

**RESULTS OF OPERATIONS FOR
THE FIRST HALF ENDED SEPTEMBER 30, 2004 (CONSOLIDATED)**

November 15 2004

Company name: **EBARA CORPORATION**
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(Code no. 6361, Tokyo and Sapporo Stock Exchange in Japan)
(URL <http://www.ebara.co.jp>)

Representative: **Fumio Shimakawa, President**
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Semiannual board of directors meeting: November 15, 2004
Application of US GAAP: No

1. Outline of the first half results for FY2005 (April 1-September 30, 2004)

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

	Net sales		Operating income		Ordinary income	
		%		%		%
FY2005 1st half	167,359	(3.7)	(18,273)	-	(18,813)	-
FY2004 1st half	173,845	(5.2)	(21,613)	-	(22,843)	-
FY2004	507,767		10,446	-	7,746	-

	Net income		Net income per share		Net income per share, diluted	
		%	Yen		Yen	
FY2005 1st half	(13,918)	-	(46.61)		-	
FY2004 1st half	(14,918)	-	(49.95)		-	
FY2004	2,586	-	8.34		8.05	

Notes (i) Profit & loss in equity method: September 2004 – million September 2003 – million March 2004 – million
(ii) Average number of shares outstanding (consolidated)
September 2004 298,613,506 September 2003 298,665,905 March 2004 298,651,158
(iii) Changes in accounting policies: No
(iv) % represents percentage change from a comparable previous period

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

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share of common stock
			%	Yen
FY2005 1st half	531,927	94,448	17.8	316.31
FY2004 1st half	543,927	95,174	17.5	318.68
FY2004	576,412	112,578	19.5	376.67

Notes Number of shares outstanding (consolidated)
September 2004 298,598,775 September 2003 298,650,580 March 2004 298,626,119

(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
FY2005 1st half	(14,987)	(4,453)	22,289	37,594
FY2004 1st half	(9,086)	(2,972)	150	30,732
FY2004	22,011	(6,557)	(21,126)	35,268

(4) Scope of consolidation

Number of consolidated Subsidiaries 53 Number of subsidiaries accounted for equity method - Number of affiliated companies accounted for equity method -

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

Consolidation Added 1 Excluded 1 Equity Method Added - Excluded -

2. Forecast of results for the year ending March 31, 2005

	Net sales	Ordinary income	Net income
	510,000	9,500	3,000

Planned net income per share: ¥10.5

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

Cautionary statements with regard to forward-looking statements

This release contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.

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

Corporate Group Information

The Ebara Group (the Group) comprises the parent company (Ebara Corporation, the Company), 99 subsidiaries (53 of which are consolidated), and 19 affiliates. With the parent company as the focus of its activities, the Group is engaged in manufacturing, sales, construction, maintenance, provision of services, and related activities in the fields of Fluid Machinery & Systems, Environmental Engineering, Precision Machinery, and other areas.

The principal lines of business, the functions and the areas of responsibility of the parent company and principal consolidated subsidiaries, and their names are as shown below.

Segment	Principal Lines of Business	Functions and Areas of Responsibility	Ebara Corporation and principal consolidated subsidiaries
Fluid Machinery and Systems	Manufacturing, sales, and maintenance of pumps, blowers, fans, compressors, turbines, refrigeration and heating equipment, and other items. Engineering, construction, operation, and maintenance services for wind-powered and hydroelectric power plants.	Manufacture and sales	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Densan Ltd. • Ebara Shinwa Ltd. • Ebara Hamada Blower Co., Ltd. • Elliott Ebara Turbomachinery Corporation • Ebara Refrigeration Equipment & Systems 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 Hydro-Tech Co., Ltd.
		Sales and maintenance	<ul style="list-style-type: none"> • Ebara Techno-serve Co., Ltd. • Ebara-Byron Jackson., Ltd.
		Supply of materials, etc.	<ul style="list-style-type: none"> • Ebara Material Co., Ltd.
Environmental Engineering	Engineering, construction, operation, and maintenance of environmental improvement equipment, incinerator plants, nuclear power related equipment, waterworks and sewage system, and other types of plants and equipment. Manufacturing and sales of industrial chemicals. Energy supply.	Engineering and construction	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Densan 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.
		Energy supply	<ul style="list-style-type: none"> • Ebara Corporation • Eco Power Co., Ltd.
Precision Machinery	Manufacturing, sales, and maintenance of vacuum pumps and machinery and equipment for the semiconductor industry	Manufacturing and sales	<ul style="list-style-type: none"> • Ebara Corporation • Ebara Densan Ltd. • Matsubo Company Ltd. • Ebara Technologies Inc.
		Manufacturing and maintenance	<ul style="list-style-type: none"> • Ebara Field Tech. Corporation
Others	All other lines of business not mentioned above	Information and telecommunications	<ul style="list-style-type: none"> • IT Engineering Limited
		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 “Other” are not material and are reported in the Environmental Engineering segment.

Management Policies

1 Basic Policies

The corporate philosophy of the Ebara Group is to make “extensive contribution to society by providing superior technologies and services related to water, air and environment.” The Group is committed to responding to the needs of society by minimizing the impact of its activities on the natural environment and engaging in corporate activities that contribute to the creation of a sustainable and recycling-oriented society.

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

2 Basic Policy for Allocation of Profit

The Ebara Group regards returning a portion of its net income to its shareholders as one of its most important policies. In setting its dividends, the Group takes account of its performance and financial position and works to maintain continued and stable cash dividends. However, Ebara regrets that it will not pay a dividend for the interim period under review.

Regarding retained earnings, the Group makes effective use of its accumulated earnings to invest in developing new businesses from a medium- to long-term perspective, strengthen its competitiveness, and improve the efficiency of its activities.

3 Perspective and Policy on Reduction of the Stock Trading Lot

At present, Ebara’s shares are traded in minimum lots of 1,000 shares, and the Company is not scheduled to reduce the size of the minimum trading lot. Ebara will give careful consideration to this issue, taking into consideration trends in investors’ behavior and its share price.

4 Target Management Performance Measures

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

Ebara and the rest of the Ebara Group have chosen ROE as their key management indicator to make clear the shareholder orientation of their management policies. In addition, ROA, cash flows, sales, and operating income have been selected to measure the performance of both business segments and Group companies operating under these segments because of their wide applicability and their usefulness in making comparisons and analyses.

