

EBARA CORPORATION Third Quarter of FY2020

Earnings Conference (Teleconference) Main Q&A

Summary of Q&A during earnings conference held on November 12, 2020

Overall: Financial Results Overview of 3Q FY2020

Q: What were the reasons for the increase of gross margin in July to September?

A: Profitability enhancement initiatives gradually started to show their effects in Pumps, Compressors and Turbines (CT) and Chiller Business segments, and also the composition ratio of high-margin Precision Machinery (PM) Business rose.

Q: Is October-to-December performance expected to exceed year-on-year, also?

A: No. Gross margin rose in October to December last year because of the significant S&S sales increase in CT Business. S&S sales have normalized this year and we do not expect a significant hike in October to December, as happened last year.

Fluid Machinery & Systems (FMS) Business: Financial Results Overview of 3Q FY2020

Q: Page 7 of the conference material shows cryogenic pump sales increase. How much was it? Did it start to increase from the beginning of the year, or did it increase in July to September?

A: It was several billion yen as of the end of 3Q. It trended to increase from the beginning of the year.

Q: Do you expect capital investment in the LNG market to continue to expand over the next few years?

A: Capital investment is expected to remain brisk for some time, including next year. To prepare for this, we are constructing a test stand for cryogenic pumps in the U.S.

Q: Is the increasing demand of LNG the reason behind the growing capital investment in the LNG market, which has been talked about in the past? Or have there been any recent changes?

A: Yes, as you mention, increased demand is behind growing capital investment. There have been no recent changes.

PM Business: Financial Results Overview of 3Q FY2020

Q: What is the reason for decline of orders in July to September?

A: There was a temporary decrease due to the timing of various projects. The situation in July to September is not a general trend.

Q: Page 9 of the conference material says "capital investment in semiconductor market was postponed in part." Semiconductor production equipment market appeared negative in July to September but were there any major changes since 2Q?

A: There have been no major changes. There has been some shifting between projects, such as some postponed projects resuming and some other projects being postponed.

Q: Are current orders impacted by US-China trade friction?

A: Both orders and sales are being affected to some extent.

FMS: Forecast for FY2020

Q: Operating income in the pumps business was revised upward by 0.5 billion yen, but sales were not. Looking at the performances up to 3Q, I think the mix is worsening because standard pumps sales are decreasing and custom pumps are increasing. What is causing the increase in profits?

A: Upward revision was made because profitability has been improving due to improved productivity in custom pumps business and increased sales of a high-margin Chinese subsidiary.

Q: In CT Business, sales forecast for the current year has been revised upward by 6.0 billion yen, but its operating income forecast was revised by only 0.8 billion yen. What is the assumption?

A: As of the end of 3Q, CT business sales decreased and profits increased. However, product sales continue to grow, and this is the reason for the upward sales revision. On the other hand, S&S sales are expected to decrease, worsening profitability, and this is the reason why the revision of operating income was limited to 0.8 billion yen.

Q: In CT Business, orders in July to September were also lower than the same period last year. If this situation continues, do you expect profit to be less in the next year?

A: We expect sales to be adversely affected in the next year.

Q: Please tell us about the current status and outlook for the next year for the standard pumps business and the custom pumps business.

A: In standard pumps business, orders are gradually recovering both domestically and abroad. Orders started to increase in Europe and other areas, following China, and there are signs of gradual recovery in the domestic market, where recovery has lagged the most. We expect a considerable recovery in the next year at this point.

Orders in custom pumps business are currently sluggish. Geographically, orders are growing in China, but it is quite tough in other areas.

Q: In the next fiscal year, CT business sales are expected to decline, whereas orders and sales for standard pumps are expected to recover. What is your view regarding FMS Business in general?

A: Currently, profit is expected to recover, setting aside sales.

PM: Forecast for FY2020

Q: CMP orders in July to September were sluggish at 9.2 billion yen, but there is no change in the plans for orders, and October-to-December forecast is 30.0 billion yen or more. Is there any risk? Semiconductor-related capital investment appears to be slow across the industry, but what is your view for 4Q and next year?

A: Demand for semiconductors is solid, and it is forecasted that next year orders should exceed this year, and outlook for October-to-December orders is also quite strong. Inquiries are increasing recently, as well.

End