

Translation

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Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Under Japanese GAAP)

November 5, 2024

Company name: EBARA JITSUGYO CO.,LTD.
 Listing: Tokyo Stock Exchange
 Securities code: 6328 URL: <https://www.ejk.co.jp/>
 Representative: President and COO Takashi Ishii
 Senior Managing Executive Officer, Shuji Ohno
 Head of Planning & Strategy Office TEL: +81-3-5565-2885
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the nine months ended September 30, 2024 (from January 1, 2024 to September 30, 2024)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30, 2024	26,600	(2.0)	3,031	1.7	3,175	3.3	2,174	2.1
Nine months ended September 30, 2023	27,141	21.2	2,980	36.0	3,074	32.4	2,129	23.6

Note: Comprehensive income For the nine months ended September 30, 2024: ¥2,421 million [(7.2%)]
 For the nine months ended September 30, 2023: ¥2,608 million [–%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended September 30, 2024	181.91		–	
Nine months ended September 30, 2023	178.33		–	

(2) Consolidated financial position

	Total assets		Net assets		Equity-to-asset ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2024	39,629		22,502		56.8	
As of December 31, 2023	41,917		21,028		50.2	

Reference: Equity As of September 30, 2024: ¥22,502 million
 As of December 31, 2023: ¥21,028 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended December 31, 2023	–	42.50	–	42.50	85.00
Year ending December 31, 2024	–	47.50	–		
Year ending December 31, 2024 (Forecast)				47.50	95.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast of consolidated financial results for the year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	38,000	4.7	4,050	0.6	4,200	0.9	3,150	0.3	263.86	

Note: Revisions to the forecast of consolidated financial results most recently announced: None

4. Notes

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- Changes in accounting policies due to revisions to accounting standards and other regulations: None
- Changes in accounting policies due to other reasons: None
- Changes in accounting estimates: None
- Restatement: None

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2024	12,930,000 shares	As of December 31, 2023	12,930,000 shares
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Number of treasury shares at the end of the period

As of September 30, 2024	949,254 shares	As of December 31, 2023	995,144 shares
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Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Nine months ended September 30, 2024	11,953,747 shares	Nine months ended September 30, 2023	11,941,267 shares
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Note: Effective May 12, 2021, Ebara Jitsugyo Co., Ltd. (the "Company") introduced a Trust-type Employee Stock Ownership Plan (ESOP); therefore, the Company's stock held by the Trust is included in the number of treasury stock deducted in the calculation of the "Number of treasury shares at the end of the period" and the "Average number of shares outstanding during the period."

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

The forecasts and other forward-looking statements of the Company Group contained in this document are based on information currently available and reasonable assumptions regarding economic conditions, market trends, and other factors at the time of this document's announcement and are subject to change due to various factors that may arise in the future. For information on the assumptions used to forecast financial results and precautionary statements when using the forecast of financial results, please refer to "1. Business Results and Others (3) Forecasts of Consolidated Business Results and Others" on page 3 of the accompanying document.

* Method of obtaining supplementary materials for financial results, etc.

Supplementary materials for financial results are disclosed on TDnet the same day and posted on the Company's website.

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1. Business Results and Others

(1) Cumulative Business Results for Q3

During the first nine months of the fiscal year 2024 (January 1, 2024 to September 30, 2024), the Japanese economy saw slow consumption activities, although a moderate recovery continued with improvements in corporate capital investments and in the employment/income environments. In addition, the economic outlook remained uncertain due to downside risks stemming from rising domestic prices and changes in the situation overseas.

In the environmental equipment and machinery industry where the Company operates, the public sector experienced stable demand for the renewal and maintenance of water infrastructure facilities and for work on disaster prevention and mitigation for rainwater drainage facilities, while the private sector saw strong capital investment.

In this business environment, the Company Group aimed to improve its corporate value by focusing on the three core areas of disaster prevention and mitigation, storage batteries, and the fisheries business, under the following basic policy:

- Create new businesses / accelerate new product development;
- Expand business domains; and
- Establish a stable revenue base.

