

CONSOLIDATED FINANCIAL RESULTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019
[Japanese GAAP]

February 12, 2020

Company name: EBARA CORPORATION
 Stock exchange listings: Tokyo
 Code number: 6361
 URL: <http://www.ebara.com/en/>
 Representative: Masao Asami, President
 Contact person: Akihiko Nagamine, Executive Officer, Finance & Accounting Division
 Tel. +81-3-3743-6111

Scheduled date of General Meeting of Shareholders: March 27, 2020
 Scheduled date for dividend payment: March 30, 2020
 Scheduled date of submission of annual securities report: March 30, 2020

Preparing supplementary material on financial results: Yes
 Holding financial results presentation meeting: Yes (for institutional investors and analysts)

(Monetary amounts are rounded down to the nearest million yen)

1. Consolidated Results for the Fiscal Year Ended December 31, 2019

(1) Consolidated Financial Results

(% represents percentage change from a comparable previous fiscal year)

Millions of yen

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | |
|-------------------------------------|-----------|------|------------------|------|-----------------|-------|---|-------|
| | | % | | % | | % | | % |
| Fiscal Year Ended December 31, 2019 | 522,424 | 2.6% | 35,298 | 8.7% | 35,571 | 13.7% | 23,349 | 27.9% |
| Fiscal Year Ended December 31, 2018 | 509,175 | —% | 32,482 | —% | 31,281 | —% | 18,262 | —% |

Note: Comprehensive Income: Fiscal year ended December 31, 2019; 25,043 million yen 100.5%
 Fiscal year ended December 31, 2018; 12,493 million yen —%

| | Net Income per Share (Yen) | Net Income per Share, Diluted (Yen) | Return on Equity (%) | Ordinary Income on Total Assets Ratio (%) | Operating Income on Sales Ratio (%) |
|-------------------------------------|----------------------------|-------------------------------------|----------------------|---|-------------------------------------|
| Fiscal Year Ended December 31, 2019 | 241.79 | 240.57 | 8.3 | 6.0 | 6.8 |
| Fiscal Year Ended December 31, 2018 | 179.94 | 178.99 | 6.6 | 5.2 | 6.4 |

Note1: Equity in Earnings of Affiliates: Fiscal year ended December 31, 2019; 749 million yen
 Fiscal year ended December 31, 2018; 565 million yen

Note2: Change from a comparable previous fiscal year (%) for the fiscal year ended December 31, 2018 (“—” as shown in the above table): Ebara Corporation (“the Company”) has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2017. Due to this change, the period of the fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018) is different from the previous fiscal year (from April 1, 2017 to December 31, 2017) for the comparison. Therefore, the change from a comparable previous fiscal year (%) for the fiscal year ended December 31, 2018 is not displayed.

Note3: “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Relevant figures for the previous fiscal year are presented following retroactive application of this accounting standard.

(2) Consolidated Financial Position

Millions of yen

| | Total Assets | Net Assets | Equity Ratio (%) | Net Assets per Share (Yen) |
|-------------------------|--------------|------------|------------------|----------------------------|
| As of December 31, 2019 | 595,239 | 291,827 | 47.7 | 2,981.91 |
| As of December 31, 2018 | 591,582 | 286,778 | 47.3 | 2,795.72 |

Note1: Shareholders' Equity (Net assets excluding subscription rights to shares and non-controlling interests):

As of December 31, 2019; 283,651 million yen

As of December 31, 2018; 279,640 million yen

Note2: "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Relevant figures for the previous fiscal year are presented following retroactive application of this accounting standard.

(3) Consolidated Cash Flows

Millions of yen

| | Cash Flows from Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Cash and Cash Equivalents at End of Year |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal Year Ended December 31, 2019 | 26,720 | (24,077) | (20,188) | 93,351 |
| Fiscal Year Ended December 31, 2018 | 34,610 | (15,927) | (46,412) | 110,556 |

2. Dividends

| | Dividends per Share (Yen) | | | | | Total Dividend Payment (Millions of Yen) | Payout Ratio (Consolidated) (%) | Dividend to Net Assets (Consolidated) (%) |
|---|---------------------------|-------------------------|-------------------------|----------|--------|--|---------------------------------|---|
| | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | Year-End | Annual | | | |
| Fiscal Year Ended December 31, 2018 | — | 30.00 | — | 30.00 | 60.00 | 6,052 | 33.3 | 2.2 |
| Fiscal Year Ended December 31, 2019 | — | 30.00 | — | 30.00 | 60.00 | 5,730 | 24.8 | 2.1 |
| Fiscal Year Ending December 31, 2020 (Forecast) | — | 30.00 | — | 30.00 | 60.00 | | 35.7 | |

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2020

(% on Six Months represents percentage change from a comparable previous period)

(% on Fiscal Year represents percentage change from the previous fiscal year)

Millions of yen

| | Net Sales | | Operating Income | | Ordinary Income | | Profit Attributable to Owners of Parent | | Net Income per Share (Yen) |
|--------------------------------------|-----------|------|------------------|---------|-----------------|---------|---|---------|----------------------------|
| Six Months Ending June 30, 2020 | 265,000 | 6.8% | 9,500 | (26.8)% | 9,500 | (28.8)% | 5,500 | (31.5)% | 57.82 |
| Fiscal Year Ending December 31, 2020 | 526,000 | 0.7% | 27,000 | (23.5)% | 25,500 | (28.3)% | 16,000 | (31.5)% | 168.20 |

Note: "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) has been adopted early at the beginning of the fiscal year ending December 31, 2020. The forecast above reflects application of the standard.

4. Other Information

- (1) Changes in significant subsidiaries during the fiscal year under review (Changes in specified subsidiaries involving changes in scope of consolidation): None

Included: — (—)

Excluded: — (—)

- (2) Changes in accounting policies, Changes in accounting estimates, and Restatement of prior financial statements after error corrections

(i) Changes due to revisions of accounting standards, etc.: Yes

(ii) Changes other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior financial statements after error corrections: None

- (3) Number of shares outstanding (Common shares)

| | | | | |
|---|-------------------------------------|------------|-------------------------------------|-------------|
| (i) Number of common shares (Including treasury shares) | As of December 31, 2019 | 95,129,853 | As of December 31, 2018 | 101,957,853 |
| (ii) Number of treasury shares | As of December 31, 2019 | 5,784 | As of December 31, 2018 | 1,933,423 |
| (iii) Average number of common shares | Fiscal Year Ended December 31, 2019 | 96,566,820 | Fiscal Year Ended December 31, 2018 | 101,489,247 |

(Reference Information)

1. Non-Consolidated Results for the Fiscal Year Ended December 31, 2019

(1) Financial Results

(% represents percentage change from a comparable previous fiscal year)

Millions of yen

| | Net Sales | | Operating Income | | Ordinary Income | | Net Income | |
|-------------------------------------|-----------|--------|------------------|---------|-----------------|---------|------------|------|
| | | (%) | | (%) | | (%) | | (%) |
| Fiscal Year Ended December 31, 2019 | 220,266 | (6.8)% | 2,037 | (73.6)% | 17,317 | (11.7)% | 15,978 | 9.9% |
| Fiscal Year Ended December 31, 2018 | 236,299 | —% | 7,714 | —% | 19,605 | —% | 14,532 | —% |

| | Net Income per Share (Yen) | Net Income per Share, Diluted (Yen) |
|-------------------------------------|----------------------------|-------------------------------------|
| Fiscal Year Ended December 31, 2019 | 165.46 | 164.62 |
| Fiscal Year Ended December 31, 2018 | 143.19 | 142.44 |

Note: Change from a comparable previous fiscal year (%) for the fiscal year ended December 31, 2018 (“—” as shown in the above table): the Company has changed its fiscal year-end from March 31 to December 31 from the fiscal year ended December 31, 2017. Due to this change, the period of the fiscal year ended December 31, 2018 (from January 1, 2018 to December 31, 2018) is different from the previous fiscal year (from April 1, 2017 to December 31, 2017) for the comparison. Therefore, the change from a comparable previous fiscal year (%) for the fiscal year ended December 31, 2018 is not displayed.

