

RESULTS OF OPERATIONS FOR THE THIRD QUARTER ENDED DECEMBER 31, 2004 (CONSOLIDATED)

February 14 2005

Company name: EBARA CORPORATION

11-1 Haneda Asahi-cho, Ota-ku, Tokyo 144-8510, Japan

(Code no. 6361, Tokyo and Sapporo Stock Exchange in Japan)

(URL <http://www.ebara.co.jp>)

Representative: Fumio Shimakawa, President

Contact person: Yoshio Shimoi, General Manager, Finance & Accounting Department Tel: 81-3-3743-6111

Third quarter board of directors meeting: February 14, 2005

Application of US GAAP: No

1. Basis for preparation of quarterly operating results

(1) A simplified accounting method in quarterly

Accounting policies for the quarter are consistent with those adopted in the most recent annual consolidated financial statements. Inconsistency with policies adopted in annual consolidated financial statements is a method of tax effect accounting. We adopted a simplified method for calculating tax effect for the quarter.

(2) Changes in accounting policies: No

2. Outline of the third quarter results for FY2005 (April 1-December 31, 2004)

(1) Consolidated Financial Highlights

Millions of yen, except per share data

	Net sales		Operating income		Ordinary income	
		%		%		%
FY2005 3rd quarter	257,300	(2.0)	(24,330)	-	(26,113)	-
FY2004 3rd quarter	262,612	-	(29,085)	-	(31,116)	-
FY2004	507,767		10,446		7,746	

	Net income		Net income per share		Net income per share, diluted	
		%	Yen		Yen	
FY2005 3rd quarter	(16,987)	-	(56.89)		-	
FY2004 3rd quarter	(20,726)	-	(69.40)		-	
FY2004	2,586		8.34		8.05	

Note % 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 3rd quarter	574,592	92,033	16.0		308.26	
FY2004 3rd quarter	569,187	88,328	15.5		295.77	
FY2004	576,412	112,578	19.5		376.67	

(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 3rd quarter	(22,517)		(1,138)		43,004		55,350	
FY2004 3rd quarter	(2,834)		(6,956)		8,094		39,702	
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	-
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(5) Change in number of consolidated companies and companies applied equity method

Consolidation	Added	1	Excluded	1	Equity Method	Added	-	Excluded	-
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Note: The amounts are rounded down to the nearest million.

[Qualitative information on the progress status of consolidated operations]

(1) Overview

During the third quarter of fiscal 2005, Japan's public works market remained stagnant as in the previous fiscal year amid ongoing trends associated with market contraction, including the merger of certain regional governments and cutbacks in government budgets. In the domestic private sector, however, fluid machinery and systems fared well as investments for the enhancement and improvement of plant and equipment continued on the back of improved corporate performance.

In overseas markets, operating conditions in the basic industries—petroleum, petrochemical, and electric power—remained favorable, primarily in Asia where the construction of new plants continues. In addition, Asia's environment-related plant and equipment market is expected to grow in tandem with the expansion of industry.

The semiconductor manufacturing equipment market, which was robust through the first half of the fiscal year, started to slow down in the third quarter and certain capital investment trends appear to have entered a correction phase.

Against this backdrop, the Ebara Group posted consolidated net sales of ¥257,300 million, down 2.0% from the same period of the previous fiscal year, and an operating loss of ¥24,330 million, representing an improvement of ¥4,755 million from a year earlier. An ordinary loss of ¥26,113 million was reported, an improvement of ¥5,003 million, and a net loss for the quarter amounting to ¥16,987 million was recorded, ¥3,739 million less than for the same period of the previous fiscal year.

Please note that because a high percentage of the Ebara Group's net sales are accounted for by the public sector, there is a major difference between sales for the third quarter and the remainder of the fiscal year. For reference, consolidated net sales in the previous fiscal year amounted to ¥507,767 million.

(2) Business segment information

Results by business segment were as follows.

Fluid Machinery & Systems

The Fluid Machinery & Systems Group focused on expanding sales in the domestic private sector markets related to enhancing and improving production facilities and construction equipment for office buildings, condominiums, etc. In light of prolonged harsh conditions in the public works market, the Group is developing new types of customer-centric solution businesses—ranging from energy conservation equipment sales to production facility improvement.

