

**Results Presentation for Fiscal Year**  
**Ended December 31, 2017**

**EBARA (6361)**

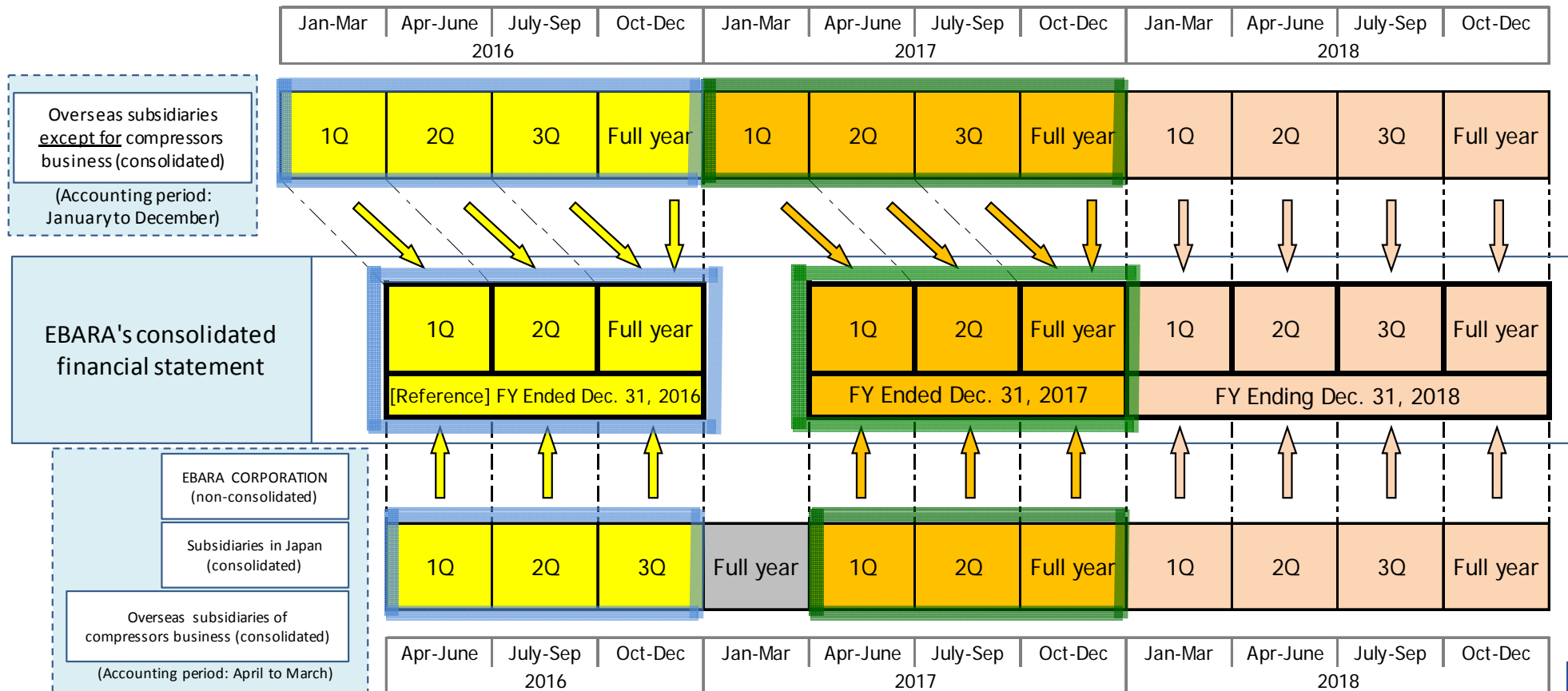
**February 15, 2018**



# 1. Summary of Results

## Change in Accounting Period

- ✓ Changed our accounting period from the end of March to the end of December
- ✓ The fiscal year ended December 31, 2017 is a transitional period, covering nine months from April 1, 2017 to December 31, 2017 of companies whose accounting period was originally April to March, and 12 months from January 1, 2017 to December 31, 2017 of companies whose accounting period was originally January to December.
- ✓ In this presentation, to compare results for the fiscal year ended December 31, 2017 (9 months) with the same period of the fiscal year ended December 31, 2016, we use reference values, combining March 31 year-end companies' 9-month results from April 1, 2016 to December 31, 2016 and December 31 year-end companies' 12-month results from January 1, 2016 to December 31, 2016.



# 1. Summary of Results

## Consolidated Results for Fiscal Year Ended December 31, 2017

(unit : ¥bn)

	[Reference] Fiscal Year Ended Dec. 31, 2016 (9 months)	Fiscal Year Ended Dec. 31, 2017 (9 months)	Change	Fiscal Year Ended Dec. 31, 2017 (Forecast*)	Change
Orders	385.4	413.5	+28.1	404.0	+9.5
Net Sales	350.2	381.9	+31.7	364.0	+17.9
Operating Income	11.4	18.1	+6.6	16.0	+2.1
Ordinary Income	9.5	16.5	+7.0	14.5	+2.0
Net Income attributable to owners of parent	7.3	9.5	+2.1	9.0	+0.5

Exchange Rate  
(Average)

[Reference]

1USD = 107.1 JPY

1USD = 112.3 JPY

1USD = 110 JPY

\* As of November 2017

In this material, "1Q" means 3 months cumulative, "2Q" means 6 months cumulative, "3Q" means 9 months cumulative, "4Q" means 12 months cumulative. From this page, figures are shown in billion yen unless stated.

# 1. Summary of Results

## Segmental Results for Fiscal Year Ended December 31, 2017

	Orders			Net Sales			Operating Income		
	[Reference] FY Ended Dec. 31, 2016 9 months	FY Ended Dec. 31, 2017 9 months	Change	[Reference] FY Ended Dec. 31, 2016 9 months	FY Ended Dec. 31, 2017 9 months	Change	[Reference] FY Ended Dec. 31, 2016 9 months	FY Ended Dec. 31, 2017 9 months	Change
FMS Business	231.5	251.9	+20.4	213.8	225.7	+11.9	-3.4	1.2	+4.6
EP Business	50.9	51.5	+0.5	45.7	47.6	+1.9	3.9	3.1	-0.8
PM Business	101.6	108.8	+7.1	89.4	107.3	+17.8	10.3	13.6	+3.3
Others, Adjustment	1.2	1.2	-0.0	1.2	1.2	-0.0	0.5	0.0	-0.5
<b>Total</b>	<b>385.4</b>	<b>413.5</b>	<b>+28.1</b>	<b>350.2</b>	<b>381.9</b>	<b>+31.7</b>	<b>11.4</b>	<b>18.1</b>	<b>+6.6</b>

FMS Business ... Fluid Machinery & Systems Business

EP Business ... Environmental Plants Business

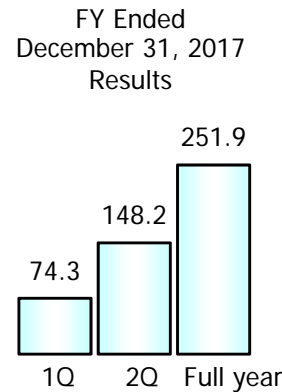
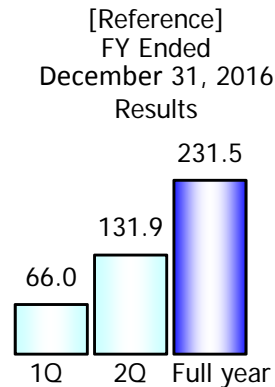
PM Business ... Precision Machinery Business

# 1. Summary of Results

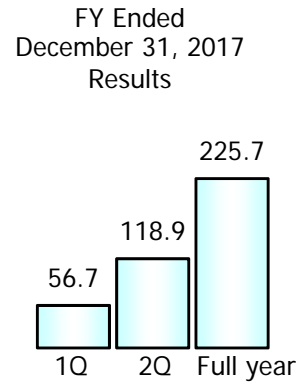
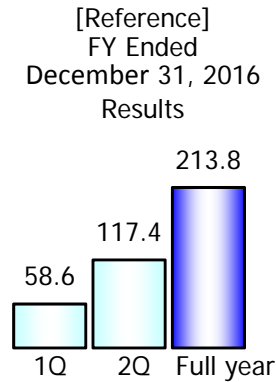
## FMS Results for Fiscal Year Ended December 31, 2017

### FMS Business

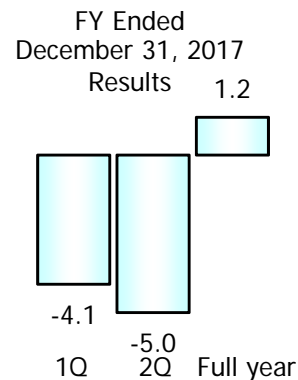
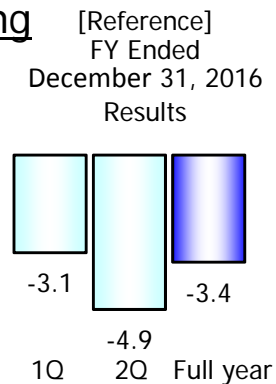
#### Orders



#### Sales



#### Operating Income



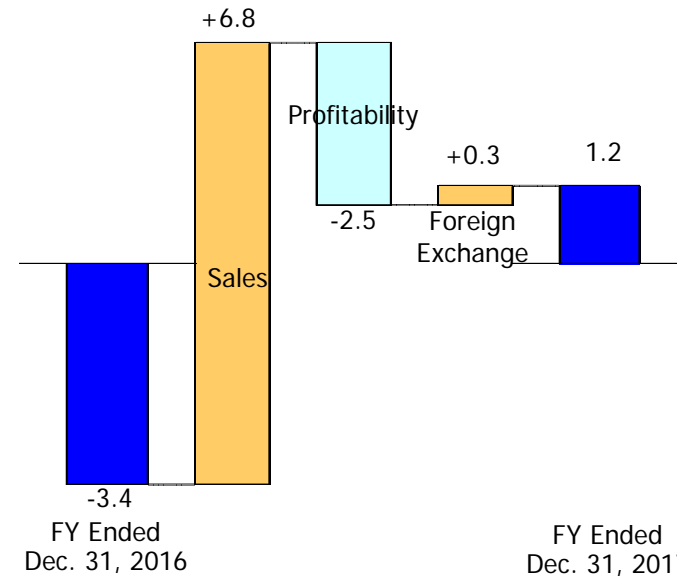
#### 【Orders, Sales】

- ✓ Standard pumps increased both in Japan and overseas
- ✓ In the compressors & turbines business, delay of customer's investment decision has partly bottomed out

#### 【Operating Income】

- ✓ Sales increased (+)
- ✓ Proportion of sales of service and support (S&S) business decreased (-)

