

CONSOLIDATED FINANCIAL RESULTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020
[Japanese GAAP]

November 12, 2020

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 Stock exchange listings: Tokyo
 Code number: 6361
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Scheduled date for submission of quarterly report: November 13, 2020

Scheduled date for dividend payment: —

Preparing supplementary material on financial results: Yes

Holding financial results presentation meeting
 (for institutional investors and analysts): Yes

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

1. Consolidated Results for the Nine Months Ended September 30, 2020

(1) Consolidated Financial Results

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
Nine Months Ended September 30, 2020	369,378	0.8%	22,255	9.8%	20,515	2.5%	12,357	4.2%
Nine Months Ended September 30, 2019	366,461	(0.4)%	20,269	(0.9)%	20,010	0.1%	11,863	5.8%

Note: Comprehensive Income: Nine Months Ended September 30, 2020; 11,200 million yen 18.5%
 Nine Months Ended September 30, 2019; 9,455 million yen 1.1%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Nine Months Ended September 30, 2020	129.73	129.18
Nine Months Ended September 30, 2019	122.25	121.64

Note: Ebara Corporation “the Company” has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) from the beginning of the three months ended March 31, 2020.

(2) Consolidated Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio (%)
As of September 30, 2020	624,467	291,654	45.4
As of December 31, 2019	595,239	291,827	47.7

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

As of September 30, 2020; 283,676 million yen

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

Note2: The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) from the beginning of the three months ended March 31, 2020.

2. Dividends

	Dividends per Share (Yen)				
	End of 1 st Quarter	End of 2 nd Quarter	End of 3 rd Quarter	Year-End	Annual
Fiscal Year Ended December 31, 2019	—	30.00	—	30.00	60.00
Fiscal Year Ending December 31, 2020	—	30.00	—		
Fiscal Year Ending December 31, 2020 (Forecast)				30.00	60.00

Note: Revisions to forecast of dividends in this quarter: None

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

% 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)
	Fiscal Year Ending December 31, 2020	513,000	(1.8)%	32,000	(9.3)%	29,500	(17.1)%	18,500	(20.8)%

Note: Revisions to forecast of financial results in this quarter: Yes

We revised the forecast of financial results for the fiscal year ending December 31, 2020, previously announced on August 11, 2020. For further details, please refer to “Explanation of Forecast of Consolidated Financial Results” on page 10.

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) Adoption of specific accounting methods for preparation of quarterly financial statements: Yes

Note: For further details, please refer to “2. Consolidated Financial Statements and Significant Notes (4) Notes to Consolidated Financial Statements (Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)”.

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

(i) Changes in accounting policies due to revisions of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: Yes

(iii) Changes in accounting estimates: None

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

- (4) Number of shares outstanding (Common Shares)

(i) Number of common shares (Including treasury shares)	As of September 30, 2020	95,353,053	As of December 31, 2019	95,129,853
(ii) Number of treasury shares	As of September 30, 2020	20,082	As of December 31, 2019	5,784
(iii) Average number of common shares	Nine Months Ended September 30, 2020	95,255,802	Nine Months Ended September 30, 2019	97,047,879

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

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

1. The forecast 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 forecast owing to a wide range of factors. For further information on the assumptions made in the preparation of the forecast of performance, please refer to “Explanation of Forecast of Consolidated Financial Results” on page 10. 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. Qualitative Information Regarding Consolidated Financial Results	P.5
(1) Explanation of Financial Results	P.5
(2) Explanation of Financial Position	P.9
(3) Explanation of Forecast of Consolidated Financial Results	P.10
2. Consolidated Financial Statements and Significant Notes	P.11
(1) Consolidated Balance Sheets	P.11
(2) Consolidated Statements of Income and Comprehensive Income	P.13
(3) Consolidated Statements of Cash Flows	P.15
(4) Notes to Consolidated Financial Statements	P.17
(Note for the Assumption of Going Concern)	P.17
(Note for Significant Changes in the Amount of Shareholders' Equity)	P.17
(Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)	P.17
(Changes in Accounting Policies)	P.18
(Segment Information)	P.20
(Additional Information)	P.22
(Significant Subsequent Events)	P.22
3. Others	P.23
(1) Litigation and Others	P.23
(2) Segment Information	P.24
(3) Area Information	P.26

