

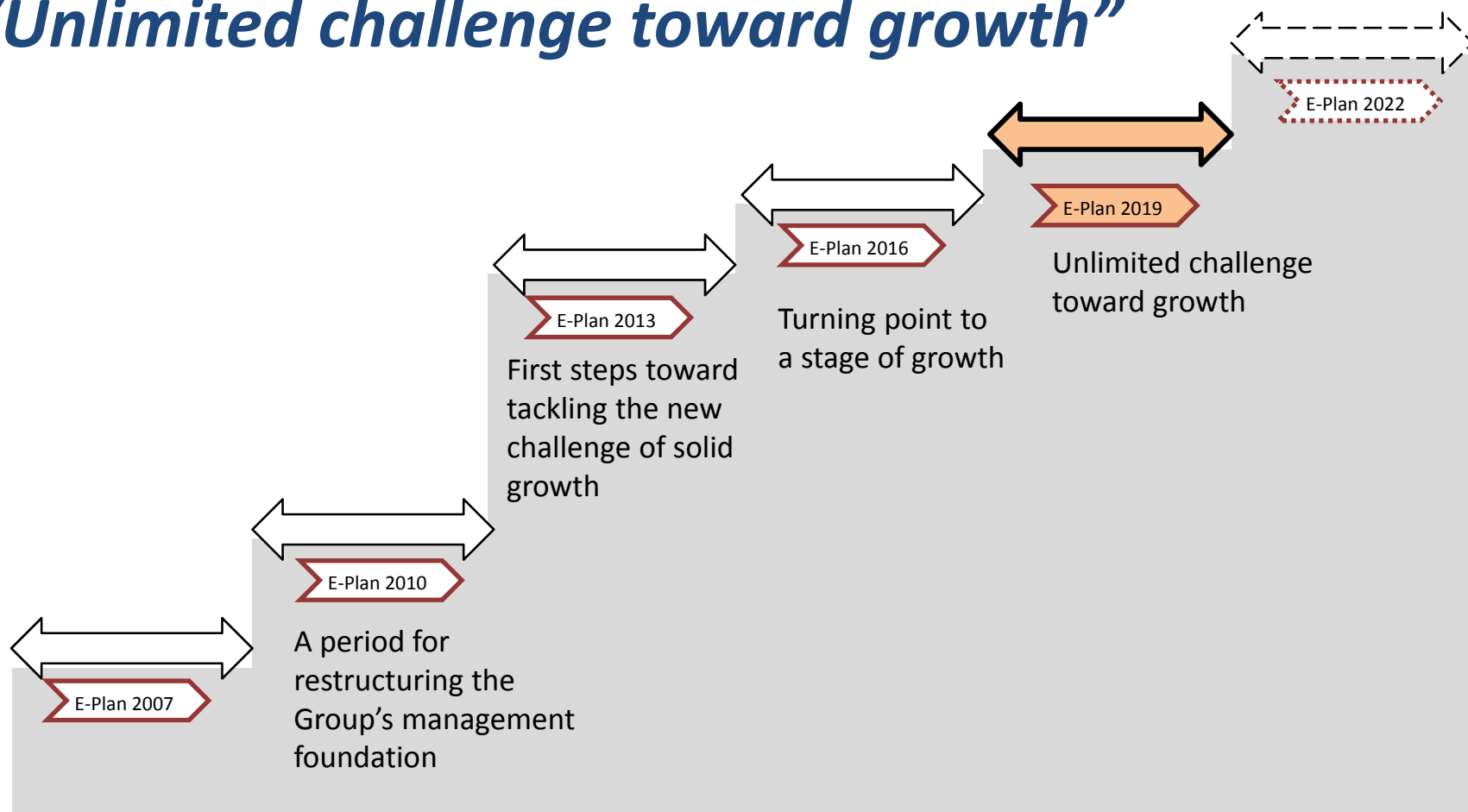
**EBARA CORPORATION**  
**Medium-Term Management Plan**  
**E-Plan 2019**  
(FY2017 to FY2019)



March 28, 2017

The key message of “E-Plan 2019”

