

**RESULTS OF OPERATIONS FOR
THE FIRST HALF ENDED SEPTEMBER 30, 2007 (CONSOLIDATED)**

November 12 2007

Company name: EBARA CORPORATION
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(Stock Code. 6361, Tokyo and Sapporo Stock Exchange in Japan)
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Note: The amounts are rounded down to the nearest millions of yen.

1. Outline of the first half results for FY2008 (April 1-September 30, 2007)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
FY2008 1st half	236,990	21.9	(7,179)	-	(8,508)	-
FY2007 1st half	194,442	7.8	(13,878)	-	(15,426)	-
FY2007	538,097		13,249		10,414	

	Net income		Net income per share		Net income per share, diluted	
		%	Yen		Yen	
FY2008 1st half	(24,576)	-	(58.17)		-	
FY2007 1st half	(11,986)	-	(28.36)		-	
FY2007	5,446		12.89		12.31	

Notes (i) Profit & loss on equity method:

September 30 2007 22 million September 30 2006 -312 million March 31 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	Shareholders' equity ratio	Net assets per share of common stock
			%	Yen
FY2008 1st half	589,522	128,806	21.1	294.70
FY2007 1st half	565,266	142,027	24.2	324.23
FY2007	625,032	154,969	24.2	357.97

Notes Shareholders' Equity (consolidated)

September 30 2007 124,504 million September 30 2006 137,011 million March 31 2007 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 1st half	(14,076)	(2,329)	9,425	60,551
FY2007 1st half	1,758	(9,955)	8,030	47,996
FY2007	9,543	(10,549)	17,166	66,086

2. Dividend

	Cash Dividend per share of common stock		
	1 st half	End of 2 nd half	Total for the year
	Yen	Yen	Yen
FY2007	-	7.5	7.5
FY2008	0.0	-	7.5
FY2008 (Forecast)	-	7.5	

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

Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
		%		%		%		%	Yen	
FY2008	570,000	5.9	8,000	(39.6)	4,000	(61.6)	6,000	10.2	14.20	

Notes % represents percentage change from a comparable previous period

4. Others

(1) Changes in significant subsidiaries: Not applicable

(2) Changes in accounting policies

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

(ii) Changes with other reasons except clause (i) above: Applicable (Depreciation of tangible assets)

Notes Please refer Page 30 'Change in accounting policies' for detail information.

(3) Number of shares outstanding (Common Stocks)

(i) Number of common stocks (including treasury stocks)

September 30 2007 422,725,658 September 30 2006 422,725,658 March 31 2007 422,725,658

(ii) Number of treasury stocks

September 30 2007 249,736 September 30 2006 143,411 March 31 2007 190,191

Notes Please refer Page 42 'Per share data of common stock' regarding the number of stocks to be basis of calculation of dividend rate per net assets.

(Reference information)

1. Outline of the first half results for FY2008 (April 1-September 30, 2007), Non-consolidated

(1) Non-consolidated Financial Highlights

Million of yen, except per share data

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2008 1st half	107,131	18.5	(7,246)	-	(4,472)	-	(19,869)	-
FY2007 1st half	90,436	5.8	(11,469)	-	(9,847)	-	(6,779)	-
FY2007	251,520		3,427		6,128		3,525	

	Net income per share
	Yen
FY2008 1st half	(47.03)
FY2007 1st half	(16.04)
FY2007	8.34

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 1st half	445,916	123,833	27.8	293.11
FY2007 1st half	433,801	142,963	33.0	338.31
FY2007	457,610	147,874	32.3	349.97

Notes Shareholder's Equity (Non-consolidated)

September 30 2007 123,833million September 30 2006 142,963million March 31 2007 147,874million

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

Millions of yen

	Net sales		Operating income		Ordinary income		Net income		Net income per share
		%		%		%		%	Yen
FY2008	265,000	5.4	(2,000)	-	1,000	(83.7)	4,000	13.5	9.47

Notes % represents percentage change from a comparable previous period

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

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

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

(1) Analysis of Management Performance

① Overview of Performance

During the consolidated interim period under review, the business environment in Japan was characterized overall by continued gradual economic recovery. Although public works investment continued to be lackluster and there were signs of weakness in domestic demand in the private sector, such as the slowdown in private residential investment and private capital investment, personal consumption expanded along with the steady improvement in employment conditions and a strong performance in the corporate sector. Overseas, although there was a sense that economic growth was slowing linked to the uncertainties in international financial markets triggered by the subprime mortgage loan problem, the slowdown in housing construction in the United States, and other factors, the economies of China, Singapore, Malaysia, and other countries in Asia expanded and favorable economic conditions continued in the Eurozone.

Amid this business environment, the EBARA Group focused its marketing efforts on sectors where conditions were relatively strong. These included the semiconductor manufacturing equipment field in Japan and overseas; oil and gas related facilities, principally in Asia and the Middle East; and fields in the domestic market, including industrial materials industries, where demand for replacement investment was robust. As a result, sales and orders reported favorable increases. On the other hand, the domestic market for public works construction remained lackluster, and the Group was unable to avoid being influenced by the shrinkage in this market and the decline in profitability of individual projects. In addition, as part of the Group activities to restructure its organization from the perspective of overall optimization, the Group continued to reallocate its management resources, including personnel to priority divisions. Please note that the Group sold its equity interest in Matsubo Company Ltd., an industrial machinery trading company with operations that are largely autonomous from those of the remainder of the Group.

For the consolidated interim period under review, net sales rose 21.9% over the same period of the previous year, to ¥236,990 million. The operating loss, which amounted to ¥7,179 million, was larger than the initial outlook, but still represented an improvement of ¥6,698 million from the interim period of the previous year. Similarly, the ordinary loss, which amounted ¥8,508 million, was larger than the initial outlook, but showed an improvement of ¥6,918 million year-on-year. The net loss for the interim period under review was ¥24,576 million, ¥12,590 million larger than for a year earlier; this was because of the recognition of extraordinary losses totaling ¥32,018 million, including losses on the suspension of specific projects amounting to ¥10,025 million, provisions for losses on specific construction work of ¥13,658 million, and losses on completion guarantees for specific construction work amounting to ¥5,278 million.

The Group's performance is seasonal, with a high percentage of sales concentrated near the end of the accounting period because a high percentage of construction work is completed near the end of the fiscal year.

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

In the Fluid Machinery & Systems (FMS) Group, in the domestic market, capital investment for the renewal of existing facilities and the expansion of plant and equipment continued in the private-sector markets in the steel and chemical industries, leading to firmness in orders of the FMS Group. Although conditions in the domestic market for public works projects continued to be challenging, in response to movement toward comprehensive assessments of competitive bids that take account of factors other than price, the FMS Group presented proposals drawing fully on its technological capabilities and took other measures that resulted in the winning of major projects. In overseas markets, the FMS Group continued to report steady growth in orders for large-scale pumps, various types of process pumps, and other equipment for the oil and gas as well as other energy-related industries in the Middle East. Although the implementation of revisions in construction standards resulted in delays in construction project and related sales of standard pumps, orders for the FMS Group as a whole were strong.

As a result, net sales of the FMS Group for the interim period under review on a consolidated basis rose 20.5% year-on-year, to ¥131,030 million. The operating loss for the interim period amounted to ¥1,920 million, an improvement of ¥2,976 million.

Environmental Engineering

The Environmental Engineering (EE) Group, in addition to strengthening its cost-competitiveness, also worked to substantially expand its capabilities for offering proposals based on its differentiated technology. As a consequence, in certain bidding where results were based on comprehensive criteria taking account of the bidder's technological capabilities, the EE Group was successful in winning contracts. In the domestic private-sector water-treatment field, in addition to conventional water-treatment facilities, the EE Group worked to improve profitability by expanding sales of water-treatment units incorporating membrane filtration equipment, water-purification equipment, water-recycling units, and other related types of equipment. In the waste-incineration field, the EE Group also offered proposals for the optimization of facilities through the application of engineering, procurement, and construction (EPC) technology and operation and maintenance (O&M) technology. Moreover, the EE Group will strengthen and expand its initiatives, in both the public sector and private sector, in the after-sales service market, which is expected to show expansion going forward.