#### Breakdown of Changes in Operating Income

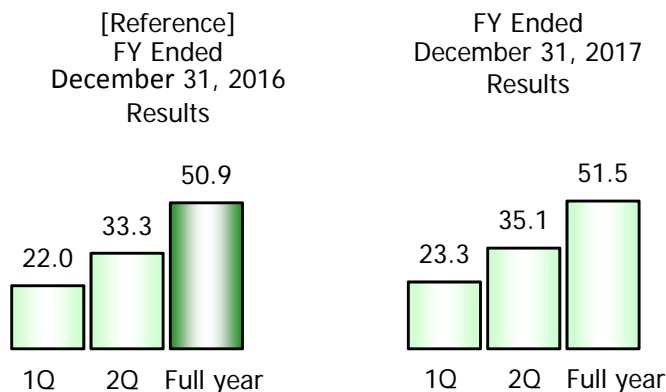


# 1. Summary of Results

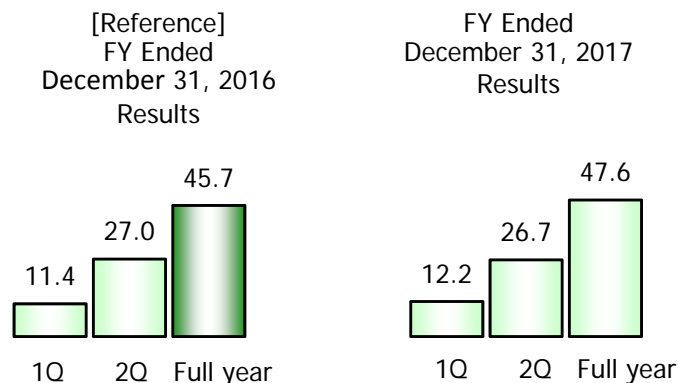
## EP Results for Fiscal Year Ended December 31, 2017

### EP Business

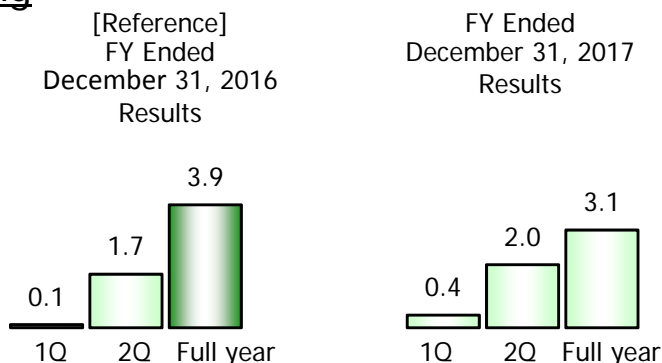
#### Orders



#### Sales



#### Operating Income



#### 【Orders】

✓ Progressed as usual

#### 【Sales】

✓ “Services to lengthen the lifetimes of aging facilities” decreased in Japan

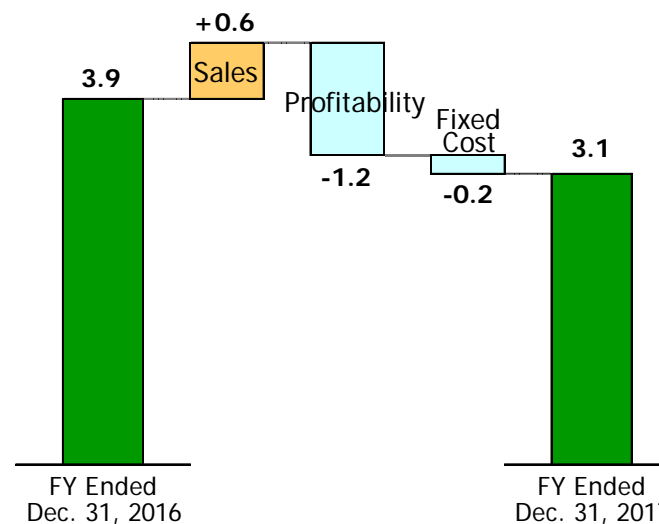
✓ Sales increased in a manufacturing subsidiary in China

#### 【Operating Income】

✓ Profitability deteriorated due to the decrease of “services to lengthen the lifetimes of aging facilities” (-)

✓ Allocated provisions for a long-term O&M project (-)

#### Breakdown of Changes in Operating Income

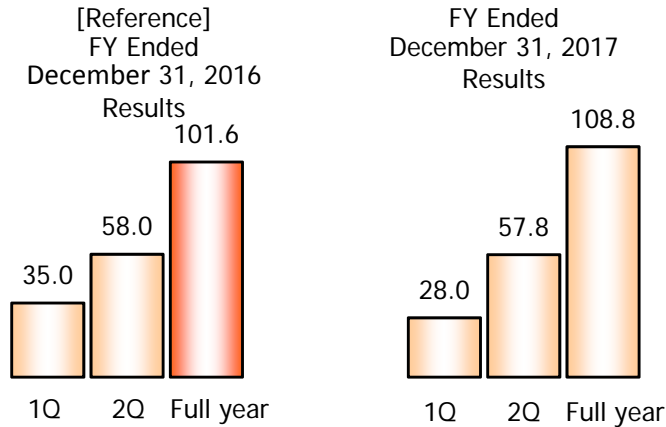


# 1. Summary of Results

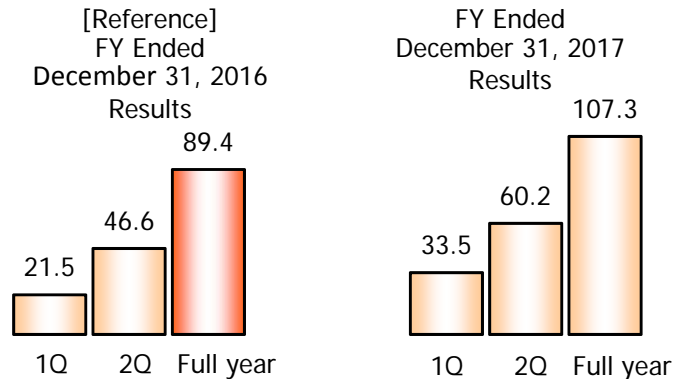
## PM Results for Fiscal Year Ended December 31, 2017

### PM Business

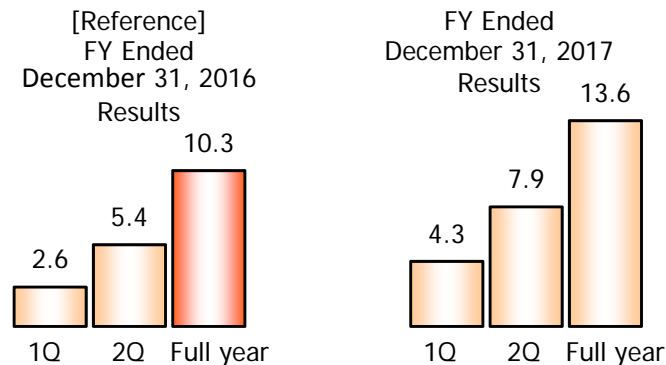
#### Orders



#### Sales



#### Operating Income



#### 【Orders】

✓ Customers' motivation for capital investment stays strong

#### 【Sales】

✓ Increased in both the CMP and the components businesses due to strong orders

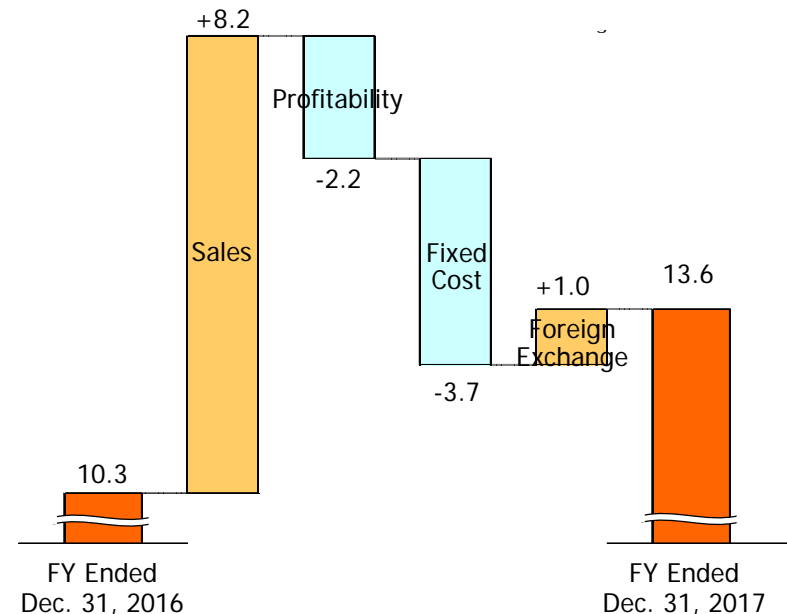
✓ Sales increased in a manufacturing subsidiary in China

#### 【Operating Income】

✓ Sales significantly increased (+)

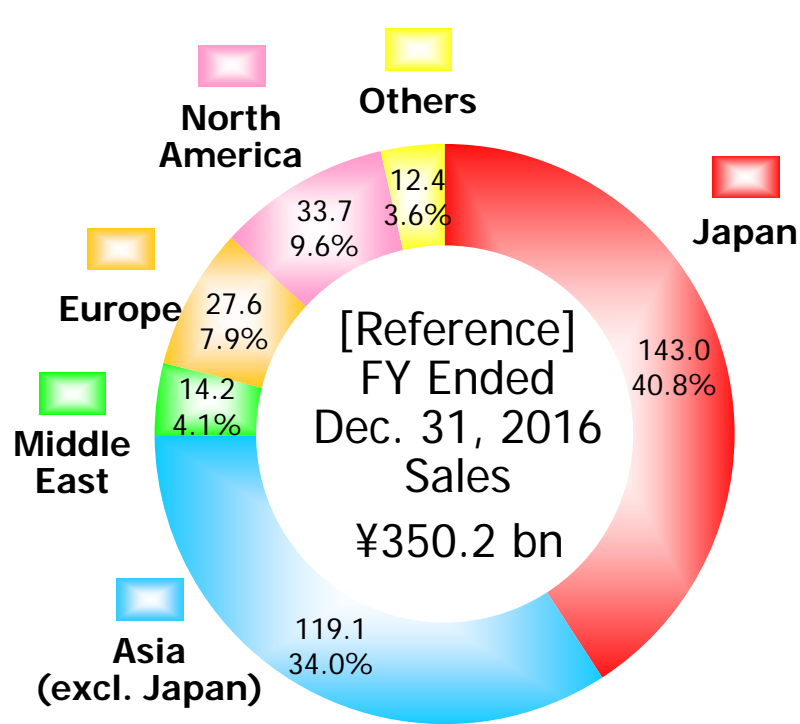
✓ Prior investment costs to develop and demonstrate machines and fixed costs mostly for expenses increased (-)

#### Breakdown of Changes in Operating Income



# 1. Summary of Results

## Sales Composition by Region

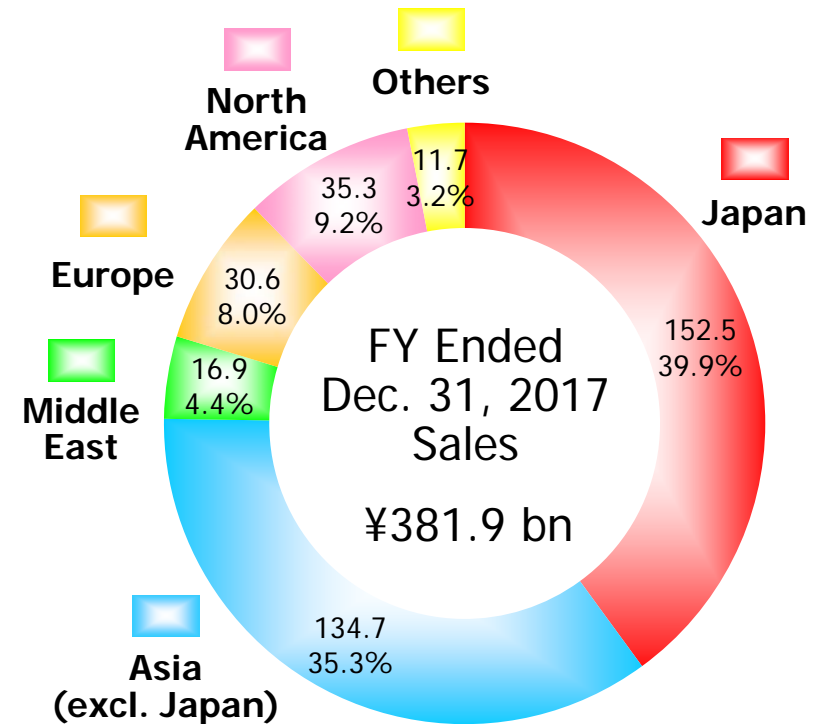


Overseas Sales

¥207.2 bn

Percentage of Overseas Sales to Sales

59.2%

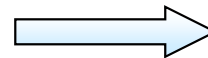


Overseas Sales

¥229.4 bn

Percentage of Overseas Sales to Sales

60.1%





# 1. Summary of Results

## Balance Sheet for Fiscal Year Ended December 31, 2017

(unit : ¥bn)

