

Ebara Corporation Second Quarter of FY2020 Earnings Conference Main Q&A

<Summary of Q&A during earnings conference held on August 11, 2020>

Environmental Plants (EP) Business: Financial Results Overview of 2Q FY2020

Q: Reasons for the deficits in 2Q (April-June)?

A: EPC (plant's engineering/procurement/construction) net sales amounts will hit the bottom of its u-curve this year. The deficits are due to the decline in revenue from that.

As our main business comes from public works; sales increase toward the end of the year. Thus there is less operating income during the first half (Jan. -June) of the year compared with the second half (July- Dec.). In a normal year, the net sales of the second half account for 55%; this year's profits will be further leaning on the second half.

Precision Machinery (PM) Business: Financial Results Overview of 2Q FY2020

Q: What caused the S&S projects to shift to the next term?

A: Due to the COVID-19 impacts, we could not send engineers from Japan. Although local personnel in charge of modification projects were able to start up delivered CMP systems, we could not arrange replacements to carry out the S&S modification projects and so they were postponed to the next term.

Q: Is it correct to understand that sales were not captured due to the impacts of restrictions on people's travel?

A: Correct. Also, several equipment sales were shifted to the next term.

Forecast for FY2020

Q: You withdrew your forecast three months ago and are now presenting a new plan; however there are no major changes in sales and profit. Compared to three months ago, in what areas and products do you see situations more clearly?

A: Custom Pumps and Compressors & Turbines of Fluid Machinery & Systems (FMS) Business; and PM Business.

Three months ago, impacts of COVID-19 and oil price plunge on our businesses were uncertain; but now we can measure impacts on business to a certain degree. We are able to see the impacts customers' capital investment trends and restrictions on people's movement have on our businesses more clearly than before.

FMS: Forecast for FY2020

Q:Comments on the oil and gas market (page 12 of Results Presentation material) mention postponements of S&S implementation and order delays; but in the full-year forecast, CT business sales was reduced by 2.0 billion JPY only from the initial plan. Operating income of Pumps Business has no change from the initial plan and CT Business has only 300 million JPY decrease. Deviations between the comments and operating income forecast; does this mean that you will proactively maintain profit by reducing costs? Please share the details of your full-year forecast.

A:CT Business, where S&S business makes up a large part of sales, is unique in that around half of the full-year of S&S sales were ordered last year and sold in this year. Whereas the other half were both ordered and sold in this year. Therefore, even if orders decline in this year, the sales amount will not go down so much.

Q:Will the impacts of COVID-19 and worsening business confidence show in the operating income next year?

A:For the next year, the CT Business will be affected. We have not come up with numbers for the next year; but it is conceivable that Standard Pumps Business and Chillers Business, which were directly impacted by COVID-19, might swing upward; thus not all factors are negative. We have not seen yet what it will be in total.

PM: Forecast for FY2020

Q:Will the impacts of restrictions on people's movement and overseas travels remain the same for the second half (July-Dec.)?

A:July onward, the situations have settled down quite a bit. Even though the two-weeks-quarantine is required, now we can send engineers from Japan to some areas. In the second half, we will be able to work on the S&S projects which we could not do in the first half.

Q:CMP's orders received for the second half is about 10% more than the first half. What is the cause?

A:It is simply due to the timing of customers' capital investments.

Q:Are evaluation units increasing?

A: When more customers challenge new technologies, the number of evaluation units rise.

Others

Q: Due to the COVID-19 impacts, more companies are now talking about ESG. Some oil majors are saying that they want to reduce production of gas, etc. by 2030 and so on. If that is realized their development pace will change significantly and that may impact Ebara's compressors and cryogenic pumps, etc. Are you discussing this internally?

A: We are discussing internally that, in the long-run, the world is facing the situation where plastic, which is derived from oil, will need to be reduced. So we want to seek opportunities for non-oil alternatives. In the mid-term, with the waste plastic issues, instead of burning it, our EP Business will have opportunities in terms of chemical recycling.

We do not think that the ethylene and petrochemical type industries would contract exponentially, and our products for the oil and gas market are mainly for the downstream; but if you think of 30 to 40 years down the road, capital investments may decline due to reduced demand for petrochemical products, leading to contraction of our sales scale. In light of this, we will seek opportunities as well as take countermeasures so that we may securely sustain our businesses. And we will also expand into new areas and fields.

Q: Did you decide on implementing ERP when you were formulating the previous medium-term management plan E-Plan 2019? Or did it become necessary after E-Plan 2022 had commenced?

A: The ERP project was fully started-up last summer and the plan was formulated. This is reflected on the management plan's numerical values in E-Plan 2022.

Q: Is it correct to understand that prospect of profit will become clearer due to ERP and so business models will be replaced?

A: Introduction of ERP does not correlate with replacing business models. Profit and Loss/Profitability of respective businesses are seen through the existing system.