

CONSOLIDATED FINANCIAL RESULTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
[Japanese GAAP]

November 13, 2019

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 Stock exchange listings: Tokyo
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Scheduled date for submission of quarterly report: November 14, 2019
 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. Results for the Nine Months Ended September 30, 2019

(1) 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, 2019	366,461	(0.4)%	20,269	(0.9)%	20,010	0.1%	11,863	5.8%
Nine Months Ended September 30, 2018	368,002	—	20,451	—	19,985	—	11,212	—

Note: Comprehensive Income: Nine months ended September 30, 2019; 9,455 million yen 1.1%
 Nine months ended September 30, 2018; 9,349 million yen —%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Nine Months Ended September 30, 2019	122.25	121.64
Nine Months Ended September 30, 2018	110.27	109.68

Note: Change from a comparable previous period (%) for the nine months ended September 30, 2018 (“—” as shown in the above table):

Ebara Corporation (“the Company”) has changed its fiscal year-end from March 31 to December 31, effective from the fiscal year ended December 31, 2017. Due to this change, consolidated financial statements were not prepared for the nine months ended December 31, 2017. Therefore, the change from a comparable previous period (%) for the nine months ended September 30, 2018 is not displayed.

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio (%)
As of September 30, 2019	578,815	275,778	46.3
As of December 31, 2018	591,582	286,778	47.3

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

As of September 30, 2019; 268,235 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.

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, 2018	—	30.00	—	30.00	60.00
Fiscal Year Ending December 31, 2019	—	30.00	—		
Fiscal Year Ending December 31, 2019 (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, 2019

% 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, 2019	510,000	0.2%	29,500	(9.2)%	28,500	(8.9)%	17,000	(6.9)%

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, 2019, previously announced on August 9, 2019. For further details, please refer to "Explanation of Forecast of Consolidated Financial Results" on page 8.

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)” on page 15.

- (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: None

(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, 2019	102,021,253	As of December 31, 2018	101,957,853
(ii) Number of treasury shares	As of September 30, 2019	6,905,412	As of December 31, 2018	1,933,423
(iii) Average number of common shares	Nine Months Ended September 30, 2019	97,047,879	Nine Months Ended September 30, 2018	101,681,943

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 8. 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.

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1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

Millions of yen

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Change	Change Ratio (%)
Orders Received	443,159	379,803	(63,356)	(14.3)
Net Sales	368,002	366,461	(1,540)	(0.4)
Operating Income	20,451	20,269	(182)	(0.9)
Operating Income on Sales Ratio (%)	5.6	5.5	—	—
Ordinary Income	19,985	20,010	25	0.1
Profit Attributable to Owners of Parent	11,212	11,863	651	5.8
Net Income per Share (Yen)	110.27	122.25	11.98	10.9

During the nine months ended September 30, 2019, globally, investment continued at a certain level in the oil and gas market. On the other hand, investment in the semiconductor market continued to be stagnant. In Japan, public investment was firm, and private capital investment ran at the same level as in a typical year. Overall, the Japanese market was steady.

During the nine months ended September 30, 2019, orders received decreased compared to the same period last year mainly due to decreases in the Environmental Plants (“EP”) Company and the Precision Machinery (“PM”) Company. Sales were level with the same period last year due to an increase in the EP Company despite a decrease in the PM Company. Operating income was level with the same period last year due to increases in the Fluid Machinery & Systems (“FMS”) Company and the EP Company despite a decrease in the PM Company.






Consolidated net sales for the nine months ended September 30, 2019 amounted to ¥366,461 million (a decrease of 0.4% year-on-year), operating income amounted to ¥20,269 million (a decrease of 0.9% year-on-year), ordinary income amounted to ¥20,010 million (an increase of 0.1% year-on-year), and profit attributable to owners of parent amounted to ¥11,863 million (an increase of 5.8% year-on-year).

Operating Results by Business Segment




Millions of yen

Segment	Orders Received			Net Sales			Segment Income		
	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Change Ratio (%)	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Change Ratio (%)	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019	Change Ratio (%)
Fluid Machinery & Systems	244,219	237,252	(2.9)	225,028	228,088	1.4	3,369	8,333	147.3
Environmental Plants	93,304	52,107	(44.2)	43,561	48,498	11.3	3,446	5,541	60.8
Precision Machinery	104,370	89,290	(14.4)	98,155	88,721	(9.6)	13,418	6,274	(53.2)
Segment Total	441,894	378,649	(14.3)	366,744	365,308	(0.4)	20,233	20,149	(0.4)
Others	1,265	1,153	(8.9)	1,257	1,152	(8.3)	231	100	(56.5)
Adjustment	—	—	—	—	—	—	(13)	19	—
Total	443,159	379,803	(14.3)	368,002	366,461	(0.4)	20,451	20,269	(0.9)