	As of March 31, 2017	As of December 31, 2017	Change		As of March 31, 2017	As of December 31, 2017	Change
<b>Current Assets</b>	<b>423.4</b>	<b>447.4</b>	<b>+24.0</b>	<b>Liabilities</b>	<b>310.9</b>	<b>328.1</b>	<b>+17.1</b>
Cash and deposits, Securities	92.8	140.8	+48.0	Notes and accounts payable-trade	120.0	119.6	-0.4
Notes and accounts receivable-trade	207.3	175.3	-32.0	Interest-bearing debt	96.5	114.5	+18.0
Inventories	97.3	109.5	+12.2	Others	94.3	93.9	-0.4
Others	25.8	21.7	-4.0	<b>Total Net Assets</b>	<b>277.5</b>	<b>284.7</b>	<b>+7.2</b>
<b>Fixed Assets</b>	<b>165.0</b>	<b>165.4</b>	<b>+0.3</b>	Shareholders' equity	277.4	280.9	+3.5
Tangible assets	110.1	110.2	+0.0	Accumulated other comprehensive income	-6.0	-3.0	+3.0
Intangible assets	13.2	12.0	-1.1	Subscription rights to shares	1.3	1.1	-0.1
Investments and others	41.6	43.1	+1.4	Non-controlling interests	4.7	5.6	+0.8
<b>Total Assets</b>	<b>588.4</b>	<b>612.9</b>	<b>+24.4</b>	<b>Total Liabilities and Net Assets</b>	<b>588.4</b>	<b>612.9</b>	<b>+24.4</b>

# 1. Summary of Results

## Financial Information for Fiscal Year Ended December 31, 2017

### Management Indicators

	FY Ended Mar. 31, 2017	FY Ended Dec. 31, 2017
	Results	Results
<b>ROIC</b>	<b>5.6%</b>	<b>2.5%</b>
ROE	8.0%	3.5%
Debt/equity ratio	0.36	0.41

### Cash Flows

	FY Ended Mar. 31, 2017	FY Ended Dec. 31, 2017	FY Ending Dec. 31, 2018
	Results	Results	Plan
Cash flows from operating activities	+33.8	+44.1	+36.0
Cash flows from investing activities	-18.5	-7.9	-25.0
<b>Free cash flow</b>	<b>+15.2</b>	<b>+36.2</b>	<b>+11.0</b>
Cash flows from financing activities	-15.1	+11.2	-14.6

(unit : ¥bn)

### Dividends per Share and Total Payout Ratio

	FY Ended Mar. 31, 2017	FY Ended Dec. 31, 2017	FY Ending Dec. 31, 2018
	Results	Results	Forecast
End of 2Q	6	30	30
End of fiscal year	30	15	30
Total	-	45	60
Total payout ratio	28.1%	48.0%	27.7%

(unit : Yen)

### Capital Expenditures, Depreciation and Amortization, R&D Expenses

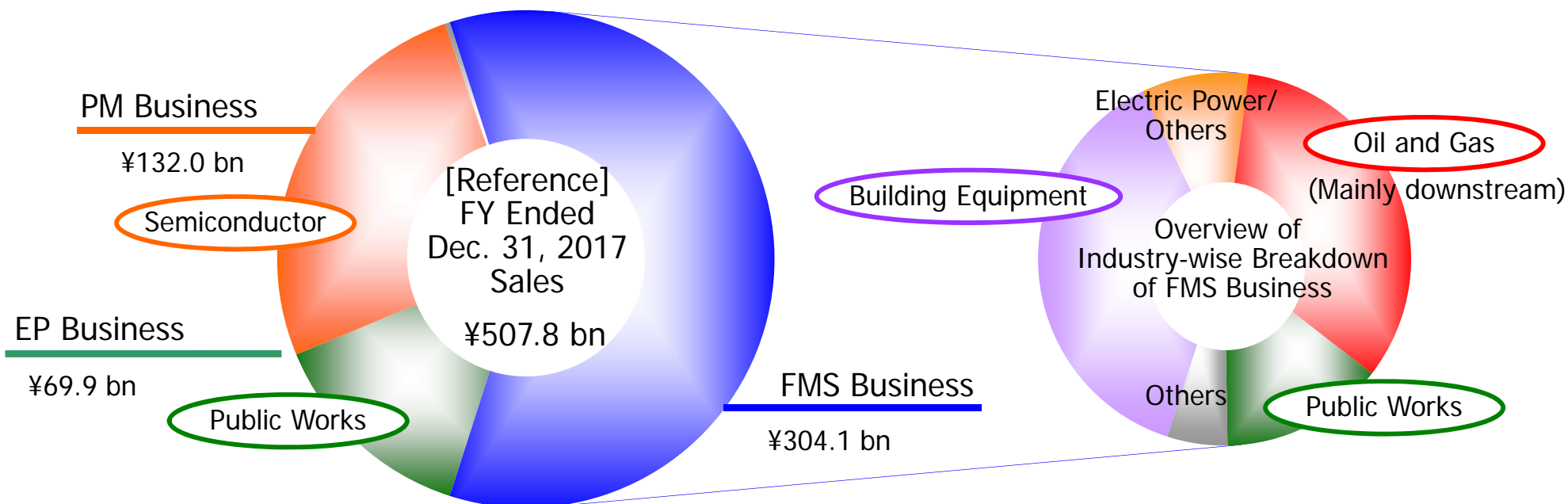
	FY Ended Mar. 31, 2017	FY Ended Dec. 31, 2017	FY Ending Dec. 31, 2018
	Results	Results	Plan
<b>CAPEX</b>	<b>22.6</b>	<b>12.3</b>	<b>23.0</b>
FMS	11.8	6.6	9.0
EP	1.1	0.4	0.5
PM	7.4	4.0	9.0
Others	2.3	1.2	4.5
<b>D&amp;A</b>	<b>13.7</b>	<b>11.8</b>	<b>15.0</b>
FMS	8.5	6.9	7.5
EP	0.4	0.4	0.5
PM	2.9	2.7	4.5
Others	1.8	1.7	2.5
<b>R&amp;D</b>	<b>8.7</b>	<b>7.2</b>	<b>13.0</b>
FMS	4.7	3.8	5.0
EP	0.2	0.3	0.5
PM	3.7	3.0	7.5

(unit : ¥bn)

\* We conducted a consolidation of common shares at a rate of one share for every five shares with an effective date of October 1, 2016. Consequently, the impact of this consolidation of shares is factored into the figures for the fiscal year-end cash dividends per share for the fiscal year ended March 31, 2017, and the total figures for annual cash dividends are omitted.

## 2. Projection and Management Strategy

### Business Environment of Fiscal Year Ending December 31, 2018



### Main Business Environment

- Oil and Gas** (Mainly downstream) → Oil prices rise and customers' capital investment is gradually recovering
- Public Works** → Investment on replacement or repair for infrastructure facilities is stable
- Building Equipment** → Domestic markets are stable and overseas are recovering
- Semiconductor** → Demand is stable at a high level

## 2. Projection and Management Strategy

### Summary of Projection for Fiscal Year Ending December 31, 2018

	[Reference] FY Ended December 31, 2017 (Results)	FY Ending December 31, 2018 (Plan)	Change
Orders	506.0	535.0	+28.9
Net Sales	507.8	505.0	-2.8
Operating Income	36.6	37.0	+0.3
Ordinary Income	35.4	36.0	+0.5
Net Income	22.7	22.0	-0.7

Exchange Rate  
(Average)

[Reference]  
1USD = 112 JPY

1USD = 110 JPY  
(assumed)

\* As a reference, we disclose 12 months results (non-audited) of the fiscal year ended December 31, 2017 (from January 1, 2017 to December 31, 2017) to compare with the projection for the fiscal year ending December 31, 2018 (from January 1, 2018 to December 31, 2018).

Overseas subsidiaries  
except for compressors  
business (consolidated)  
(Accounting period:  
January to December)

EBARA's consolidated  
financial statement

EBARA CORPORATION  
(non-consolidated)

Subsidiaries in Japan  
(consolidated)

Overseas subsidiaries of  
compressors business (consolidated)

(Accounting period: April to March)

Jan-Mar	Apr-June	July-Sep	Oct-Dec	Jan-Mar	Apr-June	July-Sep	Oct-Dec
2017				2018			

1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year
[Reference] FY Ended Dec. 31, 2017				FY Ending Dec. 31, 2018			

↓	↓	↓	↓	↓	↓	↓	↓
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1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year
[Reference] FY Ended Dec. 31, 2017				FY Ending Dec. 31, 2018			

↑	↑	↑	↑	↑	↑	↑	↑
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1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year
[Reference] FY Ended Dec. 31, 2017				FY Ending Dec. 31, 2018			

Jan-Mar	Apr-June	July-Sep	Oct-Dec	Jan-Mar	Apr-June	July-Sep	Oct-Dec
2017				2018			

## 2. Projection and Management Strategy

### Summary of Projection for Fiscal Year Ending December 31, 2018

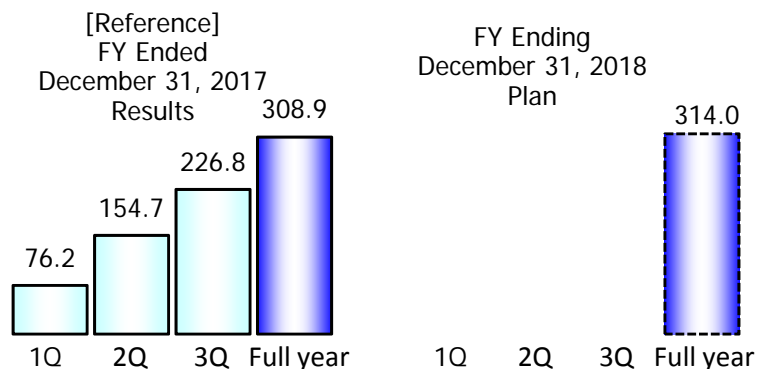
	Orders			Net Sales			Operating Income		
	[Reference] FY Ended Dec. 31, 2017 (Results)	FY Ending Dec. 31, 2018 (Plan)	Change	[Reference] FY Ended Dec. 31, 2017 (Results)	FY Ending Dec. 31, 2018 (Plan)	Change	[Reference] FY Ended Dec. 31, 2017 (Results)	FY Ending Dec. 31, 2018 (Plan)	Change
FMS Business	308.9	314.0	+5.0	304.1	314.0	+9.8	14.1	13.5	-0.6
EP Business	65.1	90.0	+24.8	69.9	60.0	-9.9	4.9	6.0	+1.0
PM Business	130.3	130.0	-0.3	132.0	130.0	-2.0	17.4	17.0	-0.4
Others, Adjustment	1.6	1.0	-0.6	1.6	1.0	-0.6	0.1	0.5	+0.3
Total	506.0	535.0	+28.9	507.8	505.0	-2.8	36.6	37.0	+0.3

