(Translation)
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March 11, 2020

Matters Disclosed on the Internet Pursuant to Laws, Regulations and the Articles of Incorporation When Providing Notice of the 155th Ordinary General Meeting of Shareholders

155th Consolidated Fiscal Year

(From January 1, 2019 to December 31, 2019)

EBARA CORPORATION

Of the documents to be provided with Notice of the 155th Ordinary General Meeting of Shareholders, the Consolidated Statement of Changes in Net Assets in the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements, along with the Non-consolidated Statement of Changes in Net Assets in the Non-consolidated Financial Statements and the Notes to the Non-consolidated Financial Statements are provided to shareholders on the Company's website (https://www.ebara.co.jp/en/about/ir/stock/shareholdersmeeting/index.html) in accordance with laws and regulations and Article 15 of the Articles of Incorporation.

Consolidated Statement of Changes in Net Assets

From January 1, 2019
to December 31, 2019

(Millions of yen)

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

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

Notes to the Consolidated Financial Statements

Significant Accounting Principles

1. Scope of consolidation

(1) Number of consolidated subsidiaries and names of significant consolidated subsidiaries

Number of consolidated subsidiaries	65
Names of significant consolidated subsidiaries	Elliott Ebara Turbomachinery Corporation EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD. EBARA DENSAN LTD. EBARA FAN & BLOWER CO., LTD. Ebara Environmental Plant Co., Ltd. EBARA FIELD TECH. CORPORATION EBARA AGENCY CO., LTD. EBARA BOMBAS AMÉRICA DO SUL LTDA. Ebara Machinery (China) Co., Ltd. EBARA MACHINERY ZIBO CO., LTD. EBARA GREAT PUMPS CO., LTD. Ebara Engineering Singapore Pte. Ltd. Ebara Pumps Europe S.p.A. Elliot Company Elliott Ebara Singapore Pte. Ltd. EBARA REFRIGERATION EQUIPMENT & SYSTEMS (CHINA) CO., LTD. EBARA QINGDAO CO., LTD. Ebara Technologies Incorporated SHANGHAI EBARA PRECISION MACHINERY CO., LTD. Ebara Precision Machinery Korea Incorporated Ebara Precision Machinery Taiwan Incorporated Ebara Precision Machinery Europe GmbH

(2) Change in scope of consolidation

Total Servise Co., Ltd, Ebara Fluid Machinery Korea Co., Ltd, Ebara Pumps Australia Pty. Ltd., Ebara Thermal Systems (Thailand) Co., Ltd., EBARA DENSAN (QINGDAO) TECHNOLOGY CO., LTD., Xian Ebara Precision Machinery Co., Ltd. were included in the scope of consolidation according to the standard for determining importance concerning the scope of consolidation. Ebara international Corporation and Hood-EIC, LLC, which were consolidated subsidiary, were excluded from the scope of consolidation since it ceased to exist through an absorption-type merger in which consolidated subsidiary ELLIOTT COMPANY.

(3) Names of significant non-consolidated subsidiaries

EBARA MACHINERY INDIA PRIVATE LIMITED

Reason for removal from scope of consolidation

The accounts of non-consolidated subsidiaries are not included in the consolidated financial statements owing to insignificance in the volume of assets, sales, profit (loss) and retained earnings.

2. Equity method

(1) Number of non-consolidated subsidiaries and affiliated companies to which the equity method is applied

Number of non-consolidated subsidiaries to which the equity method is applied

None

Number of affiliated companies to which the equity method is applied 1

Swing Corporation

(2) Names of non-consolidated subsidiaries and affiliated companies to which the equity method is not applied

EBARA MACHINERY INDIA PRIVATE LIMITED

Reason for not applying the equity method

Non-consolidated subsidiaries and affiliated companies are not applied equity method owing to insignificance in volume of profit (loss) and retained earnings.

