

CONSOLIDATED FINANCIAL RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2020
[Japanese GAAP]

May 13, 2020

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 Stock exchange listings: Tokyo
 Code number: 6361
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Scheduled date for submission of quarterly report: May 14, 2020
 Scheduled date for dividend payment: —
 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 Three Months Ended March 31, 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	
Three Months Ended March 31, 2020	122,696	(5.8)%	7,049	(22.8)%	6,393	(38.2)%	3,785	(43.8)%
Three Months Ended March 31, 2019	130,196	(0.0)%	9,128	14.8%	10,353	28.2%	6,733	9.8%

Note: Comprehensive Income: Three Months Ended March 31, 2020; 1,565 million yen (80.8)%
 Three Months Ended March 31, 2019; 8,154 million yen 368.0%

	Net Income per Share (Yen)	Net Income per Share, Diluted (Yen)
Three Months Ended March 31, 2020	39.78	39.59
Three Months Ended March 31, 2019	67.86	67.53

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 March 31, 2020	623,108	285,028	44.5
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 March 31, 2020; 277,502 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	—				
Fiscal Year Ending December 31, 2020 (Forecast)		30.00	—	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)
	Six Months Ending June 30, 2020	—	—	—	—	—	—	—	—
Fiscal Year Ending December 31, 2020	—	—	—	—	—	—	—	—	—

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

The Company has voided (changed to “to be determined”) its forecasts of consolidated financial results for the six months ending June 30, 2020 and the fiscal year ending December 31, 2020, which were previously announced on February 26, 2020. Amid the spread of new coronavirus infections (“COVID-19”), it is difficult to reasonably estimate forecasts as it is impossible to predict when the pandemic will fade at this point in time and it is uncertain how the Group’s performance will be impacted by related issues such as the trends in major domestic and overseas markets, progress of construction works and restrictions on people’s mobility. The Company will announce the new forecasts as soon as reasonable estimates are available.

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 March 31, 2020	95,160,653	As of December 31, 2019	95,129,853
(ii) Number of treasury shares	As of March 31, 2020	6,184	As of December 31, 2019	5,784
(iii) Average number of common shares	Three Months Ended March 31, 2020	95,149,285	Three Months Ended March 31, 2019	99,219,923

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 9. 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.8
(3) Explanation of Forecast of Consolidated Financial Results	P.9
2. Consolidated Financial Statements and Significant Notes	P.11
(1) Consolidated Balance Sheets	P.11
(2) Consolidated Statements of Income and Comprehensive Income	P.13
(3) Consolidated Statements of Cash Flows	P.15
(4) Notes to Consolidated Financial Statements	P.17
(Note for the Assumption of Going Concern)	P.17
(Note for Significant Changes in the Amount of Shareholders' Equity)	P.17
(Adoption of Specific Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)	P.17
(Changes in Accounting Policies)	P.18
(Segment Information)	P.20
3. Others	P.22
(1) Litigation and Others	P.22
(2) Spread of COVID-19	P.22
(3) Segment Information	P.23
(4) Area Information	P.25

1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

	Millions of yen			
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020	Change	Change Ratio (%)
Orders Received	117,082	123,370	6,288	5.4
Net Sales	130,196	122,696	(7,499)	(5.8)
Operating Income	9,128	7,049	(2,079)	(22.8)
Operating Income on Sales Ratio (%)	7.0	5.7	—	—
Ordinary Income	10,353	6,393	(3,960)	(38.2)
Profit Attributable to Owners of Parent	6,733	3,785	(2,948)	(43.8)
Net Income per Share (Yen)	67.86	39.78	(28.08)	(41.4)

During the three months ended March 31, 2020, the global economy saw some investment projects in the oil and gas markets stagnate due to the spread of COVID-19 and a decline in crude oil prices. However, in the semiconductor market, capital investment continued to recover from the second half of last year. In the Japanese economy, although public investment has been firm, there are some weaknesses in private capital investment. Overall, the outlook remains uncertain as the global economy has been stagnant due to the impact of COVID-19 and the decline in crude oil prices.

