

CONSOLIDATED FINANCIAL RESULTS
FOR THE THREE MONTHS ENDED MARCH 31, 2021
[IFRS]

May 14, 2021

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Scheduled date for submission of quarterly report: May 14, 2021
 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, 2021

(1) Consolidated Financial Results

(% represents percentage change from a comparable previous period)

Millions of yen

	Revenue		Operating Profit		Profit before Tax		Profit	
		%		%		%		%
Three Months Ended March 31, 2021	135,268	9.6%	12,230	103.4%	13,081	146.2%	9,391	151.6%
Three Months Ended March 31, 2020	123,454	—%	6,012	—%	5,313	—%	3,731	—%

	Profit Attributable to Owners of Parent		Total Comprehensive Income		Basic Earnings per Share (Yen)	Basic Earnings per Share, Diluted (Yen)
		%		%		
Three Months Ended March 31, 2021	8,569	155.9%	15,086	—%	89.85	89.55
Three Months Ended March 31, 2020	3,349	—%	932	—%	35.20	35.04

Note: The change from a comparable previous period (%) of the total comprehensive income for the three months ended March 31, 2021 is shown as “—” as it exceeds 1,000%.

(2) Consolidated Financial Position

Millions of yen

	Total Assets	Total Equity	Total Equity Attributable to Owners of Parent	Equity Ratio (%)
As of March 31, 2021	678,619	305,320	298,020	43.9
As of December 31, 2020	644,771	296,877	289,564	44.9

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, 2020	—	30.00	—	60.00	90.00
Fiscal Year Ending December 31, 2021	—				
Fiscal Year Ending December 31, 2021 (Forecast)		50.00	—	50.00	100.00

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

3. Forecast of Financial Results for the Fiscal Year Ending December 31, 2021

% represents percentage change from the previous fiscal year

Millions of yen

	Revenue		Operating Profit		Profit before Tax		Profit Attributable to Owners of Parent		Basic Earnings per Share (Yen)
		%		%		%		%	
Six Months Ending June 30, 2021	266,000	—%	18,500	—%	18,500	—%	12,000	—%	125.82
Fiscal Year Ending December 31, 2021	574,000	—%	45,500	—%	44,500	—%	29,500	—%	309.30

Notes 1: Revisions to forecast of financial results in this quarter: Yes

- Ebara Corporation “the Company” has optionally adopted International Financial Reporting Standards “IFRS” from the beginning of the three months ended March 31, 2021, and the above forecast of consolidated financial results are made in accordance with IFRS. Therefore, the changes (%) from the results for the fiscal year ended December 31, 2020 when the Company adopted Japanese GAAP are not shown.

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) Changes in accounting policies and changes in accounting estimates

(i) Changes in accounting policies required by IFRS: None

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

(iii) Changes in accounting estimates: None

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

(i) Number of common shares (Including treasury shares)	As of March 31, 2021	95,403,853	As of December 31, 2020	95,391,453
(ii) Number of treasury shares	As of March 31, 2021	20,645	As of December 31, 2020	20,422
(iii) Average number of common shares	Three Months Ended March 31, 2021	95,376,916	Three Months Ended March 31, 2020	95,149,285

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 Company has optionally adopted IFRS from the beginning of the three months ended March 31, 2021. Figures for the same period of the previous fiscal year and the fiscal year ended December 31, 2020 are also presented in accordance with IFRS. For details about the differences between IFRS and Japanese GAAP with respect to consolidated financial figures, please refer to “Notes to Condensed Consolidated Financial Statements (First-time Adoption)” on page 21.
2. 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.
3. 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. Condensed Consolidated Financial Statements and Primary Notes	..... P.11
(1) Condensed Consolidated Statement of Financial Position	..... P.11
(2) Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Comprehensive Income	..... P.13
(3) Condensed Consolidated Statement of Changes in Equity	..... P.15
(4) Condensed Consolidated Statement of Cash Flows	..... P.17
(5) Notes to Condensed Consolidated Financial Statements	..... P.19
(Note for the Assumption of Going Concern)	..... P.19
(Segment Information)	..... P.19
(Significant Subsequent Events)	..... P.20
(First-time Adoption)	..... P.21
(Additional Information)	..... P.32
3. Others	..... P.33
(1) Litigation and Others	..... P.33
(2) Segment Information	..... P.34
(3) Area Information	..... P.36

1. Qualitative Information Regarding Consolidated Financial Results

(1) Explanation of Financial Results

	Millions of yen			
	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021	Change	Change Ratio (%)
Orders received	124,139	159,456	35,316	28.4
Revenue	123,454	135,268	11,813	9.6
Operating profit	6,012	12,230	6,217	103.4
Operating profit on revenue ratio (%)	4.9	9.0	—	—
Profit attributable to owners of parent	3,349	8,569	5,220	155.9
Basic earnings per share (Yen)	35.20	89.85	54.65	155.2

During the three months ended March 31, 2021, although the outlook for the global economy remained uncertain due to prolonged spread of COVID-19, there were movements towards recovery through fiscal and monetary policies by many governments as well as vaccine coverage. In the Japanese economy, economic activities were partially restricted following the reissuance of the state of emergency in some major cities. However, external demand was favorable and there were signs indicating bottom out in capital investment.

In the semiconductor market, which is one of the Group's main markets, capital investment by semiconductor companies was favorable at a high level and expanded due to increasing semiconductor demand around the world. The oil and gas markets continued to be affected by COVID-19 with a decline in crude oil prices, however, there were improvements due to movements in some projects. The construction equipment market in Japan tended to shrink, however, it saw a recovery from COVID-19 repercussions. Additionally, public investment related to national resilience remained firm and maintained the same level as last year.

Under these circumstances, orders received for the three months ended March 31, 2021 greatly exceeded the same period last year due to a new large-scale project for waste incineration facilities in the Environmental Plants (“EP”) Company and capturing semiconductor demand steadily in the Precision Machinery (“PM”) Company. Revenue increased compared to the same period last year in all companies, especially in the PM Company. Operating profit increased compared to the same period last year due to improved profitability in products in the Fluid Machinery & Systems (“FMS”) Company in addition to sales increases in the PM Company.

Revenue for the three months ended March 31, 2021 amounted to ¥135,268 million (an increase of 9.6% year-on-year), operating profit amounted to ¥12,230 million (an increase of 103.4% year-on-year), and profit attributable to owners of parent amounted to ¥8,569 million (an increase of 155.9% year-on-year).

Operating Results by Business Segment




Millions of yen

Segment	Orders received			Revenue			Segment profit		
	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021	Change Ratio (%)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021	Change Ratio (%)	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021	Change Ratio (%)
Fluid Machinery & Systems	79,137	78,957	(0.2)	79,094	81,932	3.6	4,631	7,958	71.8
Environmental Plants	4,518	28,583	532.6	17,278	19,403	12.3	2,404	2,605	8.3
Precision Machinery	40,024	51,395	28.4	26,642	33,468	25.6	(229)	2,024	—
Reportable segment total	123,680	158,936	28.5	123,015	134,804	9.6	6,806	12,588	85.0
Others	459	519	13.2	439	463	5.5	(742)	(347)	—
Adjustment	—	—	—	—	—	—	(50)	(10)	—
Total	124,139	159,456	28.4	123,454	135,268	9.6	6,012	12,230	103.4