(3) Fiscal year-end of affiliated company to which the equity method is applied
Since the fiscal year of the affiliated companies to which the equity method is applied ends on March 31, it uses financial statements based on provisional settlement implemented on fiscal year-end of consolidated accounts when preparing the consolidated financial statements.

3. Fiscal year-end of consolidated subsidiaries
The fiscal year-end of consolidated subsidiaries is the same as the consolidated fiscal year-end.

4. Significant accounting policies
(1) Valuation standards and valuation methods of assets
Securities
Held-to-maturity securities
Amortized cost method
Other securities
Other securities with market value
Securities with a market value are stated at market value, and unrealized gains or losses, net of tax, are credited or debited to net assets as shown in the balance sheet. Cost of securities sold is determined using the gross average cost method.
Other securities without market value
Gross average cost method
Derivatives
Fair market value method
Inventories
Merchandise and finished goods as well as raw materials and supplies are primarily measured using the gross average cost method, except for in the Precision Machinery Group, which employs the moving average method. Work in process is measured using the specific identification cost method. For presentation on the balance sheet, inventories are measured at book value or written-down value to account for the decline in their profitability if necessary.

(2) Fixed assets and related depreciation
1) Tangible fixed assets (except leased assets)
Primarily, the straight-line method is used.
Note that the method for depreciating minor assets valued from ¥100,000 to less than ¥200,000 is the lump-sum method specified in the Japanese Corporation Tax Act, and these assets are depreciated in equal amounts over a three-year period.
2) Intangible assets and investments and other assets (except leased assets)
Intangible assets are mainly amortized on a straight-line basis, according to the criteria specified in the Japanese Corporation Tax Act.
Software used in the Company is amortized on a straight-line basis for the estimated useful lives, five years.
3) Leased assets
Leased assets under finance lease transactions that do not transfer ownership of the asset to the lessee are depreciated on a straight-line basis over the lease term and have a residual value of zero.

(3) Standards of significant allowance
1) Allowance for doubtful accounts
Allowance for doubtful accounts is provided based on past experience for normal receivables and on a separate estimate of the collectability of receivables from individual companies in financial difficulty.
2) Bonus payment reserve
Bonus payment reserve is provided based on the future liabilities.
3) Directors' bonus payment reserve
Directors' bonus payment reserve is provided based on the future liabilities.
4) Reserve for directors' retirement benefits
In domestic consolidated subsidiaries, reserve for directors' retirement benefits is accrued at the amounts of the future liabilities in relation to the length of service at the balance sheet date and included in accrued severance and pension costs.
5) Reserve for losses on construction completion guarantees
To cover for possible expenses arising from collateral against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.
6) Reserve for product warranties
To cover for expenses related to defect guarantees related to sales contracts, the amount of such warranties is estimated by multiplying a reasonable percentage of defects by the value of product sales.

7) Reserve for construction losses
To cover for possible losses on construction projects contracted to the Company, the Company makes estimates of such losses for those uncompleted projects deemed to have a high possibility of incurring losses and for which such construction losses can be reasonably estimated.

8) Reserve for expenses related to the sales of land
Accompanying the sales of the land formerly occupied by the Company's Haneda Plant, the estimated cost of restoring this land to its original condition has been recognized.

(4) Significant accounting principles

1) Consumption tax
Consumption taxes are accounted for using the net-of-tax method.

2) Significant hedging accounting methods

i. Hedging transactions
Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.

ii. Hedging instruments and hedging objects

Hedging instruments	Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used.
Hedging objects	Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.

iii. Hedging policy
The Company and its consolidated subsidiaries hedge currency exchange rate risk on existing assets and liabilities in foreign currencies and interest-rate risk based on internal risk management policy.

iv. Assessing the effectiveness of hedging

Interest risk	The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that meet the requirements for special exceptions, the assessments are omitted.
Currency exchange rate risk	As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.

3) Method and period for amortization of goodwill
The Company has set 20 years as a reasonable period for the amortization of goodwill and uses the straight-line method to determine the amount to be amortized in each period. Those goodwill items that are not deemed to be material may be amortized in periods when they arise.