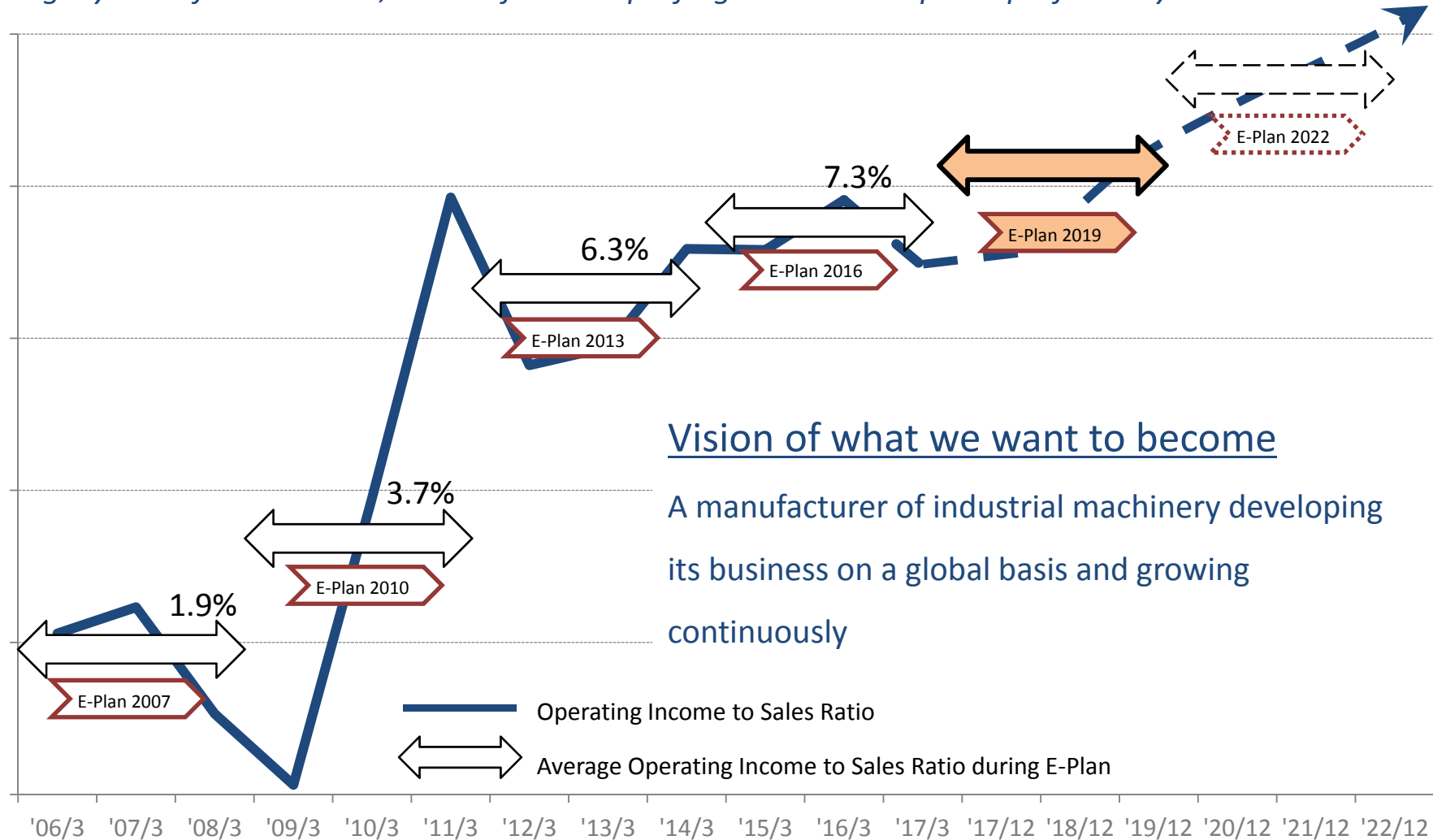
### *“Unlimited challenge toward growth”*



## New 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*



### Vision of what we want to become

A manufacturer of industrial machinery developing its business on a global basis and growing continuously

## 1. Overview of E-Plan2016

### Review of E-Plan 2016 (Numerical target)

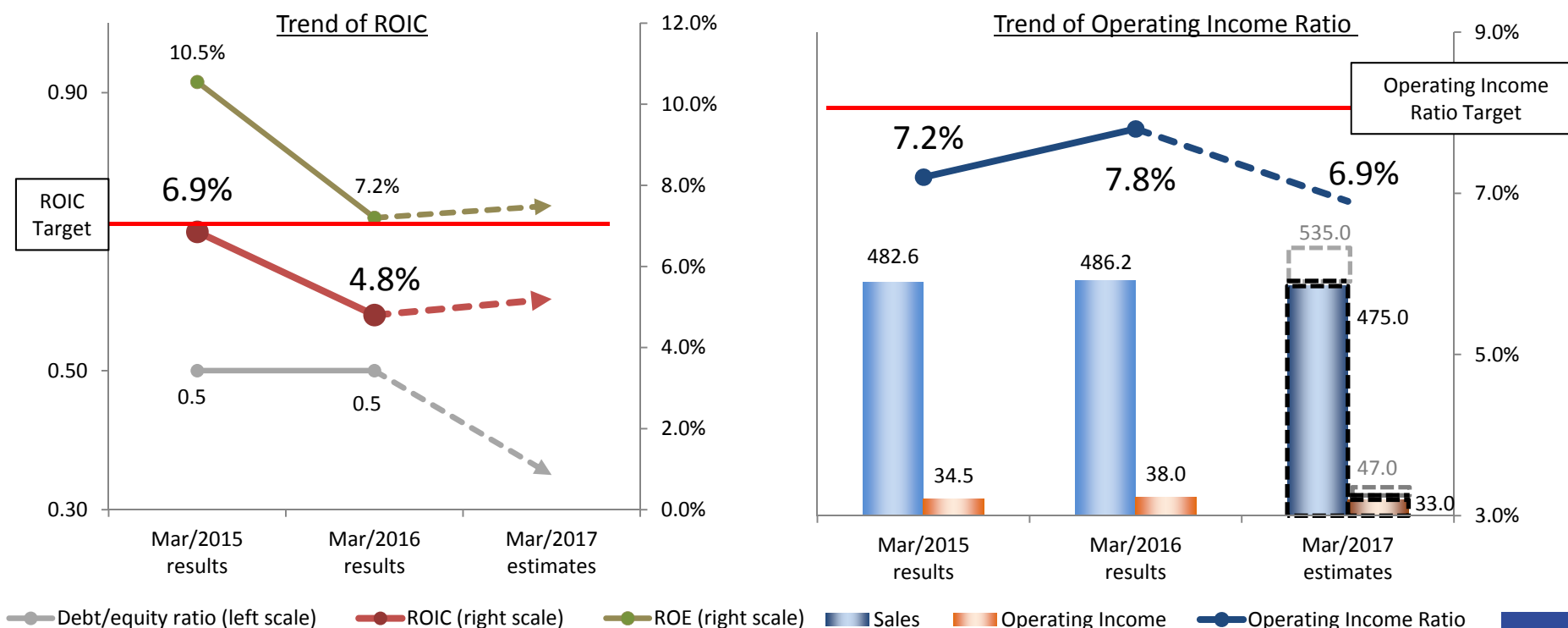
#### ✓ Both ROIC and Operating Income to Sales Ratio expected to be unachieved