Outline of Business Environment and Situation by Business Segment

Segment		Business Environment	Business Situation and the Trend of Orders Received (Note 1)
Fluid Machinery & Systems	Pumps	<p>(In overseas market)</p> <ul style="list-style-type: none"> In the oil and gas markets, despite the spread of COVID-19 and the decline in crude oil prices, the market situation improved compared to the previous year and large-scale projects began mainly in Saudi Arabia and Qatar. In China, there are active projects such as ultra-large petrochemical complex and the integration and improvement of an old-fashioned small refinery. Water infrastructure market is recovering with projects in China and Southeast Asia. In North America, renovation projects of deteriorated facilities are resuming. <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 larger than the previous year. 	<p>(In overseas market)</p> <ul style="list-style-type: none"> Oil and gas related orders received exceeded that of the same period last year. The volume of orders received for the water infrastructure 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 successful measures to strengthen after-sales service. In public sector, although successful measures for increasing orders received for comprehensive evaluation projects and after-sales service were effective, the volume of orders received was smaller than the same period last year when there were orders received for large-scale projects.
	Compressors & Turbines	<ul style="list-style-type: none"> In the new product market as a whole, petrochemicals are still firm in China. In North America, shale gas-related projects as a whole are delayed and stagnant. In India and the Middle East, there were movements in the oil refining and petrochemicals markets. The service market as a whole has been sluggish. Although mobility restrictions to prevent the spread of COVID-19 were eased in some regions, there are repercussions in dispatching instructors. In the LNG market (cryogenic pump), although there are movements in some projects, investment decisions are slowing down. 	<ul style="list-style-type: none"> The volume of orders received for new products was smaller than the same period last year due to the postponement of projects and restrained investment in North America. The volume of orders received for field service was smaller than the same period last year.
	Chillers	<ul style="list-style-type: none"> In Japan, the market situation as a whole improved, however, the recovery of some markets such as accommodations is slow due to the spread of COVID-19. In China, market situation recovered to the same level as 2019. However, price competition has intensified and material costs are increasing due to growing demand. 	<ul style="list-style-type: none"> In Japan, the volume of orders received was level with the same period last year. In China, the volume of orders received exceeded that of the same period last year.
Environmental Plants		<ul style="list-style-type: none"> Demand for new constructions of waste incineration facilities for the public sector ran at about the same level as in a typical year. The volume of O&M (Note 2) orders placed for existing facilities ran at about the same level as in a typical year. Construction demand for 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"> Orders for 2 large-scale waste incineration facilities for the public sector were placed and the volume of orders received significantly exceeded that of the same period last year when orders received for large-scale projects were lacking. <p>(Overview of major orders received)</p> <ul style="list-style-type: none"> Core improvement project of waste incineration facilities and long-term comprehensive agreement for the public sector (1 order) Long-term comprehensive agreement for the public sector(1 order)
Precision Machinery		<ul style="list-style-type: none"> The semiconductor and the semiconductor manufacturing equipment markets have been expanding due to increased demand for semiconductors through the wide spread of 5G and IoT. 	<ul style="list-style-type: none"> Capital investment has been expanding in foundries, memory companies and logic devices, and the volume of orders received exceeded that of the same period last year. The service and support business is firm as customers are operating at a high level even though they are partially affected by the spread of COVID-19.

Note 1: 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

Note 2: O&M The operation and maintenance of plants

(2) Explanation of Financial Position

(i) Assets

Total assets as of March 31, 2021 were ¥678,619 million, ¥33,847 million higher than as of December 31, 2020. Principal changes in asset items included a decrease of ¥8,586 million in contract assets, an increase of ¥17,739 million in trade and other receivables and an increase of ¥15,540 million in cash and cash equivalents.

(ii) Liabilities

Total liabilities as of March 31, 2021 were ¥373,299 million, ¥25,405 million higher than as of December 31, 2020. Principal changes in liability items included an increase of ¥9,348 million in contract liabilities and an increase of ¥8,097 million in bonds payable, borrowings and lease liabilities.

(iii) Equity

Equity as of March 31, 2021 amounted to ¥305,320 million, ¥8,442 million higher than as of December 31, 2020. Principal changes in equity items included an increase of ¥2,847 million in retained earnings and an increase of ¥5,358 million in exchange differences on translation of foreign operations. Changes in retained earnings consist of the following: dividends paid of ¥5,722 million and profit attributable to owners of parent of ¥8,569 million. Total equity attributable to owners of parent amounted to ¥298,020 million, and the ratio of equity attributable to owners of the parent was 43.9%.

(3) Explanation of Forecast of Consolidated Financial Results

We revised the forecast for the six months ending June 30, 2021 and the fiscal year ending December 31, 2021, reflecting the results after the previous announcement on February 12, 2021 mainly due to an increase of orders received and revenue in the PM Company. The revised forecast is as follows. In addition, the revised forecast by business segment is as follows.

Assumptions regarding foreign currency exchange rates have not been revised since the previous announcement and are as follows: US \$1= ¥105, EUR1= ¥120

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

Forecast for the Six Months Ending June 30, 2021

	Orders Received	Revenue	Operating Profit	Profit before Tax	Millions of yen Profit Attributable to Owners of Parent
Previous Forecast : A	293,000	266,000	15,000	15,000	9,500
Revised Forecast : B	313,000	266,000	18,500	18,500	12,000
Change (B-A)	20,000	—	3,500	3,500	2,500
(Reference) Six Months Ended June 30, 2020	258,000	245,400	12,700	11,100	6,900

Forecast for the Fiscal Year Ending December 31, 2021

	Orders Received	Revenue	Operating Profit	Profit before Tax	Millions of yen Profit Attributable to Owners of Parent
Previous Forecast : A	628,000	559,000	43,000	42,000	28,000
Revised Forecast : B	663,000	574,000	45,500	44,500	29,500
Change (B-A)	35,000	15,000	2,500	2,500	1,500
(Reference) Fiscal Year Ended December 31, 2020	511,200	522,400	37,500	35,700	24,200

Forecast for the Six Months Ending June 30, 2021 by Business Segment

Millions of yen

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	149,000	52,000	91,000	1,000	293,000
	Revenue	152,000	33,000	80,000	1,000	266,000
	Operating Profit	8,000	3,000	4,500	(500)	15,000
Revised Forecast : B	Orders Received	152,000	60,000	100,000	1,000	313,000
	Revenue	152,000	33,000	80,000	1,000	266,000
	Operating Profit	10,000	3,000	6,000	(500)	18,500
Change (B-A)	Orders Received	3,000	8,000	9,000	—	20,000
	Revenue	—	—	—	—	—
	Operating Profit	2,000	—	1,500	—	3,500

Forecast for the Fiscal Year Ending December 31, 2021 by Business Segment

Millions of yen

Segment		Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Others	Total
Previous Forecast : A	Orders Received	314,000	141,000	171,000	2,000	628,000
	Revenue	314,000	73,000	170,000	2,000	559,000
	Operating Profit	20,000	7,000	16,500	(500)	43,000
Revised Forecast : B	Orders Received	320,000	141,000	200,000	2,000	663,000
	Revenue	319,000	73,000	180,000	2,000	574,000
	Operating Profit	21,500	7,000	17,500	(500)	45,500
Change (B-A)	Orders Received	6,000	—	29,000	—	35,000
	Revenue	5,000	—	10,000	—	15,000
	Operating Profit	1,500	—	1,000	—	2,500

2. Condensed Consolidated Financial Statements and Primary Notes

(1) Condensed Consolidated Statement of Financial Position

Millions of yen

	As of January 1, 2020	As of December 31, 2020	As of March 31, 2021
Assets			
Current assets			
Cash and cash equivalents	95,256	120,544	136,084
Trade and other receivables	140,881	122,343	140,082
Contract assets	64,632	76,533	67,947
Inventories	101,150	101,654	108,418
Income taxes receivable	637	292	259
Other financial assets	3,007	2,750	2,907
Other current assets	14,396	15,945	12,436
Total current assets	419,962	440,062	468,136
Non-current assets			
Property, plant and equipment	150,353	158,763	160,722
Goodwill and intangible assets	8,714	11,450	12,356
Investments accounted for using the equity method	6,379	6,964	7,731
Deferred tax assets	14,391	12,994	15,276
Other financial assets	9,765	7,703	7,871
Other non-current assets	5,897	6,832	6,524
Total non-current assets	195,502	204,709	210,482
Total assets	615,465	644,771	678,619

