



## **Ebara Corporation**

Results Presentation for Three Months Ended March 31, 2022

May 12, 2022

## Event Summary

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[Company Name]	Ebara Corporation	
[Company ID]	6361-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Results Presentation for Three Months Ended March 31, 2022	
[Fiscal Period]	FY2022 Q1	
[Date]	May 12, 2022	
[Number of Pages]	12	
[Time]	17:00 – 17:49 (Total: 49 minutes, Presentation: 18 minutes, Q&A: 31 minutes)	
[Venue]	Webcast	
[Number of Speakers]	2	
	Shugo Hosoda	Executive Officer, Division Executive of Corporate Strategic Planning, Finance & Accounting Division
	Akihiro Osaki	General Manager, Corporate Strategic Planning Department

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## Presentation

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**Osaki:** Thank you for your standing by. Thank you very much for taking the time today to participate in the financial results briefing of Ebara Corporation for the first quarter of the fiscal year ending December 2022.

Please let me begin by introducing our attendees. Shugo Hosoda, Executive Officer, Division Executive of Corporate Strategic Planning, Finance & Accounting Division.

**Hosoda:** I am Hosoda. Hello.

**Osaki:** I, Osaki from the Corporate Strategic Planning Department, will be the moderator. Hello. Now, Hosoda will explain.

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## Points of Results



### FY22 1Q Results

		YoY*
■ Orders	¥177.0 B.	+11.0% ↗
■ Revenue	¥152.8 B.	+13.0% ↗
■ Operating Profit	¥14.1 B.	+15.9% ↗

\* ↗ +5% change or more ↘ -5% change or more → less than ± 5% change

### FY22 Forecast

		YoY*
■ Orders	¥692.5 B.	-10.2% ↘
■ Revenue	¥660.0 B.	+9.4% ↗
■ Operating Profit	¥66.0 B.	+7.5% ↗

### Topics

#### FY22 1Q Results

- Record highs in orders, revenue, and operating profit
- Orders and revenue grew in FMS and PM business
- Profit increased due to the PM business driving
- Weak yen contributed to results

#### FY22 Forecast

- Although the revision of the assumed exchange rate will have the effect of weak yen and positively contribute to performance, the forecast remains unchanged in light of the risk of raw material price hikes, etc.
- The impact of the Russia-Ukraine crisis on the Company's business performance is minimal due to the small amount of revenue in the region.

**Hosoda:** Yes. Now, I will give the presentation. First of all, I would like to explain the key points of the financial results of this quarter.

The consolidated financial results for the first quarter of the current fiscal year ending December 2022 are as you can see on the slide. Orders, sales, and operating income all exceeded those of the same period of the previous fiscal year, and the first-quarter results were the best ever recorded.

Sales growth was seen in the FMS business on the back of resumed economic activity that had once stagnated due to COVID-19 and continued strong demand for semiconductors in the PM business. In addition, the impact of the yen's depreciation on foreign exchange also contributed to this quarter's results. We recognize that it marked a strong start in terms of performance of first quarter.

For the fiscal year ending December 2022, we have revised the assumed exchange rates, taking into account exchange rate trends, to reflect a weaker yen against the US dollar, euro, and Chinese yuan. However, the business performance figures remain unchanged. We believe that the weak yen will contribute positively to our performance, but at the same time, we have decided to leave our business performance figures unchanged in light of the uncertain future outlook, including the risk of prolonged price hikes in raw materials and resources.

Regarding the situation in Russia and Ukraine, we have already disclosed, but the overall sales of our group in the region are not that large. Since it is very small, which is less than 1%, we do not expect it to have a significant impact on our business performance.

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## 1. FY22 1Q Summary of Results Consolidated



(in billion yen)	FY21 1Q	FY22 1Q	Change	Change %
<b>Orders</b>	159.4	177.0	+17.5	+11.0%
<b>Revenue</b>	135.2	152.8	+17.5	+13.0%
<b>Operating Profit</b>	12.2	14.1	+1.9	+15.9%
<b>OP Ratio</b>	9.0%	9.3%	+0.3pts	
<b>Profit Attributable to Owners of Parent</b>	8.5	10.2	+1.6	+19.6%
<b>Exchange Rate Vs. USD (JPY)</b>	106.09	116.23	+10.14	
<b>Vs. EUR (JPY)</b>	127.81	130.42	+2.61	
<b>Vs. CNY (JPY)</b>	16.38	18.31	+1.93	

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Looking ahead, going beyond expectations  
Ahead > Beyond

The following is a detailed explanation.