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

5 Medium- to Long-Term Management Policies

The Ebara Group has set the goal of joining “the ranks of the world’s leading companies in the 21st century” and has adopted the following five basic policies:

- (1) Aim to conduct corporate activities in harmony with the natural environment
- (2) Strengthen capabilities in the global market
- (3) Enhance self-reliance and autonomy of business segments on a consolidated basis with the aim of having

segments operate as separate business entities

- (4) Improve cash flows through the optimal allocation of management resources
- (5) Maintain harmonious relationships with all stakeholders

In view of the major evolution in the business environment, both in terms of the speed and qualitative nature of the changes that are taking place, the Group is conducting its activities based on a Management Issue Action Plan. This plan calls for identifying issues to be addressed in each division, developing methods for dealing with these issues, establishing specific targets to be reached and supervising this management process.

6 Issues to Be Addressed

Looking forward and operating conditions are expected to continue to be difficult to forecast and will require careful monitoring. Based on its philosophy of “extensive contribution to society by providing superior technologies and services related to water, air and environment”, the Group will work to develop such technologies as well as services that meet customer needs, while also fostering new activities and creating new business solutions. In addition, the Group will endeavor to improve the quality of management, strengthen its business base significantly and increase profitability.

7 Basic Policies regarding Corporate Governance, and its degree and extent of implementation of measures

As Ebara endeavors to strengthen its operating and financial positions and improve profitability, it has positioned corporate governance as an important issue. Ebara is, therefore, working to strengthen its management supervisory systems and maintain compliance with applicable rules and regulations.

(1) Current corporate governance systems, including the management supervisory organization related to management decision making, execution, and oversight

(i) The Company’s Governance Structure

The Company has adopted the corporate auditor system as the core of its corporate governance structure. Four corporate auditors, including two external auditors, supervise the conduct of management by the Board of Directors. In addition, the Company introduced the executive officer system in June 2002 to clearly separate the roles of the Board of Directors—which include decision making and overall supervision of the conduct of business activities—from the day-to-day administrative operations of the business divisions, with the aim of improving management efficiency. In addition, the Company convenes meetings of its International Advisory Board periodically and receives advice from independent experts from Japan and other countries.

(ii) Steps to Improve Internal Control Systems

The Company is fully aware that shortcomings in its compliance systems may have serious repercussions that shake the foundations of its operations and regards maintaining thoroughgoing compliance as a fundamental management policy. Specific measures include the establishment of the Corporate Audit Office and the Compliance Office. The Corporate Audit Office is responsible for providing advice and recommendations to the operating divisions regarding compliance, business performance administration and other matters and may make suggestions to the representative director of the Company regarding improvements in performance, rationalization of operations, and other matters. The Compliance Office is responsible for encouraging the conduct of business activities based on various laws, rules and regulations. In addition, the Compliance Office operates the Compliance Consulting Window, which acts as a source of assistance for individuals who wish to provide directly any information related to potential risks.

(iii) Measures to Improve Risk Management Systems

To enable the Group as a whole to pursue every available business opportunity but also keep business risk to a

minimum, it is crucial to establish and maintain ways of (1) restraining the probability of the occurrence of risks, (2) minimizing losses arising from risks, and (3) creating systems for crisis management. From these perspectives, the Company has created internal units and regulations to manage risks.

The Company's Risk Management Panel, an internal organizational unit, is responsible for creating risk management systems for the Group as a whole, deciding on specific rules and organizational systems, encouraging an improved understanding and awareness of risks among all employees, and gathering related information. To encourage uniform maintenance of compliance standards in Group companies and strengthen related systems, the Company's Risk Management Panel has prepared the Ebara Code of Conduct. This manual provides a basic set of standards for the conduct of business activities. Internal rules, including internal regulations, manuals, etc., as well as all other standards for action are prepared, maintained and applied in accordance with these basic standards. Moreover, the Company's Risk Management Panel has issued policies to analyze risks in the conduct of business activities and minimize possible losses. Basic regulations are contained in Operating Rules for Ebara Risk Management Systems and Ebara Crisis Management Rules. All other rules and manuals are prepared in accordance with these basic regulations.

(2) Personal, capital ownership and transactions relationships between the Company and its outside directors and auditors that may represent conflicts of interest

The Company has not elected any external directors, but two of its four corporate auditors are elected from outside the Company. There are no special relationships between these outside auditors that might represent conflicts of interest.

(3) Initiatives for improving corporate governance taken during the interim period under review.

Not applicable.

8 Other Items Significant for the Company's Management

Not applicable.

Management Performance and Financial Position

Management Performance

1 Overview

(1) Review of the Interim Period

Looking first at the operating environment during the interim period under review, favorable trends were reported for the U.S. economy as a result of the boost provided by private consumption thanks to increases in personal incomes along with the improvement in employment conditions. The economies of the eurozone experienced gradual recovery, led by external demand. In China and the rest of Asia as well as the Middle East, the drive to invest in basic industries continued to be robust, and the expansionary trends of the previous fiscal year continued.

In the Japanese economy, the recovery trend of the previous fiscal year continued, sustained by favorable developments in the domestic private sector, including improvement in corporate profitability and increases in private capital investment. On the other hand, the market for domestic government public works investment remained stagnant because of delays caused by the merger of certain regional governments, cutbacks in government budgets and other factors.

Amid this operating environment, the Ebara Group focused on introducing new products for the semiconductor manufacturing equipment market, including metal plating systems, cleaning systems, inspection equipment and other products. In semiconductor manufacturing component equipment, Ebara focused on creating new mainstay products to follow chemical mechanical polishing (CMP) systems and strengthen its business position to withstand business

fluctuations caused by the cyclical nature of the semiconductor industry (“the silicon cycle”), while also further strengthening its competitive position in products through realizing synergies between CMP systems and peripheral equipment. In addition, although difficult conditions persist because of increases in prices of raw materials since the end of the previous period, Ebara continued its low-cost engineering initiatives, including cutting expenses through procuring from new sources through Group companies overseas and shifting manufacturing of plant-related equipment and engineering operations to locations outside Japan. All of these initiatives are beginning to contribute to profitability.

To tackle the task of improving financial position, the Group is working to reduce its assets and further improve the efficiency of managing available cash within the Group through the concentration and reallocation of cash.

For the interim period under review, the Ebara Group reported consolidated net sales of ¥167,359 million, 3.7% lower than for the interim period of the previous year, and an operating loss of ¥18,273 million, representing an improvement of ¥3,339 million from a year earlier. An ordinary loss of ¥18,813 million was reported, an improvement of ¥4,030 million, and an interim net loss amounting to ¥13,918 million was recorded, ¥999 million smaller than for the interim period of the previous year. Please note that 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. For reference, consolidated net sales for the previous fiscal year amounted to ¥507,767 million.

(2) Business Segment Information

Results by business segment were as follows.

Fluid Machinery & Systems

In the Fluid Machinery & Systems Group, the Group worked to expand sales in overseas markets of high-value-added items—including pumps, compressors, turbines, and other products—to the petroleum, petrochemical and electric power industries. Special emphasis was placed on strengthening initiatives in China, where market conditions continue to be strong. In the domestic market, sales of fluid machinery and systems to the private sector and shipments in unit terms of standard pumps to the construction equipment market held firm. In addition, the Group was able to win major orders for public works projects, despite prolonged lackluster conditions.