During the three months ended March 31, 2020, orders received increased compared to the same period last year due to an increase in the Precision Machinery (“PM”) Business, despite a decrease mainly in the Environmental Plants (“EP”) Business. Sales decreased compared to the same period last year mainly due to decreases in the Fluid Machinery & Systems (“FMS”) Business and the PM Business. The decreases were caused by the suspension of operations at the factories in China and Italy and restriction of sales activities due to the spread of COVID-19 in the FMS Business, and delay in acceptance inspection of CMP equipment due to customer-related reasons in the PM Business. Operating income decreased compared to the same period last year due to the deterioration in profitability with project mix and increase of fixed costs in the PM Business, despite an increase mainly due to revenue growth in the Compressors & Turbines Business of the FMS Business.

Consolidated net sales for the three months ended March 31, 2020 amounted to ¥122,696 million (a decrease of 5.8% year-on-year), operating income amounted to ¥7,049 million (a decrease of 22.8% year-on-year), ordinary income amounted to ¥6,393 million (a decrease of 38.2% year-on-year), and profit attributable to owners of parent amounted to ¥3,785 million (a decrease of 43.8% 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		
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020	Change Ratio (%)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020	Change Ratio (%)	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020	Change Ratio (%)
Fluid Machinery & Systems	80,146	78,548	(2.0)	81,573	78,496	(3.8)	3,763	5,116	36.0
Environmental Plants	12,627	4,514	(64.2)	19,144	17,269	(9.8)	2,257	2,478	9.8
Precision Machinery	23,905	39,848	66.7	29,075	26,492	(8.9)	3,072	(39)	—
Segment Total	116,679	122,911	5.3	129,794	122,257	(5.8)	9,093	7,555	(16.9)
Others	403	459	13.8	402	439	9.2	25	(455)	—
Adjustment	—	—	—	—	—	—	10	(50)	—
Total	117,082	123,370	5.4	130,196	122,696	(5.8)	9,128	7,049	(22.8)

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, oil prices have fallen drastically, and some projects have been delayed or postponed due to the spread of COVID-19. • Demand for water infrastructure has gradually increased especially in China and Southeast Asia. • 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>(In domestic market (Japan))</p> <ul style="list-style-type: none"> • The building construction market is shrinking due to a decline in the number of new construction starts. • Investment in renovation and maintenance for social infrastructure was smaller than the same period last year. 	<p>(In overseas market)</p> <ul style="list-style-type: none"> • Oil and gas related orders received were smaller than that of the same period last year. • The volume of orders received for the water infrastructure was smaller than the same period last year as prospective orders received were delayed due to the spread of the COVID-19. • 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 exceeded that of the same period last year due to new products and price revisions. • The volume of orders received for the public sector exceeded that of the same period last year due to general evaluation projects and successful measures to increase orders received for after-sales service.
	Compressors & Turbines	<ul style="list-style-type: none"> • In the new product market as a whole, petrochemical projects in China and LNG projects in North America are scheduled. However, investment has been delayed in India, Russia, and the Middle East since March, and shale gas and ethylene-related projects in the United States have begun to be stagnant. • Although the service market has been affected by the spread of the COVID-19 in terms of the closure of service shops and dispatch of instructors, projects are generally proceeding as planned. • The LNG market (cryogenic pumps) has begun to be affected as a whole, with new projects being delayed due to the impact of the decline in crude oil prices. 	<ul style="list-style-type: none"> • The volume of orders received for new products was smaller than the same period last year. • Although the volume of orders received for field service was smaller than the same period last year, the volume of orders received in the service field exceeded that of the same period last year overall.
	Chillers	<ul style="list-style-type: none"> • In Japan, although demand for renewal continued to be firm, new demand became even more limited after the hot demand for Tokyo Olympic and Paralympic Games, and price competition remains severe. • In China, the economy has been slowing down, and the prolonged restrictions on economic activity due to the impact of the spread of COVID-19 have been a downward pressure on the economy as a whole. 	<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.
Environmental Plants	<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 (Note2) 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"> • Although the volume of O&M (Note2) orders received has been stable, orders received for private construction projects, which were concentrated in the same period last year, were lacking in this year. Therefore the volume of orders received was smaller than the same period last year. 	
Precision Machinery	<ul style="list-style-type: none"> • In addition to active capital investments in some foundries, there are signs of recovery in capital investments by memory companies which were lackluster last year. 	<ul style="list-style-type: none"> • The volume of orders received exceeded that of the same period last year as capital investment was recovered and expanded by some memory companies and foundries. 	