	Millions of yen		
	As of January 1, 2020	As of December 31, 2020	As of March 31, 2021
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	137,843	142,701	146,809
Contract liabilities	20,728	40,056	49,404
Bonds, borrowings and lease liabilities	42,805	33,404	40,233
Income taxes payable	2,397	3,620	4,900
Provisions	14,972	14,489	13,065
Other financial liabilities	85	84	459
Other current liabilities	39,427	33,643	36,338
Total current liabilities	258,259	267,998	291,212
Non-current liabilities			
Bonds, borrowings and lease liabilities	61,191	64,946	66,214
Retirement benefit liability	12,004	9,494	9,799
Provisions	2,453	2,319	2,343
Deferred tax liabilities	47	45	656
Other financial liabilities	234	182	171
Other non-current liabilities	3,099	2,907	2,902
Total non-current liabilities	79,031	79,895	82,087
Total liabilities	337,291	347,894	373,299
Equity			
Share capital	79,155	79,451	79,462
Capital surplus	76,083	75,987	76,161
Retained earnings	116,732	136,629	139,476
Treasury shares	(174)	(178)	(179)
Other components of equity	(518)	(2,324)	3,098
Total equity attributable to owners of parent	271,277	289,564	298,020
Non-controlling interests	6,896	7,312	7,300
Total equity	278,173	296,877	305,320
Total liabilities and equity	615,465	644,771	678,619

(2) Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Income

Millions of yen

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
Revenue	123,454	135,268
Cost of sales	90,734	95,332
Gross profit	32,719	39,935
Selling, general and administrative expenses	26,704	27,829
Other income	225	350
Other expenses	228	227
Operating profit	6,012	12,230
Finance income	109	359
Finance costs	1,554	278
Share of profit (loss) of investments accounted for using the equity method	745	769
Profit before tax	5,313	13,081
Income tax expense	1,581	3,689
Profit	3,731	9,391
Profit (loss) attributable to		
Owners of parent	3,349	8,569
Non-controlling interests	382	821
Earnings per share		
Basic earnings per share	35.20	89.85
Basic earnings per share, diluted	35.04	89.55

Condensed Consolidated Statement of Comprehensive Income

Millions of yen

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
Profit	3,731	9,391
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net change in fair value of financial assets designated as measured at fair value through other comprehensive income	(164)	(5)
Share of other comprehensive income of investments accounted for using the equity method	(19)	(2)
Total of items that will not be reclassified to profit or loss	(184)	(7)
Items that may be reclassified to profit or loss		
Cash flow hedges	12	72
Exchange differences on translation of foreign operations	(2,627)	5,630
Total of items that may be reclassified to profit or loss	(2,615)	5,702
Total other comprehensive income, net of tax	(2,799)	5,694
Total comprehensive income	932	15,086
Comprehensive income attributable to		
Owners of parent	650	13,992
Non-controlling interests	281	1,093

(3) Condensed Consolidated Statement of Changes in Equity
For the Three Months Ended March 31, 2020

Millions of yen

	Equity attributable to owners of parent							
	Share capital	Capital surplus	Retained earnings	Treasury shares	Exchange differences on translation of foreign operations	Other components of equity		
						Net change in fair value of financial assets designated as measured at fair value through other comprehensive income	Cash flow hedges	Remeasurements of defined benefit plans
As of January 1, 2020	79,155	76,083	116,732	(174)	—	(493)	(24)	—
Changes during the period								
Comprehensive income								
Profit	—	—	3,349	—	—	—	—	—
Other comprehensive income	—	—	—	—	(2,527)	(184)	12	—
Total comprehensive income	—	—	3,349	—	(2,527)	(184)	12	—
Transactions with owners								
Dividends	—	—	(2,853)	—	—	—	—	—
Purchase of treasury shares	—	—	—	(1)	—	—	—	—
Share-based payment transactions	37	(163)	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	(113)	—	—	113	—	—
Others	—	—	—	—	—	—	—	—
Total transactions with owners	37	(163)	(2,967)	(1)	—	113	—	—
As of March 31, 2020	79,193	75,919	117,114	(176)	(2,527)	(563)	(12)	—

Millions of yen

	Equity attributable to owners of parent		Total equity attributable to owners of parent	Total non-controlling interests	Total equity
		Total other components of equity			
As of January 1, 2020		(518)	271,277	6,896	278,173
Changes during the period					
Comprehensive income					
Profit		—	3,349	382	3,731
Other comprehensive income		(2,698)	(2,698)	(100)	(2,799)
Total comprehensive income		(2,698)	650	281	932
Transactions with owners					
Dividends		—	(2,853)	(913)	(3,767)
Purchase of treasury shares		—	(1)	—	(1)
Share-based payment transactions		—	(125)	—	(125)
Transfer from other components of equity to retained earnings		113	—	—	—
Others		—	—	—	—
Total transactions with owners		113	(2,980)	(913)	(3,894)
As of March 31, 2020		(3,103)	268,947	6,264	275,212

For the Three Months Ended March 31, 2021

Millions of yen

	Equity attributable to owners of parent								
	Equity attributable to owners of parent					Other components of equity			
	Share capital	Capital surplus	Retained earnings	Treasury shares	Exchange differences on translation of foreign operations	Net change in fair value of financial assets designated as measured at fair value through other comprehensive income	Cash flow hedges	Remeasurements of defined benefit plans	
As of January 1, 2021	79,451	75,987	136,629	(178)	(1,746)	(520)	(56)		—
Changes during the period									
Comprehensive income									
Profit	—	—	8,569	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	5,358	(7)	72	—	—
Total comprehensive income	—	—	8,569	—	5,358	(7)	72	—	—
Transactions with owners									
Dividends	—	—	(5,722)	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	(0)	—	—	—	—	—
Share-based payment transactions	11	174	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	—	—	—
Others	—	—	(0)	—	—	—	—	—	—
Total transactions with owners	11	174	(5,722)	(0)	—	—	—	—	—
As of March 31, 2021	79,462	76,161	139,476	(179)	3,611	(528)	15		—

Millions of yen

	Equity attributable to owners of parent		Total equity attributable to owners of parent	Total non-controlling interests	Total equity
	Equity attributable to owners of parent	Total other components of equity			
As of January 1, 2021		(2,324)	289,564	7,312	296,877
Changes during the period					
Comprehensive income					
Profit		—	8,569	821	9,391
Other comprehensive income		5,423	5,423	271	5,694
Total comprehensive income		5,423	13,992	1,093	15,086
Transactions with owners					
Dividends		—	(5,722)	(1,106)	(6,828)
Purchase of treasury shares		—	(0)	—	(0)
Share-based payment transactions		—	185	—	185
Transfer from other components of equity to retained earnings		—	—	—	—
Others		—	(0)	—	(0)
Total transactions with owners		—	(5,537)	(1,106)	(6,643)
As of March 31, 2021		3,098	298,020	7,300	305,320