As a result of these initiatives, net sales of the EE Group rose 2.1% over the interim period of the previous fiscal year, to ¥44,978 million. However, the operating loss expanded ¥222 million, to ¥12,139 million, because of the emergence of additional costs in plant construction operations in Japan and overseas and the decline in profitability in the domestic public works market.

Precision Machinery

In the Precision Machinery (PM) Group, robust investment by companies, principally in the flash memory segment of the semiconductor industry, in Japan and other parts of Asia sustained orders at a high level and resulted in favorable sales for the PM Group of its dry pumps and chemical mechanical polishing (CMP) equipment to customers on the cutting-edge of industry development. In addition, equipment for the processing of PFC (perfluorinated carbon) gas (a type of gas that contributes to global warming) that was introduced to the market by the PM Group in the previous fiscal year is steadily being adopted by cutting-edge semiconductor manufacturers on their volume production lines.

As a consequence, net sales of the PM Group for the interim period under review expanded 46.5%, to ¥60,981 million. Operating income leapt 111.2%, to ¥6,972 million, as a result of the increase in net sales and measures to cut costs.

Outlook for the Full Fiscal Year

Overview

There have been no major changes in the overall outlook since the last announcement “Announcement of Revision of the Outlook for Performance and Reporting of Extraordinary Losses” dated November 5 2007, on a consolidated basis, the Group is expecting net sales of ¥570.0 billion, operating income of ¥8.0 billion, ordinary income of ¥4.0 billion and net income ¥6.0 billion.

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

	Consolidated		Non-Consolidated	
Net sales	¥570	5.9%	¥265	5.4%
Operating income	¥8	(39.6)%	¥(2)	(-)%
Ordinary income	¥4	(61.6)%	¥1	(83.7)%
Net income	¥6	10.2%	¥4	13.5%

Business Segment Information

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

(Billions of yen, percentage composition)

Business segment	Sales		Operating Income	
Fluid Machinery & Systems	¥320	56.2%	¥9.5	(-)%
Environmental Engineering	¥145	25.4%	¥(11.5)	(-)%
Precision Machinery	¥105	18.4%	¥10.0	(-)%
Total	¥570	100%	¥8.0	(-)%

(2) Analysis of Financial Position

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

① Assets

As a result of decrease from the end of the previous year in current assets of ¥40,808 million and increase in fixed assets of ¥5,298 million, total assets declined 35,509 million to ¥589,522million. The principal reasons for these movements in assets were as follows.

Current assets declined ¥57,651 million in comparison the interim period of the previous fiscal year, owing to progress in recovering notes and accounts receivable. Also, along with the increase in orders, inventories rose ¥22,649 million.

Fixed assets rose ¥2,387 million because of an increase in tangible fixed assets of ¥3,413 million as a result of capital expenditures and increases in investments and other assets, owing to a higher level of deferred tax assets.

② Liabilities

Compared with the previous fiscal year-end, current liabilities decreased ¥11,252 million, and long-term liabilities were up ¥1,906 million, thus total liabilities declined ¥9,346 million to ¥460,716 million. The principal causes of these increases were as follows.

Current liabilities declined ¥37,138 million owing to a rise in the settlement of notes and accounts payable. On the other hand, reserve for construction losses increased ¥14,861 million in connection with the Infraserv project in Germany and other undertakings, and advance payments received rose ¥10,872 million.

Among long-term liabilities, interest-bearing debt was up ¥4,632 million and accrued severance and pension costs decreased ¥2,203 million.

③ Net Assets

Among items in net assets, shareholders' equity declined ¥27,416 million, but total valuation and translation adjustments and others rose ¥666 million, while minority interests in consolidated subsidiaries also increased, moving up ¥586 million. As a result, net assets were down ¥26,163 million and amounted to ¥128,806 million at the end of the interim period under review. The decline in shareholders' equity was mainly due to the reporting of an interim net loss of ¥24,576 million and the payment of dividends from retained earnings of ¥3,169 million.

④ Cash Flows

Net cash used in operating activities for the interim period amounted to a net outflow of ¥14,076 million. Although progress was recorded in the recovery of accounts receivable, this was more than offset by a loss before income taxes of ¥38,521 million, an increase in working capital, and other factors.

Net cash used in investing activities amounted to a net outflow of ¥2,329 million. Factors accounting for this included purchases of fixed assets, etc., amounting to ¥8,160 million and the acquisition of investment securities totaling ¥4,655 million.

Net cash provided by financing activities totaled a net inflow of ¥9,425 million. Factors influencing this outcome were net proceeds from borrowings (new borrowings less repayments) of ¥11,869 million, dividend payments of ¥3,169 million, and other factors.

Recent trends in cash flow indicators are as follows.

	March 31 2005	September 30 2005	March 31 2006	September 30 2006	March 31 2007	September 30 2007
Shareholders' equity ratio:	18.4%	17.2%	25.9%	24.2%	24.2%	21.1%
Shareholders' equity ratio at market value:	28.5%	29.5%	52.8%	32.0%	37.8%	38.1%
Years to repay debt:	-	-	-	-	22.4 years	-
Interest coverage ratio:	-	-	-	1.4	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

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 period under review, the Company suspended the payment of the interim dividend, but will decide to pay a dividend of ¥7.5 per common share in the interest of maintaining stability in dividend payments for the fiscal year ending March 31, 2008.

(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; however, if actual additional costs exceed the reserves, this may have a detrimental impact on the Group's performance.

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

③ Interest Rate Risk

The Group is working to reduce its interest-bearing debt, but, as of September 30, 2007, a short-term interest bearing debt amounted to ¥96,850 million and the balance of long-term interest bearing debt was ¥119,945 million, which reached a total of ¥216,796 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.

On March 30, 2004, EBARA received an order from the Fair Trade Commission excluding the Company from activities described in “Construction Related to Sewage Pumps under Orders Placed by the Sewage Commission of the City of Tokyo,” and judicial proceedings are still under way regarding this matter. As a result of these judicial proceedings, there is a possibility that the Company may receive an order from the Ministry of Land, Infrastructure and Transport, based on Japan’s Construction Law, to temporarily cease operations and/or the Company may receive an order from the national and local governments or others that will exclude it from bidding on certain projects. Such circumstances might result in a decline in orders and have an adverse impact on the Company’s performance.

Please note that regarding the Company’s violation of Japan’s Antimonopoly Act in connection with bidding for sludge-reprocessing facilities, the Company was cited by the Ministry of Land, Infrastructure and Transport for violation of Japan’s Construction Law and received an order to cease operations in 24 prefectures for 45 days beginning on October 5, 2007.

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), 111 subsidiaries (56 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. • Environmental Engineering Corporation • 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. In addition, the Group aims to be a corporate entity in harmony with the natural environment, giving full consideration to environmental management to minimize the burden its corporate activities place on the environment, both directly and indirectly.

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

(2) Target Management Performance Measures

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

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

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

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

The Group has set the following financial objectives to attain by March 31, 2008.

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

(3) Medium- to Long-Term Management Plan

The Group will implement its business activity in accordance with new medium term management plan “E-Plan 2010” which was released officially on November 5, 2007. The Group has defined the period of this management plan, extending from fiscal 2008 through fiscal 2010, 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 2011 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 2011 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

Going forward, the Group has positioned strengthening of its business base as a priority issue for sustained growth. The Group is, therefore, exercising selectivity and concentration on a worldwide basis in the allocation of its resources by withdrawing from unprofitable businesses within the Group and investing resources in products that have the potential of attaining high levels of profitability.