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

(2) Explanation of Financial Position

i. Assets

Total assets as of March 31, 2020 were ¥623,108 million, ¥27,869 million higher than as of December 31, 2019. Principal changes in asset items included a decrease of ¥16,952 million in work in process, an increase of ¥36,622 million in cash and deposits, and an increase of ¥4,681 million in notes and accounts receivable-trade.

ii. Liabilities

Total liabilities as of March 31, 2020 were ¥338,079 million, ¥34,668 million higher than as of December 31, 2019. Principal changes in liability items included a decrease of ¥6,395 million in provision for loss on construction contracts, an increase of ¥27,603 million in short-term loans payable, and an increase of ¥10,582 million in electronically recorded obligations.

iii. Net Assets

Net assets as of March 31, 2020 amounted to ¥285,028 million, ¥6,798 million lower than as of December 31, 2019. Principal changes in net asset items included a decrease in retained earnings of ¥3,017 million and a decrease of ¥3,379 million in translation adjustments. Changes in retained earnings consist of the following: profit attributable to owners of parent of ¥3,785 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 ¥277,502 million, and equity ratio was 44.5%.

(3) Explanation of Forecast of Consolidated Financial Results

The Company has voided (changed to “to be determined”) its forecasts of consolidated financial results for the six months ending June 30, 2020 and the fiscal year ending December 31, 2020, which were previously announced on February 26, 2020. Amid the spread of COVID-19, it is difficult to reasonably estimate forecasts as it is impossible to predict when the pandemic will fade at this point in time and it is uncertain how the Group’s performance will be impacted by related issues such as the trends in major domestic and overseas markets, progress of construction works and restrictions on people’s mobility. The Company will announce the new forecasts as soon as reasonable estimates are available.

Forecast for the Six Months Ending June 30, 2020

	Orders Received	Net Sales	Operating Income	Ordinary Income	Millions of yen Profit Attributable to Owners of Parent
Previous Forecast : A	275,000	265,000	13,100	13,100	8,000
Revised Forecast : B	—	—	—	—	—
Change (B-A)	—	—	—	—	—
(Reference) Six Months Ended June 30, 2019	245,648	248,055	12,973	13,349	8,025

Forecast for the Fiscal Year Ending December 31, 2020

	Orders Received	Net Sales	Operating Income	Ordinary Income	Millions of yen Profit Attributable to Owners of Parent
Previous Forecast : A	550,000	526,000	30,600	29,100	18,500
Revised Forecast : B	—	—	—	—	—
Change (B-A)	—	—	—	—	—
(Reference) Fiscal Year Ended December 31, 2019	552,225	522,424	35,298	35,571	23,349

Forecast for the Six Months Ending June 30, 2020 by Business Segment

Millions of yen

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	163,000	42,000	69,000	1,000	275,000
	Net Sales	163,000	30,000	71,000	1,000	265,000
	Operating Income	6,500	2,000	5,000	(400)	13,100
Revised Forecast : B	Orders Received	—	—	—	—	—
	Net Sales	—	—	—	—	—
	Operating Income	—	—	—	—	—
Change (B-A)	Orders Received	—	—	—	—	—
	Net Sales	—	—	—	—	—
	Operating Income	—	—	—	—	—