(2) Financial Position

Millions of yen

| | Total Assets | Net Assets | Equity Ratio (%) | Net Assets per Share (Yen) |
|-------------------------|--------------|------------|------------------|----------------------------|
| As of December 31, 2019 | 436,087 | 254,822 | 58.2 | 2,666.94 |
| As of December 31, 2018 | 445,799 | 259,767 | 58.0 | 2,585.52 |

Note: Shareholders' Equity (Net assets excluding subscription rights to shares):

As of December 31, 2019; 253,690 million yen

As of December 31, 2018; 258,614 million yen

This financial result is exempt from auditing by certified public accountants or accounting firms.

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

1. The forecasts of performance and other forward-looking statements contained in this report are based on information that was available to the Company as of the time of the issuance of this report and on certain assumptions about uncertainties that may have an impact on the Group's performance. Actual performance may differ substantially from these forecasts owing to a wide range of factors. For further information on the assumptions made in the preparation of the forecasts of performance, please refer to the section entitled "1. Overview of Management Performance and Others (4) Forecast of Performance" on page 11. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.
2. This report has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated report and the Japanese original, the original shall prevail. Also, the Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Contents

| | |
|--|-------------|
| 1. Overview of Management Performance and Others | P.6 |
| (1) Overview of Management Performance | P.6 |
| (2) Overview of Financial Position | P.9 |
| (3) Overview of Cash Flows | P.10 |
| (4) Forecast of Performance | P.11 |
| (5) Basic Policy for Shareholder Return for the Fiscal Years Ended December 31, 2019 and Ending December 31, 2020 | P.12 |
| 2. Basic Approach to Selection of Accounting Standards | P.13 |
| 3. Consolidated Financial Statements and Significant Notes | P.14 |
| (1) Consolidated Balance Sheets | P.14 |
| (2) Consolidated Statements of Income and Comprehensive Income | P.16 |
| (3) Consolidated Statements of Changes in Net Assets | P.19 |
| (4) Consolidated Statements of Cash Flows | P.21 |
| (5) Notes to Consolidated Financial Statements | P.23 |
| (Note for the Assumption of Going Concern) | P.23 |
| (Changes in Accounting Policies) | P.23 |
| (Changes in Presentation) | P.23 |
| (Segment Information) | P.24 |
| (Per Share Data of Common shares) | P.27 |
| (Significant Subsequent Events) | P.28 |
| 4. Others | P.29 |
| (1) Litigation and Others | P.29 |
| (2) Changes of Directors and Executive Officers | P.30 |
| (3) Segment Information | P.31 |
| (4) Area Information | P.33 |
| (5) Employees | P.34 |

1. Overview of Management Performance and Others

(1) Overview of Management Performance

| | Millions of yen | | | |
|--|--|--|----------|------------------|
| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 | Change | Change Ratio (%) |
| Orders Received | 575,576 | 552,225 | (23,350) | (4.1) |
| Net Sales | 509,175 | 522,424 | 13,249 | 2.6 |
| Operating Income | 32,482 | 35,298 | 2,816 | 8.7 |
| Operating Income on Sales Ratio (%) | 6.4 | 6.8 | — | — |
| Ordinary Income | 31,281 | 35,571 | 4,290 | 13.7 |
| Profit Attributable to Owners of Parent | 18,262 | 23,349 | 5,087 | 27.9 |
| Net Income per Share (Yen) | 179.94 | 241.79 | 61.85 | 34.4 |

During the fiscal year ended December 31, 2019, in the global economy, investment continued at a certain level in the oil and gas market. Although investment in the semiconductor market was stagnant, there were movements of resuming capital investment partly. In Japan, public investment was firm, and private capital investment ran at the same level as in a typical year. Overall, market conditions remained steady.

As a result, orders received were level with last year due to decreases in the Environmental Plants (“EP”) Company and the Precision Machinery (“PM”) Company, despite an increase in the Fluid Machinery & Systems (“FMS”) Company. Sales were level with last year due to increases in the FMS Company and the EP Company despite a decrease in the PM Company. Operating income increased compared to last year due to increases in the FMS Company and the EP Company despite a decrease in the PM Company.






Consolidated net sales for the fiscal year ended December 31, 2019 amounted to ¥522,424 million (an increase of 2.6% year-on-year), operating income amounted to ¥35,298 million (an increase of 8.7% year-on-year), ordinary income amounted to ¥35,571 million (an increase of 13.7% year-on-year), and profit attributable to owners of parent amounted to ¥23,349 million (an increase of 27.9% year-on-year).

Operating Results by Business Segment

Millions of yen

| Segment | Orders Received | | | Net Sales | | | Segment Income | | |
|---------------------------|-------------------------------------|-------------------------------------|------------------|-------------------------------------|-------------------------------------|------------------|-------------------------------------|-------------------------------------|------------------|
| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 | Change Ratio (%) | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 | Change Ratio (%) | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 | Change Ratio (%) |
| Fluid Machinery & Systems | 326,278 | 331,607 | 1.6 | 308,999 | 323,139 | 4.6 | 8,747 | 17,274 | 97.5 |
| Environmental Plants | 106,987 | 91,479 | (14.5) | 62,812 | 69,505 | 10.7 | 4,904 | 7,486 | 52.6 |
| Precision Machinery | 140,654 | 127,611 | (9.3) | 135,709 | 128,255 | (5.5) | 18,567 | 10,371 | (44.1) |
| Segment Total | 573,921 | 550,698 | (4.0) | 507,520 | 520,900 | 2.6 | 32,220 | 35,131 | 9.0 |
| Others | 1,655 | 1,527 | (7.7) | 1,655 | 1,524 | (7.9) | 291 | 145 | (50.1) |
| Adjustment | — | — | — | — | — | — | (29) | 21 | — |
| Total | 575,576 | 552,225 | (4.1) | 509,175 | 522,424 | 2.6 | 32,482 | 35,298 | 8.7 |

Outline of Business Environment and Situation by Business Segment

| Segment | | Business Environment | Business Situation and the Trend of Orders Received (Note1) |
|------------------------------|---|--|--|
| Fluid Machinery & Systems | Pumps | <p>(In the overseas market)</p> <ul style="list-style-type: none"> In the oil and gas market, due to the upward trend in crude oil prices, inquiries have been increasing and the demand is high especially in China. On the other hand, price competition has gradually become intense. Demand for water infrastructure has gradually recovered with increases especially in China and Southeast Asia. In the electric power market, due to the regulation on CO2 emissions, the coal market was lackluster. <p>(In the domestic market (Japan))</p> <ul style="list-style-type: none"> New building construction starts were level with last year. Investment in renovation and maintenance for social infrastructure was smaller than the last year. | <p>(In the overseas market)</p> <ul style="list-style-type: none"> Oil and gas related orders received were smaller than last year. The volume of orders received for the water infrastructure exceeded that of last year. There were a lot of regular inspections of existing power generation facilities, and several after-service projects have been ordered. Therefore, electric power related orders received exceeded that of last year.  <p>(In the domestic market (Japan))</p> <ul style="list-style-type: none"> The volume of orders received for building construction-related equipment was level with last year. The volume of orders received for public sectors exceeded that of last year due to measures for increasing of orders received. |
| | Compressors & Turbines | <ul style="list-style-type: none"> Investment for new products has gradually recovered. Investment has been increasing in China, India, Russia, and the Middle East. Shale gas and ethylene-related investments have also been favorable in the United States. However intense price competition continued with large-scale projects. In the service market, demand remains firm. The LNG market (cryogenic pumps) has gradually recovered. Although price competition is intense, the market is booming in Asia. | <ul style="list-style-type: none"> The volume of orders received for new products was smaller than last year due to fierce price competition and postponement of ordering schedules. Projects for component and field service are firm and the volume of the orders received exceeded that of last year. However, the volume of orders received for remodeling and repair was smaller than last year. Therefore, the volume of orders received in the service field was smaller than last year overall.  |
| | Chillers | <ul style="list-style-type: none"> In Japan, the market was level with last year. Demand for renewal continued to be firm. In China, continued rising material costs has gradually become stable. In the petroleum chemical market, demand was favorable. Whereas, in the market for building construction-related equipment, intense competition continued due to the economic slowdown. | <ul style="list-style-type: none"> In Japan, the volume of orders received was level with last year.  In China, the volume of orders received was smaller than last year. |
| Environmental Plants (Note2) | <ul style="list-style-type: none"> The volume of EPC orders placed by the public sector for waste incineration facilities exceeded that of last year due to delayed orders from last year. The volume of O&M orders placed for existing facilities ran at about the same level as in a typical year. Demand for the construction of power generation facilities with woody biomass fuel and industrial waste incineration facilities continued in private companies. | <ul style="list-style-type: none"> Although several large-scale projects have been ordered, the volume of orders received was smaller than last year when the level was extremely high. (In addition to projects for the private sector, a large-scale DBO and several long-term comprehensive projects in the public sector were ordered last year.) <p>(Overview of major orders received)</p> <ul style="list-style-type: none"> DBO project of waste incineration facilities for the public sector (3 orders)  Industrial waste incineration facilities (1 order) Biomass power generation facilities (1 order) Major improvement project for general waste incineration facilities (2 orders) | |
| Precision Machinery | <ul style="list-style-type: none"> Although capital investment for foundry and image sensor has been recovering, capital investment by memory companies continued to be lackluster. | <ul style="list-style-type: none"> Some semiconductor companies resumed capital investment. However, the volume of orders received was smaller than last year mainly due to a slowdown of the investment by memory companies.  | |

