

Translation

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Six Months Ended June 30, 2024 (Under Japanese GAAP)

August 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,
 Inquiries: Head of Planning & Strategy Office Shuji Ohno TEL: +81-3-5565-2885
 Scheduled date to file semi-annual securities report: August 9, 2024
 Scheduled date to commence dividend payments: September 4, 2024
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

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

1. Consolidated financial results for the six months ended June 30, 2024 (from January 1, 2024 to June 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	%
Six months ended June 30, 2024	19,100	(7.3)	2,610	(3.0)	2,712	(1.5)	1,848	(3.2)
Six months ended June 30, 2023	20,599	22.1	2,690	21.1	2,754	19.3	1,908	12.0

Note: Comprehensive income For the six months ended June 30, 2024: ¥2,544 million [2.8%]

For the six months ended June 30, 2023: ¥2,475 million [-%]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2024	154.75		-	
Six months ended June 30, 2023	159.67		-	

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	44,455	23,136	52.0
As of December 31, 2023	41,917	21,028	50.2

Reference: Equity As of June 30, 2024: ¥23,136 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	Yen	Yen	Yen	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 semi-annual 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 June 30, 2024	12,930,000 shares	As of December 31, 2023	12,930,000 shares
---------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of June 30, 2024	968,812 shares	As of December 31, 2023	995,144 shares
---------------------	----------------	-------------------------	----------------

Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2024	11,943,374 shares	Six months ended June 30, 2023	11,952,221 shares
--------------------------------	-------------------	--------------------------------	-------------------

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 (interim period)."

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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.

○Attachment: Table of Contents

1. Business Results and Others	2
(1) Interim Business Results	2
(2) Interim Financial Position	3
(3) Forecasts of Consolidated Business Results and Others	3
2. Consolidated Interim Financial Statements and Main Notes	4
(1) Consolidated Interim Balance Sheet	4
(2) Consolidated Interim Statements of Income and Consolidated Interim Statements of Comprehensive Income	6
(3) Consolidated Interim Statement of Cash Flow	8
(4) Notes on the Consolidated Interim Financial Statements	9
(Notes on Segment data, etc.)	9
(Note on significant change in shareholders' equity)	10
(Note on going concern assumption)	10
(Additional information)	10

1. Business Results and Others

(1) Interim Business Results

During the first half of the fiscal year 2024 (January 1, 2024, to June 30, 2024), the Japanese economy continued to see a moderate recovery with improvements in capital investments and the employment/income environments on the back of solid corporate performance. Meanwhile, the economic outlook remained uncertain due to the effects of soaring domestic prices, the depreciation of the Japanese yen, and downside risks stemming from changes in the situation overseas.

The environmental equipment and machinery industry where the Company operates, experienced stable demand in the public sector for the renewal and maintenance of water infrastructure facilities and disaster prevention and mitigation for rainwater drainage facilities, while capital investment remained steady in the private sector.

In this business environment, the Company Group aimed to improve its corporate value by focusing on 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 half of the fiscal year 2024, the Company recorded ¥19,316 million in orders received (up 2.8% year on year), ¥19,100 million in net sales (down 7.3% year on year), ¥2,610 million in operating profit (down 3.0% year on year), ¥2,712 million in ordinary profit (down 1.5% year on year), and ¥1,848 million in profit attributable to owners of parent (down 3.2% year on year).

The following shows segment-specific information.

Manufacturing

In the Manufacturing segment that manufactured and sold environment-related products, the Company posted ¥4,018 million in orders received for the whole segment, up 3.8% year on year, reflecting the increased demand for land-based aquaculture facilities and wastewater plant 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 14.8% to ¥3,471 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 solid. Segment profit shrank 16.6% year on year to ¥748 million due to the smaller net sales.

Engineering

In the Engineering segment that designed and constructed waterworks and sewerage facilities, there was stable demand for the renewal and maintenance of water infrastructure facilities as well as demand for disaster prevention and mitigation, such as rainwater drainage facilities. The Company posted ¥9,271 million in orders received, down 3.9% year on year, and net sales of ¥9,908 million, down 4.2% year on year, due to the extended construction period resulting from an increase in large projects. Segment profit rose 11.4% year on year to ¥1,700 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, while the effects of prolonged delivery times for equipment and other factors began to ease. The segment's orders received rose 14.5% year on year to ¥6,026 million on the back of increased capital investment in the semiconductor industry and other factories. In contrast, net sales decreased 7.5% year on year to ¥5,719 million due to the impact of a small backlog of orders at the beginning of the period. Segment profit fell 8.1% year on year to ¥759 million on the back of a decrease in net sales.

