

Medium-Term Management Plan 'E-Plan2016'

(April 1, 2014 to March 31, 2017)

EBARA Corporation (6361)

May 9, 2014



Key Message

from New Medium-Term Management Plan (E-Plan2016)

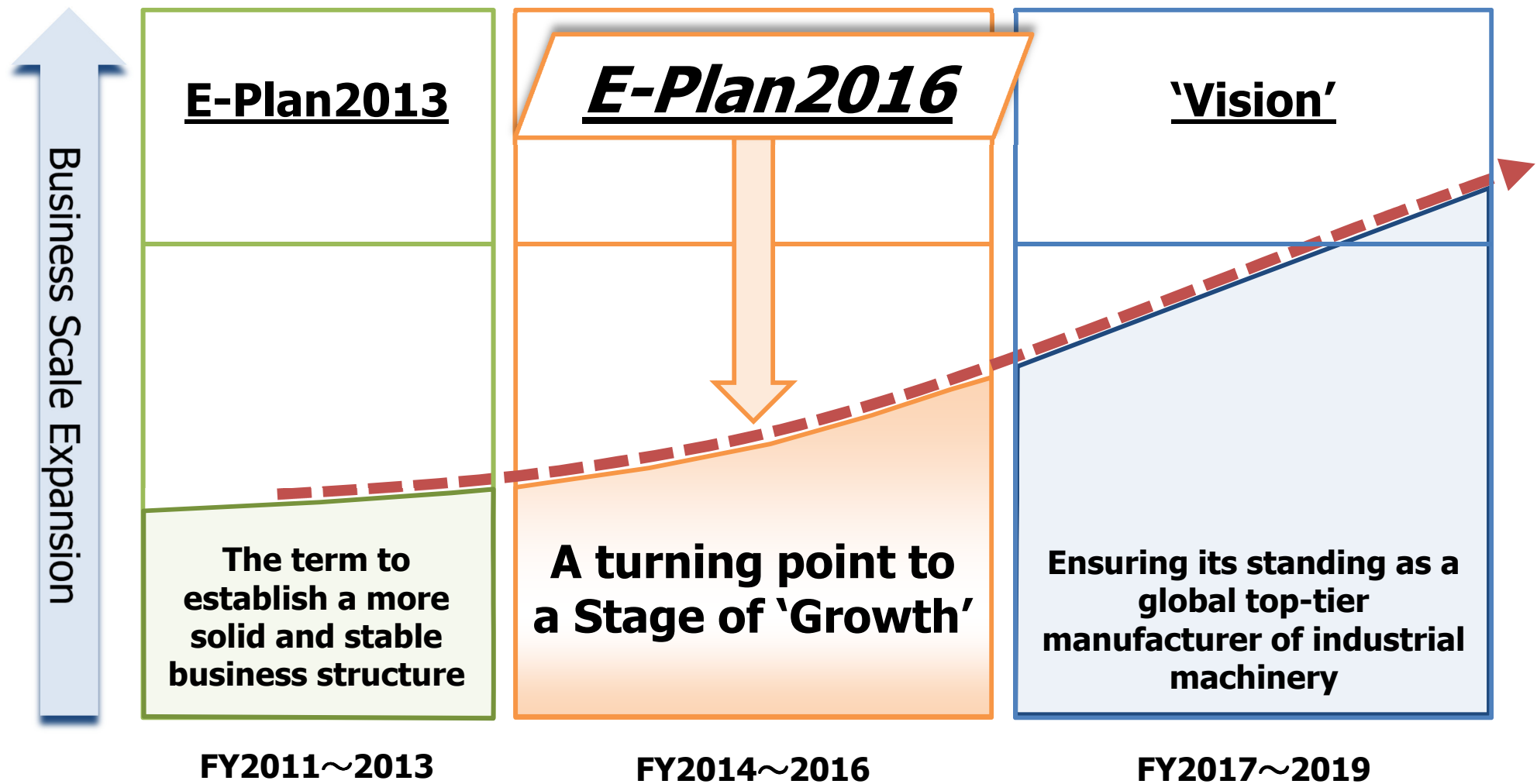


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 - 4-1. Fluid Machinery & Systems Business
 - 4-2. Environmental Engineering Business
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5. Major Numerical Targets

Origin of the Name "E-Plan"

The "E" in E-Plan stands not only for "EBARA" and the natural "environment" but also expresses concepts beginning with the letter "e" that are closely related to the medium-term management plan:

Enroll—Everyone will enroll and participate

Enhance—Everyone will enhance their capabilities

Enable—To enable EBARA to reach the planned objectives of this plan

Excellent—And, thereby, create an excellent corporate culture

Enroot—That will take root and grow

1. Review of the Previous Medium-Term Management Plan (E-Plan2013)

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Review of the Previous Medium-Term Management Plan

Achieving stability in generating profit by strengthening management foundation

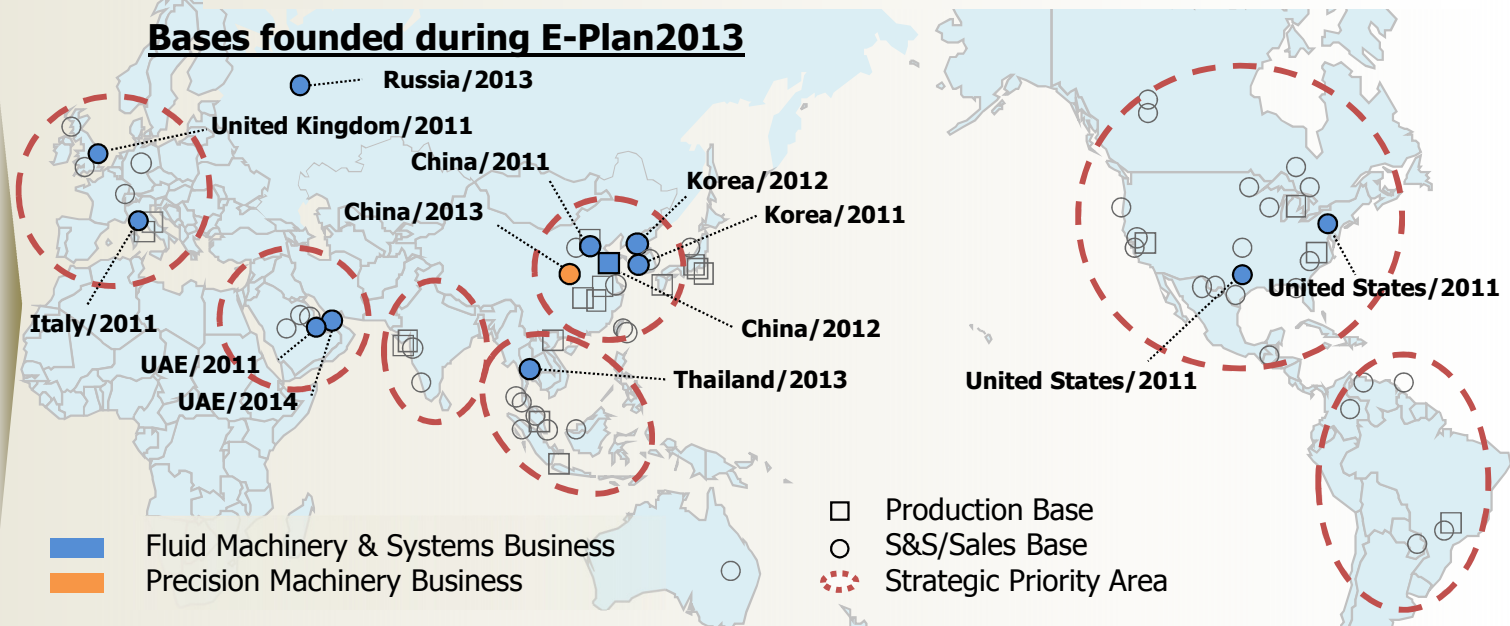
E-Plan2013: Basic Policies

- I
 - Promoting “regional production for regional supply” in priority areas
 - Establishing an optimally located global production & supply system
- II
 - Working to enter new markets by expanding core business domains
- III
 - Aiming to optimize “monozukuri” (manufacturing) processes through scientific approaches
- IV
 - Expanding the functions of the corporate headquarters in keeping with the globalization of business domains