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 (In overseas market) • 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. • Demand for water infrastructure has gradually recovered with increases in the Middle East, China, and Southeast Asia. • In the electric power market, due to the regulation on CO2 emissions, the coal market was lackluster. (In domestic market (Japan)) • New building construction starts were level with the same period last year. • Investment in renovation and maintenance for social infrastructure exceeded that of the same period last year.	(In overseas market) • Oil and gas related orders received were smaller than the same period last year. • The volume of orders received for the water infrastructure exceeded that of the same period last year. • The volume of orders received for electric power was smaller than the same period last year.  (In domestic market (Japan)) • The volume of orders received for building construction-related equipment exceeded that of the same period last year. • The volume of orders received for the public sector was level with the same period last year.
	Compressors & Turbines • 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 mainly due to component and remodeling projects. • The LNG market (cryogenic pumps) has gradually recovered. Although price competition is intense, the market is booming in Asia. There were movements toward Final Investment Decision for LNG carriers which had previously been postponed.	• The volume of orders received for new products was smaller than the same period last year due to fierce price competition and postponement of ordering schedules.  • Although the volume of orders received for service was smaller than the same period last year, projects for remodeling, repair, and component remains firm.
	Chillers • In Japan, the market was level with the same period last year. Demand for renewal continued to be firm. • In China, the market continued to slow down with constant and intense competition.	• In Japan, the volume of orders received exceeded that of the same period last year due to new eco-friendly products.  • In China, the volume of orders received was level with the same period last year with the support of new products.
Environmental Plants (Note2)	• The volume of EPC orders placed by the public sector for waste incineration facilities exceeded that of the same period 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.	• Construction works of an industrial waste incineration facility and a biomass power generation facility for the private sector have been ordered. However, the volume of orders received was smaller than the same period last year which the level was extremely high. (In addition to projects for the private sector, large-scale DBO and long-term comprehensive projects in the public sector were ordered in the same period last year.)  (Overview of large-scale orders received) • DBO project of waste incineration facilities for the public sector (1 order) • Industrial waste incineration facilities (1 order) • Biomass power generation facilities (1 order) • Major improvement project for general waste incineration facilities (2 orders)
Precision Machinery	• Semiconductor-related capital investment continued to be lackluster overall due to a slowdown of capital investment by memory companies.	• The volume of orders received was smaller than the same period last year mainly due to a slowdown of investment by memory companies. However, outlook is expected to be favorable as some semiconductor companies have resumed capital investment. 

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: EPC The engineering, procurement, and construction for plants

O&M The operation and maintenance for plants

DBO(Design, Build, and 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, 2019 were ¥578,815 million, ¥12,766 million lower than as of December 31, 2018. Principal changes in asset items included an increase of ¥6,848 million in tangible fixed assets (other items such as construction in progress) and a decrease of ¥19,053 million in notes and accounts receivable-trade.

ii. Liabilities

Total liabilities as of September 30, 2019 were ¥303,037 million, ¥1,766 million lower than as of December 31, 2018. Principal changes in liability items included an increase of ¥26,639 million in short-term loans payable, a decrease of ¥13,297 million in electronically recorded obligations, a decrease of ¥10,399 million in notes and accounts payable-trade, a decrease of ¥2,160 million in long-term loans payable, and a decrease of ¥1,115 million in defined benefit liability.

iii. Net Assets

Net assets as of September 30, 2019 amounted to ¥275,778 million, ¥10,999 million lower than as of December 31, 2018. Principal changes affecting net asset items were profit attributable to owners of parent of ¥11,863 million, purchase of treasury shares of ¥15,003 million, and cash dividends paid of ¥5,877 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥268,235 million, and equity ratio was 46.3%.