Note1: Arrows indicate a year-on-year increase/decrease in orders received:



in the case of +5% or greater increase



in the case of -5% or greater decrease



in the case of movement within the -5% and +5% range

Note2: EPC.....

O&M

DBO (Design, Build and Operate) ...

The engineering, procurement, and construction for plants

The operation and maintenance for plants

The limited contract for operation and maintenance after construction, in addition to the engineering, procurement, and construction for plants

(2) Overview of Financial Position

i. Assets

Total assets as of December 31, 2019 were ¥595,239 million, ¥3,657 million higher than as of December 31, 2018. Principal changes in asset items included a decrease of ¥16,595 million in cash and deposits, an increase of ¥11,752 million in buildings and structures and an increase of ¥6,107 million in construction in progress. The increases in buildings and structures and construction in progress were mainly due to growth investments such as the addition of domestic factories in the PM Company.

Assets by business segment are ¥313,032 million in the FMS Company (an increase of ¥2,836 million year-on-year), ¥52,418 million in the EP Company (an increase of ¥10,285 million year-on-year), ¥141,909 million in the PM Company (an increase of ¥10,736 million year-on-year) and ¥27,257 million in the Others (an increase of ¥1,758 million year-on-year).

ii. Liabilities

Total liabilities as of December 31, 2019 were ¥303,411 million, ¥1,392 million lower than as of December 31, 2018. Principal changes in liability items included an increase of ¥6,764 million in current liabilities (other items such as accounts payable-facilities), a decrease of ¥3,006 million in electronically recorded obligations, a decrease of ¥2,739 million in notes and accounts payable-trade, and a decrease of ¥2,389 million in long-term loans payable.

iii. Net Assets

Net assets as of December 31, 2019 amounted to ¥291,827 million, ¥5,049 million higher than as of December 31, 2018. Principal changes affecting net asset items were profit attributable to owners of parent of ¥23,349 million, purchase of treasury shares of ¥15,004 million, cash dividends paid of ¥5,877 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥283,651 million, and equity ratio was 47.7%.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Regarding the financial position, figures as of the end of the previous fiscal year have been retroactively adjusted for comparison.

(3) Overview of Cash Flows

Net cash provided by operating activities amounted to a net inflow of ¥26,720 million for the fiscal year ended December 31, 2019, a decrease of ¥7,890 million in a net outflow compared to last year. This is primarily due to the strong performance of the FMS Company.

Net cash used in investing activities amounted to a net outflow of ¥24,077 million for the fiscal year ended December 31, 2019, an increase of ¥8,149 million in a net outflow compared to last year. This primarily reflected growth investments such as the addition of domestic factories in the PM Company.

Free cash flow, the sum of cash flows from operating and investing activities, amounted to a net inflow of ¥2,643 million for the fiscal year ended December 31, 2019, a decrease of ¥16,039 million in a net outflow compared to last year.

Net cash used in financing activities amounted to a net outflow of ¥20,188 million for the fiscal year ended December 31, 2019, ¥26,223 million in a net inflow compared to last year. This primarily reflected net purchase of treasury shares of ¥15,004 million, and cash dividends paid of ¥5,877 million.

As a result, cash and cash equivalents as of December 31, 2019 amounted to ¥93,351 million, ¥17,205 million lower than as of December 31, 2018.

Recent trends in cash flow indicators are as follows:

| | Fiscal Year Ended March 31, 2016 | Fiscal Year Ended March 31, 2017 | Fiscal Year Ended December 31, 2017 (Note4) | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|----------------------------------|----------------------------------|----------------------------------|---|-------------------------------------|-------------------------------------|
| Equity Ratio (%) | 41.6 | 46.1 | 45.3 | 47.3 | 47.7 |
| Equity Ratio at Market Value (%) | 37.7 | 62.7 | 71.2 | 41.8 | 53.1 |
| Years to Repay Debt (Year) | 5.6 | 2.9 | 2.6 | 2.3 | 3.0 |
| Interest Coverage Ratio (Times) | 17.0 | 28.1 | 37.3 | 22.6 | 18.7 |

*Equity Ratio: Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) / Total assets

*Equity Ratio at Market Value: Stock market capitalization / Total assets

*Years to Repay Debt: Interest-bearing debt / Operating cash flow

*Interest Coverage Ratio: Operating cash flow / Interest expenses paid

Notes:

1. All indicators in the table above were computed with consolidated financial data.
2. Stock market capitalization was computed by multiplying the closing stock price at the end of the period by the number of shares outstanding at the end of the period (minus treasury shares).
3. Operating cash flow is "Net cash provided by operating activities" displayed in the Consolidated Statements of Cash Flows. Interest expenses are the amounts displayed in the item "Interest expenses paid" in the Consolidated Statements of Cash Flows.
4. Due to the change of the fiscal year-end, the fiscal year ended December 31, 2017 refers to the nine months from April 1, 2017 to December 31, 2017. Therefore, years to repay debt and interest coverage ratio are calculated based on operating cash flow and interest expenses paid for the nine-month period.
5. Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Equity ratio and equity ratio at Market Value for the fiscal year ended December 31, 2018 are calculated following retroactive application of this accounting standard.

(4) Forecast of Performance

In the global economy, there are risk factors such as US-China trade friction, unstable situation in the Middle East and cautious approach to capital investment in the semiconductor industry. In the Japanese economy, there are risk factors such as a rebound from the Tokyo Olympic and the Paralympic related demand. Therefore, intense business environment is expected to continue. However, our business environment is expected to be firm due to long-term demand for the expansion of finished products.

Amid these conditions, the Group has set the objective of reaching orders received of ¥550,000 million, ¥526,000 million in net sales, ¥27,000 million in operating income, ¥25,500 million in ordinary income, and ¥16,000 million in profit attributable to owners of parent in the fiscal year ending December 31, 2020.

Assumptions regarding foreign currency exchange rates are as follows: US\$1= ¥105 and EUR1= ¥120.

Actual performance may differ from these forecasts owing to factors such as changing market environment.