In overseas markets, the Group redoubled efforts to expand sales of pumps, compressors, turbines, and other products to the petroleum, petrochemical, and electric power industries and to boost sales of standard pumps to increase its share of the global market. In addition, the Group worked to bolster its competitive strength and achieve ongoing cost reductions by developing and enhancing overseas production and procurement.

As a result, although the Fluid Machinery & Systems Group's sales for the quarter under review dipped 4.0% from the same period of the previous fiscal year to ¥127,981 million, the operating loss of ¥12,933 million was recorded, representing a decrease of ¥3,210 million.

Environmental Engineering

The Environmental Engineering Group continued to face challenging operating conditions in the domestic market for public works projects in terms of water treatment and waste incineration plants. However, growth is projected in demand for services to upgrade, maintain, and operate public facilities, in particular waterworks systems, and the Company is cooperating with our subsidiary Ebara Engineering Service Co., Ltd., to capture new markets by engaging in solution-oriented sales activities. In addition, the environmental plant division, which has been working to strengthen its ability to provide solutions while streamlining operations, strove to expand sales of woody biomass

incineration power generation facilities and other products to the private sector.

The Group continued to actively engage in sales activities in overseas markets where ongoing growth is being seen; however, delays in certain projects have started to crop up.

Consequently, Group sales came to ¥77,377 million, reflecting a 9.2% decrease from the same period of the previous fiscal year, and an operating loss of ¥12,003 million was recorded, representing an increase of ¥3,220 million.

Precision Machinery

Brisk capital investment in semiconductors, mainly in Japan and other countries in Asia, continued from the previous fiscal year through the first half of the current fiscal year; however, in the third quarter, semiconductor prices headed down as competition in digital consumer electronics and other end product markets heated up, and, as a result, investment in semiconductors started to slow.

The performance of new products launched in the current fiscal year, including plating systems and cleaning systems, was strong, with sales outstripping initial targets.

Sales in the Precision Machinery Group jumped 17.7% from the same period of the previous fiscal year, to ¥51,941 million. Moreover, operating income of ¥817 million was recorded, reflecting a ¥4,682 million improvement from the operating loss in the same period of the previous fiscal year.

[Qualitative information on change in consolidated financial position]

(1) Financial position

At the end of the third quarter, total assets amounted to ¥574,592 million, reflecting a ¥1,820 million decline from the end of the previous fiscal year. Current assets rose ¥5,921 million, to ¥375,910 million as a result of seasonal factors that affect the Ebara Group's performance each year, principally the concentration of public-sector demand and sales in the fourth quarter of the fiscal year, and fixed assets declined ¥7,742 million, to ¥198,681 million, due to depreciation and amortization of property, plant and equipment of ¥9,821 million.

Shareholders' equity at the end of the quarter was ¥92,033 million, ¥20,545 million lower than at the end of the previous fiscal year, owing to cash dividend payments of ¥2,239 million and the net loss for the third quarter of ¥16,987 million.

(2) Cash flow

Net cash provided by operating activities amounted to an outflow of ¥22,517 million due to the posting of a loss before income taxes of ¥24,976 million for the period stemming from seasonal factors that affect the Ebara Group's performance each year, principally the concentration of public-sector demand and sales in the fourth quarter of the fiscal year.

Net cash used for investing activities came to ¥1,138 million, owing primarily to capital expenditures amounting to ¥7,790 million that outweighed a ¥5,171 million inflow from the sale of investment securities.

Net cash provided by financing activities totaled ¥43,004 million, mainly due to the procurement of funds through corporate bonds, commercial paper, and short-term loans.

As a result, cash and cash equivalents at the end of the quarter were ¥55,350 million, reflecting a ¥20,081 million increase from the end of the previous fiscal year.

