

**RESULTS OF OPERATIONS FOR  
THE SECOND QUARTER ENDED SEPTEMBER 30, 2008 (CONSOLIDATED)**

November 14 2008

Company name: EBARA CORPORATION  
 11-1 Haneda Asahi-cho, Ota-ku, Tokyo 144-8510, Japan  
 (Stock code: 6361, Tokyo and Sapporo Stock Exchange in Japan)  
 (URL <http://www.ebara.co.jp>)  
 Representative: Natsunosuke Yago, President  
 Contact person: Shusuke Tsumura, General Manager, Corporate Accounting Department Tel: 81-3-3743-6111  
 Scheduled day of submission of quarterly report: November 14 2008

Note: The amounts are rounded down to the nearest million.

1. Outline of the second quarter results for FY2009 (April 1- September 30, 2008)

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

	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
Through FY2009 2nd quarter	222,877	-	(3,579)	-	(4,302)	-	(2,661)	-
Through FY2008 2nd quarter	236,990	21.9	(7,179)	-	(8,508)	-	(24,576)	-

	Net income per share	Net income per share, diluted
	Yen	Yen
Through FY2009 2nd quarter	(6.30)	-
Through FY2008 2nd quarter	(58.17)	-

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
Through FY2009 2nd quarter	548,832	147,514	26.1	339.51
FY2008	607,006	155,263	24.9	358.01

Note: Shareholder's Equity (consolidated) FY2009 2<sup>nd</sup> quarter 143,416 million FY2008 151,243 million

2. Dividend

	Cash Dividend per share of common stock				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	End of the fiscal year	Annual
	Yen	Yen	Yen	Yen	Yen
FY2008	-	0.00	-	7.50	7.50
FY2009 2nd quarter	-	0.00	-	-	-
FY2009 (Forecast)	-	-	-	7.50	7.50

Note: Revision of forecast for dividend during this quarter: No

3. Forecast of results for the year ending March 31, 2009

Millions of yen

	Net sales	Operating income	Ordinary income	Net income	Net income per share
		%	%	%	Yen
FY2009	550,000 (3.0)	4,000 (33.5)	500 (81.9)	0 (100.0)	0.00

Note 1: % represents percentage change from a comparable previous period

Note 2: Revision of the forecast during this quarter: Yes

#### 4. Others

- (1) Changes in significant subsidiaries: Not applicable
- (2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: Applicable  
Note: The details are shown in Clause 4 'Others in page 6.
- (3) Changes in accounting policies and presentation: Applicable
  - (i) Changes due to revisions of accounting standards, etc.: Yes
  - (ii) Changes other than (i) above: Yes
 Note: The details are shown in Clause 4 'Others in page 6-7.
- (4) Number of shares outstanding (Common Stocks)
  - (i) Number of common stocks (including treasury stocks)  
FY2009 2<sup>nd</sup> quarter 422,725,658    FY2008 422,725,658
  - (ii) Number of treasury stocks  
FY2009 2<sup>nd</sup> quarter 306,164            FY2008            267,250
  - (iii) Average number of common stocks (accumulated period)  
FY2009 2<sup>nd</sup> quarter 422,441,358    FY2008 2<sup>nd</sup> quarter 422,502,752

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

1. 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.

2. Beginning with the current fiscal year, the "Accounting Standards for Quarterly Financial Reporting" (Accounting Standards Board of Japan (ASBJ) Statement No. 12 and the "Implementation Guidance for the Accounting Standards for Quarterly Financial Statements" (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements have been prepared following the "Rules for Quarterly Consolidated Financial Statements."

#### (Reference)

Outline of the second quarter results for FY2009 (July 1 - September 30, 2008)

	Millions of yen, except per share data							
	Net sales		Operating income		Ordinary income		Net income	
		%		%		%		%
FY2009 2nd quarter	124,859	-	2,592	-	2,796	-	606	-
FY2008 2nd quarter	-	-	-	-	-	-	-	-

	Net income per share		Net income per share, diluted	
	Yen		Yen	
FY2009 2nd quarter	1.44		1.39	
FY2008 2nd quarter	-		-	

Note: % represents percentage change from a comparable previous period

[Qualitative information, Financial Statements, etc.]