## 2. Projection and Management Strategy

### FMS Projection for Fiscal Year Ending December 31, 2018

#### FMS Business

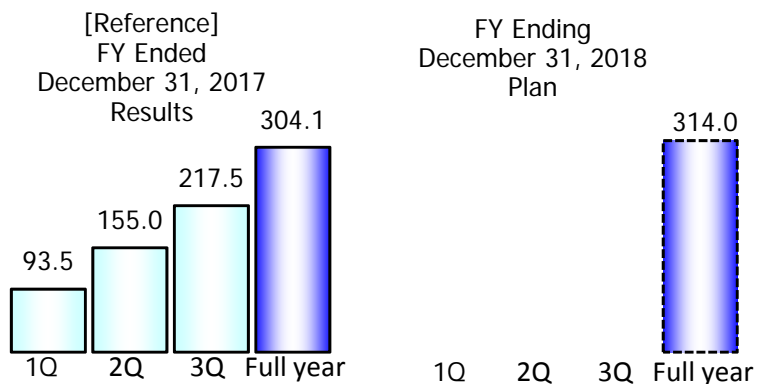
##### Orders



##### 【Orders】

- ✓ In the pumps business, standard pumps are expected to increase overseas
- ✓ The compressors & turbines business is on a gradual recovery trend

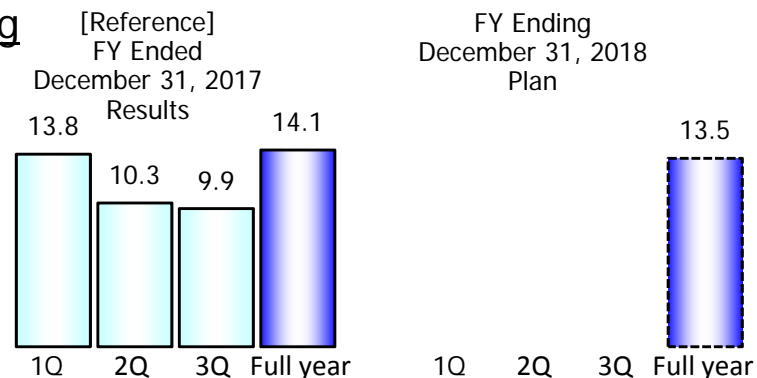
##### Sales



##### 【Sales, Operating Income】

- ✓ In the pumps business, sales and profit are expected to increase
- ✓ In the compressors & turbines business, profit improvement is slow

##### Operating Income

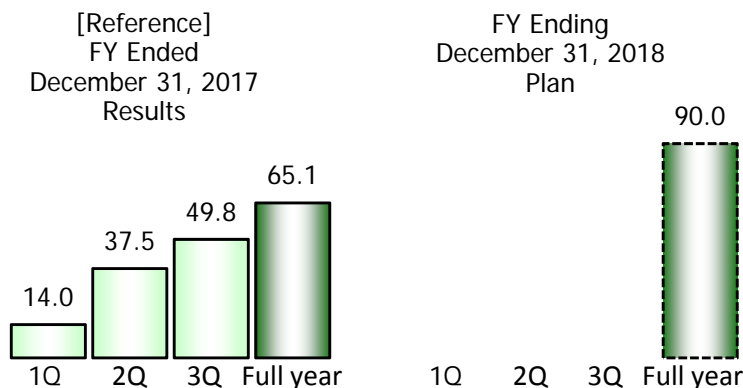


## 2. Projection and Management Strategy

### EP Projection for Fiscal Year Ending December 31, 2018

#### EP Business

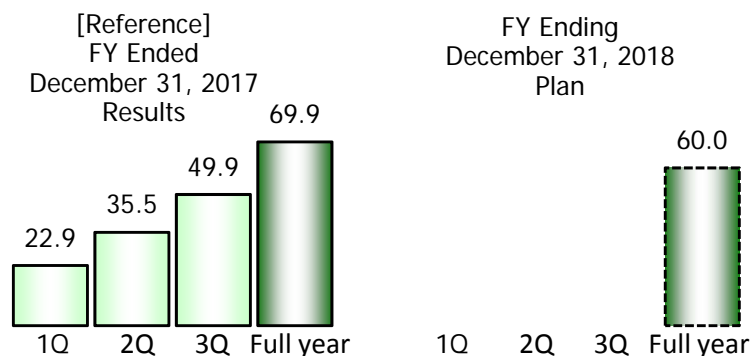
##### Orders



##### 【Orders】

- ✓ We have got some preferential negotiation rights
- ✓ Orders for “services to lengthen the lifetimes of aging facilities” are expected to increase

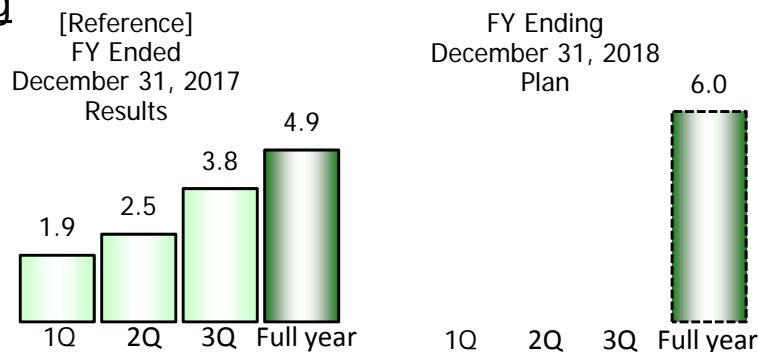
##### Sales



##### 【Sales】

- ✓ Decrease due to the decline in the order backlog for EPC

##### Operating Income



##### 【Operating Income】

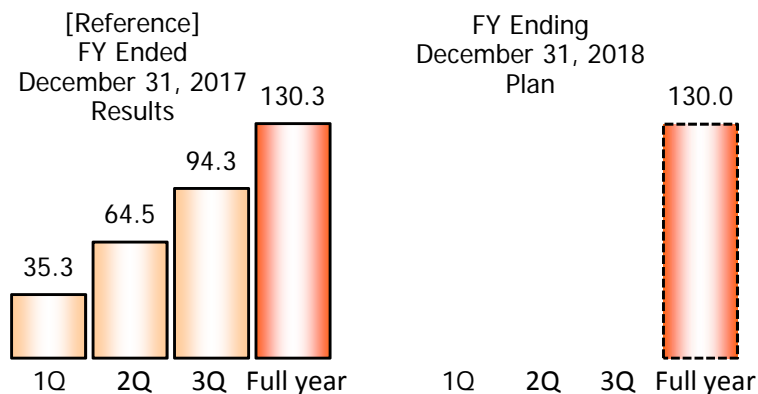
- ✓ The profitability of EPC is expected to improve
- ✓ Allocated provisions for a long-term O&M project in the last fiscal year

## 2. Projection and Management Strategy

### PM Projection for Fiscal Year Ending December 31, 2018

#### PM Business

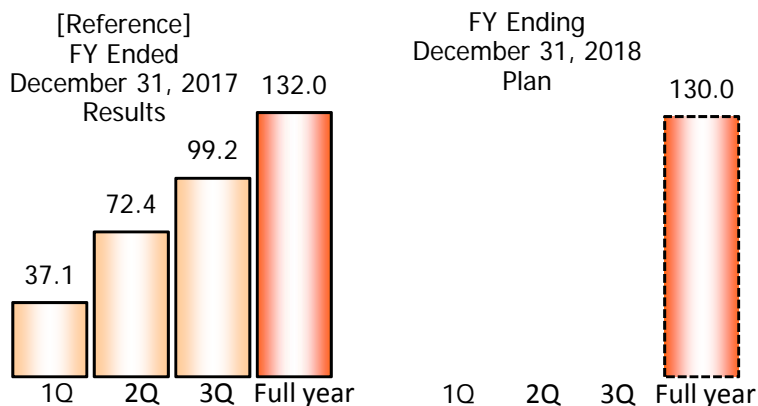
##### Orders



##### 【Orders, Sales】

- ✓ Capital investment in semiconductor market is expected to stay strong
- ✓ Both the components business and the CMP business remain at high levels

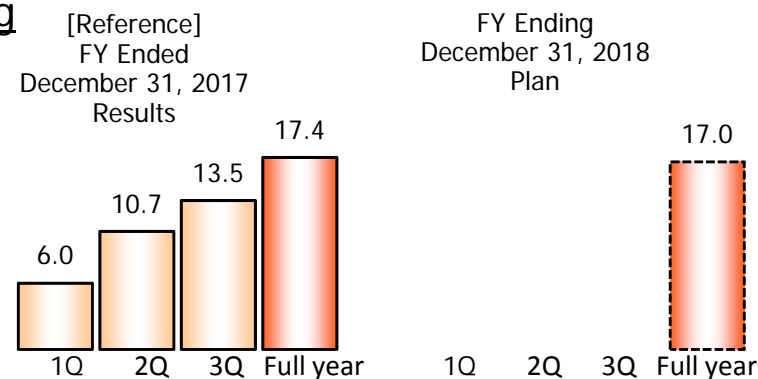
##### Sales



##### 【Operating Income】

- ✓ Fixed costs are expected to increase, partly because of R&D expenses carried over
- ✓ R&D-oriented projects continue to increase

##### Operating Income





## Breakdown of Orders Results by Business Segment

### Orders

	9 months					12 months		
	[Reference] FY Ended Dec. 31, 2016 Results	FY Ended Dec. 31, 2017			Change	[Reference] FY Ended Dec. 31, 2017 Results	FY Ending Dec. 31, 2018 Plan	Change
		Forecast	Results	Change				
<b>FMS Business</b>								
Pumps	145.6	<b>150.0</b>	<b>155.2</b>	<b>+5.2</b>	+9.5	186.1	<b>178.0</b>	-8.1*
Compressors and Turbines	44.5	<b>55.0</b>	<b>56.9</b>	<b>+1.9</b>	+12.4	71.4	<b>85.0</b>	+13.5*
Chillers	27.5	<b>25.0</b>	<b>29.2</b>	<b>+4.2</b>	+1.6	34.5	<b>37.0</b>	+2.4
Others	13.8	<b>13.0</b>	<b>10.6</b>	<b>-2.3</b>	-3.1	16.7	<b>14.0</b>	-2.7
<b>FMS Business Total</b>	231.5	<b>243.0</b>	<b>251.9</b>	<b>+8.9</b>	+20.4	308.9	<b>314.0</b>	+5.0
<b>EP Business</b>								
Environmental Plants	50.9	<b>50.0</b>	<b>51.5</b>	<b>+1.5</b>	+0.5	65.1	<b>90.0</b>	+24.8
<b>EP Business Total</b>	50.9	<b>50.0</b>	<b>51.5</b>	<b>+1.5</b>	+0.5	65.1	<b>90.0</b>	+24.8
<b>PM Business</b>								
Components	39.9	<b>49.0</b>	<b>53.9</b>	<b>+4.9</b>	+13.9	59.8	<b>57.0</b>	-2.8
CMP Systems	57.9	<b>54.5</b>	<b>47.9</b>	<b>-6.5</b>	-10.0	62.7	<b>67.0</b>	+4.2
Others	3.7	<b>6.5</b>	<b>6.9</b>	<b>+0.4</b>	+3.2	7.7	<b>6.0</b>	-1.7
<b>PM Business Total</b>	101.6	<b>110.0</b>	<b>108.8</b>	<b>-1.1</b>	+7.1	130.3	<b>130.0</b>	-0.3
<b>Others</b>	1.2	<b>1.0</b>	<b>1.2</b>	<b>+0.2</b>	-0.0	1.6	<b>1.0</b>	-0.6
<b>Others Total</b>	1.2	<b>1.0</b>	<b>1.2</b>	<b>+0.2</b>	-0.0	1.6	<b>1.0</b>	-0.6
<b>Total</b>	385.4	<b>404.0</b>	<b>413.5</b>	<b>+9.5</b>	+28.1	506.0	<b>535.0</b>	+28.9

\* In the results of the fiscal year ended December 31, 2017, orders and sales of the cryogenic pumps (LNG transfer pumps) business were included in the pumps business. Meanwhile, in the plan of the fiscal year ending December 31, 2018, they are included in the compressors & turbines business.