② Achieving Financial Soundness

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

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

The Group received a notice dated September 1, 2006 from the Ministry of Housing and Local Government of Malaysia to cancel the contract for a gasification incinerator plant with a capacity of 1,500 tons a day. At present, the Group is engaged in negotiations with the relevant parties to complete the recovery of these claims at an early date.

Please note that for the interim period under review, from the point of financial soundness, the Company has set aside a reserve to cover possible claims for compensation.

④ Strengthening the corporate governance and emphasizing compliance

Regarding the improper use of Company funds by former members of management, as indicated in "Interim Report on the Improper Use of Company Funds", issued on November 5, 2007, the facts regarding this matter and the amount of damages involved. In addition, the Company has established three committees with outside members for the purposes of the evaluation of the matter, preventing a recurrence of similar issues, and deciding on damage claims. These committees are currently considering the legal action to be taken in connection with their respective areas of evaluation, prevention of recurrence, and damage claims.

4. Consolidated financial statements

(1) Consolidated balance sheets

	Notes	September 30, 2006		September 30, 2007		Changes	March 31, 2007	
		Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Assets								
I Current assets								
1 Cash and time deposits		47,995		58,464		10,468	66,085	
2 Trade receivables	*4	160,528		167,353		6,824	225,004	
3 Securities		0		2,087		2,086	0	
4 Inventories		105,980		119,239		13,258	96,589	
5 Deferred tax assets		13,679		24,102		10,423	14,765	
6 Others		25,616		22,235		(3,381)	31,227	
7 Allowance for doubtful receivables		(1,624)		(2,621)		(996)	(2,004)	
Total current assets		352,177	62.3	390,861	66.3	38,684	431,669	69.1
II Fixed assets								
(1) Tangible fixed assets	*1 *2							
1 Buildings		32,087		32,964		877	31,847	
2 Machinery and equipment		33,705		38,503		4,798	36,990	
3 Others		31,878		30,221		(1,657)	29,437	
Total tangible assets		97,671	17.3	101,689	17.2	4,018	98,276	15.7
(2) Intangible fixed assets		14,321	2.5	13,762	2.3	(559)	14,264	2.3
(3) Investments and long-term receivables								
1 Investment securities	*2	52,770		32,460		(20,310)	37,583	
2 Deferred tax assets		31,238		32,403		1,164	25,128	
3 Others	*2	20,534		28,681		8,147	20,831	
4 Allowance for doubtful receivables		(1,161)		(10,198)		(9,036)	(1,096)	
5 Reserve for revaluation of investments		(2,285)		(136)		2,149	(1,624)	
Total investments and long-term receivables		101,096	17.9	83,209	14.1	(17,886)	80,821	12.9
Total fixed assets		213,089	37.7	198,661	33.7	(14,427)	193,363	30.9
Total assets		565,266	100.0	589,522	100.0	24,256	625,032	100.0

	Notes	September 30, 2006		September 30, 2007		Changes	March 31, 2007	
		Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Liabilities								
I Current liabilities								
1	*4	133,022		130,742		(2,279)	167,880	
2		75,196		66,650		(8,564)	69,035	
3		-		6,000		6,000	15,000	
4		120		24,200		24,080	14,000	
5		6,899		7,193		293	7,274	
6		89		89		0	159	
7		2,893		3,089		196	3,321	
8		1,000		15,531		14,531	669	
9		802		-		(802)	-	
10		710		1,176		465	920	
11		42,288		56,109		13,820	43,772	
		263,022	46.5	310,782	52.7	47,760	322,035	51.5
II Long-term liabilities								
1		44,260		20,050		(24,210)	30,300	
2		40,000		40,000		-	40,000	
3		43,909		59,895		15,986	45,013	
4		29,946		26,941		(3,005)	29,145	
5		865		673		(191)	969	
6		74		10		(63)	71	
7		1,161		2,362		1,201	2,527	
		160,216	28.3	149,933	25.4	(10,283)	148,027	23.7
		423,239	74.9	460,716	78.2	37,477	470,063	75.2

	Notes	September 30, 2006		September 30, 2007		Changes	March 31, 2007	
		Millions of yen	%	Millions of yen	%	Millions of yen	Millions of yen	%
Net assets								
I Shareholders' equity								
1 Common stock		61,284	10.8	61,284	10.4	-	61,284	9.8
2 Capital surplus		65,212	11.5	65,212	11.1	0	65,212	10.4
3 Retained earnings		1,497	0.3	(7,927)	(1.3)	(9,425)	19,455	3.1
4 Treasury stock, at cost		(70)	(0.0)	(127)	(0.0)	(56)	(92)	(0.0)
Total shareholders' equity		127,923	22.6	118,441	20.1	(9,481)	145,858	23.3
II Valuation, transition adjustment and others								
1 Net unrealized gain on investment securities		12,126	2.1	5,787	1.0	(6,338)	6,766	1.1
2 Deferred hedge gain(loss)		0	0.0	14	0.0	14	13	0.0
3 Translation adjustments		(3,038)	(0.5)	260	0.0	3,298	(1,383)	(0.2)
Total valuation, transition adjustment and others		9,088	1.6	6,062	1.0	(3,025)	5,396	0.9
III Minority interests in consolidated subsidiaries		5,015	0.9	4,301	0.7	(713)	3,714	0.6
Total net assets		142,027	25.1	128,806	21.8	(13,221)	154,969	24.8
Total liabilities and net assets		565,266	100.0	589,522	100.0	24,256	625,032	100.0

(2) Consolidated statements of income

	Note	From April 1, 2006 to September 30, 2006		From April 1, 2007 to September 30, 2007		Changes Millions of yen	From April 1, 2006 to March 31, 2007					
		Millions of yen	%	Millions of yen	%		Millions of yen	%				
I Net sales	*2		194,442	100.0		236,990	100.0	42,548		538,097	100.0	
II Cost of sales			165,491	85.1		199,021	84.0	33,529		434,934	80.8	
Gross profit			28,950	14.9		37,969	16.0	9,018		103,163	19.2	
III Selling, general and administrative expenses	*1		42,829	22.0		45,149	19.1	2,319		89,914	16.7	
Operating income (loss)			(13,878)	(7.1)		(7,179)	(3.0)	6,698		13,249	2.5	
IV Non-operating income												
1 Interest income			187			282				492		
2 Dividend income			254			540				3,208		
3 Insurance income			168			78				202		
4 Foreign exchange gain			-			192				-		
5 Profit on equity method			-			22				-		
6 Others		404	1,015	0.5	942	2,058	0.9	1,043	1,088	4,992	0.9	
V Non-operating expenses												
1 Interest expenses			1,742			1,964				3,738		
2 Loss on equity method			312			-				1,131		
3 Foreign exchange loss			62			-				50		
4 Loss on allowance for doubtful receivable			-			837				274		
5 Others		446	2,563	1.3	584	3,387	1.4	823	2,631	7,827	1.5	
Ordinary income (loss)			(15,426)	(7.9)		(8,508)	(3.6)	6,918		10,414	1.9	
VI Extraordinary income												
1 Gain on sales of fixed assets	*3		7			86				647		
2 Gain on sales of investment securities			281			1,611				7,246		
3 Gain on reversal of allowance for doubtful receivables			44			-				44		
4 Gain on reversal of reserve for revaluation of investments			-			149				-		
5 Gain on reversal of reserve for losses on contingent liabilities			209			61				212		
6 Profit from recovery of bad debts			-	542	0.3	96	2,005	0.8	1,462	-	8,150	1.5