## 1. Qualitative information on consolidated results of operations

### (1) Overview

During the second quarter (three months), important developments in the business environment overseas included the entry of the U.S. economy into a recession, as the deterioration in the financial situation resulting from the subprime loan issue began to have an adverse impact on the real economy, and signs of a weakening of economic conditions in European economies. Asian economies outside Japan, where expansion had been continuing, began to feel the effects of the downturn in the world economy and began to experience deceleration in growth. In Japan, demand from the public sector continued to be stagnant, and conditions in the private sector began to weaken along with continuing increases in prices of fuel and raw materials.

Amid this business environment, the EBARA Group (the Group) proceeded with the implementation of its “E-Plan2010” Medium-Term Management Plan, and all the Group’s business segments focused their fullest efforts on improving profitability. Under E-Plan2010, which is now in its first year of implementation and will cover the period through the target year of fiscal 2010 (ending March 31, 2011), the Group is concentrating on the basic policies of “strengthening the business base for sustained growth” and “implementing corporate activities that emphasize compliance.” To implement these policies effectively, the Group is emphasizing selectivity and concentration in the allocation of its management resources, working to establish a business base from a global perspective, and improving cash flow.

During the quarter under review, compared with the same quarter of the previous fiscal year, new orders received in the Precision Machinery (PM) Group declined, because of the impact of lackluster market conditions, but orders in the Fluid Machinery & Systems (FMS) Group, principally from the oil and gas sector, continued to hold firm. Net sales of the FMS Group remained at a high level, supported by a substantial backlog of orders, but, on an overall basis, this was not sufficient to offset the decline in sales of the PM Group. Although sales of the PM Group declined, operating income overall improved along with increases in the operating profit of the FMS Group and the Environmental Engineering (EE) Group.

As a result, consolidated net sales for the second quarter declined 6.6% compared with the same period of the previous year, to ¥124,859 million; operating income amounted to ¥2,592 million (an improvement of ¥6,149 million from the same quarter of the previous fiscal year); ordinary income was ¥2,796 million (an improvement of ¥7,466 million from a year earlier); and net income amounted to ¥606 million (representing a large improvement of ¥23,117 million).

Please note that, because of the nature of its business operations, the Group’s sales are seasonal and tend to be concentrated prior to the closing of accounts at the end of the fiscal year, when a relatively high percentage of construction is completed.

## (2) Business segment information

Results by business segment were as follows.

### Fluid Machinery & Systems (FMS)

In the FMS Group, the pace of overseas orders from the oil and gas industry has slowed somewhat from the peak period of investments in that sector, but investments in infrastructure, including desalination facilities, and the electric power industry, are continuing to be firm. Conditions in overseas markets as a whole are becoming less transparent along with the deceleration in the world economy; however, to tap latent demand, the Group is substantially stepping up its activities to achieve integrated operations of its sales, production, and distribution activities around the world, including Japan. In Japan, even though the adverse effects of the revision in building codes in the prior year have largely run their course, conditions in the construction and building equipment industries remain severe. In addition, capital investments in many industries, including steel, are on a declining trend because of the impact of the increase in prices of crude oil and raw materials. The FMS Group is, therefore, focusing on substantially strengthening its initiatives to expand its after-sales operating and maintenance services business and its marketing activities targeted at developing business with overseas customers.

Sales for the second quarter (three months) rose 5.6% over the same period of the previous fiscal year, to ¥76,374 million. Operating income amounted to ¥4,369 million for the quarter, an improvement of ¥5,477 million over the same quarter a year earlier, because of increased margins on export projects and improvement in the profitability of overseas subsidiaries.

### Environmental Engineering (EE)

In the EE Group, where the core business is meeting demand in the public works market, there is a general recognition that the downtrend in prices has begun to bottom out, but competitive conditions continue to be severe. Amid these conditions, this Group is working to attain the top-priority goal of the Group's "E-Plan2010" medium-term management plan, which is restructuring the earnings base through continued reductions in fixed costs and other business reforms. In addition, the EE Group is focusing its resources on its core businesses of water processing and waste processing and moving forward with measures to unify the management of its engineering, procurement, and construction (EPC) business as well as its operating and maintenance (O&M) services business, while working to strengthen its initiatives in the after-sales services business, which is expected to undergo expansion in the years ahead. The EE Group is working to gain an accurate grasp of customers' needs and offer products and services that earn a high level of customer satisfaction by drawing on its strengths, which include its nationwide service network and the sophisticated technological capabilities of its EPC business.

