

CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2019 [Japanese GAAP]

August 9, 2019

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 Stock exchange listings: Tokyo
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Scheduled date for submission of quarterly report: August 9, 2019
 Scheduled date for dividend payment: September 10, 2019
 Preparing supplementary material on financial results: Yes
 Holding financial results presentation meeting (for institutional investors and analysts): Yes

(Monetary amounts are rounded down to the nearest million yen)

1. Results for the Six Months Ended June 30, 2019

(1) Financial Results

(% represents percentage change from a comparable previous period)

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent	
	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)	Amount	Change (%)
Six Months Ended June 30, 2019	248,055	(1.3)%	12,973	(11.9)%	13,349	(5.8)%	8,025	7.4%
Six Months Ended June 30, 2018	251,257	—	14,722	—	14,171	—	7,471	—

Note: Comprehensive Income: Six months ended June 30, 2019; 6,479 million yen 91.6%
 Six months ended June 30, 2018; 3,382 million yen —%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Six Months Ended June 30, 2019	81.91	81.50
Six Months Ended June 30, 2018	73.50	73.11

Note: Change from a comparable previous period (%) for the six months ended June 30, 2018 (“—” as shown in the above table):
 Ebara Corporation has changed its fiscal year end from March 31 to December 31, effective from the fiscal year ended December 31, 2017. Due to this change, the period of the six months ended June 30, 2018 (from January 1, 2018 to June 30, 2018) is different from the previous year (from April 1, 2017 to September 30, 2017) for the comparison. Therefore, the change from a comparable previous period (%) for the six months ended June 30, 2018 is not displayed.

(2) Financial Position

Millions of yen

	Total Assets	Net Assets	Equity Ratio (%)
As of June 30, 2019	592,183	277,931	45.7
As of December 31, 2018	591,582	286,778	47.3

Notes: 1. Shareholders' Equity (Net assets excluding subscription rights to shares and non-controlling interests):

As of June 30, 2019; 270,744 million yen
 As of December 31, 2018; 279,640 million yen

2. “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Relevant figures for the previous fiscal year are presented following retroactive application of this accounting standard.

2. Dividends

	Dividends per Share (Yen)				
	End of 1 st Quarter	End of 2 nd Quarter	End of 3 rd Quarter	Year-End	Annual
Fiscal Year Ended December 31, 2018	—	30.00	—	30.00	60.00
Fiscal Year Ending December 31, 2019	—	30.00			
Fiscal Year Ending December 31, 2019 (Forecast)			—	30.00	60.00

Note: Revisions to forecast of dividends in this quarter: None

3. Forecast of Financial Results for the Fiscal Year Ending December 31, 2019

% represents percentage change from the previous fiscal year

Millions of yen

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Net Income per Share (Yen)
	Fiscal Year Ending December 31, 2019	500,000	(1.8)%	28,000	(13.8)%	27,000	(13.7)%	16,000	(12.4)%

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

We revised the forecast of financial results for the fiscal year ending December 31, 2019, previously announced on May 14, 2019. For further details, please refer to “Explanation of Forecast of Consolidated Financial Results” on page 8.

4. Other Information

- (1) Changes in significant subsidiaries during the fiscal year under review (Changes in specified subsidiaries involving changes in scope of consolidation): None

Included: — (—)

Excluded: — (—)

- (2) Adoption of specific accounting methods for preparation of quarterly financial statements: Yes
Note: For further details, please refer to “2. Consolidated Financial Statements and Significant Notes (4) Notes to Consolidated Financial Statements (Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)” on page 15.