1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

	Millions of yen			
	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Change	Change Ratio (%)
Orders Received	379,803	366,081	(13,721)	(3.6)
Net Sales	366,461	369,378	2,917	0.8
Operating Income	20,269	22,255	1,985	9.8
Operating Income on Sales Ratio (%)	5.5	6.0	—	—
Ordinary Income	20,010	20,515	504	2.5
Profit Attributable to Owners of Parent	11,863	12,357	493	4.2
Net Income per Share (Yen)	122.25	129.73	7.48	6.1

During the nine months ended September 30, 2020, the outlook for the global economy remained uncertain due to an economic slowdown caused by the global outbreak of COVID-19. In the Japanese economy, capital investment remained weak and severe due to the impact of COVID-19. On the other hand, public investment remained firm and there were investments in recovery and reconstruction measures in response to large-scale natural disasters.

The oil and gas markets, which are the Group's main markets, continued to be affected by COVID-19 and a decline in crude oil prices, and there were signs of delays or postponements in projects. In the semiconductor market, although capital investment continued to recover, the impact of US-China trade friction resulted in delays in some capital investments. In the construction equipment market in Japan, construction works continued to be suspended or delayed due to the impact of COVID-19.

Under these circumstances, orders received decreased compared to the same period last year mainly in the Fluid Machinery & Systems (“FMS”) Business, due to delayed recovery in demand in the domestic construction equipment market, postponement of investment in the oil and gas markets and the impact of mobility restrictions in foreign countries. Sales increased compared to the same period last year due to a significant growth in the Precision Machinery (“PM”) Business in response to rising demand for semiconductors, including growing demand for 5G and data centers, and the spread of remote-work, despite decreases in the FMS Business and the Environmental Plants (“EP”) Business. Operating income increased compared to the same period last year due to improving profitability of products and fixed costs reduction in the FMS Business as well as revenue growth in the PM Business.

Consolidated orders received for the nine months ended September 30, 2020 amounted to ¥366,081 million (a decrease of 3.6% year-on-year), net sales amounted to ¥369,378 million (an increase of 0.8% year-on-year), operating income amounted to ¥22,255 million (an increase of 9.8% year-on-year), ordinary income amounted to ¥20,515 million (an increase of 2.5% year-on-year), and profit attributable to owners of parent amounted to ¥12,357 million (an increase of 4.2% year-on-year).

The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) from the beginning of the three months ended March 31, 2020. For further details, please refer to “2. Consolidated Financial Statements and Significant Notes (4) Notes to Consolidated Financial Statements (Changes in Accounting Policies)”.




Operating Results by Business Segment



Millions of yen

Segment	Orders Received			Net Sales			Segment Income		
	Nine Months Ended	Nine Months Ended	Change Ratio (%)	Nine Months Ended	Nine Months Ended	Change Ratio (%)	Nine Months Ended	Nine Months Ended	Change Ratio (%)
	September 30, 2019	September 30, 2020	(%)	September 30, 2019	September 30, 2020	(%)	September 30, 2019	September 30, 2020	(%)
Fluid Machinery & Systems	237,252	221,713	(6.5)	228,088	220,868	(3.2)	8,333	11,317	35.8
Environmental Plants	52,107	47,994	(7.9)	48,498	44,011	(9.3)	5,541	4,044	(27.0)
Precision Machinery	89,290	95,239	6.7	88,721	103,381	16.5	6,274	7,483	19.3
Segment Total	378,649	364,948	(3.6)	365,308	368,261	0.8	20,149	22,846	13.4
Others	1,153	1,133	(1.7)	1,152	1,116	(3.1)	100	(536)	—
Adjustment	—	—	—	—	—	—	19	(54)	—
Total	379,803	366,081	(3.6)	366,461	369,378	0.8	20,269	22,255	9.8




As stated above, the accounting method for revenue recognition has been changed from the beginning of the three months ended March 31, 2020, and thus the measuring method for profit or loss in the business segment has been changed in the same way. For further details, please refer to “2. Consolidated Financial Statements and Significant Notes (4) Notes to Consolidated Financial Statements (Segment Information)”.