Forecast for the Fiscal Year Ending December 31, 2020 by Business Segment

Millions of yen

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	324,000	84,000	140,000	2,000	550,000
	Net Sales	318,000	67,000	139,000	2,000	526,000
	Operating Income	15,000	5,500	10,500	(400)	30,600
Revised Forecast : B	Orders Received	—	—	—	—	—
	Net Sales	—	—	—	—	—
	Operating Income	—	—	—	—	—
Change (B-A)	Orders Received	—	—	—	—	—
	Net Sales	—	—	—	—	—
	Operating Income	—	—	—	—	—

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

	Millions of yen	
	As of December 31, 2019	As of March 31, 2020
ASSETS		
Current Assets		
Cash and deposits	94,014	130,636
Notes and accounts receivable-trade	182,944	187,626
Electronically recorded monetary claims	9,218	9,704
Securities	1,097	3,268
Merchandise and finished goods	18,386	18,452
Work in process	70,082	53,129
Raw materials and supplies	32,633	34,770
Others	15,659	14,412
Allowance for doubtful accounts	(2,107)	(2,051)
Total current assets	421,929	449,950
Fixed Assets		
Tangible fixed assets		
Buildings and structures, net	56,022	56,958
Machinery and equipment, net	27,960	29,601
Others, net	40,916	40,857
Total tangible assets	124,898	127,416
Intangible assets	10,343	12,233
Investments and other assets		
Investment securities	19,666	12,728
Others	23,843	26,150
Allowance for doubtful accounts	(5,442)	(5,370)
Total investments and other assets	38,067	33,508
Total fixed assets	173,309	173,157
Total Assets	595,239	623,108

	Millions of yen	
	As of December 31, 2019	As of March 31, 2020
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	60,580	55,316
Electronically recorded obligations	59,847	70,430
Short-term loans payable	50,965	78,569
Provision for bonuses	6,629	8,477
Provision for directors' bonuses	348	124
Provision for losses on construction completion guarantees	3,369	3,112
Provision for product warranties	3,658	3,439
Provision for construction losses	12,901	6,506
Others	61,780	72,710
Total current liabilities	260,082	298,687
Long-term Liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	18,340	15,755
Provision for directors' retirement benefits	107	100
Defined benefit liability	9,362	8,661
Asset retirement obligations	2,401	2,403
Others	3,117	2,472
Total long-term liabilities	43,328	39,392
Total Liabilities	303,411	338,079
NET ASSETS		
Shareholders' Equity		
Common shares	79,155	79,193
Capital surplus	74,848	74,886
Retained earnings	141,675	138,657
Treasury shares	(174)	(176)
Total shareholders' equity	295,504	292,561
Accumulated Other Comprehensive Income		
Net unrealized gains (losses) on investment securities	233	162
Deferred gains (losses) on hedges	(24)	(11)
Translation adjustments	(2,891)	(6,271)
Remeasurements of defined benefit plans	(9,168)	(8,937)
Total accumulated other comprehensive income	(11,852)	(15,058)
Subscription Rights to Shares	1,132	1,031
Non-Controlling Interests	7,043	6,494
Total Net Assets	291,827	285,028
Total Liabilities and Net Assets	595,239	623,108