4) Accounting treatment regarding net defined benefit liability

i. Method of attribution of projected benefit obligations
In the calculation of defined benefit liability, the method used to attribute projected benefit obligations in the period up to the end of the current fiscal year is benefit formula basis.

ii. Method of amortization of actuarial gain or loss and past service cost
Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.
Actuarial gain or loss is amortized starting in the fiscal year following the fiscal year in which it occurs using the declining-balance method over a certain number of years within the average remaining service period of employees.

iii. Adoption of the simplified accounting method in small companies, etc.
Certain consolidated subsidiaries adopt the simplified accounting method in calculating their net defined benefit liabilities and retirement benefit expenses. Under the simplified method, retirement obligations are calculated as retirement and severance costs that would be incurred if all employees retired at the end of the accounting period under review.

5) Recognition of revenue and costs
Standard for cost of completed work and construction revenue
The percentage-of-completion method has been applied for the completion of a portion of the construction work is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost). For other construction work, the completed-contract method has been applied.

6) Consolidated taxation system
A consolidated tax system is applied.

Notes to the Changes in Accounting Policies

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

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

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

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

Notes to the Changes in Presentation

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

Notes to the Consolidated Balance Sheet

1. Collateral assets and collateral for loans

(1) Collateral assets for bank loans

Buildings and structures	¥3,702 million
Others	¥453 million
Total	¥4,155 million

(2) Amount of bank loans

Short-term loans payable	¥203 million
Long-term loans payable	¥129 million
Total	¥333 million

2. Accumulated depreciation of tangible fixed assets ¥215,848 million

3. Commitments and contingent liabilities

(1) Loans guaranteed to employees ¥42 million

(2) Loans guaranteed to non-consolidated subsidiaries and affiliates

Ise E Service Co., Ltd.	¥643 million
Engaru E Service Co., Ltd.	¥30 million
Yokote E Service Company	¥28 million
EBARA PUMPS SAUDI ARABIA LLC	¥17 million
Funabashi E Service Co., Ltd.	¥2 million
Total	¥722 million

Notes to the Consolidated Statement of Changes in Net Assets

1. Type and number of shares issued

Type of shares	Number of shares as of January 1, 2019	Increase	Decrease	Number of shares as of December 31, 2019
Common shares	101,957,853	72,000	6,900,000	95,129,853

Note:

1. Increase in common shares issued of 72,000 was an increase of 55,400 shares due to the exercise of subscription rights to shares and an increase of 16,600 shares due to the issuance of new shares as restricted share-based compensation.
2. Decrease in common shares issued of 6,900,000 was due to cancellation of treasury shares based on a resolution of the Board of Directors.

2. Items related to dividend

(1) Payment of dividends

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Base date	Effective date
March 28, 2019 at the Ordinary General Meeting of Shareholders	Common shares	3,000	30.00	December 31, 2018	March 29, 2019
August 9, 2019 at the Board of Directors Meeting	Common shares	2,876	30.00	June 30, 2019	September 10, 2019

(2) Mention related to any dividends belonging to the base date of the period for which the effective date falls after the end of the interim period

The proposal at the Ordinary General Meeting of Shareholders to be held on March 27, 2020 related to dividends of Common Shares is as follows;

Date of approval	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share (Yen)	Base date	Effective date
March 27, 2020 at the Ordinary General Meeting of Shareholders	Common shares	2,853	Retained earnings	30.00	December 31, 2019	March 30, 2020

3. Subscription rights to shares

Subscription rights to shares Common shares 412,400 shares

Notes to Financial Instruments

1. Status of financial instruments
   (1) Policies regarding financial instruments
   The Company raises the necessary long-term funds for its capital investment and other requirements from bank borrowings, the issuance of bonds, and other means. Short-term working capital is raised through bank borrowings and commercial paper issues. Available short-term funds are invested in highly secure financial assets. In addition, as noted below, derivatives are used to avoid risk, and the Company's policy is not to use derivatives for speculative purposes.