- ROIC ... Shortfall in profit plan
- Operating Income to Sales Ratio ... EP\* and PM\* businesses exceed the target  
but FMS\* business falls short of the targets

[External factors] Stagnant crude oil price, the economic slowdown in China,  
the long-last deflationary economy in Japan

[Internal factors] Delay in progress in each business

\*EP: Environmental Plants PM: Precision Machinery FMS: Fluid Machinery & Systems



### Turning point to a stage of growth

#### Basic Policies

##### Basic Policy I .

- Steadily capture the growth in global market into the Company's business

##### Basic Policy II .

- Become a service provider that targets the entire lifecycle of the product/plant

##### Basic Policy III .

- Continuously enhance our technological capabilities as an industrial machinery manufacturer

##### Basic Policy IV .

- Enhance the management infrastructure that supports global business expansion

#### Achievement

- ✓ In EP and PM business, exceed the target of sales and operating income

EP

O&M bases has steadily increased

PM

Managed to increase the production capacity through shortened delivery time as a result of the productivity innovation activities, and sales expanded

- ✓ Expanded overseas bases

Pumps

1. Indonesia (M&A) 2. Brazil (M&A)  
3. Netherlands 4. UAE 5. Vietnam 6. Brazil  
7. Myanmar 8. Columbia 9. Saudi Arabia

Compressors

1. India 2. China

- ✓ Launched new products

Pumps

Expected to achieve the target for regional products\*  
Target: more than 10% of total net sales

\*Products designed to meet customer's needs in each region

- ✓ Strengthened our corporate governance systems through the transition to a Company with three Committees

### Turning point to a stage of growth

#### Basic Policies

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#### Issues

- ✓ In the FMS Business, sales and the operating income have fallen short of the targets

FMS

The deterioration of the operating environment

Pumps

Improvement in the profitability of the products business (especially custom pumps) is insufficient.

Improvements in productivity and profitability through the productivity innovation activities are insufficient.

- ✓ The contribution of S&S business to profits is insufficient

Pumps

Overseas custom pumps have fallen short of the target  
Target: an S&S sales ratio of 30% or more

- ✓ Delay in launching new products

Pumps

Core global products\* have fallen short of the target  
Target: more than 10% of total net sales

\*Products whose demands are expected universally around the world

- ✓ The progress of medium- and long-term issues is delayed

EP

Profitability of EPC\* business has not improved  
\*Engineering, Procurement, Construction

PM

Developing the third pillar following components and CMP systems is delayed

Issues to be addressed in the E-Plan 2019

- ✓ Business which is less susceptible to market fluctuations, and in which stable growth and improved profits are expected
- ✓ Business which is highly-susceptible to market fluctuations

Efforts should be made to ensure the further growth of the business and the improvement of profitability

Reforms should be conducted on the business structure so that profits will be generated even at the bottom of the market

Assumptions in the Formulation of E-Plan 2019

Business	Growth prospects of major markets
Pumps	<ul style="list-style-type: none"> <li>The global market: growth of approximately 4% per annum</li> <li>The domestic market: expected to continue shrinking, mainly in the building equipment market, by approximately 2% per annum</li> </ul>
Compressors	<ul style="list-style-type: none"> <li>Recovery of investments in new plant constructions is expected to reach 2013 levels by 2020</li> <li>Energy demand is expected to grow and market growth of approximately 3% per annum is expected</li> </ul>
Chillers	<ul style="list-style-type: none"> <li>Market growth of approximately 3% per annum mainly in China and Southeast Asia is expected in the medium- to long-term</li> </ul>
EP	<ul style="list-style-type: none"> <li>Outsourcing operations to the private sector has been increasing</li> </ul>
PM	<ul style="list-style-type: none"> <li>Demand for semiconductors will continue mainly for those intended for IoT</li> <li>Demand for capital investments is expected to continue in Taiwan, South Korea and Japan, in addition to China.</li> </ul>

Assuming exchange rate of 1 USD is 105 JPY

**Growth can be expected in the medium- to long-term for each business, but a certain level of risk will be incorporated into the market growth and plans will be formulated that are not dependent on sales growth**

## 2. E-Plan 2019

### Basic Group Policies

Turning point to a stage of growth

Unlimited challenge toward growth

#### E-Plan 2016 Basic Policies

#### E-Plan 2019 Basic Policies

##### Basic Policy 1.

- Solidify the profit foundation of the Group so that it does not rely on market fluctuations, and aim for further growth

- Continuously enhance our technological capabilities as an industrial machinery manufacturer

##### Basic Policy 2.

- Strengthen product competitiveness and improve profitability by introducing innovative production processes and business processes with the fully-automated plant at the core

- Become a service provider that targets the entire lifecycle of the product/plant

##### Basic Policy 3.

- Expand the Service & Support (S&S) business to improve and stabilize profitability

- Steadily capture the growth in global market into the Company's business

##### Basic Policy 4.

- Utilize M&As as effective means, in businesses which are expected to generate stable growth and profits, for the purpose of increasing the Group's share in the overseas markets and enhancing product lineup; and in businesses which are highly susceptible to market fluctuations, for the purpose of expanding the domain of the S&S business.