Outline of Business Environment and Situation by Business Segment

Segment	Business Environment	Business Situation and the Trend of Orders Received (Note1)
Fluid Machinery & Systems	<p>(In overseas market)</p> <ul style="list-style-type: none"> • In the oil and gas markets, although demand is firm in China, projects have been delayed or postponed across the board in other regions due to the impact of COVID-19 and decline in the crude oil prices. As the inquiries from customers are also sluggish, and a large number of vendors bid on a small number of projects, price competition is intensifying. • Water infrastructure market is recovering with projects in China and Southeast Asia. On the other hand, in North America, although demand for renovation of deteriorated facilities is on the rise, the impact of COVID-19 continues, and the launch of each project has been delayed as the function of public institutions, who are the clients, is weak. • In the electric power market, although the coal market was lackluster due to the regulation on CO2 emissions, demand in the gas market was firm. <p>(In domestic market (Japan))</p> <ul style="list-style-type: none"> • The construction equipment market is shrinking due to a decline in the number of new construction starts. • Investment in renovation and maintenance for social infrastructure was almost the same as last year. 	<p>(In overseas market)</p> <ul style="list-style-type: none"> • Oil and gas related orders received was smaller than the same period last year. • The volume of orders received for the water infrastructure was smaller than the same period last year. • The volume of orders received for electric power was smaller than the same period last year. <p>(In domestic market (Japan))</p> <ul style="list-style-type: none"> • The volume of orders received for building construction-related equipment was smaller than the same period last year due to the suspension of construction works and delays in construction starts caused by the impact of COVID-19. • The volume of orders received for the public sector exceeded that of the same period last year due to successful measures for increasing orders received for comprehensive evaluation projects and after-sales service. 
	<p>Compressors & Turbines</p> <ul style="list-style-type: none"> • In the new product market as a whole, petrochemicals are still being firm in China, while ethylene plants and LNG projects derived from shale gas are delayed and stagnated in North America. Investment is also being delayed in India and Russia. • The service market as a whole has been sluggish as mobility restrictions for preventing the spread of COVID-19 continue to affect dispatch instructors. • In the LNG market (cryogenic pump), although there are movements in some projects, investment decisions are slowing down due to the continuing impact of the decline in crude oil prices. 	<ul style="list-style-type: none"> • Although orders received for new products was sluggish, the volume exceeded that of the same period last year when severe price competition and delayed projects had a significant impact. • The volume of orders received for field service was smaller than the same period last year. 
	<p>Chillers</p> <ul style="list-style-type: none"> • In Japan, facility renovation plans such as accommodations and large-scale shopping malls that were affected by lifestyle changes and regular maintenance projects for existing products have been postponed or frozen. • In China, market recovery has been delayed in some industries such as thermal power generation. 	<ul style="list-style-type: none"> • In Japan, the volume of orders received was smaller than the same period last year. • In China, the volume of orders received was smaller than the same period last year. 

Segment	Business Environment	Business Situation and the Trend of Orders Received (Note1)
Environmental Plants (Note2)	<ul style="list-style-type: none"> •New construction demand of waste incineration facilities for the public sector ran at about the same level as in a typical year. •The volume of O&M orders placed for existing facilities ran at about the same level as in a typical year. •Construction demand of power generation facilities with woody biomass fuel for private companies and industrial waste incineration facilities for plastic waste continued. 	<ul style="list-style-type: none"> •Although 1 DBO project of waste incineration facilities for the public sector and 1 core improvement project have been ordered, the volume of orders received was smaller than the same period last year when 1 large-scale DBO project for the public sector, 2 core improvement projects and 2 projects for the private sector have been ordered. <p>(Overview of major orders received)</p> <ul style="list-style-type: none"> •DBO project of waste incineration facilities for the public sector (1 order)  •Long-term comprehensive agreement for the public sector (long-term comprehensive part for a DBO project that had been made a successful bid by the end of last year) (1 order) •Core improvement project of waste incineration facilities for the public sector (1 order)
Precision Machinery	<ul style="list-style-type: none"> •The semiconductor and the semiconductor manufacturing equipment markets have been recovering due to solid demand for semiconductors mainly through the spread of IoT and working from home even though they are affected by the stagnation of economic activities due to COVID-19. •Capital investment by foundries and memory companies has continued to recover, while some semiconductor equipment investments are postponed due to the impact of US-China trade friction. 	<ul style="list-style-type: none"> •In addition to foundries, capital investment by memory companies is recovering, and the volume of orders received exceeded that of the same period last year.  •The service and support business is being favorable as customers are operating at a high level and some customers continued to take measures of the safety stock inventory to reduce the risk of shutdown due to the spread of COVID-19.