	Note	From April 1, 2006 to September 30, 2006		From April 1, 2007 to September 30, 2007		Changes Millions of yen	From April 1, 2006 to March 31, 2007				
		Millions of yen	%	Millions of yen	%		Millions of yen	%			
VII Extraordinary expenses											
1 Loss on sales of fixed assets	*4	66		14			146				
2 Loss on disposal of fixed assets		118		601			283				
3 Loss on liquidation of subsidiaries and affiliates		-		1,520			1,443				
4 Loss on sales of investment securities		-		14			0				
5 Write-down of securities and other investments		24		581			44				
6 Reserve for revaluation of investments		20		-			197				
7 Impairment losses	*5	-		66			341				
8 Surcharge expenses		381		-			-				
9 Reserve for legal expenses		802		-			-				
10 Legal expenses		-		-			959				
11 Losses arising from violation of the Antimonopoly Act		-		-			1,927				
12 Reserve for losses arising from violation of the Antimonopoly Act		710		256			920				
13 Losses on completion guarantees for specific projects		-		5,278			-				
14 Losses on suspension of specific projects	*6	-		10,025			-				
15 Provision to the reserve for losses on specific construction work		-		13,658			-				
16 Losses on the prior year adjustment		-	2,124	1.1	-	32,018	13.5	29,893	1,183	7,447	1.4
Income (loss) before income taxes			(17,008)	(8.7)		(38,521)	(16.3)	(21,512)		11,117	2.1
Income taxes		1,221			2,931			4,161			
Deferred tax benefits		(5,802)	(4,580)	(2.4)	(16,250)	(13,318)	(5.6)	(8,737)	2,535	6,697	1.2
Minority interests in consolidated subsidiaries			441	0.2		626	0.3	(184)		1,026	0.2
Net income (loss)			(11,986)	(6.2)		(24,576)	(10.4)	(12,590)		5,446	1.0

(3) Consolidated statements net assets

From April 1, 2006 to September 30, 2006

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	61,283	65,211	16,965	(54)	143,406
Changes					
Conversion of convertible bonds	0	0			0
Cash dividend			(3,169)		(3,169)
Net loss			(11,986)		(11,986)
Changes in interest in newly consolidated subsidiaries			(0)		(0)
Changes in interest in divested consolidated subsidiaries			489		489
Changes in interest in newly accounted for equity method			(801)		(801)
Acquisition of treasury stock				(20)	(20)
Disposal of treasury stock			(0)	3	3
Others					-
Total	0	0	(15,467)	(16)	(15,483)
Balance at September 30, 2006	61,284	65,212	1,497	(70)	127,923

	Valuation, transition adjustment and others				Minority interest	Total net assets
	Net unrealized gain on investment securities	Deferred hedge gain (loss)	Translation adjustment	Sub-total		
Balance at March 31, 2006	13,476	-	(3,188)	10,288	5,021	158,716
Changes						
Conversion of convertible bonds				-		0
Cash dividend				-		(3,169)
Net loss				-		(11,986)
Changes in interest in newly consolidated subsidiaries				-		(0)
Changes in interest in divested consolidated subsidiaries				-		489
Changes in interest in newly accounted for equity method				-		(801)
Acquisition of treasury stock				-		(20)
Disposal of treasury stock				-		3
Others	(1,350)	0	150	(1,199)	(6)	(1,205)
Total	(1,350)	0	150	(1,199)	(6)	(16,689)
Balance at September 30, 2006	12,126	0	(3,038)	9,088	5,015	142,027

From April 1, 2007 to September 30, 2007

(Millions of yen)

	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 loss			(24,576)		(24,576)
Changes in interest in newly consolidated subsidiaries			362		362
Acquisition of treasury stock				(37)	(37)
Disposal of treasury stock		0		2	2
Others					-
Total	-	0	(27,382)	(34)	(27,416)
Balance at September 30, 2007	61,284	65,212	(7,927)	(127)	118,441

	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 loss				-		(24,576)
Changes in interest in newly consolidated subsidiaries				-		362
Acquisition of treasury stock				-		(37)
Disposal of treasury stock				-		2
Others	(978)	1	1,643	666	587	1,254
Total	(978)	1	1,643	666	587	(26,162)
Balance at September 30, 2007	5,787	14	260	6,062	4,301	128,806

From April 1, 2006 to March 31, 2007

(Millions of yen)

	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 income			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 loss				-		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

(4) Consolidated statements of cash flows

	Notes	From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
		Millions of yen	Millions of yen	Millions of yen
I Cash flows from operating activities:				
1 Income (loss) before income taxes		(17,008)	(38,521)	11,117
2 Depreciation and amortization		6,051	7,464	12,842
3 Impairment losses		-	66	341
4 Gain on sales of securities		(281)	(1,596)	(7,246)
5 Loss on violation of Antimonopoly Act		-	-	2,847
6 Legal expenses		-	-	959
7 Increase (decrease) in allowance		305	21,182	(2,567)
8 Loss (gain) on sales of fixed assets		59	(71)	(500)
9 Other noncash expenses		931	2,844	3,753
10 Interest and dividend income		(442)	(823)	(3,701)
11 Interest expenses		1,742	1,964	3,738
12 Decrease (increase) in trade receivables		66,550	46,961	2,068
13 Decrease (increase) in inventories		(21,403)	(26,429)	(11,867)
14 Increase (decrease) in trade payables		(27,954)	(33,067)	6,783
15 Others		(4,420)	9,840	(3,077)
Sub-total		4,131	(10,183)	15,491
16 Interest and dividend received		760	1,030	3,816
17 Interest expenses paid		(1,228)	(1,898)	(3,451)
18 Loss on violation of Antimonopoly Act and Legal expenses paid		-	(482)	(1,998)
19 Income taxes paid		(1,905)	(2,543)	(4,314)
Net cash provided by (used for) operating activities		1,758	(14,076)	9,543
II Cash flows from investing activities				
1 Sales of fixed assets		158	77	2,606
2 Purchase of fixed assets		(6,298)	(8,160)	(17,489)
3 Sales of investment securities		339	4,655	10,179
4 Purchase of investment securities		(2,228)	(366)	(2,703)
5 Sales (purchase) of other investments, net		569	432	764
6 Collection of loans receivable		2,271	1,894	4,107
7 Disbursement of loans receivable		(2,951)	(1,762)	(6,200)
8 Acquisition of stock in subsidiaries with a change of basis of consolidation		(1,620)	-	(1,620)
9 Sale of stock in subsidiaries with a change of basis of consolidation		(194)	900	194
Net cash provided by (used for) investing activities		(9,955)	(2,329)	(10,549)

	Notes	From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
		Millions of yen	Millions of yen	Millions of yen
III Cash flows from financing activities:				
1 Issuance of bonds		39,923	-	39,924
2 Redemption of bonds		(20,038)	(50)	(20,118)
3 Proceeds from short-term bank loans and commercial paper		28,709	62,643	56,490
4 Repayment of short-term bank loan and commercial paper		(38,076)	(65,495)	(58,748)
5 Proceeds from long-term bank loans		546	15,067	2,668
6 Repayment of long-term bank loans		(615)	(295)	(608)
7 Capital paid in from minority shareholders		919	1,007	919
8 Purchase and sales of treasury stock		(16)	(34)	(38)
9 Dividends paid		(3,169)	(3,169)	(3,169)
10 Dividends paid to minority shareholders in consolidated subsidiaries		(153)	(248)	(153)
Net cash provided by (used for) financing activities		8,030	9,425	17,166
IV Translation adjustments		552	1,270	1,691
V Increase (decrease) in cash and cash equivalents		385	(5,709)	17,852
VI Cash and cash equivalents At beginning of period:		47,510	66,086	47,510
VII Net effect of deconsolidation and consolidation of subsidiaries		99	174	723
VIII Cash and cash equivalents at end of period		47,996	60,551	66,086