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

Millions of yen

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020
Net Sales	130,196	122,696
Cost of Sales	96,310	89,893
Gross Profit	33,885	32,802
Selling, General and Administrative Expenses	24,756	25,753
Operating Income	9,128	7,049
Non-operating Income		
Interest income	85	85
Dividends income	131	18
Share of profit of entities accounted for using equity method	831	642
Foreign exchange gains	112	—
Others	513	208
Total non-operating income	1,674	954
Non-operating Expenses		
Interest expenses	301	314
Foreign exchange losses	—	1,092
Others	148	202
Total non-operating expenses	449	1,609
Ordinary Income	10,353	6,393
Extraordinary Income		
Gain on sales of fixed assets	3	15
Gain on sales of investment securities	56	76
Total extraordinary income	59	92
Extraordinary Loss		
Loss on sales of fixed assets	0	2
Loss on retirement of fixed assets	72	16
Impairment loss	46	5
Loss on sales of investment securities	—	227
Others	0	0
Total extraordinary loss	119	252
Income before Income Taxes	10,294	6,233
Income Taxes	3,037	2,083
Profit	7,257	4,149
Profit Attributable to Non-Controlling Interests	524	364
Profit Attributable to Owners of Parent	6,733	3,785

Consolidated Statements of Comprehensive Income

	Millions of yen	
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020
Profit	7,257	4,149
Other Comprehensive Income:		
Net unrealized gains (losses) on investment securities	274	(51)
Deferred gains (losses) on hedges	51	12
Translation adjustment	400	(2,761)
Remeasurements of defined benefit plans, net of tax	131	123
Share of other comprehensive income of entities accounted for using equity method	39	91
Total other comprehensive income	897	(2,584)
Comprehensive Income	8,154	1,565
Comprehensive income attributable to:		
Owners of parent	7,583	1,297
Non-controlling interests	571	267

(3) Consolidated Statements of Cash Flows

	Millions of yen	
	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020
Cash Flows from Operating Activities:		
Income before income taxes	10,294	6,233
Depreciation and amortization	3,749	4,015
Impairment loss	46	5
Loss (gain) on sales of securities and investment securities	(56)	150
Increase (decrease) in provisions	770	1,065
Increase (decrease) in defined benefit liability	(420)	(616)
Loss (gain) on sales of fixed assets	(2)	(12)
Interest and dividends income	(217)	(103)
Interest expenses	301	314
Decrease (increase) in notes and accounts receivable-trade	(6,497)	(4,104)
Decrease (increase) in inventories	1,280	5,139
Increase (decrease) in notes and accounts payable-trade	1,969	1,832
Others	1,835	7,983
Sub-total	<u>13,051</u>	<u>21,902</u>
Interest and dividends income received	89	103
Interest expenses paid	(287)	(276)
Income taxes paid	<u>(3,556)</u>	<u>(2,651)</u>
Net cash provided by operating activities	<u>9,296</u>	<u>19,077</u>
Cash Flows from Investing Activities:		
Purchase of fixed assets	(5,999)	(7,776)
Proceeds from sales of fixed assets	324	34
Purchase of securities and investment securities	(1,781)	(0)
Proceeds from sales and redemption of securities and investment securities	72	1,949
Payments into time deposits	(457)	(1,281)
Proceeds from withdrawal of time deposits	460	1,501
Payments of loans receivable	(3)	(9)
Collection of loans receivable	10	23
Others	31	(35)
Net cash used in investing activities	<u>(7,342)</u>	<u>(5,595)</u>

Millions of yen

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	21,309	29,481
Repayment of long-term loans payable	(147)	(2,644)
Purchase of treasury shares	(5,001)	(1)
Proceeds from disposal of treasury shares	0	—
Cash dividends paid	(3,000)	(2,853)
Cash dividends paid to non-controlling interests	(687)	(909)
Others	(200)	(252)
Net cash provided by financing activities	12,272	22,820
Effect of Exchange Rate Changes on Cash and Cash Equivalents	104	(104)
Increase (Decrease) in Cash and Cash Equivalents	14,331	36,198
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	125,574	131,454

(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 three months under review are calculated by multiplying income before income taxes for the three 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 three months ended March 31, 2020, sales decreased by ¥294 million, cost of sales decreased by ¥1,359 million, SG&A increased by ¥56 million, operating income, ordinary income and income before income taxes increased by ¥1,008 million respectively. The beginning balance of retained earnings decreased by ¥4,473 million.