As a consequence of these and other developments, sales for the interim period under review amounted to ¥86,888 million, 6.0% lower than for the interim period of the previous fiscal year. The operating loss amounted to ¥9,593 million, ¥2,306 million smaller than for the interim period of the previous year.

Environmental Engineering

The market environment for the Environmental Engineering Group remained challenging because of lackluster conditions in the market for public works projects, especially municipal waste incineration plants. Looking forward, the Group will focus on markets in Southeast Asia, where substantial expansion is expected and work to expand sales of environment-related projects, including water-processing plants. In addition, the Group is cooperating with consolidated subsidiary Ebara Engineering Service Co., Ltd. to generate orders for providing outsourcing services for the management of waterworks systems, an area that is expected to experience expansion following the revision of Japan’s Waterworks Law.

The New and Renewable Energy Group is focusing especially on the fuel cell and wind power generation businesses. In the fuel cell field, development work in cooperation with major gas and oil companies is proceeding steadily, and the Group is working to introduce units limited to the commercial-use market during the current fiscal

year. Moreover, Ebara has completed the development of an emergency electric power generating system for traffic signals powered by fuel cells using pure hydrogen as a fuel. This system was developed on commission from the Japan Traffic Management Technology Association for application in a broad range of applications. Testing of this system began in September 2004. Also, in the field of wind power generation, Ebara has won the top share with an accumulated total of 104,000kW in generating power.

However, because of the impact of weak demand for incinerating plants, sales of the Group for the interim period amounted to ¥47,516 million, 9.6% lower than for the interim period of the previous year. The operating loss of the Environment Engineering Group amounted to ¥8,278 million, representing a decline of ¥2,465 million from the previous year.

Precision Machinery

The Precision Machinery Group reported robust new orders and sales of CMP systems and component equipment to electronic device manufacturers in Asia, centered on Japan. This strong performance was supported by increases in demand for semiconductor and flat panel display (FPD) manufacturing equipment, owing to strong demand for equipment incorporating these devices, including digital information appliances and firm replacement demand for PCs.

As a result, sales of the Precision Machinery Group amounted to ¥32,955 million for the interim period, 14.1% higher than for the interim period of the previous year. An operating loss of ¥290 million was reported, an improvement of ¥3,321 million compared with the interim period of the previous year.

Results by geographical segment were as follows.

Japan

In the domestic market, demand for environment-related plant and equipment remained lackluster, especially for incinerator plants. As a consequence, sales slipped 3.2%, to ¥138,049 million.

Other Geographical Areas

In other geographical areas, sales declined 6.3%, to ¥29,310 million, reflecting the weakening of demand for equipment from the semiconductor industry in the United States, where demand was strong in the interim period of the previous year.

(3) Allocation of Profit

The Company regrets that it will not declare a cash dividend for the interim period.

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

Not applicable

2. Outlook for the Full Fiscal Year

(1) Overview

Although there is some concern about the appreciation of the yen, the Company is proceeding with cost reductions and cutbacks in fixed costs, and the outlook for the full fiscal year ending March 31, 2005, is not expected to be substantially different from the forecast announced at the beginning of the fiscal year: Net sales of ¥510 billion, operating income of ¥12.5 billion, ordinary income of ¥9.5 billion, and net income of ¥3.0 billion.

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

	Consolidated		Non-consolidated	
Net sales	¥510.0	(0%)	¥300.0	(1%)
Operating income	¥12.5	(20%)	¥6.0	(99%)
Ordinary income	¥9.5	(23%)	¥7.0	(83%)
Net income	¥3.0	(16%)	¥3.5	(2%)

(2) Business Segment Information

Fluid Machinery & Systems Group

The Fluid Machinery & Systems Group is forecasting sales of ¥245 billion, approximately the same as for the previous fiscal year. As a result of cost reductions, the outlook is for an increase of 13% in operating income, to ¥7 billion.

Environmental Engineering Group

The Environmental Engineering Group is forecasting sales of ¥180 billion in view of the continuing stagnant demand for incinerator plants. The Group is continuing to cut fixed costs and is expecting to reach the break-even point for the full fiscal year.

Precision Machinery Group

The Precision Machinery Group is expecting a 12% rise in sales, to ¥85 billion, and a 70% increase in operating income, to ¥5.5 billion.

The outlook for consolidated sales and operating income by segment for the fiscal year ending March 31, 2005, is as follows.

(Billions of yen, percentage composition)

Group	Sales		Operating Income	
Fluid Machinery & Systems	¥245	(48%)	¥7	(56%)
Environmental Engineering	¥180	(35%)	¥0	(0%)
Precision Machinery	¥85	(17%)	¥5.5	(44%)
Total	¥510	(100%)	¥12.5	(100%)

(3) Allocation of Profit

The Company is scheduling payment of a cash dividend of ¥7.5 per share.

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

Not applicable

Financial Position

Cash Flows

Net cash on a consolidated basis provided by operating activities for the interim period under review amounted to an outflow of ¥14,987 million, ¥5.9 billion lower than during the interim period of the previous fiscal year. This was because of declines in collection of accounts receivable and collection of advance received.

Net cash used for investing activities for the interim period amounted to an outflow of ¥4,453 million, ¥1,480 million

larger than for the interim period of the previous year. Factors accounting for this included ¥4,633 million in expenditures for purchases of fixed assets, principally for maintaining and preserving machinery and equipment, as well as lower cash inflow from the sale of fixed assets compared to the interim period of the previous year.

Net cash provided by financing activities for the interim period amounted to a net inflow of ¥22,289 million, ¥22,138 million higher than for the interim period of the previous year. This was due to financing activities of bank loans and commercial paper for the deterioration in cash provided by operating activities and increase of cash used for investing activities.

As a consequence, consolidated cash and cash equivalents at the end of the interim period were ¥37,594 million, ¥2,326 million higher than at the end of the previous fiscal year.

Recent trends in cash flow indicators are as follows.

	March 31 2003	September 30 2003	March 31 2004	September 30 2004
Shareholders' equity ratio:	17.4%	17.5%	19.5%	17.8%
Shareholders' equity ratio at market value:	17.8%	25.0%	31.2%	26.6%
Years to repay debt:	145.3 years	-	9.4 years	-
Interest coverage ratio:	0.6	-	8.4	-

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 interim period by the number of shares outstanding at the end of the interim 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.