E-Plan2013 : Results

- Achieved the establishment of an optimally located production and supply system based on its regional strategies
 - New bases for S&S business
 - New production bases founded on close relationships with customers

Bases founded during E-Plan2013



- Rolled out its “productivity innovation activities” both in Japan and overseas
- Expanded the functions of the corporate headquarters in line with the globalization of its business domains

1. Review of the Previous Medium-Term Management Plan (E-Plan2013)

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Review of the Previous Medium-Term Management Plan (Numerical Results)

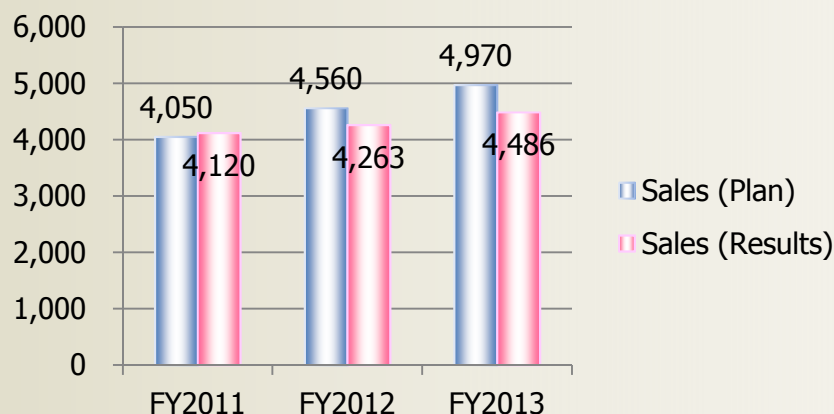
Keeping steady growth throughout the period

E-Plan2013 : Numerical Results

- Improved its financial standing and achieved a certain level of success in solidifying its management foundation
- Achieved only a part of the numerical targets

	FY2011 Results	FY2012 Results	FY2013 Results	FY2013 Targets
ROIC	1.0%	4.9%	5.8%	8% or more
ROE	1.9%	9.1%	9.6%	12-14% or more
D/E Ratio	1.0	0.7	0.6	0.5-0.7 or less

Sales (JPY in 100million)



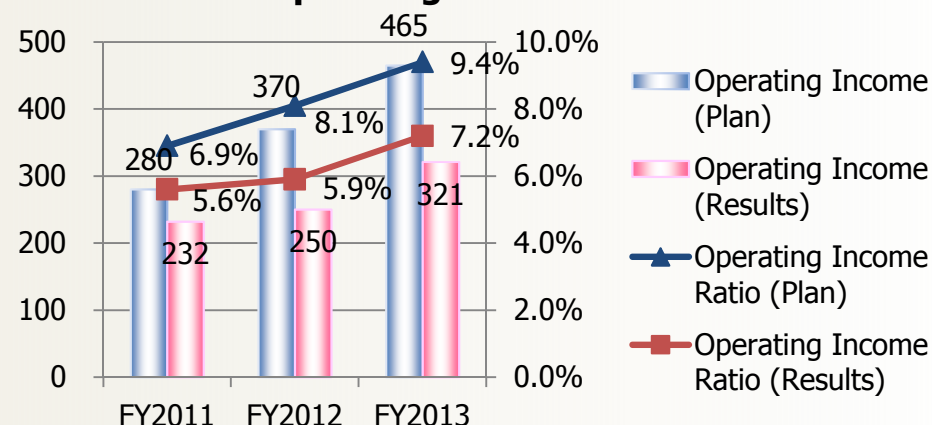
External Factor

- Foreign Exchange Rate
- Great East Japan Earthquake
- Prolonged deflation in Japan

Internal Factor

- Insufficient growth-oriented investment
- failure to implement measures in a timely manner

Operating Income (JPY in 100million),
Operating Income Ratio

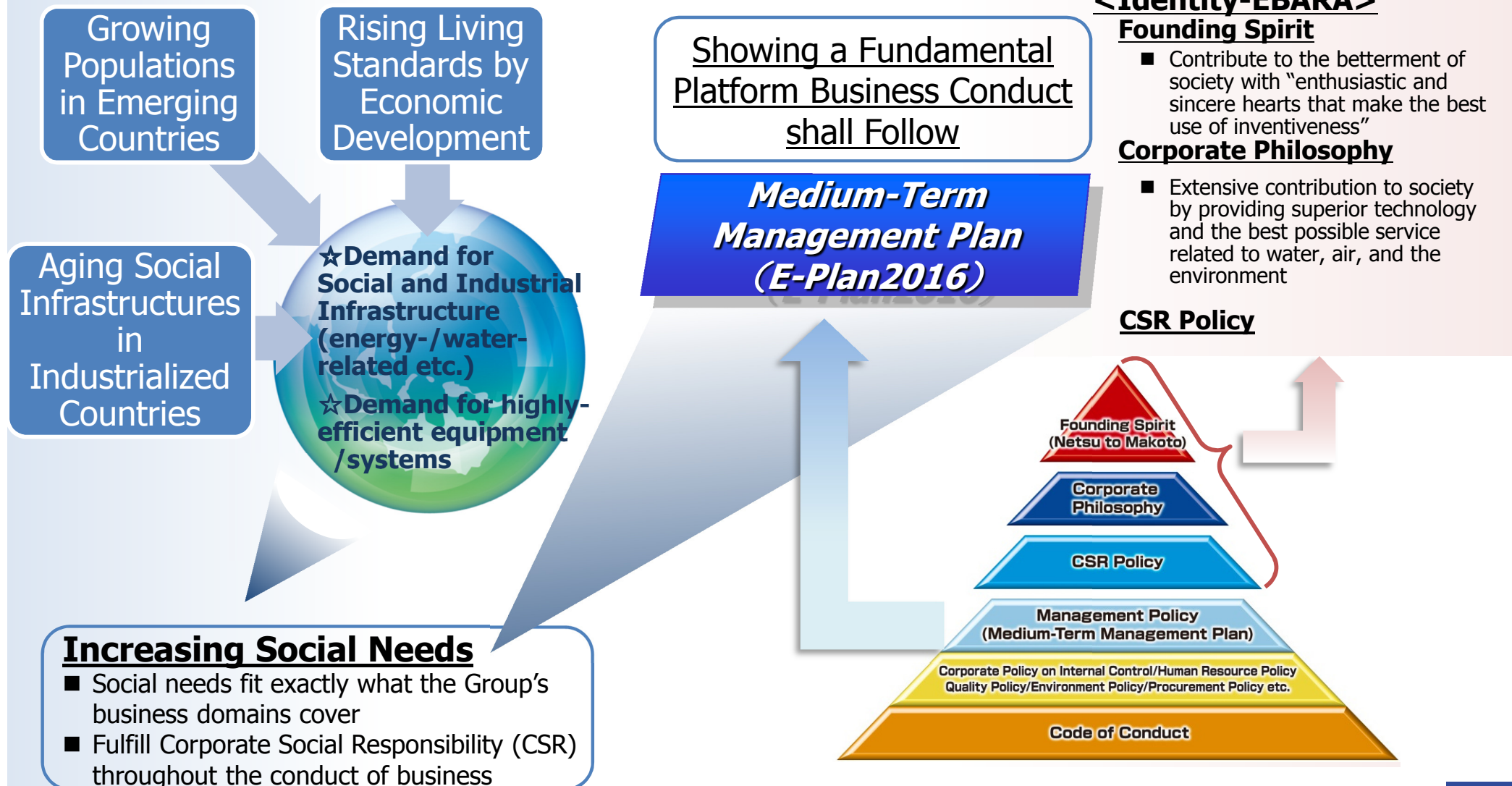


- The Group has not been able to fully capture rapidly-expanding overseas markets and growth of industry, against the intention of business expansion