[Forecast of results for the year ending March 31, 2005]

1. Forecast of consolidated results

(1) Forecast of consolidated results of the year ending March 31, 2005

(From April 1, 2004 to March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous outlook (As of November 15, 2004)	510,000	12,500	9,500	3,000
Revised outlook (As of February 14, 2005)	510,000	12,500	9,500	3,000

(2) Forecast of consolidated results by segment of the year ending March 31, 2005

(From April 1, 2004 to March 31, 2005)

	Segment	Net sales	Ordinary income
		Millions of yen	Millions of yen
Previous outlook (As of November 15, 2004)	Fluid Machinery & Systems	245,000	7,000
	Environmental Engineering	180,000	0
	Precision Machinery	85,000	5,500
	Total	510,000	12,500
Revised outlook (As of February 14, 2005)	Fluid Machinery & Systems	245,000	7,000
	Environmental Engineering	180,000	0
	Precision Machinery	85,000	5,500
	Total	510,000	12,500

2. Forecast of non-consolidated results

Forecast of non-consolidated results of the year ending March 31, 2005

(From April 1, 2004 to March 31, 2005)

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous outlook (As of November 15, 2004)	300,000	6,000	7,000	3,500
Revised outlook (As of February 14, 2005)	300,000	6,000	7,000	3,500

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.

Consolidated balance sheets

	Notes	December 31, 2003		December 31, 2004		March 31, 2004	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Assets							
I Current assets							
1 Cash and time deposits		39,702		55,349		35,267	
2 Trade receivables	*3	121,151		123,490		202,898	
3 Securities		-		0		0	
4 Inventories		148,975		145,570		95,358	
5 Deferred tax assets		36,283		34,475		25,771	
6 Others		15,742		17,762		11,408	
7 Allowance for doubtful receivables		(393)		(738)		(717)	
Total current assets		361,460	63.5	375,910	65.4	369,988	64.2
II Fixed assets							
(1) Tangible fixed assets	*1						
1 Buildings		38,147		35,423		37,395	
2 Machinery and equipment		40,223		37,727		39,648	
3 Others		28,644		31,079		29,420	
Total tangible assets		107,015	18.8	104,229	18.1	106,464	18.5
(2) Intangible assets		15,989	2.8	15,322	2.7	15,423	2.7
(3) Investments and long-term receivables							
1 Investment securities	*2	40,954		39,878		45,003	
2 Others		46,778		39,600		42,676	
3 Allowance for doubtful receivables		(3,011)		(348)		(3,143)	
Total investments and long-term receivables		84,722	14.9	79,129	13.8	84,536	14.7
Total fixed assets		207,726	36.5	198,681	34.6	206,423	35.8
Total assets		569,187	100.0	574,592	100.0	576,412	100.0

	Notes	December 31, 2003		December 31, 2004		March 31, 2004	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Liabilities							
I Current liabilities							
1 Trade payables	*3	133,455		133,227		164,238	
2 Short-term bank loans		87,000		97,546		80,264	
3 Commercial paper		36,000		34,000		14,000	
4 Current portion of bonds		-		16,000		-	
5 Current portion of convertible bonds		10,000		-		10,000	
6 Bonus payment reserve		4,078		3,816		7,447	
7 Directors' Bonus payment reserve		-		107		-	
8 Others	*2	67,331		53,849		46,237	
Total current liabilities		337,865	59.4	338,547	58.9	322,188	55.9
II Long-term liabilities							
1 Bonds		40,000		24,000		40,000	
2 Convertible bonds		19,999		19,999		19,999	
3 Bonds with stock subscription rights		-		15,000		-	
4 Long-term bank loans		43,401		45,363		42,276	
5 Accrued severance and pension costs		33,976		33,660		32,295	
6 Directors' retirement allowance reserve		1,533		1,104		1,607	
7 Others		784		1,323		1,343	
Total long-term liabilities		139,695	24.5	140,451	24.4	137,521	23.9
Total liabilities		477,560	83.9	478,998	83.4	459,710	79.8
Minority interests in consolidated subsidiaries							
Minority interests in consolidated subsidiaries		3,298	0.6	3,560	0.6	4,123	0.7

