

RESULTS OF OPERATIONS FOR THE FIRST QUARTER ENDED JUNE 30, 2006 (CONSOLIDATED)

August 11 2006

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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

(3) Changes in scope of consolidation: Yes

2. Outline of the first quarter results for FY2007 (April 1-June 30, 2006)

(1) Consolidated Financial Highlights

Millions of yen, except per share data

	Net sales		Operating income		Ordinary income	
		%		%		%
FY2007 1st quarter	82,183	20.7	(10,330)	-	(10,705)	-
FY2006 1st quarter	68,071	2.4	(14,645)	-	(14,897)	-
FY2006	514,957		10,902		7,731	

	Net income		Net income per share		Net income per share, diluted	
		%	Yen		Yen	
FY2007 1st quarter	(6,176)	-	(14.62)		-	
FY2006 1st quarter	(9,187)	-	(27.47)		-	
FY2006	3,349		9.11		8.89	

Note % represents percentage change from a comparable previous period

(2) Consolidated Financial Position

Millions of yen, except per share data

	Total assets	Net assets	Equity ratio	Net assets per share of common stock
			%	Yen
FY2007 1st quarter	575,909	147,704	24.9	349.51
FY2006 1st quarter	535,371	91,693	17.1	274.14
FY2006	592,631	153,695	25.9	363.68

Note Data for FY2006 1st quarter and FY2006, previously presented as "Shareholders' equity" and "Shareholders' equity per share of common stock" are shown as "Net assets" and "Net assets per share of common stock," respectively.

(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
FY2007 1st quarter	32,462	(4,956)	(4,217)	71,016
FY2006 1st quarter	(117)	1,070	6,566	46,616
FY2006	(9,772)	(4,099)	21,760	47,510

(4) Scope of consolidation

Number of consolidated Subsidiaries	55	Number of subsidiaries accounted for equity method	1	Number of affiliated companies accounted for equity method	2
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(5) Change in number of consolidated companies and companies applied equity method

Consolidation Added	3	Excluded	2	Equity Method Added	3	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

Principal features of the operating environment in Japan during the first quarter (April 1, 2006 to June 30, 2006) included the continuation of lackluster conditions in the market for public works construction; however, private-sector demand continued to be firm, supported by personal consumption, corporate capital investment, and other components of demand. Overall, the recovery trend in the Japanese economy became increasingly evident. Overseas, the economies of the United States as well as China, Taiwan, Singapore, and other countries in Asia reported economic expansion, and the Eurozone continued to recover gradually. In the Middle East, there are concerns that rising geopolitical risk may bring even higher prices of crude oil, and, while there is anxiety about future economic trends, at present, the world economy is recovering steadily.

With these developments as a background, the Ebara Group focused on obtaining orders from the private sector in Japan and in overseas markets, with the aim of covering the decline in demand in the domestic public sector. As a result, orders in the semiconductor manufacturing equipment field in Japan and overseas as well as orders related to resource and energy projects, principally in the Middle East and Asia, were strong. In addition, the Group is working to enhance its business implementation systems by shifting its personnel resources to overseas operations and other priority businesses and implementing realignments in the pump and pump system business, water and sewerage treatment business, standard gas transport business, and certain other businesses.

As a result, net sales of Ebara Corporation on a consolidated basis during the first quarter rose 20.7%, to ¥82,183 million. An operating loss was reported for the quarter and amounted to ¥10,330 million, representing an improvement of ¥4,314 million from the loss in the same period of the previous fiscal year, and an ordinary loss was recorded ¥10,705 million, an improvement of ¥4,191 million from a year earlier. A net loss of ¥6,176 million was reported, an improvement of ¥3,010 million compared with the same quarter of the previous fiscal year.

The Group's performance is seasonal, with a high percentage of sales concentrated near the end of the accounting period, because a high percentage of construction work is completed near the end of the fiscal year. Accordingly, although the Group reported a net loss for the first quarter, this does not represent a deviation from the initial performance outlook for the full fiscal year made public at the beginning of the year.

(2) Business segment information

Results by business segment were as follows.

Fluid Machinery & Systems (FMS)

In Japan, strong private capital investment in the basic materials and other industries led to robust sales of related products of the FMS business during the quarter. In addition, the proposal-based solution sales approach that is aimed at generating comprehensive orders for systems, seizing business opportunities by expansion of sales to the after-service market, produced favorable results.

Overseas, investments in the Middle East were active, as crude oil prices continued at a high level, and, in Asia, where demand for energy is increasing, capital investment in oil and gas industries, centered around LNG and ethylene production facilities, continued to be strong and resulted in favorable sales performance for pumps and compressors. In addition, in the standard pump business, as part of its drive toward globalization, the FMS group established a standard pump company in China in April 2006.

In contrast with the robust performance in the private sector and overseas related business divisions, operating conditions remained challenging domestically in a fluid machinery plant segment because of the adverse impact of

budget reductions on the public works. However, the realignment of the pump business, measures to increase production capacity overseas, and other initiatives enabled the Group to secure additional revenues.

As a result of these developments, the FMS group reported an increase in sales of 16.2% year on year, to ¥46,032 million, and the operating loss declined ¥849 million, to ¥3,647 million.