As for the consolidated results for the first quarter of this fiscal year, orders received increased by JPY17.5 billion from the first quarter of the previous fiscal year to JPY177 billion. Sales also increased by JPY17.5 billion to JPY152.8 billion. Operating income increased JPY1.9 billion to JPY14.1 billion. The operating margin improved by 0.3 percentage points to 9.3%. Profit attributable to owners of parent increased by JPY1.6 billion to JPY10.2 billion.

As shown here, the yen has depreciated against all major currencies such as the US dollar, euro, and Chinese yuan compared to the same period last fiscal year, all of which made a positive contribution to our business performance.

Incidentally, quantifying the positive effect of the exchange rate on first-quarter earnings this fiscal year, I would say that operating income increased by JPY1.2 billion compared to the previous fiscal year, and that this was due to the positive impact of the exchange rate. For non-operating income other than operating income, we recognize that there was a positive effect of about JPY500 million in the positive direction.

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## 1. FY22 1Q Summary of Results Segment



(in billion yen)		FY21 1Q	FY22 1Q	Change	Change %
<b>Total</b>	Orders	159.4	177.0	+17.5	+11.0%
	Revenue	135.2	152.8	+17.5	+13.0%
	Operating Profit	12.2	14.1	+1.9	+15.9%
	OP Ratio	9.0%	9.3%	+0.3pts	
<b>FMS Business</b>	Orders	78.9	91.1	+12.1	+15.4%
	Revenue	81.9	87.6	+5.7	+7.0%
	Operating Profit	7.9	7.9	-0.0	-0.4%
	OP Ratio	9.7%	9.0%	-0.7pts	
<b>EP Business</b>	Orders	28.5	16.3	-12.2	-42.8%
	Revenue	19.4	21.6	+2.2	+11.4%
	Operating Profit	2.6	1.9	-0.6	-24.4%
	OP Ratio	13.4%	9.1%	-4.3pts	
<b>PM Business</b>	Orders	51.3	68.9	+17.6	+34.2%
	Revenue	33.4	43.1	+9.6	+28.9%
	Operating Profit	2.0	4.7	+2.7	+135.1%
	OP Ratio	6.1%	11.0%	+4.9pts	
<b>Others, Adjustment</b>	Orders	0.5	0.4	-0.0	-4.1%
	Revenue	0.4	0.3	-0.0	-16.5%
	Operating Profit	-0.3	-0.4	-0.1	-
	OP Ratio	-77.3%	-123.8%	-46.5pts	

This is a summary by segment. In the FMS business, sales of orders received were higher than that in the same period of the previous fiscal year.

Although the business environment can be strong or weak depending on the market and region we deal with, overseas orders and sales have been increasing due to increased demand after COVID-19 and the impact of the yen's depreciation, we see the increase in sales of orders received. In terms of operating income, it remained flat YoY due to the impact of soaring raw material prices and logistics costs.

For the EP business, we received two large orders for waste treatment facilities last fiscal year, which made the business very strong, but this fiscal year we received one order for a long-term comprehensive contract, which is a decrease in orders compared to the first quarter in the last fiscal year.

Sales increased from the same period of the previous fiscal year, partly due to the progress of EPC construction, but the profit level decreased due to the deterioration of the mix of sales contents.

In the PM business, we continued to respond to the strong semiconductor business as in the previous fiscal year, and both orders received, and sales profit have exceeded those of the same period last fiscal year.

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## 1. FY22 1Q Summary of Results

### Revenue by Region



(in billion yen)	FY21 1Q		FY22 1Q		Change	Change %
	Results	Composition of Revenue	Results	Composition of Revenue		
<b>Total</b>	135.2	100.0%	152.8	100.0%	+17.5	+13.0%
<b>In domestic market (Japan)</b>	70.4	52.0%	70.7	46.3%	+0.2	+0.4%
<b>In overseas market</b>	64.8	48.0%	82.1	53.7%	+17.2	+26.6%
<b>China</b>	21.8	16.1%	21.7	14.2%	-0.1	-0.6%
<b>Asia (excl. China)</b>	20.0	14.8%	23.7	15.5%	+3.7	+18.6%
<b>North America</b>	9.4	7.0%	11.5	7.6%	+2.1	+22.7%
<b>Europe</b>	6.7	5.0%	12.5	8.2%	+5.7	+86.1%
<b>Middle East</b>	3.7	2.8%	6.4	4.2%	+2.6	+70.8%
<b>Others</b>	3.0	2.3%	6.0	4.0%	+3.0	+99.3%

"Revenue by Region" indicates revenue on the basis of the geographical location where the goods are sold.