- Enhance the management infrastructure that supports global business expansion

##### Basic Policy 5.

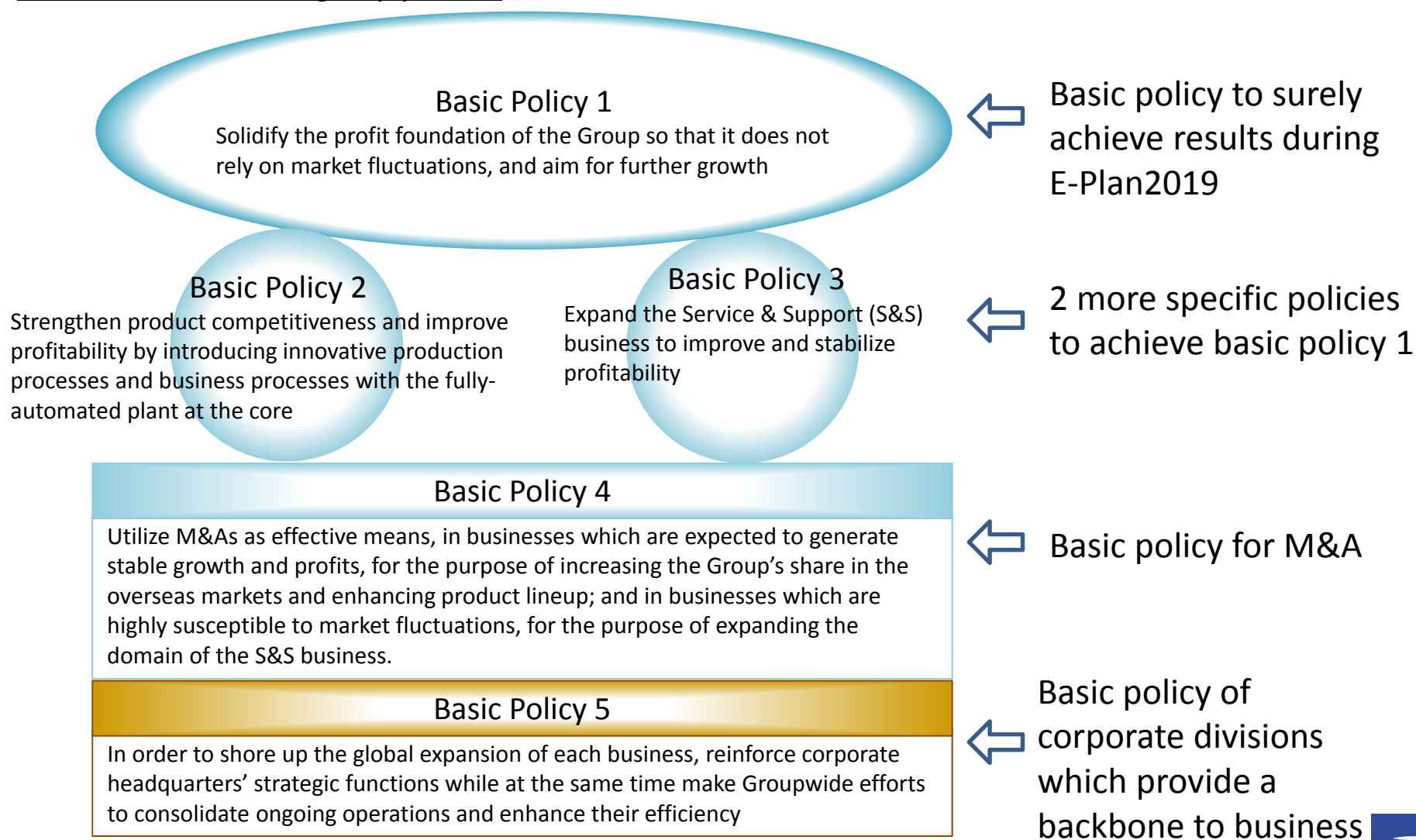
- In order to shore up the global expansion of each business, reinforce corporate headquarters' strategic functions while at the same time make Groupwide efforts to consolidate ongoing operations and enhance their efficiency



