

CONSOLIDATED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
[Japanese GAAP]

August 11, 2020

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 Stock exchange listings: Tokyo
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Scheduled date for submission of quarterly report: August 12, 2020
 Scheduled date for dividend payment: September 11, 2020
 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 Six Months Ended June 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	
Six Months Ended June 30, 2020	245,479	(1.0)%	13,656	5.3%	12,428	(6.9)%	7,434	(7.4)%
Six Months Ended June 30, 2019	248,055	(1.3)%	12,973	(11.9)%	13,349	(5.8)%	8,025	7.4%

Note: Comprehensive Income: Six Months Ended June 30, 2020; 5,560 million yen (14.2)%
 Six Months Ended June 30, 2019; 6,479 million yen 91.6%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Six Months Ended June 30, 2020	78.08	77.74
Six Months Ended June 30, 2019	81.91	81.50

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 June 30, 2020	628,508	288,888	44.8
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 June 30, 2020; 281,434 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	506,000	(3.1)	30,000	(15.0)	27,000	(24.1)	17,000	(27.2)

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

In the “Consolidated Financial Results for the Three Months Ended March 31, 2020” released on May 13, 2020, the Company voided (changed to “to be determined”) the forecasts of consolidated financial results for the fiscal year ending December 31, 2020 as it was difficult to reasonably estimate due to the impact of the spread of COVID-19. However, based on the current situation, the Company announces the forecasts of consolidated financial results for the fiscal year ending December 31, 2020. For further details, please refer to “Explanation of Forecast of Consolidated Financial Results” on page 10 and “Notice of Revision of the Forecast of Financial Results for the Fiscal Year Ending December 31, 2020” released today (August 11, 2020).

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 June 30, 2020	95,351,053	As of December 31, 2019	95,129,853
As of June 30, 2020	18,052	As of December 31, 2019	5,784
Six Months Ended June 30, 2020	95,217,177	Six Months Ended June 30, 2019	97,983,473

(ii) Number of treasury shares

(iii) Average number of
common shares

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.12
(1) Consolidated Balance Sheets	P.12
(2) Consolidated Statements of Income and Comprehensive Income	P.14
(3) Consolidated Statements of Cash Flows	P.16
(4) Notes to Consolidated Financial Statements	P.18
(Note for the Assumption of Going Concern)	P.18
(Note for Significant Changes in the Amount of Shareholders' Equity)	P.18
(Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)	P.18
(Changes in Accounting Policies)	P.19
(Segment Information)	P.21
(Additional Information)	P.23
3. Others	P.24
(1) Litigation and Others	P.24
(2) Segment Information	P.25
(3) Area Information	P.27

1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

	Millions of yen			
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020	Change	Change Ratio (%)
Orders Received	245,648	257,603	11,955	4.9
Net Sales	248,055	245,479	(2,576)	(1.0)
Operating Income	12,973	13,656	683	5.3
Operating Income on Sales Ratio (%)	5.2	5.6	—	—
Ordinary Income	13,349	12,428	(920)	(6.9)
Profit Attributable to Owners of Parent	8,025	7,434	(590)	(7.4)
Net Income per Share (Yen)	81.91	78.08	(3.82)	(4.7)

During the six months ended June 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 factors such as restrictions on economic activities to prevent the spread 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

Under these circumstances, 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 COVID-19 resulted in delays in customer's investment schedules. In the construction equipment market, construction works were suspended or delayed due to the impact of COVID-19.

As a result, during the six months ended June 30, 2020, orders received increased compared to the same period last year due to strong demand in the Precision Machinery (“PM”) Business although some capital investments in the semiconductor market are expected to be postponed. Sales were sluggish mainly in the domestic and overseas construction equipment markets due to the worldwide spread of COVID-19 in the Fluid Machinery & Systems (“FMS”) Business. Sales in the Environmental Plants (“EP”) Business decreased compared to the same period last year overall as construction progress in EPC (Engineering, Procurement and Construction) projects is an in-between period. Operating income increased compared to the same period last year due to improvement in profitability in the FMS Business and decrease in fixed costs due to restrictions on business operations resulting from the spread of COVID-19.