Forecast for the Fiscal Year Ending December 31, 2020

| | Millions of yen | |
|--|------------------------------------|---|
| | Six Months Ending June 30, 2020 | Fiscal Year Ending December 31, 2020 |
| Orders Received | 275,000 | 550,000 |
| Net Sales | 265,000 | 526,000 |
| Operating Income | 9,500 | 27,000 |
| Ordinary Income | 9,500 | 25,500 |
| Profit Attributable to Owners of Parent | 5,500 | 16,000 |

Forecast of Financial Results for the Fiscal Year Ending December 31, 2020 by Business Segment

Six Months Ending June 30, 2020

| | Millions of yen | | |
|------------------------------|-----------------|-----------|------------------|
| Segment | Orders Received | Net Sales | Operating Income |
| Fluid Machinery & Systems | 163,000 | 163,000 | 6,500 |
| Environmental Plants | 42,000 | 30,000 | 2,000 |
| Precision Machinery | 69,000 | 71,000 | 5,000 |
| Others | 1,000 | 1,000 | (4,000) |
| Total | 275,000 | 265,000 | 9,500 |

Fiscal Year Ending December 31, 2020

| | Millions of yen | | |
|------------------------------|-----------------|-----------|------------------|
| Segment | Orders Received | Net Sales | Operating Income |
| Fluid Machinery & Systems | 324,000 | 318,000 | 15,000 |
| Environmental Plants | 84,000 | 67,000 | 5,500 |
| Precision Machinery | 140,000 | 139,000 | 10,500 |
| Others | 2,000 | 2,000 | (4,000) |
| Total | 550,000 | 526,000 | 27,000 |

Forecast of Business Environment by Business Segment

| Segment | | Business Environment |
|---------------------------|------------------------|--|
| Fluid Machinery & Systems | Pumps | <p>(In the overseas market)</p> <ul style="list-style-type: none"> •Capital investment will continue to recover gradually in the oil and gas market. •Demand for water infrastructure is expected to remain firm especially in China and Southeast Asia. •Demand for electric power is shrinking in the major coal-fired generation market. •There are possibilities that projects for new products and service field are postponed or suspended due to unstable situation in the Middle East. <p>(In domestic market (Japan))</p> <ul style="list-style-type: none"> •The market for building construction-related equipment is expected to shrink due to a rebound from the Tokyo Olympic and Paralympic related demand. •Projects for the public sector involving prevention of natural disasters and renovation of aging social infrastructure will be progressed, and demand is expected to remain firm. |
| | Compressors & Turbines | <ul style="list-style-type: none"> •Crude oil prices are recovering. Therefore, in the market of new products for petroleum chemical and refinery plants and the service market, investments are expected to continue at a certain level. •The LNG market is expected to grow steadily due to demand for medium-scale LNG import and export terminals and transport vessels. •There are possibilities that projects for new products and service field are postponed or suspended due to unstable situation in the Middle East. |
| | Chillers | <ul style="list-style-type: none"> •In Japan, demand is expected to be firm mainly for renewal of facilities. •In China, intense price competition is expected to continue. |
| Environmental Plants | | <ul style="list-style-type: none"> •In the public sector, demand for new constructions of municipal waste incineration facilities is expected to run at about the same level as in a typical year. •Demand for O&M for existing facilities is expected to run at about the same level as in a typical year. •In the private sector, demand for the construction of power generation facilities with woody biomass fuel and waste incineration facilities for plastic waste etc. is expected to continue. |
| Precision Machinery | | <ul style="list-style-type: none"> •Investment is expected to recover as some semiconductor companies have resumed capital investment. However, it is necessary to watch closely the impact of US-China trade friction on the global economy. |

(5) Basic Policy for Shareholder Return for the Fiscal Years Ended December 31, 2019 and Ending December 31, 2020

The group regards returning a portion of its income to its shareholders as one of its most-important management policies. Regarding shareholder return, although the Company set a policy of linking dividends to performance and aimed for a consolidated total return ratio of 30.0% or more, the Company has changed its policy of paying dividends to ensure a consolidated dividend on equity ratio (DOE) of 2.0% or more while targeting a consolidated payout ratio of 35.0% or more from the next fiscal year (the fiscal year ending December 31, 2020).

For the fiscal year ended December 31, 2019, the Company is scheduled to pay its annual cash dividend of ¥60.00 per share (including an interim cash dividend of ¥30.00 per share). In addition, the Company acquired ¥14,999 million of treasury shares by resolution of the Board of Directors.

In accordance with the new basic policy, we plan to pay an annual dividend of ¥60.00 per share (including an interim dividend of ¥30.00) in the next fiscal year.

2. Basic Approach to Selection of Accounting Standards

As Japanese accounting standards are in the process of converging with the International Financial Reporting Standards (IFRS), the Group has decided to continue to adopt generally accepted accounting principles in Japan in consideration of the need for comparisons of consolidated financial statements among fiscal years. Regarding the adoption of IFRS, the Group will closely monitor developments in this area in Japan and overseas, continue to survey the impact on management and financial matters, and consider the application of IFRS and the timing of the application.

3. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

Millions of yen

| | As of December 31, 2018 | As of December 31, 2019 |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and deposits | 110,610 | 94,014 |
| Notes and accounts receivable-trade | 176,895 | 182,944 |
| Electronically recorded monetary claims | 6,990 | 9,218 |
| Securities | 1,668 | 1,097 |
| Merchandise and finished goods | 18,082 | 18,386 |
| Work in process | 65,845 | 70,082 |
| Raw materials and supplies | 38,731 | 32,633 |
| Others | 14,714 | 15,659 |
| Allowance for doubtful accounts | (3,308) | (2,107) |
| Total current assets | 430,230 | 421,929 |
| Fixed Assets | | |
| Tangible fixed assets | | |
| Buildings and structures, net | 44,269 | 56,022 |
| Machinery and equipment, net | 28,599 | 27,960 |
| Land | 19,810 | 19,607 |
| Construction in progress | 7,558 | 13,665 |
| Others, net | 7,640 | 7,642 |
| Total tangible assets | 107,879 | 124,898 |
| Intangible assets | | |
| Goodwill | 1,148 | 774 |
| Software | 6,584 | 6,496 |
| Others | 2,937 | 3,072 |
| Total intangible assets | 10,670 | 10,343 |
| Investments and other assets | | |
| Investment securities | 22,301 | 19,666 |
| Long-term loans receivable | 153 | 144 |
| Defined benefit asset | 3,038 | 5,017 |
| Deferred tax assets | 12,870 | 9,475 |
| Others | 9,623 | 9,205 |
| Allowance for doubtful accounts | (5,187) | (5,442) |
| Total investments and other assets | 42,801 | 38,067 |
| Total fixed assets | 161,351 | 173,309 |
| Total Assets | 591,582 | 595,239 |

| | Millions of yen | |
|--|----------------------------|----------------------------|
| | As of December 31, 2018 | As of December 31, 2019 |
| LIABILITIES | | |
| Current Liabilities | | |
| Notes and accounts payable-trade | 63,320 | 60,580 |
| Electronically recorded obligations | 62,854 | 59,847 |
| Short-term loans payable | 46,766 | 50,965 |
| Income taxes payable | 4,598 | 3,233 |
| Bonus payment reserve | 6,263 | 6,629 |
| Directors' bonus payment reserve | 344 | 348 |
| Provision for losses on construction completion guarantees | 4,873 | 3,369 |
| Provision for product warranties | 5,118 | 3,658 |
| Provision for construction losses | 12,374 | 12,901 |
| Provision for expenses related to the sales of land | 254 | — |
| Others | 51,782 | 58,547 |
| Total current liabilities | 258,550 | 260,082 |
| Long-term Liabilities | | |
| Bonds payable | 10,000 | 10,000 |
| Long-term loans payable | 20,730 | 18,340 |
| Deferred tax liabilities | 14 | 504 |
| Reserve for directors' retirement benefits | 116 | 107 |
| Defined benefit liability | 10,681 | 9,362 |
| Asset retirement obligations | 2,245 | 2,401 |
| Others | 2,464 | 2,612 |
| Total long-term liabilities | 46,253 | 43,328 |
| Total Liabilities | 304,803 | 303,411 |
| NET ASSETS | | |
| Shareholders' Equity | | |
| Common shares | 79,066 | 79,155 |
| Capital surplus | 80,296 | 74,848 |
| Retained earnings | 135,715 | 141,675 |
| Treasury shares | (5,439) | (174) |
| Total shareholders' equity | 289,639 | 295,504 |
| Accumulated Other Comprehensive Income | | |
| Net unrealized gains (losses) on investment securities | 381 | 233 |
| Deferred gains (losses) on hedges | (57) | (24) |
| Translation adjustments | (1,226) | (2,891) |
| Remeasurements of defined benefit plans | (9,096) | (9,168) |
| Total accumulated other comprehensive income | (9,999) | (11,852) |
| Subscription Rights to Shares | 1,152 | 1,132 |
| Non-Controlling Interests | 5,985 | 7,043 |
| Total Net Assets | 286,778 | 291,827 |
| Total Liabilities and Net Assets | 591,582 | 595,239 |