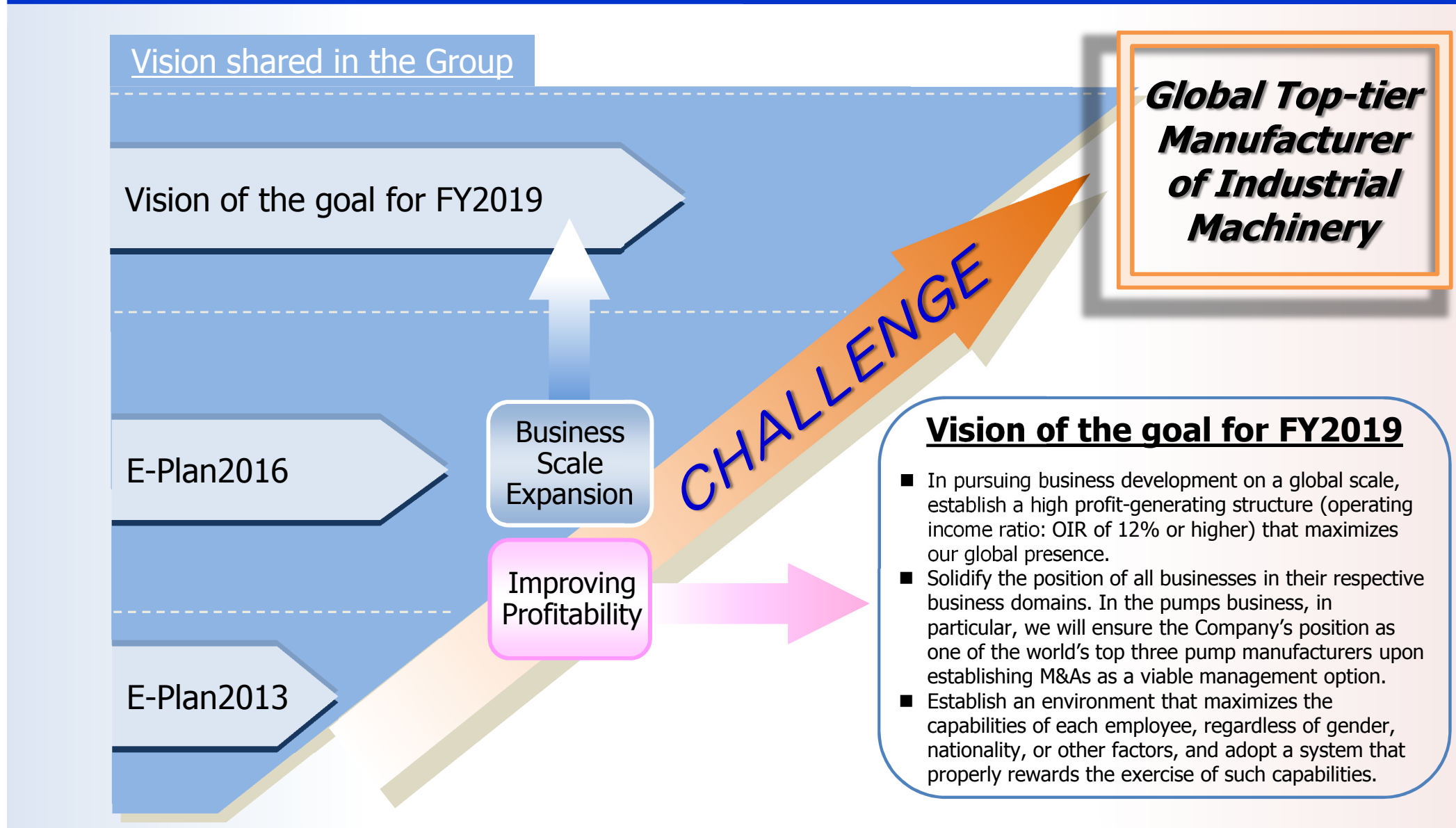
To be realized by next E-Plan

Medium-Term Management Plan with Environment surrounding the Group

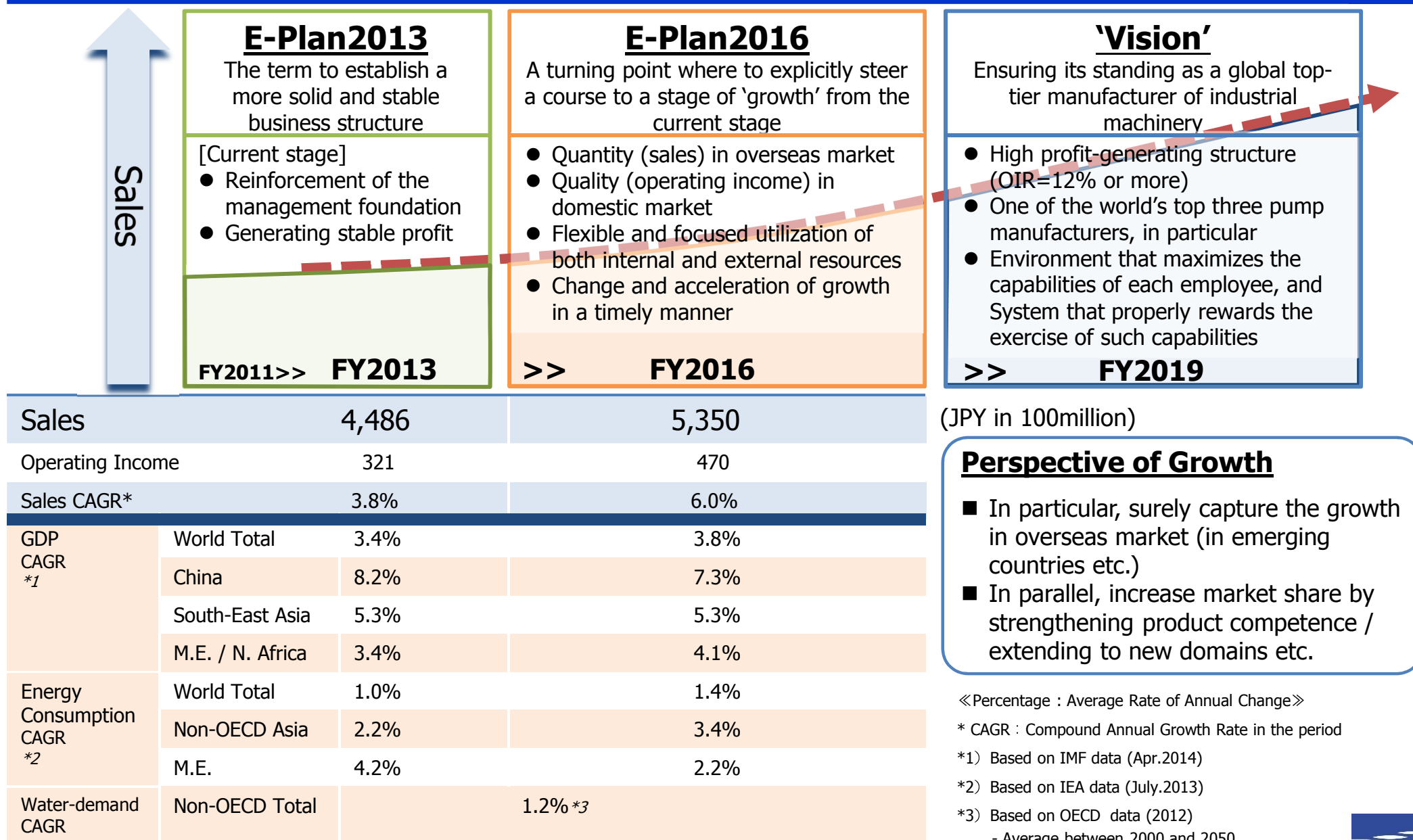
Relation between E-Plan2016 and Social Mission of the Group