As a result, in the first nine months of the fiscal year 2024, the Company recorded ¥30,271 million in orders received (down 1.7% year on year), ¥26,600 million in net sales (down 2.0% year on year), ¥3,031 million in operating profit (up 1.7% year on year), ¥3,175 million in ordinary profit (up 3.3% year on year), and ¥2,174 million in profit attributable to owners of parent (up 2.1% year on year).

The following shows segment-specific information.

Manufacturing

In the Manufacturing segment that manufactured and sold environment-related products, the Company posted ¥5,473 million in orders received, up 4.6% year on year, reflecting the increased demand for deodorizing-related products and land-based aquaculture facilities, despite a sluggish recovery in demand for ozone monitors for semiconductor manufacturing equipment and a falloff in demand for infectious disease control equipment. Net sales fell 10.3% year on year to ¥4,921 million due to a decline in sales of infectious disease control equipment and storage batteries for industrial use, although net sales of deodorizing facilities and materials and wastewater plant equipment were strong. Segment profit shrank 16.1% year on year to ¥946 million due to the smaller net sales.

Engineering

In the Engineering segment that designed and constructed waterworks and sewerage facilities, orders received fell 8.4% year on year to ¥15,889 million in reaction to orders for large projects in the previous fiscal year, although there was stable demand for the renewal and maintenance of water infrastructure facilities as well as demand for disaster prevention and mitigation, such as for rainwater drainage facilities. Meanwhile, the Company posted net sales of ¥13,505 million, up 0.4% year on year, due to the steady progress of construction works. Segment profit rose 11.8% year on year to ¥1,847 million on the back of an increase in the gross profit margin.

Trading

In the Trading segment that mainly sold pumps, freezers, and air-conditioning equipment as a trading company, private-sector capital investment remained strong. The segment's orders received rose 8.5% year on year to ¥8,908 million on the back of increased demand for heat source equipment for air conditioning. In contrast, net sales decreased 0.4% year on year to ¥8,174 million due to the impact of a small backlog of orders at the beginning of the period. Segment profit rose 6.3% year on year to ¥1,128 million on the back of an increase in the gross profit margin.

The orders received by each segment during the first nine months of the period under review were as follows.

Segment	Orders received (millions of yen)	Comparison with Q3 FY2023 (%)	Orders backlog (millions of yen)	Comparison with Q3 FY2023 (%)
Manufacturing	5,473	104.6	4,665	109.4
Engineering	15,889	91.6	23,934	107.4
Trading	8,908	108.5	6,493	102.1
Total	30,271	98.3	35,092	106.7

(2) Quarterly Financial Position

The Company Group's total assets at the end of the period under review (September 30, 2024) was ¥39,629 million, a decrease of ¥2,288 million from the end of the previous fiscal year (December 31, 2023). This was mainly due to a ¥1,848 million increase in cash and deposits and a ¥4,947 million decrease in notes receivable, accounts receivable, and contract assets as a result of the collection of accounts receivable. It also reflected a ¥362 million increase in investment securities due to the rising market value of the Company's investment securities.

Total liabilities at the end of the period under review was ¥17,126 million, a decrease of ¥3,762 million from the end of the previous fiscal year. This was mainly due to a ¥2,411 million decrease in notes and accounts payable-trade as a result of the payment of trade payables. It also reflected a ¥903 million decrease in contract liabilities.

Total net assets at the end of the period under review was ¥22,502 million, an increase of ¥1,473 million from the end of the previous fiscal year. This was largely attributable to an increase of ¥2,174 million due to the posting of profit attributable to owners of parent and an increase of ¥251 million in valuation difference on available-for-sale securities due to the rising market value of the Company's investment securities, although there was a drop of ¥1,077 million resulting from the use of retained earnings for dividend payment.