“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) Explanation of Forecast of Consolidated Financial Results

We revised the forecast for the fiscal year ending December 31, 2019, reflecting the results after the previous announcement on August 9, 2019 mainly due to an increase of orders received and sales in the PM Company. 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, 2019

	Orders Received	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Previous Forecast : A	512,000	500,000	28,000	27,000	16,000
Revised Forecast : B	522,000	510,000	29,500	28,500	17,000
Change (B-A)	10,000	10,000	1,500	1,500	1,000

Millions of yen

Forecast for the Fiscal Year Ending December 31, 2019 by Business Segment

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	320,000	80,000	110,000	2,000	512,000
	Net Sales	321,000	67,000	110,000	2,000	500,000
	Operating Income	15,500	5,500	7,000	0	28,000
Revised Forecast : B	Orders Received	320,000	80,000	120,000	2,000	522,000
	Net Sales	321,000	67,000	120,000	2,000	510,000
	Operating Income	15,500	6,000	8,000	0	29,500
Change (B-A)	Orders Received	—	—	10,000	—	10,000
	Net Sales	—	—	10,000	—	10,000
	Operating Income	—	500	1,000	—	1,500

Millions of yen

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

Millions of yen

	As of December 31, 2018	As of September 30, 2019
ASSETS		
Current Assets		
Cash and deposits	110,610	112,036
Notes and accounts receivable-trade	176,895	157,842
Electronically recorded monetary claims	6,990	6,162
Securities	1,668	4,321
Merchandise and finished goods	18,082	17,723
Work in process	65,845	67,947
Raw materials and supplies	38,731	35,951
Others	14,714	13,864
Allowance for doubtful accounts	(3,308)	(2,569)
Total current assets	430,230	413,280
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	44,269	45,630
Machinery and equipment, net	28,599	27,811
Others, net	35,009	41,857
Total tangible assets	107,879	115,299
Intangible assets	10,670	9,895
Investments and other assets		
Investment securities	22,301	20,385
Others	25,686	25,373
Allowance for doubtful accounts	(5,187)	(5,419)
Total investments and other assets	42,801	40,340
Total fixed assets	161,351	165,534
Total Assets	591,582	578,815

	Millions of yen	
	As of December 31, 2018	As of September 30, 2019
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	63,320	52,921
Electronically recorded obligations	62,854	49,557
Short-term loans payable	46,766	73,406
Provision for bonuses	6,263	8,423
Provision for directors' bonuses	344	260
Provision for losses on construction completion guarantees	4,873	3,849
Provision for product warranties	5,118	4,052
Provision for construction losses	12,374	13,482
Provision for expenses related to the sales of land	254	—
Others	56,380	54,240
Total current liabilities	258,550	260,194
Long-term Liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	20,730	18,570
Provision for directors' retirement benefits	116	107
Defined benefit liability	10,681	9,566
Asset retirement obligations	2,245	2,407
Others	2,479	2,191
Total long-term liabilities	46,253	42,842
Total Liabilities	304,803	303,037
NET ASSETS		
Shareholders' Equity		
Capital stock	79,066	79,143
Capital surplus	80,296	80,373
Retained earnings	135,715	144,498
Treasury shares	(5,439)	(20,443)
Total shareholders' equity	289,639	283,572
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	381	404
Deferred gains (losses) on hedges	(57)	(11)
Translation adjustments	(1,226)	(5,514)
Remeasurements of defined benefit plans	(9,096)	(10,214)
Total accumulated other comprehensive income	(9,999)	(15,336)
Subscription Rights to Shares	1,152	1,129
Non-Controlling Interests	5,985	6,412
Total Net Assets	286,778	275,778
Total Liabilities and Net Assets	591,582	578,815

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

Millions of yen

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019
Net Sales	368,002	366,461
Cost of Sales	273,166	273,476
Gross Profit	94,835	92,984
Selling, General and Administrative Expenses	74,384	72,715
Operating Income	20,451	20,269
Non-operating Income		
Interest income	192	241
Dividends income	601	260
Share of profit of entities accounted for using equity method	844	514
Others	492	1,024
Total non-operating income	2,130	2,041
Non-operating Expenses		
Interest expenses	1,108	1,043
Foreign exchange losses	1,005	906
Others	482	350
Total non-operating expenses	2,596	2,300
Ordinary Income	19,985	20,010
Extraordinary Income		
Gain on sales of fixed assets	53	17
Gain on sales of investment securities	402	217
Total extraordinary income	455	235
Extraordinary Loss		
Loss on sales of fixed assets	102	2
Loss on retirement of fixed assets	179	118
Impairment loss	2,180	861
Loss on sales of investment securities	—	127
Provision for loss on litigation	1,257	—
Others	1	2
Total extraordinary loss	3,722	1,112
Income before Income Taxes	16,719	19,134
Income Taxes	4,375	5,980
Profit	12,344	13,153
Profit Attributable to Non-Controlling Interests	1,132	1,289
Profit Attributable to Owners of Parent	11,212	11,863