In the second quarter (three months), sales of the EE Group declined 3.4%, to ¥26,541 million, and the operating loss decreased ¥4,740 million, to ¥2,178 million, as the Group made further reductions in staff, cut R&D expenses and other fixed costs, and made further cuts in additional costs.

## Precision Machinery (PM)

In the PM Group, orders and sales experienced weak performance as a result of the slump in semiconductor prices, especially in prices of DRAMs, that began in the latter half of the previous fiscal year and that shows signs of continuing for some time. On the other hand, customers on the cutting edge of developments in the semiconductor industry are proceeding with R&D investments aimed at further miniaturization, with the objective of achieving higher productivity. In addition, steady progress is being made in activities to evaluate the capabilities of chemical mechanical polishing (CMP) equipment in the copper interconnection processes. Moreover, along with the growing concern regarding the prevention of global warming, customers have begun to adopt the PM Group's F-type fixed emission processors for their mass-production operations. These processors remove and render harmless perfluorinated carbon (PFC) gas, which is a greenhouse gas that places a heavy emissions load on the natural environment.

For the second quarter (three months), sales of the PM Group were down 35.3% from the same quarter a year earlier, to ¥21,943 million, and operating income declined 90.2%, to ¥432 million.

For further information on the Group's consolidated results of operations in the first quarter (April 1 to June 30, 2008) of the fiscal year that will end on March 31, 2009, please refer to "Results of Operations for the First Quarter Ended June 30, 2008 (Consolidated)," which was released on August 11, 2008, and is available on the Group website ([www.ebara.co.jp](http://www.ebara.co.jp)).

## 2. Qualitative information on consolidated financial position

### (1) Financial position

At the end of the second quarter, the Group's total assets amounted to ¥548,832 million, ¥58,174 million lower than at the end of the same quarter of the previous fiscal year. Principal changes in asset items included a decline in trade receivables of ¥65,070 million and an increase in inventories of ¥14,925 million.

Total liabilities at the end of the second quarter, were ¥401,318 million, ¥50,425 million lower than at the end of the same quarter a year earlier. Principal changes in liability items included a decline of ¥37,863 million in trade payables and a reduction of ¥12,808 million in interest-bearing debt.

Net assets at the end of the second quarter amounted to ¥147,514 million, representing a decline of ¥7,749 million from the end of the second quarter a year earlier. Principal changes affecting net asset items were cash dividend payments of ¥3,168 million, a net loss for the quarter of ¥2,661 million, and a decline in translation adjustments (including foreign exchange effects) of ¥2,052 million.

The principal factor resulting in the previously mentioned changes in consolidated financial position was the seasonal nature of the Group's business activities, which leads to a concentration of sales in the fourth quarter of the fiscal year.

## 3. Qualitative information on forecast of results for the year ending March 31, 2009

Regarding the forecast of results for the year ending March 2009, in consideration of market trends after last announcement dated August 11, 2008, Net sales, Operating income, Ordinary income and Net income have been revised as follows.

Forecast of consolidated results by segment for the year ending March 31, 2009

% represents percentage change from a comparable previous period

	FY2009 (Forecast)	
	Millions of yen	
Net Sales	550,000	(3.0%)
Operating income	4,000	(33.5%)
Ordinary income	500	(81.9%)
Net income	0	(100.0%)

The outlook for sales and operating income by business segment for the year ending March 31, 2009 is as follows.

% represents composition

	Net Sales		Operating income	
	Millions of yen		Millions of yen	
Fluid Machinery & Systems	330,000	60.0%	11,500	-%
Environmental Engineering	150,000	27.3%	(8,000)	-%
Precision Machinery	70,000	12.7%	500	-%
Total	550,000	100%	4,000	-%

Factors that may have an influence on the Group's actual performance include those listed below; however, such factors are not limited to those on this list.

- 1.Impact of changes in market conditions
- 2.Effects of overseas business operations (including country risk and exchange rate fluctuations)
- 3.Effects, such as additional costs incurred, liabilities for completion delays, etc., of large-scale projects (including the InfraServe project in Germany)
- 4.Increases in interest rate payments owing to fluctuations in interest rates
- 5.Effects of changes in prices of raw materials
- 6.Changes in possibility of recovery of deferred tax assets
- 7.Effects of government administrative actions
- 8.Effects of passage of new laws, revisions in existing laws, and related developments
- 9.Impact of natural disasters and damage to the social infrastructure

4. Others

(1) Changes in significant subsidiaries: Not applicable

(2) Adoption of simplified accounting methods and specified accounting methods for the preparation of quarterly consolidated financial statements: Applicable

(i) Simplified accounting methods

(Method for calculating income taxes and deferred tax assets and liabilities)

In calculating corporate income tax, etc., to be paid, the Group employs a simplified method that limits the items to be added and subtracted, and items to be deducted from the tax amount, to material items.