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

Millions of yen

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|---|--|--|
| Net Sales | 509,175 | 522,424 |
| Cost of Sales | 376,021 | 385,736 |
| Gross Profit | 133,154 | 136,688 |
| Sales commission | 3,385 | 3,817 |
| Packing and transportation | 6,909 | 6,971 |
| Sales promotion | 1,510 | 1,307 |
| Provision of allowance for doubtful accounts | 616 | (227) |
| Personnel expenses | 43,373 | 43,664 |
| Bonus payment reserve expenses | 2,263 | 2,369 |
| Directors' bonus payment reserve expenses | 324 | 345 |
| Retirement benefit expenses | 1,543 | 2,007 |
| Provision for directors' retirement benefits | 34 | 34 |
| Traveling and transportation expenses | 3,945 | 3,848 |
| Taxes and dues | 2,931 | 3,031 |
| Depreciation and amortization | 4,704 | 3,967 |
| Amortization of goodwill | 345 | 325 |
| Research and development expenses | 10,698 | 11,530 |
| Others | 18,087 | 18,396 |
| Selling, General and Administrative Expenses | 100,672 | 101,389 |
| Operating Income | 32,482 | 35,298 |
| Non-operating Income | | |
| Interest income | 311 | 335 |
| Dividends income | 752 | 261 |
| Share of profit of entities accounted for using equity method | 565 | 749 |
| Others | 1,000 | 1,447 |
| Total non-operating income | 2,629 | 2,794 |
| Non-operating Expenses | | |
| Interest expenses | 1,517 | 1,444 |
| Foreign exchange losses | 1,452 | 657 |
| Others | 861 | 419 |
| Total non-operating expenses | 3,830 | 2,521 |
| Ordinary Income | 31,281 | 35,571 |

| | Millions of yen | |
|---|--|--|
| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
| Extraordinary Income | | |
| Gain on sales of fixed assets | 401 | 374 |
| Gain on sales of investment securities | 804 | 713 |
| Total extraordinary income | 1,205 | 1,087 |
| Extraordinary Loss | | |
| Loss on sales of fixed assets | 319 | 11 |
| Loss on retirement of fixed assets | 827 | 203 |
| Impairment loss | 2,627 | 1,112 |
| Loss on sales of investment securities | 0 | 143 |
| Loss on valuation of investments in capital | 128 | 0 |
| Provision for loss on litigation | 1,257 | — |
| Others | 22 | 2 |
| Total extraordinary loss | 5,183 | 1,473 |
| Income Before Income Taxes | 27,303 | 35,184 |
| Income Taxes-current | 7,148 | 7,268 |
| Income Taxes-deferred | 468 | 2,777 |
| Total Income Taxes | 7,617 | 10,045 |
| Profit | 19,685 | 25,139 |
| Profit Attributable to Non-Controlling Interests | 1,423 | 1,789 |
| Profit Attributable to Owners of Parent | 18,262 | 23,349 |

Consolidated Statements of Comprehensive Income

Millions of yen

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|---|--|--|
| Profit | 19,685 | 25,139 |
| Other Comprehensive Income: | | |
| Net unrealized gains (losses) on investment securities | (2,185) | (194) |
| Deferred gains (losses) on hedges | (68) | 32 |
| Translation adjustment | (4,060) | (1,758) |
| Remeasurements of defined benefit plans, net of tax | (958) | 1,764 |
| Share of other comprehensive income of entities accounted for using equity method | 81 | 60 |
| Total other comprehensive income | (7,192) | (95) |
| Comprehensive Income | 12,493 | 25,043 |
| Comprehensive income attributable to: | | |
| Owners of parent | 11,257 | 23,299 |
| Non-controlling interests | 1,236 | 1,744 |

(3) Consolidated Statements of Changes in Net Assets

Fiscal Year Ended December 31, 2018

Millions of yen

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Common shares | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at January 1, 2018 | 78,815 | 81,256 | 121,321 | (431) | 280,962 |
| Cumulative effects of changes in accounting policies | | | | | — |
| Restated balance | 78,815 | 81,256 | 121,321 | (431) | 280,962 |
| Changes of items during period | | | | | |
| Issuance of new shares | 251 | 251 | | | 502 |
| Cash dividends | | | (4,575) | | (4,575) |
| Profit attributable to owners of parent | | | 18,262 | | 18,262 |
| Change of scope of consolidation | | | 707 | | 707 |
| Purchase of treasury shares | | | | (5,008) | (5,008) |
| Disposal of treasury shares | | | | | — |
| Cancellation of treasury shares | | | | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | (1,211) | | | (1,211) |
| Cumulative effects of Changes in US GAAP related to US Tax Reform Act | | | | | — |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the period | 251 | (960) | 14,393 | (5,008) | 8,676 |
| Balance at December 31, 2018 | 79,066 | 80,296 | 135,715 | (5,439) | 289,639 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|--|-----------------------------------|------------------------|---|--|-------------------------------|---------------------------|------------------|
| | Net unrealized gains (losses) on investment securities | Deferred gains (losses) on hedges | Translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at January 1, 2018 | 2,564 | 10 | 2,628 | (8,210) | (3,007) | 1,163 | 5,668 | 284,788 |
| Cumulative effects of changes in accounting policies | | | | | | | | — |
| Restated balance | 2,564 | 10 | 2,628 | (8,210) | (3,007) | 1,163 | 5,668 | 284,788 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | | | | | | | | 502 |
| Cash dividends | | | | | | | | (4,575) |
| Profit attributable to owners of parent | | | | | | | | 18,262 |
| Change of scope of consolidation | | | | | | | | 707 |
| Purchase of treasury shares | | | | | | | | (5,008) |
| Disposal of treasury shares | | | | | | | | — |
| Cancellation of treasury shares | | | | | | | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | (1,211) |
| Cumulative effects of Changes in US GAAP related to US Tax Reform Act | | | | | | | | — |
| Net changes of items other than shareholders' equity | (2,182) | (68) | (3,854) | (885) | (6,992) | (11) | 317 | (6,686) |
| Total changes during the period | (2,182) | (68) | (3,854) | (885) | (6,992) | (11) | 317 | 1,989 |
| Balance at December 31, 2018 | 381 | (57) | (1,226) | (9,096) | (9,999) | 1,152 | 5,985 | 286,778 |

Fiscal Year Ended December 31, 2019

Millions of yen

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Common shares | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at January 1, 2019 | 79,066 | 80,296 | 135,715 | (5,439) | 289,639 |
| Cumulative effects of changes in accounting policies | | | 424 | | 424 |
| Restated balance | 79,066 | 80,296 | 136,140 | (5,439) | 290,063 |
| Changes of items during period | | | | | |
| Issuance of new shares | 88 | 88 | | | 176 |
| Cash dividends | | | (5,877) | | (5,877) |
| Profit attributable to owners of parent | | | 23,349 | | 23,349 |
| Change of scope of consolidation | | | 947 | | 947 |
| Purchase of treasury shares | | | | (15,004) | (15,004) |
| Disposal of treasury shares | | (0) | | 0 | 0 |
| Cancellation of treasury shares | | (5,536) | (14,733) | 20,269 | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | — |
| Cumulative effects of Changes in US GAAP related to US Tax Reform Act | | | 1,848 | | 1,848 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes during the period | 88 | (5,448) | 5,535 | 5,264 | 5,440 |
| Balance at December 31, 2019 | 79,155 | 74,848 | 141,675 | (174) | 295,504 |

| | Accumulated other comprehensive income | | | | | Subscription rights to shares | Non-controlling interests | Total net assets |
|---|--|-----------------------------------|------------------------|---|--|-------------------------------|---------------------------|------------------|
| | Net unrealized gains (losses) on investment securities | Deferred gains (losses) on hedges | Translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at January 1, 2019 | 381 | (57) | (1,226) | (9,096) | (9,999) | 1,152 | 5,985 | 286,778 |
| Cumulative effects of changes in accounting policies | | | | | | | | 424 |
| Restated balance | 381 | (57) | (1,226) | (9,096) | (9,999) | 1,152 | 5,985 | 287,202 |
| Changes of items during period | | | | | | | | |
| Issuance of new shares | | | | | | | | 176 |
| Cash dividends | | | | | | | | (5,877) |
| Profit attributable to owners of parent | | | | | | | | 23,349 |
| Change of scope of consolidation | | | | | | | | 947 |
| Purchase of treasury shares | | | | | | | | (15,004) |
| Disposal of treasury shares | | | | | | | | 0 |
| Cancellation of treasury shares | | | | | | | | — |
| Change in ownership interest of parent due to transactions with non-controlling interests | | | | | | | | — |
| Cumulative effects of Changes in US GAAP related to US Tax Reform Act | | | | | | | | 1,848 |
| Net changes of items other than shareholders' equity | (148) | 32 | (1,665) | (71) | (1,852) | (20) | 1,057 | (815) |
| Total changes during the period | (148) | 32 | (1,665) | (71) | (1,852) | (20) | 1,057 | 4,625 |
| Balance at December 31, 2019 | 233 | (24) | (2,891) | (9,168) | (11,852) | 1,132 | 7,043 | 291,827 |