Consolidated balance sheets

	Notes	September 30, 2003		September 30, 2004		March 31, 2004	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Assets							
I Current assets							
1 Cash and time deposits		30,732		37,594		35,267	
2 Trade receivables		124,138		128,067		202,898	
3 Securities		-		0		0	
4 Inventories		134,386		117,812		95,358	
5 Deferred tax assets		27,749		26,848		25,771	
6 Others		14,091		14,277		11,408	
7 Allowance for doubtful receivables		(553)		(770)		(717)	
Total current assets		330,544	60.8	323,830	60.9	369,988	64.2
II Fixed assets							
(1) Tangible fixed assets	*1 *2						
1 Buildings		38,822		36,380		37,395	
2 Machinery and equipment		41,711		37,802		39,648	
3 Others		28,584		30,200		29,420	
Total tangible assets		109,118	20.1	104,383	19.6	106,464	18.5
(2) Intangible assets		16,287	3.0	15,482	2.9	15,423	2.7
(3) Investments and long-term receivables							
1 Investment securities	*2 *4	37,559		42,186		45,003	
2 Deferred tax assets		28,842		-		-	
3 Others	*2	24,609		49,214		42,676	
4 Allowance for doubtful receivables		(3,033)		(3,169)		(3,143)	
Total investments and long-term receivables		87,977	16.2	88,231	16.6	84,536	14.7
Total fixed assets		213,383	39.2	208,096	39.1	206,423	35.8
Total assets		543,927	100.0	531,927	100.0	576,412	100.0

	Notes	September 30, 2003		September 30, 2004		March 31, 2004	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Liabilities							
I Current liabilities							
1		119,472		117,324		164,238	
2		80,604		96,053		80,264	
3		36,000		35,000		14,000	
4		5,000		6,000		-	
5		10,000		-		10,000	
6		31,298		-		-	
7		7,720		7,204		7,447	
8		-		52		-	
9	*4	18,952		42,334		46,237	
		309,048	56.8	303,968	57.1	322,188	55.9
II Long-term liabilities							
1		40,000		34,000		40,000	
2		19,999		19,999		19,999	
3		40,308		40,361		42,276	
4		33,257		33,116		32,295	
5		1,544		1,055		1,607	
6		1,131		1,185		1,343	
		136,241	25.0	129,716	24.4	137,521	23.9
		445,289	81.9	433,685	81.5	459,710	79.8
Minority interests in consolidated subsidiaries							
		3,463	0.6	3,793	0.7	4,123	0.7
Shareholders' equity							
I Common stock							
		33,788	6.2	33,788	6.4	33,788	5.9
II Capital surplus							
		37,885	7.0	37,886	7.1	37,885	6.6
III Retained earnings							
		20,811	3.8	21,617	4.1	37,863	6.6
IV Net unrealized gain on investment securities							
		5,300	1.0	6,944	1.3	8,541	1.5
V Translation adjustments							
		(2,449)	(0.5)	(5,599)	(1.1)	(5,326)	(0.9)
VI Treasury stock, at cost							
		(163)	(0.0)	(188)	(0.0)	(174)	(0.0)
		95,174	17.5	94,448	17.8	112,578	19.5
		543,927	100.0	531,927	100.0	576,412	100.0

Consolidated statements of income

	Note	From April 1, 2003 to September 30, 2003		From April 1, 2004 to September 30, 2004		From April 1, 2003 to March 31, 2004				
		Millions of yen	%	Millions of yen	%	Millions of yen	%			
I Net sales	*2		173,845	100.0		167,359	100.0		507,767	100.0
II Cost of sales			148,198	85.2		142,332	85.0		405,760	79.9
Gross profit			25,647	14.8		25,027	15.0		102,007	20.1
III Selling, general and administrative expenses	*1		47,260	27.2		43,301	25.9		91,560	18.0
Operating income (loss)			(21,613)	(12.4)		(18,273)	(10.9)		10,446	2.1
IV Non-operating income										
1 Interest income		102			69			194		
2 Dividend income		150			221			424		
3 Insurance income		109			156			249		
4 Foreign exchange gain		-			610			-		
5 Others		461	823	0.5	409	1,468	0.9	1,274	2,142	0.4
V Non-operating expenses										
1 Interest expenses		1,294			1,394			2,703		
2 Foreign exchange loss		316			-			860		
3 Others		443	2,054	1.2	613	2,007	1.2	1,278	4,842	1.0
Ordinary income (loss)			(22,843)	(13.1)		(18,813)	(11.2)		7,746	1.5
VI Extraordinary income										
1 Gain on sales of fixed assets	*3	1,265			8			5,796		
2 Gain on sales of investment securities		1,061			30			3,410		
3 Gain on reversal of allowance for doubtful receivables		164			-			-		
4 Governmental subsidies received		1,650			-			1,650		
5 Gain on business entity transfer		165	4,307	2.5	-	39	0.0	395	11,251	2.2

	Note	From April 1, 2003 to September 30, 2003		From April 1, 2004 to September 30, 2004		From April 1, 2003 to March 31, 2004				
		Millions of yen	%	Millions of yen	%	Millions of yen	%			
VII Extraordinary expenses										
1 Loss on sales of fixed assets	*4	74		0		305				
2 Loss on disposal of fixed assets		146		173		1,044				
3 Loss on liquidation of investments in subsidiaries and affiliates		-		-		28				
4 Loss on sales of investment securities		251		0		383				
5 Write-down of securities and other investments		94		129		328				
6 Write-down of investments in subsidiaries and affiliates		-		200		-				
7 Loss on restructuring charges		-		212		1,570				
8 Loss on disposal of inventories		80		-		1,540				
9 Special retirement benefit paid		355		-		2,165				
10 Amortization of transition obligation arising from new accounting standards on severance indemnities and pension plans		1,104		1,043		1,484				
11 Warranty cost		-	2,107	1.2	-	1,762	1.1	376	9,227	1.8
Income (loss) before income taxes			(20,643)	(11.9)		(20,536)	(12.3)		9,770	1.9
Income taxes		1,559		992		5,626				
Deferred tax benefits		(7,424)	(5,865)	(3.4)	(7,362)	(6,370)	(3.8)	1,543	7,169	1.4
Minority interests in consolidated subsidiaries			(140)	(0.1)		247	0.1		(14)	(0.0)
Net income (loss)			(14,918)	(8.6)		(13,918)	(8.3)		2,586	0.5

Consolidated statements of shareholders' equity

	Notes	September 30, 2003		September 30, 2004		March 31, 2004	
		Millions of yen		Millions of yen		Millions of yen	
Capital surplus							
I			37,885		37,885		37,885
II							
			-		0		-
III			37,885		37,886		37,885
Retained earnings							
I			38,097		37,863		38,097
II							
			-		-	2,586	2,586
III							
1		(2,240)		(2,239)		(2,240)	
2		(102)		(87)		(114)	
3		(14,918)		(13,918)		-	
4		(24)		-		(24)	
5		-		-		(6)	
6		-		-		(219)	
7		-	(17,285)	-	(16,246)	(213)	(2,819)
IV			20,811		21,617		37,863