(4) Condensed Consolidated Statement of Cash Flows

Millions of yen

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
Cash flows from operating activities		
Profit before tax	5,313	13,081
Depreciation and amortization	4,976	4,983
Impairment loss	5	56
Interest and dividend income	(105)	(78)
Interest expenses	384	278
Foreign exchange loss (gain)	92	1,122
Share of loss (profit) of investments accounted for using the equity method	(745)	(769)
Loss (gain) on sales of fixed assets	(12)	(5)
Decrease (increase) in trade and other receivables	(3,404)	(14,739)
Decrease (increase) in contract assets	7,640	10,684
Decrease (increase) in inventories	(5,157)	(4,578)
Increase (decrease) in trade and other payables	1,903	5,817
Increase (decrease) in contract liabilities	15,634	7,996
Increase (decrease) in provisions	(569)	(1,587)
Increase / decrease in retirement benefit assets and liabilities	(315)	80
Other	(2,761)	5,987
Subtotal	22,878	28,330
Interest income received	103	85
Dividend income received	1	1
Interest expenses paid	(347)	(224)
Income taxes paid	(2,141)	(3,817)
Net cash provided by operating activities	20,495	24,375
Cash flows from investing activities		
Payments into time deposits	(1,319)	(1,150)
Proceeds from withdrawal of time deposits	1,544	1,145
Purchase of investment securities	(0)	(0)
Proceeds from sales and redemption of investment securities	2,096	—
Purchase of property, plant and equipment, and intangible assets	(7,794)	(9,595)
Proceeds from sale of property, plant and equipment	34	8
Other	(173)	(111)
Net cash used in investing activities	(5,611)	(9,702)

Millions of yen

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,374	5,952
Proceeds from long-term borrowings	25,000	3,000
Repayments of long-term borrowings	(2,645)	(2,773)
Repayments of lease liabilities	(1,199)	(1,066)
Proceeds from issuance of common shares	0	0
Purchase of treasury shares	(1)	(0)
Dividends paid	(2,853)	(5,722)
Dividends paid to non-controlling interests	(913)	(1,106)
Net cash provided by (used in) financing activities	21,761	(1,718)
Effect of exchange rate changes on cash and cash equivalents	(445)	2,586
Net increase (decrease) in cash and cash equivalents	36,198	15,540
Cash and cash equivalents at beginning of period	95,256	120,544
Cash and cash equivalents at end of period	131,454	136,084

(5) Notes to Condensed Consolidated Financial Statements

(Note for the Assumption of Going Concern)

None

(Segment Information)

Three Months Ended March 31, 2020

Millions of yen

	Reportable segments				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total				
Revenue								
Customers	79,094	17,278	26,642	123,015	439	123,454	—	123,454
Intersegment and transfers	231	2	0	234	664	899	(899)	—
Total	79,326	17,280	26,642	123,249	1,103	124,353	(899)	123,454
Segment profit (loss)	4,631	2,404	(229)	6,806	(742)	6,063	(50)	6,012
Finance income								109
Finance costs								1,554
Share of profit (loss) of investments accounted for using the equity method								745
Profit before tax								5,313

Note 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.

Note 2: The “Adjustment” item for segment profit (loss) shows eliminations of intersegment transactions.

Note 3: Segment profit (loss) has been adjusted with operating profit in the condensed consolidated statement of income.

Three Months Ended March 31, 2021

Millions of yen

	Reportable segments				Others (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Fluid Machinery & Systems	Environmental Plants	Precision Machinery	Total				
Revenue								
Customers	81,932	19,403	33,468	134,804	463	135,268	—	135,268
Intersegment and transfers	199	6	2	209	579	788	(788)	—
Total	82,132	19,410	33,471	135,013	1,043	136,057	(788)	135,268
Segment profit (loss)	7,958	2,605	2,024	12,588	(347)	12,241	(10)	12,230
Finance income								359
Finance costs								278
Share of profit (loss) of investments accounted for using the equity method								769
Profit before tax								13,081

Note 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.

Note 2: The “Adjustment” item for segment profit (loss) shows eliminations of intersegment transactions.

Note 3: Segment profit (loss) has been adjusted with operating profit in the condensed consolidated statement of income.

(Significant Subsequent Events)

(1) Business Combination through Acquisition

Based on a stock purchase agreement concluded on December 21, 2020, the Group has acquired all outstanding shares of Çiğli Su Teknolojileri A.Ş. and its subsidiaries, Vansan Makina Sanayi ve Ticaret A.Ş., a Turkish pump manufacturer, and Vansan Makina Montaj ve Pazarlama A.Ş..

(i) Overview of the Business Combination

a. Name and business of acquired companies

Names of acquired companies:

Çiğli Su Teknolojileri A.Ş.

Vansan Makina Sanayi ve Ticaret A.Ş.

Vansan Makina Montaj ve Pazarlama A.Ş.

Business description:

Manufacture and sale of deep well motor pumps and vertical-type pumps

b. Date of acquisition: April 12, 2021

c. Percentage of voting rights acquired: 100.0%

d. Primary reason for the business combination:

To enhance the Company's global supply chain by strengthening access to markets in Europe, Central Asia, the Middle East and Africa in order to further expand its Standard Pumps Business.

e. Legal form of the business combination:

Cash acquisition of shares

(ii) Acquisition Costs

Cash: 105 million U.S. dollars (approximate)

Since the initial accounting procedure of the business combination have yet to be completed, details such as acquired assets, assumed liabilities and goodwill are not disclosed.

(2) Repurchase and Cancellation of Treasury Shares

The board of directors of the Company resolved at its meeting held on May 14, 2021 to repurchase its common shares pursuant to Article 459, Paragraph 1 of the Company Law and Article 38 of the Articles of Incorporation of the Company, and to cancel a portion of its treasury shares pursuant to the provision of Article 178 of the Company Law.

For details, please refer to “Announcement Regarding Repurchase and Cancellation of Treasury Shares” released today (May 14, 2021).

(First-time Adoption)

The Group discloses its condensed consolidated financial statements in accordance with IFRS from the first quarter ended March 31, 2021. The Group's most recent disclosure of its consolidated financial statements in accordance with Japanese GAAP was for the fiscal year ended December 31, 2020. The date of the transition to IFRS is January 1, 2020.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter "IFRS 1") stipulates that, in principle, the retrospective application of IFRS is required. However, it provides some voluntary and mandatory exemptions from full retrospective applications. Impact of such transition is adjusted in retained earnings as of the transition date.

Exemptions under IFRS 1

The Company applies voluntary exemptions such as follows:

Business Combination

IFRS 1 allows entities to choose not to retrospectively apply IFRS 3 "Business Combinations" (hereinafter "IFRS 3") for business combinations that occurred before the transition date. The Group chose the option not to apply IFRS 3 retrospectively to business combinations that occurred before the transition date. As a result, the amount of goodwill arising from business combinations before the transition date is not adjusted and remains the same as the book value under the previous GAAP. The goodwill mentioned above has gone through impairment test on the transition date regardless of the presence of indications of impairment.

Exchange Differences on Translation of Foreign Operations

IFRS 1 allows entities to deem the cumulative foreign currency translation adjustments to be zero at the transition date. The Group has chosen to deem accumulated exchange differences on translation of foreign operations to be zero at the transition date and recognized it in retained earnings.

Leases as Lessee

When a first-time adopter recognizes right of use assets and lease liabilities as a lessee, IFRS 1 allows entities to measure all right of use assets and lease liabilities at the transition date. The Group measured lease liabilities at the transition date, using the present value of the remaining lease payments discounted by the lessee's incremental borrowing rate at the transition date. The Group measures right of use assets by each lease contract as book value as if IFRS 16 "Leases" (hereinafter "IFRS 16") had been applied to the contracts from the start date of the contracts while the right of use assets are discounted by incremental borrowing rate on the IFRS transition date. For leases with lease terms ending within 12 months from the transition date and leases with underlying assets of low value, lease expenses are either recognized over the lease term under a straight-line or another regular basis.

Designation of Financial Instruments Recognized Before the Transition Date

IFRS 1 allows entities to designate financial instruments under IFRS 9 "Financial Instruments" (hereinafter "IFRS 9") based on the facts and circumstances that existed at the transition date. Based on the circumstances as of the transition date, the Group mainly designated its equity financial instruments recognized before the transition date as financial assets measured at fair value through other comprehensive income.