## Breakdown of Sales Results by Business Segment

### Sales

	9 months					12 months		
	[Reference] FY Ended Dec. 31, 2016 Results	FY Ended Dec. 31, 2017			Change	[Reference] FY Ended Dec. 31, 2017 Results	FY Ending Dec. 31, 2018 Plan	Change
		Forecast	Results	Change				
<b>FMS Business</b>								
<b>Pumps</b>	126.9	<b>130.0</b>	<b>133.4</b>	<b>+3.4</b>	+6.4	178.0	<b>178.0</b>	-0.0*
<b>Compressors and Turbines</b>	48.0	<b>50.0</b>	<b>53.8</b>	<b>+3.8</b>	+5.8	74.3	<b>85.0</b>	+10.6*
<b>Chillers</b>	25.0	<b>25.0</b>	<b>29.2</b>	<b>+4.2</b>	+4.2	35.8	<b>37.0</b>	+1.1
<b>Others</b>	13.9	<b>13.0</b>	<b>9.3</b>	<b>-3.6</b>	-4.6	15.9	<b>14.0</b>	-1.9
<b>FMS Business Total</b>	213.8	<b>218.0</b>	<b>225.7</b>	<b>+7.7</b>	+11.9	304.1	<b>314.0</b>	+9.8
<b>EP Business</b>								
<b>Environmental Plants</b>	45.7	<b>45.0</b>	<b>47.6</b>	<b>+2.6</b>	+1.9	69.9	<b>60.0</b>	-9.9
<b>EP Business Total</b>	45.7	<b>45.0</b>	<b>47.6</b>	<b>+2.6</b>	+1.9	69.9	<b>60.0</b>	-9.9
<b>PM Business</b>								
<b>Components</b>	37.9	<b>44.0</b>	<b>51.7</b>	<b>+7.7</b>	+13.7	57.0	<b>55.0</b>	-2.0
<b>CMP Systems</b>	45.8	<b>49.5</b>	<b>49.8</b>	<b>+0.3</b>	+3.9	68.5	<b>68.0</b>	-0.5
<b>Others</b>	5.6	<b>6.5</b>	<b>5.8</b>	<b>-0.6</b>	+0.1	6.4	<b>7.0</b>	+0.5
<b>PM Business Total</b>	89.4	<b>100.0</b>	<b>107.3</b>	<b>+7.3</b>	+17.8	132.0	<b>130.0</b>	-2.0
<b>Others</b>	1.2	<b>1.0</b>	<b>1.2</b>	<b>+0.2</b>	-0.0	1.6	<b>1.0</b>	-0.6
<b>Others Total</b>	1.2	<b>1.0</b>	<b>1.2</b>	<b>+0.2</b>	-0.0	1.6	<b>1.0</b>	-0.6
<b>Total</b>	350.2	<b>364.0</b>	<b>381.9</b>	<b>+17.9</b>	+31.7	507.8	<b>505.0</b>	-2.8

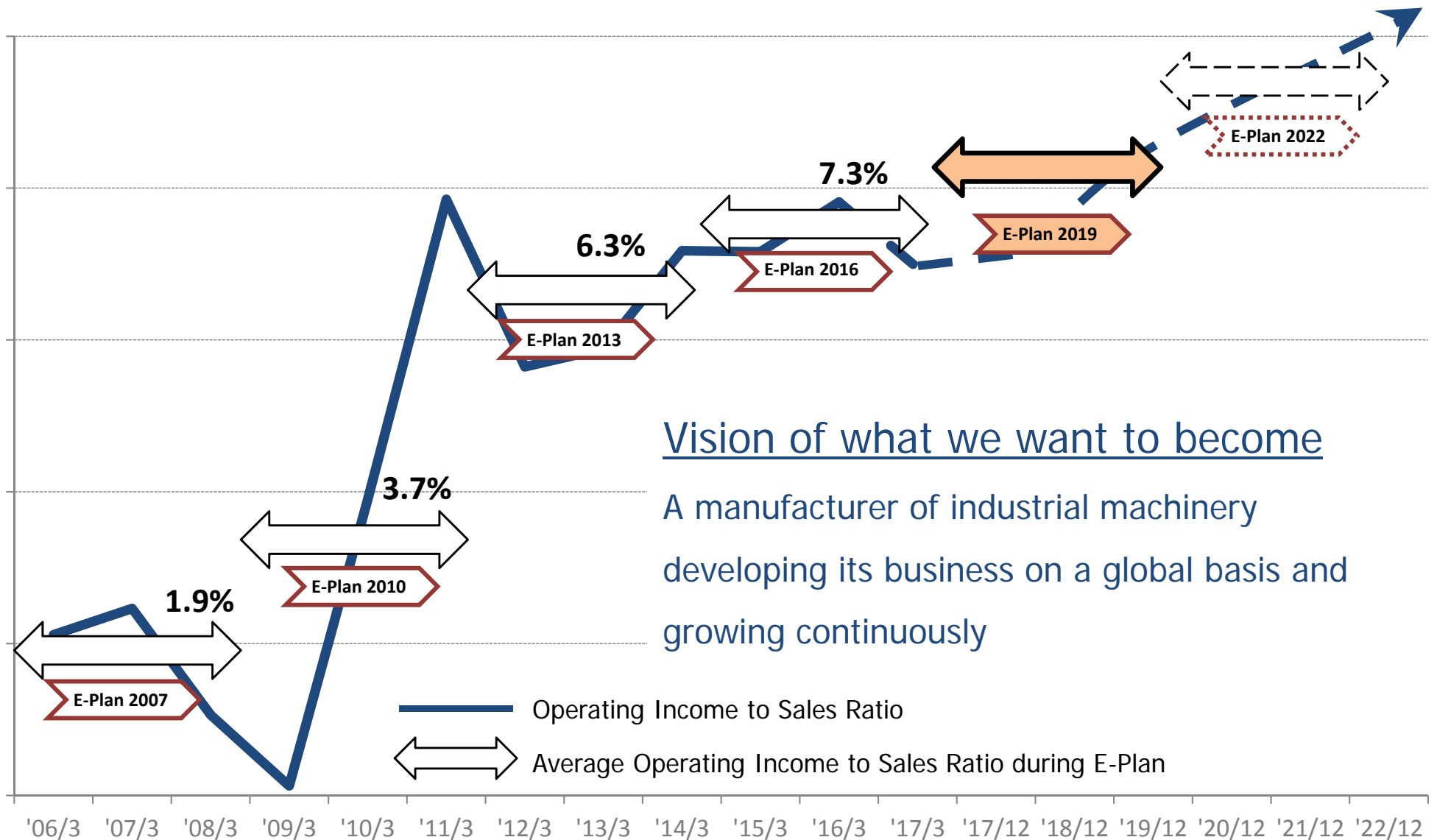
\* In the results of the fiscal year ended December 31, 2017, orders and sales of the cryogenic pumps (LNG transfer pumps) business were included in the pumps business. Meanwhile, in the plan of the fiscal year ending December 31, 2018, they are included in the compressors & turbines business.

## 2. Projection and Management Strategy

### Medium-Term Management Plan “E-Plan 2019”

# “Unlimited challenge toward growth”

During 3 years of E-Plan 2019, we will focus on profit growth and improve profitability in all our business



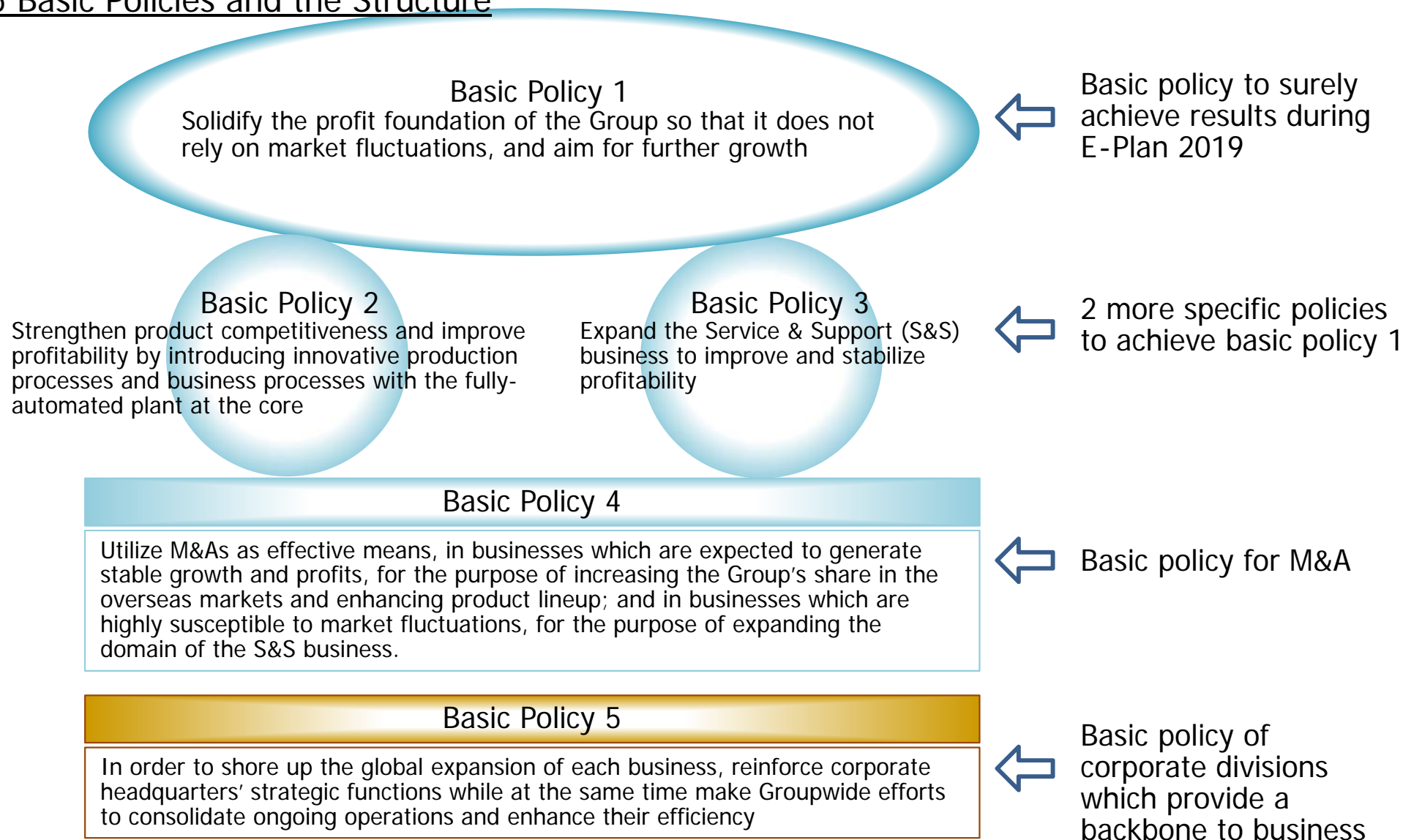
## 2. Projection and Management Strategy