   (2) Types of financial products and systems for risk management
   Notes and accounts receivable-trade, and electronically recorded monetary claims, which are operating assets, are exposed to customer credit risk. In addition, since the Company conducts its business activities globally, its operating assets denominated in foreign currencies are exposed to foreign currency risk. To manage foreign currency risk, the Company hedges its net foreign currency assets and liabilities position through the use of foreign currency borrowings and deposits. The Company's consolidated subsidiaries use foreign currency forward contracts to hedge foreign currency exposure.
   Securities and investment securities are principally certificates of deposit, money market funds (MMFs) and stocks in financial institutions and other companies that are held for business relationship purposes and are, therefore, exposed to market price fluctuations.
   Notes and accounts payable-trade and electronically recorded obligations, which are operating liabilities, are settled, for the most part, within one year. In addition, a portion of these, which arise in connection with imports of motors and other items, are denominated in foreign currencies and are exposed to foreign currency risk; however, in general, the balance of these liabilities is within the amounts of accounts receivable-trade denominated in foreign currencies. Among these, a portion of borrowings have floating interest rates and are subject to interest-rate risk. These are hedged through the use of derivatives (interest-rate swaps).
   Derivative transactions comprise forward exchange contract transactions for the purpose of hedging exchange rate fluctuation risk for trade payables and receivables denominated in foreign currencies and interest rate swap transactions for the purpose of hedging interest rate fluctuation risk for interest payable on loans. Please note that further information on hedge accounting, including hedging instruments, hedging objects, hedging policy, and assessing the effectiveness of hedging may be found in a previous section entitled "2) Significant hedging accounting methods" contained in the section "4. Significant accounting policies (4) Significant accounting principles".

   (3) Risk management systems for financial instruments
      1) Management of credit risk (risk related to nonperformance of contractual obligations by transaction counterparties)
      Regarding operating assets, the Company's finance and business departments, based on the Company's regulations related to credit management, monitor the conditions of principal business customers and supervise the payment dates and balances by customers with the aims of identifying possible deterioration in the financial conditions of customers and other issues related to the recovery of exposure at an early date and taking steps to minimize credit risk. The Company's consolidated subsidiaries have also adopted the same method of management.
      For securities held to maturity, under the Company's policies, investments are made only in securities with high credit ratings, and the credit risk of these investments is minimal.
      The maximum value of credit risk, as of the fiscal year-end, is shown by the value on the balance sheet of financial assets subject to credit risk.
      2) Management of market risk (risk of fluctuations in foreign currency rates, interest rates, and other indicators)
      To manage foreign currency risk, assets and liabilities denominated in foreign currencies are classified by currency, and risk is hedged through the use of foreign currency borrowings and deposits. Also, for foreign currency assets and liabilities, the Company makes use of foreign currency forward contracts to hedge its exposure. Please note that depending on conditions in foreign currency market, the Company makes arrangements for foreign currency forward contracts for foreign currency denominated receivables and payables resulting from highly probable forecasted transactions. To hedge against interest-rate fluctuations, the Company makes use of interest-rate swaps.
      For securities and investment securities, the Company regularly confirms the market prices and the financial condition of the issuers (transactions counterparties). In addition, for securities other than those held to maturity, the Company reviews the appropriateness of holding such securities on a continuing basis, taking account of the relationship with the issuer (counterparty).
      For derivatives, the Company and its consolidated subsidiaries manage such exposure based on the

Company’s policies for management of financial instruments.

3) Management of liquidity risk related to fund-raising (risk of being unable to meet payment obligations on the scheduled date)
The Company’s finance department prepares and revises cash flow plans based on reports from each of the Company’s departments and manages liquidity risk by maintaining a volume of liquidity appropriate for business conditions. Also, as an alternative to liquid assets, the Company manages its liquidity by arranging for commitment lines in a specified amount.