Consolidated statements of cash flows

	Notes	From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
		Millions of yen	Millions of yen	Millions of yen
I				
Cash flows from operating activities:				
1 Income (loss) before income taxes		(20,643)	(20,536)	9,770
2 Depreciation and amortization		7,235	6,437	14,148
3 Gain on sales of securities		(809)	(29)	(3,027)
4 Increase (decrease) in allowance		746	164	(188)
5 Gain on sales of fixed assets		(1,190)	(8)	(5,491)
6 Other noncash expenses		79	1,279	1,634
7 Bonuses to directors and corporate auditors		(102)	(87)	(114)
8 Interest and dividend income		(252)	(291)	(618)
9 Interest expenses		1,294	1,394	2,703
10 Decrease (increase) in trade receivables		88,452	74,831	7,536
11 Decrease (increase) in inventories		(21,423)	(22,498)	17,033
12 Decrease in trade payables		(62,215)	(46,913)	(12,062)
13 Others		4,067	(3,602)	(2,709)
Sub-total		(4,764)	(9,859)	28,614
14 Interest and dividend received		21	309	437
15 Interest expenses paid		(1,255)	(1,425)	(2,623)
16 Income taxes paid		(3,088)	(4,011)	(4,417)
Net cash provided by (used for) operating activities		(9,086)	(14,987)	22,011
II				
Cash flows from investing activities				
1 Sales of fixed assets		2,345	40	9,484
2 Purchase of fixed assets		(4,302)	(4,633)	(13,689)
3 Sales of investment securities		1,705	89	2,816
4 Purchase of investment securities		(2,623)	(178)	(4,501)
5 Sales (purchase) of other investments, net		491	568	749
6 Collection of loans receivable		499	555	808
7 Disbursement of loans receivable		(1,087)	(895)	(2,224)
Net cash used for investing activities		(2,972)	(4,453)	(6,557)

	Notes	From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
		Millions of yen	Millions of yen	Millions of yen
III Cash flows from financing activities:				
1 Redemption of bonds		-	(10,000)	(5,000)
2 Proceeds from short-term bank loans and commercial paper		82,212	56,419	(66,650)
3 Repayment of short-term bank loan and commercial paper		(96,555)	(21,785)	(101,630)
4 Proceeds from long-term bank loans		17,522	537	26,231
5 Repayment of long-term bank loans		(778)	(555)	(5,113)
6 Purchase and sales of treasury stock		(12)	(13)	(23)
7 Dividends paid		(2,240)	(2,239)	(2,240)
8 Dividends paid to minority shareholders in consolidated subsidiaries		-	(74)	-
Net cash provided by (used for) financing activities		150	22,289	(21,126)
IV Translation adjustments		950	(522)	(750)
V Increase (decrease) in cash and cash equivalents		(10,958)	2,326	(6,422)
VI Cash and cash equivalents At beginning of period:				
Balance brought forward		41,662	35,268	41,662
Net effect of deconsolidation and consolidation of subsidiaries		28	-	28
At end of period		30,732	37,594	35,268

Significant accounting principles

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
<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 (Malaysia) Sdn.Bhd.</p> <p>The following subsidiaries were merged New Elliott Corp. (Surviving) Elliott Turbomachinery Co., Inc. (Merged)</p> <p>The trade name of the surviving company was changed to Elliott Company on the merging date.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off. Ebara Udylite Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries Yantai Ebara Air Conditioning Equipment Co., Ltd. Ebara-Densan Taiwan Manufacturing Co., Ltd.</p> <p>(3) The accounts of non-consolidated subsidiaries are not included in the consolidated financial statements owing to insignificance in volume of assets, sales, net income and retained earnings.</p> <p>2 Equity method</p> <p>(1) Number of subsidiaries applied equity method -</p> <p>(2) Number of affiliated companies applied equity method -</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned in Names of significant non-consolidated subsidiaries (Affiliated company) Hyosung-Ebara Co., Ltd.</p> <p>(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.</p> <p>3 The first half end of consolidated subsidiaries The period end of the following consolidated subsidiaries is</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 53</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated: Elliott Ebara Company Ltd.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off. Elliott Ebara 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 -</p> <p>(2) Number of affiliated companies applied equity method -</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left</p> <p>(4) Mentioned left</p> <p>3 The first half end of consolidated subsidiaries Mentioned left</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 53</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated: Ebara Environmental Engineering (Malaysia) Sdn.Bhd.</p> <p>The following subsidiaries were merged New Elliott Corp. (Surviving) Elliott Turbomachinery Co., Inc. (Merged)</p> <p>The trade name of the surviving company was changed to Elliott Company on the merging date.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation, merger or spin-off. Ebara Udylite Co., Ltd. Ebara Boiler Co., Ltd. Elliott Power Systems, Inc.</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 -</p> <p>(2) Number of affiliated companies applied equity method -</p> <p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left</p> <p>(4) Mentioned left</p> <p>3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is</p>

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
<p>June 30: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp.</p> <p>Significant transactions between June 30 and the period end were adjusted in consolidation. The period end of Nissetsu Co., Ltd. was different from the period end. Its financial statements were prepared in the same manner as regular and consolidated.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets Securities Held-to-maturity securities Amortized cost method Other securities with market value Securities having market value are stated at market value, and unrealized gain or loss, net of tax is credited or debited to shareholders' equity as shown in the balance sheets Securities not quoted Gross average cost Inventories 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 proceed is valued at accumulated job cost. Real estate for sale represents the accumulated cost for each parcel of land and each structure.</p> <p>(2) Property, plant and equipment and related depreciation Tangible 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 Company and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Company and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese</p>	<p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left</p> <p>Securities not quoted Mentioned left Inventories Mentioned left</p> <p>(2) Property, plant and equipment and related depreciation Tangible assets Mentioned left</p>	<p>December 31: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp.</p> <p>Significant transactions between December 31 and the period end were adjusted in consolidation. The period end of Nissetsu Co., Ltd. was different from the period end. Its financial statements were prepared in the same manner as regular and consolidated.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left</p> <p>Securities not quoted Mentioned left Inventories Mentioned left</p> <p>(2) Property, plant and equipment and related depreciation Tangible assets Mentioned left</p>