Next, please turn to page six. This is revenue from sales by region. The sales are based on the customers' locations.

First of all, in the Japanese building equipment market, the construction works of our customers have been delayed due to difficulties in procurement of parts and materials, and our customers have not been ready to accept our shipments, which impacted the growth of our domestic sales.

On the other hand, in China, in the last fiscal year, the market recovery from COVID-19 was relatively strong, so our results of the first quarter was good. However, compared to that, the growth of the first quarter of this fiscal year is flat compared to last fiscal year, although the growth rate is high in some areas, due to lockdowns and other factors.

On the other hand, sales in all regions except Japan and China exceeded those of the same period of the previous fiscal year. Sales grew in the PM business. In the pump business, the new consolidation of a Turkish pump manufacturer acquired last April was not included in last fiscal year's first quarter, but it is included from the first quarter of this fiscal year. In this sense, that has contributed in full to the increase and growth in sales.

Please also refer to page 16 of the document for segment-specific sales revenue by region.

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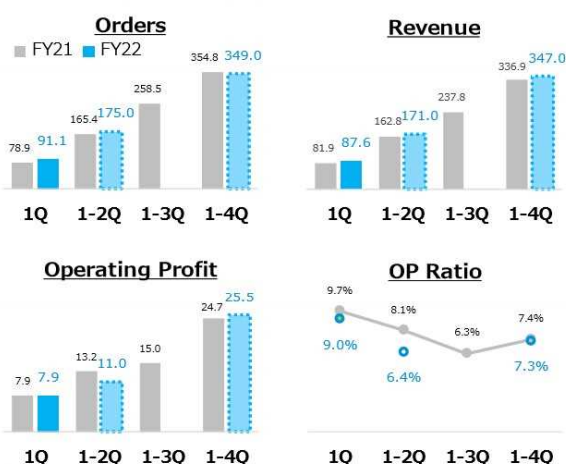


## 2. FY22 1Q Results by Segment



### FMS Business

#### Results (in billion yen)



#### S&S Revenue Ratio

	FY21				FY22			
	1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-3Q	1-4Q
FMS	35.7%	34.3%	32.9%	33.9%	38.5%	-	-	-
PUMP	31.3%	27.0%	24.1%	24.3%	30.7%	-	-	-
CT	51.3%	52.9%	53.8%	55.4%	61.5%	-	-	-

#### Highlights

##### Pumps

- Orders for standard pumps were strong both in Japan and overseas, but revenue was lagging slightly in Japan
- Orders for custom pumps were strong both in Japan and overseas, but revenue and operating profit declined in China (-)

##### Compressors and turbines (CT)

- Service and support (S&S) orders and revenue increased due to mitigation of the COVID-19 impact
- Profit increased due to rise in S&S ratio (+)

##### Chillers

- Orders and revenue increased due to steady demand in the Chinese market
- Profitability declined due to raw material price hikes (-)

#### Breakdown of Changes in Operating Profit (in billion yen)



Next are the details for each segment.

First, with regard to FMS, orders received were JPY91.1 billion, up JPY12.1 billion from the same period last fiscal year, sales were JPY87.6 billion, up JPY5.7 billion, and operating income was JPY7.9 billion, almost unchanged from the previous fiscal year.

Looking at the sub-segments within the FMS segment, first of all, the pump business saw lower sales and profits compared to the same period last fiscal year. In the standard pump business for the building equipment market, the consolidation of a Turkish pump manufacturer acquired last April contributed positively to earnings for the first three months, and then there was an overall strong performance overseas.

On the other hand, although the orders received increased as customers in Japan placed orders early because they were concerned about the soaring prices of raw materials and delivery delays due to the shortage of semiconductors, our products were not shipped because, as mentioned earlier, the customers had to stop or postpone constructions. This is one of the reasons for the decrease in profit.