(3) Forecasts of Consolidated Business Results and Others

There is no change to our forecasts of the consolidated business results for the fiscal year ending December 31, 2024 which we announced in the Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 dated February 9, 2024.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	14,497	16,346
Notes and accounts receivable - trade, and contract assets	14,273	9,326
Merchandise and finished goods	1,285	1,416
Work in process	371	410
Costs on construction contracts in progress	130	112
Raw materials and supplies	536	591
Other	270	555
Allowance for doubtful accounts	(1)	(1)
Total current assets	31,364	28,758
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,801	3,845
Accumulated depreciation	(2,130)	(2,211)
Buildings and structures, net	1,671	1,633
Machinery, equipment and vehicles	215	220
Accumulated depreciation	(175)	(184)
Machinery, equipment and vehicles, net	40	35
Tools, furniture and fixtures	767	787
Accumulated depreciation	(648)	(666)
Tools, furniture and fixtures, net	119	120
Land	1,356	1,356
Construction in progress	3	16
Other	34	34
Accumulated depreciation	(4)	(9)
Other, net	29	24
Total property, plant and equipment	3,220	3,188
Intangible assets	95	105
Investments and other assets		
Investment securities	5,889	6,251
Insurance funds	429	468
Investment property, net	646	633
Deferred tax assets	58	22
Other	318	306
Allowance for doubtful accounts	(104)	(104)
Total investments and other assets	7,237	7,577
Total non-current assets	10,553	10,871
Total assets	41,917	39,629

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,588	10,177
Short-term borrowings	1,010	1,010
Current portion of long-term borrowings	80	32
Income taxes payable	838	247
Accrued consumption taxes	275	197
Contract liabilities	3,132	2,228
Provision for bonuses	–	388
Provision for loss on construction contracts	25	4
Other	1,049	821
Total current liabilities	19,000	15,106
Non-current liabilities		
Deferred tax liabilities	1,247	1,466
Provision for retirement benefits for directors (and other officers)	158	158
Retirement benefit liability	260	199
Other	222	194
Total non-current liabilities	1,889	2,019
Total liabilities	20,889	17,126
Net assets		
Shareholders' equity		
Share capital	1,001	1,001
Capital surplus	844	896
Retained earnings	17,814	18,905
Treasury shares	(1,943)	(1,858)
Total shareholders' equity	17,717	18,944
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,294	3,545
Remeasurements of defined benefit plans	17	12
Total accumulated other comprehensive income	3,311	3,558
Total net assets	21,028	22,502
Total liabilities and net assets	41,917	39,629

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

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	27,141	26,600
Cost of sales	18,889	18,091
Gross profit	8,252	8,508
Selling, general and administrative expenses	5,272	5,476
Operating profit	2,980	3,031
Non-operating income		
Interest income	0	0
Dividend income	84	90
Rental income from investment property	72	77
Other	18	18
Total non-operating income	175	186
Non-operating expenses		
Interest expenses	3	5
Rental expenses on real estate	39	32
Commission expenses	24	0
Foreign exchange losses	12	3
Other	0	1
Total non-operating expenses	80	42
Ordinary profit	3,074	3,175
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	3,074	3,175
Income taxes - current	1,052	854
Income taxes - deferred	(107)	146
Total income taxes	945	1,001
Profit	2,129	2,174
Profit attributable to owners of parent	2,129	2,174

Consolidated Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	2,129	2,174
Other comprehensive income		
Valuation difference on available-for-sale securities	471	251
Remeasurements of defined benefit plans, net of tax	7	(4)
Total other comprehensive income	478	246
Comprehensive income	2,608	2,421
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,608	2,421
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes on the Quarterly Consolidated Financial Statements

(Notes on Segment data, etc.)

I First Nine Months of Fiscal Year 2023 (January 1, 2023 to September 30, 2023)

1. Net sales and profit/loss of each reporting segment and breakdown of revenue

(In millions of yen)

	Reporting segments			Total	Adjustment (Note 1)	Amount on quarterly consolidated statements of income (Note 2)
	Manufacturing	Engineering	Trading			
Net sales						
Public sector	2,332	12,793	1,031	16,156	-	16,156
Private sector	3,152	656	7,176	10,984	-	10,984
Revenue from customer contracts	5,484	13,449	8,208	27,141	-	27,141
Other revenue	-	-	-	-	-	-
Net sales to external customers	5,484	13,449	8,208	27,141	-	27,141
Internal net sales or transfers between segments	-	-	-	-	-	-
Total	5,484	13,449	8,208	27,141	-	27,141
Segment profit	1,127	1,652	1,062	3,842	(861)	2,980

(Notes)

1. The adjustment to segment profit mainly represents general and administrative expenses that do not belong to the reporting segments.
2. Segment profits are adjusted for operating profit posted on the quarterly consolidated statements of income.