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

 in the case of +5% or more increase  in the case of -5% or greater decrease  in the case of movement within the -5% and +5% range

Note2: O&M The operation and maintenance for plants

.....
 DBO (Design, Build, Operate)

The contract for operation and maintenance after construction for a certain period of time, in addition to the engineering, procurement, and construction for plants

(2) Explanation of Financial Position

i. Assets

Total assets as of September 30, 2020 were ¥624,467 million, ¥29,228 million higher than as of December 31, 2019. Principal changes in asset items included a decrease of ¥27,104 million in notes and accounts receivable-trade, a decrease of ¥20,432 million in work in process, and an increase of ¥64,462 million in cash and deposits.

ii. Liabilities

Total liabilities as of September 30, 2020 were ¥332,813 million, ¥29,402 million higher than as of December 31, 2019. Principal changes in liability items included a decrease of ¥7,242 million in provision for construction losses, an increase of ¥27,775 million in short-term loans payable, and an increase of ¥14,548 million in other current liabilities (such as advances received).

iii. Net Assets

Net assets as of September 30, 2020 amounted to ¥291,654 million, ¥173 million lower than as of December 31, 2019. Principal changes in net asset items included an increase of ¥2,694 million in retained earnings and a decrease of ¥3,619 million in translation adjustments. Changes in retained earnings consist of the following: profit attributable to owners of parent of ¥12,357 million, an increase of ¥525 million due to change of scope of consolidation, a decrease of ¥4,473 million in the beginning balance due to adopting Accounting Standard for Revenue Recognition, and cash dividends paid of ¥5,713 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥283,676 million, and equity ratio was 45.4%.

(3) Explanation of Forecast of Consolidated Financial Results

We revised the forecast for the fiscal year ending December 31, 2020, reflecting the performance after the previous announcement on August 11, 2020 mainly due to a decrease of orders received in the EP business, and increases of sales and operating income in the FMS Business. The revised forecast is as follows. In addition, the revised forecast by business segment is as follows.

Assumptions regarding foreign currency exchange rates have not been revised since the previous announcement and are as follows: US \$1= ¥105, EUR1= ¥120

Actual performance may differ from the forecast owing to factors such as changing market environment.

Forecast for the Fiscal Year Ending December 31, 2020

	Orders Received	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Previous Forecast : A	506,000	506,000	30,000	27,000	17,000
Revised Forecast : B	493,500	513,000	32,000	29,500	18,500
Change (B-A)	(12,500)	7,000	2,000	2,500	1,500
(Reference) Fiscal Year Ended December 31, 2019	552,225	522,424	35,298	35,571	23,349

Millions of yen

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

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	292,000	73,000	140,000	1,000	506,000
	Net Sales	300,000	65,000	140,000	1,000	506,000
	Operating Income	14,000	6,000	10,500	(500)	30,000
Revised Forecast : B	Orders Received	292,000	60,000	140,000	1,500	493,500
	Net Sales	306,500	65,000	140,000	1,500	513,000
	Operating Income	16,000	6,000	10,500	(500)	32,000
Change (B-A)	Orders Received	—	(13,000)	—	500	(12,500)
	Net Sales	6,500	—	—	500	7,000
	Operating Income	2,000	—	—	—	2,000

Millions of yen

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	As of December 31, 2019	As of September 30, 2020
ASSETS		
Current Assets		
Cash and deposits	94,014	158,477
Notes and accounts receivable-trade	182,944	155,840
Electronically recorded monetary claims	9,218	8,797
Securities	1,097	3,176
Merchandise and finished goods	18,386	18,332
Work in process	70,082	49,649
Raw materials and supplies	32,633	35,660
Others	15,659	18,113
Allowance for doubtful accounts	(2,107)	(2,088)
Total current assets	421,929	445,959
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	56,022	56,816
Machinery and equipment, net	27,960	28,426
Others, net	40,916	48,453
Total tangible assets	124,898	133,697
Intangible assets	10,343	12,233
Investments and other assets		
Investment securities	19,666	12,217
Others	23,843	25,580
Allowance for doubtful accounts	(5,442)	(5,220)
Total investments and other assets	38,067	32,577
Total fixed assets	173,309	178,508
Total Assets	595,239	624,467