In addition, in the custom pump business, the sales in China, which was brisk last fiscal year, slowed down due in part to lockdowns and other factors this fiscal year, which was a factor in the decline in profits.

The compressor and turbine business increased both sales and income compared to the same period last fiscal year. Last fiscal year, there were travel restrictions due to the impact of COVID-19, which made it difficult to increase the service and support. While the COVID-19 disaster is still ongoing, restrictions are being eased in many countries. The demand for service and support, especially in North America and the Middle East, was improving, which led to improvement in business performance compared to the same period last fiscal year.

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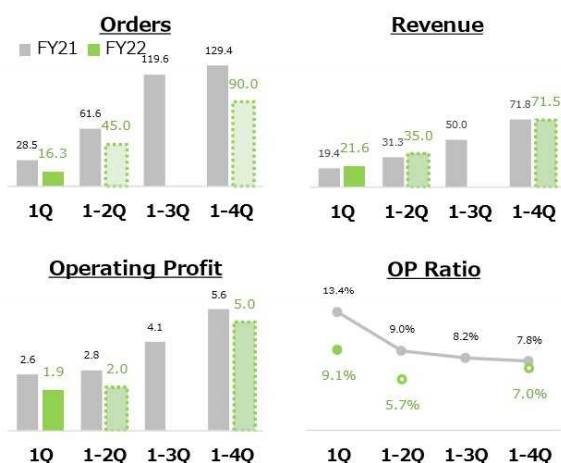
The chillers business saw an increase in sales and a decrease in income. Although the Chinese market continues to perform well, the impact of the sharp rise in raw material prices and other factors have resulted in a decrease in profits.

## 2. FY22 1Q Results by Segment



### EP Business

#### Results (in billion yen)



#### Highlights

##### Orders

- Received one large order

##### Revenue

- Revenue from EPC\* increased

##### Operating Profit

- Revenue increased (+)
- Lower profitability due to higher EPC revenue ratio (-)
- Personnel and R&D costs increased (-)

\*EPC: Engineering, procurement and construction

#### Breakdown of Changes in Operating Profit (in billion yen)



#### Major Orders

FY21 1Q	FY22 1Q
<ul style="list-style-type: none"> <li>Lifespan extending renovation PJ and Long-term O&amp;M contract : 1</li> <li>Long-term O&amp;M contract : 1</li> </ul>	<ul style="list-style-type: none"> <li>Long-term O&amp;M contract : 1</li> </ul>
O&M: Operation and maintenance	

Next is the EP business.

Orders received were JPY16.3 billion, down JPY12.2 billion from the same period last fiscal year. Sales increased by JPY2.2 billion to approximately JPY21.6 billion. Operating income decreased by JPY0.6 billion to JPY1.9 billion.

As shown on the lower left side of the slide, one order for a long-term comprehensive contract was received in the first quarter of the current fiscal year, and although the number of orders received was down compared to last fiscal year, it is in line with our plan in terms of comparison to the target.

Sales have increased due to an increase of EPC construction in progress compared to the previous fiscal year, but profitability has declined due to an increase in the ratio of EPC sales to O&M sales in the mix of EPC and O&M.

In addition, fixed costs, such as personnel and R&D expenses, increased, resulting in lower operating income than in the same period of the previous fiscal year.

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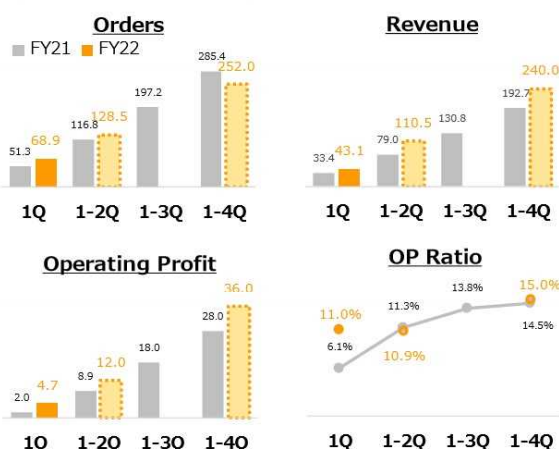