Environmental Engineering (EE)

As the percentage of sales of the EE group made to public-sector projects is still high, efforts are being made to adapt to quantitative and qualitative changes in the business environment for public works construction. These changes include shrinkage in the overall size of the market and greater diversity in ways projects are commissioned and implemented. To respond, the EE group has moved forward with further organizational realignments and the strengthening of its operating systems. These initiatives have included the split-off of the water and sewerage treatment business into a separate subsidiary, with the aims of strengthening strategic functions, speeding up decision-making, and responding more quickly to market needs. In addition, the EE group has exited a certain business that serve the requirements of domestic government organizations because of deterioration in profitability in these businesses resulting from lower demand and increased competition. Also, to respond to the trend toward “privatization of government functions,” the EE group is working to expand and strengthen its Engineering, Procurement, Construction+Operation & Maintenance (EPC+OM) projects. During the period, the EE group invested in and moved forward with preparations for commencing the operations of a company that will process waste into reusable resources, and another company—which will carry out the intermediate processing of industrial waste and generate electric power as a by-product—will soon begin operations.

In overseas markets, the EE group strengthened the organizational systems in its technological and marketing departments to make effective marketing approaches to meet the trends toward active improvements in the infrastructure in Asia and the Middle East as well as respond to newly emerging needs in the EU, where placing organic wastes directly into landfills will be restricted. Moreover, in the water treatment field, in addition to the existing business centered on construction of plant facilities, the EE group is focusing on expanding sales of individual equipment types that are differentiated by technology.

In the new energy field, a consolidated subsidiary Ebara Ballard Co., Ltd., is moving forward with the development of a 1kW-type fuel cell cogeneration system for household use. Based on the contract signed in 2005 with Ballard Power Systems Inc. of Canada, for the manufacture and sale of the stack portion of these fuel cell units, Ballard Power Systems has shipped compact, light prototype stacks that feature a long operating life of 40,000 hours to Ebara Ballard. This operating life is at top international levels, and, based on this prototype, Ebara Ballard is working to develop units that are durable, reliable, light and compact, and low cost, with a target date for the commencement of commercial sales of 2008.

As a result of these various developments, sales of the EE group in the first quarter rose 20.9%, to ¥19,987 million. However, as a result of changes in the composition of sales by market, R&D costs increase related to the fuel cell business, and other factors, the EE group reported an operating loss for the quarter of ¥7,274 million, ¥1,243 million larger than for the same quarter of the previous fiscal year.

Precision Machinery (PM)

Conditions in the markets for the PM group’s activities bear careful monitoring as the semiconductor manufacturing equipment sector as a whole is forecast to enter a period of adjustment in the second half of the current fiscal year.

Despite this negative factor, orders and sales of the PM group in the first quarter remained strong as planned, supported by active capital investment, principally in the flash memory sector. Orders and sales of core products, particularly CMP (chemical mechanical polishing) units and dry pumps to manufacturers of advanced devices held firm. In addition, new products for which the PM group has been soliciting customer evaluations, such as wafer plating systems and bevel polishing systems, have now been selected for use on the volume production lines of some customers, and further orders is expected.

As a consequence, sales of the PM group rose 35.6% over the same quarter of the previous year, to ¥16,163 million. Also, as a result of the increase in sales and measures to reduce costs, operating income rose to ¥738 million, an improvement of ¥4,724 million from the operating loss for the same period of the previous year.

[Qualitative information on change in consolidated financial position]

(1) Financial position

The Company's total assets were ¥575,909 million at the end of the first quarter, ¥16,722 million lower than a year earlier.

The principal reasons for this decline were a drop in trade receivables of ¥67,624 million, which was partially offset by an increase in inventories of ¥16,695 million. Liabilities declined to ¥428,205 million, mainly because of a decline in trade payables of ¥12,089 million. The principal reason for these changes in assets and liabilities were the seasonal nature of the Company's business activities, with a high percentage of sales concentrated near the end of the accounting period, because a high percentage of construction work is completed near the end of the fiscal year.

Net assets at the end of the first quarter were ¥147,704 million lower than at the end of the previous fiscal year. This was due primarily to the payment of cash dividends amounting to ¥3,169 million and the reporting of a net loss of ¥6,176 million.

(2) Cash flow

Net cash provided by operating activities amounted to ¥32,462 million. This reflects the pattern of seasonal fluctuation in net sales, which leads to the concentrated recording of net sales at the end of each fiscal year and the concentrated recovery of trade receivables during the first quarter of each fiscal year. Other factors influencing this outcome include a decrease in cost of sales-related expenditure resulting from reductions of costs and of inventory-related expenditure.

Net cash used in investing activities was ¥4,956 million. Principal items resulting in cash outflows were capital expenditures of ¥1,938 million and the acquisition of a company at a cost of ¥1,620 million.

Net cash used in financing activities amounted to ¥4,217 million. This was due primarily to the payment of cash dividends amounting to ¥3,169 million and other factors.

As a result of these trends in cash flows, consolidated cash and cash equivalents at the end of the first quarter were ¥71,016 million, ¥23,505 million higher than at the end of the previous fiscal year.

[Forecast of results for the six months ending September 30, 2006 and the year ending March 31, 2007]

1 Forecast of consolidated results

(1) Forecast of consolidated results of the year ending March 31, 2007

(From April 1, 2006 to March 31, 2007)

Forecast of consolidated results of the year ending March 31, 2007 is not changed.