## Basic Group Policies

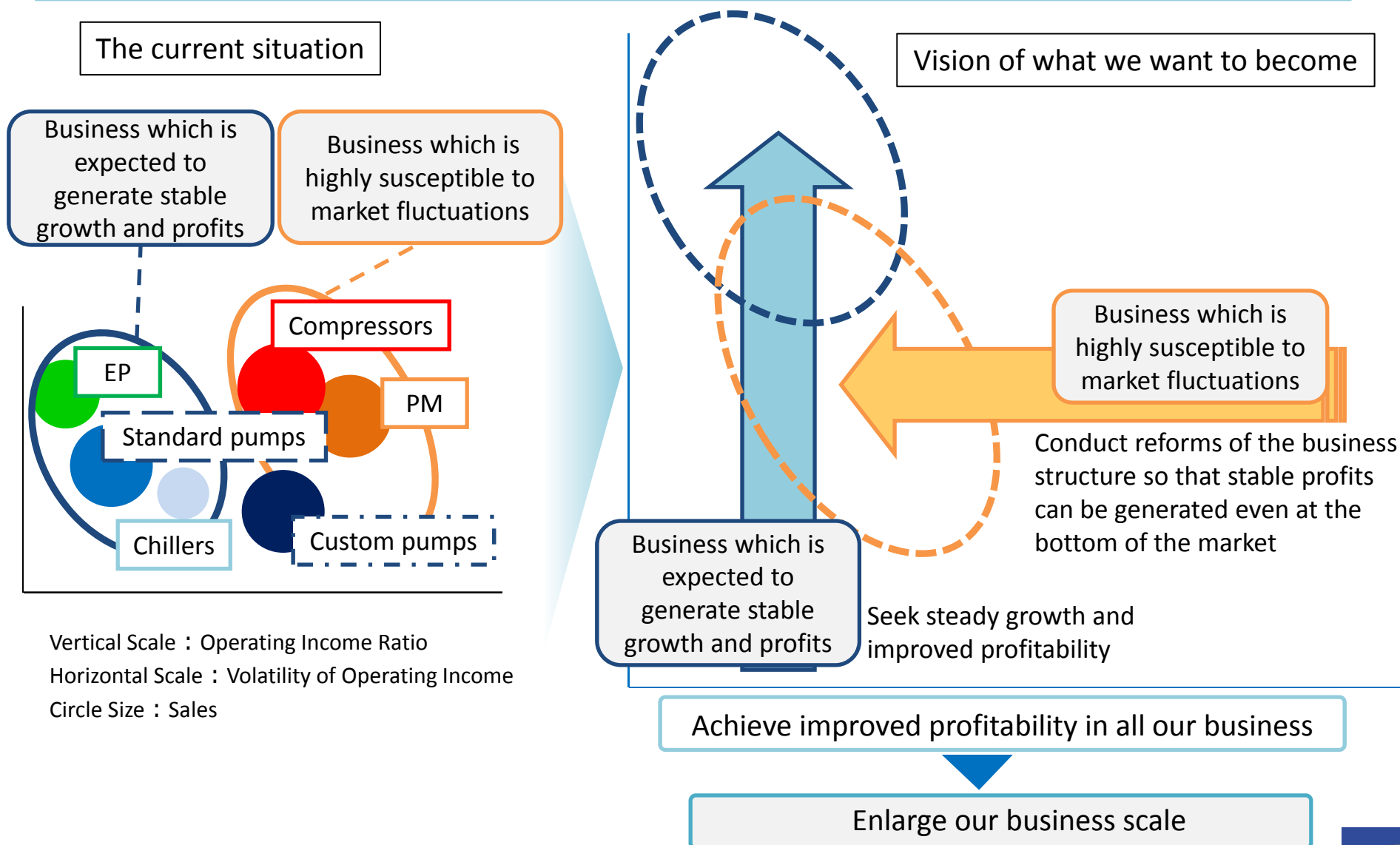
Unlimited challenge toward growth

### The structure of basic group policies

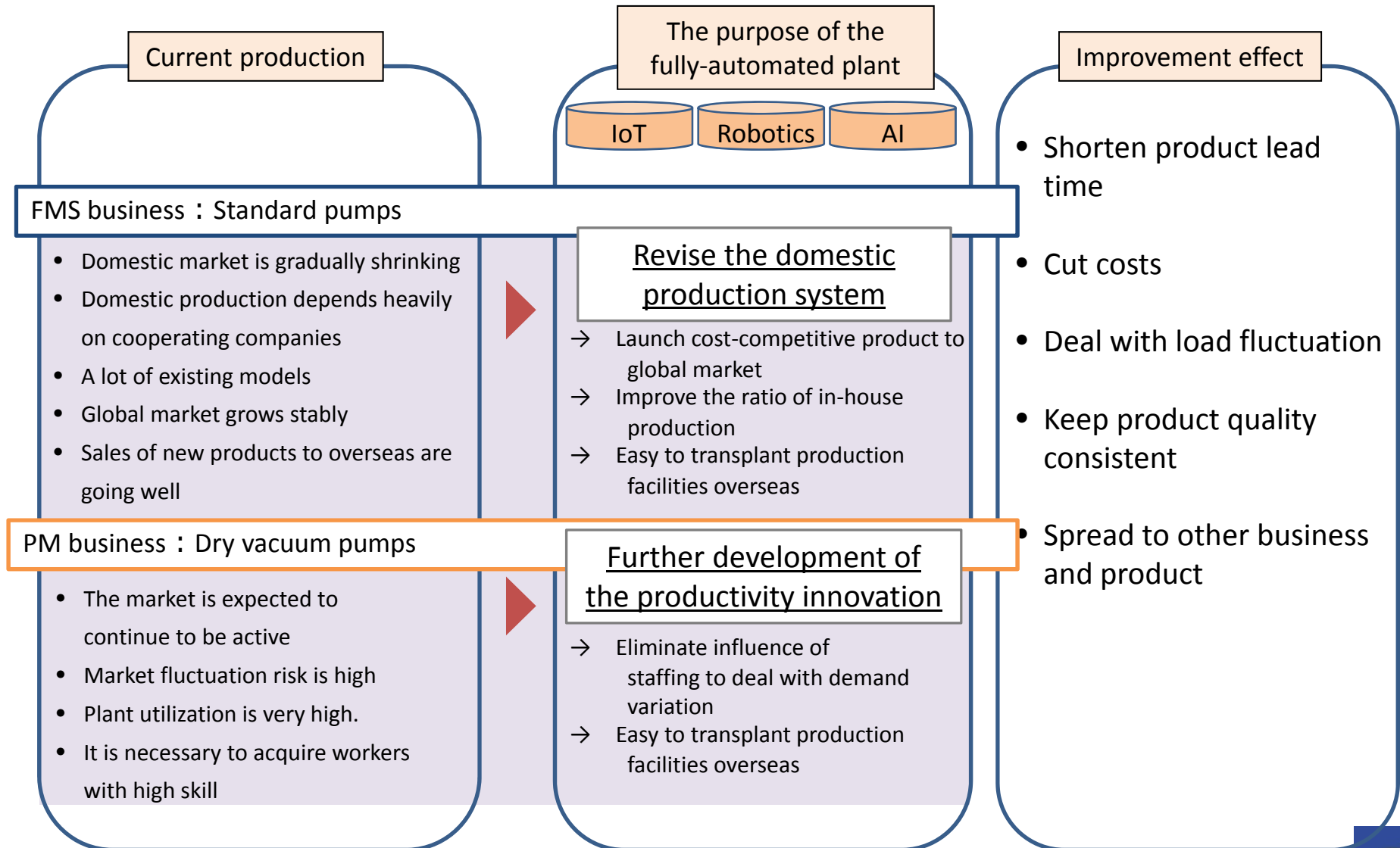


## Basic Group Policy 1

1. Solidify the profit foundation of the Group so that it does not rely on market fluctuations, and aim for further growth



2. Strengthen product competitiveness and improve profitability by innovative production and business processes with the fully-automated plant at the core