Medium-to-Long-Term Vision for the Group



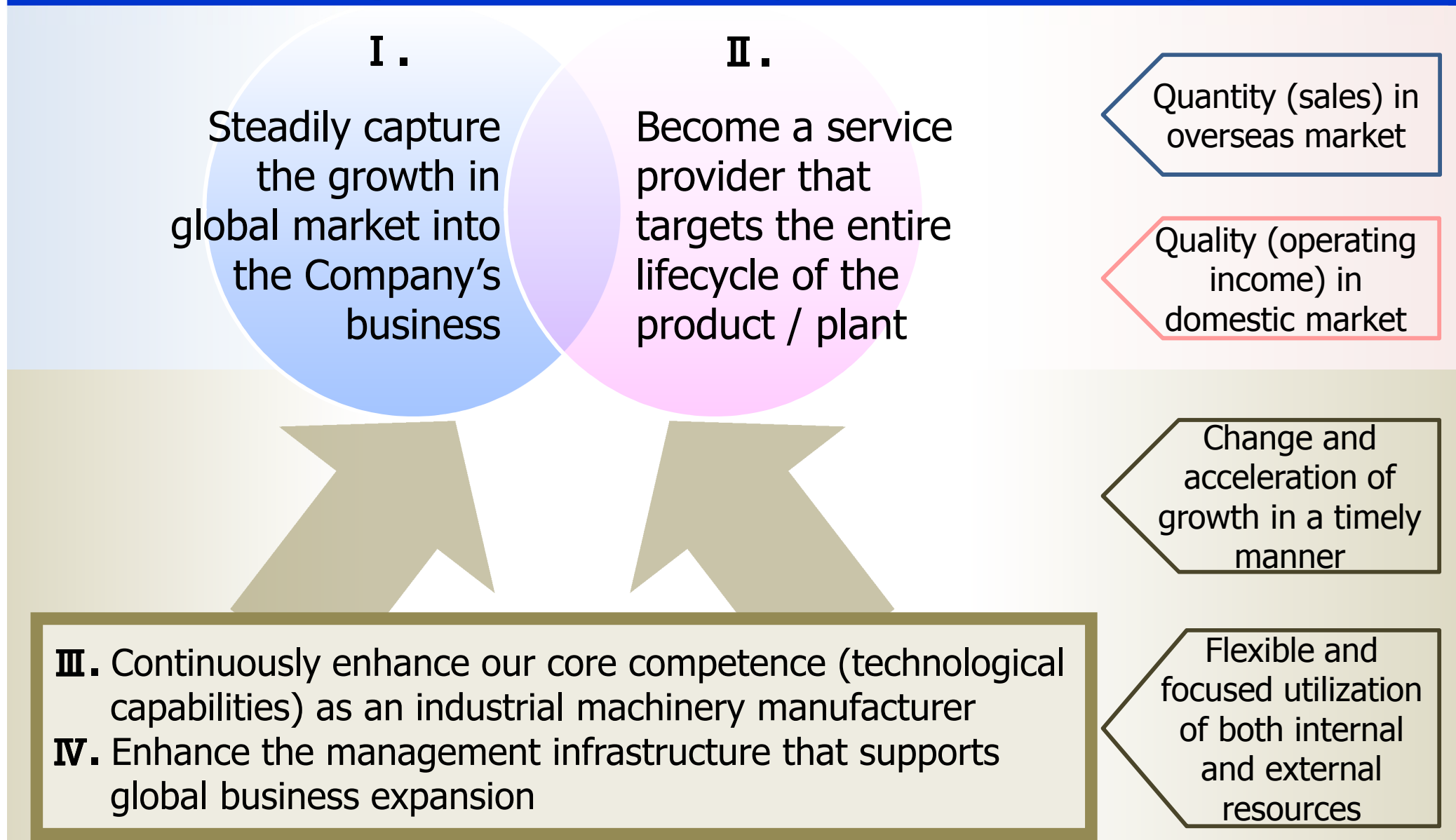
Target of E-Plan2016: Reaching a Point where to Grasp a Clear View to the 'Vision'



3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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E-Plan2016: A Turning Point where to explicitly Steer a Course to a Stage of 'Growth'



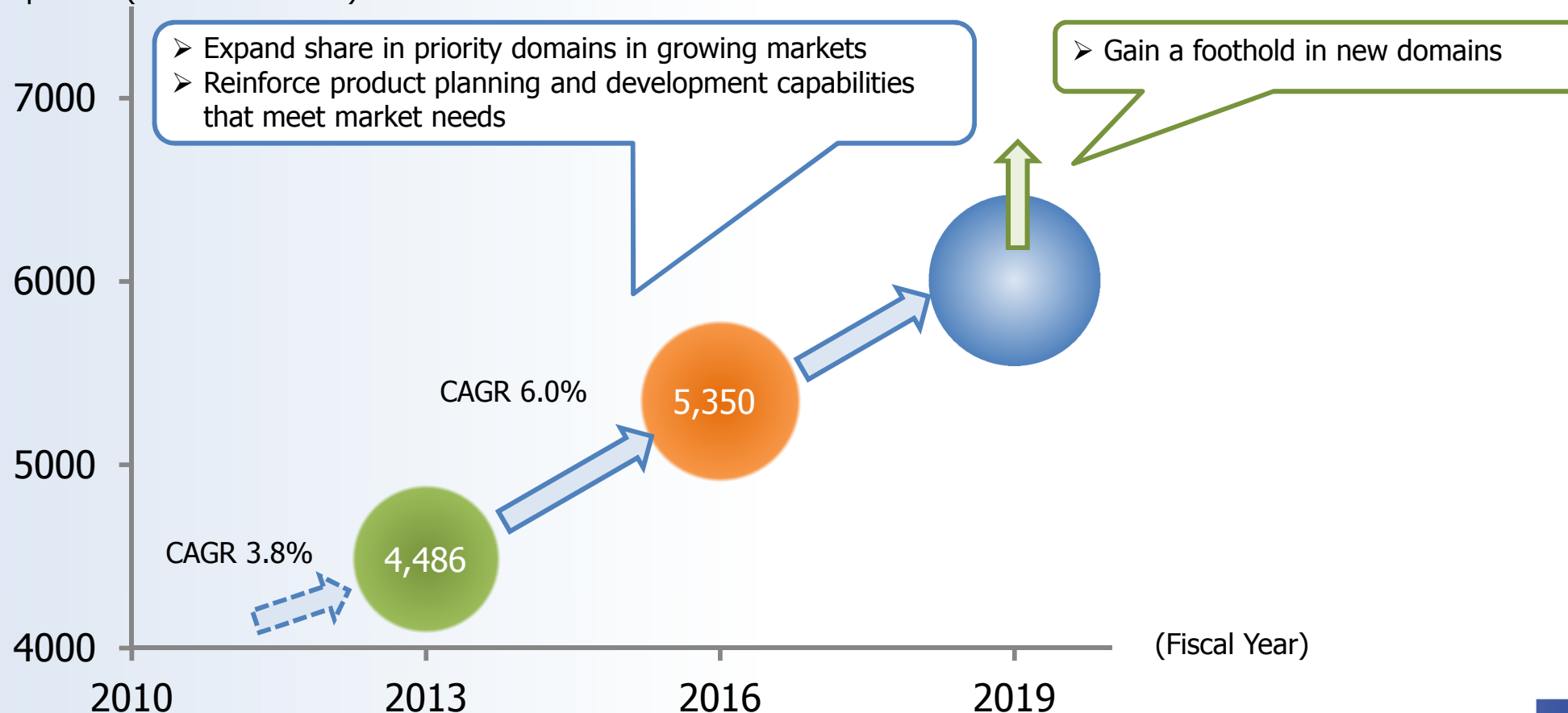
3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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I. Steadily Capture the Growth in Global Market into the Company's Business

- 1) Determine priority domains in growing markets in terms of both region and industry, and expand our market shares upon establishing a system of accountability for business execution in each domain
- 2) Reinforce our product planning and development capabilities to continuously supply products that meet market needs
- 3) Proactively engage in M&As as a viable option for gaining a foothold in new domains

Group Sales (JPY in 100million)

