

For immediate release

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Announcement of Revision of the Outlook for Performance and Reporting of Extraordinary Losses

EBARA CORPORATION and consolidated subsidiaries (EBARA, the Company) have announced a revision of the outlook for performance on consolidated and non-consolidated basis issued on August 10, 2007, contained in “Outline of Financial Condition and Performance for the First Quarter of the Fiscal Year Ending March 31, 2008,” and the reporting of extraordinary losses for the fiscal year. The details are as follows.

I. Revised Outlook for Performance

1. Revised outlook for consolidated performance during the full fiscal year ending March 31, 2008

(April 1, 2007, to March 31, 2008)

(¥ million)

| | Net Sales | Operating Income (Loss) | Ordinary Income (Loss) | Net Income (Loss) |
|--|-----------|----------------------------|---------------------------|----------------------|
| Previous outlook (issued on August 10, 2007) (A) | 560,000 | 16,000 | 12,000 | 6,000 |
| Revised outlook (B) | 570,000 | 8,000 | 4,000 | 6,000 |
| Change (B) – (A) | 10,000 | (8,000) | (8,000) | — |
| Change (%) | 1.8 | (50.0) | (66.7) | — |
| For reference: Actual for the fiscal year ended March 31, 2007 | 538,097 | 13,249 | 10,414 | 5,446 |

2. Revised outlook for consolidated performance during the interim period

(April 1, 2007, to September 30, 2007)

(¥ million)

| | Net Sales | Operating Income (Loss) | Ordinary Income (Loss) | Net Income (Loss) |
|--|-----------|-------------------------|------------------------|-------------------|
| Previous outlook (issued on August 10, 2007) (A) | 220,000 | (6,000) | (7,000) | (7,000) |
| Revised outlook (B) | 237,000 | (7,200) | (8,600) | (23,900) |
| Change (B) – (A) | 17,000 | (1,200) | (1,600) | (16,900) |
| Change (%) | 7.7 | — | — | — |
| For reference: Actual for the interim period of the fiscal year ended March 31, 2007 | 194,442 | (13,878) | (15,426) | (11,986) |

3. Revised outlook for non-consolidated performance during the full fiscal year

(April 1, 2007, to March 31, 2008)

(¥ million)

| | Net Sales | Operating Income (Loss) | Ordinary Income (Loss) | Net Income |
|--|-----------|-------------------------|------------------------|------------|
| Previous outlook (issued on August 10, 2007) (A) | 255,000 | 7,000 | 7,000 | 4,000 |
| Revised outlook (B) | 265,000 | (2,000) | 1,000 | 4,000 |
| Change (B) – (A) | 10,000 | (9,000) | (6,000) | — |
| Change (%) | 3.9 | — | (85.7) | — |
| For reference: Actual for the fiscal year ended March 31, 2007 | 251,520 | 3,427 | 6,128 | 3,525 |

4. Revised outlook for non-consolidated performance during the interim period

(April 1, 2007, to September 30, 2007)

(¥ million)

| | Net Sales | Operating Income (Loss) | Ordinary Income (Loss) | Net Income (Loss) |
|--|-----------|-------------------------|------------------------|-------------------|
| Previous outlook (issued on August 10, 2007) (A) | 95,000 | (5,000) | (3,000) | (2,500) |
| Revised outlook (B) | 107,000 | (7,200) | (4,500) | (19,800) |
| Change (B) – (A) | 12,000 | (2,200) | (1,500) | (17,300) |
| Change (%) | 12.6 | — | — | — |
| For reference: Actual for interim period of the fiscal year ended March 31, 2007 | 90,436 | (11,469) | (9,847) | (6,779) |

II. Reasons for Revising the Outlook

1. Reasons for the revising the outlook for the full fiscal year

(1) Operating income*

* Figures in parentheses are on a non-consolidated basis.

As noted in the table below, compared with the previous outlook, operating income has been revised downward by ¥8.0 billion (¥9.0 billion) from ¥16.0 billion (¥7.0 billion) to ¥8.0 billion (–¥2.0 billion).

