation risk of foreign currency denominated assets and liabilities held and scheduled transactions, for hedging interest rate fluctuation risk in fund management and und-raising</p> <p>② Method for evaluating the effectiveness of hedges For interest rate fluctuation risk (as noted in the previous item (1)) Effectiveness is judged by comparing the cash flow of the hedged item from the time of the commencement of the hedge transaction to the time of evaluation with the cash flow of the hedge instrument. However, for interest rate swaps that satisfy the conditions for special accounting treatment, evaluation is omitted. For foreign currency fluctuation risk (as noted in the previous item (1)) Effectiveness is judged by confirming the effects of the use of the hedged instrument for each hedged transaction.</p> <p>(4) Risks inherent in transactions The derivatives employed by the Company have inherent interest rate and foreign currency risk, but these are cancelled out by the risk of hedged items. In addition, counterparties in derivative transactions are all financial institutions with high creditworthiness, meaning the risk of non-fulfillment on derivative contracts is virtually zero.</p> <p>(5) Systems for managing transaction risk The Company has prepared internal rules that specify the persons with authority for the approval of transactions and transaction limits. In addition, these transactions are supervised under the Company's cash management rules.</p>	<p>1. Matters Related to Transactions</p> <p>(1) Content of transactions Mentioned left</p> <p>(2) Policy for conducting transactions Mentioned left</p> <p>(3) Objectives in using transactions</p> <p>① Hedging instruments and hedged items Hedging instruments: Mentioned left Hedged items: Mentioned left</p> <p>② Method for evaluating the effectiveness of hedges For interest rate fluctuation risk (as noted in the previous item (1)) Mentioned left For foreign currency fluctuation risk (as noted in the previous item (1)) Mentioned left</p> <p>(4) Risks inherent in transactions Mentioned left</p> <p>(5) Systems for managing transaction risk Mentioned left</p>

From April 1, 2006 To March 31, 2007	From April 1, 2007 to March 31, 2008
(6) Supplementary information regarding market value, etc., of transactions -----	(6) Supplementary information regarding market value, etc., of transactions -----
2. Matters Related to Market Value, Etc., of Transactions During the fiscal year under review, on a consolidated basis, the Company applied hedge accounting principles to its derivative transactions, and there were no transactions for which disclosure was required.	2. Matters Related to Market Value, Etc., of Transactions Mentioned left

(Severance and Pension Plans)

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
1. Outline of Severance and Pension Plans Mentioned left	1. Outline of Severance and Pension Plans Mentioned left
2. Benefit obligation	2. Benefit obligation
Benefit obligation 101,185 million	Benefit obligation 87,072 million
Fair value of plan assets (59,232) million	Fair value of plan assets (56,708) million
Unrecognized actuarial loss (11,903) million	Unrecognized actuarial loss (2,777) million
Unrecognized prior service cost (904) million	Unrecognized prior service cost (91) million
Net amount recognized 29,145 million	Net amount recognized 27,495 million
3. Benefit cost	3. Benefit cost
Service cost 4,450 million	Service cost 4,242 million
Interest cost 2,633 million	Interest cost 2,609 million
Expected return on plan assets (2,497) million	Expected return on plan assets (2,360) million
Recognized prior service cost 179 million	Recognized prior service cost 12 million
Recognized actuarial loss 252 million	Recognized actuarial loss 456 million
Net periodic benefit cost 5,017 million	Special retirement benefit paid 1,500 million
	Net periodic benefit cost 6,640 million
4. Assumptions to determine above obligation and cost	4. Assumptions to determine above obligation and cost
Discount rate (Japan) 2.0%	Discount rate (Japan) 2.0%
Discount rate (Subsidiaries outside Japan) 5.8%	Discount rate (Subsidiaries outside Japan) 5.8%
Expected return on plan assets (Japan) 2.7%	Expected return on plan assets (Japan) 2.7%
Expected return on plan assets (Subsidiaries outside Japan) 8.0%	Expected return on plan assets (Subsidiaries outside Japan) 8.0%
Recognition period of actuarial loss 10 years	Recognition period of actuarial loss 10 years
Amortization period of prior service cost 10 years	Amortization period of prior service cost 10 years

(Income taxes)