## 2. FY22 1Q Results by Segment



### PM Business

#### Results (in billion yen)



#### Revenue by Region

FY22 1Q (in billion yen)	Japan	Asia (excl. Japan)	North America	Europe	Others	Total
Revenue	10.5	22.8	5.1	4.3	0.2	43.1
Change* (vs FY21 1Q)	↗	↗	↗	↗	↘	↗

\* ↗ is +5% or more, ↘ is -5% or more changes, → is less than ± 5% changes

#### Highlights

##### Orders

- Capex in the semiconductor market remains at a high level
- Solid orders for both components and CMPs

##### Revenue

- Revenue increased due to steady demand
- Increased S&S for both components and CMP

##### Operating Profit

- Revenue increased (+)
- Improved profitability of components due to full-scale operation of the automated plant (+)
- Profitability increased due to an improved project mix (+)
- Increase in labor costs and fixed costs related to automated plant (-)

#### Breakdown of Changes in Operating Profit

(in billion yen)



Next is about the PM business.

Orders received were JPY68.9 billion, up JPY17.6 billion from the same period last fiscal year, sales were JPY43.1 billion, up JPY9.6 billion, and operating income was JPY4.7 billion, up JPY2.7 billion. Orders received, sales, and operating income all reached record highs for the PM segment.

In the semiconductor market, capital investment by customers in general continues to be at a high level. Orders increased by more than 30% from the same period last fiscal year.

JPY68.9 billion of orders received in first quarter may seem a bit small, when the third and fourth quarters of last fiscal year saw the orders received in excess of JPY80 billion. However, it will remain at a high level. We expect the high level to continue as we anticipate that the industry as a whole will continue to see customers placing orders early moving forward due to the prolonged semiconductor supply chain problems.

In this environment, sales and orders received for both products and service and support have been favorable, in line with the increase in demand for semiconductors. In addition to the increase in revenue, full-scale operation of an automated dry vacuum pump plant started in the first quarter. Operating income also improved as a result of an improved mix of projects, which also improved profitability.

On the other hand, labor costs increased, and fixed costs related to the automated plant, such as depreciation and amortization, increased. These factors have led to an increase in fixed costs.

This is the explanation of the consolidated business results for the first quarter.

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### 3. FY22 Forecast Consolidated



(in billion yen) Announced date(m/d/y)	1-2Q				1-4Q			
	FY21 Results	FY22 Plan	Change	Change %	FY21 Results	FY22 Plan	Change	Change %
	a	Feb/14/22 b	b-a		c	Feb/14/22 d	d-c	
Orders	344.9	349.3	+4.3	+1.3%	771.4	692.5	-78.9	-10.2%
Revenue	274.1	317.3	+43.1	+15.7%	603.2	660.0	+56.7	+9.4%
Operating Profit	24.6	24.6	-0.0	-0.4%	61.3	66.0	+4.6	+7.5%
OP Ratio	9.0%	7.8%	-1.2pts		10.2%	10.0%	-0.2pts	
Profit Attributable to Owners of Parent	16.7	17.0	+0.2	+1.3%	43.6	46.0	+2.3	+5.5%
ROIC					10.7%	10.5%	-0.2pts	
Annual Dividend per share					163	170	+7	
Interim Dividend					50	85	+35	
Year-end Dividend					113	85	-28	
Exchange Rate May/12/22 Update								
Vs. USD (JPY)	107.81	125.00	+17.19		109.86	125.00	+15.14	
Vs. EUR (JPY)	129.88	135.00	+5.12		129.91	135.00	+5.09	
Vs. CNY (JPY)	16.67	19.00	+2.33		17.04	19.00	+1.96	

FY22 Exchange Rate  
As of Feb/14/22

110.00
130.00
17.00

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I would like to continue with an explanation of our full-year earnings forecast for the current fiscal year.

There is no change in the forecasted figures announced at the beginning of the fiscal year in February last time. However, the assumed exchange rate, which is the premise for the earnings forecast, has been revised.

Due to the yen weakening more than expected, the assumed exchange rate for the US dollar has been changed from JPY110 to JPY125, the assumed exchange rate for the euro from JPY130 to JPY135, and the assumed exchange rate for the Chinese yuan from JPY17 to JPY19, respectively. These were all changed to depreciation of the yen.