(¥ billion)

| | Consolidated | | | | | | | | Non-consolidated | |
|--|---------------------------|------------------|---------------------------|------------------|---------------------|------------------|--------------------------|------------------|------------------|------------------|
| | Fluid Machinery & Systems | | Environmental Engineering | | Precision Machinery | | Total after eliminations | | Sales | Operating income |
| | Sales | Operating income | Sales | Operating income | Sales | Operating income | Sales | Operating income | | |
| Previous outlook | 300.0 | 11.5 | 145.0 | (6.5) | 115.0 | 11.0 | 560.0 | 16.0 | 255.0 | 7.0 |
| Revised outlook | 320.0 | 9.5 | 145.0 | (11.5) | 105.0 | 10.0 | 570.0 | 8.0 | 265.0 | (2.0) |
| Change | 20.0 | (2.0) | – | (5.0) | (10.0) | (1.0) | 10.0 | (8.0) | 10.0 | (9.0) |
| Principal reasons | *1 | *2 | | *3 | *4 | *4 | | | *1 | *2, *3 |
| Actual for previous period (before reclassification) | 282.3 | 11.5 | 148.0 | (8.3) | 107.7 | 10.0 | 538.0 | 13.2 | 251.5 | 3.4 |
| Actual for previous period (after reclassification) | 290.0 | 10.5 | 140.2 | (7.4) | 107.7 | 10.0 | 538.0 | 13.2 | 251.5 | 3.4 |

Notes:

Beginning with the current fiscal year, on a consolidated basis, the wind power generation business and the nuclear power related business, which were previously included in the Environmental Engineering segment have been included in the Fluid Machinery & Systems segment. Figures before and after this segment reclassification have been included in the table above.

Reasons:

- *1: In the Fluid Machinery & Systems segment, shipments of pumps, compressors, and turbines to companies in the oil and gas industry in overseas markets are now expected to proceed more rapidly than initially anticipated.
- *2: Although sales will expand, as explained in note *1 above, construction work on certain projects in the wind power generation business is now expected to show losses. Also, in the domestic market, revisions in the construction standards law are expected to result in delays in construction starts that will have an effect on standard products in this segment.
- *3: Plant business projects in Japan and overseas are now expected to incur additional costs; moreover, reductions in budgets will result in lower profitability for projects implemented on behalf of the domestic public sector.
- *4: Accompanying the sale of consolidated subsidiary Matsubo Company Ltd., the sales and operating income of that company have been excluded from the consolidated accounts beginning with the second half of the fiscal year.

(2) Ordinary income

As a result of the decline in operating income explained in the preceding item (1), the outlook for ordinary income has been reduced ¥8.0 billion (¥6.0 billion) from the previously forecast ¥12.0 billion (¥7.0 billion), to ¥4.0 billion (¥1.0 billion).

(3) Net income

As noted previously, ordinary income will decline; in addition, the following extraordinary losses will be reported, principally in the Environmental Engineering segment. However, as a result of the sale of certain assets, net income is expected to remain at the level previously forecast of ¥6.0 billion (¥4.0 billion).

(a) Losses on suspension of specific projects

As a result of the cancellation of the incinerator project in Malaysia and other factors, the Company anticipates that certain of its claims will take time to recover. In the interest of financial soundness, the Company will make a provision against these claims of ¥10.0 billion (¥8.6 billion) as well as a ¥1.3 billion loss against non-consolidated earnings for a transfer to allowance for doubtful receivables, which will be treated as an extraordinary loss for the fiscal year.

(b) Provisions for losses on specific construction work

Substantial losses are anticipated on certain large-scale projects for which orders have already been placed; these are principally overseas undertakings, including the Infracore project in Germany. The Company will make a provision against these losses amounting to ¥13.6 billion (¥13.6 billion), which will be treated as an extraordinary loss for the fiscal year.

(c) Losses on completion guarantees for specific construction work

The Company will also make a provision of ¥5.2 billion (¥5.2 billion), to be treated as an extraordinary loss for the fiscal year, for future expenses related to the fulfillment of guarantees for plants, including fluidized bed gasification incinerators, that have already been completed.

(d) Provisions for losses related to violations of Japan's Anti-Monopoly Law

Accompanying the confirmation of penalties for the violation of the Anti-Monopoly Law in connection with sludge-reprocessing facilities, the Company will make an additional provision for losses amounting to ¥0.2 billion (¥0.2 billion) that will be treated as an extraordinary loss for the fiscal year.