### Medium-Term Management Plan “E-Plan 2019”

#### The Key Message of E-Plan 2019

“Unlimited challenge toward growth”

#### 5 Basic Policies and the Structure

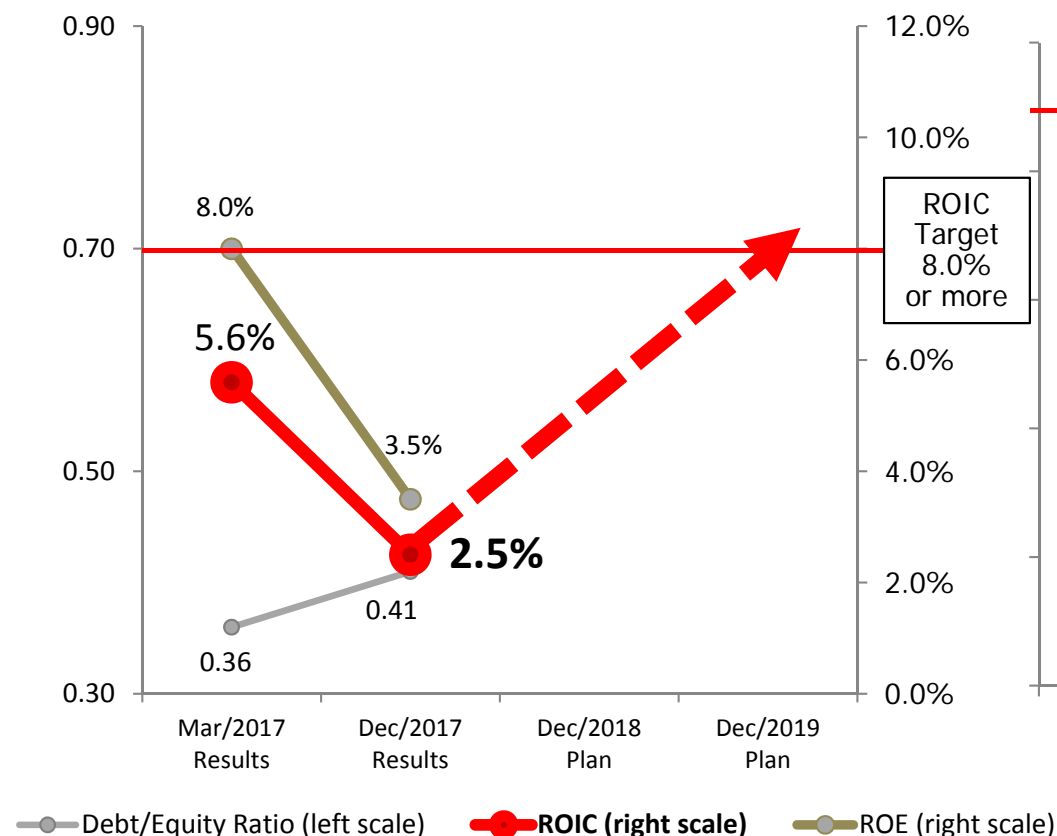


## 2. Projection and Management Strategy

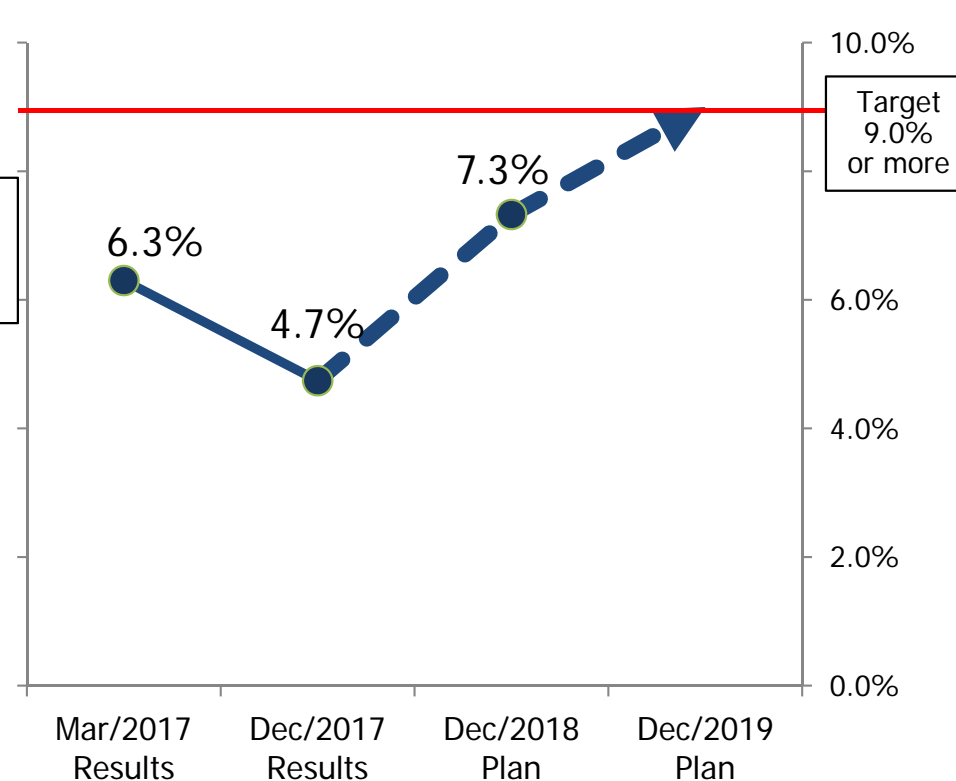
### E-Plan 2019 First-Year Review

#### Group-wide Progress of Management Indicators

##### ➤ Trend of ROIC



##### ➤ Trend of Operating Income Ratio

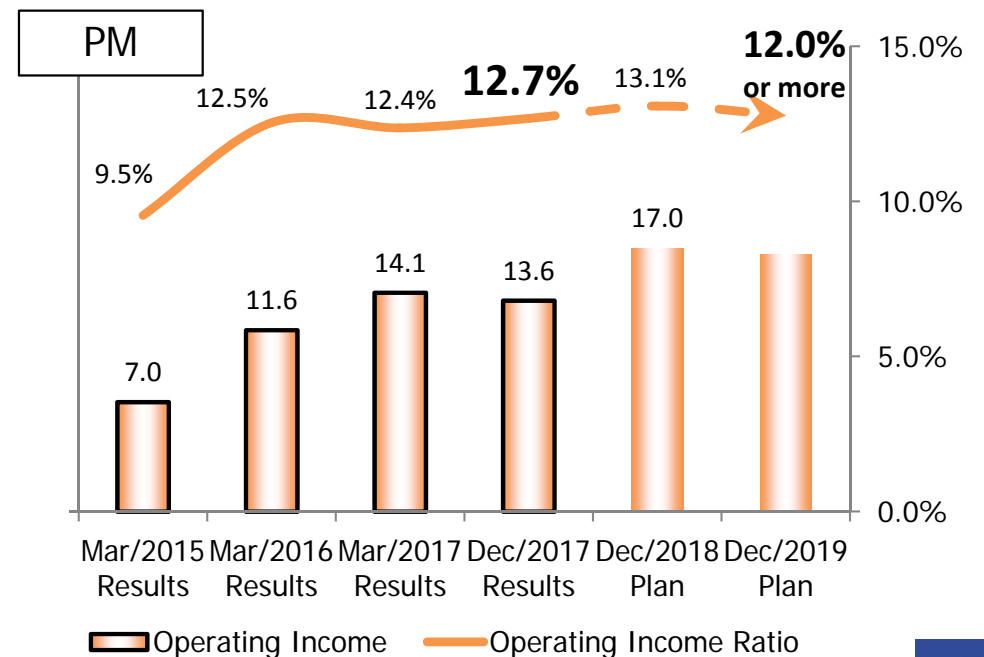
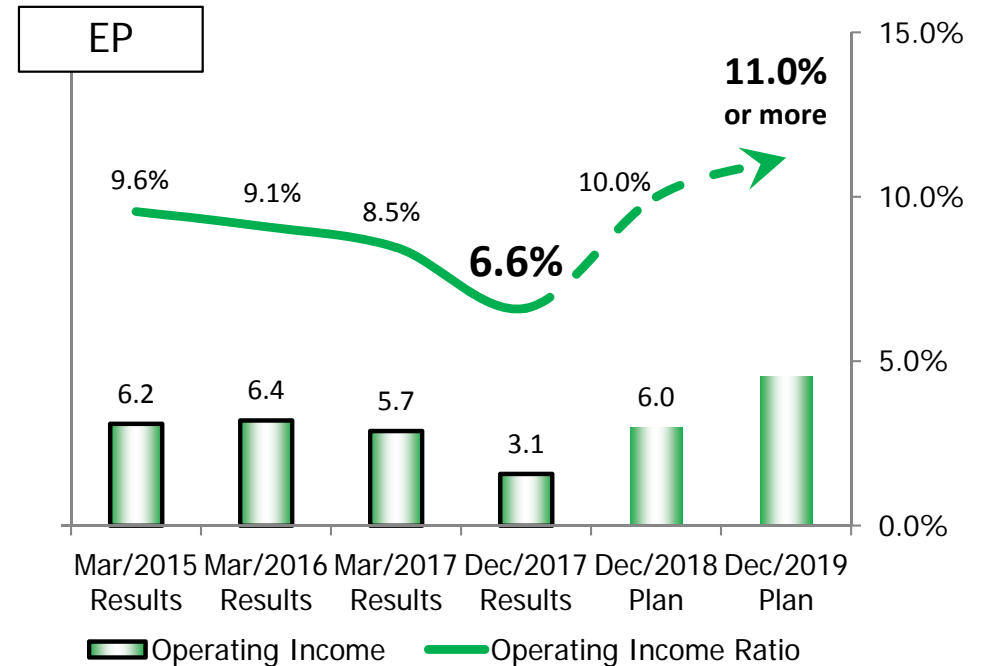
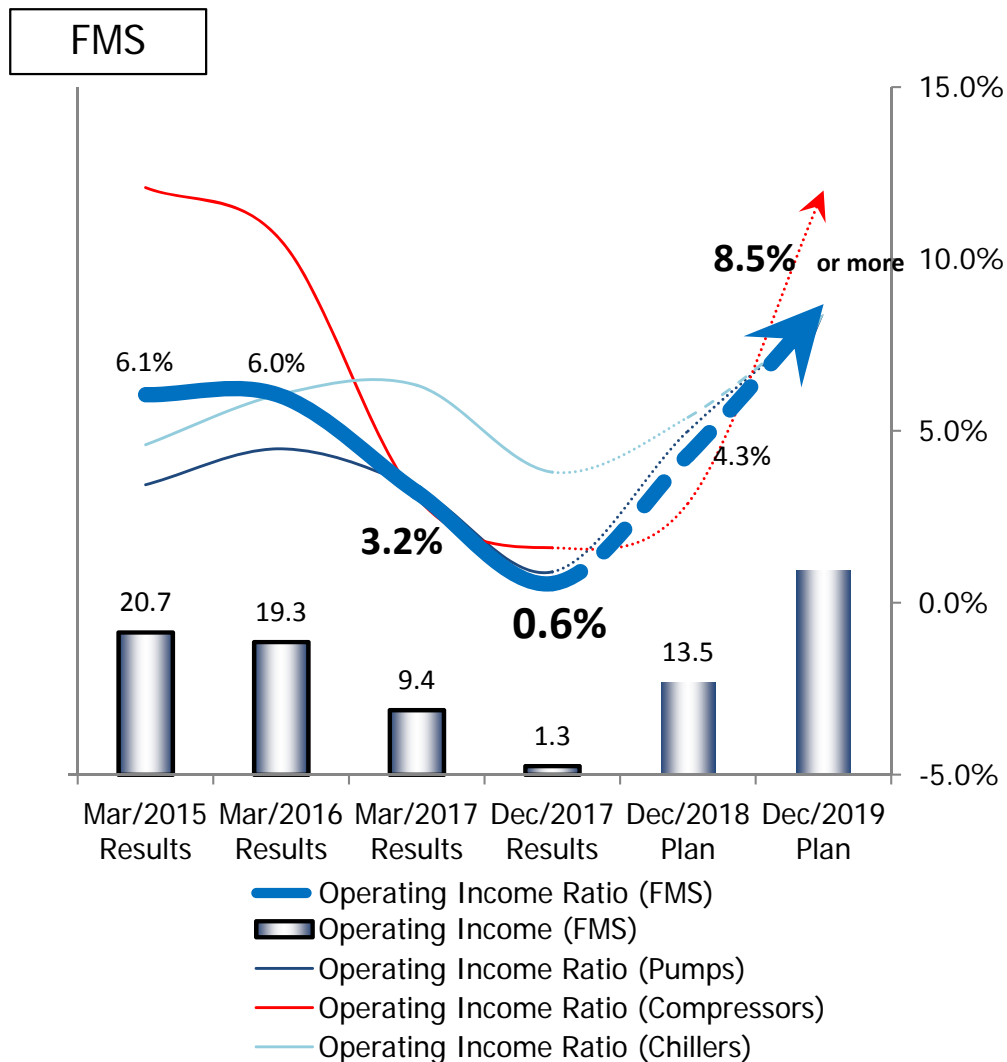