From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
1. Significant components of the deferred tax assets and liabilities	1. Significant components of the deferred tax assets and liabilities
Deferred tax assets:	Deferred tax assets:
Excess provision of accrued bonuses to employees	Excess provision of accrued bonuses to employees
2,815 million	2,804 million
Loss recognized on a percentage-of-completion basis	Loss recognized on a percentage-of-completion basis
764 million	2,277 million
Accrued enterprise tax	Accrued enterprise tax
360 million	411 million
Intercompany profit on ending Inventories	Intercompany profit on ending Inventories
57 million	637 million
Excess provision of accrued severance indemnities	Excess provision of accrued severance indemnities
10,019 million	10,210 million
Directors' retirement expense	Directors' retirement expense
462 million	214 million
Intercompany profit on fixed assets	Intercompany profit on fixed assets
1,754 million	1,746 million
Tax loss carried forward	Tax loss carried forward
19,468 million	4,239 million
Write-down of investment securities	Write-down of investment securities
1,023 million	248 million
Loss on liquidation of subsidiary companies	Loss on liquidation of subsidiary companies
3,221 million	1,996 million
Research and development expenses	Research and development expenses
881 million	544 million
Loss from write-down of real estate for sale	Loss from write-down of real estate for sale
972 million	972 million
Loss on write-down of inventories	Loss on write-down of inventories
1,949 million	5,104 million
Reserve for losses on construction completion guarantees	Reserve for losses on construction completion guarantees
1,182 million	8,013 million
Allowance for doubtful receivables	Allowance for doubtful receivables
806 million	3,791 million
Others based on tax codes outside Japan	Others based on tax codes outside Japan
7,326 million	6,331 million
Others	Others
<u>6,426 million</u>	<u>7,337 million</u>
Subtotal	Subtotal
59,496 million	56,885 million
Valuation allowance	Valuation allowance
<u>(14,187) million</u>	<u>(23,271) million</u>
Total deferred tax assets	Total deferred tax assets
45,309 million	33,614 million
Deferred tax liabilities:	Deferred tax liabilities:
Reserve for deferral of capital gains on sales of property	Reserve for deferral of capital gains on sales of property
(1,321) million	(1,260) million
Net unrealized gain on investment securities	Reserve for compressed entry
(4,774) million	(4,858) million
Other	Net unrealized gain on investment securities
<u>(205) million</u>	(2,599) million
Total deferred tax liabilities	Other
<u>(6,301) million</u>	<u>(665) million</u>
Net deferred tax assets	Total deferred tax liabilities
<u>39,007 million</u>	<u>(9,383) million</u>
	Net deferred tax assets
	<u>24,230 million</u>
2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate	2. Summary of the major differences between the Japanese statutory tax rate and the Company's effective tax rate
Statutory tax rate, giving tax effect on enterprise tax payable	Statutory tax rate, giving tax effect on enterprise tax payable
40.5%	40.5%
Entertainment expenses and other expenses not deductible	Entertainment expenses and other expenses not deductible
5.2%	3.2%
Per capita equalization inhabitants' taxes	Per capita equalization inhabitants' taxes
1.9%	0.5%
Dividends received not taxable	Dividends received not taxable
-6.9%	-0.2%
Amortization of goodwill	Amortization of goodwill
1.4%	1.7%
Valuation allowance	Valuation allowance
10.6%	40.1%
Unrecognized tax effect on intercompany profit	Others
3.2%	<u>-6.8%</u>
Others	Effective tax rate as shown in statements of income
<u>4.2%</u>	79.0%
Effective tax rate as shown in statements of income	
60.2%	

(Segment information)

【Business segment information】

From April 1, 2006 to March 31, 2007

(Millions of yen)

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

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

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

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

From April 1, 2007 to March 31, 2008

(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	318,449	141,455	107,295	567,190	-	567,190
(2) Intersegment sales and transfer	2,465	6,488	161	9,114	(9,114)	-
Total	320,915	147,934	107,456	576,305	(9,114)	567,190
Operating costs and expenses	310,630	160,115	99,471	570,217	(9,043)	561,173
Operating income (loss)	10,284	(12,181)	7,985	6,088	(71)	6,016
II Assets, depreciation and amortization and capital expenditure						
Assets	295,377	138,993	107,883	542,254	64,752	607,006
Depreciation and amortization	7,356	2,671	5,334	15,362	(46)	15,316
Capital expenditure	9,844	4,248	8,436	22,529	(148)	22,381

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

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

- The amount of the corporate assets included in 'Elimination and corporate' is ¥67,732 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Company.
- Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.
- The Group changed the segmentation of wind power generation business and cooling and water supply systems for nuclear power plants from the Environmental Engineering Group to the Fluid Machinery Systems Group at the beginning of the fiscal year ending March 31 2008 to optimize the Group from an overall perspective and restructure its organization. Figures for FY2007 under new segmentation are followings.

From April 1, 2006 to March 31, 2007

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating income						
Sales						
(1) Sales to third parties	290,099	140,298	107,700	538,097	-	538,097
(2) Intersegment sales and transfer	2,889	4,829	692	8,411	(8,411)	-
Total	292,988	145,127	108,392	546,508	(8,411)	538,097
Operating costs and expenses	282,396	152,572	98,308	533,277	(8,428)	524,826
Operating income (loss)	10,592	(7,444)	10,083	13,231	(17)	13,249
II Assets, depreciation and amortization and capital expenditure						
Assets	299,698	139,910	129,900	569,508	55,524	625,032
Depreciation and amortization	6,064	2,666	4,142	12,872	(30)	12,842
Capital expenditure	8,679	2,342	6,941	17,963	(46)	17,917

- Accompanying the revision of Japan's Corporate Tax Law, beginning with the current fiscal year, tangible fixed assets acquired on April 1 or later are depreciated according to methods stipulated in the revised corporate tax regulations, and that are acquired on or before March 31, 2007, and have been fully depreciated to the limit prescribed in previous corporate tax provisions. Beginning with the year following depreciation to the limit of 5% of the original value, the difference between the remaining value of such assets and a hypothetical reminder value will be depreciated in equal amounts over a five-year period. As a result of these adoption, operating income of FMS group was ¥540 million less than, PM group was ¥336 million less than, operating loss of EE group was ¥119 million larger than the previous method of calculation.