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous outlook (As of May 15, 2006)	520,000	15,000	12,000	5,000

(2) Forecast of consolidated results of the six months ending September 30, 2006

(From April 1, 2006 to September 30, 2006)

Forecast of consolidated results of the six months ending September 30, 2006 is not changed.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Previous outlook (As of May 15, 2006)	190,000	(15,000)	(10,000)

(3) Forecast of consolidated results by segment of the year ending March 31, 2007

(From April 1, 2006 to March 31, 2007)

Forecast of consolidated results by segment of the year ending March 31, 2007 is not changed.

	Segment	Net sales	Ordinary income
		Millions of yen	Millions of yen
Previous outlook (As of May 15, 2006)	Fluid Machinery & Systems	265,000	8,000
	Environmental Engineering	165,000	(1,000)
	Precision Machinery	90,000	8,000
	Total	520,000	15,000

2 Forecast of non-consolidated results

(1) Forecast of non-consolidated results of the year ending March 31, 2007

(From April 1, 2006 to March 31, 2007)

Forecast of non-consolidated results of the year ending March 31, 2007 is not changed.

	Net sales	Operating income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous outlook (As of May 15, 2006)	237,000	3,500	4,500	3,000

(2) Forecast of non-consolidated results of the six months ending September 30, 2006

(From April 1, 2006 to September 30, 2006)

Forecast of non-consolidated results of the six months ending September 30, 2006 is not changed.

	Net sales	Ordinary income	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Previous outlook (As of May 15, 2006)	85,000	(13,500)	(12,000)	(7,500)

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	June 30, 2005		June 30, 2006		March 31, 2006	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Assets							
I Current assets							
1		46,615		71,015		47,509	
2		144,688		159,910		227,534	
3		0		0		0	
4		107,899		100,816		84,121	
5		26,604		15,262		10,867	
6		16,366		19,968		16,631	
7		(1,163)		(1,767)		(1,751)	
		341,011	63.7	365,206	63.4	384,914	65.0
II Fixed assets							
(1) Tangible fixed assets							
*1							
1		33,864		32,552		32,913	
2		32,372		34,241		34,398	
3		28,074		30,636		29,010	
		94,311	17.6	97,430	16.9	96,321	16.3
		16,388	3.1	15,590	2.7	14,954	2.5
(2) Intangible assets							
(3) Investments and long-term receivables							
1		42,402		52,928		53,926	
2		26,945		28,216		27,371	
3		17,709		19,962		18,891	
4		(836)		(1,127)		(830)	
5		(2,560)		(2,298)		(2,917)	
		83,659	15.6	97,681	17.0	96,440	16.3
		194,359	36.3	210,702	36.6	207,716	35.0
		535,371	100.0	575,909	100.0	592,631	100.0

	Notes	June 30, 2005		June 30, 2006		March 31, 2006		
		Millions of yen	%	Millions of yen	%	Millions of yen	%	
Liabilities								
I Current liabilities								
1		Trade payables	130,830		148,609		160,699	
2		Short-term bank loans	83,466		74,529		71,650	
3		Commercial paper	9,000		-		3,000	
4		Current portion of bonds	16,000		-		-	
5		Current portion of convertible bonds	-		19,999		19,999	
6		Accrued income taxes	1,129		1,137		2,677	
7		Deferred tax liabilities	163		157		123	
8		Bonus payment reserve	10,022		9,795		6,946	
9		Directors' bonus payment reserve	69		94		139	
10		Reserve for losses on construction completion guarantees	5,187		2,131		2,129	
11		Reserve for construction losses	583		472		479	
12		Others	41,125		40,226		34,888	
		Total current liabilities	297,577	55.6	297,153	51.6	302,733	51.1
II Long-term liabilities								
1		Bonds	44,000		44,420		44,000	
2		Convertible bonds	19,999		-		-	
3		Long-term bank loans	43,228		53,208		53,489	
4		Deferred tax liabilities	1,186		1,191		1,197	
5		Accrued severance and	32,037		31,066		30,923	
6		Directors' retirement allowance reserve	1,078		844		1,043	
7		Reserve for losses on contingent liabilities	193		74		283	
8		Others	130		245		242	
		Total long-term liabilities	141,854	26.5	131,051	22.8	131,181	22.1
		Total liabilities	439,432	82.1	428,205	74.4	433,914	73.2
Minority interests in consolidated subsidiaries								
		Minority interests in consolidated subsidiaries	4,245	0.8	-	-	5,021	0.8

	Notes	June 30, 2005		June 30, 2006		March 31, 2006	
		Millions of yen	%	Millions of yen	%	Millions of yen	%
Net assets							
I Shareholders' equity							
Common stock		-	-	61,283	10.6	-	-
Capital surplus		-	-	65,211	11.3	-	-
Retained earnings		-	-	7,559	1.3	-	-
Treasury stock, at cost		-	-	(59)	(0.0)	-	-
Total shareholders' equity		-	-	133,995	23.3	-	-
II Valuation, transition adjustment and others							
Net unrealized gain on investment securities		-	-	12,485	2.2	-	-
Deferred hedge gain(loss)		-	-	(1)	(0.0)	-	-
Translation adjustments		-	-	(2,982)	(0.5)	-	-
Total valuation, transition adjustment and others		-	-	9,501	1.6	-	-
III Minority interests in consolidated subsidiaries		-	-	4,206	0.7	-	-
Total net assets				147,704	25.6		
Total liabilities and net assets		-	-	575,909	100.0	-	-
Shareholders' equity							
I Common stock		41,230	7.7	-	-	61,283	10.3
II Capital surplus		45,264	8.5	-	-	65,211	11.0
III Retained earnings		4,428	0.8	-	-	16,965	2.9
IV Net unrealized gain on investment securities		6,153	1.1	-	-	13,476	2.3
V Translation adjustments		(5,362)	(1.0)	-	-	(3,188)	(0.5)
VI Treasury stock, at cost		(21)	(0.0)	-	-	(54)	(0.0)
Total shareholders' equity		91,693	17.1	-	-	153,695	25.9
Total liabilities, minority interest and shareholders' equity		535,371	100.0	-	-	592,631	100.0