Consolidated net sales for the six months ended June 30, 2020 amounted to ¥245,479 million (a decrease of 1.0% year-on-year), operating income amounted to ¥13,656 million (an increase of 5.3% year-on-year), ordinary income amounted to ¥12,428 million (a decrease of 6.9% year-on-year), and profit attributable to owners of parent amounted to ¥7,434 million (a decrease of 7.4% 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		
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020	Change Ratio (%)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020	Change Ratio (%)	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020	Change Ratio (%)
Fluid Machinery & Systems	161,761	150,337	(7.1)	154,227	149,286	(3.2)	5,319	8,206	54.3
Environmental Plants	30,589	36,077	17.9	32,177	28,755	(10.6)	3,096	2,291	(26.0)
Precision Machinery	52,537	70,446	34.1	60,891	66,715	9.6	4,454	3,751	(15.8)
Segment Total	244,888	256,861	4.9	247,297	244,757	(1.0)	12,870	14,249	10.7
Others	760	741	(2.4)	758	722	(4.8)	87	(553)	—
Adjustment	—	—	—	—	—	—	14	(39)	—
Total	245,648	257,603	4.9	248,055	245,479	(1.0)	12,973	13,656	5.3




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	Pumps	<p>(In overseas market)</p> <ul style="list-style-type: none"> •In the oil and gas markets, some projects have been delayed or postponed due to the spread of COVID-19 and the decline in crude oil prices. •Demand for water infrastructure has gradually increased for new projects especially in China and Southeast Asia as well as for renovation of deteriorated facilities in North America. However, due to the impact of the spread of COVID-19, the start of each project has been delayed as the function of public institutions, who are the clients, is weak. <p>•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> <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 exceeded that of 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 impact of COVID-19, which resulted in the suspension of construction works and delays in construction starts. •The volume of orders received for the public sector exceeded that of the same period last year due to successful measures to increase orders received for comprehensive evaluation projects and after-sales service. 
	Compressors & Turbines	<ul style="list-style-type: none"> •In the new product market as a whole, petrochemicals are still being firm in China, while petrochemicals and LNG projects in North America are lagging and showing signs of stagnation. Investment is being delayed in India, Russia and the Middle East. •The service market as a whole has been sluggish due to the impact of dispatch instructors caused by the mobility restrictions of the spread of COVID-19. •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 in projects had a significant impact. •The volume of orders received for field service was smaller than the same period last year. 
	Chillers	<ul style="list-style-type: none"> •In Japan, facility renovation plans have been frozen and regular maintenance projects for existing products have been postponed one after another due to the impact of COVID-19. •In China, the recovery has been delayed due to the impact of the prolonged restrictions on economic activity. 	<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"> ▪An order for a new DBO project of waste incineration facilities for the public sector was received. There was also an order received pertaining to the long-term comprehensive part of a DBO project which was a successful bid from last year. The volume of O&M orders received remained stable and exceeded that of the same period last year.  (Overview of major orders received) ▪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)
Precision Machinery	<ul style="list-style-type: none"> ▪In the semiconductor and semiconductor manufacturing equipment markets, the global economic activity stagnated due to the spread of COVID-19. Accordingly, the investment schedule of customers has been delayed in some cases. However, the markets as a whole are recovering as demand for data centers has been increasing due to the spread of working from home and others. ▪Capital investments of foundries are becoming active on the whole, and capital investments of memory companies also showed a recovery trend. 	<ul style="list-style-type: none"> ▪The volume of orders received exceeded that of the same period last year as capital investment was recovered by some memory companies and was expanded by some foundries. ▪Customers are operating at a high level, and some customers are moving to hold more spare parts than usual in order to reduce the risk of shutdown due to the spread of COVID-19. As a result, the service and support business was favorable. 