	Notes	December 31, 2003		December 31, 2004		March 31, 2004	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Shareholders' equity							
I Common stock		33,788	5.9	33,788	5.9	33,788	5.9
II Capital surplus		37,885	6.7	37,886	6.6	37,885	6.6
III Retained earnings		14,991	2.6	18,536	3.2	37,863	6.6
IV Net unrealized gain on investment securities		6,279	1.1	5,977	1.0	8,541	1.5
V Translation adjustments		(4,446)	(0.8)	(3,946)	(0.7)	(5,326)	(0.9)
VI Treasury stock		(169)	(0.0)	(208)	(0.0)	(174)	(0.0)
Total shareholders' equity		88,328	15.5	92,033	16.0	112,578	19.5
Total liabilities and shareholders' equity		569,187	100.0	574,592	100.0	576,412	100.0

Consolidated statements of income

	Note	From April 1, 2003 to December 31, 2003		From April 1, 2004 to December 31, 2004		From April 1, 2003 to March 31, 2004				
		Millions of yen	%	Millions of yen	%	Millions of yen	%			
I Net sales	*2		262,612	100.0		257,300	100.0		507,767	100.0
II Cost of sales			222,701	84.8		215,838	83.9		405,760	79.9
Gross profit			39,910	15.2		41,461	16.1		102,007	20.1
III Selling, general and administrative expenses	*1		68,996	26.3		65,792	25.6		91,560	18.0
Operating income (loss)			(29,085)	(11.1)		(24,330)	(9.5)		10,446	2.1
IV Non-operating income										
1 Interest income		137			109			194		
2 Dividend income		153			204			424		
3 Insurance income		170			169			249		
4 Foreign exchange gain		-			135			-		
5 Others		530	991	0.4	574	1,194	0.5	1,274	2,142	0.4
V Non-operating expenses										
1 Interest expenses		1,992			2,198			2,703		
2 Foreign exchange loss		525			-			860		
3 Others		504	3,022	1.2	778	2,976	1.2	1,278	4,842	1.0
Ordinary income (loss)			(31,116)	(11.8)		(26,113)	(10.1)		7,746	1.5
VI Extraordinary income										
1 Gain on sales of fixed assets	*3	1,277			230			5,796		
2 Gain on sales of investment securities		1,214			3,580			3,410		
3 Gain on reversal of allowance for doubtful receivables		195			-			-		
4 Governmental subsidies received		1,650			-			1,650		
5 Gain on business entity transfer		268	4,604	1.8	-	3,810	1.5	395	11,251	2.2

	Note	From April 1, 2003 to December 31, 2003		From April 1, 2004 to December 31, 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	79		2		305	
2 Loss on disposal of fixed assets		530		219		1,044	
3 Loss on liquidation of subsidiaries and affiliates		1		-		28	
4 Loss on sales of investment securities		253		27		383	
5 Write-down of securities and other investments		140		182		328	
6 Write-down of investments in unconsolidated subsidiaries		-		200		-	
7 Loss on restructuring charges		-		469		1,570	
8 Loss on disposal of inventories		80		-		1,540	
9 Amortization of transition obligation arising from new accounting standards on severance indemnities and pension plans		1,635		1,565		2,165	
10 Special retirement benefit paid		395		-		1,484	
11 Warranty cost		-		-		376	
12 Bond-issuing expenses		-	3,115	1.2	5	2,674	1.0
Income (loss) before income taxes			(29,627)	(11.3)		(24,976)	(9.7)
Income taxes			(8,928)	(3.4)		(7,520)	(2.9)
Minority interests in consolidated subsidiaries			(27)	(0.0)		468	0.2
Net income (loss)			(20,726)	(7.9)		(16,987)	(6.6)
						9,227	1.8
						9,770	1.9
						7,169	1.4
						(14)	(0.0)
						2,586	0.5