- (3) Changes in accounting policies, Changes in accounting estimates, and Restatement of prior financial statements after error corrections

(i) Changes in accounting policies due to revisions of accounting standards, etc.: None

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior financial statements after error corrections: None

- (4) Number of shares outstanding (Common Shares)

(i) Number of common shares (Including treasury shares)	As of June 30, 2019	102,019,253	As of December 31, 2018	101,957,853
(ii) Number of treasury shares	As of June 30, 2019	6,131,772	As of December 31, 2018	1,933,423
(iii) Average number of common shares	Six Months Ended June 30, 2019	97,983,473	Six Months Ended June 30, 2018	101,654,462

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 Ebara Corporation as of the time of the issuance of this report and on certain assumptions about uncertainties that may have an impact on the Group’s performance. Actual performance may differ substantially from these forecast owing to a wide range of factors. For further information on the assumptions made in the preparation of the forecast of performance, please refer to “Explanation of Forecast of Consolidated Financial Results” on page 8. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof.
2. This report has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated report and the Japanese original, the original shall prevail. Also, Ebara Corporation assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

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1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

Millions of yen

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019	Change	Change Ratio (%)
Orders Received	300,805	245,648	(55,156)	(18.3)
Net Sales	251,257	248,055	(3,201)	(1.3)
Operating Income	14,722	12,973	(1,748)	(11.9)
Operating Income on Sales Ratio (%)	5.9	5.2	—	—
Ordinary Income	14,171	13,349	(821)	(5.8)
Profit Attributable to Owners of Parent	7,471	8,025	553	7.4
Net Income per Share (Yen)	73.50	81.91	8.41	—

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

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






Consolidated net sales for the six months ended June 30, 2019 amounted to ¥248,055 million (a decrease of 1.3% year-on-year), operating income amounted to ¥12,973 million (a decrease of 11.9% year-on-year), ordinary income amounted to ¥13,349 million (a decrease of 5.8% year-on-year), and profit attributable to owners of parent amounted to ¥8,025 million (an increase of 7.4% year-on-year).

Operating Results by Business Segment

Millions of yen

Segment	Orders Received			Net Sales			Segment Income		
	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019	Change Ratio (%)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019	Change Ratio (%)	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019	Change Ratio (%)
Fluid Machinery & Systems	161,532	161,761	0.1	154,330	154,227	(0.1)	2,276	5,319	133.6
Environmental Plants	65,815	30,589	(53.5)	29,368	32,177	9.6	2,217	3,096	39.7
Precision Machinery	72,616	52,537	(27.7)	66,720	60,891	(8.7)	10,080	4,454	(55.8)
Segment Total	299,964	244,888	(18.4)	250,419	247,297	(1.2)	14,574	12,870	(11.7)
Others	840	760	(9.6)	837	758	(9.4)	171	87	(48.8)
Adjustment	—	—	—	—	—	—	(24)	14	—
Total	300,805	245,648	(18.3)	251,257	248,055	(1.3)	14,722	12,973	(11.9)