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, 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 June 30, 2020 were ¥628,508 million, ¥33,269 million higher than as of December 31, 2019. Principal changes in asset items included a decrease of ¥30,914 million in notes and accounts receivable-trade, a decrease of ¥18,962 million in work in process, and an increase of ¥73,513 million in cash and deposits.

ii. Liabilities

Total liabilities as of June 30, 2020 were ¥339,619 million, ¥36,207 million higher than as of December 31, 2019. Principal changes in liability items included a decrease of ¥8,367 million in notes and accounts payable-trade, an increase of ¥32,033 million in short-term loans payable, and an increase of ¥17,144 million in other current liabilities (such as advances received).

iii. Net Assets

Net assets as of June 30, 2020 amounted to ¥288,888 million, ¥2,938 million lower than as of December 31, 2019. Principal changes in net asset items included an increase in retained earnings of ¥632 million and a decrease of ¥3,586 million in translation adjustments. Changes in retained earnings consist of the following: profit attributable to owners of parent of ¥7,434 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 ¥2,853 million. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥281,434 million, and equity ratio was 44.8%.

(3) Explanation of Forecast of Consolidated Financial Results

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. Giving top priority to the health and safety of stakeholders including our employees, the Company is committed to contributing to society as an infrastructure company.

Regarding the forecast of financial results for the fiscal year ending December 31, 2020, the Company voided its forecasts (changed to “to be determined”) on May 13, 2020 as it was difficult to reasonably estimate the impact of the spread of COVID-19 on business operations. However, in response to the relaxation of restrictions on people's mobility in each country and other factors, the Company announces the forecasts of consolidated financial results for the fiscal year ending December 31, 2020 based on the information currently available and the actual results for the first half of this year.

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	—	—	—	—	—
Revised Forecast : B	506,000	506,000	30,000	27,000	17,000
Change (B-A)	—	—	—	—	—
(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	—	—	—	—	—
	Net Sales	—	—	—	—	—
	Operating Income	—	—	—	—	—
Revised Forecast : B	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
Change (B-A)	Orders Received	—	—	—	—	—
	Net Sales	—	—	—	—	—
	Operating Income	—	—	—	—	—

Millions of yen

In the FMS Business, while expenditure decreased due to activity restrictions resulting from the spread of COVID-19, business performance remained firm supported by the backlog of orders received in the first half of this year. However, decrease of orders received in the construction equipment market and other markets from April to June is expected to be affected by the performance from July onward.

The EP Business remains firm and the spread of COVID-19 has no particular impact on its operation and performance.

In the PM Business, sales and operating income were affected by the restrictions on people's mobility and other factors in the first half of this year. However, the situation of orders received remains firm supported by

the strong demand for semiconductor chips. Therefore, business performance is expected to recover in the second half of this year.

The Company has not changed the forecasts for dividends of ¥30.00 per share (annual dividend ¥60.00) for the fiscal year ending December 31, 2020, which were previously announced on May 13, 2020.

The forecasts 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 future performance. Actual results may differ owing to various factors.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	As of December 31, 2019	As of June 30, 2020
ASSETS		
Current Assets		
Cash and deposits	94,014	167,527
Notes and accounts receivable-trade	182,944	152,030
Electronically recorded monetary claims	9,218	8,845
Securities	1,097	2,695
Merchandise and finished goods	18,386	18,266
Work in process	70,082	51,119
Raw materials and supplies	32,633	37,381
Others	15,659	15,981
Allowance for doubtful accounts	(2,107)	(2,031)
Total current assets	421,929	451,815
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	56,022	57,076
Machinery and equipment, net	27,960	27,671
Others, net	40,916	46,147
Total tangible assets	124,898	130,895
Intangible assets	10,343	12,189
Investments and other assets		
Investment securities	19,666	12,334
Others	23,843	26,613
Allowance for doubtful accounts	(5,442)	(5,341)
Total investments and other assets	38,067	33,607
Total fixed assets	173,309	176,692
Total Assets	595,239	628,508