	Millions of yen	
	As of December 31, 2019	As of September 30, 2020
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	60,580	54,810
Electronically recorded obligations	59,847	61,313
Short-term loans payable	50,965	78,741
Provision for bonuses	6,629	9,214
Provision for directors' bonuses	348	340
Provision for losses on construction completion guarantees	3,369	3,652
Provision for product warranties	3,658	4,233
Provision for construction losses	12,901	5,658
Others	61,780	76,329
Total current liabilities	260,082	294,294
Long-term Liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	18,340	16,270
Provision for directors' retirement benefits	107	113
Defined benefit liability	9,362	7,641
Asset retirement obligations	2,401	2,405
Others	3,117	2,088
Total long-term liabilities	43,328	38,519
Total Liabilities	303,411	332,813
NET ASSETS		
Shareholders' Equity		
Common shares	79,155	79,407
Capital surplus	74,848	75,101
Retained earnings	141,675	144,369
Treasury shares	(174)	(177)
Total shareholders' equity	295,504	298,701
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	233	172
Deferred gains (losses) on hedges	(24)	(53)
Translation adjustments	(2,891)	(6,511)
Remeasurements of defined benefit plans	(9,168)	(8,631)
Total accumulated other comprehensive income	(11,852)	(15,024)
Subscription Rights to Shares	1,132	852
Non-Controlling Interests	7,043	7,124
Total Net Assets	291,827	291,654
Total Liabilities and Net Assets	595,239	624,467

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

Millions of yen

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Net Sales	366,461	369,378
Cost of Sales	273,476	268,811
Gross Profit	92,984	100,566
Selling, General and Administrative Expenses	72,715	78,311
Operating Income	20,269	22,255
Non-operating Income		
Interest income	241	238
Dividends income	260	40
Share of profit of entities accounted for using equity method	514	465
Others	1,024	520
Total non-operating income	2,041	1,264
Non-operating Expenses		
Interest expenses	1,043	918
Foreign exchange losses	906	1,445
Others	350	640
Total non-operating expenses	2,300	3,004
Ordinary Income	20,010	20,515
Extraordinary Income		
Gain on sales of fixed assets	17	38
Gain on sales of investment securities	217	76
Total extraordinary income	235	115
Extraordinary Loss		
Loss on sales of fixed assets	2	7
Loss on retirement of fixed assets	118	56
Impairment loss	861	169
Loss on sales of investment securities	127	227
Others	2	0
Total extraordinary loss	1,112	460
Income before Income Taxes	19,134	20,170
Income Taxes	5,980	6,482
Profit	13,153	13,687
Profit Attributable to Non-Controlling Interests	1,289	1,330
Profit Attributable to Owners of Parent	11,863	12,357

Consolidated Statements of Comprehensive Income

Millions of yen

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Profit	13,153	13,687
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	(41)	(49)
Deferred gains (losses) on hedges	45	(28)
Translation adjustment	(4,497)	(2,937)
Remeasurements of defined benefit plans, net of tax	712	544
Share of other comprehensive income of entities accounted for using equity method	81	(15)
Total other comprehensive income	(3,698)	(2,486)
Comprehensive Income	9,455	11,200
Comprehensive income attributable to:		
Owners of parent	8,329	9,904
Non-controlling interests	1,125	1,296

(3) Consolidated Statements of Cash Flows

Millions of yen

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Cash Flows from Operating Activities:		
Income before income taxes	19,134	20,170
Depreciation and amortization	11,161	11,960
Impairment loss	861	169
Loss (gain) on sales of securities and investment securities	(90)	150
Increase (decrease) in provisions	734	2,409
Increase (decrease) in defined benefit liability	(1,387)	(1,681)
Loss (gain) on sales of fixed assets	(15)	(31)
Interest and dividends income	(502)	(278)
Interest expenses	1,043	918
Decrease (increase) in notes and accounts receivable-trade	17,164	28,875
Decrease (increase) in inventories	(760)	7,775
Increase (decrease) in notes and accounts payable-trade	(23,613)	(11,412)
Others	2,150	11,640
Sub-total	25,879	70,667
Interest and dividends income received	406	589
Interest expenses paid	(1,000)	(879)
Income taxes paid	(8,026)	(6,263)
Net cash provided by operating activities	17,258	64,113
Cash Flows from Investing Activities:		
Purchase of fixed assets	(18,367)	(22,296)
Proceeds from sales of fixed assets	53	82
Purchase of securities and investment securities	(2,365)	(704)
Proceeds from sales and redemption of securities and investment securities	4,607	1,949
Payments into time deposits	(1,097)	(2,657)
Proceeds from withdrawal of time deposits	1,084	2,998
Payments of loans receivable	(7)	(24)
Collection of loans receivable	25	38
Others	34	(47)
Net cash used in investing activities	(16,032)	(20,661)