Consolidated statements of cash flows

	Notes	From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 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		(29,627)	(24,976)	9,770
2		10,489	9,821	14,148
Depreciation and amortization				
3		(961)	(3,552)	(3,027)
Gain on sales of securities				
4		(2,345)	(2,622)	(188)
Increase (decrease) in allowance				
5		(1,197)	(227)	(5,491)
Gain on sales of fixed assets				
6		435	1,986	1,634
Other noncash expenses				
7		(114)	(100)	(114)
Bonuses to directors and corporate auditors				
8		(291)	(313)	(618)
Interest and dividend income				
9		1,990	2,198	2,703
Interest expenses				
10		91,439	79,408	7,536
Decrease (increase) in trade receivables				
11		(36,001)	(48,501)	17,033
Decrease (increase) in inventories				
12		(48,233)	(31,010)	(12,062)
Decrease in trade payables				
13		17,590	1,560	(2,709)
Others				
Sub-total		3,173	(16,329)	28,614
14		150	358	437
Interest and dividend received				
15		(2,254)	(2,029)	(2,623)
Interest expenses paid				
16		(3,904)	(4,516)	(4,417)
Income taxes paid				
Net cash provided by (used for) operating activities		(2,834)	(22,517)	22,011
II				
Cash flows from investing activities				
1		2,003	809	9,484
Sales of fixed assets				
2		(6,229)	(7,790)	(13,689)
Purchase of fixed assets				
3		802	5,171	2,816
Sales of investment securities				
4		(2,959)	(1,024)	(4,501)
Purchase of investment securities				
5		563	730	749
Sales (purchase) of other investments, net				
6		604	2,288	808
Collection of loans receivable				
7		(1,740)	(1,322)	(2,224)
Disbursement of loans receivable				
Net cash used for investing activities		(6,956)	(1,138)	(6,557)

	Notes	From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 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 Proceeds from issuance from bonds		-	14,994	-
2 Redemption of bonds		(5,000)	(10,000)	(5,000)
3 Proceeds from short-term banks loans and commercial paper		86,800	66,444	66,650
4 Repayment of short-term bank loan and commercial paper		(92,294)	(30,497)	(101,630)
5 Proceeds from long-term bank loans		21,147	5,697	26,231
6 Repayment of long-term bank loans		(300)	(1,279)	(5,113)
7 Proceeds from treasury stock and purchase of treasury stock		(18)	(33)	(23)
8 Dividends paid		(2,240)	(2,239)	(2,240)
9 Dividends paid to minority shareholders in consolidated subsidiaries		-	(81)	-
Net cash provided by (used for) financing activities		8,094	43,004	(21,126)
IV Translation adjustments		(291)	732	(750)
V Increase (decrease) in cash and cash equivalents		(1,988)	20,081	(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		39,702	55,350	35,268

Significant accounting principles

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 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: Ebara Research Co., Ltd. Ebara Densan Ltd. Ebara Techno-serve Co., Ltd.</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 removed from consolidation owing to liquidation, merger or spin-off. Ebara Udylyte 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>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>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 removed from consolidation owing to liquidation, merger or spin-off. Ebara Udylyte 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>

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
<p>3 The third quarter end of consolidated subsidiaries The period end of the following consolidated subsidiaries is September 30: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between September 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 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 The third quarter end of consolidated subsidiaries Mentioned left</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>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. 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>

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
<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 income tax regulations, are shown below: Buildings 3 to 50 years Machinery and equipment 2 to 20 years 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>(2) Property, plant and equipment and related depreciation Tangible assets 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>Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities.</p>	<p>(2) Property, plant and equipment and related depreciation Tangible assets 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>

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
<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.</p> <p>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.</p> <p>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 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 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>Severance and pension plans Mentioned left</p> <p>Directors' retirement allowance reserve Mentioned left</p> <p>(4) Leases Mentioned left</p> <p>(5) Significant hedging accounting methods Hedging transactions Mentioned left</p>	<p>Severance and pension plans Mentioned left</p> <p>Directors' retirement allowance reserve Mentioned left</p> <p>(4) Leases Mentioned left</p> <p>(5) Significant hedging accounting methods Hedging transactions Mentioned left</p>

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
<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 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 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>Hedging instruments and hedging objects</p> <p>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 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 are 29,195 million.</p> <p>5 Cash and cash equivalents Mentioned left</p>	<p>Hedging instruments and hedging objects</p> <p>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 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 are 88,564 million.</p> <p>5 Cash and cash equivalents Mentioned left</p>

Change in accounting policies

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 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 1,376 million higher, and operating loss, ordinary loss and loss before income taxes were 202 million lower than under the previous method of accounting respectively.</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>

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)