(Segment Information)

Three Months Ended March 31, 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	81,573	19,144	29,075	129,794	402	130,196	—	130,196
Intersegment and transfers	249	—	—	249	642	891	(891)	—
Total	81,822	19,144	29,075	130,043	1,044	131,087	(891)	130,196
Segment Income	3,763	2,257	3,072	9,093	25	9,118	10	9,128

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

Three Months Ended March 31, 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	78,496	17,269	26,492	122,257	439	122,696	—	122,696
Intersegment and transfers	231	2	0	234	664	899	(899)	—
Total	78,727	17,271	26,492	122,492	1,103	123,596	(899)	122,696
Segment Income (Loss)	5,116	2,478	(39)	7,555	(455)	7,099	(50)	7,049

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 three months ended March 31, 2020, in the FMS Business, sales decreased by ¥1,983 million and segment income decreased by ¥155 million. In the EP Business, sales decreased by ¥457 million and segment income increased by ¥562 million. In the PM Business, sales increased by ¥2,146 million and segment income increased by ¥600 million.

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 financial results.

(2) Spread of COVID-19

As of May 6, 2020, some overseas subsidiaries of the Group have ceased operation at the request of local governments due to the spread of COVID-19.

Regarding the status of overseas factories, factories in the Philippines (March 18-May 15, 2020), which are production bases for pumps, have been shut down at the request of the government. All factories in China and factories in Italy have resumed operations. In some European countries and in the United States, the operating rate of some factories has fallen due to shift work schedules and reductions in the number of working days to comply with government and municipal curfew orders. However, operations are continuing.

Although the situation at domestic factories is partially affected by the stagnation of parts supply from overseas, all factories remain operational.

Looking ahead, the market environment is expected to continue to be limited in Europe, the Americas and Southeast Asia, while business activities are expected to recover in China. There may be disruptions in supply chains and distribution as well as rising costs and delays in delivery due to restrictions on the mobility of people. In addition, some customers are reviewing their capital investment plans.

As a result, it is expected that all of the Group’s businesses will see an adverse impact on orders received, sales, and operating income. However, it is difficult to reasonably estimate the impact of such events on the Group’s consolidated financial results at this time.

(3) 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

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020			Fiscal Year Ending June 30, 2020	Fiscal Year Ending December 31, 2020
	Actual	Actual	Change	Change Ratio (%)	Forecast (Note)	Forecast (Note)
Orders Received						
Pumps	43.9	43.1	(0.7)	(1.7)	—	—
Compressors & Turbines	23.9	23.5	(0.4)	(1.8)	—	—
Chillers	8.9	7.2	(1.6)	(18.9)	—	—
Others	3.3	4.5	1.2	37.8	—	—
Total of FMS	80.1	78.5	(1.5)	(2.0)	—	—
EP	12.6	4.5	(8.1)	(64.2)	—	—
PM	23.9	39.8	15.9	66.7	—	—
Others	0.4	0.4	0.0	13.8	—	—
Total	117.0	123.3	6.2	5.4	—	—
Sales						
Pumps	51.0	46.0	(4.9)	(9.8)	—	—
Compressors & Turbines	17.2	21.6	4.3	25.2	—	—
Chillers	8.8	7.1	(1.6)	(18.9)	—	—
Others	4.4	3.6	(0.7)	(17.1)	—	—
Total of FMS	81.5	78.4	(3.0)	(3.8)	—	—
EP	19.1	17.2	(1.8)	(9.8)	—	—
PM	29.0	26.4	(2.5)	(8.9)	—	—
Others	0.4	0.4	0.0	9.2	—	—
Total	130.1	122.6	(7.4)	(5.8)	—	—
Operating Income						
Pumps	5.1	5.0	(0.1)	(2.1)	—	—
Compressors & Turbines	(1.2)	(0.4)	0.8	(65.1)	—	—
Chillers	0.2	0.5	0.2	130.9	—	—
Others & Adjustment	(0.2)	0.0	0.3	—	—	—
Total of FMS	3.7	5.1	1.3	36.0	—	—
EP	2.2	2.4	0.2	9.8	—	—
PM	3.0	(0.0)	(3.1)	—	—	—
Others & Adjustment	0.0	(0.5)	(0.5)	—	—	—
Total	9.1	7.0	(2.0)	(22.8)	—	—
Backlog of Orders Received						
Pumps	90.4	91.3	0.8	1.0	—	—
Compressors & Turbines	94.1	94.0	(0.1)	(0.1)	—	—
Chillers	17.1	16.5	(0.5)	(3.2)	—	—
Others	7.3	9.2	1.9	26.7	—	—
Total of FMS	209.0	211.1	2.1	1.0	—	—
EP	207.8	218.8	10.9	5.2	—	—
PM	30.1	53.6	23.4	77.8	—	—
Others	0.0	0.0	0.0	1,614.4	—	—
Total	447.0	483.6	36.5	8.2	—	—