(4) Supplementary information on the fair value, etc., of financial instruments
The fair value of financial instruments, in addition to values based on market prices, includes the value of instruments that do not have market prices that have been calculated based on reasonable methods. Since factors that may fluctuate are taken into account in these calculations, the respective values may change when different assumptions are adopted.
In addition, the contract value of derivatives, as contained in “2. Information on the fair value, etc., of financial instruments,” does not indicate the value of the market risk of these derivative transactions.

2. Information on the fair value, etc., of financial instruments
The amounts shown on the consolidated balance sheet as of December 31, 2019 (the Company’s fiscal year-end), the corresponding fair values, and differences between book and fair value are as follows.

(Millions of yen)

	On consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	94,014	94,014	-
(2) Notes and accounts receivable-trade	182,944		
(3) Electronically recorded monetary claims	9,218		
Allowance for doubtful accounts (*1)	(2,107)		
	190,056	190,017	(38)
(4) Securities and investment securities	3,286	3,286	-
(5) Notes and accounts payable-trade	(60,580)	(60,580)	-
(6) Electronically recorded obligations	(59,847)	(59,847)	-
(7) Short-term loans payable	(50,965)	(50,965)	-
(8) Bonds payable	(10,000)	(10,034)	(34)
(9) Long-term loans payable	(18,340)	(18,473)	(132)
(10) Derivatives transactions (*2)	1	1	-

(*1) Allowance for doubtful accounts is excluded. Please note that allowance for doubtful accounts is presented as a single item to be deducted from notes receivable-trade, accounts receivable-trade, electronically recorded monetary claims, and accounts receivable-other.

(*2) Receivables and payables arising from derivative transactions are presented as net amounts, and items that are net amounts payable are shown in [ ].

Note 1 Methods of calculating the fair value of financial instruments and matters related to securities and derivatives

(1) Cash and deposits
These items are settled within short periods and are shown at their respective book value, which approximates their fair values.

(2) Notes and accounts receivable-trade and (3) Electronically recorded monetary claims
The fair value of these financial instruments is calculated, by specified period and type of security, as the present value by discounting the cash flow to maturity using a discount rate that takes account of credit risk.

(4) Securities and investment securities
The fair value for stocks is based on quoted market prices. The value for bonds is determined using

the price provided by exchanges or financial institutions. Also, certificates of deposit are settled within short periods and are shown at their respective book value, which approximates their fair values.

(5) Notes and accounts payable-trade, (6) Electronically recorded obligations, and (7) Short-term loans payable
These items are settled within short periods and are shown at their respective book value, which approximates their fair values.

(8) Bonds payable and (9) Long-term loans payable
These fair values are calculated using the interest rate that would be required upon entering into new borrowings with similar terms. Long-term loans payable at floating interest rates are hedged through interest-rate swaps using special treatment accounting (refer to (10)). The fair value is calculated as the total amount of the principal and interest payments accounted for in combination with the interest rate swap, which is discounted by the applied interest rate that would be reasonably estimated upon entering into borrowings with similar terms.

(10) Derivatives transactions

1) Derivatives for which hedge accounting is not applied
Omitted due to lack of significance.

2) Derivatives for which hedge accounting is applied
The fair values of derivatives for which hedge accounting is applied are based on the prices provided by financial institutions with which the Company has transactions. Those items given special treatment as interest rate swaps are treated together with long-term loans payable that are subject to hedging; therefore, their fair values are presented together with the fair value of the related long-term loans payable (refer to (9) above).

Note 2 Shares of unlisted companies, associates companies, and certain others (amounting to ¥17,477 million on the consolidated balance sheet), for which fair values are not available, and for which ascertaining fair value would be extremely difficult, have not been included in “(4) Securities and investment securities.”