- The first year went as planned, however, because the accounting period was nine months, net income temporarily decreased and ROIC declined

## 2. Projection and Management Strategy

### E-Plan 2019 First-Year Review

#### ➤ Operating Income Ratio by Segment



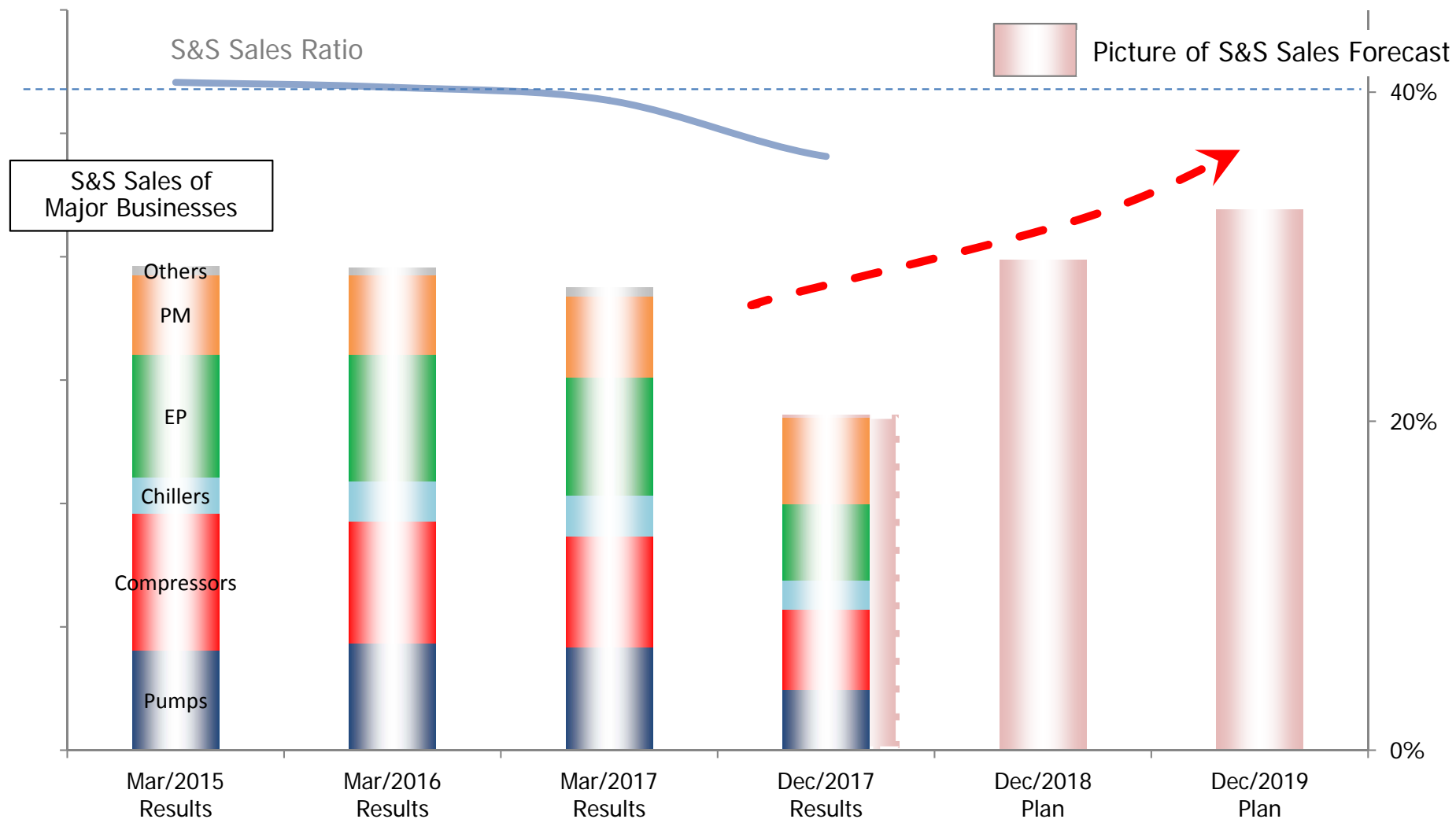
- Fell short of the plan in FMS business due to weak external environment
- EP and PM business went well

## 2. Projection and Management Strategy

### E-Plan 2019 First-Year Review

#### Progress of Important KPIs (Sales of S&S Business)

To solidify the profit foundation of the EBARA Group so that it does not rely on market fluctuations, we need to expand the S&S business in all businesses → Adopt S&S sales as an important KPIs



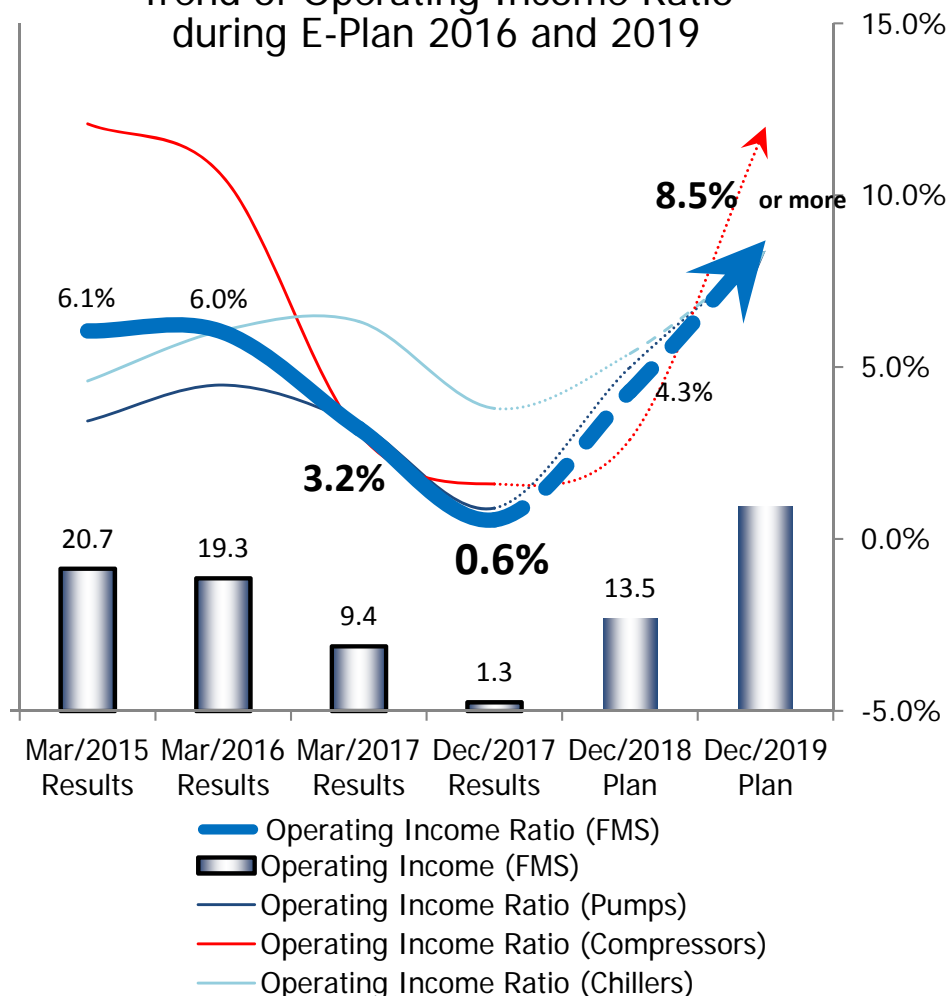
- **S&S in compressors & turbines business is expected to fully recover from the second year on.**
- **Increased in PM business and went as planned as a whole**

## 2. Projection and Management Strategy

### E-Plan 2019 First-Year Review

#### FMS Business

Trend of Operating Income Ratio during E-Plan 2016 and 2019



- **Operating income ratio in the first year fell short of the plan**
- **Pumps and compressors & turbines business were affected by delayed recovery in oil and gas market**

#### Pumps Business

##### [External Environment]

- Overseas: energy-related market is sluggish
- Domestic: remain unchanged from the same period last year

##### [Measures]

See the next page

#### Compressors & Turbines Business

##### [External Environment]

- Recovery in oil and gas market is limited
- Customers are cautious about capital investment
- Competition is tough including pricing

##### [Measures]

- Design standardization, automation
- Shorten lead time
- Offer comprehensive service

#### Chillers Business

##### [External Environment]

- Market is unchanged both in Japan and China

##### [Measures]

- China: develop competitive products and expand sales
- Japan: enhance the S&S business