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
<p>income tax regulations, are shown below: Buildings 3 to 50 years Machinery and equipment 2 to 20 years</p> <p>Intangible assets and other investments Intangible assets are amortized on a straight-line basis. Software used in the Company is amortized on a straight-line basis for the estimated useful lives, 5 years.</p> <p>(3) Standards of significant allowance Allowance 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. Bonus payment reserve Bonus payment reserve is provided based on the future liabilities. -----</p> <p>Severance and pension plans The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. A transition obligation arising from new accounting standards of 11,048 million is being amortized over five years, and actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period. Directors' 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>(4) Leases All leases of the Company and its</p>	<p>Intangible assets and other investments Mentioned left</p> <p>(3) Standards of significant allowance Allowance for doubtful receivables Mentioned left</p> <p>Bonus payment reserve Mentioned left</p> <p>Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities. Severance and pension plans Mentioned left</p> <p>Directors' retirement allowance reserve Mentioned left</p> <p>(4) Leases Mentioned left</p>	<p>Intangible assets and other investments Mentioned left</p> <p>(3) Standards of significant allowance Allowance for doubtful receivables Mentioned left</p> <p>Bonus payment reserve Mentioned left</p> <p>-----</p> <p>Severance and pension plans Mentioned left</p> <p>Directors' retirement allowance reserve Mentioned left</p> <p>(4) Leases Mentioned left</p>

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
<p>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</p> <p>Hedging 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>Hedging instruments and hedging objects</p> <p>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>Hedging policy The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others.</p> <p>Assessing the effectiveness of hedging</p> <p>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>(5) Significant hedging accounting methods</p> <p>Hedging transactions Mentioned left</p> <p>Hedging instruments and hedging objects Hedging instruments Mentioned left</p> <p>Hedging objects Mentioned left</p> <p>Hedging policy Mentioned left</p> <p>Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Other significant accounting principles</p>	<p>(5) Significant hedging accounting methods</p> <p>Hedging transactions Mentioned left</p> <p>Hedging instruments and hedging objects Hedging instruments Mentioned left</p> <p>Hedging objects Mentioned left</p> <p>Hedging policy Mentioned left</p> <p>Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Other significant accounting principles</p>

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
<p>Consumptive tax Consumptive taxes are accounted for using the net-of-tax method.</p> <p>Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of completion basis.</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>Consumptive tax Mentioned left</p> <p>Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of completion basis. Sales recorded on a percentage-of completion basis is 23,569 million.</p> <p>5 Cash and cash equivalents Mentioned left</p>	<p>Consumptive tax Mentioned left</p> <p>Revenue recognition Sales are recorded when the units are accepted by the customers. However, sales of major units (100 million or more), installation of which requires more than 12 months, are recorded on a percentage-of completion basis. Sales recorded on a percentage-of completion basis is 88,564 million.</p> <p>5 Cash and cash equivalents Mentioned left</p>

Change in accounting policies

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
<p>(Revenue recognition)</p> <p>Previously, the Company applied the percentage-of-completion basis to sales of major units with a value of 500 million and more and installation of which requires more than 12 months. However, beginning with new orders received during the year under review, the Company has applied the percentage-of-completion basis to sales of major units with a value of 100 million and more requiring more than 12 months to complete in preparing its consolidated financial statements.</p> <p>This change in method of recognizing revenues has been made in view of the trend, which is believed likely to continue, toward the declining size of orders received, owing to changes in the operating environment. The Company believes that expanding the scope of application of the percentage-of-completion basis method will provide a more accurate view of performance.</p> <p>As a result of this change, net sales were 4 million higher, and operating income, ordinary income and income before income taxes were 1 million higher than under the previous method of accounting respectively.</p>	<p>-----</p>	<p>(Revenue recognition)</p> <p>Previously, the Company applied the percentage-of-completion basis to sales of major units with a value of 500 million and more and installation of which requires more than 12 months. However, beginning with new orders received during the year under review, the Company has applied the percentage-of-completion basis to sales of major units with a value of 100 million and more requiring more than 12 months to complete in preparing its consolidated financial statements.</p> <p>This change in method of recognizing revenues has been made in view of the trend, which is believed likely to continue, toward the declining size of orders received, owing to changes in the operating environment. The Company believes that expanding the scope of application of the percentage-of-completion basis method will provide a more accurate view of performance.</p> <p>As a result of this change, net sales were 12,059 higher, and operating income, ordinary income and income before income taxes were 2,532 million higher than under the previous method of accounting respectively.</p>

Changes in classification

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004												
<p>(Balance sheets)</p> <p>The following items are classified from others as they exceeded 5% or more in total assets or liabilities, minority interests and shareholders' equity, and the figures in the previous 1st half were as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Deferred tax assets (Current assets)</td> <td style="text-align: right;">23,316 million</td> </tr> <tr> <td style="padding-left: 20px;">Deferred tax assets (Fixed assets)</td> <td style="text-align: right;">23,434 million</td> </tr> <tr> <td style="padding-left: 20px;">Advance received (Current liabilities)</td> <td style="text-align: right;">26,587 million</td> </tr> </table> <p>(Statements of income)</p> <p>The following item is classified from others as they exceed 10% or more in non-operating income, and the figures in the previous 1st half are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Insurance income</td> <td style="text-align: right;">29 million</td> </tr> </table>	Deferred tax assets (Current assets)	23,316 million	Deferred tax assets (Fixed assets)	23,434 million	Advance received (Current liabilities)	26,587 million	Insurance income	29 million	<p>(Balance sheets)</p> <p>The following items are contained in others as they were less than 5% in total assets or liabilities, minority interests and shareholders' equity, and the figures in the current 1st half were as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Deferred tax assets (Fixed assets)</td> <td style="text-align: right;">25,953 million</td> </tr> <tr> <td style="padding-left: 20px;">Advance received (Current liabilities)</td> <td style="text-align: right;">17,214 million</td> </tr> </table>	Deferred tax assets (Fixed assets)	25,953 million	Advance received (Current liabilities)	17,214 million
Deferred tax assets (Current assets)	23,316 million												
Deferred tax assets (Fixed assets)	23,434 million												
Advance received (Current liabilities)	26,587 million												
Insurance income	29 million												
Deferred tax assets (Fixed assets)	25,953 million												
Advance received (Current liabilities)	17,214 million												

Additional information

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
-----	<p>(Directors' bonus payment reserve)</p> <p>Directors' bonus payment was previously dealt as decrease of retained earnings. It has been dealt as accrual cost from the current first half under review based on Accounting Standards Board guideline 13.</p>	-----

Notes to consolidated financial statements

(Balance sheets)