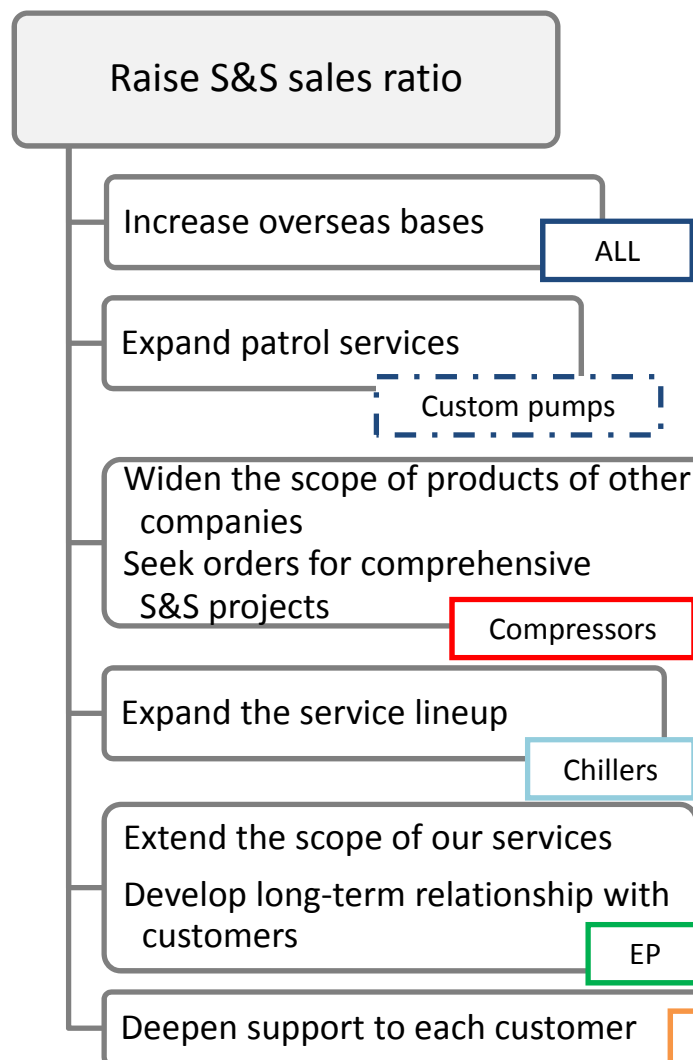


## 2. E-Plan 2019

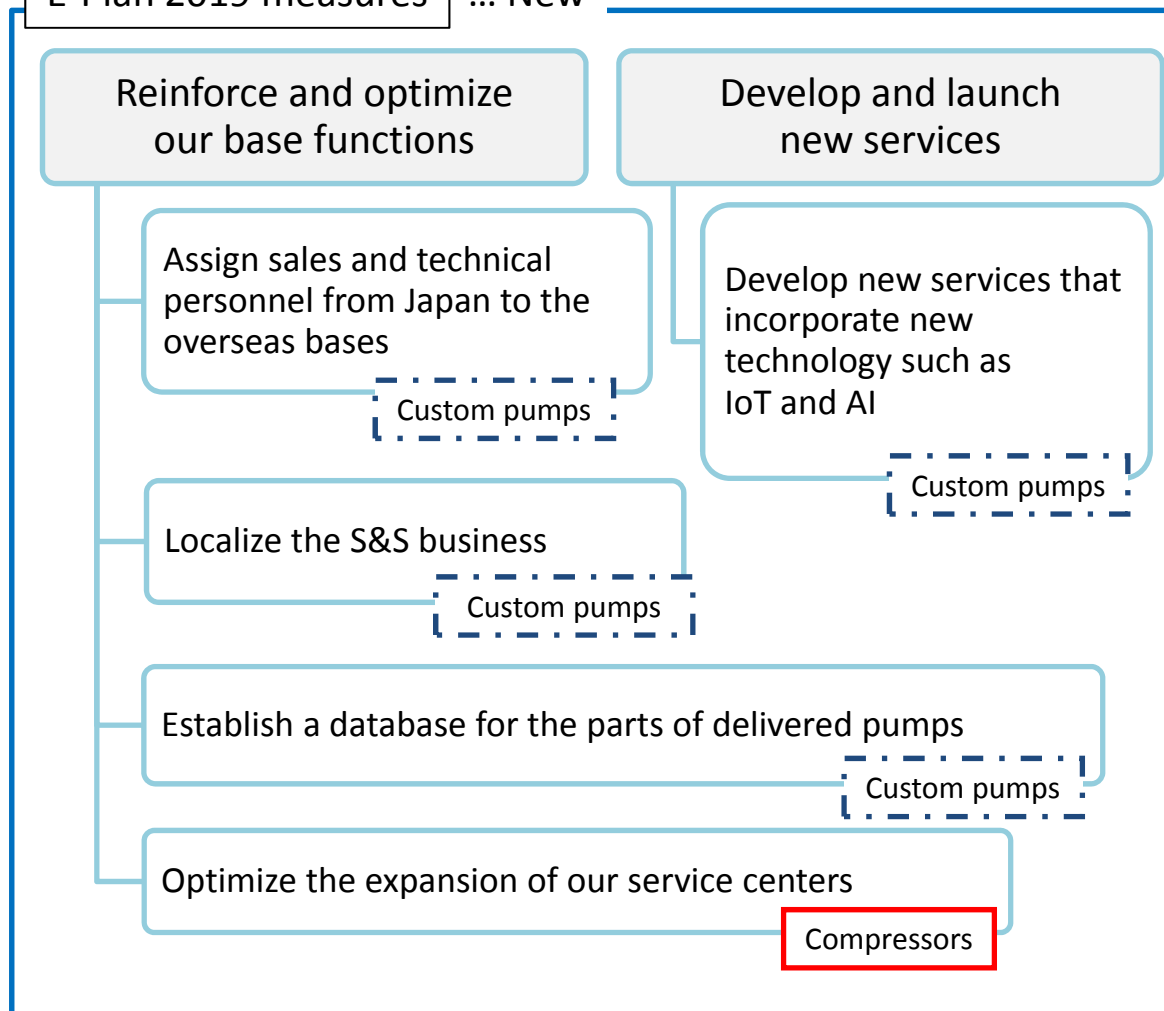
### Basic Group Policy 3

#### 3. Expand the Service & Support (S&S) business to improve and stabilize profitability

##### E-Plan 2016 measures ... Continued



##### E-Plan 2019 measures ... New



4. Utilize M&As as effective means

Business which is expected to generate stable growth and profits

- Increase the Group's share in the overseas markets
- Enhance product lineup

Standard pumps

Business which is highly susceptible to market fluctuations

- Expand the domain of the S&S business

Custom pumps

Compressors

M&As during E-Plan 2016

Brazil : Manufacture and sell standard pumps





Indonesia : Perform rotating machinery maintenance such as pumps



5. Reinforce strategic functions of corporate and make Groupwide efforts to consolidate ongoing operations and enhance their efficiency

### Human Resources

Carry out reforms to our corporate culture including the personnel system, the organization and changes to the way we work

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>• Abolish the seniority system and revitalize promotions as well as thoroughly enforce ability- and performance-based systems</li> <li>• Enlarge and flatten each structure, so that the number of organizations are halved and the organization is run efficiently</li> </ul> | <br><br> | <p>From April 2017</p> <ul style="list-style-type: none"> <li>• Introduce the new role rank system</li> <li>• Shift to new organizational structure</li> </ul> <p>The number of organizations decrease by 40%, in FMS business decrease by 60%, year on year</p> |
|---|--|--|

### Transform our corporate culture into one that is competitive and challenging

#### R&D

- Utilize the open innovation
- Further reinforce the core technology of each business and study the possibility of entry into new business

#### Risk management

- Strengthen governance across the Group including the overseas subsidiaries

#### Accounting

- Enhance our financial accounting including compliance with global taxation
- Unify the financial reporting date of domestic and overseas subsidiaries