Outline of Business Environment and Situation by Business Segment

Segment		Business Environment	Business Situation and the Trend of Orders Received (Note1)
Fluid Machinery & Systems	Pumps	<p>(In overseas market)</p> <ul style="list-style-type: none"> In the oil and gas market, due to the upward trend in crude oil prices, inquiries have been increasing and the demand is high especially in China. Demand for water infrastructure is recovering with increases in the Middle East, China and Southeast Asia. In the electric power market, due to the regulation on CO2 emissions, the coal market was lackluster. <p>(In domestic market (Japan))</p> <ul style="list-style-type: none"> New building construction starts were level with the same period last year. Investment for social infrastructure renovation and maintenance exceeded those of the same period last year. 	<p>(In overseas market)</p> <ul style="list-style-type: none"> Oil and gas related orders received exceeded those of the same period last year. The volume of orders received for the water infrastructure exceeded those of the same period last year. The volume of orders received for electric power exceeded those 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 level with the same period last year. The volume of orders received for the public sectors was smaller than the same period last year. 
	Compressors & Turbines	<ul style="list-style-type: none"> Investment for new products has continued to recover. Projects have been increasing in China, India, Russia and the Middle East. Shale gas and ethylene related investments were also favorable in the United States. However, from the segment perspective, the recovery is delayed except for the oil refining and petrochemicals markets. Therefore, intense price competition continued with large-scale projects. In the service market, demand remains firm mainly due to orders of component and remodeling. The LNG market (cryogenic pumps) has gradually recovered. Although price competition is intense, the market is booming in Asia. There were movements toward Final Investment Decision for LNG carriers which had previously been postponed. 	<ul style="list-style-type: none"> Investment has been increasing mainly in China, India, the United States and Russia. However, the volume of orders received for new products was smaller than the same period last year due to intense price competition and postponement of ordering schedules. The volume of orders received for service exceeded those of the same period last year due to orders of remodeling, repair and component being firm. 
	Chillers	<ul style="list-style-type: none"> In Japan, the market was level with the same period last year. Demand for renewal was firm. In China, the market continued to slow down with constant and intense competition. 	<ul style="list-style-type: none"> In Japan, the volume of orders received exceeded those of the same period last year due to new eco-friendly products. In China, the volume of orders received exceeded those of the same period last year due to new products. 
Environmental Plants (Note2)		<ul style="list-style-type: none"> The volume of new EPC orders placed by the public sector for municipal waste incineration facilities was level with the same period last year. In the O&M for existing facilities, new orders ran at about the same level as in a typical year. Demand for the construction of power generation facilities with woody biomass fuel and industrial waste incineration facilities continued in private companies. 	<ul style="list-style-type: none"> In the private sector, constructions of an industrial waste incineration facility and a biomass power generation facility have been ordered. However, the volume of orders received was smaller than the same period last year when the level was extremely high. (In addition to projects for private sector, large-scale DBO and long-term comprehensive projects in the public sector were ordered in the same period last year.) <p>(Overview of large-scale orders received)</p> <ul style="list-style-type: none"> Industrial waste incineration facilities (1 order) Biomass power generation facilities (1 order) Major improvement project for general waste incineration facilities (1 order) 
Precision Machinery		<ul style="list-style-type: none"> Semiconductor-related capital investment continued to be lackluster overall due to a slowdown of capital investment by memory companies. 	<ul style="list-style-type: none"> The volume of orders received was smaller than the same period last year mainly due to a slowdown of investment by memory companies. 

Note1: Arrows indicate a year-on-year increase/decrease in orders received:



in the case of +5% or more increase



in the case of -5% or greater decrease



in the case of movement within the -5% and +5% range

Note2: EPC The engineering, procurement, and construction for plants

O&M The operation and maintenance for plants

DBO(Design, Build and Operate) ... The contract for operation and maintenance after construction for a certain period of time, in addition to the engineering, procurement, and construction for plants

(2) Explanation of Financial Position

i. Assets

Total assets as of June 30, 2019 were ¥592,183 million, ¥601 million higher than as of December 31, 2018. Principal changes in asset items included an increase of ¥22,993 million in cash and deposits, an increase of ¥7,312 million in other items in tangible fixed assets, and a decrease of ¥29,371 million in notes and accounts receivable-trade.

ii. Liabilities

Total liabilities as of June 30, 2019 were ¥314,251 million, ¥9,448 million higher than as of December 31, 2018. Principal changes in liability items included an increase of ¥24,918 million in short-term loans payable, a decrease of ¥6,994 million in notes and accounts payable-trade, a decrease of ¥4,089 million in electronically recorded obligations, and a decrease of ¥2,694 million in long-term loans payable.

iii. Net Assets

Net assets as of June 30, 2019 amounted to ¥277,931 million, ¥8,846 million lower than as of December 31, 2018. Principal changes affecting net asset items were profit attributable to owners of parent of ¥8,025 million, purchase of treasury shares of ¥12,773 million, cash dividends paid of ¥3,000 million, and a decrease of ¥2,792 million in translation adjustments. Shareholders' equity (Net assets excluding subscription rights to shares and non-controlling interests) amounted to ¥270,744 million, and equity ratio was 45.7%.

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the three months ended March 31, 2019. Regarding the financial position, figures as of the end of the previous fiscal year have been retroactively adjusted for comparison.

(3) Explanation of Forecast of Consolidated Financial Results

We revised the forecast for the fiscal year ending December 31, 2019, reflecting the results after the previous announcement on May 14, 2019 mainly due to decreases of orders received and sales in the PM Company and the Fluid Machinery & Systems (“FMS”) Company. The revised forecast is as follows. In addition, the revised forecast by business segment is as follows.