In calculating tax expenses for accumulated consolidated results through the second quarter, the Group has applied tax effect accounting using the simplified method, and corporate income taxes, inhabitants' taxes, and enterprise taxes as well as adjustments to corporate income taxes under the single item "Income taxes".

In judging the possibility of recovering deferred tax assets, since it was determined that there had been no major changes in the operating environment or major temporary differences following the close of the previous fiscal year, the future business forecasts and tax planning documents that were used for making such judgments related to the previous fiscal year were used for making such judgments for the quarter under review.

(ii) Specified accounting methods for the preparation of quarterly consolidated financial statements

Use of special accounting treatment was not material.

(3) Changes in accounting policies and presentation:

(Change in accounting standards applied)

Beginning with the current fiscal year, the “Accounting Standards for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12 and the “Implementation Guidance for the Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements have been prepared following the “Rules for Quarterly Consolidated Financial Statements.”

(Change in the scope of consolidation)

The number of consolidated subsidiaries decreased by one company, to 54, as a result of the merger, on April 1, 2008, of Aqua Chemical Co., Ltd., which was a consolidated subsidiary at the end of the previous fiscal year, with Ebara Engineering Service Co., Ltd. (a consolidated subsidiary), with Ebara Engineering Service as the surviving company.

(Application of “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”)

Beginning with the first quarter of the current fiscal year, the Group has applied “Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force No. 18, issued by ASBJ on May 17, 2006). As a result of application of these solutions, the effect on the operating loss, ordinary loss, net loss before income taxes was not material. Please note that the effect of the application of these solutions by segment is presented in the segment information section.

(Change in method for recognition of sales)

Sales of chemical mechanical polishing (CMP) equipment and plating equipment in the PM Group were formerly recognized at the time of shipment but, beginning with the first quarter of the current fiscal year, are now accounted for when the installation of such equipment is completed. This change was implemented (1) because of the trend toward the lengthening of the period between shipment of such equipment and the completion of installation and (2) because it has become possible to obtain data on the time of completion of installation as a result of the review of the related business processes. This change results in reporting that is more in line with the realities of the sales process. As a consequence, for accumulated consolidated results through the second quarter, sales of the PM Group were ¥2,486 million lower and the operating loss, ordinary loss, and loss before income taxes were each ¥1,010 million larger than under the previous method for the recognition of sales. Please note that the effect of this accounting change by segment is presented in the segment information section.

(Change in method for estimating the useful lives of tangible fixed assets)

Accompanying the revision of Japan’s Corporation Tax Law, the Group have reviewed the conditions of use of their assets, and, beginning with the first quarter of the current fiscal year, has changed the useful lives of certain of its tangible fixed assets. As a result, for accumulated consolidated results through the second quarter, the operating loss, ordinary loss, and loss before income taxes were each ¥222 million larger than under the previous method of accounting for depreciation. Please note that the effect of the application of these accounting changes by segment is presented in the segment information section.

(Accrued severance and pension costs)

Accompanying the implementation of the Defined Contribution Pension Plan Law, in August 2008, the Group transferred a portion of its lump-sum severance payment plan to its defined contribution pension plan and applied “Accounting Standards for Transition among Severance Payment Plans” (Application Guidelines for Corporate Accounting Standards, No. 1).

As a result of this transfer, the Group reported extraordinary income of ¥653 million in its accumulated consolidated results through the second quarter for the current fiscal year.