Consolidated statements of income

	Note	From April 1, 2005 to June 30, 2005		From April 1, 2006 to June 30, 2006		From April 1, 2005 to March 31, 2006					
		Millions of yen		Millions of yen		Millions of yen					
			%		%		%				
I Net sales	*2		68,071	100.0		82,183	100.0		514,957	100.0	
II Cost of sales			61,134	89.8		71,710	87.3		418,413	81.3	
Gross profit			6,936	10.2		10,472	12.7		96,543	18.7	
III Selling, general and administrative expenses	*1		21,582	31.7		20,803	25.3		85,641	16.6	
Operating income (loss)			(14,645)	(21.5)		(10,330)	(12.6)		10,902	2.1	
IV Non-operating income											
1 Interest income			45			88			319		
2 Dividend income			140			143			748		
3 Insurance income			18			47			114		
4 Foreign exchange gain			309			272			799		
5 Others			383	897	1.3	213	764	0.9	793	2,776	0.5
V Non-operating expenses											
1 Interest expenses			851			826			3,523		
2 Loss on equity method			-			166			-		
3 Others			298	1,149	1.7	146	1,139	1.4	2,423	5,947	1.2
Ordinary income (loss)			(14,897)	(21.9)		(10,705)	(13.0)		7,731	1.5	
VI Extraordinary income											
1 Gain on sales of fixed assets	*3		1,791			2			4,768		
2 Gain on sales of investment securities			3			281			5,074		
3 Gain on reversal of reserve for revaluation of investments			142			-			-		
4 Gain on reversal of contingent liabilities			216	2,153	3.2	209	493	0.6	105	9,949	1.9

	Note	From April 1, 2005 to June 30, 2005		From April 1, 2006 to June 30, 2006		From April 1, 2005 to March 31, 2006		
		Millions of yen	%	Millions of yen	%	Millions of yen	%	
VII Extraordinary expenses								
1 Loss on sales of fixed assets	*4	54		2		104		
2 Loss on disposal of fixed assets		33		46		1,051		
3 Loss on liquidation of subsidiaries and affiliates		-		-		51		
4 Impairment losses		-		-		459		
5 Loss on sales of investment securities		4		-		20		
6 Write-down of securities and other investments		105		28		135		
7 Write-down of inventories		-		-		1,080		
8 Reserve for revaluation of investments		130		33		345		
9 Reserve for losses on contingent liabilities		20		-		-		
10 Product warranty expenses		-	349	0.5	-	111	0.1	
Income (loss) before income taxes			(13,094)	(19.2)		(10,324)	(12.6)	
Income taxes			(3,904)	(5.7)		(3,802)	(4.6)	
Minority interests in consolidated subsidiaries			2	0.0		345	0.4	
Net income (loss)			(9,187)	(13.5)		(6,176)	(7.5)	
						747	3,996	0.8
							13,685	2.7
							10,293	2.0
							(41)	0.0
							3,349	0.7

Consolidated statements of cash flows

	Notes	From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
		Millions of yen	Millions of yen	Millions of yen
I Cash flows from operating activities:				
1 Income (loss) before income taxes		(13,094)	(10,324)	13,685
2 Depreciation and amortization		2,854	3,036	12,449
3 Loss on impairment losses		-	-	459
4 Gain on sales of securities		0	(278)	(5,054)
5 Increase (decrease) in allowances		1,590	1,590	(4,649)
6 Gain on sales of fixed assets		(1,736)	(0)	(4,664)
7 Other noncash expenses		543	364	3,299
8 Interest and dividend income		(186)	(231)	(1,068)
9 Interest expenses		851	826	3,523
10 Decrease (increase) in trade receivables		62,854	67,169	(19,991)
11 Decrease (increase) in inventories		(22,668)	(16,239)	1,109
12 Decrease in trade payables		(19,383)	(12,718)	10,485
13 Others		(5,352)	2,437	(9,336)
Sub-total		6,273	35,632	247
14 Interest and dividend received		314	582	823
15 Interest expenses paid		(777)	(651)	(3,704)
16 Income taxes paid		(5,928)	(3,099)	(7,138)
Net cash provided by (used in) operating activities		(117)	32,462	(9,772)
II Cash flows from investing activities				
1 Sales of fixed assets		2,727	3	6,343
2 Purchase of fixed assets		(1,393)	(1,938)	(13,959)
3 Sales of investment securities		21	176	7,798
4 Purchase of investment securities		(106)	(1,388)	(2,793)
5 Sales (purchase) of other investments, net		23	336	320
6 Collection of loans receivable		475	936	1,755
7 Disbursement of loans receivable		(676)	(1,266)	(3,565)
8 Acquisition of stock in subsidiaries with a change of basis of consolidation		-	(1,620)	-
9 Sale of stock in subsidiaries with a change of basis of consolidation		-	(194)	-
Net cash provided by (used in) investing activities		1,070	(4,956)	(4,099)