Notes to Per Share Data

1. Net assets per share of common shares	¥2,981.91
2. Net income per share	¥241.79

Non-consolidated Statement of Changes in Net Assets

From January 1, 2019
to December 31, 2019

(Millions of yen)

	Shareholders' equity					
		Capital surplus			Retained earnings	
					Other retained earnings	
	Common shares	Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings
Balance at January 1, 2019	**79,066**	**82,995**	**5,536**	**88,531**	**96,054**	**96,054**
Changes of items during period						
Issuance of new shares	88	88		88		
Cash dividends					(5,877)	(5,877)
Net income					15,978	15,978
Purchase of treasury shares						
Disposal of treasury shares			(0)	(0)		
Cancellation of treasury shares			(5,536)	(5,536)	(14,733)	(14,733)
Net changes of items other than shareholders' equity						
Total changes during the period	**88**	**88**	**(5,536)**	**(5,448)**	**(4,632)**	**(4,632)**
Balance at December 31, 2019	**79,155**	**83,083**	**-**	**83,083**	**91,421**	**91,421**

	Shareholders' equity		Net unrealized gains (losses)		Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Net unrealized gains (losses) on investment securities	Total net unrealized gains (losses)		
Balance at January 1, 2019	**(5,281)**	**258,370**	**244**	**244**	**1,152**	**259,767**
Changes of items during period						
Issuance of new shares		176				176
Cash dividends		(5,877)				(5,877)
Net income		15,978				15,978
Purchase of treasury shares	(15,004)	(15,004)				(15,004)
Disposal of treasury shares	0	0				0
Cancellation of treasury shares	20,269	-				-
Net changes of items other than shareholders' equity			(197)	(197)	(20)	(217)
Total changes during the period	**5,264**	**(4,727)**	**(197)**	**(197)**	**(20)**	**(4,944)**
Balance at December 31, 2019	**(17)**	**253,643**	**47**	**47**	**1,132**	**254,822**

Notes to the Non-consolidated Financial Statements

Significant accounting principles

1. Valuation standards and valuation methods of assets
   (1) Valuation standards and valuation methods of securities
   Securities
   Held-to-maturity securities
   Amortized cost method
   Investment in subsidiaries and affiliates
   Gross average cost method
   Other securities
   Other securities with market value
   Securities with a market value are stated at market value, and unrealized gains or losses, net of tax, are credited or debited to net assets as shown in the balance sheet. Cost of securities sold is determined using the gross average cost method.
   Other securities without market value
   Gross average cost method

   (2) Valuation standards and valuation methods of derivatives
   Derivatives
   Fair market value method

   (3) Valuation standards and valuation methods of inventories
   Inventories
   Merchandise and finished goods as well as raw materials and supplies are measured using the gross average cost method, except for in the Precision Machinery Group, which employs the moving average method. Work in process is measured using the specific identification cost method. For presentation on the balance sheet, inventories are measured at book value or written-down value to account for the decline in their profitability if necessary.

2. Fixed assets and related depreciation
   (1) Tangible fixed assets (except leased assets)
   The straight-line method is used.
   Note that the method for depreciating minor assets valued from ¥100,000 to less than ¥200,000 is the lump-sum method specified in the Japanese Corporation Tax Act, and these assets are depreciated in equal amounts over a three-year period.

   (2) Intangible assets (except leased assets)
   Intangible assets are mainly amortized on a straight-line basis, according to the criteria specified in the Japanese Corporation Tax Act.
   Software used in the Company is amortized on a straight-line basis for the estimated useful lives, five years.

   (3) Leased assets
   Leased assets under finance lease transactions that do not transfer ownership of the asset to the lessee are depreciated on a straight-line basis over the lease term and have a residual value of zero.

3. Standards of significant allowance
   (1) Allowance for doubtful accounts
   Allowance for doubtful accounts is provided based on past experience for normal receivables and on a separate estimate of the collectability of receivables from individual companies in financial difficulty.

   (2) Bonus payment reserve
   Bonus payment reserve is provided based on the future liabilities.

   (3) Directors' bonus payment reserve
   Directors' bonus payment reserve is provided based on the future liabilities.