Assumptions regarding foreign currency exchange rates are as follows: US \$1= ¥105, EUR1= ¥120 (Assumptions in the previous forecast were US\$1=¥110, EUR1=¥130)

Actual performance may differ from the forecast owing to factors such as changing market environment.

Forecast for the Fiscal Year Ending December 31, 2019

	Orders Received	Net Sales	Operating Income	Ordinary Income	Profit Attributable to Owners of Parent
Previous Forecast : A	525,000	525,000	34,000	33,000	20,000
Revised Forecast : B	512,000	500,000	28,000	27,000	16,000
Change (B-A)	(13,000)	(25,000)	(6,000)	(6,000)	(4,000)

Millions of yen

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

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	330,000	68,000	125,000	2,000	525,000
	Net Sales	331,000	67,000	125,000	2,000	525,000
	Operating Income	16,000	5,500	12,500	0	34,000
Revised Forecast : B	Orders Received	320,000	80,000	110,000	2,000	512,000
	Net Sales	321,000	67,000	110,000	2,000	500,000
	Operating Income	15,500	5,500	7,000	0	28,000
Change (B-A)	Orders Received	(10,000)	12,000	(15,000)	—	(13,000)
	Net Sales	(10,000)	—	(15,000)	—	(25,000)
	Operating Income	(500)	—	(5,500)	—	(6,000)

Millions of yen

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

Millions of yen

	As of December 31, 2018	As of June 30, 2019
ASSETS		
Current Assets		
Cash and deposits	110,610	133,603
Notes and accounts receivable-trade	176,895	147,524
Electronically recorded monetary claims	6,990	8,794
Securities	1,668	3,240
Merchandise and finished goods	18,082	19,119
Work in process	65,845	65,512
Raw materials and supplies	38,731	36,657
Others	14,714	12,676
Allowance for doubtful accounts	(3,308)	(2,644)
Total current assets	430,230	424,485
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	44,269	44,653
Machinery and equipment, net	28,599	28,097
Others, net	35,009	42,321
Total tangible assets	107,879	115,072
Intangible assets	10,670	10,226
Investments and other assets		
Investment securities	22,301	22,164
Others	25,686	25,850
Allowance for doubtful accounts	(5,187)	(5,615)
Total investments and other assets	42,801	42,399
Total fixed assets	161,351	167,698
Total Assets	591,582	592,183

	Millions of yen	
	As of December 31, 2018	As of June 30, 2019
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	63,320	56,326
Electronically recorded obligations	62,854	58,764
Short-term loans payable	46,766	71,685
Provision for bonuses	6,263	4,819
Provision for directors' bonuses	344	181
Provision for losses on construction completion guarantees	4,873	3,764
Provision for product warranties	5,118	3,910
Provision for construction losses	12,374	13,074
Provision for expenses related to the sales of land	254	—
Others	56,380	58,960
Total current liabilities	258,550	271,487
Long-term Liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	20,730	18,035
Provision for directors' retirement benefits	116	127
Defined benefit liability	10,681	9,979
Asset retirement obligations	2,245	2,445
Others	2,479	2,176
Total long-term liabilities	46,253	42,764
Total Liabilities	304,803	314,251
NET ASSETS		
Shareholders' Equity		
Common shares	79,066	79,142
Capital surplus	80,296	80,371
Retained earnings	135,715	143,536
Treasury shares	(5,439)	(18,213)
Total shareholders' equity	289,639	284,837
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	381	249
Deferred gains (losses) on hedges	(57)	2
Translation adjustments	(1,226)	(4,019)
Remeasurements of defined benefit plans	(9,096)	(10,325)
Total accumulated other comprehensive income	(9,999)	(14,092)
Subscription Rights to Shares	1,152	1,107
Non-Controlling Interests	5,985	6,079
Total Net Assets	286,778	277,931
Total Liabilities and Net Assets	591,582	592,183