	Millions of yen	
	As of December 31, 2019	As of June 30, 2020
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	60,580	52,212
Electronically recorded obligations	59,847	67,382
Short-term loans payable	50,965	82,999
Provision for bonuses	6,629	5,467
Provision for directors' bonuses	348	240
Provision for losses on construction completion guarantees	3,369	3,113
Provision for product warranties	3,658	3,885
Provision for construction losses	12,901	6,483
Others	61,780	78,925
Total current liabilities	260,082	300,710
Long-term Liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	18,340	15,642
Provision for directors' retirement benefits	107	106
Defined benefit liability	9,362	8,603
Asset retirement obligations	2,401	2,405
Others	3,117	2,150
Total long-term liabilities	43,328	38,908
Total Liabilities	303,411	339,619
NET ASSETS		
Shareholders' Equity		
Common shares	79,155	79,404
Capital surplus	74,848	75,097
Retained earnings	141,675	142,307
Treasury shares	(174)	(176)
Total shareholders' equity	295,504	296,633
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	233	165
Deferred gains (losses) on hedges	(24)	(7)
Translation adjustments	(2,891)	(6,478)
Remeasurements of defined benefit plans	(9,168)	(8,879)
Total accumulated other comprehensive income	(11,852)	(15,198)
Subscription Rights to Shares	1,132	859
Non-Controlling Interests	7,043	6,594
Total Net Assets	291,827	288,888
Total Liabilities and Net Assets	595,239	628,508

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

Millions of yen

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020
Net Sales	248,055	245,479
Cost of Sales	185,642	180,053
Gross Profit	62,413	65,426
Selling, General and Administrative Expenses	49,440	51,769
Operating Income	12,973	13,656
Non-operating Income		
Interest income	155	154
Dividends income	163	39
Share of profit of entities accounted for using equity method	621	588
Others	658	365
Total non-operating income	1,599	1,147
Non-operating Expenses		
Interest expenses	659	644
Foreign exchange losses	357	1,507
Others	206	223
Total non-operating expenses	1,222	2,375
Ordinary Income	13,349	12,428
Extraordinary Income		
Gain on sales of fixed assets	10	26
Gain on sales of investment securities	114	76
Total extraordinary income	124	103
Extraordinary Loss		
Loss on sales of fixed assets	2	4
Loss on retirement of fixed assets	63	27
Impairment loss	571	161
Loss on sales of investment securities	—	227
Others	0	0
Total extraordinary loss	638	421
Income before Income Taxes	12,836	12,111
Income Taxes	3,974	3,841
Profit	8,862	8,270
Profit Attributable to Non-Controlling Interests	836	835
Profit Attributable to Owners of Parent	8,025	7,434

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020
Profit	8,862	8,270
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	(157)	(50)
Deferred gains (losses) on hedges	60	17
Translation adjustment	(2,930)	(2,952)
Remeasurements of defined benefit plans, net of tax	598	293
Share of other comprehensive income of entities accounted for using equity method	45	(17)
Total other comprehensive income	(2,382)	(2,710)
Comprehensive Income	6,479	5,560
Comprehensive income attributable to:		
Owners of parent	5,735	4,807
Non-controlling interests	744	753