	Notes	From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2004 to March 31, 2005
		Millions of yen	Millions of yen	Millions of yen
III Cash flows from financing activities:				
1 Issuance of bonds		-	-	39,992
2 Redemption of bonds		-	-	(16,000)
3 Proceeds from short-term banks loans and commercial paper		17,305	4,319	37,011
4 Repayment of short-term bank loan and commercial paper		(9,342)	(5,125)	(49,832)
5 Proceeds from long-term bank loans		1,243	514	12,732
6 Repayment of long-term bank loans		(3)	(605)	(71)
7 Capital paid in from minority shareholders		-	-	648
8 Purchase and sales of treasury stock		(3)	(5)	(36)
9 Dividends paid		(2,508)	(3,169)	(2,508)
10 Dividends paid to minority Shareholders in consolidated subsidiaries		(123)	(145)	(175)
Net cash provided by (used in) financing activities		6,566	(4,217)	21,760
IV Translation adjustments		(148)	117	376
V Increase (decrease) in cash and cash equivalents		7,370	23,405	8,265
VI Cash and cash equivalents at the beginning of period:		38,960	47,510	38,960
VII Net effect of deconsolidation and consolidation of subsidiaries		285	99	285
VIII Cash and cash equivalents at the end of period		46,616	71,016	47,510

Significant accounting principles

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 53</p> <p>Significant consolidated subsidiaries: Ebara Research Co., Ltd. Ebara Densan Ltd. Ebara Techno-serve Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries 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 equity method subsidiaries Not applicable</p> <p>(2) Number of equity method affiliates Not applicable</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 55</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated: Ebara Environmental Engineering Corporation Elliott Ebara Servicios para Equipamentos Rotativos Ltda. Yoshikura Ltd. Yoshikura Ltd. was merged with Ebara Hydro-Tech Co., Ltd and the trading name of the surviving company was changed to Ebara Yoshikura Hydro-tech Co., Ltd. on the merging date.</p> <p>The following company was excluded from consolidation as it changed from a consolidated subsidiary to an affiliated company due to a partial transfer of equity. IT Engineering Limited</p> <p>(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia</p> <p>(3) Mentioned left</p> <p>2 Equity method</p> <p>(1) Number of equity method subsidiaries 1</p> <p>The following subsidiary was newly adopted equity method Ebara Espana Bombas S.A.</p> <p>(2) Number of equity method affiliates 2</p> <p>The following affiliated companies were newly adopted equity method. IT Engineering Limited e-BEAM Corporation</p>	<p>1 Scope of consolidation</p> <p>(1) Number of consolidated subsidiaries 54</p> <p>Significant consolidated subsidiaries: Mentioned left</p> <p>The following subsidiaries were newly consolidated: Ebara Kiden Co., Ltd. Yantai Ebara Air Conditioning Equipment Co., Ltd. Elliott Ebara Middle East Maintenance W.L.L.</p> <p>The following subsidiaries were excluded from consolidation owing to liquidation. Ebara Technosystem Co., Ltd.</p> <p>(2) Names of significant non-consolidated subsidiaries Ebara-Densan Taiwan Manufacturing Co., Ltd. P.T. Ebara Indonesia</p> <p>(3) Mentioned left</p> <p>2 Equity method</p> <p>(1) Number of equity method subsidiaries Not applicable</p> <p>(2) Number of equity method affiliates Not applicable</p>

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
<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 quarter end of consolidated subsidiaries The period end of the following consolidated subsidiaries is March 31: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between March 31 and the period end were adjusted in consolidation.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities 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 ②Inventories Finished products and raw materials are stated at the gross average cost, except for in the Precision Machinery segment, which employs the moving average method, and work in 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>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left</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 quarter end of consolidated subsidiaries Mentioned left</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left</p>	<p>(3) Name of subsidiaries and affiliated companies non-applied equity method (Non-consolidated subsidiary) Mentioned left (Affiliated company) Mentioned left</p> <p>(4) Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of net income and retained earnings.</p> <p>3 Financial year end of consolidated subsidiaries The period end of the following consolidated subsidiaries is December 31: Overseas consolidated subsidiaries Ebara Ballard Corp. Elliott Ebara Turbomachinery Corp. Significant transactions between December 31 and the period end were adjusted in consolidation.</p> <p>4 Significant accounting principles (1) Valuation standards and valuation methods of assets ①Securities Held-to-maturity securities Mentioned left Other securities with market value Mentioned left Securities not quoted Mentioned left ②Inventories Mentioned left</p>