(4) Consolidated Statements of Cash Flows

Millions of yen

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|---|--|--|
| Cash Flows from Operating Activities: | | |
| Income before income taxes | 27,303 | 35,184 |
| Depreciation and amortization | 15,266 | 15,132 |
| Impairment loss | 2,627 | 1,112 |
| Loss (gain) on sales of securities and investment securities | (803) | (569) |
| Increase (decrease) in provision | 48 | (3,110) |
| Increase (decrease) in net defined benefit liability | (2,571) | (1,009) |
| Loss (gain) on sales of fixed assets | (81) | (362) |
| Interest and dividends income | (1,064) | (596) |
| Interest expenses | 1,517 | 1,444 |
| Decrease (increase) in notes and accounts receivable-trade | (10,674) | (8,457) |
| Decrease (increase) in inventories | (14,854) | 1,192 |
| Increase (decrease) in notes and accounts payable-trade | 6,774 | (4,963) |
| Increase /decrease in other assets / liabilities | 15,795 | 373 |
| Other loss (gain) | 563 | (258) |
| Sub-total | 39,847 | 35,111 |
| Interest and dividends received | 1,064 | 588 |
| Interest expenses paid | (1,529) | (1,429) |
| Income taxes paid | (4,771) | (7,550) |
| Net cash provided by operating activities | 34,610 | 26,720 |
| Cash Flows from Investing Activities: | | |
| Purchase of fixed assets | (18,570) | (28,040) |
| Proceeds from sales of fixed assets | 1,738 | 540 |
| Purchase of securities and investment securities | (4,578) | (3,678) |
| Proceeds from sales and redemption of securities and investment securities | 5,568 | 7,115 |
| Payments into time deposits | (1,946) | (2,055) |
| Proceeds from withdrawal of time deposits | 1,902 | 2,041 |
| Payments of loans receivable | (155) | (101) |
| Collection of loans receivable | 167 | 29 |
| Others | (54) | 71 |
| Net cash used in investing activities | (15,927) | (24,077) |

Millions of yen

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|--|--|--|
| Cash Flows from Financing Activities: | | |
| Net increase (decrease) in short-term loans payable | (22,498) | 1,874 |
| Proceeds from long-term loans payable | 689 | 2,585 |
| Repayment of long-term loans payable | (2,462) | (2,108) |
| Redemption of bonds | (10,000) | — |
| Proceeds from issuance of common shares | 0 | 0 |
| Proceeds from disposal of treasury shares | — | 0 |
| Purchase of treasury shares | (5,008) | (15,004) |
| Cash dividends paid | (4,575) | (5,877) |
| Cash dividends paid to non-controlling interests | (414) | (687) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (1,333) | — |
| Others | (809) | (970) |
| Net cash used in financing activities | (46,412) | (20,188) |
| Effect of Exchange Rate Changes on Cash and Cash Equivalents | (1,324) | (346) |
| Increase (Decrease) in Cash and Cash Equivalents | (29,054) | (17,891) |
| Cash and Cash Equivalents at Beginning of Period | 139,102 | 110,556 |
| Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation | 507 | 686 |
| Cash and Cash Equivalents at End of Period | 110,556 | 93,351 |

(5) Notes to Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Changes in Accounting Policies)

(Adoption of ASU2014-09 “Revenue from Contracts with Customers.”)

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2014-09 “Revenue from Contracts with Customers” (May 28, 2014) from the beginning of the fiscal year ended December 31, 2019.

Due to the adoption of ASU2014-09, revenue is recognized at the time the promised goods or services are transferred to the customer, in an amount that reflects the consideration expected to be received in exchange for the goods or services. In accordance with the amendments in this update applied on a modified retrospective basis, a cumulative effect adjustment to retained earnings was recorded at the beginning balance of the fiscal year ended December 31, 2019.

As a result, retained earnings increased by ¥424 million at the beginning balance of the fiscal year ended December 31, 2019. There was no significant impact on the figures in the consolidated financial statements for the fiscal year ended December 31, 2019.

(Changes in Presentation)

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Accordingly, deferred tax assets are presented under “Investments and other assets”, and deferred tax liabilities are presented under “Fixed liabilities”.

(Segment Information)

1. Overview of Reportable Segments

The reportable segments are constituent units of the Group for which separate financial information is available. The Board of Directors periodically examines these segments for the purpose of deciding the allocation of management resources and evaluating operating performance.

The Group is conducting its business operations through three in-house companies: the Fluid Machinery & Systems Company, the Environmental Engineering Company and the Precision Machinery Company. Therefore, the Group is composed of product and service segments based along the lines of the in-house companies, and its three reportable segments are Fluid Machinery & Systems, Environmental Plants, and Precision Machinery.

The Group's operations in three business segments are as follows:

| Segment | Principal Products | Contents |
|---------------------------|---|--|
| Fluid Machinery & Systems | Pumps, compressors, turbines, freezer chillers, blowers, fans and others | Manufacture, sales, O&M services and others |
| Environmental Plants | Municipal waste processing plants, industrial waste incineration plants, water treatments plants and others | Engineering, construction, O&M services and others |
| Precision Machinery | Dry vacuum pumps, CMP equipment, plating equipment, exhaust-gas treatment equipment and others | Manufacture, sales and maintenance and others |

2. Calculation Method Used for Sales, Income, Assets and Other Items for Each Reportable Segment

The accounting method used for reportable business segments is the same as the method based on the accounting principles used to prepare the consolidated financial statements. Income from reportable segments are figures based on operating income. Intersegment sales and transfers are recorded at the same prices used in transactions with customers.

3. Information about Sales, Income, Assets and Other Items for Each Reportable Segment

Fiscal Year Ended December 31, 2018

Millions of yen

| | Reportable Segments | | | | Others (Notes 1) | Total | Adjustments (Notes 2, 3) | Consolidated (Notes 4) |
|--|---------------------------------|-------------------------|------------------------|---------|---------------------|---------|-----------------------------|---------------------------|
| | Fluid Machinery & Systems | Environmental Plants | Precision Machinery | Total | | | | |
| Sales | | | | | | | | |
| Customers | 308,999 | 62,812 | 135,709 | 507,520 | 1,655 | 509,175 | — | 509,175 |
| Intersegment and Transfers | 578 | — | — | 578 | 2,802 | 3,380 | (3,380) | — |
| Total | 309,577 | 62,812 | 135,709 | 508,098 | 4,457 | 512,556 | (3,380) | 509,175 |
| Segment Income | 8,747 | 4,904 | 18,567 | 32,220 | 291 | 32,511 | (29) | 32,482 |
| Segment Assets | 310,195 | 42,133 | 131,172 | 483,500 | 25,499 | 508,999 | 82,582 | 591,582 |
| Other Items | | | | | | | | |
| Depreciation and Amortization | 8,499 | 565 | 4,033 | 13,098 | 2,180 | 15,278 | (12) | 15,266 |
| Amortization of Goodwill | 345 | — | — | 345 | — | 345 | — | 345 |
| Investment for Entities Applied Equity Method | — | 6,165 | — | 6,165 | — | 6,165 | — | 6,165 |
| Increase in Tangible and Intangible Assets | 10,645 | 788 | 6,740 | 18,174 | 1,218 | 19,393 | (29) | 19,364 |

Notes:1. The "Others" item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.

2. The "Adjustments" item is as follows:

(1) Segment income shows eliminations among intersegment sales and transfers.

