

Ebara Corporation Third Quarter of FY2019

Earnings Conference (Teleconference) Main Q&A

<Summary of Q&A during earnings summary conference held on November 13, 2019>

Third Quarter of FY2019 - FMS Business Results

Q: Looking at page 3 of the earnings summary, operating conditions for CT business Service & Support (S&S) have changed from 2Q. Through first half, orders increased YoY but was there a change in the markets during the three months between July and September to suggest major decline?

A: Looking at the cross-section of the three-month period between July and September, we saw a short-term decrease due to the timing of customer orders but the S&S market remains favorable. It is not the case that trends have changed in the past three months.

Q: During July through September, to what extent were you able to eliminate temporary factors that occurred during the previous fiscal year? And to what extent do you plan to eliminate those factors during the three months between October and December?

A: We eliminated approximately half during 3Q. The FMS Business saw temporary factors last year between July and December but we do not expect these factors to occur this fiscal year.

Q: In light of that, what is your forecast for profitability of operations for the FMS business? Profitability for the Pumps business appears to be improving but what is the status of CT business profit margin and operational profitability?

A: CT business profitability is increasing. A major reason is because of favorable performance by the S&S business.

Forecast for Full-year FY2019 - Overall

Q: Why did you revise Fiscal Year Ending Dec 31, 2019 forecasts?

A: The largest revision was for the PM business. We decided on an upwards revision to plans because results are recovering slightly faster than forecast.

Q: You did not change your forecast for the FMS business. Is there a need to read between the lines in the details of figures for October through December (figures calculated by subtracting 3Q figure from the full-year plan)?

A: There is no need.

Q: With the revision of PM business forecasts, was it your intent to convey to the market that the increase in capital expenditures seen with some customers is not temporary and that the market environment is changing? Has the market environment changed compared to the first half of this fiscal year?

A: That is what we are anticipating.

Forecast for Full-year FY2019 – FMS Business

Q: You are maintaining your targets for CT business orders at 100 billion yen. The forecast for October through December orders received exceeds 30 billion yen. Are you expecting large-scale orders? Is there any risk of underperforming this forecast, including orders being postponed until next fiscal year?

A: Several large-scale orders (products) were postponed until 4Q but we are not changing plans to reflect those potential orders received. There is a risk of orders being postponed but we expect S&S growth to continue favorably and to achieve plan goals.

Forecast for Full-year FY2019 – EP Business

Q: You revised the operating income plan upward by 1.5 billion yen. Of this amount, 0.5 billion yen is due to EP business cost reductions but can you provide an overview? Does this reflect cost of labor relations?

A: Profitability is improving for EPC, life-extension projects, and maintenance. This is mainly attributable to the cumulative impact of cost reduction efforts such as procurement policies promoting conducting batch purchasing.

Forecast for Full-year FY2019 – PM Business

Q: You saw trends towards increased capital investments among certain customers and made an upward revision to Fiscal Year Ending Dec 31, 2019 targets for orders by 10.0 billion yen. How does this break down as ratios for 3Q and 4Q?

A: The majority is weighted in 4Q.

Q: Do you expect orders received to continue increasing through the first half of the next fiscal year?

A: We hope these conditions continue during the next first half and for the next full

year.

Q: Is there a possibility this trend could extend beyond one or two companies?

A: What we are aware of at present is not that significant but there is a possibility.

Q: This forecast revision increases October to December CMP sales to 20.0 billion yen compared to the 11.6 billion yen for July through September. In light of this, why are you expecting lower income?

A: There are two major factors.

The first is an increase in fixed costs.

The second is a decline in profitability due to an increase in development projects that include valuations by the customer.

Q: Do you expect this trend to continue compared to July through September?

A: That is our assumption. There is also the impact of differences in the project mix.

Q: While sales continue to recover, components sales for October through December have been reduced by 20% year on year and compared to July through September your forecast is for 11.6 billion yen, a decline of roughly 20%. Why will sales decrease despite orders received increasing compared to July through September?

A: The main reason is that the increased orders received include projects that will not be recorded as sales this fiscal year.