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

Millions of yen

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
Net Sales	251,257	248,055
Cost of Sales	187,387	185,642
Gross Profit	63,870	62,413
Selling, General and Administrative Expenses	49,148	49,440
Operating Income	14,722	12,973
Non-operating Income		
Interest income	121	155
Dividends income	290	163
Share of profit of entities accounted for using equity method	815	621
Others	276	658
Total non-operating income	1,503	1,599
Non-operating Expenses		
Interest expenses	682	659
Foreign exchange losses	957	357
Others	414	206
Total non-operating expenses	2,054	1,222
Ordinary Income	14,171	13,349
Extraordinary Income		
Gain on sales of fixed assets	11	10
Gain on sales of investment securities	394	114
Total extraordinary income	406	124
Extraordinary Loss		
Loss on sales of fixed assets	79	2
Loss on retirement of fixed assets	108	63
Impairment loss	1,652	571
Provision for loss on litigation	1,257	—
Others	1	0
Total extraordinary loss	3,098	638
Income before Income Taxes	11,478	12,836
Income Taxes	3,389	3,974
Profit	8,089	8,862
Profit Attributable to Non-Controlling Interests	617	836
Profit Attributable to Owners of Parent	7,471	8,025

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
Profit	8,089	8,862
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	(1,192)	(157)
Deferred gains (losses) on hedges	(5)	60
Translation adjustment	(3,961)	(2,930)
Remeasurements of defined benefit plans, net of tax	351	598
Share of other comprehensive income of entities accounted for using equity method	102	45
Total other comprehensive income	(4,706)	(2,382)
Comprehensive Income	3,382	6,479
Comprehensive income attributable to:		
Owners of parent	2,892	5,735
Non-controlling interests	489	744

(3) Consolidated Statements of Cash Flows

Millions of yen

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
Cash Flows from Operating Activities:		
Income before income taxes	11,478	12,836
Depreciation and amortization	7,788	7,418
Impairment loss	1,652	571
Loss (gain) on sales of securities and investment securities	(394)	(114)
Increase (decrease) in provisions	1,339	(3,442)
Increase (decrease) in defined benefit liability	(1,380)	(682)
Loss (gain) on sales of fixed assets	68	(8)
Interest and dividends income	(411)	(319)
Interest expenses	682	659
Decrease (increase) in notes and accounts receivable-trade	19,987	26,475
Decrease (increase) in inventories	(8,960)	480
Increase (decrease) in notes and accounts payable-trade	9,555	(10,196)
Others	5,616	2,363
Sub-total	47,020	36,041
Interest and dividends income received	408	319
Interest expenses paid	(632)	(631)
Income taxes paid	(902)	(5,522)
Net cash provided by operating activities	45,893	30,206
Cash Flows from Investing Activities:		
Purchase of fixed assets	(7,413)	(12,012)
Proceeds from sales of fixed assets	79	345
Purchase of securities and investment securities	(1,771)	(2,272)
Proceeds from sales and redemption of securities and investment securities	1,027	2,078
Payments into time deposits	(751)	(646)
Proceeds from withdrawal of time deposits	720	642
Payments of loans receivable	(19)	(7)
Collection of loans receivable	26	25
Others	(21)	9
Net cash used in investing activities	(8,123)	(11,837)

	Millions of yen	
	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	4,699	23,445
Proceeds from long-term loans payable	—	612
Repayment of long-term loans payable	(1,263)	(950)
Purchase of treasury shares	(6)	(12,773)
Proceeds from disposal of treasury shares	—	0
Cash dividends paid	(1,523)	(3,000)
Cash dividends paid to non-controlling interests	(414)	(687)
Others	(398)	(393)
Net cash provided by financing activities	1,093	6,252
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,514)	(1,216)
Increase (Decrease) in Cash and Cash Equivalents	37,348	23,404
Cash and Cash Equivalents at Beginning of Period	139,102	110,556
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change of Scope of Consolidation	507	686
Cash and Cash Equivalents at End of Period	176,958	134,647

(4) Notes to Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

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

At a meeting on February 13, 2019, the Board of Directors passed a resolution to repurchase up to 7,000,000 common shares of Ebara Corporation (Total acquisition price of shares: ¥15,000 million). Accordingly, the Company repurchased 4,197,800 common shares. As a result, for the six months ended June 30, 2019, treasury shares increased ¥12,773 million and amounted to ¥18,213 million as of June 30, 2019. The repurchase of common shares based on this resolution was concluded on August 8, 2019.