Mandatory Exemptions of IFRS 1

IFRS 1 prohibits retrospective application of "Estimates", "Derecognition of financial assets and financial liabilities", "Non-controlling interests", "Classification and measurement of financial assets" and so on. The Group has prospectively applied IFRS for these items from the transition date.

(1) Reconciliation of Japanese GAAP to IFRS

Reconciliation disclosures required on the first-time adoption of IFRS are shown below. Items that do not affect retained earnings and comprehensive income are included in “Reclassification,” and items that affect retained earnings and comprehensive income are included in “Differences in recognition and measurement” of the reconciliation tables.

(i) Reconciliation of Equity as of the Transition Date (January 1, 2020)

Under Japanese GAAP, the Group 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 January 1, 2020. The “Japanese GAAP” column of the below table reflects the cumulative effect of the application.

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets				Assets			
Current assets				Current assets			
Cash and deposits	94,014	(663)	1,904	—	95,256		Cash and cash equivalents
Notes and accounts receivable	194,035	(194,035)	—	—	—		
Electronically recorded monetary claims	9,218	(9,218)	—	—	—		
	—	140,536	493	(149)	140,881		Trade and other receivables
	—	64,617	(48)	63	64,632		Contract assets
Securities	1,097	(1,097)	—	—	—		
Merchandise and finished goods	18,386	(18,386)	—	—	—		
Work in process	51,165	(51,165)	—	—	—		
Raw materials and supplies	32,633	(32,633)	—	—	—		
	—	99,941	357	850	101,150		Inventories
Others	15,932	(15,932)	—	—	—		
	—	596	40	0	637		Income taxes receivable
	—	13,424	197	774	14,396		Other current assets
	—	1,907	873	227	3,007		Other financial assets
Allowance for doubtful accounts	(2,107)	2,107	—	—	—		
Total current assets	414,376	—	3,818	1,767	419,962		Total current assets
Fixed assets				Non-current assets			
Tangible fixed assets (net)	124,898	—	589	24,865	150,353	(B)	Property, plant and equipment
Goodwill	774	(774)	—	—	—		
Software	6,496	(6,496)	—	—	—		
Others (intangible assets)	3,072	(3,072)	—	—	—		
	—	10,343	14	(1,644)	8,714		Goodwill and intangible assets
Investment securities	19,666	(19,666)	—	—	—		
	—	6,975	—	(596)	6,379		Investment accounted for using the equity method
Long-term loans receivable	144	(144)	—	—	—		
	—	16,345	(5,641)	(938)	9,765	(A)	Other financial assets
Defined benefit asset	5,017	(5,017)	—	—	—		
Deferred tax assets	11,879	—	40	2,471	14,391		Deferred tax assets
Others (investments and other assets)	10,077	(10,077)	—	—	—		
	—	6,141	41	(285)	5,897		Other non-current assets
Allowance for doubtful accounts	(5,442)	5,442	—	—	—		
Total fixed assets	176,585	—	(4,956)	23,873	195,502		Total non-current assets
Total assets	590,961	—	(1,137)	25,641	615,465		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in scope of consolidation	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities							Liabilities
Current liabilities							Current liabilities
Notes and accounts payable trade	60,260	(60,260)	—	—	—		
Electronically recorded obligations	59,847	(59,847)	—	—	—		
Short-term loan payable	50,965	(50,965)	—	—	—		Trade and other payables
	—	39,304	(1,370)	4,871	42,805	(B)	Bonds, borrowings and lease liabilities
Income taxes payable	3,233	(890)	53	—	2,397		Income taxes payable
Bonus payment reserve	6,629	(6,629)	—	—	—		
Directors' bonus payment reserve	348	(348)	—	—	—		
Provision for losses on construction completion guarantees	3,336	(3,336)	—	—	—		
Provision for product warranties	3,530	(3,530)	—	—	—		
Provision for construction losses	6,737	(6,737)	—	—	—		
	—	13,603	—	1,368	14,972		Provisions
Others	65,389	(65,389)	—	—	—		
	—	20,766	1	(40)	20,728		Contract liabilities
	—	34,595	98	4,733	39,427	(C)	Other current liabilities
	—	85	—	—	85		Other financial liabilities
Total current liabilities	260,279	(12,320)	(1,088)	11,389	258,259		Total current liabilities
Long-term liabilities							Non-current liabilities
Bonds payable	10,000	(10,000)	—	—	—		
Long-term loans payable	18,340	(18,340)	—	—	—		
	—	41,682	—	19,509	61,191	(B)	Bonds, borrowings and lease liabilities
Defined benefit liability	9,362	—	77	2,565	12,004	(D)	Retirement benefit liability
Reserve for directors' retirement benefits	107	(107)	—	—	—		
Asset retirement obligations	2,401	(2,401)	—	—	—		
	—	2,401	—	52	2,453		Provisions
Deferred tax liabilities	504	—	1	(459)	47		Deferred tax liabilities
Others	2,612	(2,612)	—	—	—		
	—	1,464	1	1,634	3,099		Other non-current liabilities
	—	234	—	—	234		Other financial liabilities
Total long-term liabilities	43,328	12,320	80	23,302	79,031		Total non-current liabilities
Total liabilities	303,608	—	(1,008)	34,691	337,291		Total liabilities
Net assets							Equity
Common shares	79,155	—	—	—	79,155		Share capital
Capital surplus	74,848	1,132	—	102	76,083		Capital surplus
Retained earnings	137,201	—	(230)	(20,238)	116,732	(F)	Retained earnings
Treasury shares	(174)	—	—	—	(174)		Treasury shares
Accumulated other comprehensive income	(11,852)	—	(3)	11,337	(518)	(A)(D)(E)	Other components of equity
Subscription rights to shares	1,132	(1,132)	—	—	—		
					271,277		Total equity attributable to owners of parent
Non-controlling interests	7,043	—	104	(252)	6,896		Non-controlling interests
Total net assets	287,353	—	(129)	(9,050)	278,173		Total equity
Total liabilities and net assets	590,961	—	(1,137)	25,641	615,465		Total liabilities and equity

(ii) Reconciliation of Equity as of the End of the Three Months Ended March 31, 2020