Significant accounting principles

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 55</p> <p>Significant consolidated subsidiaries: Mentioned in Corporate Group Information</p> <p>The following subsidiaries were newly consolidated:</p> <p>Ebara Environmental Engineering Co., Ltd.</p> <p>Elliott Ebara Servicios para Equipmentos Rotativos Ltda.</p> <p>Yoshikura Ltd.</p> <p>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.</p> <p>The following subsidiaries were excluded from consolidation owing to transfer of shares.</p> <p>IT Engineering Limited</p> <p>(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd.</p> <p>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>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 56</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated:</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.</p> <p>(2) Names of significant non-consolidated subsidiaries Mentioned left</p> <p>(3) Mentioned left</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 56</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated:</p> <p>Ebara Environmental Engineering Corporation</p> <p>Elliott Ebara Servicios para Equipmentos Rotativos Ltda</p> <p>Yoshikura Ltd</p> <p>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.</p> <p>Ebara-Elliott Service (Taiwan) Co., Ltd.</p> <p>Elliott Ebara Singapore Pte. Ltd.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or transfer of shares.</p> <p>IT Engineering Limited</p> <p>Ebara Fan Engineering Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries Mentioned left</p> <p>(3) Mentioned left</p>
<p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method 1</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. IT Engineering Limited e-BEAM Corporation</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</p> <p>The following affiliated companies were excluded from application of equity method owing to liquidation. e-BEAM Corporation</p>	<p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method 1</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. IT Engineering Limited e-BEAM Corporation</p>

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in names of significant non-consolidated subsidiaries (Affiliated Group) Hyosung-Ebara Co., Ltd.</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 The first half end of consolidated subsidiaries The period end of the following consolidated subsidiaries is June 30: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between June 30 and the period end were adjusted in consolidation.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Amortized cost method Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to net assets as shown in the balance sheets. Securities not quoted Gross average cost ②Inventories Finished products and raw materials are stated at the gross average cost, except for in the Precision Machinery segment, which employs the moving average method, and work in process is valued at accumulated job cost. Real estate for sale represents the accumulated cost for each parcel of land and each structure.</p>	<p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated Group) Mentioned left (4) Mentioned left</p> <p>3 The first half end of consolidated subsidiaries The period end of the following consolidated subsidiaries is June 30: Mentioned left</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left</p>	<p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated Group) Mentioned left (4) Mentioned left</p> <p>3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is December 31: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between December 31 and the period end were adjusted in consolidation.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left</p>

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of the assets of the Group and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Group and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese income tax regulations, are shown below:</p> <p style="padding-left: 20px;">Buildings 3 to 50 years Machinery and equipment 2 to 20 years</p> <p>②Intangible assets and other investments Intangible assets are amortized on a straight-line basis. Software used in the Group is amortized on a straight-line basis for the estimated useful lives, 5 years.</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables An allowance for doubtful receivables is provided on an amount sufficient to cover possible losses on collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.</p> <p>②Bonus payment reserve Bonus payment reserve is provided based on the future liabilities.</p> <p>③Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities.</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>	<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>

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>④Severance and pension plans The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. Actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.</p> <p>⑤Directors' retirement allowance reserve Directors' retirement allowance reserve is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.</p> <p>⑥Reserve for revaluation of investments To prepare for possible declines in the value of stocks of subsidiaries and affiliated companies, the Group makes provisions based on estimates of the effects of major fluctuations in foreign exchange rates and changes in the financial positions of these subsidiaries and affiliated companies.</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 Group (contingent liabilities), the Group makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.</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>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>

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>⑧Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.</p> <p>⑨Reserve for construction losses To prepare for possible losses on construction projects contracted to the Group, the Group makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.</p> <p>⑩Reserve for legal expenses To provide for possible expenses arising from lawsuits, the Group makes reasonable estimates of the expenses.</p> <p>⑪Reserve 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>(4) Leases All leases of the Group and its domestic subsidiaries are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions.</p> <p>(5) Significant hedging accounting methods ①Hedging transactions Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.</p>	<p>⑧Reserve for losses on construction completion guarantees Mentioned left</p> <p>⑨Reserve for construction losses Mentioned left</p> <p>⑩-----</p> <p>⑪ Reserve for losses arising from violation of the Antimonopoly Act Mentioned left</p> <p>(4) Leases Mentioned left</p> <p>(5) Significant hedging accounting methods ①Hedging transactions Mentioned left</p>	<p>⑧Reserve for losses on construction completion guarantees Mentioned left</p> <p>⑨Reserve for construction losses Mentioned left</p> <p>⑩-----</p> <p>⑪ Reserve for losses arising from violation of the Antimonopoly Act Mentioned left</p> <p>(4) Leases Mentioned left</p> <p>(5) Significant hedging accounting methods ①Hedging transactions Mentioned left</p>

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>②Hedging instruments and hedging objects Hedging instruments Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used.</p> <p>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 Group and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others.</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.</p> <p>Currency exchange rate risk As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.</p> <p>(6) Other significant accounting principles</p> <p>①Consumption tax Consumption taxes are accounted for using the net-of-tax method.</p> <p>②Consolidated taxation system A consolidated tax system is applied.</p>	<p>②Hedging instruments and hedging objects Hedging instruments Mentioned left</p> <p>Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Other significant accounting principles</p> <p>①Consumption tax Mentioned left</p> <p>②Consolidated taxation system Mentioned left</p>	<p>②Hedging instruments and hedging objects Hedging instruments Mentioned left</p> <p>Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Other significant accounting principles</p> <p>①Consumption tax Mentioned left</p> <p>②Consolidated taxation system Mentioned left</p>

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>③Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of completion basis. Sales recorded on a percentage-of completion basis is 41,310 million.</p> <p>5 Cash and cash equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.</p>	<p>③Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of completion basis. Sales recorded on a percentage-of completion basis is 54,070 million.</p> <p>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 Cash and cash equivalents Mentioned left</p>	<p>③Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of completion basis. Sales recorded on a percentage-of completion basis is 104,933 million.</p> <p>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 Cash and cash equivalents Mentioned left</p>

Change in accounting policies

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
<p>(Accounting Standards for Presentation of Net Assets on the Balance Sheets)</p> <p>Beginning with the interim period ended September 30 2006, 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).</p> <p>The amount corresponding to Shareholders’ Equity, according to the previous method of presentation, is ¥137,011 million.</p> <p>Please note that for the interim consolidated accounting period ended September 30 2006, accompanying the revision of the Rules for Presentation of Interim Consolidated Financial Statements, the Net Assets section of the Interim Consolidated Balance Sheets has been presented according to the revised rules for the presentation of interim consolidated financial statements.</p> <p>(Accounting Standards for Business Combination and Business Divestitures)</p> <p>Beginning with the interim consolidated accounting period ended September 30 2006, 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)</p> <p>Accompanying the revision of Japan’s Corporate Tax Law, beginning with first half of 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.</p> <p>As a result of this accounting change, operating loss, ordinary loss and income before income taxes was ¥117 million larger than this loss would have been under the previous method of accounting.</p>	<p>(Accounting Standards for Presentation of Net Assets on the Balance Sheets)</p> <p>Beginning with the period ended March 31 2007, 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).</p> <p>The amount corresponding to Shareholders’ Equity, according to the previous method of presentation, is ¥151,241 million.</p> <p>Please note that for the consolidated accounting period ended March 31 2007, 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 Presentation of Net Assets on the Balance Sheets)</p> <p>Beginning with the period ended September 30 2007, 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).</p> <p>The amount corresponding to Shareholders’ Equity, according to the previous method of presentation, is ¥151,241 million.</p> <p>Please note that for the consolidated accounting period ended March 31 2007, 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>

*ASBJ represents ‘Accounting Standards Board of Japan’

Additional information

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007
-----	<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 remainder value will be depreciated in equal amounts over a five-year period.</p> <p>As a result of this adoption, operating loss, ordinary loss and income before income taxes was ¥256 million larger than this loss would have been under the previous method of calculation.</p>

Notes to consolidated financial statements

(Balance sheets)