(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.

(Segment Information)

Six Months Ended June 30, 2018

1. Information Regarding Sales and Income by Reportable Segment

Millions of yen

	Reportable Segments				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total				
Sales								
Customers	154,330	29,368	66,720	250,419	837	251,257	—	251,257
Intersegment and transfers	278	—	—	278	1,392	1,670	(1,670)	—
Total	154,608	29,368	66,720	250,697	2,230	252,927	(1,670)	251,257
Segment Income	2,276	2,217	10,080	14,574	171	14,746	(24)	14,722

Notes: 1.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.

2.The "Adjustment" item for Segment Income shows eliminations among intersegment sales and transfers.

3.Segment Income has been adjusted with operating income in the consolidated statements of income.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Negative Goodwill by Reportable Segment

(Material impairment loss of fixed assets)

In Fluid Machinery & Systems, the book value of business assets has been lowered to the expected recoverable amount following the discontinuation of Tochigi Plant's production which was concentrated to Futtsu Plant, and impairment loss has been booked mainly due to the reduced amount.

The resulting impairment loss amounted to ¥1,652 million for the six months ended June 30, 2018.

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

Six Months Ended June 30, 2019

1. Information Regarding Sales and Income by Reportable Segment

Millions of yen

	Reportable Segments				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	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

Notes: 1.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.

2.The “Adjustment” item for Segment Income shows eliminations among intersegment sales and transfers.

3.Segment Income has been adjusted with operating income in the consolidated statements of income.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Negative Goodwill by Reportable Segment

(Material impairment loss of fixed assets)

None

(Material change in goodwill amount)

None

(Material negative goodwill arisen)

None

(Additional Information)

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

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

3. Others

(1) Litigation and Others

(Progress of Dispute Regarding Fire Accident at Bulky Waste Treatment Facility at the Gifu City Eastern Clean Center)

On October 23, 2015, a fire broke out at the bulky waste treatment facility at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, when Ebara Environmental Plant Co., Ltd. (“EEP”), the Company’s consolidated subsidiary, was making repairs on the facility. EEP is responsible for the operation and management of a waste incinerating facility that is located adjacent to the bulky waste treatment facility where the fire occurred.

Regarding this incident, while the Company had been discussing with Gifu City the compensation for related damages, a lawsuit against EEP was filed by Gifu City at the Gifu District Court on January 31, 2019 claiming compensation for damages of ¥4,362 million and late charges for such compensation. Furthermore, Gifu City amended its amount of the compensation claim for damages to ¥4,474 million and late charges for such compensation on July 22, 2019, and EEP received the amended petition pertaining to this lawsuit on July 25, 2019. At this time, it is not possible to make a reasonable estimate of the effect of this incident on the Group’s consolidated results of operation.

(2) Segment Information

Business Segment

FMS = Fluid Machinery & Systems, EP = Environmental Plants, PM = Precision Machinery

(i) Actual Results and Forecast of Orders Received, Sales, Operating Income and Backlog of Orders Received by Business Segment