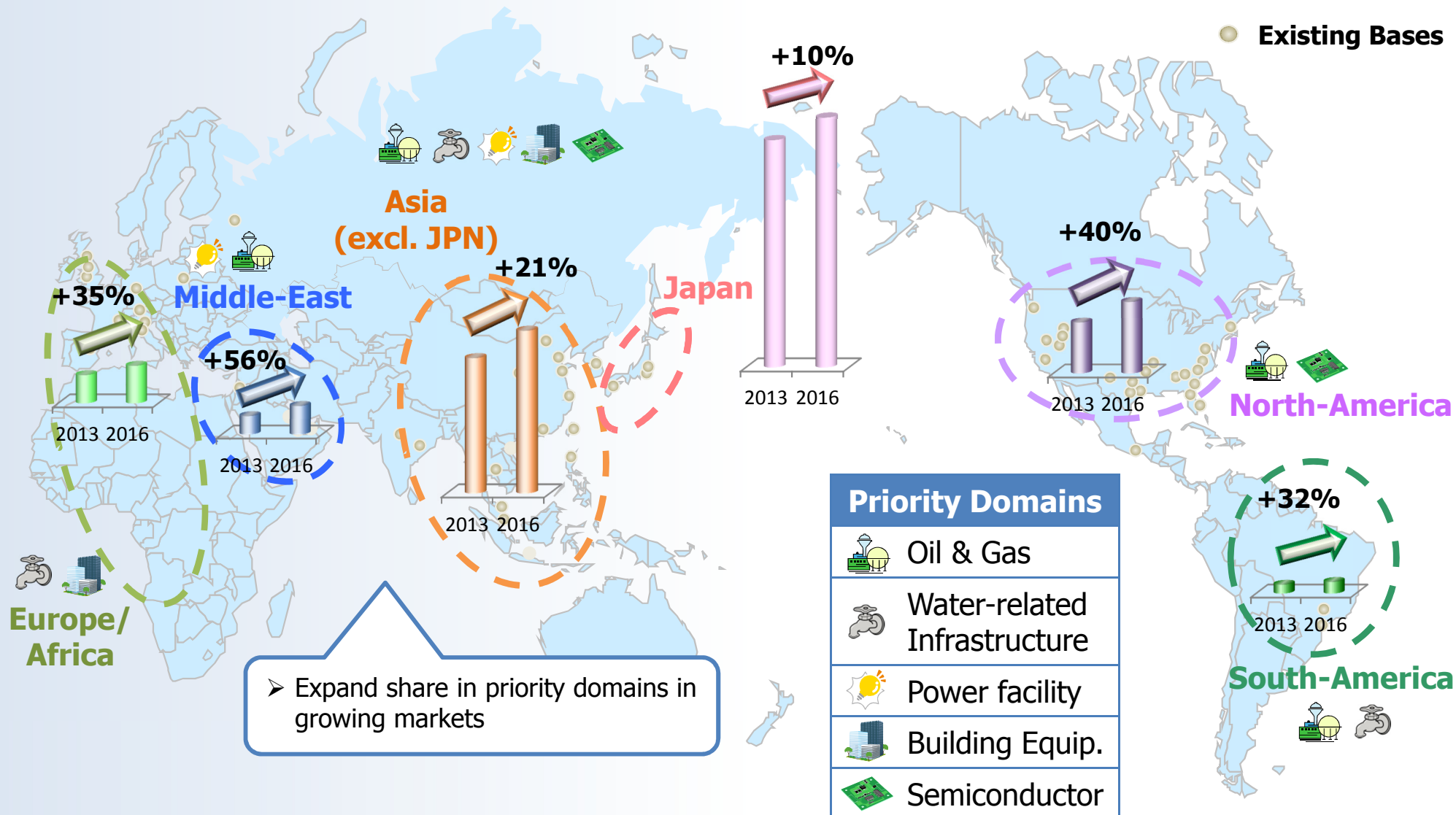


3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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I. Steadily Capture the Growth in Global Market into the Company's Business

Outlook for **Sales by Region** during E-Plan2016



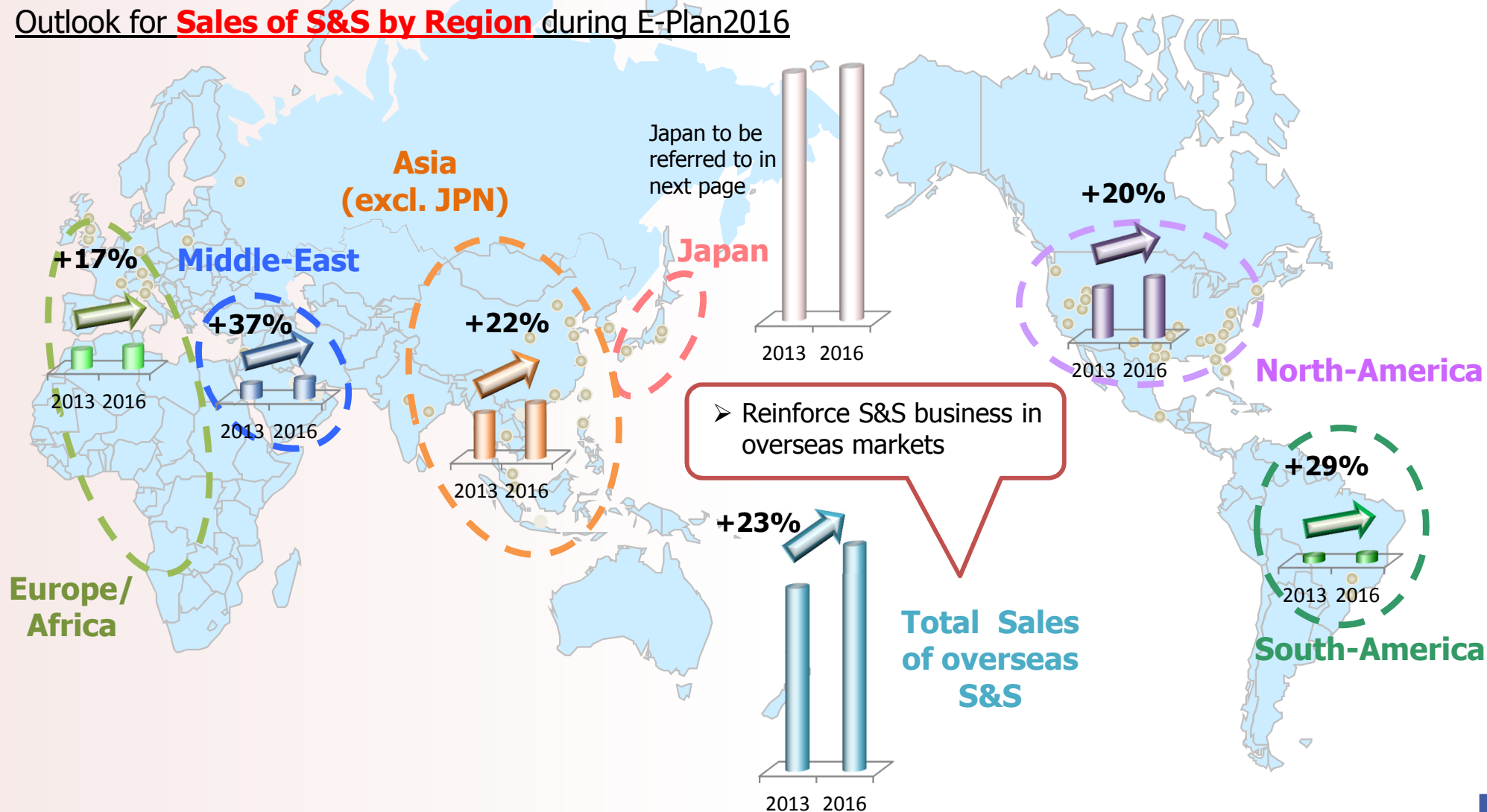
3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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II. Become a Service Provider that Targets the Entire Lifecycle of the Product / Plant

- 1) Reinforce our business framework mainly in overseas areas where we have had strong track records to raise coverage of existing equipment that we delivered, particularly in the Service & Support(S&S) business

Outlook for **Sales of S&S by Region** during E-Plan2016



3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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II. Become a Service Provider that Targets the Entire Lifecycle of the Product / Plant

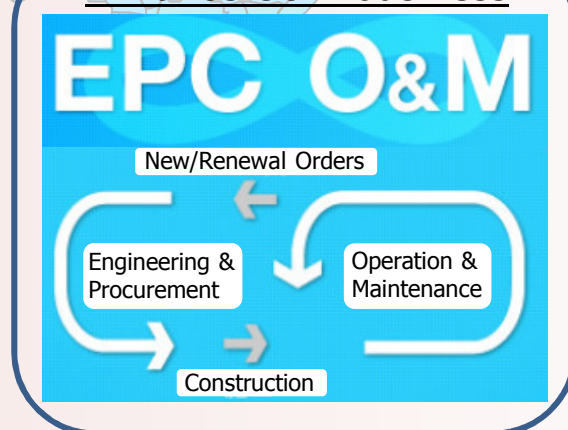
- 2) Implement various measures that will maximize profits from previously delivered machinery and plants mainly in mature domestic market on the strength of our abundant track records
- 3) Launch new business systems that go beyond the existing framework of “manufacturing”