(3) Consolidated Statements of Cash Flows

Millions of yen

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020
Cash Flows from Operating Activities:		
Income before income taxes	12,836	12,111
Depreciation and amortization	7,418	7,977
Impairment loss	571	161
Loss (gain) on sales of securities and investment securities	(114)	150
Increase (decrease) in provisions	(3,442)	(1,423)
Increase (decrease) in defined benefit liability	(682)	(601)
Loss (gain) on sales of fixed assets	(8)	(22)
Interest and dividends income	(319)	(193)
Interest expenses	659	644
Decrease (increase) in notes and accounts receivable-trade	26,475	32,328
Decrease (increase) in inventories	480	4,679
Increase (decrease) in notes and accounts payable-trade	(10,196)	(5,641)
Others	2,363	13,008
Sub-total	36,041	63,179
Interest and dividends income received	319	479
Interest expenses paid	(631)	(574)
Income taxes paid	(5,522)	(3,709)
Net cash provided by operating activities	30,206	59,375
Cash Flows from Investing Activities:		
Purchase of fixed assets	(12,012)	(15,500)
Proceeds from sales of fixed assets	345	65
Purchase of securities and investment securities	(2,272)	(175)
Proceeds from sales and redemption of securities and investment securities	2,078	1,949
Payments into time deposits	(646)	(1,330)
Proceeds from withdrawal of time deposits	642	1,655
Payments of loans receivable	(7)	(15)
Collection of loans receivable	25	67
Others	9	(43)
Net cash used in investing activities	(11,837)	(13,327)

	Millions of yen	
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	23,445	34,635
Proceeds from long-term loans payable	612	—
Repayment of long-term loans payable	(950)	(3,317)
Purchase of treasury shares	(12,773)	(1)
Proceeds from disposal of treasury shares	0	—
Cash dividends paid	(3,000)	(2,853)
Cash dividends paid to non-controlling interests	(687)	(996)
Others	(393)	(394)
Net cash provided by financing activities	6,252	27,070
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,216)	(512)
Increase (Decrease) in Cash and Cash Equivalents	23,404	72,605
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	134,647	167,862

(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 six months under review are calculated by multiplying income before income taxes for the six 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 six months ended June 30, 2020, sales decreased by ¥1,148 million, cost of sales decreased by ¥1,747 million, SG&A increased by ¥84 million, operating income, ordinary income and income before income taxes increased by ¥515 million respectively. The beginning balance of retained earnings decreased by ¥4,473 million.

(Segment Information)

Six Months Ended June 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	154,227	32,177	60,891	247,297	758	248,055	—	248,055
Intersegment and transfers	352	1	—	353	1,307	1,661	(1,661)	—
Total	154,580	32,178	60,891	247,650	2,066	249,717	(1,661)	248,055
Segment Income	5,319	3,096	4,454	12,870	87	12,958	14	12,973

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

Six Months Ended June 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	149,286	28,755	66,715	244,757	722	245,479	—	245,479
Intersegment and transfers	311	4	0	316	1,311	1,627	(1,627)	—
Total	149,598	28,760	66,715	245,074	2,033	247,107	(1,627)	245,479
Segment Income (Loss)	8,206	2,291	3,751	14,249	(553)	13,696	(39)	13,656

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 six months ended June 30, 2020, in the FMS Business, sales decreased by ¥1,285 million and segment income decreased by ¥111 million. In the EP Business, sales decreased by ¥1,403 million and segment income decreased by ¥809 million. In the PM Business, sales increased by ¥1,540 million and segment income increased by ¥1,436 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 of August 5, 2020, all overseas factories of the Group are in operation. Moreover, in response to the relaxation of restrictions on people's mobility in each country and other factors, the Group's accounting estimates are on the assumption that the Group will gradually be able to conduct our normal business operations. As a result, for the six months ended June 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.