【Geographical segment information】

From April 1, 2006 to March 31, 2007

(Millions of yen)

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

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

2 Countries and areas included in Other are as follows:

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

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

From April 1, 2007 to March 31, 2008

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	457,447	64,141	45,600	567,190	-	567,190
(2) Intersegment sales and transfer	17,705	9,488	6,466	33,660	(33,660)	-
Total	475,153	73,630	52,067	600,851	(33,660)	567,190
Operating costs and expenses	479,140	68,402	47,110	594,653	(33,479)	561,173
Operating income(loss)	(3,986)	5,228	4,956	6,198	(181)	6,016
II Assets	512,029	55,328	48,294	615,652	(8,645)	607,006

Notes 1 The amount of the corporate assets included in 'Elimination and corporate' is ¥67,732 million. The material assets are cash and cash equivalent, some of the investment securities and deferred tax assets of the Company.

2 Countries and areas included in Other are as follows:

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

3 Accompanying the revision of Japan's Corporate Tax Law, beginning with the current fiscal year, tangible fixed assets acquired on April 1 or later are depreciated according to methods stipulated in the revised corporate tax regulations, and that are acquired on or before March 31, 2007, and have been fully depreciated to the limit prescribed in previous corporate tax provisions. Beginning with the year following depreciation to the limit of 5% of the original value, the difference between the remaining value of such assets and a hypothetical reminder value will be depreciated in equal amounts over a five-year period. As a result of these adoption, operating loss in Japan was ¥996 million larger than this loss would have been under the previous method of calculation.

【Overseas sales】

From April 1, 2006 to March 31, 2007

(Millions of yen)

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

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

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

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

From April 1, 2007 to March 31, 2008

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	83,802	38,754	90,213	212,771
II Consolidated net sales				567,190
III Percentage of overseas sales to net sales (%)	14.8	6.8	15.9	37.5

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

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

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

Per share data of common stock

From April 1, 2006 to March 31, 2007		From April 1, 2007 to March 31, 2008	
Shareholders' equity per share of common stock	357.97	Shareholders' equity per share of common stock	358.01
Net income per share	12.89	Net income per share	18.01
Diluted net income per share	12.31	Diluted net income per share	15.84
Basic information for computation of net income (loss) per share		Basic information for computation of net income (loss) per share	
(1) Net income (loss) on consolidated statements of income	5,446 million	(1) Net income (loss) on consolidated statements of income	7,608 million
(2) Net income (loss) available to common shareholders	5,446 million	(2) Net income (loss) available to common shareholders	7,608 million
(3) Average shares of common stocks	422,576,307	(3) Average shares of common stocks	422,482,050
(4) Amount excluded from computation of diluted net income per share:		(4) Amount excluded from computation of diluted net income per share:	
Interest payable after tax deduction	122 million	Interest payable after tax deduction	238 million
Consignment fee for paying interest after tax deduction	- million	Consignment fee for paying interest after tax deduction	- million
Adjustment of net income	122 million	Adjustment of net income	238 million
(5) Increase of common stocks for computation of diluted net income per share:		(5) Increase of common stocks for computation of diluted net income per share:	
Increase of common stocks	29,729,784	Increase of common stocks	57,720,056
(Bonds with rights to purchase new shares)	(29,729,784)	(Bonds with rights to purchase new shares)	(57,720,056)
(6) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect		(6) Potential shares excluded from computation of diluted income per share which don't have a dilutive effect	
-----		-----	

Order received and sales

The Group changed the segmentation of wind power generation business and cooling and water supply systems for nuclear power plants from the Environmental Engineering Group to the Fluid Machinery Systems Group at the beginning of the fiscal year ending March 31 2008 to optimize the Group from an overall perspective and restructure its organization. Figures for FY 2007 are reclassified in new segmentation for Comparison.

(1) Output

(Millions of yen)

Business segment	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
Fluid Machinery & Systems	257,781	327,156
Environmental Engineering	54,955	43,061
Precision Machinery	2,651	95,134
Total	385,387	465,352

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, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
Fluid Machinery & Systems	312,281	347,665
Environmental Engineering	163,575	151,117
Precision Machinery	129,921	99,160
Total	605,778	597,943

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, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008
Fluid Machinery & Systems	290,099	318,449
Environmental Engineering	140,298	141,445
Precision Machinery	107,700	107,295
Total	538,097	567,190

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

(4) Backlog of order received

(Millions of yen)

Business segment	March 31, 2007	March 31, 2008
Fluid Machinery & Systems	178,175	209,051
Environmental Engineering	119,475	130,903
Precision Machinery	53,340	32,857
Total	350,989	372,812

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