## 5. Consolidated financial statements

### (1) Consolidated Balance Sheets

	September 30, 2008	March 31, 2008
	Millions of yen	Millions of yen
<b>Assets</b>		
Current assets		
Cash and time deposits	67,847	70,252
Trade receivables	150,720	215,790
Securities	10,833	18,907
Finished goods	12,316	13,639
Work in process	56,645	41,792
Raw materials	27,140	25,745
Others	45,053	31,443
Allowance for doubtful receivables	(975)	(636)
Total current assets	369,583	416,935
Fixed assets		
Tangible fixed assets		
Buildings	29,654	30,238
Machinery and equipment	34,030	36,922
Others	29,904	35,706
Total tangible assets	93,589	102,867
Intangible assets	11,419	10,691
Investments and long-term receivables		
Investment securities	26,749	27,425
Others	59,322	60,890
Allowance for doubtful receivables	(11,727)	(11,692)
Reserve for revaluation of investments	(103)	(111)
Total investments and long-term receivables	74,240	76,512
Total fixed assets	179,249	190,071
Total assets	548,832	607,006
<b>Liabilities</b>		
Current liabilities		
Trade payables	112,899	150,763
Short-term bank loans	73,104	66,883
Current portion of bonds	20	10,200
Bonus payment reserve	7,405	7,357
Directors' bonus payment reserve	80	153
Reserve for losses on construction completion guarantees	6,180	4,674
Reserve for construction losses	18,999	17,129
Reserve for losses arising from violation of the Antimonopoly Act	601	962
Reserve for legal expenses	172	200
Reserve for expenses related to the sale of land	2,706	2,774
Others	49,820	48,961
Total current liabilities	271,991	310,060

	September 30, 2008	March 31, 2008
	Millions of yen	Millions of yen
Long-term liabilities		
Bonds	20,000	20,000
Bonds with stock acquisition rights	40,000	40,000
Long-term bank loans	38,525	47,375
Accrued severance and pension costs	23,520	27,495
Directors' retirement allowance reserve	605	583
Reserve for expenses related to the sale of land	2,800	2,800
Reserve for losses on contingent liabilities	14	10
Others	3,859	3,418
Total long-term liabilities	129,326	141,682
Total liabilities	401,318	451,743
Net assets		
Shareholders' equity		
Common stock	61,284	61,284
Capital surplus	65,212	65,212
Retained earnings	18,423	24,256
Treasury stock, at cost	(143)	(134)
Total shareholder' equity	144,776	150,618
Net unrealized gain		
Net unrealized gain on investment securities	2,985	2,917
Profit/Loss deferral hedge accounting	5	6
Translation adjustments	(4,351)	(2,298)
Total net unrealized gain	(1,360)	625
Minority interests in consolidated subsidiaries	4,097	4,020
Total Net assets	147,514	155,263
Total liabilities and net assets	548,832	607,006

(2) Consolidated statements of income (2nd quarter accumulation of FY2009)

	From April 1, 2008 to September 30, 2008
	Millions of yen
Net sales	222,877
Cost of sales	183,261
Gross profit	39,616
Selling, general and administrative expenses	43,195
Operating loss	(3,579)
Non-operating income	
Interest income	434
Dividend income	394
Profit in equity method	13
Others	767
Total of non-operating income	1,610
Non-operating expenses	
Interest expenses	1,715
Foreign exchange loss	97
Others	521
Total of non-operating expenses	2,334
Ordinary loss	(4,302)
Extraordinary income	
Gain on sales of fixed assets	319
Gain on reversal of special retirement benefit paid	806
Gain on transfer among severance payment plans	653
Others	113
Total of extraordinary income	1,892
Extraordinary expenses	
Loss on disposal of fixed assets	423
Write-down of securities and other investments	1,770
Loss on liquidation of subsidiaries and affiliates	296
Others	73
Total of extraordinary expenses	2,564
Loss before income taxes	(4,974)
Income taxes	(1,707)
Minority interests in consolidated subsidiaries	(606)
Net loss	(2,661)

(3) Consolidated statements of income (2nd quarter of FY2009)

	From July 1, 2008 to September 30, 2008
	Millions of yen
Net sales	124,859
Cost of sales	100,042
Gross profit	24,817
Selling, general and administrative expenses	22,224
Operating income	2,592
Non-operating income	
Interest income	235
Dividend income	270
Foreign exchange income	696
Income equity method	32
Others	312
Total of non-operating income	1,547
Non-operating expenses	
Interest expenses	896
Others	447
Total of non-operating expenses	1,343
Ordinary income	2,796
Extraordinary income	
Gain on sales of fixed assets	31
Gain on transfer among severance payment plans	653
Others	85
Total of extraordinary income	769
Extraordinary expenses	
Loss on disposal of fixed assets	250
Write-down of securities and other investments	1,560
Loss on liquidation of subsidiaries and affiliates	261
Others	33
Total of extraordinary expenses	2,106
Income before income taxes	1,459
Income taxes	1,239
Minority interests in consolidated subsidiaries	(386)
Net income	606