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020			Fiscal Year Ending December 31, 2020
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Pumps	88.6	83.3	(5.3)	(6.0)	164.0
Compressors & Turbines	45.6	42.8	(2.8)	(6.3)	83.0
Chillers	20.3	16.8	(3.5)	(17.3)	32.0
Others	7.0	7.3	0.3	4.9	13.0
Total of FMS	161.7	150.3	(11.4)	(7.1)	292.0
EP	30.5	36.0	5.4	17.9	73.0
PM	52.5	70.4	17.9	34.1	140.0
Others	0.7	0.7	(0.0)	(2.4)	1.0
Total	245.6	257.6	11.9	4.9	506.0
Sales					
Pumps	88.4	82.0	(6.4)	(7.2)	167.0
Compressors & Turbines	39.3	44.2	4.9	12.5	89.0
Chillers	19.0	16.4	(2.5)	(13.5)	32.0
Others	7.4	6.5	(0.8)	(11.8)	12.0
Total of FMS	154.2	149.2	(4.9)	(3.2)	300.0
EP	32.1	28.7	(3.4)	(10.6)	65.0
PM	60.8	66.7	5.8	9.6	140.0
Others	0.7	0.7	(0.0)	(4.8)	1.0
Total	248.0	245.4	(2.5)	(1.0)	506.0
Operating Income					
Pumps	5.6	6.3	0.7	14.3	8.5
Compressors & Turbines	(0.1)	1.2	1.3	—	4.2
Chillers	0.8	1.2	0.4	55.2	1.1
Others & Adjustment	(0.9)	(0.6)	0.2	—	0.2
Total of FMS	5.3	8.2	2.8	54.3	14.0
EP	3.0	2.2	(0.8)	(26.0)	6.0
PM	4.4	3.7	(0.7)	(15.8)	10.5
Others & Adjustment	0.1	(0.5)	(0.6)	—	(0.5)
Total	12.9	13.6	0.6	5.3	30.0
Backlog of Orders Received					
Pumps	96.7	95.3	(1.4)	(1.5)	95.0
Compressors & Turbines	92.1	90.0	(2.0)	(2.2)	87.3
Chillers	17.8	16.9	(0.9)	(5.1)	16.8
Others	8.0	8.9	0.8	11.1	9.3
Total of FMS	214.7	211.2	(3.4)	(1.6)	208.7
EP	212.5	239.0	26.4	12.5	244.1
PM	26.5	44.0	17.4	65.8	34.5
Others	0.0	0.0	0.0	—	0.0
Total	453.9	494.4	40.5	8.9	487.4

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

Billions of yen

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020			Fiscal Year Ending December 31, 2020
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Components	25.2	31.6	6.4	25.3	59.0
CMP Systems	24.8	35.9	11.1	44.8	75.5
Others	2.4	2.8	0.3	15.9	5.5
Total of PM	52.5	70.4	17.9	34.1	140.0
Sales					
Components	29.6	28.4	(1.1)	(4.0)	57.5
CMP Systems	28.3	35.3	6.9	24.5	77.5
Others	2.8	2.9	0.0	2.5	5.0
Total of PM	60.8	66.7	5.8	9.6	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

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2020		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	148.7	60.0	148.3	60.5	(0.3)
North America	38.7	15.6	37.0	15.1	(1.6)
Asia (except Japan)	46.8	18.9	46.9	19.1	0.1
Others	13.6	5.5	13.0	5.3	(0.6)
Total	248.0	100.0	245.4	100.0	(2.5)
Operating Income					
Japan	3.7		5.6		1.8
North America	3.0		1.7		(1.3)
Asia (except Japan)	4.9		5.6		0.7
Others	0.9		1.0		0.1
Adjustment	0.2		(0.4)		(0.7)
Total	12.9		13.6		0.6

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

Billions of yen

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2020		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	116.8	47.1	112.5	45.9	(4.2)
China	38.2	15.4	31.5	12.8	(6.7)
Other Asia	37.9	15.3	49.9	20.3	11.9
North America	24.4	9.9	20.3	8.3	(4.1)
Europe	13.5	5.5	17.0	7.0	3.5
Middle East	11.0	4.5	9.5	3.9	(1.5)
Others	5.9	2.4	4.5	1.8	(1.3)
Total	248.0	100.0	245.4	100.0	(2.5)