December 31, 2003	December 31, 2004	March 31, 2004
<p>*1 Accumulated depreciation of tangible assets 173,213 million</p>	<p>*1 Accumulated depreciation of tangible assets 172,817 million</p>	<p>*1 Accumulated depreciation of tangible assets 169,064million</p>
<p>*2 Loan for consumption related to marketable securities The Company lent marketable securities amounting to 10,685 million to securities companies for futures trading and reserved securities deposits, amounting to 8,074 million. These deposits received are included in other current liabilities.</p>	<p>*2 Loan for consumption related to marketable securities The Company lent marketable securities amounting to 12,799 million to securities companies for futures trading and reserved securities deposits, amounting to 9,000 million. These deposits received are included in other current liabilities.</p>	<p>*2 Loan for consumption related to marketable securities The Company lent marketable securities amounting to 20,285 million to securities companies for futures trading and reserved securities deposits, amounting to 15,074 million. These deposits received are included in other current liabilities.</p>
<p>*3 Treatment of notes that matured on the last day of the third quarter of the fiscal year In principle, mature bills are settled on the clearing date. However, bills that matured on the last day of the third quarter of fiscal 2005 are included in the balance sheet as listed below as the last day of the said period was a bank holiday. Notes receivable: 544 million Notes payable: 6,172 million</p>	<p>*3 Treatment of notes that matured on the last day of the third quarter of the fiscal year In principle, mature bills are settled on the clearing date. However, bills that matured on the last day of the third quarter of fiscal 2005 are included in the balance sheet as listed below as the last day of the said period was a bank holiday. Notes receivable: 507 million Notes payable: 7,568 million</p>	<p>*3</p>

(Statements of income)

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
<p>*1 Principal items of selling, general and administrative expenses</p> <p>Sales commission 2,763 million</p> <p>Packing and transportation 3,231 million</p> <p>Sales promotion 935 million</p> <p>Allowance for doubtful receivables 144 million</p> <p>Personnel expenditure 30,529 million</p> <p>Bonus payment reserve expense 557 million</p> <p>Employees' retirement expenses 3,038 million</p> <p>Rental and lease expenses 3,359 million</p> <p>Directors' retirement expenses 76 million</p> <p>Traveling expenses 3,024 million</p> <p>Public dues and taxes 621 million</p> <p>Depreciation and amortization 2,449 million</p> <p>Amortization of consolidated goodwill 541 million</p> <p>Research and development costs 7,888 million</p>	<p>*1 Principal items of selling, general and administrative expenses</p> <p>Sales commission 2,585 million</p> <p>Packing and transportation 3,322 million</p> <p>Sales promotion 754 million</p> <p>Allowance for doubtful receivables 146 million</p> <p>Personnel expenditure 27,938 million</p> <p>Bonus payment reserve expense 256 million</p> <p>Directors' bonus payment reserve expenses 107 million</p> <p>Employees' retirement expenses 2,320 million</p> <p>Rental and lease expenses 3,187 million</p> <p>Directors' retirement expenses 228 million</p> <p>Traveling expenses 2,934 million</p> <p>Public dues and taxes 1,005 million</p> <p>Depreciation and amortization 2,253 million</p> <p>Amortization of consolidated goodwill 541 million</p> <p>Research and development costs 7,998 million</p>	<p>*1 Principal items of selling, general and administrative expenses</p> <p>Sales commission 5,040 million</p> <p>Packing and transportation 4,510 million</p> <p>Sales promotion 1,330 million</p> <p>Allowance for doubtful receivables 151 million</p> <p>Personnel expenditure 39,020 million</p> <p>Bonus payment reserve expense 1,592 million</p> <p>Employees' retirement expenses 3,628 million</p> <p>Rental and lease expenses 4,404 million</p> <p>Directors' retirement expenses 218 million</p> <p>Traveling expenses 3,990 million</p> <p>Public dues and taxes 1,098 million</p> <p>Depreciation and amortization 3,314 million</p> <p>Amortization of consolidated goodwill 722 million</p> <p>Research and development costs 10,964 million</p>
<p>*2 Sales of the Company and its subsidiaries fluctuates remarkably between the third quarter and the following periods due to the large volume of public works projects.</p>	<p>*2 Mentioned left</p>	<p>*2</p>
<p>*3 Gain on sales of fixed assets comprises the following:</p> <p>Buildings 1 million</p> <p>Machinery and equipment 17 million</p> <p>Others 1,258 million</p> <p>Total 1,277 million</p>	<p>*3 Gain on sales of fixed assets comprises the following:</p> <p>Buildings 0 million</p> <p>Machinery and equipment 14 million</p> <p>Others 215 million</p> <p>Total 230 million</p>	<p>*3 Gain on sales of fixed assets comprises the following:</p> <p>Buildings 4 million</p> <p>Machinery and equipment 107 million</p> <p>Others 5,684 million</p> <p>Total 5,796 million</p>
<p>*4 Loss on sales of fixed assets comprises the following:</p> <p>Buildings 67 million</p> <p>Machinery and equipment 0 million</p> <p>Others 11 million</p> <p>Total 79 million</p>	<p>*4 Loss on sales of fixed assets comprises the following:</p> <p>Machinery and equipment 0 million</p> <p>Others 2 million</p> <p>Total 2 million</p>	<p>*4 Loss on sales of fixed assets comprises the following:</p> <p>Buildings 226 million</p> <p>Machinery and equipment 30 million</p> <p>Others 48 million</p> <p>Total 305 million</p>