(4) Consolidated statements of cash flows

	From April 1, 2008 to September 30, 2008
	Millions of yen
Cash flows from operating activities	
Income (loss) before income taxes	(4,974)
Depreciation and amortization	7,621
Increase (decrease) in allowances	(655)
Gain on sales of fixed assets	(286)
Interest and dividend income	(828)
Interest expenses	1,715
Decrease (increase) in trade receivables	64,302
Decrease (increase) in inventories	(15,053)
Increase (decrease) in trade payables	(36,825)
Others	6,276
Sub-total	21,291
Interest and dividend received	890
Interest expenses paid	(1,844)
Income taxes paid	(6,161)
Net cash provided by (used in) operating activities	14,176
Cash flows from investing activities	
Sales of fixed assets	6,694
Purchase of fixed assets	(13,650)
Purchase of investment securities	(1,170)
Sales (purchase) of other investments, net	(112)
Sales of securities and investment securities	9,146
Withdrawal of time deposits	1,100
Collection of loans receivable	2,074
Disbursement of loans receivable	(3,271)
Net cash provided by (used in) investing activities	810
Cash flows from financing activities	
Redemption of bonds	(10,180)
Proceeds from short-term banks loans and commercial paper	14,971
Repayment of short-term bank loan and commercial paper	(16,763)
Repayment of long-term bank loans	(196)
Capital paid in from minority shareholders	1,172
Purchase and sales of treasury stock	(7)
Dividends paid	(3,168)
Dividends paid to minority Shareholders in consolidated subsidiaries	(449)
Net cash provided by (used in) financing activities	(14,620)
Translation adjustments	(846)
Increase (decrease) in cash and cash equivalents	(479)
Cash and cash equivalents at the beginning of period:	69,160
Cash and cash equivalents at the end of period	68,681

Beginning with the current fiscal year, the “Accounting Standards for Quarterly Financial Reporting” (Accounting Standards Board of Japan (ASBJ) Statement No. 12 and the “Implementation Guidance for the Accounting Standards for Quarterly Financial Statements” (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements have been prepared following the “Rules for Quarterly Consolidated Financial Statements.”

(5) Note for the assumption of going concern

There is no applicable information.

(6) Segment information

【Business segment information】

From July1, 2008 to September 30, 2008

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	76,374	26,541	21,943	124,859	—	124,859
(2) Intersegment sales and transfer	310	1,122	3	1,435	(1,435)	—
Total	76,684	27,663	21,946	126,295	(1,435)	124,859
Operating income (loss)	4,369	(2,178)	432	2,623	(31)	2,592

From April 1, 2008 to September 30, 2008

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	139,399	47,794	35,684	222,877	—	222,877
(2) Intersegment sales and transfer	476	2,406	10	2,893	(2,893)	—
Total	139,875	50,200	35,695	225,770	(2,893)	222,877
Operating income (loss)	6,429	(10,604)	556	(3,618)	39	(3,579)

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

- 2 Beginning with the first quarter of the current fiscal year, the Group has applied “Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (Practical Issues Task Force No. 18, issued by ASBJ on May 17, 2006). As a result, the effect was not material.
- 3 Sales of chemical mechanical polishing (CMP) equipment and plating equipment in the PM Group were formerly recognized at the time of shipment but, beginning with the quarter under review, are now accounted for when the installation of such equipment is completed. This change was implemented (1) because of the trend toward the lengthening of the period between shipment of such equipment and the completion of installation and (2) because it has become possible to obtain data on the time of completion of installation as a result of the review of the related business processes. This change results in reporting that is more in line with the realities of the sales process. As a consequence, for accumulated consolidated results through the second quarter, sales of the PM Group were ¥2,486 million lower and the operating income of the PM Group were ¥1,010 million lower than under the previous method for the recognition of sales.

4 Accompanying the revision of Japan's Corporation Tax Law, the Group have reviewed the conditions of use of their assets, and, beginning with the first quarter of the current fiscal year, has changed the useful lives of certain of its tangible fixed assets. As a result, for accumulated consolidated results through the second quarter, operating income of the FMS group was ¥21 million less than, the PM group was ¥182 million less than, operating loss of the EE group was ¥18 million larger than the previous method of calculation.