(e) Losses on the liquidation of subsidiaries and affiliates

The Environmental Engineering segment is considering the liquidation of subsidiaries and affiliates, and chiefly because of this, the Company currently forecasts liquidation losses of ¥1.5 billion (¥3.4 billion).

(f) Deferred tax benefits

As a result of a review of taxable income from the perspective of the recoverability of deferred tax assets, in the interest of financial soundness, the Company has decided to make additional provisions against possible changes in the value of such assets amounting to ¥12.0 billion (¥12.0 billion).

As explained previously, ordinary income will decline ¥8.0 billion (¥6.0 billion), extraordinary losses will be reported as indicated in items (a) to (d), coming to a total of ¥30.5 billion (¥32.3 billion), and provisions of ¥12.0 billion (¥12.0 billion) will be made against valuation losses on deferred tax assets. However, the Company is scheduled to report gains on the sale of certain of its securities holdings (including stocks of related companies) and certain fixed assets.

2. Reasons for revising the outlook for the interim period

(1) Operating income

As noted in the table below, compared with the previous outlook, the operating loss for the interim period has been increased by ¥1.2 billion (¥2.2 billion) from –¥6.0 billion (–¥5.0 billion) to –¥7.2 billion (–¥7.2 billion).

(¥ billion)

| | Consolidated | | | | | | | | Non-consolidated | |
|----------------------------|---------------------------|------------------|---------------------------|------------------|---------------------|------------------|--------------------------|------------------|------------------|------------------|
| | Fluid Machinery & Systems | | Environmental Engineering | | Precision Machinery | | Total after eliminations | | Sales | Operating income |
| | Sales | Operating income | Sales | Operating income | Sales | Operating income | Sales | Operating income | | |
| Previous outlook | | | | | | | 220.0 | (6.0) | 95.0 | (5.0) |
| Revised outlook | 131.0 | (2.0) | 45.0 | (12.2) | 61.0 | 7.0 | 237.0 | (7.2) | 107.0 | (7.2) |
| Change | | | | | | | 17.0 | (1.2) | 12.0 | (2.2) |
| Principal reasons | | | | | | | *1 | *2, *3 | *1 | *2, *3 |
| Actual for previous period | 106.0 | (4.1) | 46.8 | (12.9) | 41.6 | 3.3 | 194.4 | (13.8) | 90.4 | (11.4) |

Notes:

Beginning with the current fiscal year, on a consolidated basis, the wind power generation business and the nuclear power related business, which were previously included in the Environmental Engineering segment, have been included in the Fluid Machinery segment.

In calculating comparisons with the previous period, figures for the previous period before reclassifications have been used.

Reasons:

*1: The reason for the interim period is the same as that cited in reason *1 for the revision in the outlook for the full fiscal year.*2 and *3: Same as reasons *2 and *3 for the revision in the outlook for the full fiscal year.

(2) Ordinary income

As a result of the decline in operating income explained previously, the outlook for the ordinary loss has been increased ¥1.6 billion (¥1.5 billion) from -¥7.0 billion (-¥4.5 billion) to -¥8.6 billion (-4.5 billion).

(3) Net income

The following extraordinary losses, which were explained in “II. Reasons for Revising the Outlook” section 1. (3) will be recognized during the interim period:

- (1) Losses on suspension of specific projects: ¥10.0 billion (¥8.6 billion, together with a ¥1.3 billion loss recorded at the non-consolidated level for transfers to the allowance for doubtful receivables)
- (2) Provisions for losses on specific construction work: ¥13.6 billion (¥13.6 billion)
- (3) Losses on completion guarantees for specific construction work: ¥5.2 billion (¥5.2 billion)
- (4) Provisions for losses related to violations of the Anti-Monopoly Law: ¥0.2 billion (¥0.2 billion)
- (5) Loss of ¥1.5 billion (¥3.4 billion) on liquidation of subsidiaries and affiliates

As a result, the interim net loss will amount to ¥23.9 billion (¥19.8 billion)

III. Outlook for Distribution of Profit

As announced on May 18, 2007, the Company will not pay an interim dividend but pay a year-end dividend of ¥7.5 per share.