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

Segment	Orders received (millions of yen)	Comparison with 2Q FY2023 (%)	Orders backlog (millions of yen)	Comparison with 2Q FY2023 (%)
Manufacturing	4,018	103.8	4,659	108.1
Engineering	9,271	96.1	20,912	118.2
Trading	6,026	114.5	6,066	111.6
Total	19,316	102.8	31,637	115.3

(2) Interim Financial Position

(i) Financial Position

The Company Group's total assets as of the end of the first half of the period under review (June 30, 2024) was ¥44,455 million, an increase of ¥2,537 million from the end of the previous consolidated fiscal year (December 31, 2023). This was mainly due to a ¥6,709 million increase in cash and deposits and a ¥4,993 million decrease in notes and accounts receivable-trade and contract assets as a result of the collection of accounts receivable toward the end of the interim consolidated accounting period, as the Company Group's sales to the public sector account for a high percentage of its total sales, which is a normal business pattern and a high percentage of sales recorded in the first quarter of the current consolidated accounting period. It also reflected a ¥1,008 million increase in investment securities due to the rising market value of the Company's investment securities.

Total liabilities at the end of the first half of the period under review was ¥21,318 million, an increase of ¥429 million from the end of the previous consolidated fiscal year. This mainly reflected a ¥481 million increase in notes and accounts payable-trade.

Total net assets at the end of the first half of the period under review were ¥23,136 million, an increase of ¥2,107 million from the end of the previous consolidated fiscal year. This was largely attributable to an increase of ¥1,848 million due to the posting of interim net profit attributable to owners of parent company, an increase of ¥699 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 ¥508 million resulting from the use of retained earnings for dividend payment.

(ii) Cash Flow

The Company Group's total cash and cash equivalents as of the end of the first half of the period under review (June 30, 2024) was ¥20,492 million, an increase of ¥6,638 million from the end of the previous consolidated fiscal year (December 31, 2023). The status of each cash flow and contributing factors are as follows.

(Cash flows from operating activities)

Net cash gained from operating activities was ¥7,393 million (compared to ¥5,811 million gained in the same period of the previous year).

In addition to the recording of ¥2,712 million in net profit before taxes, a ¥4,993 million decrease in trade receivables and contract assets and a ¥481 million increase in trade payables contributed to an overall increase of ¥7,393 million in operating activities.

(Cash flows from investing activities)

Net cash used in investing activities was ¥215 million (compared to ¥288 million used in the same period of the previous year).

This was mainly due to expenditures of ¥77 million for the purchase of property, plant, and equipment as well as a decrease of ¥71 million in connection with the placement of restricted deposits.

(Cash flows from financial activities)

Net cash used in financial activities was ¥539 million (compared to ¥1,160 million used in the same period of the previous year).

This mainly consisted of ¥508 million in cash dividends paid.

(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. Consolidated Interim Financial Statements and Main Notes

(1) Consolidated Interim Balance Sheet

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	14,497	21,207
Notes and accounts receivable - trade, and contract assets	14,273	9,279
Merchandise and finished goods	1,285	1,154
Work in process	371	405
Costs on construction contracts in progress	130	96
Raw materials and supplies	536	573
Other	270	245
Allowance for doubtful accounts	(1)	(1)
Total current assets	31,364	32,961
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,801	3,844
Accumulated depreciation	(2,130)	(2,183)
Buildings and structures, net	1,671	1,661
Machinery, equipment and vehicles	215	216
Accumulated depreciation	(175)	(181)
Machinery, equipment and vehicles, net	40	35
Tools, furniture and fixtures	767	790
Accumulated depreciation	(648)	(666)
Tools, furniture and fixtures, net	119	124
Land	1,356	1,356
Construction in progress	3	–
Other	34	34
Accumulated depreciation	(4)	(7)
Other, net	29	26
Total property, plant and equipment	3,220	3,204
Intangible assets	95	98
Investments and other assets		
Investment securities	5,889	6,897
Insurance funds	429	454
Investment property, net	646	637
Deferred tax assets	58	13
Other	318	292
Allowance for doubtful accounts	(104)	(104)
Total investments and other assets	7,237	8,190
Total non-current assets	10,553	11,493
Total assets	41,917	44,455

(Millions of yen)

	As of December 31, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	12,588	13,069
Short-term borrowings	1,010	1,010
Current portion of long-term borrowings	80	32
Income taxes payable	838	784
Accrued consumption taxes	275	271
Contract liabilities	3,132	2,972
Provision for loss on construction contracts	25	5
Other	1,049	967
Total current liabilities	19,000	19,113
Non-current liabilities		
Deferred tax liabilities	1,247	1,630
Provision for retirement benefits for directors (and other officers)	158	158
Retirement benefit liability	260	219
Other	222	196
Total non-current liabilities	1,889	2,205
Total liabilities	20,889	21,318
Net assets		
Shareholders' equity		
Share capital	1,001	1,001
Capital surplus	844	863
Retained earnings	17,814	19,148
Treasury shares	(1,943)	(1,884)
Total shareholders' equity	17,717	19,128
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,294	3,993
Remeasurements of defined benefit plans	17	14
Total accumulated other comprehensive income	3,311	4,007
Total net assets	21,028	23,136
Total liabilities and net assets	41,917	44,455