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
<p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets Property, plant and equipment are stated at cost. Depreciation is computed on the declining-balance method at rates based on the estimated useful lives of the assets of the Company and its domestic subsidiaries, except for buildings placed in service after April 1, 1998, depreciation for which is computed on the straight-line method. The straight-line method is used by the consolidated foreign subsidiaries. Maintenance, repairs and minor renewals are charged to income as incurred. With respect to the Company and its domestic consolidated subsidiaries, the estimated useful lives of the assets used for computing depreciation, which are the same as the useful lives provided for under the Japanese income tax regulations, are shown below:</p> <p style="padding-left: 20px;">Buildings 3 to 50 years Machinery and equipment 2 to 20 years</p> <p>②Intangible assets and other investments Intangible assets are amortized on a straight-line basis. Software used in the Company is amortized on a straight-line basis for the estimated useful lives, 5 years.</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables An allowance for doubtful receivables is provided on an amount sufficient to cover possible losses on collection of receivables. The amount of the allowance is determined based on an estimated amount for probable doubtful accounts based on a review of the collectibility of individual receivables, and a ratio based on the historical ratio of write-offs of receivables.</p> <p>②Bonus payment reserve Bonus payment reserve is provided based on the future liabilities.</p> <p>③Directors' bonus payment reserve Directors' bonus payment reserve is provided based on the future liabilities.</p>	<p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets Mentioned left</p> <p>②Intangible assets and other investments Mentioned left</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables Mentioned left</p> <p>②Bonus payment reserve Mentioned left</p> <p>③Directors' bonus payment reserve Mentioned left</p>	<p>(2) Property, plant and equipment and related depreciation</p> <p>①Tangible assets Mentioned left</p> <p>②Intangible assets and other investments Mentioned left</p> <p>(3) Standards of significant allowance</p> <p>①Allowance for doubtful receivables Mentioned left</p> <p>②Bonus payment reserve Mentioned left</p> <p>③Directors' bonus payment reserve Mentioned left</p>

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
<p>④Severance and pension plans The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income. Actuarial gains and losses are recognized by declining-balance amortization within the average of the estimated remaining service lives with the following period.</p> <p>⑤Directors' retirement allowance reserve Directors' retirement allowance reserve is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.</p> <p>⑥Reserve for revaluation of investments To prepare for possible declines in the value of stocks of subsidiaries and affiliated companies, the Company makes provisions based on estimates of the effects of major fluctuations in foreign exchange rates and changes in the financial positions of these subsidiaries and affiliated companies.</p> <p>⑦Reserve for losses on contingent liabilities To prepare for possible losses related to liabilities of subsidiaries and affiliated companies that are guaranteed by the Company (contingent liabilities), the Company makes provisions based on estimate of possible losses, taking into account the financial positions of the related companies.</p> <p>⑧Reserve for losses on construction completion guarantees To provide for possible expenses arising from guarantees against defects, the Company makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.</p>	<p>④Severance and pension plans Mentioned left</p> <p>⑤Directors' retirement allowance reserve Mentioned left</p> <p>⑥Reserve for revaluation of investments Mentioned left</p> <p>⑦Reserve for losses on contingent liabilities Mentioned left</p> <p>⑧Reserve for losses on construction completion guarantees Mentioned left</p>	<p>④Severance and pension plans Mentioned left</p> <p>⑤Directors' retirement allowance reserve Mentioned left</p> <p>⑥Reserve for revaluation of investments Mentioned left</p> <p>⑦Reserve for losses on contingent liabilities Mentioned left</p> <p>⑧Reserve for losses on construction completion guarantees Mentioned left</p>

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
<p>⑨Reserve for construction losses To prepare for possible losses on construction projects contracted to the Company, the Company makes estimates of such losses for those uncompleted projects deemed to have a strong possibility of incurring losses and for which such construction losses can be reasonably estimated.</p> <p>(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</p> <p>①Hedging transactions Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.</p> <p>②Hedging instruments and hedging objects Hedging instruments Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used.</p>	<p>⑨Reserve for construction losses Mentioned left</p> <p>(4) Leases Mentioned left</p> <p>(5) Significant hedging accounting methods</p> <p>①Hedging transactions Mentioned left</p> <p>②Hedging instruments and hedging objects Hedging instruments Mentioned left</p>	<p>⑨Reserve for construction losses Mentioned left</p> <p>(4) Leases Mentioned left</p> <p>(5) Significant hedging accounting methods</p> <p>①Hedging transactions Mentioned left</p> <p>②Hedging instruments and hedging objects Hedging instruments Mentioned left</p>

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
<p>Hedging objects Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.</p> <p>③Hedging policy The Company and its consolidated subsidiaries use derivatives only for the purpose of hedging related to exports, imports, funding and others.</p> <p>④Assessing the effectiveness of hedging Interest risk The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that agree with hedge criteria, the assessments are omitted.</p> <p>Currency exchange rate risk As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.</p> <p>(6) Other significant accounting principles</p> <p>①Consumptive tax Consumptive taxes are accounted for using the net-of-tax method.</p> <p>②Revenue 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 ¥7,624 million.</p> <p>5 Cash and cash equivalents Cash and cash equivalents include cash on hand, demand deposits, time deposits with maturities of three months or less and highly liquid investment.</p>	<p>Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Other significant accounting principles</p> <p>①Consumptive tax Mentioned left</p> <p>②Revenue 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 ¥17,296 million.</p> <p>5 Cash and cash equivalents Mentioned left</p>	<p>Hedging objects Mentioned left</p> <p>③Hedging policy Mentioned left</p> <p>④Assessing the effectiveness of hedging Mentioned left</p> <p>(6) Other significant accounting principles</p> <p>①Consumptive tax Mentioned left</p> <p>②Revenue 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 ¥106,505 million.</p> <p>5 Cash and cash equivalents Mentioned left</p>