Millions of yen

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	25,455	30,976
Proceeds from long-term loans payable	1,298	620
Repayment of long-term loans payable	(1,193)	(3,553)
Purchase of treasury shares	(15,003)	(2)
Proceeds from disposal of treasury shares	0	—
Cash dividends paid	(5,877)	(5,713)
Cash dividends paid to non-controlling interests	(687)	(1,282)
Others	(583)	(610)
Net cash provided by financing activities	3,407	20,434
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,167)	(369)
Increase (Decrease) in Cash and Cash Equivalents	3,465	63,516
Cash and Cash Equivalents at Beginning of Period	110,556	93,351
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	686	1,904
Cash and Cash Equivalents at End of Period	114,708	158,772

(4) Notes to Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Note for Significant Changes in the Amount of Shareholders' Equity)

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018) from the beginning of the three months ended March 31, 2020.

For further details, please refer to "2. Consolidated Financial Statements and Significant Notes (4) Notes to Consolidated Financial Statements (Changes in Accounting Policies)".

(Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)

Tax expenses on income before income taxes for the nine months under review are calculated by multiplying income before income taxes for the nine months under review by the reasonably estimated annual effective tax rate for the entire fiscal year with application of tax effect accounting.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition)

As the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018 (hereinafter “Revenue Recognition Standards”)) and “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018) became applicable from the beginning of the fiscal year starting on and after April 1, 2018, the Company has decided to adopt the Revenue Recognition Standards from the beginning of the three months ended March 31, 2020, and recognize revenue at the amount expected to be received in exchange for its goods or services when the dominance of the promised goods or services is transferred to a customer.

The main changes due to the adoption of the Revenue Recognition Standards are as follows.

I. Performance Obligation to Be Satisfied Over a Period of Time

Previously, the percentage-of-completion method was applied to construction contracts for which results are deemed certain in terms of the progress portion, and the completed-contract method was applied to other construction contracts. However, except for small amounts and very short-term construction contracts, the method has been changed and revenues are recognized over a period of time by measuring the progress of performance obligations toward satisfaction.

The method of estimating the progress rate for fulfillment of performance obligations is based on the ratio of the actual cost to the estimated total cost (input method) if the result of performance obligations can be reasonably measured. If the result of performance obligations cannot be reasonably measured, revenue is recognized only within the range of actual costs incurred. For small amounts and very short-term construction contracts, revenue is recognized when the performance obligations are fully satisfied.

II. Performance Obligation to Be Satisfied at a Point in Time

Previously, in the PM Business, revenue of semiconductor manufacturing equipment was recognized when installation at the customer was completed. However, it is now decided that revenue should be recognized when performance verification after installation at the customer is completed.

With regard to the adoption of the Revenue Recognition Standards, in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the three months ended March 31, 2020 has been added to or deducted from retained earnings from the beginning of the three months ended March 31, 2020, and the new accounting policy has been adopted from the beginning balance of the three months ended March 31, 2020.

However, the method stipulated in paragraph 86 of the Accounting Standard for Revenue Recognition has been adopted, and the new accounting policy has not been adopted retrospectively to contracts for which the amounts of nearly all revenue had been recognized prior to the beginning of the three months ended March 31, 2020 in accordance with the previous treatment.

In addition, the Company has adopted the method stipulated in the proviso (1) to paragraph 86 of the Accounting Standard for Revenue Recognition. Based on the contract conditions after applying all changes in contracts made prior to the beginning of the three months ended March 31, 2020, the following processes 1 to 3 were carried out and the cumulative effect has been added to or deducted from the beginning balance of retained earnings for the three months ended March 31, 2020.

1. Classification of satisfied and unsatisfied performance obligations
2. Determination of transaction prices
3. Allocation of transaction prices to satisfied and unsatisfied performance obligations

As a result, for the nine months ended September 30, 2020, sales decreased by ¥1,147 million, cost of sales decreased by ¥230 million, SG&A decreased by ¥112 million, operating income, ordinary income and income before income taxes decreased by ¥805 million respectively. The beginning balance of retained earnings decreased by ¥4,473 million.