**【Geographical segment information】**

From July1, 2008 to September 30, 2008

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	92,084	19,480	13,294	124,859	—	124,859
(2) Intersegment sales and transfer	3,964	1,115	1,540	6,620	(6,620)	—
Total	96,049	20,595	14,834	131,479	(6,620)	124,859
Operating income (loss)	(102)	2,066	1,649	3,614	(1,021)	2,592

From April 1, 2008 to September 30, 2008

(Millions of yen)

	Japan	North America	Other	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	166,436	33,475	22,965	222,877	—	222,877
(2) Intersegment sales and transfer	6,326	2,454	2,862	11,643	(11,643)	—
Total	172,763	35,930	25,827	234,521	(11,643)	222,877
Operating income (loss)	(10,369)	3,414	2,653	(4,302)	723	(3,579)

- Notes:
- 1 Countries and areas are classified according to the geographical proximity.
  - 2 Countries and areas included in the above classification are as follows:
    - (1) North America: USA
    - (2) Other areas: Italy, Germany, China, Philippines, Taiwan, Singapore, Brazil, Korea and Malaysia
  - 3 Beginning with the first quarter of the current fiscal year, the Group has applied "Practical Solution for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (Practical Issues Task Force No. 18, issued by ASBJ on May 17, 2006). As a result, the effect was not material.
  - 4 Sales of chemical mechanical polishing (CMP) equipment and plating equipment in the PM Group were formerly recognized at the time of shipment but, beginning with the quarter under review, are now accounted for when the installation of such equipment is completed. This change was implemented (1) because of the trend toward the lengthening of the period between shipment of such equipment and the completion of installation and (2) because it has become possible to obtain data on the time of completion of installation as a result of the review of the related business processes. This change results in reporting that is more in line with the realities of the sales process. As a consequence, for accumulated consolidated results through the second quarter, sales in Japan were ¥2,486 million lower and the operating loss in Japan was ¥1,010 million larger than under the previous method for the recognition of sales.
  - 5 Accompanying the revision of Japan's Corporation Tax Law, the Group have reviewed the conditions of use of their assets, and, beginning with the first quarter of the current fiscal year, has changed the useful lives of certain of its tangible fixed assets. As a result, for accumulated consolidated results through the second quarter, operating loss in Japan was ¥222 million larger than the previous method of calculation.

【Overseas sales】

From July, 2008 to September 30, 2008

(Millions of yen)

	Asia	North America	Europe	Other areas	Total
I Overseas sales	21,071	10,919	12,528	11,868	56,388
II Consolidated net sales					124,859
III Percentage of overseas sales to net sales (%)	16.9	8.7	10.0	9.5	45.2

From April, 2008 to September 30, 2008

(Millions of yen)

	Asia	North America	Europe	Other areas	Total
I Overseas sales	35,729	19,912	24,591	20,702	100,935
II Consolidated net sales					222,877
III Percentage of overseas sales to net sales (%)	16.0	8.9	11.0	9.3	45.3

Notes: 1 Countries and areas are classified according to the geographical proximity.

2 Countries and areas included in the above classification are as follows:

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

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

(6) Note for significant changes in the amount of shareholders' equity

There is no applicable information.

(Reference)

Consolidated financial statements for the 2<sup>nd</sup> quarter (accumulated) of the previous fiscal year

Consolidated statements of income

	From April 1, 2007 to September 30, 2007
	Millions of yen
Net sales	236,990
Cost of sales	199,021
Gross profit	37,969
Selling, general and administrative expenses	45,149
Operating loss	(7,179)
Non-operating income	
Interest income	282
Dividend income	540
Insurance income	78
Foreign exchange gain	192
Profit on equity method	22
Others	942
Non-operating expenses	
Interest expenses	1,964
Loss on allowance for doubtful receivable	837
Others	584
Ordinary loss	(8,508)
Extraordinary income	
Gain on sales of fixed assets	86
Gain on sales of investment securities	1,611
Gain on reversal of reserve for revaluation of investments	149
Gain on reversal of reserve for losses on contingent liabilities	61
Profit from recovery of bad debts	96
Extraordinary expenses	
Loss on sales of fixed assets	14
Loss on disposal of fixed assets	601
Loss on liquidation of subsidiaries and affiliates	1,520
Loss on sales of investment securities	14
Write-down of securities and other investments	581
Impairment losses	66
Reserve for losses arising from violation of the Antimonopoly Act	256
Loss on completion guarantees for specific projects	5,278
Losses on suspension of specific projects	10,025
Provision to the reserve for losses on specific construction work	13,658
Loss before income taxes	(38,521)
Income taxes	(13,318)
Minority interests in consolidated subsidiaries	(626)
Net loss	(24,576)

