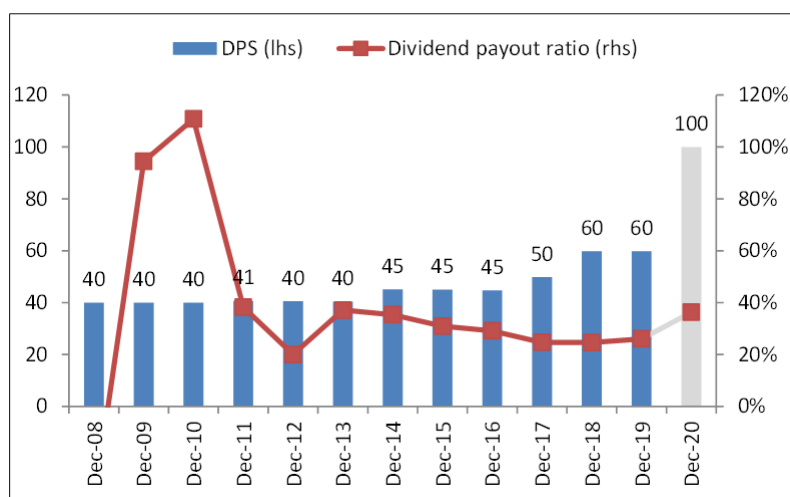


## Ebara Jitsugyo – 3<sup>rd</sup> Quarter update note

For the cumulative 3Q, the company posted an increase in Sales by 1.7% yoy and OPM by 39.1% yoy, as increased sales volume for Environmental Business and Water Plant Engineering Business as well as continued effort in focusing on the profitability for Water Plant Engineering Business pushed up earnings, despite of a 12% decline in the topline of Pump & HVAC Distribution Business which faced a constraint in its sales activity due to Covid-19.

Order Intake grew by 31.5%. In particular, Order Intake by Environmental Business grew by 108.2% thanks to surge in demand for air filtering unit products because of Covid-19 and for its products related to ZEB (Net Zero Energy Building), an environmental concept defined by Ministry of the Environment, such as solar electricity storage system and high efficiency air conditioner. They entered ZEB market in 2018. Also, Order Intake by Water Plant Engineering Business went up by 48.7%, as demand for both water treatment facility renewal and preventative measures investment for water-related disaster increased.

Given the favorable result, the company revised to increase its annual guidance on Sales by 1.8%, OPM by 33.3%, and Net Income by 27.6% from its original guidance. Additionally, they revised to increase annual guidance on DPS from JPY 60 to JPY 100, which is supposedly their response to our MBO letter. However, it should be noted that DPS of JPY 100 would be merely Payout Ratio of 36.3% based on the revised earnings guidance.



Share price: JPY3,510, Market cap: 23.1bil, Net cash: 13.6bil, PBR: 1.4x, ROE(Fwd): 13.3%, EV/EBITDA(Fwd): 3.6x, ROIC(10yr avg): 20.3%, PER(Fwd): 12.5x, Dividend Yield: 2.8%