Outlook for **domestic Sales of S&S** during E-Plan2016 **+2%**

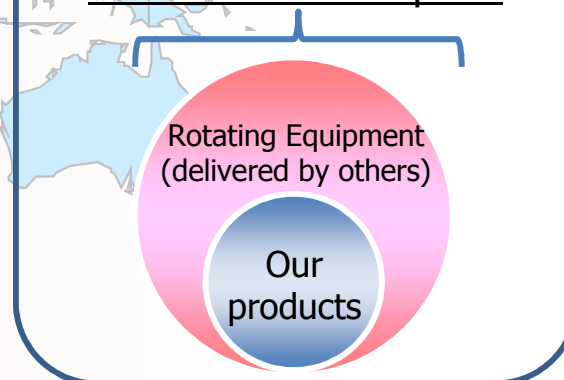
- Maximize profits from previously delivered machinery and plants
 - ▶ Enhancement of O&M business
- Launch new business systems that go beyond the existing framework of manufacturing
 - ▶ Collective maintenance in a plant
 - ▶ Package of products and service



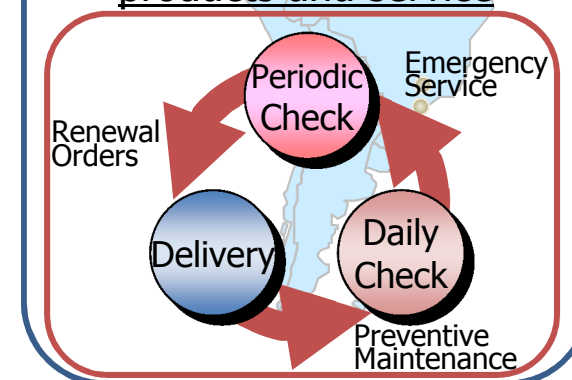
Enhance O&M business



Supply collective maintenance in a plant



Supply package of products and service



3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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III. Enhance Core Competence / IV. Enhance Management Infrastructure

III. Continuously enhance our core competence (technological capabilities) as an industrial machinery manufacturer

Continuous Enhancement of 'Core Competence'

Fundamental overhauls from design level through utilization of Companywide resources to reinforce our product competitiveness, in considering enhancement of core competence as a Companywide objective in pumps business particularly

Development and operation of infrastructure to enhance 'core competence'

Development and operation of applicable basic technology and internal infrastructure to all businesses to enhance core competence

Further optimization of the "monozukuri" (manufacturing) process

- Specific quantitative indicators that will enable verification of progress in productivity innovation activities
- Acceleration of rollout to the overseas production bases

Improvement of production efficiency and acceleration of shift to optimally located production

- Shift to optimally located production, including rearrangement of production functions and reorganization of production plants in/outside of Japan
- Ongoing development of vital human resources for global production system

IV. Enhance the management infrastructure that supports global business expansion

Reinforcement of supporting functions

Reinforcement of corporate headquarters' functions by deepening various specialized functions and refining services based on such functions

Utilization of ICT (Information and Communication Technology)

- Utilization of ICT in the monitoring and control of every aspect of business activities, including production, sales, inventory, and procurement
- Development of management system that takes full advantage of such technology

3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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E-Plan2016: Targets to Be Achieved

Key Management Indicator

Target in the final year of E-Plan2016 (FY 2016)

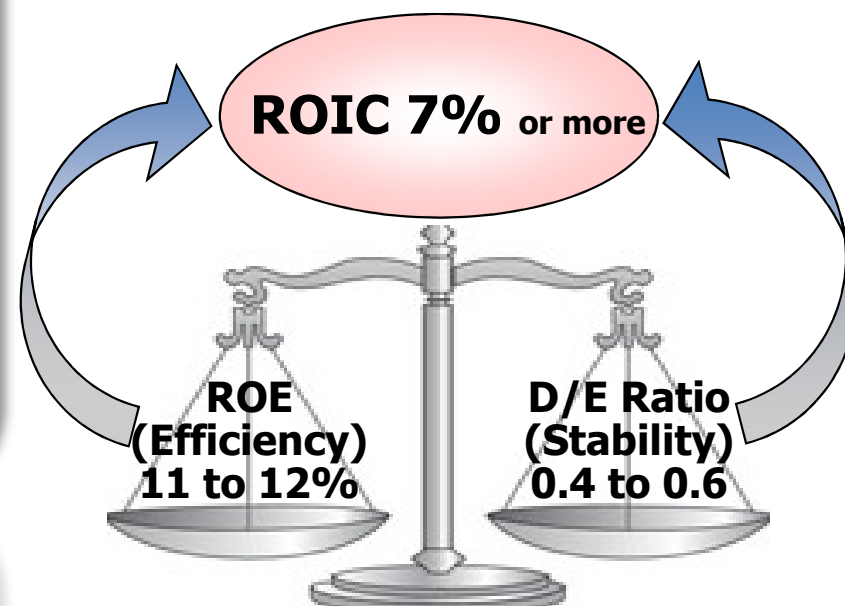
➤ Return on Invested Capital (ROIC) 7 % or more

- * $\text{ROIC} = \text{Net income} / (\text{Interest-bearing debt} + \text{Shareholders' equity})$
- * Improve ROIC by maintaining balance of financial stability (D/E Ratio) and efficient utilization of capital (ROE)

Aims at the end of FY2016

D/E Ratio = 0.4 to 0.6

ROE = 11 to 12%



3. Basic Groupwide Policies of the New Medium-Term Management Plan (E-Plan2016)

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E-Plan2016: Indicators to Be Managed

Key Management Indicator to assess business execution

Targets in the final year of E-Plan2016 (FY 2016)

- **Operating Income Ratio**
8 % or more

Key Indicator to manage business execution

Pumps Business (In FY2016)

- Ratio of overseas sales (to sales of the pumps business) **45% or more**
- Ratio of S&S sales (to overseas sales of the custom pumps) **30% or more**

Operating Income Ratio of respective Business Segments

- Fluid Machinery & Systems Business
8 % or more
(FY2016)
- Environmental Engineering Business
10 % or more
(FY2016)
- Precision Machinery Business
9 % or more
(Average in the period)

Shareholder Return during the Period of E-Plan 2016

- Intend to pay out dividends in line with the Company's performance for the period concerned so that the consolidated payout ratio over the medium-to-long term will average approximately **25%**

4. Basic Policies of the New Medium-Term Management Plan (E-Plan 2016) by Business Segment

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4-1. Fluid Machinery & Systems Business (FMS)

<Goals for FY2019>

- Enhance presence (market share) on the global market in each sub-segment

(JPY in 100 million)	FY2013 Results	FY2016 Plan
Sales	3,221	3,930
Operating Income	221	330
Operating Income Ratio	6.9%	8.4%

<Basic Policies of E-Plan2016>

[Drivers for Achievement]

- Expanding business scale in growing overseas markets
- Enhance functionality that will enable us to offer quality, prices, and delivery that meet customer needs
 - Reinforce core technologies in an ongoing and strategic manner
 - Enhance market coverage through product development
 - ▶ “Core technologies”
Design, oscillation- and structural-analysis, Material application, Electric and electronics, production and quality control
- Improving profitability in the mature market in Japan
- Creating S&S services across the entire lifecycle of the product

Expansion of business scale

Improvement of profitability

4. Basic Policies of the New Medium-Term Management Plan (E-Plan 2016) by Business Segment

(2/6)

4-1. Fluid Machinery & Systems Business: Pumps Business

<Goals for FY2019>

- Cast off our existing, conservative corporate culture
- Become "Asia's No. 1" and "One of the world's top three" pump manufacturers

<Basic Policies of E-Plan2016>

(1) Develop products speedily that meets customer needs, and launch competitive new products on the market

- Categorize products into "Global Core Products" and "Regional Products"
 - ▶ Reinforcement of marketing organization and Speedy product development
 - ▶ Strengthen price competitiveness by localization of product development
 - ▶ Ratio of global core products sales and regional products sales to pump business sales to be raised to respectively 10% in FY2016

(2) Establish a new business model by aligning Sales and S&S

- Increase sales, packaging and service bases (develop regional sales system for the end-user)
- Reinforce system of regional headquarters responsible for sales, S&S and production
 - ▶ "China/Asia", "Southeast Asia", "Middle East", "South America" and "Europe/Africa"
 - ▶ Ratio of overseas sales to sales of the pumps business **45%** or more (key indicator)
- Create new demand through proposals to customers targeting repair, remodeling and replacement etc.
 - ▶ Ratio of S&S sales to overseas sales of the custom pumps, in particular **30%** or more (key indicator)