Consolidated statements of cash flows

	From April 1, 2007 to September 30, 2007
	Millions of yen
<b>Cash flows from operating activities</b>	
Income (loss) before income taxes	(38,521)
Depreciation and amortization	7,464
Impairment losses	66
Gain (loss) on sales of securities	(1,596)
Increase (decrease) in allowance	21,182
Loss (gain) on sales of fixed assets	(71)
Other noncash expenses	2,844
Interest and dividend income	(823)
Interest expenses	1,964
Decrease (increase) in trade receivables	46,961
Decrease (increase) in inventories	(26,429)
Increase (decrease) in trade payables	(33,067)
Others	9,840
Sub-total	(10,183)
Interest and dividend received	1,030
Interest expenses paid	(1,898)
Loss on violation of Antimonopoly Act and Legal expenses paid	(482)
Income taxes paid	(2,543)
Net cash provided by (used in) operating activities	(14,076)
<b>Cash flows from investing activities</b>	
Sales of fixed assets	77
Purchase of fixed assets	(8,160)
Sales of investment securities	4,655
Purchase of investment securities	(366)
Sales (purchase) of other investments, net	432
Collection of loans receivable	1,894
Disbursement of loans receivable	(1,762)
Sale of stock in subsidiaries with a change of basis of consolidation	900
Net cash provided by (used in) investing activities	(2,329)
<b>Cash flows from financing activities</b>	
Redemption of bonds	(50)
Proceeds from short-term bank loans and commercial paper	62,643
Repayment of short-term bank loans and commercial paper	(65,495)
Proceeds from long-term bank loans	15,067
Repayment of long-term bank loans	(295)
Capital paid in from minority shareholders	1,007
Purchase and sales of treasury stock	(34)
Dividends paid	(3,169)
Dividends paid to minority Shareholders in consolidated subsidiaries	(248)
Net cash provided by (used in) financing activities	9,425
Translation adjustments	1,270
Increase (decrease) in cash and cash equivalents	(5,709)
Cash and cash equivalents at the beginning of period:	66,086
Net effect of deconsolidation and consolidation of subsidiaries	174
Cash and cash equivalents at the end of period	60,551

Segment information

【Business segment information】

From April 1, 2007 to September 30, 2007

(Millions of yen)

	Fluid Machinery & Systems	Environmental Engineering	Precision Machinery	Total	Elimination and corporate	Consolidated
Sales						
(1) Sales to third parties	131,030	44,978	60,981	236,990	—	236,990
(2) Intersegment sales and transfer	705	2,773	155	3,635	(3,635)	—
Total	131,736	47,752	61,137	240,625	(3,635)	236,990
Operating costs and expenses	133,657	59,891	54,164	247,713	(3,543)	244,170
Operating income (loss)	(1,920)	(12,139)	6,972	(7,088)	(91)	(7,179)

【Geographical segment information】

From April 1, 2007 to September 30, 2007

(Millions of yen)

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

【Overseas sales】

From April 1, 2007 to September 30, 2007

(Millions of yen)

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

## Order received and sales

### (1) Order received

(Millions of yen)

Business segment	From April 1, 2007 to September 30, 2007	From April 1, 2008 to September 30, 2008	From April 1, 2007 to March 31, 2008
Fluid Machinery & Systems	169,157	158,216	347,665
Environmental Engineering	70,624	72,633	151,117
Precision Machinery	59,372	23,843	99,160
Total	299,154	254,694	597,943

### (2) Sales

(Millions of yen)

Business segment	From April 1, 2007 to September 30, 2007	From April 1, 2008 to September 30, 2008	From April 1, 2007 to March 31, 2008
Fluid Machinery & Systems	131,030	139,399	318,449
Environmental Engineering	44,978	47,794	141,445
Precision Machinery	60,981	35,684	107,295
Total	236,990	222,877	567,190

### (3) Backlog of order received

(Millions of yen)

Business segment	September 30, 2007	September 30, 2008	March 31, 2008
Fluid Machinery & Systems	219,199	225,188	209,051
Environmental Engineering	146,081	156,428	130,903
Precision Machinery	39,965	20,473	32,857
Total	405,246	402,090	372,812

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