September 30, 2003		September 30, 2004		March 31, 2004	
*1	Accumulated depreciation of tangible assets 171,789 million	*1	Accumulated depreciation of tangible assets 174,152 million	*1	Accumulated depreciation of tangible assets 169,064million
*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 2,338 million		Buildings 2,288 million		Buildings 2,352 million
	Machinery and equipment 12,232 million		Machinery and equipment 12,759 million		Machinery and equipment 11,948 million
	Other tangible assets 1,293 million		Other tangible assets 1,324 million		Other tangible assets 1,324 million
	Investment securities 1,867 million		Investment securities 2,495 million		Investment securities 2,785 million
	<u>Total 17,731 million</u>		<u>Total 18,868 million</u>		<u>Total 18,410 million</u>
	Amount of bank loans		Amount of bank loans		Amount of bank loans
	Short-term loan 1,362 million		Short-term loan 1,442 million		Short-term loan 5,120 million
	Long-term loan 7,616 million		Long-term loan 6,774 million		Long-term loan 9,345 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 1,106 million		Buildings 1,043 million		Buildings 1,073 million
	Machinery and equipment 215 million		Machinery and equipment 196 million		Machinery and equipment 214 million
	Other tangible assets 501 million		Other tangible assets 501 million		Other tangible assets 501 million
	<u>Total 1,823 million</u>		<u>Total 1,740 million</u>		<u>Total 1,789 million</u>
	Amount of bank loans		Amount of bank loans		Amount of bank loans
	Short-term loan 834 million		Short-term loan 834 million		Short-term loan 834 million
	Long-term loan 830 million		Long-term loan 596 million		Long-term loan 713 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 6 million		Investment securities 546 million		Investment securities 6 million
	Other investment 130 million		Other investment 130 million		Other investment 130 million
3	Commitments and contingent liabilities	3	Commitments and contingent liabilities	3	Commitments and contingent liabilities
	(1) Loans guaranteed to employees: 1,913 million		(1) Loans guaranteed to employees: 1,529 million		(1) Loans guaranteed to employees: 1,737 million
	(2) Loans guaranteed to unconsolidated subsidiaries and affiliates: Aomori Renewable Energy Recycling Co., Ltd. 1,500 million E-Square Co., Ltd. 3,711 million EUP Co., Ltd. 1,520 million Other 17 companies 4,261 million		(2) Loans guaranteed to unconsolidated subsidiaries and affiliates: Aomori Renewable Energy Recycling Co., Ltd. 1,500 million E-Square Co., Ltd. 3,413 million EUP Co., Ltd. 1,298 million Hasaki Wind Farm Co., Ltd. 1,270 million Other 17 companies 3,812 million		(2) Loans guaranteed to unconsolidated subsidiaries and affiliates: Aomori Renewable Energy Recycling Co., Ltd. 1,500 million E-Square Co., Ltd. 3,562 million EUP Co., Ltd. 1,436 million Hasaki Wind Farm Co., Ltd. 2,270 million Other 16 companies 3,862 million

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
*3 Gain on sales of fixed assets comprises the following: Buildings 1 million Machinery and equipment 5 million Others 1,258 million <u>Total 1,265 million</u>	*3 Gain on sales of fixed assets comprises the following: Buildings 0 million Machinery and equipment 8 million Others 0 million <u>Total 8 million</u>	*3 Gain on sales of fixed assets comprises the following: Buildings 4 million Machinery and equipment 107 million Others 5,684 million <u>Total 5,796 million</u>
*4 Loss on sales of fixed assets comprises the following: Buildings 66 million Machinery and equipment 0 million Others 8 million <u>Total 74 million</u>	*4 Loss on sales of fixed assets comprises the following: Buildings - million Machinery and equipment 0 million Others 0 million <u>Total 0 million</u>	*4 Loss on sales of fixed assets comprises the following: Buildings 226 million Machinery and equipment 30 million Others 48 million <u>Total 305 million</u>

(Statements of cash flows)

From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 30,732 million <u>Securities - million</u> <u>Total 30,732 million</u> Cash and cash equivalents 30,732 million	A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 37,594 million <u>Securities 0 million</u> <u>Total 37,594 million</u> Cash and cash equivalents 37,594 million	A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits 35,267 million <u>Securities 0 million</u> <u>Total 35,268 million</u> Cash and cash equivalents 35,268 million

(Marketable and investment securities)

1 Marketable securities

	September 30, 2003 (Millions of yen)	September 30, 2004 (Millions of yen)	March 31, 2004 (Millions of yen)
Held to maturity:			
Japanese government bonds			
Book value	11	9	11
Fair value	11	9	11
Unrealized gains (losses), net	0	0	0
Other securities			
Equity securities			
Historical cost	13,610	14,370	14,338
Book value	22,409	25,880	28,598
Unrealized gains (losses), net	8,799	11,509	14,260

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, 2003 (Millions of yen)	September 30, 2004 (Millions of yen)	March 31, 2004 (Millions of yen)
Held-to-maturity			
Other government bonds	4	5	4
Total	4	5	4
Other securities			
Other bonds	0	-	-
Unlisted securities	8,584	9,028	8,985
Investments in and advances to subsidiaries and affiliates	6,548	7,263	7,403
Total	15,133	16,291	16,388

(Segment information)

【Business segment information】

From April 1, 2003 to September 30, 2003

(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	92,426	52,542	28,875	173,845	-	173,845
(2) Intersegment sales and transfer	536	3,865	63	4,465	(4,465)	-
Total	92,963	56,408	28,938	178,311	(4,465)	173,845
Operating costs and expenses	104,863	62,221	32,550	199,636	(4,177)	195,458
Operating loss	(11,900)	(5,812)	(3,611)	(21,324)	(288)	(21,613)
II Assets, depreciation and amortization and capital expenditure						
Assets	216,010	148,217	107,454	471,682	72,245	543,927
Depreciation and amortization	2,888	2,317	2,040	7,246	(11)	7,235
Capital expenditure	1,685	1,187	1,435	4,308	(5)	4,302

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

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

- 2 Previously, the Company applied the percentage-of-completion basis to sales of major units with a value of 500 million and more and installation of which requires more than 12 months. However, beginning with new orders received during the year under review, the Company has applied the percentage-of-completion basis to sales of major units with a value of 100 million and more requiring more than 12 months to complete in preparing its consolidated financial statements. The effect of this change is not material.