   (4) Provision for retirement benefits
   The cost of the severance and pension plans, based on actuarial computations of current and future employee benefits, including the unfunded severance indemnities plan, is charged to income.
   Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.
   Actuarial gain or loss is amortized starting in the business year following the business year in which it

occurs using the declining-balance method over a certain number of years within the average remaining service period of employees.
However, if pension supposed to be recognized exceed an amount obtained by subtracting actuarial gains or losses from defined benefit liabilities, they are recorded to investments and other assets, as prepaid pension cost.

(5) Reserve for losses on construction completion guarantees
To cover for possible expenses arising from collateral against defects, the Group makes reasonable estimates of the ratio of such expenses and uses this ratio to derive provisions for such losses.

(6) Reserve for product warranties
To cover for expenses related to defect guarantees related to sales contracts, the amount of such warranties is estimated by multiplying a reasonable percentage of defects by the value of product sales.

(7) Reserve for construction losses
To cover for possible losses on construction projects contracted to the Company, the Company makes estimates of such losses for those uncompleted projects deemed to have a high possibility of incurring losses and for which such construction losses can be reasonably estimated.

(8) Reserve for expenses related to the sales of land
Accompanying the sales of the land formerly occupied by the Company's Haneda Plant, the estimated cost of restoring this land to its original condition has been recognized.

4. Recognition of revenue and costs
Standard for cost of completed work and construction revenue
The percentage-of-completion method has been applied for the completion of a portion of the construction work is deemed to be certain by the end of the current fiscal year. (The percentage of completion is estimated based on the percentage of cost incurred compared with the estimated total cost). For other construction work, the completed-contract method has been applied.

5. Significant accounting principles
(1) Consumption tax
Consumption taxes are accounted for using the net-of-tax method.

(2) Hedging transactions
1) Hedging transactions
Gains or losses and evaluation differences related to hedging transactions accounted for at fair market value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts are allocated to settlement periods throughout the period of the contract. Interest rate swaps are treated as special exceptions.
2) Hedging instruments and hedging objects

Hedging instruments	Foreign exchange forward contracts, foreign currency option contracts and interest rate swap agreements were used.
Hedging objects	Currency exchange rate risk and interest rate risk on existing assets and liabilities in foreign currencies are hedging objects.

3) Hedging policy
The Company hedges currency exchange rate risk on existing assets and liabilities in foreign currencies and interest-rate risk based on internal risk management policy.
4) Assessing the effectiveness of hedging

Interest risk	The effectiveness of hedging is assessed by comparing the accumulated cash flows between hedging instruments and hedging objects. However, with regard to the interest rate swaps that meet the requirements for special exceptions, the assessments are omitted.
Currency exchange rate risk	As long as one hedging instrument and one hedging object correspond, the hedge is considered effective.

3) Consolidated taxation system
A consolidated tax system is applied.

Notes to the Changes in Presentation

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

Notes to the Non-consolidated Balance Sheet

1. Accumulated depreciation of tangible fixed assets	¥114,574 million
2. Commitments and contingent liabilities	
(1) Loans guaranteed to employees	¥38 million
(2) Loans guaranteed to subsidiaries and associates	¥6,552 million
Consolidated subsidiaries	
ELLIOTT COMPANY	¥6,181 million
EBARA DENSAN LTD.	¥262 million
Ebara Thermal Systems (Thailand) Co., Ltd.	¥90 million
Total	¥6,535 million
Non-consolidated subsidiaries and associates	
EBARA PUMPS SAUDI ARABIA LLC	¥17 million
Total	¥17 million
3. Monetary claim and liabilities to subsidiaries and associates	
Short-term monetary claim to subsidiaries and associates	¥48,255 million
Long-term monetary claim to subsidiaries and associates	¥589 million
Short-term monetary liabilities to subsidiaries and associates	¥24,505 million

Notes to the Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates	
Amount of operating transactions	
Amount of sales	¥60,755 million
Amount of purchases	¥25,903 million
Amount of non-operating transactions	¥16,404 million