(Statements of cash flows)

From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004																								
<p>A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows:</p> <table data-bbox="153 421 552 604"> <tr> <td>Cash and time deposits</td> <td>39,702 million</td> </tr> <tr> <td><u>Securities</u></td> <td><u>- million</u></td> </tr> <tr> <td><u>Total</u></td> <td><u>39,702 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td>39,702 million</td> </tr> </table>	Cash and time deposits	39,702 million	<u>Securities</u>	<u>- million</u>	<u>Total</u>	<u>39,702 million</u>	Cash and cash equivalents	39,702 million	<p>A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows:</p> <table data-bbox="608 421 1007 604"> <tr> <td>Cash and time deposits</td> <td>55,349 million</td> </tr> <tr> <td><u>Securities</u></td> <td><u>0 million</u></td> </tr> <tr> <td><u>Total</u></td> <td><u>55,350 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td>55,350 million</td> </tr> </table>	Cash and time deposits	55,349 million	<u>Securities</u>	<u>0 million</u>	<u>Total</u>	<u>55,350 million</u>	Cash and cash equivalents	55,350 million	<p>A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows:</p> <table data-bbox="1062 421 1461 604"> <tr> <td>Cash and time deposits</td> <td>35,267 million</td> </tr> <tr> <td><u>Securities</u></td> <td><u>0 million</u></td> </tr> <tr> <td><u>Total</u></td> <td><u>35,268 million</u></td> </tr> <tr> <td>Cash and cash equivalents</td> <td>35,268 million</td> </tr> </table>	Cash and time deposits	35,267 million	<u>Securities</u>	<u>0 million</u>	<u>Total</u>	<u>35,268 million</u>	Cash and cash equivalents	35,268 million
Cash and time deposits	39,702 million																									
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<u>Securities</u>	<u>0 million</u>																									
<u>Total</u>	<u>35,268 million</u>																									
Cash and cash equivalents	35,268 million																									

(Segment information)

【Business segment information】

From April 1, 2003 to December 31, 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	133,269	85,194	44,147	262,612	-	262,612
(2) Intersegment sales and transfer	808	5,803	97	6,709	(6,709)	-
Total	134,078	90,998	44,244	269,321	(6,709)	262,612
Operating costs and expenses	150,221	99,780	48,109	298,112	(6,414)	291,698
Operating loss	(16,143)	(8,782)	(3,864)	(28,790)	(295)	(29,085)
II Depreciation and capital expenditure						
Depreciation and amortization	4,133	3,374	2,997	10,505	(15)	10,489
Capital expenditure	3,056	1,276	1,905	6,238	(8)	6,229

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 1,104 million and 272 million higher respectively, and operating loss in Fluid Machinery & Systems and in Environmental Engineering were 140 million and 62 million lower respectively than under the previous method of accounting.