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets				Assets		
Current assets				Current assets		
Cash and deposits	130,636	818	—	131,454		Cash and cash equivalents
Notes and accounts receivable	187,626	(187,626)	—	—		
Electronically recorded monetary claims	9,704	(9,704)	—	—		
	—	142,721	(144)	142,577		Trade and other receivables
	—	57,136	(756)	56,379		Contract assets
Securities	3,268	(3,268)	—	—		
Merchandise and finished goods	18,452	(18,452)	—	—		
Work in process	53,129	(53,129)	—	—		
Raw materials and supplies	34,770	(34,770)	—	—		
	—	103,721	1,276	104,998		Inventories
Others	14,412	(14,412)	—	—		
	—	402	248	650		Income taxes receivable
	—	12,027	910	12,937		Other current assets
	—	2,487	227	2,714		Other financial assets
Allowance for doubtful accounts	(2,051)	2,051	—	—		
Total current assets	449,950	—	1,762	451,712		Total current assets
Fixed assets				Non-current assets		
Tangible fixed assets (net)	127,416	—	23,714	151,130	(B)	Property, plant and equipment
Intangible assets	12,233	—	(1,509)	10,723		Goodwill and intangible assets
Investment securities	12,728	(12,728)	—	—		
	—	7,709	(603)	7,106		Investment accounted for using the equity method
	—	8,655	(938)	7,716	(A)	Other financial assets
	—	10,906	3,399	14,305		Deferred tax assets
Others (investments and other assets)	26,150	(26,150)	—	—		
	—	6,236	(352)	5,884		Other non-current assets
Allowance for doubtful accounts	(5,370)	5,370	—	—		
Total fixed assets	173,158	—	23,708	196,866		Total non-current assets
Total assets	623,108	—	25,471	648,579		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	55,316	(55,316)	—	—		
Electronically recorded obligations	70,430	(70,430)	—	—		
Short-term loans payable	78,569	(78,569)	—	—		Trade and other payables
	—	41,861	4,742	46,604	(B)	Bonds, borrowings and lease liabilities
	—	1,731	—	1,731		Income taxes payable
Bonus payment reserve	8,477	(8,477)	—	—		
Directors' bonus payment reserve	124	(124)	—	—		
Provision for losses on construction completion guarantees	3,112	(3,112)	—	—		
Provision for product warranties	3,439	(3,439)	—	—		
Provision for construction losses	6,506	(6,506)	—	—		
	—	13,058	1,311	14,369		Provisions
Others	72,710	(72,710)	—	—		
	—	36,102	—	36,102		Contract liabilities
	—	29,140	5,827	34,967	(C)	Other current liabilities
	—	222	—	222		Other financial liabilities
Total current liabilities	298,687	(37,320)	12,141	273,508		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	10,000	(10,000)	—	—		
Long-term loans payable	15,755	(15,755)	—	—		
	—	64,110	18,556	82,666	(B)	Bonds, borrowings and lease liabilities
Defined benefit liability	8,661	—	2,737	11,398	(D)	Retirement benefit liability
Reserve for directors' retirement benefits	100	(100)	—	—		
Asset retirement obligations	2,403	(2,403)	—	—		
	—	2,403	51	2,454		Provisions
	—	33	16	50		Deferred tax liabilities
Others	2,472	(2,472)	—	—		
	—	1,263	1,783	3,047		Other non-current liabilities
	—	239	—	239		Other financial liabilities
Total long-term liabilities	39,392	37,320	23,146	99,858		Total non-current liabilities
Total liabilities	338,079	—	35,287	373,367		Total liabilities
Net assets						Equity
Common shares	79,193	—	—	79,193		Share capital
Capital surplus	74,886	1,031	1	75,919		Capital surplus
Retained earnings	138,657	—	(21,543)	117,114	(F)	Retained earnings
Treasury shares	(176)	—	—	(176)		Treasury shares
Accumulated other comprehensive income	(15,058)	—	11,955	(3,103)	(A)(D)(E)	Other components of equity
Subscription rights to shares	1,031	(1,031)	—	—		
				268,947		Total equity attributable to owners of parent
Non-controlling interests	6,494	—	(230)	6,264		Non-controlling interests
Total net assets	285,028	—	(9,816)	275,212		Total equity
Total liabilities and net assets	623,108	—	25,471	648,579		Total liabilities and equity

(iii) Reconciliation of Equity as of the End of the Fiscal Year Ended December 31, 2020

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Assets				Assets		
Current assets				Current assets		
Cash and deposits	121,996	(1,452)	—	120,544		Cash and cash equivalents
Notes and accounts receivable	187,289	(187,289)	—	—		
Electronically recorded monetary claims	11,374	(11,374)	—	—		
	—	122,496	(153)	122,343		Trade and other receivables
	—	76,912	(379)	76,533		Contract assets
Securities	1,035	(1,035)	—	—		
Merchandise and finished goods	20,333	(20,333)	—	—		
Work in process	47,648	(47,648)	—	—		
Raw materials and supplies	34,621	(34,621)	—	—		
	—	100,777	877	101,654		Inventories
Others	16,727	(16,727)	—	—		
	—	232	59	292		Income taxes receivable
	—	15,173	771	15,945		Other current assets
	—	2,501	249	2,750		Other financial assets
Allowance for doubtful accounts	(2,387)	2,387	—	—		
Total current assets	438,637	—	1,424	440,062		Total current assets
Fixed assets				Non-current assets		
Tangible fixed assets (net)	136,202	—	22,561	158,763	(B)	Property, plant and equipment
Goodwill	369	(369)	—	—		
Software	9,485	(9,485)	—	—		
Others (intangible assets)	3,003	(3,003)	—	—		
	—	12,858	(1,407)	11,450		Goodwill and intangible assets
Investment securities	12,766	(12,766)	—	—		
	—	7,695	(730)	6,964		Investment accounted for using the equity method
Long-term loans receivable	127	(127)	—	—		
	—	8,638	(935)	7,703	(A)	Other financial assets
Defined benefit asset	5,181	(5,181)	—	—		
Deferred tax assets	10,631	—	2,363	12,994		Deferred tax assets
Others (investments and other assets)	10,339	(10,339)	—	—		
	—	6,913	(81)	6,832		Other non-current assets
Allowance for doubtful accounts	(5,166)	5,166	—	—		
Total fixed assets	182,940	—	21,768	204,709		Total non-current assets
Total assets	621,578	—	23,193	644,771		Total assets

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable-trade	60,508	(60,508)	—	—		
Electronically recorded obligations	69,230	(69,230)	—	—		
Short-term loans payable	28,056	(28,056)	—	—		Trade and other payables
	—	28,586	4,818	33,404	(B)	Bonds, borrowings and lease liabilities
Income taxes payable	4,672	(1,052)	—	3,620		Income taxes payable
Bonus payment reserve	7,685	(7,685)	—	—		
Directors' bonus payment reserve	454	(454)	—	—		
Provision for losses on construction completion guarantees	3,793	(3,793)	—	—		
Provision for product warranties	4,089	(4,089)	—	—		
Provision for construction losses	6,096	(6,096)	—	—		
	—	13,979	509	14,489		Provisions
Others	33,541	(33,541)	—	—		
	—	40,056	—	40,056		Contract liabilities
	—	29,157	4,485	33,643	(C)	Other current liabilities
	—	84	—	84		Other financial liabilities
Total current liabilities	258,185	—	9,813	267,998		Total current liabilities
Long-term liabilities						Non-current liabilities
Bonds payable	20,000	(20,000)	—	—		
Long-term loans payable	26,666	(26,666)	—	—		
	—	47,556	17,389	64,946	(B)	Bonds, borrowings and lease liabilities
Defined benefit liability	7,704	—	1,790	9,494	(D)	Retirement benefit liability
Reserve for directors' retirement benefits	121	(121)	—	—		
Asset retirement obligations	2,264	(2,264)	—	—		
	—	2,264	54	2,319		Provisions
Deferred tax liabilities	24	—	20	45		Deferred tax liabilities
Others	2,141	(2,141)	—	—		
	—	1,190	1,717	2,907		Other non-current liabilities
	—	182	—	182		Other financial liabilities
Total long-term liabilities	58,922	—	20,972	79,895		Total non-current liabilities
Total liabilities	317,108	—	30,786	347,894		Total liabilities
Net assets						Equity
Common shares	79,451	—	—	79,451		Share capital
Capital surplus	75,144	765	77	75,987		Capital surplus
Retained earnings	156,486	—	(19,857)	136,629	(F)	Retained earnings
Treasury shares	(178)	—	—	(178)		Treasury shares
Accumulated other comprehensive income	(14,671)	—	12,346	(2,324)	(A)(D)(E)	Other components of equity
Subscription rights to shares	765	(765)	—	—		
				289,564		Total equity attributable to owners of parent
Non-controlling interests	7,472	—	(159)	7,312		Non-controlling interests
Total net assets	304,470	—	(7,592)	296,877		Total equity
Total liabilities and net assets	621,578	—	23,193	644,771		Total liabilities and equity

(iv) Reconciliation of Income and Comprehensive Income for the Three Months Ended March 31, 2020