(2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounted to ¥84,147 million, and intersegment eliminations amounted to ¥(1,565) million. The main total assets of the Group are cash and deposits, a part of investment securities, deferred tax assets and others.

3. The adjustments of "Depreciation and Amortization" and "Increase in Tangible and Intangible Assets" under "Other Items" are due to the elimination of intersegment transactions.

4. Segment income and segment assets have been adjusted with operating income and total assets in the consolidated financial statements.

Fiscal Year Ended December 31, 2019

Millions of yen

| | Reportable Segments | | | | Others (Notes 1) | Total | Adjustments (Notes 2, 3) | Consolidated (Notes 4) |
|--|---------------------------------|-------------------------|------------------------|---------|---------------------|---------|-----------------------------|---------------------------|
| | Fluid Machinery & Systems | Environmental Plants | Precision Machinery | Total | | | | |
| Sales | | | | | | | | |
| Customers | 323,139 | 69,505 | 128,255 | 520,900 | 1,524 | 522,424 | — | 522,424 |
| Intersegment and Transfers | 693 | 7 | 0 | 701 | 2,646 | 3,347 | (3,347) | — |
| Total | 323,832 | 69,513 | 128,255 | 521,601 | 4,170 | 525,772 | (3,347) | 522,424 |
| Segment Income | 17,274 | 7,486 | 10,371 | 35,131 | 145 | 35,277 | 21 | 35,298 |
| Segment Assets | 313,032 | 52,418 | 141,909 | 507,359 | 27,257 | 534,616 | 60,622 | 595,239 |
| Other Items | | | | | | | | |
| Depreciation and Amortization | 8,375 | 555 | 4,571 | 13,502 | 1,641 | 15,144 | (11) | 15,132 |
| Amortization of Goodwill | 325 | — | — | 325 | — | 325 | — | 325 |
| Investment for Entities Applied Equity Method | — | 6,975 | — | 6,975 | — | 6,975 | — | 6,975 |
| Increase in Tangible and Intangible Assets | 10,906 | 989 | 21,837 | 33,734 | 639 | 34,373 | (4) | 34,369 |

Notes:1. The “Others” item in the table above is the business segment for operations that are not included among reportable segments. It contains business support services and other activities.

2. The “Adjustments” item is as follows:

(1) Segment income shows eliminations among intersegment sales and transfers.

(2) The total value of the adjustment of segment assets for the Company was total assets of the Group amounted to ¥63,422 million, and intersegment eliminations amounted to ¥(2,799) million. The main total assets of the Group are cash and deposits, a part of investment securities, deferred tax assets and others.

3. The adjustments of "Depreciation and Amortization" and "Increase in Tangible and Intangible Assets" under "Other Items" are due to the elimination of intersegment transactions.

4. Segment income and segment assets have been adjusted with operating income and total assets in the consolidated financial statements of income.

5. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Relevant figures for the previous fiscal year are presented following retroactive application of this accounting standard.

(Per Share Data of Common shares)

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|------------------------------------|--|--|
| Net assets per share (Yen) | 2,795.72 | 2,981.91 |
| Net income per share (Yen) | 179.94 | 241.79 |
| Diluted net income per share (Yen) | 178.99 | 240.57 |

1. Basic Information for Computation of Net Assets per Share

| | As of December 31, 2018 | As of December 31, 2019 |
|---|----------------------------|----------------------------|
| Total net assets (Millions of yen) | 286,778 | 291,827 |
| Amount excluded from total net assets (Millions of yen) | 7,138 | 8,175 |
| (Subscription rights to shares (Millions of yen)) | (1,152) | (1,132) |
| (Non-controlling interests (Millions of yen)) | (5,985) | (7,043) |
| Net assets attributable to common shares at the end of the period (Millions of yen) | 279,640 | 283,651 |
| Number of common shares outstanding at the end of the period calculated under "Net assets per share" | 100,024,430 | 95,124,069 |

2. Basic Information for Computation of Net Income per Share and Diluted Net Income per Share

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 |
|--|--|--|
| Net income per share | | |
| Profit attributable to owners of parent (Millions of yen) | 18,262 | 23,349 |
| Amount not allocated to ordinary shareholders (Millions of yen) | — | — |
| Profit attributable to owners of parent attributable to common shares (Millions of yen) | 18,262 | 23,349 |
| Average shares of common shares (Number) | 101,489,247 | 96,566,820 |
| Diluted net income per share | | |
| Adjustment of profit attributable to owners of parent (Millions of yen) | — | — |
| Increase in common shares (Number) | 538,822 | 492,676 |
| (Subscription rights to shares (Number)) | (538,822) | (492,676) |
| Potential shares excluded from computation of diluted net income per share which don't have a dilutive effect | — | — |

(Significant Subsequent Events)

On February 7, 2020, the Company decided to donate all the funds necessary for the expansion and renovation of the Hatakeyama Memorial Museum owned by the Ebara Hatakeyama Memorial Foundation (“the Foundation”) in order to support the social contribution activities of the Foundation.

The Foundation is a foundation established by the Company's founder, Issey Hatakeyama, with the aim of contributing to society by returning the profits earned by the Company's business to society. The founder collected and donated mainly works of art related to tea ceremony to the foundation, and as a Hatakeyama Memorial Museum, it provided a place for the general public to view. As buildings are deteriorating, the Foundation decided to suspend operations in March 2019, and is proceeding with an expansion and renovation plan aimed at improving the quality as an art museum.

The Company's management strategies of Long-term Vision “E-Vision2030” and Medium-term Management plan “E-Plan2022” focus on social contributions and the provision of social value through “the practice of advanced ESG-based management”. As part of the Company's social contribution efforts, the Company decided to donate funds for the expansion and renovation of the Hatakeyama Memorial Museum in line with the Company's management strategy. The Company have positioned the expansion and renovation project as part of the celebration of the 100th anniversary of the Company and the 60th anniversary of the foundation.

The amount of donations for the implementation of this project is expected to be approximately ¥4,000 million, and will be recorded as Selling, General and Administrative Expenses in the fiscal year ending December 31, 2020.

4. Others

(1) Litigation and Others

(Progress of Dispute Regarding Fire Accident at Bulky Waste Treatment Facility at the Gifu City Eastern Clean Center)

On October 23, 2015, a fire broke out at the bulky waste treatment facility at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, when Ebara Environmental Plant Co., Ltd. (“EEP”), the Company’s consolidated subsidiary, was making repairs on the facility. EEP is responsible for the operation and management of a waste incinerating facility that is located adjacent to the bulky waste treatment facility where the fire occurred.

Regarding this incident, while the Company had been discussing with Gifu City the compensation for related damages, a lawsuit against EEP was filed by Gifu City at the Gifu District Court on January 31, 2019 claiming compensation for damages of ¥4,362 million and late charges for such compensation. Furthermore, Gifu City amended its amount of the compensation claim for damages to ¥4,474 million and late charges for such compensation on July 22, 2019, and EEP received the amended petition pertaining to this lawsuit on July 25, 2019. At this time, it is not possible to make a reasonable estimate of the effect of this incident on the Group’s consolidated financial results.

(2) Changes of Directors and Executive Officers

Regarding change of directors and executive officers, please refer to the “Notice of Changes of Directors and Executive Officers” which is released today.