September 30, 2006	September 30, 2007	March 31, 2007
*1 Accumulated depreciation of tangible assets 168,155 million	*1 Accumulated depreciation of tangible assets 177,983million	*1 Accumulated depreciation of tangible assets 171,139million
*2 Collateral assets (Collateral assets for bank loans)	*2 Collateral assets (Collateral assets for bank loans)	*2 Collateral assets (Collateral assets for bank loans)
Buildings 1,528 million	Buildings 2,360 million	Buildings 1,557 million
Machinery and equipment 11,148 million	Machinery and equipment 10,001 million	Machinery and equipment 10,651 million
Other tangible assets 824 million	Other tangible assets 954 million	Other tangible assets 824 million
Investment securities 4,579 million	Investment securities 2,882 million	Investment securities 4,213 million
Others 13 million	Others 26 million	
Total 18,094 million	Total 16,225 million	Total 17,246 million
Amount of bank loans	Amount of bank loans	Amount of bank loans
Short-term loan 1,504 million	Short-term loan 1,585 million	Short-term loan 1,524 million
Long-term loan 10,153 million	Long-term loan 9,280 million	Long-term loan 9,775 million
The above collateral assets include a portion of industrial factory foundation as follows:	The above collateral assets include a portion of industrial factory foundation as follows:	The above collateral assets include a portion of industrial factory foundation as follows:
Buildings 931 million	Buildings 876 million	Buildings 906 million
Machinery and equipment 158 million	Machinery and equipment 98 million	Machinery and equipment 109 million
Others 501 million	Others 501 million	Others 501 million
Total 1,591 million	Total 1,476 million	Total 1,517 million
Amount of bank loans	Amount of bank loans	Amount of bank loans
Short-term loan 834 million	Short-term loan 728 million	Short-term loan 600 million
Long-term loan 128 million		Long-term loan 245 million
(Collateral assets for purposes other than bank loans)	(Collateral assets for purposes other than bank loans)	(Collateral assets for purposes other than bank loans)
Investment securities 546 million	Investment securities 62 million	Investment securities 546 million
Other investment 30 million		
3 Commitments and contingent liabilities	3 Commitments and contingent liabilities	3 Commitments and contingent liabilities
(1) Loans guaranteed to employees: 1,079 million	(1) Loans guaranteed to employees: 873 million	(1) Loans guaranteed to employees: 988 million
(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates:
Aomori Renewable Energy Recycling Co., Ltd. 1,050 million	Oiwa Machinery Corporation 3,596 million	Oiwa Machinery Corporation 3,713 million
E-Square Co., Ltd. 2,817 million	E-Square Co., Ltd. 2,519 million	E-Square Co., Ltd. 2,668 million
Hasaki Wind Farm Co., Ltd. 1,270 million	Hasaki Wind Farm Co., Ltd. 1,270 million	Hasaki Wind Farm Co., Ltd. 1,270 million
Other 16 companies 4,033 million	Other 12 companies 3,919 million	Other 16 companies 3,854 million

September 30, 2006	September 30, 2007	March 31, 2007
<p>(3) Loan guaranteed to business partners: Oiwa Corporation 4,125 million Tomen Power Samukawa Co., Ltd. 181 million</p>	<p>(3) Loan guaranteed to business partners: Aomori Renewable Energy Recycling Co., Ltd. 750 million Tomen Power Samukawa Co., Ltd. 164 million</p>	<p>(3) Loan guaranteed to business partners: Tomen Power Samukawa Co., Ltd. 173 million</p>
<p>(4) Off-balance notes receivables with repurchase obligation 1,552 million</p>	<p>(4) Off-balance notes receivables with repurchase obligation 1,953 million</p>	<p>(4) Off-balance notes receivables with repurchase obligation 6,837 million</p>
<p>(5) Treatment of notes that matured on the last day of the first half of the fiscal year In principle, mature bills are settled on the clearing date. However, bills that matured on the last day of the first half of the fiscal year ended September 30 2006 are included in the balance sheet as listed below as the last day of the said period was a bank holiday. Notes receivable: 3,073 million Notes payable: 6,208 million</p>	<p>(5) Treatment of notes that matured on the last day of the first half of the fiscal year In principle, mature bills are settled on the clearing date. However, bills that matured on the last day of the first half of the fiscal year under review are included in the balance sheet as listed below as the last day of the said period was a bank holiday. Notes receivable: 2,449 million Notes payable: 6,509 million</p>	<p>(5) Treatment of notes that matured on the last day of the the fiscal year In principle, mature bills are settled on the clearing date. However, bills that matured on the last day of the fiscal year ended March 31 2007 are included in the balance sheet as listed below as the last day of the said period was a bank holiday. Notes receivable: 1,596 million Notes payable: 5,798 million</p>
<p>4 Overdrafts and commitment lines The Company signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the first half period ended September 30 2006 were as follows: Current account overdrafts 12,700 million Commitment lines 36,600 million Balance of borrowings - million Total 49,300 million</p>	<p>4 Overdrafts and commitment lines The Company signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the first half period ended September 30 2007 were as follows: Current account overdrafts 13,900 million Commitment lines 36,600 million Balance of borrowings -4,000 million Total 46,500 million</p>	<p>4 Overdrafts and commitment lines The Company signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the fiscal year ended March 31 2007 were as follows: Current account overdrafts ¥13,900 million Commitment lines ¥36,600 million Balance of borrowings - million Total ¥50,500 million</p>

(Statements of income)

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
*1 Principal items of selling, general and administrative expenses	*1 Principal items of selling, general and administrative expenses	*1 Principal items of selling, general and administrative expenses
Sales commission 2,200 million	Sales commission 2,339 million	Sales commission 5,330 million
Packing and transportation 2,014 million	Packing and transportation 2,672 million	Packing and transportation 4,354 million
Sales promotion 581 million	Sales promotion 603 million	Sales promotion 1,296 million
Personnel expenditure 16,996 million	Personnel expenditure 18,572 million	Loss on allowance for doubtful receivable 142 million
Bonus payment reserve expense 1,278 million	Bonus payment reserve expense 1,150 million	Personnel expenditure 37,277 million
Directors' bonus payment reserve expense 29 million	Directors' bonus payment reserve expense 55 million	Bonus payment reserve expense 1,336 million
Employees' retirement expenses 1,433 million	Employees' retirement expenses 1,302 million	Directors' bonus payment reserve expense 44 million
Rental and lease expenses 1,718 million	Rental and lease expenses 1,770 million	Employees' retirement expenses 2,722 million
Directors' retirement expenses 102 million	Directors' retirement expenses 109 million	Rental and lease expenses 3,245 million
Traveling expenses 2,049 million	Traveling expenses 2,150 million	Directors' retirement expenses 202 million
Public dues and taxes 664 million	Public dues and taxes 744 million	Traveling expenses 4,211 million
Depreciation and amortization 1,346 million	Depreciation and amortization 1,419 million	Public dues and taxes 1,498 million
Amortization of goodwill 349 million	Amortization of goodwill 363 million	Depreciation and amortization 2,790 million
Research and development costs 4,506 million	Research and development costs 4,657 million	Amortization of consolidated goodwill 744 million
		Research and development costs 11,357 million
*2 Since a high percentage of the Ebara Group's net sales are accounted for by the public sector, there is a major difference between sales in the first half and the second half of the fiscal year.	*2 Mentioned left	* 2 -----
*3 Gain on sales of fixed assets comprises the following:	*3 Gain on sales of fixed assets comprises the following:	*3 Gain on sales of fixed assets comprises the following:
Buildings 0 million	Buildings 0 million	Buildings 0 million
Machinery and equipment 4 million	Machinery and equipment 22 million	Machinery and equipment 27 million
Others 2 million	Others 62 million	Others 618 million
Total 7 million	Total 86 million	Total 647 million
*4 Loss on sales of fixed assets comprises the following:	*4 Loss on sales of fixed assets comprises the following:	*4 Loss on sales of fixed assets comprises the following:
Buildings 0 million	Buildings 2 million	Buildings 24 million
Machinery and equipment 18 million	Machinery and equipment 5 million	Machinery and equipment 57 million
Others 47 million	Others 6 million	Others 64 million
Total 66 million	Total 14 million	Total 146 million