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net sales	122,696	—	757	123,454	(H)	Revenue
Cost of sales	89,893	—	840	90,734	(G) (H)	Cost of sales
Gross profit	32,802	—	(83)	32,719		Gross profit
Selling, general and administrative expenses	25,753	57	893	26,704	(G)(H)	Selling, general and administrative expenses
	—	223	1	225		Other income
	—	227	0	228		Other expenses
Operating income	7,049	(61)	(975)	6,012		Operating profit
Non-operating income	954	(954)	—	—		
Non-operating expenses	1,609	(1,609)	—	—		
Extraordinary income	92	(92)	—	—		
Extraordinary loss	252	(252)	—	—		
	—	180	(71)	109		Finance income
	—	1,634	(80)	1,554		Finance costs
	—	642	103	745		Share of profit (loss) of investments accounted for using the equity method
Income before income taxes	6,233	(57)	(862)	5,313		Profit before tax
Income taxes	2,083	(2,083)	—	—		
	—	2,025	(444)	1,581		Income tax expense
Profit	4,149	—	(417)	3,731		Profit

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Profit	4,149	—	(417)	3,731		Profit
Other comprehensive income						Other comprehensive income
Net unrealized gains (losses) on investment securities	(51)	—	(113)	(164)		Net changes in fair value of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans, net of tax	123	—	(123)	—		Remeasurements of defined benefit plans
Deferred gains (losses) on hedges	12	—	(0)	12		Cash flow hedges
Translation adjustment	(2,761)	—	133	(2,627)		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using the equity method	91	—	(110)	(19)		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(2,584)	—	(214)	(2,799)		Total other comprehensive income, net of tax
Comprehensive income	1,565	—	(632)	932		Total comprehensive income
Comprehensive income attributable to:						Comprehensive income attributable to:
Owners of parent	1,297	—	(647)	650		Owners of parent
Non-controlling interests	267	—	14	281		Non-controlling interests

(v) Reconciliation of Income and Comprehensive Income for the Fiscal Year Ended December 31, 2020

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Net sales	523,727	—	(1,248)	522,478	(H)	Revenue
Cost of sales	379,087	—	(3,054)	376,032	(G) (H)	Cost of sales
Gross profit	144,639	—	1,806	146,446		Gross profit
Selling, general and administrative expenses	106,760	231	1,571	108,563	(G) (H)	Selling, general and administrative expenses
	—	937	(6)	931		Other income
	—	1,524	(277)	1,246		Other expenses
Operating income	37,879	(818)	506	37,566		Operating profit
Non-operating income	2,155	(2,155)	—	—		
Non-operating expenses	3,175	(3,175)	—	—		
Extraordinary income	121	(121)	—	—		
Extraordinary loss	934	(934)	—	—		
	—	459	(77)	382		Finance income
	—	2,585	454	3,040		Finance costs
	—	879	(32)	847		Share of profit (loss) of investments accounted for using the equity method
Income before income taxes	36,045	(231)	(58)	35,756		Profit before tax
Income taxes-current	9,325	(9,325)	—	—		
Income taxes-deferred	533	(533)	—	—		
	—	9,627	178	9,805		Income tax expense
Profit	26,186	—	(236)	25,950		Profit

Millions of yen

Line items under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Line items under IFRS
Profit	26,186	—	(236)	25,950		Profit
Other comprehensive income						Other comprehensive income
Net unrealized gains (losses) on investment securities	(48)	—	(110)	(159)		Net changes in fair value of financial assets measured through other comprehensive income
Remeasurements of defined benefit plans, net of tax	530	—	955	1,486		Remeasurements of defined benefit plans
Deferred gains (losses) on hedges	(30)	—	(1)	(31)		Cash flow hedges
Translation adjustment	(2,644)	—	968	(1,676)		Exchange differences on translation of foreign operations
Share of other comprehensive income of entities accounted for using the equity method	120	—	(102)	18		Share of other comprehensive income of investments accounted for using the equity method
Total other comprehensive income	(2,073)	—	1,709	(363)		Total other comprehensive income, net of tax
Comprehensive income	24,113	—	1,473	25,587		Total comprehensive income
Comprehensive income attributable to:						Comprehensive income attributable to:
Owners of parent	22,373	—	1,430	23,804		Owners of parent
Non-controlling interests	1,740	—	42	1,782		Non-controlling interests

(2) Notes for Reconciliation of Equity

(Differences in Recognition and Measurement)

(A) Non-marketable Equity Financial Instruments

Non-marketable equity financial instruments had been measured at acquisition cost under Japanese GAAP. Under IFRS, based on IFRS 9, they are classified as equity financial assets measured at fair value through other comprehensive income, measured at fair value regardless of whether they are marketable or not. The variance is recognized through other comprehensive income.

(B) Lease Transactions

Under Japanese GAAP, the Group classified lease contracts as finance leases or operating leases. For operating leases, the accounting treatment was similar to that of regular rental transactions. Under IFRS, the Group does not make such classification and recognizes right of use assets included in “Property, plant and equipment” and “Bonds, borrowings and lease liabilities” of current and non-current liabilities with regard to all leases except for short term leases and leases with underlying assets of low value.

(C) Unused Paid Leave

Unused paid leave not recognized under Japanese GAAP is recognized as “Other current liabilities” under IFRS.

(D) Employee Benefits

Under Japanese GAAP, on defined benefit plan, service costs, interest costs and expected return were recognized as net profit and loss. The amounts in actuarial gains or losses and prior service costs related to these plans which were not expensed were recorded as accumulated other comprehensive income and then recognized as net profit and loss in the future for a certain period.

On the other hand, under IFRS, on defined benefit plan, current service costs and prior service costs are recognized as net profit and loss. Net interest costs are recognized as net profit and loss calculated by net defined benefit liabilities (assets) multiplied by discount rate. Remeasurement of net defined benefit liabilities (assets) is recognized in other comprehensive income, and when incurred, it is immediately transferred from other equity components directly to retained earnings and not through net profit and loss. Remeasurement consists of actuarial gains or losses in defined benefit liabilities and return from plan assets (excluding interest income from plan assets).

(E) Exchange Differences on Translation of Foreign Operations

The Group has chosen to apply the exemption for cumulative exchange differences on translation of foreign operations set forth under IFRS 1. The exchange differences are deemed to be zero, and they are recognized in retained earnings.

(F) Adjustment to Retained Earnings

The above adjustments' effect on retained earnings are as follows. (():Loss)

Millions of yen

	Date of Transition (January 1, 2020)	Three Months Ended March 31, 2020	Fiscal Year Ended December 31, 2020
Employee benefits	(15,926)	(16,060)	(14,701)
Exchange differences on translation of foreign operations	(2,891)	(3,751)	(4,587)
Right of use assets, lease liabilities	(308)	(314)	(334)
Property, plant and equipment	(298)	(1,148)	(131)
Investments by using the equity method	(251)	(160)	(326)
Others	(561)	(108)	225
Reconciliation amount of retained earnings	(20,238)	(21,543)	(19,857)

(Reclassification)

To comply with IFRS, the following reclassifications are performed.

- Under Japanese GAAP, short-term investments with maturities within three months from the acquisition date were included in “Securities”. Under IFRS, they are presented in “Cash and cash equivalents”.
- Under Japanese GAAP, “Notes and accounts receivable-trade”, “Electronically recorded monetary claims” and “Allowance for doubtful accounts” in current assets were independently presented, and “Accounts receivable-other” was included in “Others” in current assets. Under IFRS, they are presented as “Trade and other receivables” and “Contract assets”.
- “Merchandise and finished goods”, “Work in process” and “Raw materials and supplies” presented independently under Japanese GAAP now are lumped into “Inventories”.
- “Investments accounted for using the equity method” included in “Investment securities” under Japanese GAAP is presented independently under IFRS.
- “Provision for losses on construction completion guarantees”, “Provision for product warranties”, “Provision for construction losses” as current liabilities and “Asset retirement obligations” as long-term liabilities were presented independently under Japanese GAAP. Under IFRS, they are presented as “Provisions” in current liabilities and non-current liabilities.
- “Advances received” presented independently under Japanese GAAP is presented as “Contract liabilities” under IFRS.
- “Other financial assets” and “Other financial liabilities” are presented independently.