From April 1, 2004 to September 30, 2004

(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	86,888	47,516	32,955	167,359	-	167,359
(2) Intersegment sales and transfer	406	3,396	130	3,933	(3,933)	-
Total	87,295	50,912	33,085	171,293	(3,933)	167,359
Operating costs and expenses	96,888	59,191	33,375	189,456	(3,822)	185,633
Operating loss	(9,593)	(8,278)	(290)	(18,162)	(111)	(18,273)
II Assets, depreciation and amortization and capital expenditure						
Assets	204,852	127,548	120,797	453,198	78,728	531,927
Depreciation and amortization	2,504	2,096	1,845	6,446	(8)	6,437
Capital expenditure	1,539	1,412	1,721	4,674	(41)	4,633

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 and Pumping system engineering
Environmental Engineering	Environmental restoration equipment, Incinerators, Cooling and water supply systems for nuclear power plants, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

From April 1, 2003 to March 31, 2004

(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	241,383	190,502	75,880	507,767	-	507,767
(2) Intersegment sales and transfer	1,591	8,557	144	10,292	(10,292)	-
Total	242,975	199,059	76,024	518,059	(10,292)	507,767
Operating costs and expenses	236,764	197,988	72,782	507,535	(10,214)	497,320
Operating loss	6,211	1,071	3,242	10,524	(78)	10,446
II Assets, depreciation and amortization and capital expenditure						
Assets	224,805	179,334	112,744	516,884	59,528	576,412
Depreciation and amortization	5,444	4,649	4,074	14,168	(20)	14,148
Capital expenditure	4,892	2,354	6,452	13,698	(8)	13,689

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

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

- 2 Previously, the Company applied the percentage-of-completion basis to sales of major units with a value of 500 million and more and installation of which requires more than 12 months. However, beginning with new orders received during the year under review, the Company has applied the percentage-of-completion basis to sales of major units with a value of 100 million and more requiring more than 12 months to complete in preparing its consolidated financial statements. As a result of this change, sales in Fluid Machinery & System and in Environmental Engineering were 7,899 million and 4,159 million higher respectively, and operating incomes in Fluid Machinery & Systems and in Environmental Engineering were 1,368 million and 1,164 million respectively higher than under the previous method of accounting.

【Geographical segment information】

From April 1, 2003 to September 30, 2003

(Millions of yen)

	Japan	Other	Total	Elimination and corporate	Consolidated
I Sales					
(1) Sales to third parties	142,573	31,271	173,845	-	173,845
(2) Intersegment sales and transfer	2,815	1,933	4,748	(4,748)	-
Total	145,388	33,205	178,594	(4,748)	173,845
Operating costs and expenses	165,841	34,176	200,018	(4,559)	195,458
Operating loss	(20,452)	(971)	(21,423)	(189)	(21,613)
II Assets	438,609	81,477	520,086	23,840	543,927

Notes 1 Countries and areas other than Japan are shown in Other.

- 2 Countries and areas included in Other are as follows:

USA, Italy, Germany, Philippines, Taiwan, Singapore, Brazil, Korea and others

- 3 Previously, the Company applied the percentage-of-completion basis to sales of major units with a value of 500 million and more and installation of which requires more than 12 months. However, beginning with new orders received during the year under review, the Company has applied the percentage-of-completion basis to sales of major units with a value of 100 million and more requiring more than 12 months to complete in preparing its consolidated financial statements. The effect of this change is not material.

From April 1, 2004 to September 30, 2004

(Millions of yen)

	Japan	Other	Total	Elimination and corporate	Consolidated
I Sales					
(1) Sales to third parties	138,049	29,310	167,359	-	167,359
(2) Intersegment sales and transfer	4,913	2,557	7,471	(7,471)	-
Total	142,963	31,867	174,830	(7,471)	167,359
Operating costs and expenses	160,796	32,326	193,122	(7,489)	185,633
Operating loss	(17,832)	(458)	(18,291)	18	(18,273)
II Assets	438,542	74,039	512,582	19,344	531,927

Notes 1 Countries and areas other than Japan are shown in Other.

2 Countries and areas included in Other are as follows:

USA, Italy, Germany, Philippines, Taiwan, Singapore, Brazil and Korea

From April 1, 2003 to March 31, 2004

(Millions of yen)

	Japan	Other	Total	Elimination and corporate	Consolidated
I Sales					
(1) Sales to third parties	444,801	62,965	507,767	-	507,767
(2) Intersegment sales and transfer	10,191	3,994	14,186	(14,186)	-
Total	454,993	66,960	521,953	(14,186)	507,767
Operating costs and expenses	445,094	66,107	511,202	(13,881)	497,320
Operating loss	9,898	852	10,751	(304)	10,446
II Assets	488,425	68,123	556,548	19,863	576,412

Notes 1 Countries and areas other than Japan are shown in Other.

2 Countries and areas included in Other are as follows:

USA, Italy, Germany, Philippines, Taiwan, Singapore, Brazil and Korea

3 Previously, the Company applied the percentage-of-completion basis to sales of major units with a value of 500 million and installation of which requires more than 12 months. However, beginning with new orders received during the year under review, the Company has applied the percentage-of-completion basis to sales of major units with a value of 100 million and more requiring more than 12 months to complete in preparing its consolidated financial statements. As a result of this change, sales in Japan was 12,059 million higher, and operating incomes in Japan was 2,532 higher than under the previous method of accounting.

【Overseas sales】

From April 1, 2003 to September 30, 2003

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	11,055	16,439	16,873	44,367
II Consolidated net sales				173,845
III Percentage of overseas sales to net sales (%)	6.4	9.5	9.7	25.5

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

(1) Asia Taiwan, Korea, China

(2) North America USA

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

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

From April 1, 2004 to September 30, 2004

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	16,524	14,011	17,024	47,561
II Consolidated net sales				167,359
III Percentage of overseas sales to net sales (%)	9.9	8.4	10.2	28.4

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

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

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

From April 1, 2003 to March 31, 2004

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	36,096	30,838	41,017	107,952
II Consolidated net sales				507,767
III Percentage of overseas sales to net sales (%)	7.1	6.1	8.1	21.3

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

- (1) Asia Taiwan, Korea, China
- (2) North America USA
- (3) Other areas UK, France, Iran, Germany, Saudi Arabia

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

Order received and sales

(1) Output

(Millions of yen)

Business segment	From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
Fluid Machinery & Systems	83,992	77,565	206,813
Environmental Engineering	33,265	24,990	115,975
Precision Machinery	23,781	30,555	56,159
Total	141,039	133,110	378,947

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

(2) Order received

(Millions of yen)

Business segment	From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
Fluid Machinery & Systems	111,008	115,402	239,548
Environmental Engineering	81,819	81,640	159,366
Precision Machinery	39,804	42,935	82,502
Total	232,632	239,979	481,417

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

(3) Sales

(Millions of yen)

Business segment	From April 1, 2003 to September 30, 2003	From April 1, 2004 to September 30, 2004	From April 1, 2003 to March 31, 2004
Fluid Machinery & Systems	92,426	86,888	241,383
Environmental Engineering	52,542	47,516	190,502
Precision Machinery	28,875	32,955	75,880
Total	173,845	167,359	507,767

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

(4) Backlog of order received

(Millions of yen)

Business segment	September 30, 2003	September 30, 2004	March 31, 2004
Fluid Machinery & Systems	135,363	140,205	109,485
Environmental Engineering	203,782	173,643	141,898
Precision Machinery	35,103	33,996	24,058
Total	374,248	347,845	275,442

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