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

Billions of yen

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2020			Fiscal Year Ending June 30, 2020	Fiscal Year Ending December 31, 2020
	Actual	Actual	Change	Change Ratio (%)	Forecast (Note)	Forecast (Note)
Orders Received						
Components	12.7	16.0	3.3	26.2	—	—
CMP Systems	9.7	21.9	12.1	124.0	—	—
Others	1.3	1.8	0.4	34.0	—	—
Total of PM	23.9	39.8	15.9	66.7	—	—
Sales						
Components	14.6	13.6	(1.0)	(7.5)	—	—
CMP Systems	13.0	11.4	(1.6)	(12.5)	—	—
Others	1.3	1.4	0.1	10.4	—	—
Total of PM	29.0	26.4	(2.5)	(8.9)	—	—

Note: The Company has voided (changed to “to be determined”) its forecasts of consolidated financial results for the six months ending June 30, 2020 and the fiscal year ending December 31, 2020, which were previously announced on February 26, 2020. Amid the spread of COVID-19, it is difficult to reasonably estimate forecasts as it is impossible to predict when the pandemic will fade at this point in time and it is uncertain how the Group’s performance will be impacted by related issues such as the trends in major domestic and overseas markets, progress of construction works and restrictions on people’s mobility. The Company will announce the new forecasts as soon as reasonable estimates are available.

(4) Area Information

(i) Geographical Segment *** Compiled on the basis of the geographical location of the Company reporting the sales

Billions of yen

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2020		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	81.9	62.9	79.1	64.5	(2.7)
North America	19.3	14.8	18.4	15.1	(0.8)
Asia (except Japan)	22.1	17.0	18.3	15.0	(3.7)
Others	6.8	5.2	6.6	5.5	(0.1)
Total	130.1	100.0	122.6	100.0	(7.4)
Operating Income					
Japan	3.6		3.8		0.1
North America	1.1		0.1		(0.9)
Asia (except Japan)	2.5		1.6		(0.8)
Others	0.3		0.3		0.0
Adjustment	1.4		1.0		(0.4)
Total	9.1		7.0		(2.0)

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

Billions of yen

	Three Months Ended March 31, 2019		Three Months Ended March 31, 2020		
	Actual	Composition (%)	Actual	Composition (%)	Change
Net Sales					
Japan	68.1	52.3	66.6	54.3	(1.4)
China	16.6	12.8	10.3	8.4	(6.2)
Other Asia	18.9	14.6	19.7	16.1	0.7
North America	12.0	9.3	12.6	10.3	0.5
Europe	6.5	5.1	6.2	5.1	(0.3)
Middle East	5.0	3.9	4.8	4.0	(0.1)
Others	2.8	2.2	2.2	1.8	(0.5)
Total	130.1	100.0	122.6	100.0	(7.4)