2. Impairment loss or goodwill on non-current assets of the reporting segments

Not applicable.

II First Nine Months of Fiscal Year 2024 (January 1, 2024 to September 30, 2024)

1. Net sales and profit/loss of each reporting segment and breakdown of revenue

(In millions of yen)

	Reporting segments			Total	Adjustment (Note 1)	Amount on quarterly consolidated statements of income (Note 2)
	Manufacturing	Engineering	Trading			
Net sales						
Public sector	2,359	13,186	1,441	16,988	-	16,988
Private sector	2,561	318	6,732	9,612	-	9,612
Revenue from customer contracts	4,921	13,505	8,174	26,600	-	26,600
Other revenue	-	-	-	-	-	-
Net sales to external customers	4,921	13,505	8,174	26,600	-	26,600
Internal net sales or transfers between segments	-	-	-	-	-	-
Total	4,921	13,505	8,174	26,600	-	26,600
Segment profit	946	1,847	1,128	3,922	(890)	3,031

(Notes)

1. The adjustment to segment profit mainly represents general and administrative expenses that do not belong to the reporting segments.
2. Segment profits are adjusted for operating profit posted on the quarterly consolidated statements of income.

2. Impairment loss or goodwill on non-current assets of the reporting segments

Not applicable.

(Note on significant change in shareholders' equity)

Not applicable.

(Note on going concern assumption)

Not applicable.

(Note on quarterly consolidated statement of cash flow)

The Company has not prepared a quarterly consolidated statement of cash flow for the nine months ended September 30, 2024. The following shows depreciation (including amortization of intangible assets other than goodwill) for the nine months ended September 30, 2024.

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation	¥177 million	¥188 million

(Additional information)

Trust-type Employee Stock Ownership Plan (ESOP)

In its Board of Directors meeting held on April 20, 2021, the Company resolved to dispose of its treasury stock (hereinafter, the "Treasury Stock Disposal") through private placement following the introduction of a Trust-type Employee Stock Ownership Plan (ESOP) (hereinafter, the "Plan").

The Plan is available to the Company Group employees (hereinafter, the "Eligible Employees") who are the members of the Ebara Jitsugyo Employee Stock Ownership Association (hereinafter, the "Association"). The Company has established the Employee Stock Ownership Association Trust (a trust that is created for the benefits of beneficiaries who are not the trustor) (hereinafter, the "Trust") with the Eligible Employees who satisfy certain requirements as its beneficiaries.

The Trust used the funds raised through bank borrowings to acquire at once the number of Company shares that the Association was expected to acquire over a period of approximately five years after signing a trust agreement. The Company provides a guarantee to the said borrowings obtained by the Trust.

Under the Plan, the Association will purchase Company shares from the Trust. If the Trust accumulates an amount equivalent to sales gains through the acquisition of Company shares by the Association, the said amount will be distributed to the Eligible Employees who are beneficiaries of the Trust at the expiry of the Trust. On the other hand, if the Trust is unable to fully repay its borrowings due to a fall in the Company's share price, the Company will repay the remaining debts to the lending banks. In this case, the Eligible Employees will not be held liable for the repayment of the debts. The Company transferred 60,606 shares of its treasury stock (121,212 shares after the share split) to the Trust as of May 12, 2021.

For the accounting treatment of the Treasury Stock Disposal, the Company and the Trust are deemed as one entity. As such, the Company shares held by the Trust and the assets and liabilities of the Trust are posted as part of the Company's quarterly consolidated balance sheet.

The number and book value of the Company shares (of treasury stock) held by the Trust were 30,100 shares and ¥74 million in the previous consolidated fiscal year and 9,100 shares and ¥22 million in the quarterly consolidated accounting period under review.