Change in accounting policies

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
-----	-----	<p>(Accounting Standards for Impairment of Fixed Assets)</p> <p>Beginning with the year ended March 31, 2006, the Group has applied the standards for accounting for the impairment of fixed assets contained in Opinion Concerning the Establishment of Accounting Standards for Impairment of Fixed Assets (issued by the Corporate Accounting Deliberation Council on August 9, 2002) and Guidelines for the Application of Accounting Standards for Impairment of Fixed Assets (issued on October 31, 2003, as the Guideline for Application of Corporate Accounting Standards No. 6).</p> <p>As a result of this accounting change, the income before income taxes was ¥459 million smaller than this income under the previous method of accounting.</p> <p>Regarding accumulated impairment losses, each asset was directly written off in accordance with revised regulations governing consolidated financial statements.</p>

Notes to consolidated financial statements

(Balance sheets)

June 30, 2005	June 30, 2006	March 31, 2006
*1 Accumulated depreciation of tangible assets ¥162,747 million	*1 Accumulated depreciation of tangible assets ¥165,755 million	*1 Accumulated depreciation of tangible assets ¥165,112 million
*2 _____	*2 Overdrafts and commitment lines The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the first quarter period were as follows: Current account overdrafts ¥12,700 million Commitment lines ¥37,800 million Balance of borrowings - million Total ¥50,500 million	*2 Overdrafts and commitment lines The Group signs contracts for overdrafts and commitment lines to provide alternative sources of liquidity. The unused portions under these contracts at the end of the consolidated accounting year were as follows: Current account overdrafts ¥12,700 million Commitment lines ¥37,800 million Balance of borrowings - million Total ¥50,500 million

(Statements of income)

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
*1 Principal items of selling, general and administrative expenses Sales commission ¥928 million Packing and transportation ¥1,156 million Sales promotion ¥256 million Personnel expenditure ¥8,713 million Bonus payment reserve expenses ¥829 million Directors' bonus payment reserve expenses ¥53 million Employees' retirement expenses ¥770 million Directors' retirement expenses ¥32 million Traveling expenses ¥954 million Public dues and taxes ¥376 million Depreciation and amortization ¥722 million Amortization of consolidated goodwill ¥179 million Research and development costs ¥2,783 million	*1 Principal items of selling, general and administrative expenses Sales commission ¥936 million Packing and transportation ¥1,025 million Sales promotion ¥274 million Personnel expenditure ¥8,811 million Bonus payment reserve expenses ¥779 million Directors' bonus payment reserve expenses ¥14 million Employees' retirement expenses ¥731 million Directors' retirement expenses ¥53 million Traveling expenses ¥999 million Public dues and taxes ¥352 million Depreciation and amortization ¥689 million Amortization of consolidated goodwill ¥171 million Research and development costs ¥1,834 million	*1 Principal items of selling, general and administrative expenses Sales commission ¥4,847 million Packing and transportation ¥4,894 million Sales promotion ¥1,366 million Personnel expenditure ¥34,925 million Bonus payment reserve expenses ¥1,240 million Directors' bonus payment reserve expenses ¥107 million Employees' retirement expenses ¥2,949 million Directors' retirement expenses ¥183 million Traveling expenses ¥4,069 million Public dues and taxes ¥1,628 million Depreciation and amortization ¥3,288 million Amortization of consolidated goodwill ¥1,110 million Research and development costs ¥10,883 million
*2 Sales of the Company and its subsidiaries fluctuates remarkably between the first quarter and the following periods due to the large volume of public works projects.	*2 Mentioned left	*2 _____

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
*3 Gain on sales of fixed assets comprises the following: Buildings ¥426 million Machinery and equipment ¥3 million Others ¥1,361 million <u>Total ¥1,791 million</u>	*3 Gain on sales of fixed assets comprises the following: Buildings ¥- million Machinery and equipment ¥2 million Others ¥0 million <u>Total ¥2 million</u>	*3 Gain on sales of fixed assets comprises the following: Buildings ¥530 million Machinery and equipment ¥47 million Others ¥4,190 million <u>Total ¥4,768 million</u>
*4 Loss on sales of fixed assets comprises the following: Buildings ¥10 million Machinery and equipment ¥42 million Others ¥1 million <u>Total ¥54 million</u>	*4 Loss on sales of fixed assets comprises the following: Buildings ¥- million Machinery and equipment ¥0 million Others ¥2 million <u>Total ¥2 million</u>	*4 Loss on sales of fixed assets comprises the following: Buildings ¥13 million Machinery and equipment ¥76 million Others ¥13 million <u>Total ¥104 million</u>

(Statements of cash flows)

From April 1, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
1 A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits ¥46,615 million Securities ¥0 million <u>Total ¥46,616 million</u> Cash and cash equivalents ¥46,616 million	1 A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits ¥71,015 million Securities ¥0 million <u>Total ¥71,016 million</u> Cash and cash equivalents ¥71,016 million	1.A reconciliation of cash and cash equivalents to the amounts shown in the balance sheets is as follows: Cash and time deposits ¥47,509 million Securities ¥0 million <u>Total ¥47,510 million</u> Cash and cash equivalents ¥47,510 million
2 _____	2 _____	2.Important non-cash transaction Increase in capital surplus by shares issued on conversion of convertible bonds: ¥40,000 million

(Segment information)

【Business segment information】

From April 1, 2005 to June 30, 2005

(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	39,619	16,526	11,924	68,071	-	68,071
(2) Intersegment sales and transfer	143	1,242	40	1,426	(1,426)	-
Total	39,762	17,768	11,965	69,497	(1,426)	68,071
Operating costs and expenses	44,259	23,800	15,952	84,012	(1,295)	82,716
Operating loss	(4,497)	(6,031)	(3,986)	(14,515)	(130)	(14,645)
II Depreciation and capital expenditure						
Depreciation and amortization	1,224	855	781	2,860	(6)	2,854
Capital expenditure	862	199	365	1,427	(34)	1,393