Consolidated Statements of Comprehensive Income

Millions of yen

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019
Profit	12,344	13,153
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	(630)	(41)
Deferred gains (losses) on hedges	18	45
Translation adjustment	(2,607)	(4,497)
Remeasurements of defined benefit plans, net of tax	133	712
Share of other comprehensive income of entities accounted for using equity method	91	81
Total other comprehensive income	(2,994)	(3,698)
Comprehensive Income	9,349	9,455
Comprehensive income attributable to:		
Owners of parent	8,430	8,329
Non-controlling interests	919	1,125

(3) Consolidated Statements of Cash Flows

Millions of yen

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities:		
Income before income taxes	16,719	19,134
Depreciation and amortization	11,555	11,161
Impairment loss	2,180	861
Loss (gain) on sales of securities and investment securities	(402)	(90)
Increase (decrease) in provisions	8,279	734
Increase (decrease) in defined benefit liability	(1,963)	(1,387)
Loss (gain) on sales of fixed assets	49	(15)
Interest and dividends income	(793)	(502)
Interest expenses	1,108	1,043
Decrease (increase) in notes and accounts receivable-trade	13,133	17,164
Decrease (increase) in inventories	(14,769)	(760)
Increase (decrease) in notes and accounts payable-trade	(177)	(23,613)
Others	(1,828)	2,150
Sub-total	33,089	25,879
Interest and dividends income received	660	406
Interest expenses paid	(1,036)	(1,000)
Income taxes paid	(1,925)	(8,026)
Net cash provided by operating activities	30,788	17,258
Cash Flows from Investing Activities:		
Purchase of fixed assets	(11,908)	(18,367)
Proceeds from sales of fixed assets	727	53
Purchase of securities and investment securities	(4,623)	(2,365)
Proceeds from sales and redemption of securities and investment securities	2,190	4,607
Payments into time deposits	(1,349)	(1,097)
Proceeds from withdrawal of time deposits	1,206	1,084
Payments of loans receivable	(28)	(7)
Collection of loans receivable	33	25
Others	(90)	34
Net cash used in investing activities	(13,841)	(16,032)

Millions of yen

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	5,541	25,455
Proceeds from long-term loans payable	—	1,298
Repayment of long-term loans payable	(1,472)	(1,193)
Purchase of treasury shares	(8)	(15,003)
Proceeds from disposal of treasury shares	—	0
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	(605)	(583)
Net cash provided by (used in) financing activities	(2,868)	3,407
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(815)	(1,167)
Increase (Decrease) in Cash and Cash Equivalents	13,263	3,465
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	152,873	114,708

(4) Notes to Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

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

At a meeting on February 13, 2019, the Board of Directors passed a resolution to repurchase up to 7,000,000 common shares of the Company (Total acquisition price of shares: ¥15,000 million). Accordingly, the Company repurchased 4,970,800 common shares (Total acquisition price of shares: ¥14,999 million), and the repurchase of common shares based on this resolution was concluded on August 8, 2019. As a result, for the nine months ended September 30, 2019, treasury shares increased ¥15,003 million and amounted to ¥20,443 million as of September 30, 2019.

Furthermore, at a meeting on October 15, 2019, the Board of Directors passed a resolution to cancel its treasury shares, and the Company canceled 6,900,000 common shares on October 31, 2019. For further details, please refer to "Significant Subsequent Events" on page 17.

(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.

(Segment Information)

Nine Months Ended September 30, 2018

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	225,028	43,561	98,155	366,744	1,257	368,002	—	368,002
Intersegment and transfers	342	—	—	342	2,043	2,386	(2,386)	—
Total	225,370	43,561	98,155	367,086	3,301	370,388	(2,386)	368,002
Segment Income	3,369	3,446	13,418	20,233	231	20,464	(13)	20,451

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)

In Fluid Machinery & Systems, the book value of business assets has been lowered to the expected recoverable amount following the discontinuation of Tochigi Plant’s production which was concentrated to Futtsu Plant, and impairment loss has been booked mainly due to the reduced amount. The resulting impairment loss amounted to ¥2,180 million for the nine months ended September 30, 2018.

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

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

(Additional Information)

Adoption of “Partial Amendments to Accounting Standard for Tax Effect Accounting”

“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”.

(Significant Subsequent Events)

Cancellation of Treasury Shares

The Company has resolved at the meeting of the Board of Directors held on October 15, 2019 to cancel its treasury shares pursuant to Article 178 of the Companies Act and canceled its treasury shares as follows.