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007																											
<p>*5 -----</p>	<p>*5 Impairment losses</p> <p>(1) Summary of asset groups for which impairment losses were recognized</p> <table border="1" data-bbox="624 309 1029 465"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Land for car parking space</td> <td>Land</td> <td>Fukushima-ku, Osaka-shi, Osaka</td> </tr> </tbody> </table> <p>(2) Outline of asset grouping The Group groups its assets according to its business segments, but idle assets are grouped individually.</p> <p>(3) Background of recognition of impairment losses The market value of the land has declined. Accordingly, the book value has been reduced to the amount deemed recoverable.</p> <p>(4) Computation of recoverable value The recoverable value of land for car parking space has been computed based on estimates of the net sale value.</p> <p>(5) Amount of impairment losses</p> <table data-bbox="624 1496 1029 1529"> <tr> <td>Land</td> <td>66 million</td> </tr> </table>	Use	Type	Location	Land for car parking space	Land	Fukushima-ku, Osaka-shi, Osaka	Land	66 million	<p>*5 Impairment losses</p> <p>(1) Summary of asset groups for which impairment losses were recognized</p> <table border="1" data-bbox="1077 309 1482 696"> <thead> <tr> <th>Use</th> <th>Type</th> <th>Location</th> </tr> </thead> <tbody> <tr> <td>Wind Power generation equipment</td> <td>Equipment, Other intangible Assets</td> <td>Haboro-cho, Tomae-gun, Hokkaido</td> </tr> <tr> <td>Wind power generation equipment</td> <td>Equipment, Buildings, Other tangible Assets, Other intangible assets</td> <td>Rumoe-si, Hokkaido</td> </tr> </tbody> </table> <p>(2) Outline of asset grouping Mentioned left</p> <p>(3) Background of recognition of impairment losses The market value of land for business office use and Group housing, etc., has declined. Accordingly, the book value has been reduced to the amount deemed recoverable. 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 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 data-bbox="1077 1496 1482 1720"> <tr> <td>Equipment</td> <td>328 million</td> </tr> <tr> <td>Buildings and structures</td> <td>2 million</td> </tr> <tr> <td>Other tangible assets</td> <td>0 million</td> </tr> <tr> <td>Other intangible assets</td> <td>10 million</td> </tr> <tr> <td>Total</td> <td><u>341 million</u></td> </tr> </table>	Use	Type	Location	Wind Power generation equipment	Equipment, Other intangible Assets	Haboro-cho, Tomae-gun, Hokkaido	Wind power generation equipment	Equipment, Buildings, Other tangible Assets, Other intangible assets	Rumoe-si, Hokkaido	Equipment	328 million	Buildings and structures	2 million	Other tangible assets	0 million	Other intangible assets	10 million	Total	<u>341 million</u>
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Land for car parking space	Land	Fukushima-ku, Osaka-shi, Osaka																											
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<p>*6 -----</p>	<p>*6 Breakdown of losses on suspension of specific projects</p> <p>Loss on allowance for doubtful receivables 9,028 million</p> <p>Write-down of inventories 996 million</p>	<p>*6 -----</p>																											

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

From April 1, 2006 to September 30, 2006

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2006	Increase	Decrease	Number of shares as of September 30, 2006
Shares issued				
Common stock	422,724,750	908	—	422,725,658
Total	422,724,750	908	—	422,725,658
Treasury stock				
Common stock	110,650	40,466	7,705	143,411
Total	110,650	40,466	7,705	143,411

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

2.The increase in treasury common stock of 40,466 was due to the purchase of shareholdings of less than one trading unit.

3.The decrease in treasury common stock of 7,705 was due to the sale of shareholdings of less than one trading unit.

2. Items Related to Dividend

(1) Payment of Dividends

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

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

Not applicable

From April 1, 2007 to September 30, 2007

1. Shares Issued and Treasury Shares

	Number of shares as of March 31, 2007	Increase	Decrease	Number of shares as of September 30, 2007
Shares issued				
Common stock	422,725,658	—	—	422,725,658
Total	422,725,658	—	—	422,725,658
Treasury stock				
Common stock	190,191	64,661	5,116	249,736
Total	190,191	64,661	5,116	249,736

Notes: 1.The increase in treasury common stock of 64,661 was due to the purchase of shareholdings of less than one trading unit.

2.The decrease in treasury common stock of 5,116 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 interim period for which the effective date falls after the end of the interim period.

Not applicable

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 interim period for which the effective date falls after the end of the interim period.

Not applicable

(Statements of cash flows)

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
1. A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 47,995 million Securities 0 million Total 47,996 million Cash and cash equivalents 47,996 million	1. A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 58,464 million Securities 2,087 million Total 60,551 million Cash and cash equivalents 60,551 million	1. A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 66,085 million Securities 0 million Total 66,085 million Cash and cash equivalents 66,086 million

(Lease)

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007																																																
1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee From the lessee's perspective ① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items	1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee From the lessee's perspective ① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items	1. Notes regarding finance leases other than those for which the ownership rights of the leased items are transferred to the lessee From the lessee's perspective ① Pro forma amounts representing the acquisition costs, accumulated depreciation, and net book value of the leased items																																																
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② Lease payments remaining at the end of the fiscal year Payments due within one year 2,002 million Payments due after one year 5,837 million Total 7,840 million	② Lease payments remaining at the end of the fiscal year Payments due within one year 1,781 million Payments due after one year 4,235 million Total 6,017 million	② Lease payments remaining at the end of the fiscal year Payments due within one year 2,019 million Payments due after one year 5,178 million Total 7,198 million																																																
③ Lease payments made, accumulated depreciation, and interest payments Lease payments made 1,175 million Accumulated depreciation 1,011 million Interest payments 98 million	③ Lease payments made, accumulated depreciation, and interest payments Lease payments made 1,042 million Accumulated depreciation 912 million Interest payments 72 million	③ Lease payments made, accumulated depreciation, and interest payments Lease payments made 2,314 million Accumulated depreciation 2,034 million Interest payments 182 million																																																
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.	④ Method of computing depreciation Mentioned left	④ Method of computing depreciation Mentioned left																																																

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007																														
<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> <p>2. Information for operating leases From the lessee's perspective Lease payments remaining</p> <table> <tr> <td>Payments due</td> <td></td> </tr> <tr> <td> within one year</td> <td>484 million</td> </tr> <tr> <td>Payments due</td> <td></td> </tr> <tr> <td> after one year</td> <td>822 million</td> </tr> <tr> <td><u>Total</u></td> <td><u>1,306 million</u></td> </tr> </table>	Payments due		within one year	484 million	Payments due		after one year	822 million	<u>Total</u>	<u>1,306 million</u>	<p>⑤ Method of computing interest Mentioned left</p> <p>2. Information for operating leases From the lessee's perspective Lease payments remaining</p> <table> <tr> <td>Payments due</td> <td></td> </tr> <tr> <td> within one year</td> <td>375 million</td> </tr> <tr> <td>Payments due</td> <td></td> </tr> <tr> <td> after one year</td> <td>753 million</td> </tr> <tr> <td><u>Total</u></td> <td><u>1,129 million</u></td> </tr> </table>	Payments due		within one year	375 million	Payments due		after one year	753 million	<u>Total</u>	<u>1,129 million</u>	<p>⑤ Method of computing interest Mentioned left</p> <p>2. Information for operating leases From the lessee's perspective Lease payments remaining</p> <table> <tr> <td>Payments due</td> <td></td> </tr> <tr> <td> within one year</td> <td>518 million</td> </tr> <tr> <td>Payments due</td> <td></td> </tr> <tr> <td> after one year</td> <td>887 million</td> </tr> <tr> <td><u>Total</u></td> <td><u>1,405 million</u></td> </tr> </table>	Payments due		within one year	518 million	Payments due		after one year	887 million	<u>Total</u>	<u>1,405 million</u>
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<u>Total</u>	<u>1,405 million</u>																															

(Marketable and investment securities)

1 Marketable securities

	September 30, 2006 (Millions of yen)	September 30, 2007 (Millions of yen)	March 31, 2007 (Millions of yen)
Other securities			
Equity securities			
Historical cost	15,255	10,896	10,903
Book value	35,446	20,358	21,997
Unrealized gains (losses), net	20,190	9,461	11,093

Note Securities were judged as impaired when their market values had declined 50% or more from their values at the end of respective fiscal years, or had declined from 30% to 50% from their book values for three fiscal years.