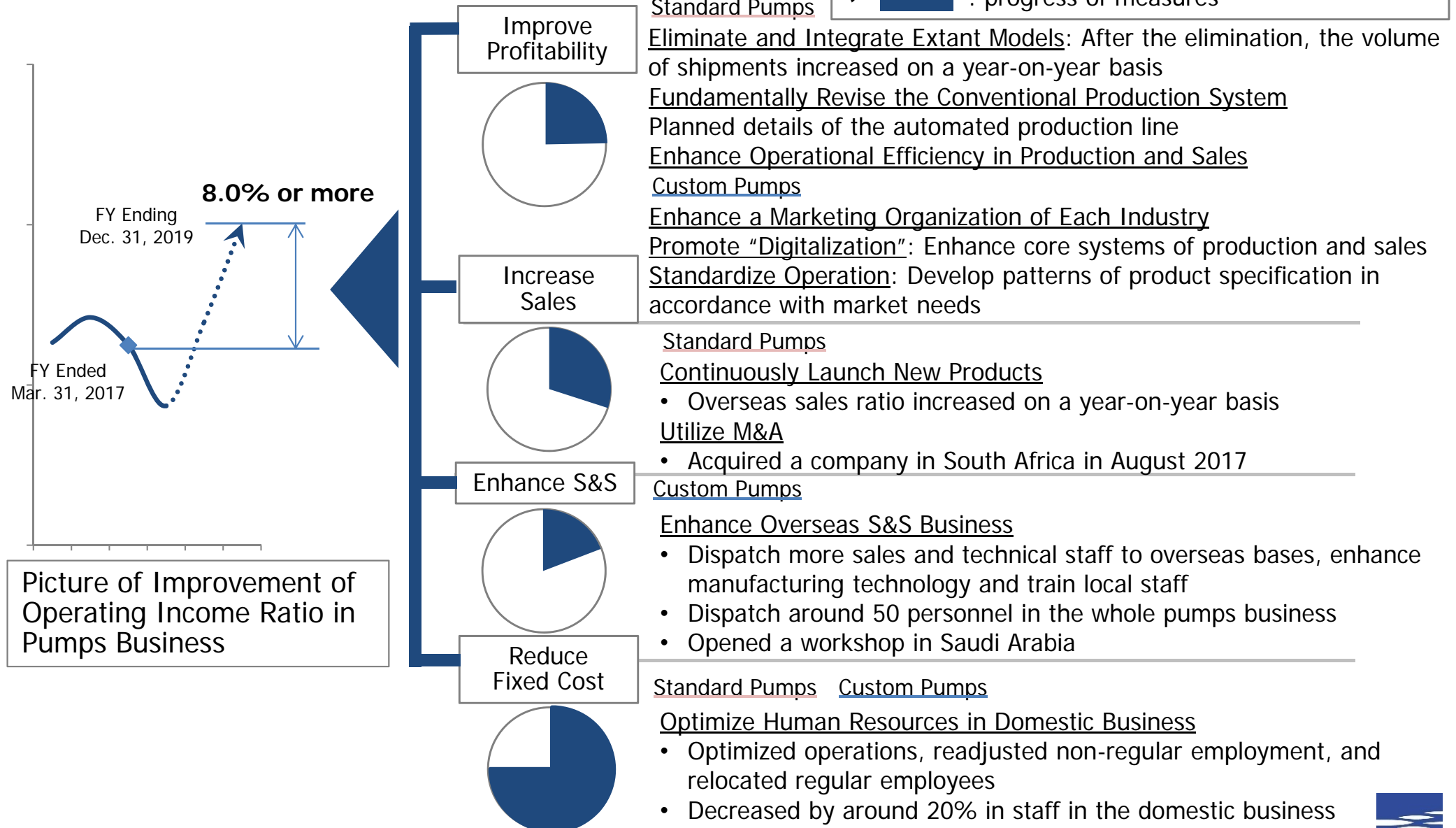
## 2. Projection and Management Strategy

### E-Plan 2019 First-Year Review

#### Picture of Improvement of Operating Income Ratio in Pumps Business and First-year Progress

➤ **Measures are going well. Profit contribution is expected to be from the second year on.**

- ✓ Circle size: contribution level to the improvement of operating income ration
- ✓  : progress of measures

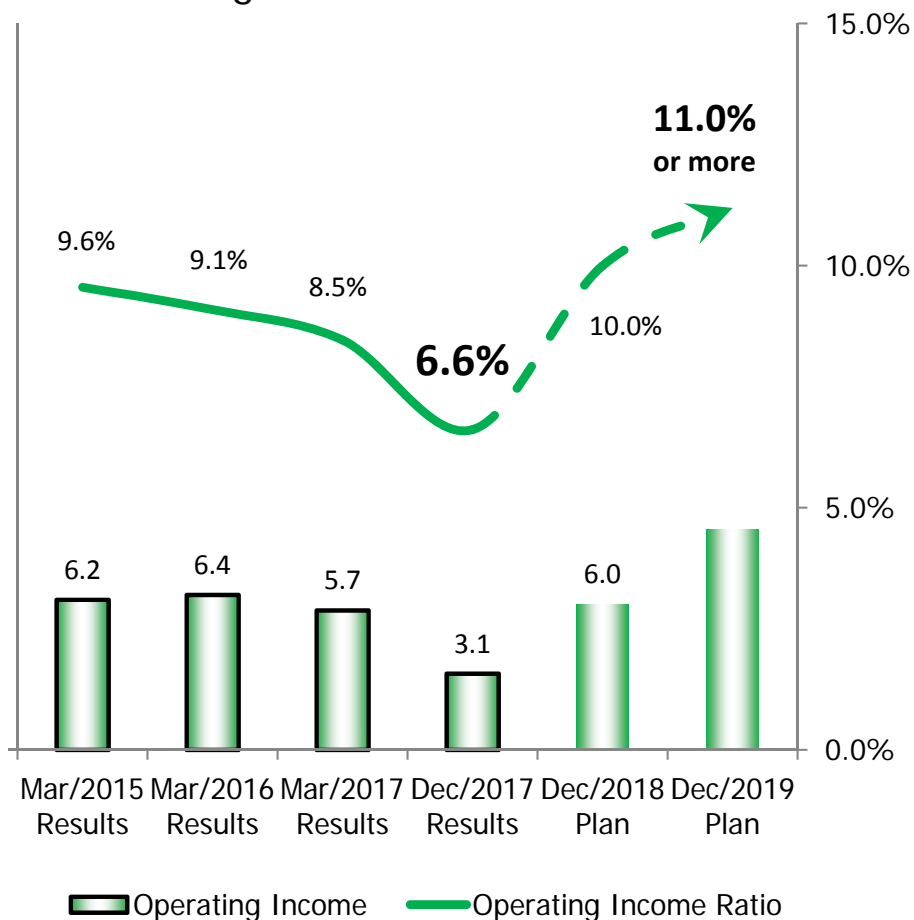


## 2. Projection and Management Strategy

### E-Plan 2019 First-Year Review

#### EP Business

Trend of Operating Income Ratio during E-Plan 2016 and 2019



#### [External Environment]

- Order quantities of EPC and O&M are unchanged
- Demand for construction of biomass power generation facilities continues

#### [Measures]

- Improve the profitability of the EPC business
- Capture orders for biomass power generation facilities
- Improve the score of non-price evaluation

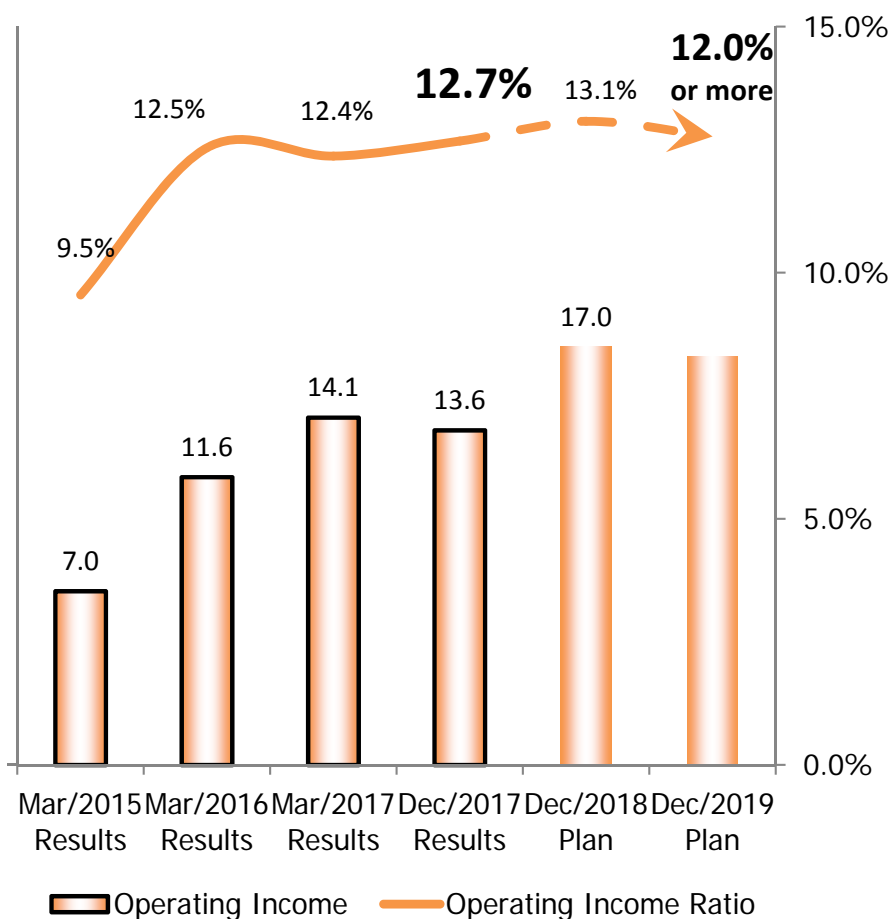
➤ **Operating income ratio temporarily decreased due to nine-month accounting period**

## 2. Projection and Management Strategy

### E-Plan 2019 First-Year Review

#### PM Business

Trend of Operating Income Ratio during E-Plan 2016 and 2019



#### [External Environment]

- Capital investment in the semiconductor market is at a high level
- Especially memory-related capital investment is booming

#### [Measures]

- Establish an automated assembly line for dry vacuum pumps
- Expand new product sales
- Develop new technology by utilizing the open innovation policy
- Reinforce the competitiveness of extant products
- Enhance the S&S business

➤ **Operating income ratio remains firm supported by external environment**

## 2. Projection and Management Strategy



### Second and Third Year of E-Plan 2019

#### Summary of First Year

Measures went well and company-wide operating income ratio exceeded the plan, but there are tasks remaining

#### Tasks

In the custom pumps and the compressors & turbines business, operating income ratio stagnated and it affected ROIC

- Progress of measures  going as planned (expected to get a result from the second year on)
- Recovery in energy-related market  behind the projection in E-Plan 2019  
need to make up for it by our efforts

#### For Second and Third Year

##### Improve ROIC

###### Improve Operating Income Ratio

- Take an approach responding to the latest situation in each business (for example, restructure overseas business, optimize an organization)
- Steadily carry out measures into depth

###### Improve Capital Turnover Ratio

- Shorten the receivable turnover period (custom pumps, compressors & turbines, PM)
- Shorten the inventory turnover (standard pumps, PM)
- Manage the balance sheet properly (control financial leverage properly)

- **To achieve the ROIC target 8.0% or more, continuously strive to enhance profitability focusing on “capital efficiency” more**

## Second and Third Year of E-Plan 2019

### Achievement Status of Management Indicators

		FY Ended March 31, 2017 (Results)	FY Ended December 31, 2017		FY Ending December 31, 2019 (Targets)
			(Initial Plan)	(Results)	
Companywide	ROIC	5.6%	N/A	2.7%	8.0% or more
	Operating Income (¥bn)	29.9	15.0	18.1	
	Operating Income Ratio	6.3%	4.2%	4.7%	9.0% or more
FMS Business	Operating Income (¥bn)	9.4	2.0	1.2	
	Operating Income Ratio	3.2%	0.9%	0.5%	8.5% or more
EP Business	Operating Income (¥bn)	5.7	4.0	3.1	
	Operating Income Ratio	8.5%	8.9%	6.6%	11.0% or more
PM Business	Operating Income (¥bn)	14.1	9.0	13.6	
	Operating Income Ratio	12.4%	10.0%	12.7%	12.0% or more

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