A weaker yen contributes positively to our performance. On the other hand, there are downside risks due to difficulties in procuring parts and materials and prolonged cost increases because of the soaring prices of raw materials and the uncertainty of when the shortage of semiconductors will be resolved.

We have left the earnings forecast unchanged at this stage, after mitigating both upside risks and downside risks, such as the upside of earnings due to the weaker yen and the downside risks of soaring raw material prices.

We are forecasting orders of JPY692.5 billion, sales of JPY660 billion, and operating income of JPY66 billion, which remain unchanged.

Other management indicators are as shown on this slide.

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### 3. FY22 Forecast

## Segment



(in billion yen) Announced date(m/d/y)		1-2Q				1-4Q			
		FY21	FY22 Plan	Change	Change %	FY21	FY22 Plan	Change	Change %
		a	b Feb/14/22	b-a		c	d Feb/14/22	d-c	
<b>Total</b>	Orders	344.9	349.3	+4.3	+1.3%	771.4	692.5	-78.9	-10.2%
	Revenue	274.1	317.3	+43.1	+15.7%	603.2	660.0	+56.7	+9.4%
	Operating Profit	24.6	24.6	-0.0	-0.4%	61.3	66.0	+4.6	+7.5%
	OP Ratio	9.0%	7.8%	-1.2pts		10.2%	10.0%	-0.2pts	
<b>FMS Business</b>	Orders	165.4	175.0	+9.5	+5.7%	354.8	349.0	-5.8	-1.6%
	Revenue	162.8	171.0	+8.1	+5.0%	336.9	347.0	+10.0	+3.0%
	Operating Profit	13.2	11.0	-2.2	-16.9%	24.7	25.5	+0.7	+2.8%
	OP Ratio	8.1%	6.4%	-1.7pts		7.4%	7.3%	-0.1pts	
<b>EP Business</b>	Orders	61.6	45.0	-16.6	-27.0%	129.4	90.0	-39.4	-30.5%
	Revenue	31.3	35.0	+3.6	+11.6%	71.8	71.5	-0.3	-0.5%
	Operating Profit	2.8	2.0	-0.8	-29.4%	5.6	5.0	-0.6	-11.2%
	OP Ratio	9.0%	5.7%	-3.3pts		7.8%	7.0%	-0.8pts	
<b>PM Business</b>	Orders	116.8	128.5	+11.6	+9.9%	285.4	252.0	-33.4	-11.7%
	Revenue	79.0	110.5	+31.4	+39.8%	192.7	240.0	+47.2	+24.5%
	Operating Profit	8.9	12.0	+3.0	+34.8%	28.0	36.0	+7.9	+28.4%
	OP Ratio	11.3%	10.9%	-0.4pts		14.5%	15.0%	+0.5pts	
<b>Others, Adjustment</b>	Orders	0.9	0.8	-0.1	-13.3%	1.7	1.5	-0.2	-15.5%
	Revenue	0.8	0.8	-0.0	-6.3%	1.6	1.5	-0.1	-7.2%
	Operating Profit	-0.2	-0.4	-0.1	-	2.9	-0.5	-3.4	-
	OP Ratio	-34.2%	-50.0%	-15.8pts		180.1%	-33.3%	-213.4pts	

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## 4. Appendix

### Cash Flows



P.Plan= Prior Plan

(in billion yen)	1Q			1-4Q			
	FY21	FY22	Change	FY21	FY22 P.Plan Feb/14/22	FY22 Plan May/12/22	Change
Announced date(m/d/y)	a	b	b-a	c		d	d-c
CF from operating activities	24.3	6.7	-17.6	72.8	75.0	65.0	-7.8
CF from investing activities	-9.7	-6.5	+3.1	-31.3	-48.0	-48.0	-16.6
FCF	14.6	0.2	-14.4	41.4	27.0	17.0	-24.4
CF from financing activities	-1.7	-21.0	-19.3	-29.4	-24.0	-24.0	+5.4

The cash flow plan has been revised slightly since we are seeing a trend of working capital growth that is greater than we had expected at the beginning of the fiscal year.

As shown on page 18, cash flow from operating activities has been revised downward from the beginning of the fiscal year.

With regard to the forecast of business performance, we will revise it as necessary and disclose it promptly in the event of major changes in business performance, while keeping a close eye on the future business environment.

That is all from me.

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