(3) Notes for Reconciliation on Profit and Loss and Comprehensive Income

(Differences in Recognition and Measurement)

(G) Inventories

Under Japanese GAAP, some subsidiaries included transportation costs to deliver products to customers in the cost of inventories. Under IFRS, all costs except for those incurred in bringing the inventories to their present location or condition are recognized as “Selling, general and administrative expenses” when they are incurred.

(H) Exchange Differences on Translation of Foreign Operations

Under Japanese GAAP, revenue and expense of foreign operations were translated by foreign exchange rates as of the financial reporting date. Under IFRS, they are translated by the average rate of the reporting period unless there are significant fluctuations in the exchange rates.

(Reclassification)

To comply with IFRS, the following reclassifications are performed.

- Among revenue and expenses presented in “Non-operating income”, “Non-operating expenses”, “Extraordinary income” and “Extraordinary loss” under Japanese GAAP, finance-related items are presented in “Finance income” and “Finance cost”, and the other items are presented in “Other income” and “Other expenses” under IFRS.

(4) Reconciliation on Cash Flow Statements

There are no significant differences between the current “Consolidated Statement of Cash Flows” under IFRS and the previous statements under Japanese GAAP.

(Additional Information)

The spread of COVID-19 continues worldwide. It is still a major threat, and the situation remains unpredictable. On the other hand, the trend toward the coexistence of infectious prevention and economic activities, called “with Corona”, is becoming more active, and demand for social and industrial infrastructures is recovering.

In the previous fiscal year, our accounting estimates were based on the assumption that the business environment maintains its stability with limited impact of COVID-19 to the Group's business. There are no major changes to this assumption.

However, if the impact of the spread of COVID-19 diverges from this assumption, the Group's financial position and financial results may be affected.

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. Afterwards, 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. Furthermore, Gifu City amended its amount of the compensation claim for damages to ¥4,582 million and late charges for such compensation on July 17, 2020, and EEP received the amended petition pertaining to this lawsuit on July 20, 2020. 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) Segment Information

Business Segment

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

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

Billions of yen

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021			Fiscal Year Ending June 30, 2021	Fiscal Year Ending December 31, 2021
	Actual	Actual	Change	Change Ratio (%)	Forecast (Note)	Forecast (Note)
Orders received						
Pumps	43.6	48.8	5.1	11.8	87.0	181.0
Compressors & Turbines	23.6	17.5	(6.0)	(25.8)	40.0	90.0
Chillers	7.2	9.5	2.2	31.4	20.0	38.0
Others	4.5	3.0	(1.5)	(33.3)	5.0	11.0
Total of FMS	79.1	78.9	(0.1)	(0.2)	152.0	320.0
EP	4.5	28.5	24.0	532.6	60.0	141.0
PM	40.0	51.3	11.3	28.4	100.0	200.0
Others	0.4	0.5	0.0	13.2	1.0	2.0
Total	124.1	159.4	35.3	28.4	313.0	663.0
Revenue						
Pumps	46.5	52.4	5.9	12.7	87.0	178.0
Compressors & Turbines	21.3	16.6	(4.7)	(22.0)	40.0	91.0
Chillers	7.4	8.6	1.1	15.4	18.0	37.0
Others	3.6	4.1	0.4	12.4	7.0	13.0
Total of FMS	79.0	81.9	2.8	3.6	152.0	319.0
EP	17.2	19.4	2.1	12.3	33.0	73.0
PM	26.6	33.4	6.8	25.6	80.0	180.0
Others	0.4	0.4	0.0	5.5	1.0	2.0
Total	123.4	135.2	11.8	9.6	266.0	574.0
Operating profit						
Pumps	4.6	7.6	2.9	63.3	8.5	12.5
Compressors & Turbines	(0.7)	(0.6)	0.0	—	0.0	6.2
Chillers	0.5	0.3	(0.1)	(34.6)	0.9	2.2
Others & Adjustment	0.2	0.7	0.4	210.2	0.6	0.6
Total of FMS	4.6	7.9	3.3	71.8	10.0	21.5
EP	2.4	2.6	0.2	8.3	3.0	7.0
PM	(0.2)	2.0	2.2	—	6.0	17.5
Others & Adjustment	(0.7)	(0.3)	0.4	—	(0.5)	(0.5)
Total	6.0	12.2	6.2	103.4	18.5	45.5
Backlog of orders received						
Pumps	89.9	89.1	(0.7)	(0.8)	90.9	93.9
Compressors & Turbines	94.7	85.0	(9.6)	(10.2)	81.0	80.0
Chillers	15.3	14.2	(1.1)	(7.3)	15.0	14.0
Others	9.2	8.1	(1.1)	(12.3)	7.2	7.2
Total of FMS	209.3	196.6	(12.6)	(6.0)	194.2	195.2
EP	218.8	236.2	17.4	8.0	253.7	294.7
PM	53.6	65.4	11.8	22.1	66.5	66.5
Others	0.0	0.0	0.0	85.7	0.0	0.0
Total	481.7	498.4	16.6	3.5	514.5	556.5

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

Billions of yen

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2021			Fiscal Year Ending June 30, 2021	Fiscal Year Ending December 31, 2021
	Actual	Actual	Change	Change Ratio (%)	Forecast (Note)	Forecast (Note)
Orders received						
Components	16.2	20.3	4.0	25.2	35.0	70.0
CMP Systems	21.9	28.0	6.0	27.5	61.0	124.0
Others	1.8	3.0	1.2	68.3	4.0	6.0
Total of PM	40.0	51.3	11.3	28.4	100.0	200.0
Revenue						
Components	13.7	18.4	4.7	34.6	31.0	67.0
CMP Systems	11.4	13.8	2.3	20.6	45.0	105.0
Others	1.4	1.1	(0.2)	(19.0)	4.0	8.0
Total of PM	26.6	33.4	6.8	25.6	80.0	180.0

(3) Area Information

(i) Geographical Segment ••• Compiled on the basis of the geographical location of the Company reporting the revenue

Billions of yen

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2021		
	Actual	Composition (%)	Actual	Composition (%)	Change
Revenue					
Japan	78.8	63.8	82.0	60.7	3.2
North America	18.5	15.0	16.3	12.1	(2.2)
Asia (except Japan)	19.1	15.5	28.4	21.0	9.2
Others	6.9	5.6	8.4	6.2	1.5
Total	123.4	100.0	135.2	100.0	11.8
Operating profit					
Japan	2.6		7.3		4.6
North America	0.1		0.1		(0.0)
Asia (except Japan)	1.6		3.5		1.9
Others	0.4		0.7		0.3
Adjustment	1.1		0.4		(0.6)
Total	6.0		12.2		6.2

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

Billions of yen

	Three Months Ended March 31, 2020		Three Months Ended March 31, 2021		
	Actual	Composition (%)	Actual	Composition (%)	Change
Revenue					
Japan	66.6	54.0	70.4	52.0	3.7
China	10.8	8.8	21.8	16.1	10.9
Other Asia	19.6	15.9	20.0	14.8	0.3
North America	12.6	10.3	9.4	7.0	(3.2)
Europe	6.3	5.1	6.7	5.0	0.4
Middle East	4.8	3.9	3.7	2.8	(1.0)
Others	2.4	2.0	3.0	2.3	0.6
Total	123.4	100.0	135.2	100.0	11.8