Notes to the Non-consolidated Statement of Changes in Net Assets

Treasury Shares

Type of shares	Number of shares as of January 1, 2019	Increase	Decrease	Number of shares as of December 31, 2019
Common shares	1,933,423	4,972,406	6,900,045	5,784

Note:

1. The increase of 4,972,406 shares in treasury stock was an increase of 1,606 shares due to the purchase of shareholdings less than one trading unit and an increase of 4,970,800 shares due to repurchase shares of its common stock based on a resolution of the Board of Directors.
2. The decrease of 6,900,045 shares in treasury stock was decrease of 6,900,000 shares due to cancellation of treasury stock based on a resolution of the Board of Directors and decrease of 45 shares due to selling of shareholdings less than one trading unit.

Notes to Income Taxes

Significant components of the deferred tax assets and liabilities

Deferred tax assets:	
Bonus payment reserve	¥727 million
Loss recognized on a percentage-of completion basis	¥514 million
Provision for retirement benefits	¥1,881 million
Tax loss carried forward	¥2,487 million
Loss on valuation of investment securities	¥54 million
Loss on valuation of subsidiaries and associates	¥2,400 million
Loss on valuation of inventories	¥1,489 million
Loss on retirement of fixed assets	¥1,065 million
Depreciation	¥710 million
Reserve for losses on construction completion guarantees	¥4,168 million
Excess allowance for doubtful accounts	¥1,110 million
Accounts payable-other	¥563 million
Others	¥2,133 million
Subtotal	¥19,307 million
Valuation allowance	¥(13,584) million
Total deferred tax assets	¥5,723 million
Deferred tax liabilities:	
Net unrealized gains (losses) on investment securities	¥20 million
Others	¥692 million
Total deferred tax liabilities	¥713 million
Net deferred tax assets	¥5,009 million

Notes to Related Parties

Transactions with related parties and subsidiaries, etc.

Attribute	Name	Investment ratio	Concern with related parties	Details of the transaction	Amount of the transaction (Millions of yen)	Accounting item	Balance (Millions of yen)
Subsidiary	Elliott Ebara Turbomachinery Corporation	Ownership Indirectly 100%	- Purchase compressors and turbines - Leasing of buildings and plants - Lending money - Interlocking directors (1)	Lending money (Note 3) Interest income Borrowing money (Note 3) Interest expenses	2,155 10 2,391 1	Short-term loans receivable	2,115
Subsidiary	EBARA FIELD TECH. CORPORATION	Ownership Directly 100%	- Sale and after-sales service for component devices and semiconductor manufacturing equipments - Leasing of buildings and plants - Borrowing money	Sales	16,298	Notes receivable-trade Accounts receivable-trade	7,188 4,881
Subsidiary	Ebara Environmental Plant Co., Ltd.	Ownership Directly 100%	- Sale for pumps and pump parts - Procuring electricity at Plants - Leasing of buildings - Borrowing money - Interlocking directors (2)	Borrowing money (Note 3) Interest expenses	(2,344) 27	Short-term loans payable	7,170
Subsidiary	ELLOITT COMPANY	Ownership Indirectly 100%	- Purchase compressors and turbines - Guarantee of bank loan - Interlocking directors (3)	Bank Loan guarantee (Note 4)	6,181	-	-
Subsidiary	Ebara Precision Machinery Taiwan Incorporated	Ownership Directly 100%	- Sale and after-sales service for component devices and semiconductor manufacturing equipments, manufacture of component devices	Sales	10,326	Accounts receivable-trade	4,835

Business conditions and policy for decisions related to business conditions

Notes:

1. Business conditions such as price shall be decided through negotiation in reference to a price proposal by the Company based on the market price.
2. The interest rate for lending and borrowing money is decided in reference to market interest rate.
3. Lending and borrowing money are transactions using the CMS (cash management system), and the amount of the transaction shows the change from the balance at the beginning of the current period.
4. The Company provides guarantees of bank loans for related parties and receives guarantee charges.

Notes to Per Share Data

1. Net assets per share of common shares ¥2,666.94
2. Net income per share ¥165.46