(3) Segment Information

Business Segment

FMS = Fluid Machinery & Systems, EP = Environmental Plants, PM = Precision Machinery

(i) Actual Results and Forecast of Orders Received, Sales, Operating Income and Backlog of Orders Received by Business Segment

Billions of yen

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 | | | Six Months Ending June 30, 2020 | Fiscal Year Ending December 31, 2020 |
|-------------------------------|---|--|--------|---------------------|---------------------------------------|---|
| | Actual | Actual | Change | Change Ratio (%) | Forecast | Forecast |
| Orders Received | | | | | | |
| Pumps | 171.0 | 176.3 | 5.2 | 3.1 | 86.0 | 181.0 |
| Compressors & Turbines | 102.7 | 102.0 | (0.7) | (0.7) | 51.0 | 93.0 |
| Chillers | 37.5 | 38.1 | 0.5 | 1.5 | 21.0 | 38.0 |
| Others | 14.9 | 15.1 | 0.2 | 1.4 | 5.0 | 12.0 |
| Total of FMS | 326.2 | 331.6 | 5.3 | 1.6 | 163.0 | 324.0 |
| EP | 106.9 | 91.4 | (15.5) | (14.5) | 42.0 | 84.0 |
| PM | 140.6 | 127.6 | (13.0) | (9.3) | 69.0 | 140.0 |
| Others | 1.6 | 1.5 | (0.1) | (7.7) | 1.0 | 2.0 |
| Total | 575.5 | 552.2 | (23.3) | (4.1) | 275.0 | 550.0 |
| Sales | | | | | | |
| Pumps | 172.0 | 174.9 | 2.8 | 1.6 | 91.0 | 177.0 |
| Compressors & Turbines | 87.6 | 95.2 | 7.5 | 8.7 | 46.0 | 91.0 |
| Chillers | 35.8 | 37.7 | 1.9 | 5.4 | 20.0 | 37.0 |
| Others | 13.4 | 15.2 | 1.8 | 13.5 | 6.0 | 13.0 |
| Total of FMS | 308.9 | 323.1 | 14.1 | 4.6 | 163.0 | 318.0 |
| EP | 62.8 | 69.5 | 6.6 | 10.7 | 30.0 | 67.0 |
| PM | 135.7 | 128.2 | (7.4) | (5.5) | 71.0 | 139.0 |
| Others | 1.6 | 1.5 | (0.1) | (7.9) | 1.0 | 2.0 |
| Total | 509.1 | 522.4 | 13.2 | 2.6 | 265.0 | 526.0 |
| Operating Income | | | | | | |
| Pumps | 5.9 | 11.0 | 5.0 | 85.6 | 4.0 | 8.5 |
| Compressors & Turbines | 1.9 | 4.8 | 2.8 | 146.5 | 1.0 | 4.5 |
| Chillers | 0.4 | 1.8 | 1.4 | 331.6 | 1.0 | 1.5 |
| Others & Adjustment | 0.4 | (0.4) | (0.8) | — | 0.5 | 0.5 |
| Total of FMS | 8.7 | 17.2 | 8.5 | 97.5 | 6.5 | 15 |
| EP | 4.9 | 7.4 | 2.5 | 52.6 | 2 | 5.5 |
| PM | 18.5 | 10.3 | (8.1) | (44.1) | 5.0 | 10.5 |
| Others & Adjustment | 0.2 | 0.1 | (0.0) | (36.3) | (4.0) | (4.0) |
| Total | 32.4 | 35.2 | 2.8 | 8.7 | 9.5 | 27.0 |
| Backlog of Orders Received | | | | | | |
| Pumps | 100.1 | 98.0 | (2.1) | (2.1) | 93.0 | 102.0 |
| Compressors & Turbines | 84.3 | 93.3 | 9.0 | 10.8 | 98.3 | 95.3 |
| Chillers | 16.7 | 16.8 | 0.1 | 1.0 | 17.8 | 17.8 |
| Others | 8.1 | 8.3 | 0.1 | 2.4 | 7.3 | 7.3 |
| Total of FMS | 209.3 | 216.7 | 7.3 | 3.5 | 216.7 | 222.7 |
| EP | 214.3 | 236.1 | 21.8 | 10.2 | 248.1 | 253.1 |
| PM | 35.3 | 34.5 | (0.7) | (2.1) | 32.5 | 35.5 |
| Others | 0.0 | 0.0 | 0.0 | 242.2 | 0.0 | 0.0 |
| Total | 459.0 | 487.4 | 28.3 | 6.2 | 497.4 | 511.4 |

(ii) Actual Results and Forecast of Orders Received and Sales in the Precision Machinery Business Segment

Billions of yen

| | Fiscal Year Ended December 31, 2018 | Fiscal Year Ended December 31, 2019 | | | Six Months Ending June 30, 2020 | Fiscal Year Ending December 31, 2020 |
|------------------------|---|--|---------------|---------------------|---------------------------------------|---|
| | Actual | Actual | Change | Change Ratio (%) | Forecast | Forecast |
| Orders Received | | | | | | |
| Components | 62.8 | 53.5 | (9.2) | (14.8) | 29.0 | 58.0 |
| CMP Systems | 72.0 | 67.7 | (4.2) | (5.9) | 37.0 | 75.0 |
| Others | 5.7 | 6.3 | 0.5 | 9.1 | 3.0 | 7.0 |
| Total of PM | 140.6 | 127.6 | (13.0) | (9.3) | 69.0 | 140.0 |
| Sales | | | | | | |
| Components | 59.3 | 58.9 | (0.3) | (0.7) | 28.0 | 57.0 |
| CMP Systems | 69.8 | 62.6 | (7.2) | (10.4) | 41.0 | 77.0 |
| Others | 6.5 | 6.6 | 0.1 | 2.8 | 2.0 | 5.0 |
| Total of PM | 135.7 | 128.2 | (7.4) | (5.5) | 71.0 | 139.0 |

(4) Area Information

(i) Geographical Segment ••• Compiled on the basis of the geographical location of the Company reporting the sales

Billions of yen

| | Fiscal Year Ended December 31, 2018 | | Fiscal Year Ended December 31, 2019 | | |
|------------------------|--|-----------------|--|-----------------|--------|
| | Actual | Composition (%) | Actual | Composition (%) | Change |
| Net Sales | | | | | |
| Japan | 301.7 | 59.3 | 299.7 | 57.4 | (1.9) |
| North America | 86.4 | 17.0 | 87.9 | 16.8 | 1.5 |
| Asia (except Japan) | 92.9 | 18.3 | 106.7 | 20.4 | 13.7 |
| Others | 28.0 | 5.4 | 27.9 | 5.3 | (0.1) |
| Total | 509.1 | 100.0 | 522.4 | 100.0 | 13.2 |
| Operating Income | | | | | |
| Japan | 15.8 | 48.8 | 14.0 | 39.9 | (1.7) |
| North America | 3.9 | 12.3 | 5.8 | 16.5 | 1.8 |
| Asia (except Japan) | 10.8 | 33.3 | 12.3 | 35.1 | 1.5 |
| Others | 2.0 | 6.4 | 2.5 | 7.1 | 0.4 |
| Adjustment | (0.2) | (0.7) | 0.5 | 1.4 | 0.7 |
| Total | 32.4 | 100.0 | 35.2 | 100.0 | 2.8 |

(ii) Regional Segment ••• Compiled on the basis of the geographical location where the goods are sold

Billions of yen

| | Fiscal Year Ended December 31, 2018 | | Fiscal Year Ended December 31, 2019 | | |
|---------------|--|-----------------|--|-----------------|--------|
| | Actual | Composition (%) | Actual | Composition (%) | Change |
| Net Sales | | | | | |
| Japan | 228.9 | 45.0 | 233.3 | 44.7 | 4.3 |
| China | 74.5 | 14.6 | 80.6 | 15.4 | 6.0 |
| Other Asia | 92.8 | 18.2 | 87.8 | 16.8 | (4.9) |
| North America | 47.3 | 9.3 | 55.3 | 10.6 | 8.0 |
| Europe | 32.0 | 6.3 | 28.3 | 5.4 | (3.7) |
| Middle East | 19.6 | 3.9 | 24.3 | 4.7 | 4.6 |
| Others | 13.7 | 2.7 | 12.5 | 2.4 | (1.2) |
| Total | 509.1 | 100.0 | 522.4 | 100.0 | 13.2 |

Note: Sales in China which were included in “Asia (except Japan)” are separately presented from the three months ended March 31, 2019. Additionally, “Asia (except Japan)” apart from China is restated as “Other Asia”.

(5) Employees

| | As of December 31, 2018 | As of December 31, 2019 | |
|---------------------------------------|----------------------------|-------------------------|--------|
| | Numbers | Numbers | Change |
| Employees | | | |
| FMS | 10,972 | 11,226 | 254 |
| EP | 2,588 | 2,615 | 27 |
| PM | 2,260 | 2,450 | 190 |
| Others & Corporate | 736 | 789 | 53 |
| Total | 16,556 | 17,080 | 524 |
| Ebara Corporation | 3,921 | 4,016 | 95 |
| Domestic Consolidated Subsidiaries | 3,957 | 3,916 | (41) |
| Overseas Consolidated Subsidiaries | 8,678 | 9,148 | 470 |