(Segment Information)

Nine Months Ended September 30, 2019

1. Information Regarding Sales and Income by Reportable Segment

Millions of yen

	Reportable Segments				Others (Note1)	Total	Adjustment (Note2)	Consolidated (Note3)
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total				
Sales								
Customers	228,088	48,498	88,721	365,308	1,152	366,461	—	366,461
Intersegment and transfers	450	4	—	455	1,948	2,404	(2,404)	—
Total	228,538	48,503	88,721	365,763	3,101	368,865	(2,404)	366,461
Segment Income	8,333	5,541	6,274	20,149	100	20,249	19	20,269

Note1: 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.

Note2: The "Adjustment" item for Segment Income shows eliminations among intersegment sales and transfers.

Note3: Segment Income has been adjusted with operating income in the consolidated statements of income.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Negative Goodwill by Reportable Segment

(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

Nine Months Ended September 30, 2020

1. Information Regarding Sales and Income (Loss) by Reportable Segment

Millions of yen

	Reportable Segments				Others (Note1)	Total	Adjustment (Note2)	Consolidated (Note3)
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total				
Sales								
Customers	220,868	44,011	103,381	368,261	1,116	369,378	—	369,378
Intersegment and transfers	446	8	0	455	1,925	2,380	(2,380)	—
Total	221,315	44,019	103,382	368,716	3,042	371,759	(2,380)	369,378
Segment Income (Loss)	11,317	4,044	7,483	22,846	(536)	22,309	(54)	22,255

Note1: 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.

Note2: The “Adjustment” item for Segment Income (Loss) shows eliminations among intersegment sales and transfers.

Note3: Segment Income (Loss) has been adjusted with operating income in the consolidated statements of income.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Negative Goodwill by Reportable Segment

(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

3. Changes of Reportable Segment

As stated in “(Changes in Accounting Policies)”, the accounting method for revenue recognition has been changed from the beginning of the three months ended March 31, 2020, and thus the measuring method for profit or loss in the business segment has been changed in the same way.

Due to this change, compared to the previous method, for the nine months ended September 30, 2020, in the FMS Business, sales decreased by ¥600 million and segment income increased by ¥302 million. In the EP Business, sales decreased by ¥994 million and segment income decreased by ¥741 million. In the PM Business, sales increased by ¥447 million and segment income decreased by ¥366 million.

(Additional Information)

(Spread of COVID-19)

The spread of COVID-19 continues worldwide. It is still a major threat, and the situation remains unpredictable. On the other hand, the trend toward the coexistence of infectious prevention and economic activities, called “with Corona”, is becoming more active, and demand for social and industrial infrastructures is recovering.

As a result, for the nine months ended September 30, 2020, there is no material impact on the assumption used in the accounting estimates made at the end of the fiscal year ended December 31, 2019.

However, if the impact of the spread of the COVID-19 diverges from this assumption, the Group's financial position and financial results may be affected.

(Significant Subsequent Events)

(Issuance of bonds)

The Company has issued the 10th series of unsecured bonds on October 22, 2020 as follows based on a resolution at the Board of Directors meeting held on September 14, 2020.

EBARA CORPORATION 10th Unsecured Bond (with limited inter-bond pari passu clause)

(1) Total issue amount: ¥10,000 million

(2) Issue price: ¥100 per amount of ¥100 of each bond

(3) Coupon rate: 0.190% per annum

(4) Closing date: October 22, 2020

(5) Maturity date: October 22, 2025

(6) Maturity method: bullet repayment on the maturity date

(7) Use of proceeds: to be used for equipment, investment and loan

3. 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. Afterwards, 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. Furthermore, Gifu City amended its amount of the compensation claim for damages to ¥4,582 million and late charges for such compensation on July 17, 2020, and EEP received the amended petition pertaining to this lawsuit on July 20, 2020. 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) Segment Information