From April 1, 2004 to December 31, 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	127,981	77,377	51,941	257,300	-	257,300
(2) Intersegment sales and transfer	667	4,827	209	5,704	(5,704)	-
Total	128,649	82,205	52,150	263,005	(5,704)	257,300
Operating costs and expenses	141,582	94,208	51,332	287,123	(5,492)	281,631
Operating income (loss)	(12,933)	(12,003)	817	(24,118)	(212)	(24,330)
II Depreciation and capital expenditure						
Depreciation and amortization	3,844	3,113	2,878	9,835	(14)	9,821
Capital expenditure	2,532	1,915	3,401	7,849	(59)	7,790

Notes The companies operate in three business segments as follows:

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

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 income	6,211	1,071	3,242	10,524	(78)	10,446
II Depreciation and capital expenditure						
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, Browers, Turbo-compressors, Gas and steam turbines, Chillers, Machinery plant and Pumping system engineering
Environmental Engineering	Environmental restoration equipment, Incinerators, Cooling and water supply systems for nuclear power plants, Industrial water/wastewater treatment plants, Environmental system engineering, Chemicals and others
Precision Machinery	Dry vacuum pumps, CMP systems and other equipment for semiconductor industries

- 2 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 December 31, 2003

(Millions of yen)

	Japan	Other	Total	Elimination and corporate	Consolidated
Sales					
(1) Sales to third parties	218,552	44,060	262,612	-	262,612
(2) Intersegment sales and transfer	3,623	3,460	7,084	(7,084)	-
Total	222,175	47,521	269,697	(7,084)	262,612
Operating costs and expenses	249,887	48,948	298,836	(7,138)	291,698
Operating loss	(27,711)	(1,427)	(29,139)	53	(29,085)

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. As a result of this change, sales in Japan was 1,376 million higher, and operating loss in Japan was 202 lower than under the previous method of accounting.

From April 1, 2004 to December 31, 2004

(Millions of yen)

	Japan	Other (Millions of yen)	Total (Millions of yen)	Elimination and corporate (Millions of yen)	Consolidated (Millions of yen)
Sales					
(1) Sales to third parties	212,473	44,827	257,300	-	257,300
(2) Intersegment sales and transfer	7,997	4,069	12,066	(12,066)	-
Total	220,470	48,896	269,366	(12,066)	257,300
Operating costs and expenses	242,879	50,220	293,100	(11,468)	281,631
Operating loss	(22,408)	(1,324)	(23,733)	(597)	(24,330)

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
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 income	9,898	852	10,751	(304)	10,446

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 December 31, 2003

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	18,179	21,695	25,373	65,248
II Consolidated net sales				262,612
III Percentage of overseas sales to consolidated net sales(%)	6.9	8.3	9.7	24.8

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

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

From April 1, 2004 to December 31, 2004

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	26,866	20,391	26,041	73,300
II Consolidated net sales				257,300
III Percentage of overseas sales to consolidated net sales(%)	10.4	7.9	10.1	28.5

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 UK, France, Iran, Germany

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 consolidated 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 The United States of America
- (3) Other areas UK, France, Iran, Germany

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

Order received and sales

(1) Order received

(Millions of yen)

Business segment	From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
Fluid Machinery & Systems	166,693	177,136	239,548
Environmental Engineering	115,542	119,772	159,366
Precision Machinery	56,270	64,335	82,502
Total	338,506	361,245	481,417

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

(2) Sales

(Millions of yen)

Business segment	From April 1, 2003 to December 31, 2003	From April 1, 2004 to December 31, 2004	From April 1, 2003 to March 31, 2004
Fluid Machinery & Systems	133,269	127,981	241,383
Environmental Engineering	85,194	77,377	190,502
Precision Machinery	44,147	51,941	75,880
Total	262,612	257,300	507,767

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

(3) Backlog of order received

(Millions of yen)

Business segment	December 31, 2003	December 31, 2004	March 31, 2004
Fluid Machinery & Systems	145,670	161,368	109,485
Environmental Engineering	201,921	182,272	141,898
Precision Machinery	35,866	36,486	24,058
Total	383,458	380,128	275,442

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