(3) Globally optimize procurement system and product supply system through coordination of data among production, sales, and service bases

- Ensure optimal matching between customer needs and product specifications through overhaul of product design
- Further reinforce manufacturing process in domestic production bases, and enhance capabilities for instructing / collaborating with overseas bases
- Manage progress on "production innovation activities" with specific indicators, and develop a supply chain based on collaboration of global bases
- Develop a cost engineering system in conjunction with the production innovation activities

4. Basic Policies of the New Medium-Term Management Plan (E-Plan 2016) by Business Segment

(3/6)

4-1. Fluid Machinery & Systems Business: Compressors and Turbines Business

<Goals for FY2019>

- Achieve 200 billion JPY in Sales
- Establish the "Elliott" brand in the continuously expanding energy-related market

<Basic Policies of E-Plan2016>

(1) Expand order receipt from expanding market and realize both quantitative and qualitative growth by reinforcing our S&S capabilities

- | | |
|--|---|
| <ul style="list-style-type: none">➤ Reinforcing Products<ul style="list-style-type: none">▶ Expand production capability in line with expanding market▶ Improve global supply chain▶ Launch new products on the market | <ul style="list-style-type: none">➤ Reinforcing S&S<ul style="list-style-type: none">▶ Enhance global repair center and field services capabilities▶ Expand the Rerate (Engineered Solution) Business▶ Develop a business model of collectively managing and contracting regular repairs in a plant |
|--|---|

(2) Speed up decision-making by thoroughly enforcing group management through a global organization

- Establishment of a globally-integrated production management system applicable both in Japan and United States

(3) Enhance our competitive edge by rolling out the productivity innovation activities

- Implement productivity and quality improvement measures at US production base, which have been benchmarked to the Sodegaura Plant

4. Basic Policies of the New Medium-Term Management Plan (E-Plan 2016) by Business Segment

(4/6)

4-1. Fluid Machinery & Systems Business: Chillers Business

<Goals for FY2019>

- Capture the No. 1 market share in the chiller market in China and Southeast Asia
- Aim for a ratio of overseas sales of 50% or more for the business as a whole

<Basic Policies of E-Plan2016>

(1) Establish a stable revenue and profit structure in the domestic business in Japan

- Improving profitability from product sales
- Expanding the lineup of our S&S business

(2) Expand business scale in overseas business (Enhance presence in China and Southeast Asia as priority areas)

- Launching products that match the market needs of each area
- Differentiate our products from others in demand of new order / replacement through expanding S&S business

(3) Develop products that match the market needs

- Improve the development organization at the bases in both Japan and China, and effectively utilize development resources between the bases
- Quickly launch products that meet market needs

4. Basic Policies of the New Medium-Term Management Plan (E-Plan 2016) by Business Segment

(5/6)

4-2. Environmental Engineering Business (EE)

<Goals for FY2019>

- Stand in a leading position in the market for EPC and O&M of waste incineration facilities in Japan
- Achieve Operating Income Ratio of 11% or more

JPY in 100million	FY2013 Results	FY2016 Plan
Sales	529	650
Operating Income	47	65
Operating Income Ratio	9.0%	10.0%

<Basic Policies of E-Plan2016>

- (1) Establish an earnings structure that will enable us to secure stable sales and operating profit in EPC market in Japan
 - Prepare packaged designing, and enhance competitiveness of procurement
- (2) Extend the range of contract by improving customer satisfaction, customer bonding, and customer trust in O&M market in Japan
 - Extend the range of contract covering what customers of existing plants cover as a scope of their business
- (3) Reinforce the competitiveness of the business as a whole by maximizing the synergy between the EPC and O&M businesses
 - Taking "Design and construction know-how of facilities that reflect our expertise in the O&M business" and "Maintenance/repair, operation, and facility management know-how based on facility design philosophy" as the core competence of this business

4. Basic Policies of the New Medium-Term Management Plan (E-Plan 2016) by Business Segment

(6/6)

4-3. Precision Machinery Business (PM)

<Goals for FY2019>

- Secure Operating Income Ratio of 10% or more on medium term average regardless of conditions in semi-conductor market
- Develop a group of products that will become the third pillar of the business following vacuum pump products and CMP system, and establish a business base capable of sustained growth

JPY in 100million	FY2013 Results	FY2016 Plan
Sales	718	750
Operating Income	46	75
Operating Income Ratio	6.5%	10.0%

<Basic Policies of E-Plan2016>

- (1) Establish sound business foundation that does not rely on capital investment cycle of the semiconductor industry
 - Continuously launch next-generation models of dry vacuum pumps, exhaust gas abatement system and CMP system
 - Measures in preparation for the recovery of the non-semiconductor market that remains sluggish
- (2) Establish flexible business management that is capable of swiftly responding to market changes in a timely manner
 - Establish a system that will enable timely decision-making and minimal operational loss
 - Achieving Operating Income Ratio of 9% or more on average throughout E-Plan 2016 period
- (3) Employ and develop human resources required to overcome competition in the priority markets (Taiwan, South Korea, United States, and Japan), and appoint optimal human resources both in Japan and overseas

5. Major Numerical Targets

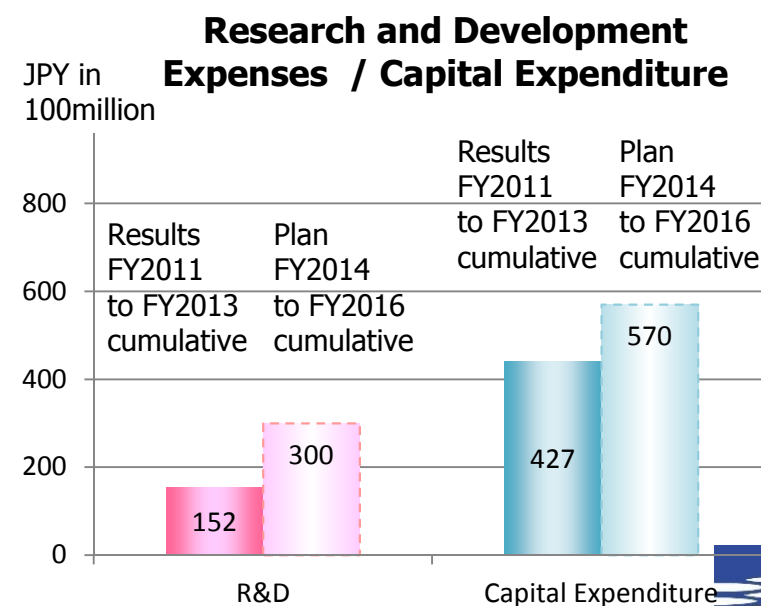
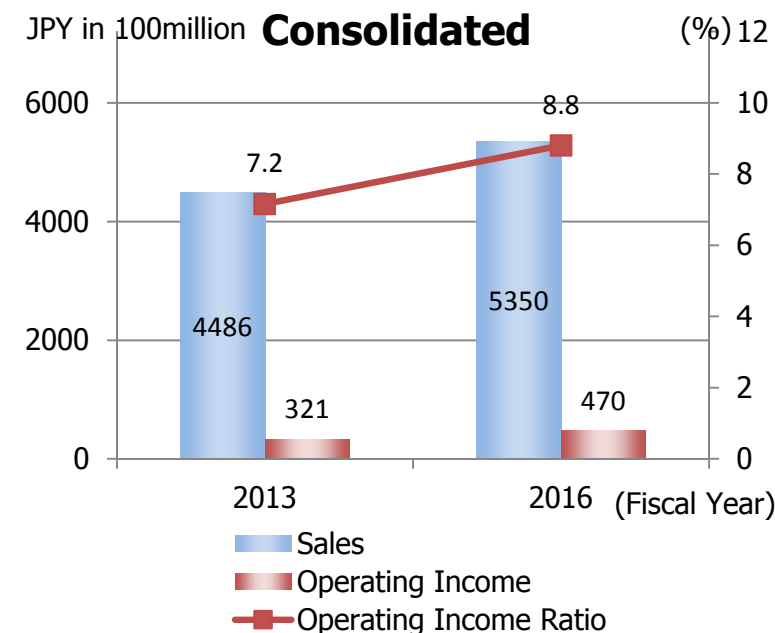
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E-Plan2016: Target Plan