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

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Net sales	20,599	19,100
Cost of sales	14,455	12,878
Gross profit	6,143	6,221
Selling, general and administrative expenses	3,453	3,611
Operating profit	2,690	2,610
Non-operating income		
Interest income	0	0
Dividend income	62	64
Rental income from investment property	48	51
Other	15	16
Total non-operating income	126	132
Non-operating expenses		
Interest expenses	2	3
Rental expenses on real estate	26	22
Commission expenses	24	–
Foreign exchange losses	7	3
Other	1	0
Total non-operating expenses	62	29
Ordinary profit	2,754	2,712
Extraordinary losses		
Loss on disposal of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	2,754	2,712
Income taxes - current	853	743
Income taxes - deferred	(8)	120
Total income taxes	845	864
Profit	1,908	1,848
Profit attributable to owners of parent	1,908	1,848

Consolidated Interim Statements of Comprehensive Income (cumulative)

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit	1,908	1,848
Other comprehensive income		
Valuation difference on available-for-sale securities	562	699
Remeasurements of defined benefit plans, net of tax	4	(3)
Total other comprehensive income	567	696
Comprehensive income	2,475	2,544
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,475	2,544
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Interim Statement of Cash Flow

(Millions of yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	2,754	2,712
Depreciation	114	125
Share-based payment expenses	19	19
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for loss on construction contracts	(6)	(19)
Increase (decrease) in retirement benefit liability	21	(44)
Interest and dividend income	(62)	(64)
Interest expenses	2	3
Loss (gain) on disposal of non-current assets	0	0
Decrease (increase) in trade receivables and contract assets	(1,198)	4,993
Decrease (increase) in inventories	141	93
Increase (decrease) in trade payables	3,212	481
Increase (decrease) in contract liabilities	848	(159)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	201	(4)
Other, net	29	36
Subtotal	6,078	8,172
Interest and dividends received	62	64
Interest paid	(2)	(3)
Proceeds from insurance income	–	13
Income taxes paid	(326)	(852)
Net cash provided by (used in) operating activities	5,811	7,393
Cash flows from investing activities		
Net decrease (increase) in forced deposits	(63)	(71)
Purchase of property, plant and equipment	(38)	(77)
Purchase of intangible assets	(38)	(21)
Purchase of investment securities	(199)	–
Proceeds from sale and redemption of investment securities	100	–
Purchase of investment property	–	(9)
Other, net	(48)	(36)
Net cash provided by (used in) investing activities	(288)	(215)
Cash flows from financing activities		
Repayments of long-term borrowings	(44)	(48)
Dividends paid	(516)	(508)
Repayments of lease liabilities	(3)	(6)
Purchase of treasury shares	(627)	–
Proceeds from disposal of treasury shares	31	22
Net cash provided by (used in) financing activities	(1,160)	(539)
Net increase (decrease) in cash and cash equivalents	4,362	6,638
Cash and cash equivalents at beginning of period	10,965	13,854
Cash and cash equivalents at end of period	15,327	20,492

(4) Notes on the Consolidated Interim Financial Statements

(Notes on Segment data, etc.)

I First Half of Fiscal Year 2023 (January 1, 2023 to June 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 consolidated interim statements of income (Note 2)
	Manufacturing	Engineering	Trading			
Net sales						
Public sector	1,761	9,868	822	12,451	-	12,451
Private sector	2,313	473	5,359	8,147	-	8,147
Revenue from customer contracts	4,074	10,342	6,182	20,599	-	20,599
Other revenue	-	-	-	-	-	-
Net sales to external customers	4,074	10,342	6,182	20,599	-	20,599
Internal net sales or transfers between segments	-	-	-	-	-	-
Total	4,074	10,342	6,182	20,599	-	20,599
Segment profit	897	1,525	825	3,249	(559)	2,690

(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 consolidated interim statements of income.

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

Not applicable.

II First Half of Fiscal Year 2024 (January 1, 2024 to June 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 consolidated interim statements of income (Note 2)
	Manufacturing	Engineering	Trading			
Net sales						
Public sector	1,815	9,646	1,141	12,603	-	12,603
Private sector	1,656	261	4,578	6,496	-	6,496
Revenue from customer contracts	3,471	9,908	5,719	19,100	-	19,100
Other revenue	-	-	-	-	-	-
Net sales to external customers	3,471	9,908	5,719	19,100	-	19,100
Internal net sales or transfers between segments	-	-	-	-	-	-
Total	3,471	9,908	5,719	19,100	-	19,100
Segment profit	748	1,700	759	3,208	(597)	2,610

(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 consolidated interim 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.

(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 consolidated interim balance sheet and the consolidated interim statement of cash flows.

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 15,500 shares and ¥38 million in the interim consolidated accounting period under review.