1) Type of canceled shares: Common shares of the Company

2) Number of canceled shares: 6,900,000 shares

(Ratio to the total number of outstanding shares as of the end of September 2019: 6.76%)

3) Cancellation date: October 31, 2019

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. 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) 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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019			Fiscal Year Ending December 31, 2019
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Pumps	126.1	128.6	2.4	2.0	175.0
Compressors & Turbines	77.7	67.5	(10.1)	(13.0)	100.0
Chillers	29.3	30.1	0.7	2.7	33.0
Others	11.0	10.9	(0.1)	(1.1)	12.0
Total of FMS	244.2	237.2	(6.9)	(2.9)	320.0
EP	93.3	52.1	(41.1)	(44.2)	80.0
PM	104.3	89.2	(15.0)	(14.4)	120.0
Others	1.2	1.1	(0.1)	(8.9)	2.0
Total	443.1	379.8	(63.3)	(14.3)	522.0
Sales					
Pumps	128.5	126.7	(1.8)	(1.4)	176.0
Compressors & Turbines	62.8	64.0	1.1	1.9	100.0
Chillers	24.0	26.6	2.6	10.9	33.0
Others	9.5	10.6	1.0	11.5	12.0
Total of FMS	225.0	228.0	3.0	1.4	321.0
EP	43.5	48.4	4.9	11.3	67.0
PM	98.1	88.7	(9.4)	(9.6)	120.0
Others	1.2	1.1	(0.1)	(8.3)	2.0
Total	368.0	366.4	(1.5)	(0.4)	510.0
Operating Income					
Pumps	5.4	7.3	1.9	35.0	10.0
Compressors & Turbines	(2.8)	0.9	3.7	—	3.0
Chillers	(0.0)	0.8	0.8	—	2.0
Others & Adjustment	0.7	(0.8)	(1.5)	—	0.5
Total of FMS	3.3	8.3	4.9	147.3	15.5
EP	3.4	5.5	2.0	60.8	6.0
PM	13.4	6.2	(7.1)	(53.2)	8.0
Others & Adjustment	0.2	0.1	(0.0)	(44.9)	0.0
Total	20.4	20.2	(0.1)	(0.9)	29.5
Backlog of Orders Received					
Pumps	99.0	97.6	(1.4)	(1.4)	99.1
Compressors & Turbines	85.1	89.3	4.1	4.9	84.3
Chillers	20.4	19.6	(0.8)	(4.2)	16.7
Others	8.1	8.6	0.5	6.9	8.1
Total of FMS	212.8	215.2	2.4	1.1	208.3
EP	219.9	217.6	(2.3)	(1.1)	227.3
PM	37.0	35.4	(1.5)	(4.2)	35.3
Others	0.0	0.0	(0.0)	(86.8)	0.0
Total	469.8	468.3	(1.4)	(0.3)	471.0

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

	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2019			Fiscal Year Ending December 31, 2019
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Components	45.8	39.4	(6.4)	(14.0)	55.0
CMP Systems	54.3	45.5	(8.7)	(16.1)	60.0
Others	4.1	4.2	0.0	1.6	5.0
Total of PM	104.3	89.2	(15.0)	(14.4)	120.0
Sales					
Components	44.7	43.3	(1.3)	(3.1)	55.0
CMP Systems	48.6	39.9	(8.6)	(17.8)	60.0
Others	4.7	5.3	0.6	13.7	5.0
Total of PM	98.1	88.7	(9.4)	(9.6)	120.0

(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, 2018		Nine Months Ended September 30, 2019		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	218.2	59.3	214.7	58.6	(3.5)
North America	61.8	16.8	61.5	16.8	(0.2)
Asia (except Japan)	66.0	17.9	70.4	19.2	4.4
Others	21.8	6.0	19.6	5.4	(2.1)
Total	368.0	100.0	366.4	100.0	(1.5)
Operating Income					
Japan	10.8		6.0		(4.7)
North America	0.8		4.2		3.3
Asia (except Japan)	7.4		7.9		0.4
Others	1.5		1.4		(0.1)
Adjustment	(0.3)		0.5		0.8
Total	20.4		20.2		(0.1)

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

Billions of yen

	Nine Months Ended September 30, 2018		Nine Months Ended September 30, 2019		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	164.8	44.8	170.9	46.7	6.1
China	54.3	14.8	54.3	14.8	0.0
Other Asia	67.9	18.5	55.7	15.2	(12.2)
North America	34.3	9.3	40.8	11.2	6.5
Europe	23.1	6.3	19.2	5.3	(3.8)
Middle East	12.6	3.4	16.3	4.5	3.6
Others	10.7	2.9	8.8	2.3	(1.8)
Total	368.0	100.0	366.4	100.0	(1.5)

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”.