Plan for FY2016

Key Management Indicator	ROIC			
	7.0% or more			
Major Targets (JPY in 100million)	Consolidated	FMS	EE	PM
Sales	5,350	3,930	650	750
Operating Income	470(8.8%)	330(8.4%)	65(10.0%)	75(10.0%)
Ordinary Income	460(8.6%)	Values in () account for % to Sales		
Net Income	270(5.0%)			
	Plan for FY2014 to FY2016 cumulative			
Other targets (JPY in 100million)	Research and Development Expenses		Capital Expenditure	
	300		570	

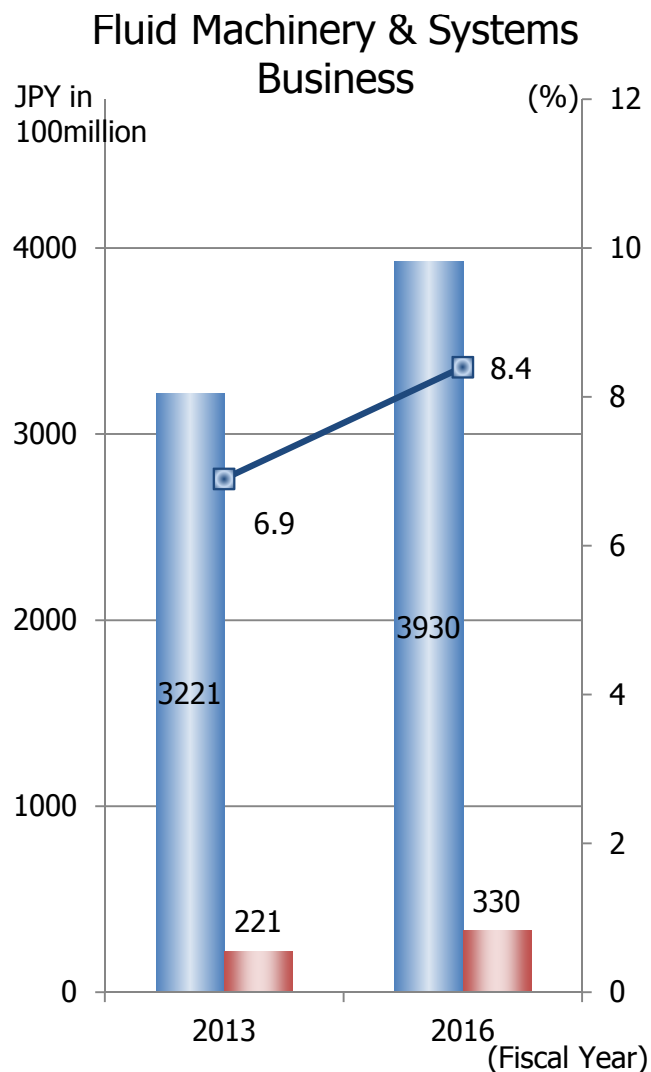
Assumed Foreign Exchange: 1USD=100JPY, 1EUR=140JPY, 1RMB=16.5JPY



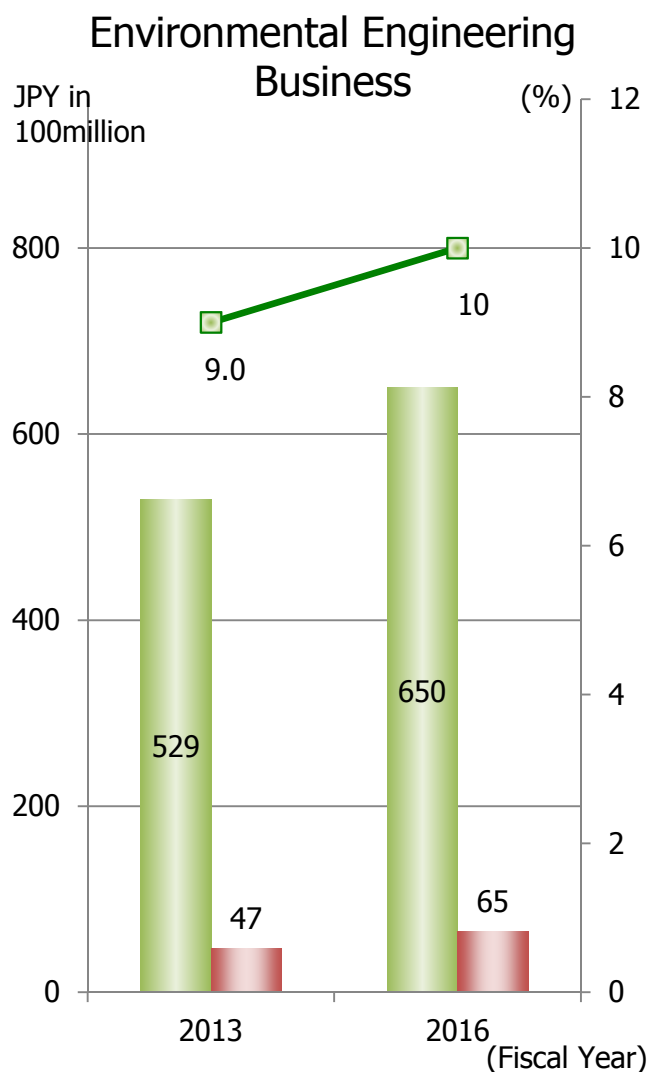
5. Major Numerical Targets

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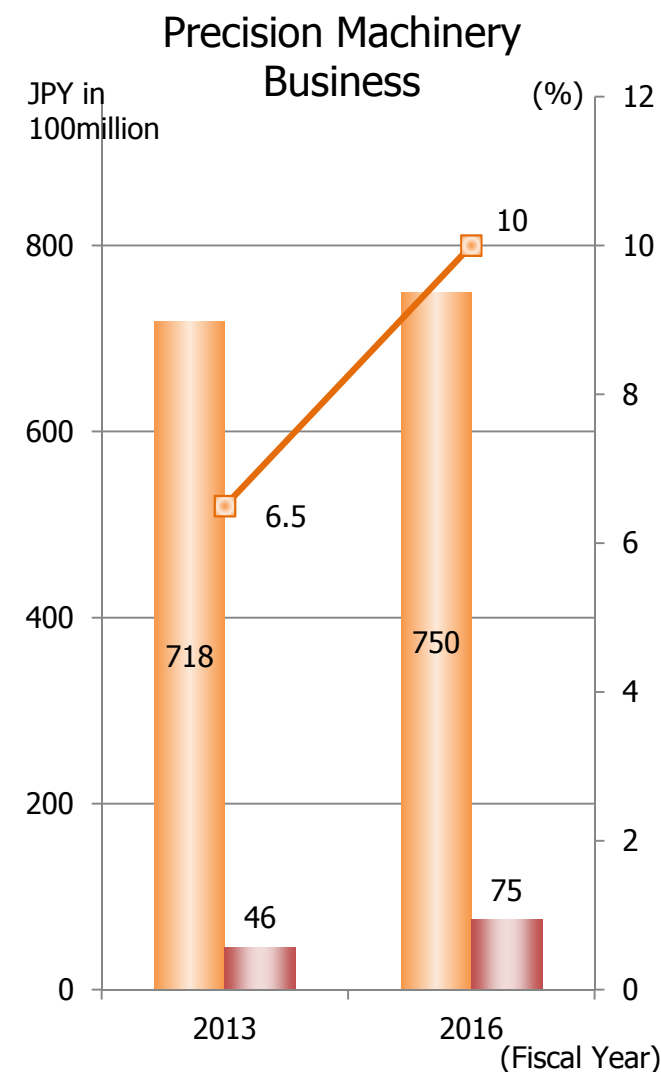
E-Plan2016: Target Plan by Business Segment



■ Sales
■ Operating Income
—■— Operating Income Ratio



■ Sales
■ Operating Income
—■— Operating Income Ratio



■ Sales
■ Operating Income
—■— Operating Income Ratio

Safe Harbor Statement

This release contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof. EBARA undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

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