The accounting method for revenue recognition has been changed from the beginning of the three months ended March 31, 2020, and thus the measuring method for profit or loss in the business segment has been changed in the same way. For further details, please refer to “2. Consolidated Financial Statements and Significant Notes (4) Notes to Consolidated Financial Statements (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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020			Fiscal Year Ending December 31, 2020
		Actual	Actual	Change	Change Ratio (%)
Billions of yen					
Orders Received					
Pumps	128.6	124.0	(4.5)	(3.5)	164.0
Compressors & Turbines	67.5	60.2	(7.3)	(10.8)	83.0
Chillers	30.1	25.7	(4.3)	(14.4)	32.0
Others	10.9	11.6	0.6	6.2	13.0
Total of FMS	237.2	221.7	(15.5)	(6.5)	292.0
EP	52.1	47.9	(4.1)	(7.9)	60.0
PM	89.2	95.2	5.9	6.7	140.0
Others	1.1	1.1	(0.0)	(1.7)	1.5
Total	379.8	366.0	(13.7)	(3.6)	493.5
Sales					
Pumps	126.7	120.5	(6.2)	(4.9)	167.0
Compressors & Turbines	64.0	65.9	1.9	3.0	95.0
Chillers	26.6	24.7	(1.8)	(7.1)	32.0
Others	10.6	9.6	(1.0)	(10.1)	12.5
Total of FMS	228.0	220.8	(7.2)	(3.2)	306.5
EP	48.4	44.0	(4.4)	(9.3)	65.0
PM	88.7	103.3	14.6	16.5	140.0
Others	1.1	1.1	(0.0)	(3.1)	1.5
Total	366.4	369.3	2.9	0.8	513.0
Operating Income					
Pumps	7.3	6.9	(0.4)	(6.0)	9.0
Compressors & Turbines	0.9	3.0	2.0	213.3	5.0
Chillers	0.8	1.3	0.5	61.3	1.5
Others & Adjustment	(0.8)	0.0	0.8	—	0.5
Total of FMS	8.3	11.3	2.9	35.8	16.0
EP	5.5	4.0	(1.4)	(27.0)	6.0
PM	6.2	7.4	1.2	19.3	10.5
Others & Adjustment	0.1	(0.5)	(0.7)	—	(0.5)
Total	20.2	22.2	1.9	9.8	32.0
Backlog of Orders Received					
Pumps	97.6	97.6	(0.0)	(0.0)	95.0
Compressors & Turbines	89.3	84.9	(4.4)	(4.9)	81.3
Chillers	19.6	17.6	(1.9)	(9.9)	16.8
Others	8.6	10.1	1.4	16.6	8.8
Total of FMS	215.2	210.3	(4.9)	(2.3)	202.2
EP	217.6	236.1	18.5	8.5	231.1
PM	35.4	32.0	(3.3)	(9.5)	34.5
Others	0.0	0.0	0.0	—	0.0
Total	468.3	478.6	10.2	2.2	467.9

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

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020			Fiscal Year Ending December 31, 2020
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Components	39.4	45.7	6.3	16.0	59.0
CMP Systems	45.5	45.1	(0.4)	(1.0)	75.5
Others	4.2	4.3	0.0	1.9	5.5
Total of PM	89.2	95.2	5.9	6.7	140.0
Sales					
Components	43.3	43.1	(0.2)	(0.5)	57.5
CMP Systems	39.9	56.0	16.0	40.2	77.5
Others	5.3	4.1	(1.2)	(22.6)	5.0
Total of PM	88.7	103.3	14.6	16.5	140.0

(3) Area Information

(i) Geographical Segment . . . Compiled on the basis of the geographical location of the company reporting the sales

Billions of yen

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2020		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	214.7	58.6	218.0	59.0	3.2
North America	61.5	16.8	53.4	14.5	(8.1)
Asia (except Japan)	70.4	19.2	75.6	20.5	5.2
Others	19.6	5.4	22.3	6.0	2.6
Total	366.4	100.0	369.3	100.0	2.9
Operating Income					
Japan	6.0		8.3		2.2
North America	4.2		2.7		(1.5)
Asia (except Japan)	7.9		9.4		1.5
Others	1.4		1.8		0.4
Adjustment	0.5		(0.1)		(0.6)
Total	20.2		22.2		1.9

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

Billions of yen

	Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2020		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	170.9	46.7	164.6	44.6	(6.3)
China	54.3	14.8	56.0	15.2	1.6
Other Asia	55.7	15.2	72.1	19.5	16.3
North America	40.8	11.2	32.6	8.8	(8.2)
Europe	19.2	5.3	24.5	6.6	5.2
Middle East	16.3	4.5	12.4	3.4	(3.8)
Others	8.8	2.4	6.8	1.9	(2.0)
Total	366.4	100.0	369.3	100.0	2.9