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 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

From April 1, 2006 to June 30, 2006

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
I Sales and operating loss						
Sales						
(1) Sales to third parties	46,032	19,987	16,163	82,183	-	82,183
(2) Intersegment sales and transfer	165	1,049	74	1,290	(1,290)	-
Total	46,198	21,037	16,237	83,473	(1,290)	82,183
Operating costs and expenses	49,846	28,311	15,499	93,657	(1,143)	92,514
Operating income (loss)	(3,647)	(7,274)	738	(10,184)	(146)	(10,330)
II Depreciation and capital expenditure						
Depreciation and amortization	1,269	860	912	3,042	(6)	3,036
Capital expenditure	1,491	990	309	2,790	(0)	2,789

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 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

From April 1, 2005 to March 31, 2006

(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	252,741	172,823	89,392	514,957	-	514,957
(2) Intersegment sales and transfer	2,865	5,654	331	8,851	(8,851)	-
Total	255,606	178,478	89,723	523,809	(8,851)	514,957
Operating costs and expenses	248,419	179,065	85,092	512,578	(8,523)	504,054
Operating income (loss)	7,186	(587)	4,631	11,230	(328)	10,902
II Depreciation and capital expenditure						
Depreciation and amortization	5,415	3,633	3,426	12,475	(25)	12,449
Capital expenditure	6,063	3,445	5,470	14,978	(140)	14,838

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 Depreciation and amortization include intangible assets, other depreciable assets and the depreciation of them.

【Geographical segment information】

From April 1, 2005 to June 30, 2005

(Millions of yen)

	Japan	Other	Total	Elimination and corporate	Consolidated
Sales					
(1) Sales to third parties	54,176	13,894	68,071	-	68,071
(2) Intersegment sales and transfer	1,227	2,003	3,231	(3,231)	-
Total	55,404	15,898	71,302	(3,231)	68,071
Operating costs and expenses	69,108	16,461	85,570	(2,853)	82,716
Operating loss	(13,704)	(562)	(14,267)	(378)	(14,645)

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, China, Philippines, Taiwan, Singapore, Brazil and Korea

From April 1, 2006 to June 30, 2006

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	64,147	11,637	6,397	82,183	-	82,183
(2) Intersegment sales and transfer	3,999	457	1,705	6,162	(6,162)	-
Total	68,147	12,094	8,103	88,345	(6,162)	82,183
Operating costs and expenses	78,966	12,225	7,627	98,819	(6,305)	92,514
Operating income (loss)	(10,818)	(130)	475	(10,473)	(142)	(10,330)

Notes 1 Countries and areas included in Other are as follows:

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

2 North America is classified from Other this fiscal year. The figures of North America for the previous first quarter are as follows:

	From April 1, 2005 to June 30, 2005
Sales	
(1) Sales to third parties	8,592
(2) Intersegment sales and transfer	389
Total	8,981
Operating costs and expenses	9,891
Operating loss	(909)

From April 1, 2005 to March 31, 2006

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	435,467	53,364	26,125	514,957	-	514,957
(2) Intersegment sales and transfer	12,949	4,440	6,752	24,143	(24,143)	-
Total	448,416	57,805	32,878	539,100	(24,143)	514,957
Operating costs and expenses	435,898	59,095	32,084	527,078	(23,023)	504,054
Operating income (loss)	12,518	(1,290)	793	12,021	(1,119)	10,902

Notes 1 Countries and areas included in Other are as follows:

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

【Overseas sales】

From April 1, 2005 to June 30, 2005

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	6,568	5,906	6,897	19,372
II Consolidated net sales				68,071
III Percentage of overseas sales to net sales (%)	9.6	8.7	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, 2006 to June 30, 2006

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	8,345	7,888	10,006	26,239
II Consolidated net sales				82,183
III Percentage of overseas sales to net sales (%)	10.2	9.6	12.2	31.9

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

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

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

From April 1, 2005 to March 31, 2006

(Millions of yen)

	Asia	North America	Other areas	Total
I Overseas sales	57,739	34,752	45,122	137,614
II Consolidated net sales				514,957
III Percentage of overseas sales to net sales (%)	11.2	6.7	8.8	26.7

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

- (1) Asia Taiwan, China, Korea
- (2) North America USA
- (3) Other areas Qatar, Italy, 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, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
Fluid Machinery & Systems	61,953	73,184	280,365
Environmental Engineering	49,729	49,979	162,062
Precision Machinery	22,162	33,937	87,988
Total	133,846	157,101	530,416

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, 2005 to June 30, 2005	From April 1, 2006 to June 30, 2006	From April 1, 2005 to March 31, 2006
Fluid Machinery & Systems	39,619	46,032	252,741
Environmental Engineering	16,526	19,987	172,823
Precision Machinery	11,924	16,163	89,392
Total	68,071	82,183	514,957

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	June 30, 2005	June 30, 2006	March 31, 2006
Fluid Machinery & Systems	137,529	173,610	145,197
Environmental Engineering	185,501	176,015	145,237
Precision Machinery	42,445	48,809	31,045
Total	365,476	398,435	321,480

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