Billions of yen

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019			Fiscal Year Ending December 31, 2019
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Pumps	84.9	88.6	3.6	4.3	175.0
Compressors & Turbines	50.7	45.6	(5.0)	(10.0)	100.0
Chillers	19.4	20.3	0.9	4.7	33.0
Others	6.2	7.0	0.7	11.3	12.0
Total of FMS	161.5	161.7	0.2	0.1	320.0
EP	65.8	30.5	(35.2)	(53.5)	80.0
PM	72.6	52.5	(20.0)	(27.7)	110.0
Others	0.8	0.7	(0.0)	(9.6)	2.0
Total	300.8	245.6	(55.1)	(18.3)	512.0
Sales					
Pumps	90.5	88.4	(2.0)	(2.3)	176.0
Compressors & Turbines	40.6	39.3	(1.2)	(3.2)	100.0
Chillers	16.7	19.0	2.2	13.4	33.0
Others	6.3	7.4	1.0	15.9	12.0
Total of FMS	154.3	154.2	(0.1)	(0.1)	321.0
EP	29.3	32.1	2.8	9.6	67.0
PM	66.7	60.8	(5.8)	(8.7)	110.0
Others	0.8	0.7	(0.0)	(9.4)	2.0
Total	251.2	248.0	(3.2)	(1.3)	500.0
Operating Income					
Pumps	5.2	5.6	0.3	7.1	10.0
Compressors & Turbines	(4.1)	(0.1)	4.0	—	3.0
Chillers	0.1	0.8	0.6	314.7	2.0
Others	1.0	(0.9)	(1.9)	—	0.5
Total of FMS	2.2	5.3	3.0	133.6	15.5
EP	2.2	3.0	0.8	39.7	5.5
PM	10.0	4.4	(5.6)	(55.8)	7.0
Others & Adjustment	0.1	0.1	(0.0)	(30.3)	0.0
Total	14.7	12.9	(1.7)	(11.9)	28.0
Backlog of Orders Received					
Pumps	96.0	96.7	0.6	0.7	99.1
Compressors & Turbines	79.1	92.1	12.9	16.3	84.3
Chillers	17.9	17.8	(0.0)	(0.5)	16.7
Others	6.5	8.0	1.4	22.6	8.1
Total of FMS	199.7	214.7	15.0	7.5	208.3
EP	206.7	212.5	5.8	2.8	227.3
PM	36.2	26.5	(9.6)	(26.7)	35.3
Others	0.0	0.0	(0.0)	(34.2)	0.0
Total	442.7	453.9	11.2	2.5	471.0

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

Billions of yen

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2019			Fiscal Year Ending December 31, 2019
	Actual	Actual	Change	Change Ratio (%)	Forecast
Orders Received					
Components	30.7	25.2	(5.4)	(17.7)	50.0
CMP Systems	38.7	24.8	(13.9)	(35.9)	55.0
Others	3.1	2.4	(0.7)	(22.6)	5.0
Total of PM	72.6	52.5	(20.0)	(27.7)	110.0
Sales					
Components	30.6	29.6	(0.9)	(3.2)	50.0
CMP Systems	32.1	28.3	(3.8)	(11.8)	55.0
Others	3.8	2.8	(1.0)	(27.1)	5.0
Total of PM	66.7	60.8	(5.8)	(8.7)	110.0

(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, 2018		Six Months Ended June 30, 2019		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	157.0	62.5	148.7	60.0	(8.2)
North America	37.7	15.0	38.7	15.6	1.0
Asia (except Japan)	41.8	16.6	46.8	18.9	5.0
Others	14.6	5.9	13.6	5.5	(0.9)
Total	251.2	100.0	248.0	100.0	(3.2)
Operating Income					
Japan	9.3		3.7		(5.5)
North America	(0.0)		3.0		3.1
Asia (except Japan)	4.9		4.9		(0.0)
Others	1.0		0.9		(0.0)
Adjustment	(0.4)		0.2		0.7
Total	14.7		12.9		(1.7)

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

Billions of yen

	Six Months Ended June 30, 2018		Six Months Ended June 30, 2019		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	118.6	47.2	116.8	47.1	(1.8)
China	32.5	12.9	38.2	15.4	5.7
Other Asia	45.5	18.2	37.9	15.3	(7.6)
North America	20.0	8.0	24.4	9.9	4.3
Europe	17.4	7.0	13.5	5.5	(3.9)
Middle East	8.5	3.4	11.0	4.5	2.5
Others	8.3	3.3	5.9	2.3	(2.4)
Total	251.2	100.0	248.0	100.0	(3.2)

Note: Sales in China which were included in “Asia (except Japan)” are separately presented from the three months ended March 31, 2019. Additionally, “Asia (except Japan)” apart from China is restated as “Other Asia”.