2 Non-marketable securities

	September 30, 2006 (Millions of yen)	September 30, 2007 (Millions of yen)	March 31, 2007 (Millions of yen)
Held-to-maturity			
Other government bonds	6	7	6
Total	6	7	6
Other securities			
Unlisted securities	8,210	5,663	8,070
Investments in and advances to subsidiaries and affiliates	8,928	6,264	7,331
Investments in capital of limited partnerships	179	166	179
Others	-	2,086	-
Total	17,318	14,182	15,580

(Segment information)

【Business segment information】

The Group changed the segmentation of wind power generation business and cooling and water supply systems for nuclear power plants from the 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 fast half and FY2007 are reclassified in new segmentation for comparison.

From April 1, 2006 to September 30, 2006

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating loss						
Sales						
(1) Sales to third parties	108,755	44,061	41,625	194,442	-	194,442
(2) Intersegment sales and transfer	583	2,401	134	3,119	(3,119)	-
Total	109,338	46,463	41,759	197,561	(3,119)	194,442
Operating costs and expenses	114,236	58,380	38,458	211,075	(2,775)	208,320
Operating income (loss)	(4,897)	(11,917)	3,300	(13,514)	(364)	(13,878)
II Assets, depreciation and amortization and capital expenditure						
Assets	259,560	95,994	129,495	485,049	80,217	565,266
Depreciation and amortization	2,815	1,381	1,867	6,063	(12)	6,051
Capital expenditure	2,783	1,784	1,756	6,324	(46)	6,278

From April 1, 2007 to September 30, 2007

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating loss						
Sales						
(1) Sales to third parties	131,030	44,978	60,981	236,990	-	236,990
(2) Intersegment sales and transfer	705	2,773	155	3,635	(3,635)	-
Total	131,736	47,752	61,137	240,625	(3,635)	236,990
Operating costs and expenses	133,657	59,891	54,164	247,713	(3,543)	244,170
Operating income (loss)	(1,920)	(12,139)	6,972	(7,088)	(91)	(7,179)
II Assets, depreciation and amortization and capital expenditure						
Assets	304,470	87,846	112,869	505,185	84,337	589,522
Depreciation and amortization	3,549	1,424	2,511	7,484	(20)	7,464
Capital expenditure	4,217	1,655	3,618	9,491	(148)	9,342

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	546,58	(8,411)	538,097
Operating costs and expenses	282,396	152,572	98,308	533,277	(8,428)	524,848
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

Notes 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, Pumping system engineering and Cooling and water supply systems for nuclear power plants
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

【Geographical segment information】

From April 1, 2006 to September 30, 2006

(Millions of yen)

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

Notes Countries and areas included in Others are as follows:

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

From April 1, 2007 to September 30, 2007

(Millions of yen)

	Japan	North America	Others	Total	Elimination and corporate	Consolidated
I Sales						
(1) Sales to third parties	184,551	30,039	22,399	236,990	-	236,990
(2) Intersegment sales and transfer	9,653	2,375	2,313	14,343	(14,343)	-
Total	194,205	32,414	24,713	251,333	(14,343)	236,990
Operating costs and expenses	205,891	30,167	22,231	258,290	(14,120)	244,170
Operating income (loss)	(11,685)	2,247	2,482	(6,956)	(223)	(7,179)

Notes Countries and areas included in Others are as follows:

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

From April 1, 2006 to March 31, 2007

(Millions of yen)

	Japan	North America	Others	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	8,670	2,602	2,991	14,264	(1,015)	13,249

Notes Countries and areas included in Other are as follows:

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

【Overseas sales】

From April 1, 2006 to September 30, 2006

(Millions of yen)

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

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

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

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

From April 1, 2007 to September 30, 2007

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	39,528	19,297	39,588	98,414
II Consolidated net sales				236,990
III Percentage of overseas sales to net sales (%)	16.7	8.1	16.7	41.5

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, UK, Qatar, Germany

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

From April 1, 2006 to March 31, 2007

(Millions of yen)

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

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

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

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

(Per share data of common stock)

From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
Shareholders' equity per share of common stock ¥324.23	Shareholders' equity per share of common stock ¥294.70	Shareholders' equity per share of common stock ¥357.97
Net loss per share ¥28.36	Net loss per share ¥58.17	Net income per share ¥12.89
Net income per diluted share ¥-	Net income per diluted share ¥-	Net income per diluted share ¥12.31
Basic information for computation of net loss per share	Basic information for computation of net loss per share	Basic information for computation of net income (loss) per share
(1) Net loss on consolidated statements of income 11,986 million	(1) Net loss on consolidated statements of income 24,576 million	(1) Net income on consolidated statements of income 5,446 million
(2) Net loss available to common shareholders 11,986 million	(2) Net loss available to common shareholders 24,576 million	(2) Net income available to common shareholders 5,446 million
(3) Average shares of common stocks 422,598,456 shares	(3) Average shares of common stocks 422,502,752 shares	(3) Average shares of common stocks 422,576,307 shares
(4) Amount adjusted for computation of net income per diluted share: -----	(4) Amount adjusted for computation of net income per diluted share: -----	(4) Amount adjusted for computation of net income per diluted share: Interest payable after tax deduction 122 million Consignment fee for paying interest after tax deduction - million Total adjustment of net income 122 million
(5) Increase of common stocks for computation of net income per diluted share: -----	(5) Increase of common stocks for computation of net income per diluted share: -----	(5) Increase of common stocks for computation of net income per diluted share: Increase of common stocks by exercise of rights to purchase new shares 29,729,784 shares
(6) Potential share excluded from computation of net income per diluted share: Bond Euro Yen Bonds with stock acquisition rights due 2011 946,230 shares Euro Yen Bonds with stock acquisition rights due 2013 946,230 shares	(6) Potential share excluded from computation of net income per diluted share: Bond Euro Yen Bonds with stock acquisition rights due 2011 28,860,028 shares Euro Yen Bonds with stock acquisition rights due 2013 28,860,028 shares	(6) Potential share excluded from computation of net income per diluted share: -----

(Items omitted from disclosure)

Certain items have been omitted from disclosure, including information on derivatives and stock options, because disclosure for the interim period under review was not deemed to be necessary.

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 FY2007 fast half and FY2007 are reclassified in new segmentation for comparison.

(1) Output

(Millions of yen)

Business segment	From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
Fluid Machinery & Systems	99,819	124,470	257,781
Environmental Engineering	18,652	16,562	54,955
Precision Machinery	32,719	40,411	72,651
Total	151,190	181,445	385,387

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

(2) Order received

(Millions of yen)

Business segment	From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
Fluid Machinery & Systems	150,257	169,157	312,281
Environmental Engineering	67,807	70,624	163,575
Precision Machinery	65,720	59,372	129,921
Total	283,785	299,154	605,778

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

(3) Sales

(Millions of yen)

Business segment	From April 1, 2006 to September 30, 2006	From April 1, 2007 to September 30, 2007	From April 1, 2006 to March 31, 2007
Fluid Machinery & Systems	108,755	131,030	290,099
Environmental Engineering	44,061	44,978	140,298
Precision Machinery	41,625	60,981	107,700
Total	194,442	236,990	538,097

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

(4) Backlog of order received

(Millions of yen)

Business segment	September 30, 2006	September 30, 2007	March 31, 2007
Fluid Machinery & Systems	195,237	219,199	178,173
Environmental Engineering	118,695	146,081	119,475
Precision Machinery	55,061	39,965	53,340
Total	368,993	405,246	350,989

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