#### Productivity innovation

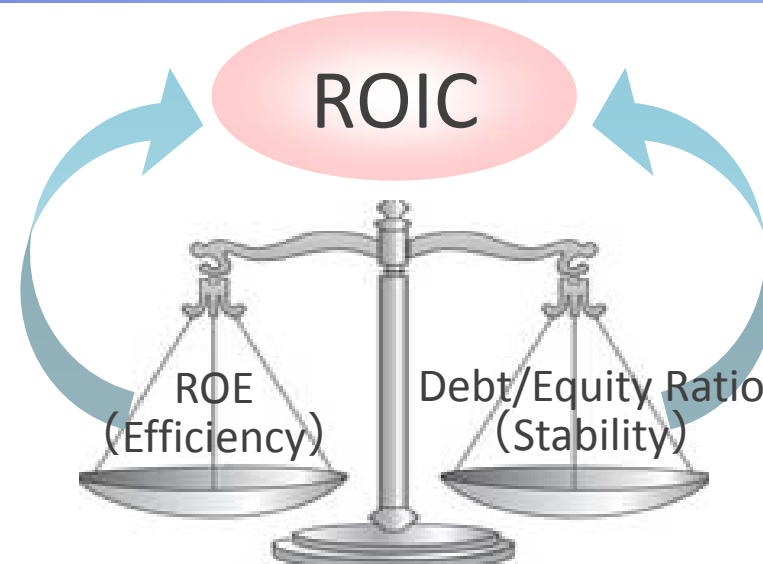
- Renew our mainframe systems and production/sales systems
- Apply IoT and robotics to our production processes

Targets to be achieved in FY2019

➤ **ROIC 8.0% or more\***

$$\text{ROIC} = \frac{\text{Profit (loss) attributable to owners of parent}}{(\text{Interest-bearing debt}^{**} + \text{Shareholders' equity}^{**})}$$

\*\*Average between beginning and end of period



➤ **Operating income to sales ratio 9.0% or more\***

➤ Fluid Machinery & Systems business

8.5% or more

Pumps business

8.0 % or more

Compressor and Turbines business

11.0 % or more

Chillers Business

7.0 % or more

➤ Environmental Plants Business

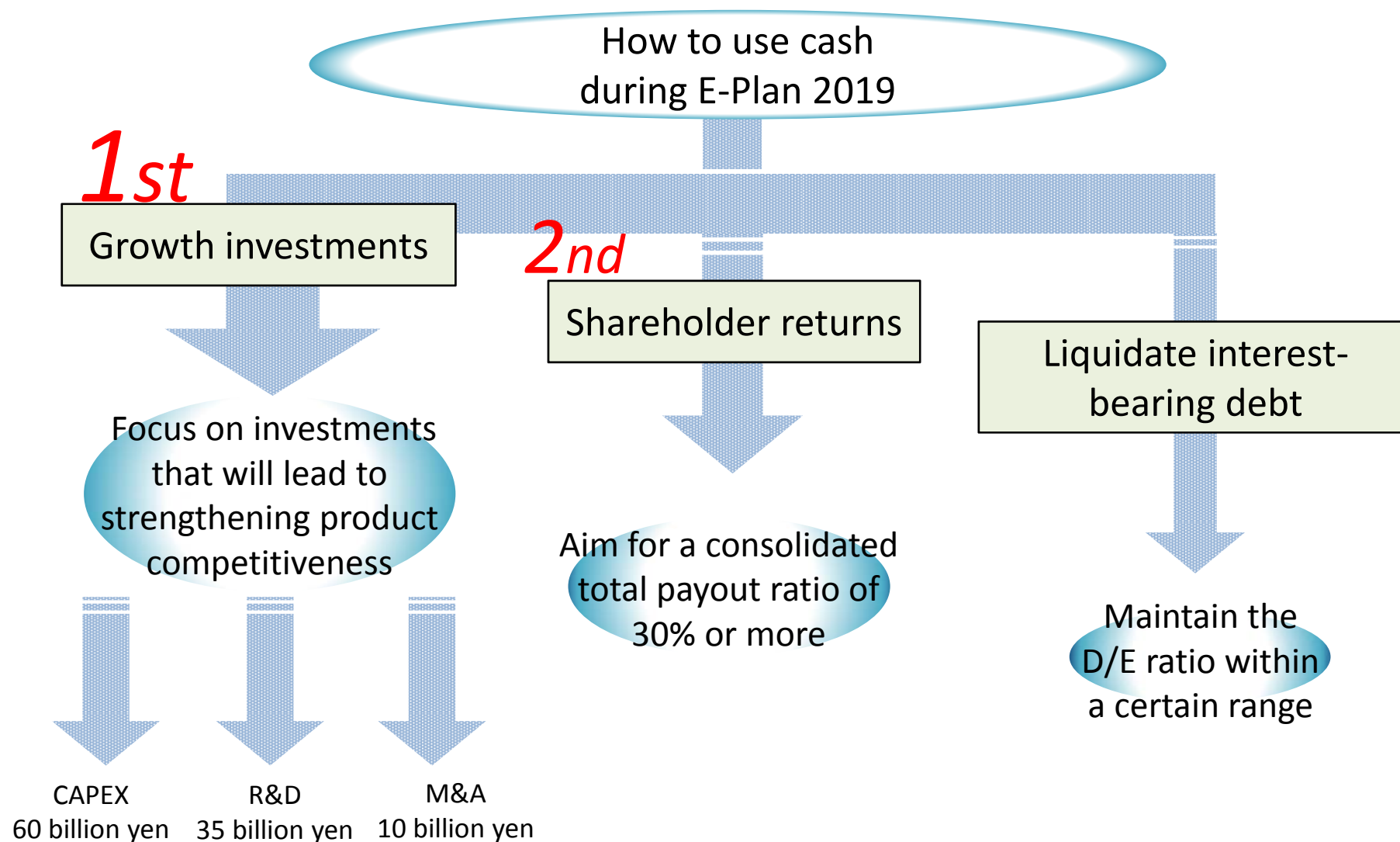
11.0% or more

➤ Precision Machinery Business

12.0% or more

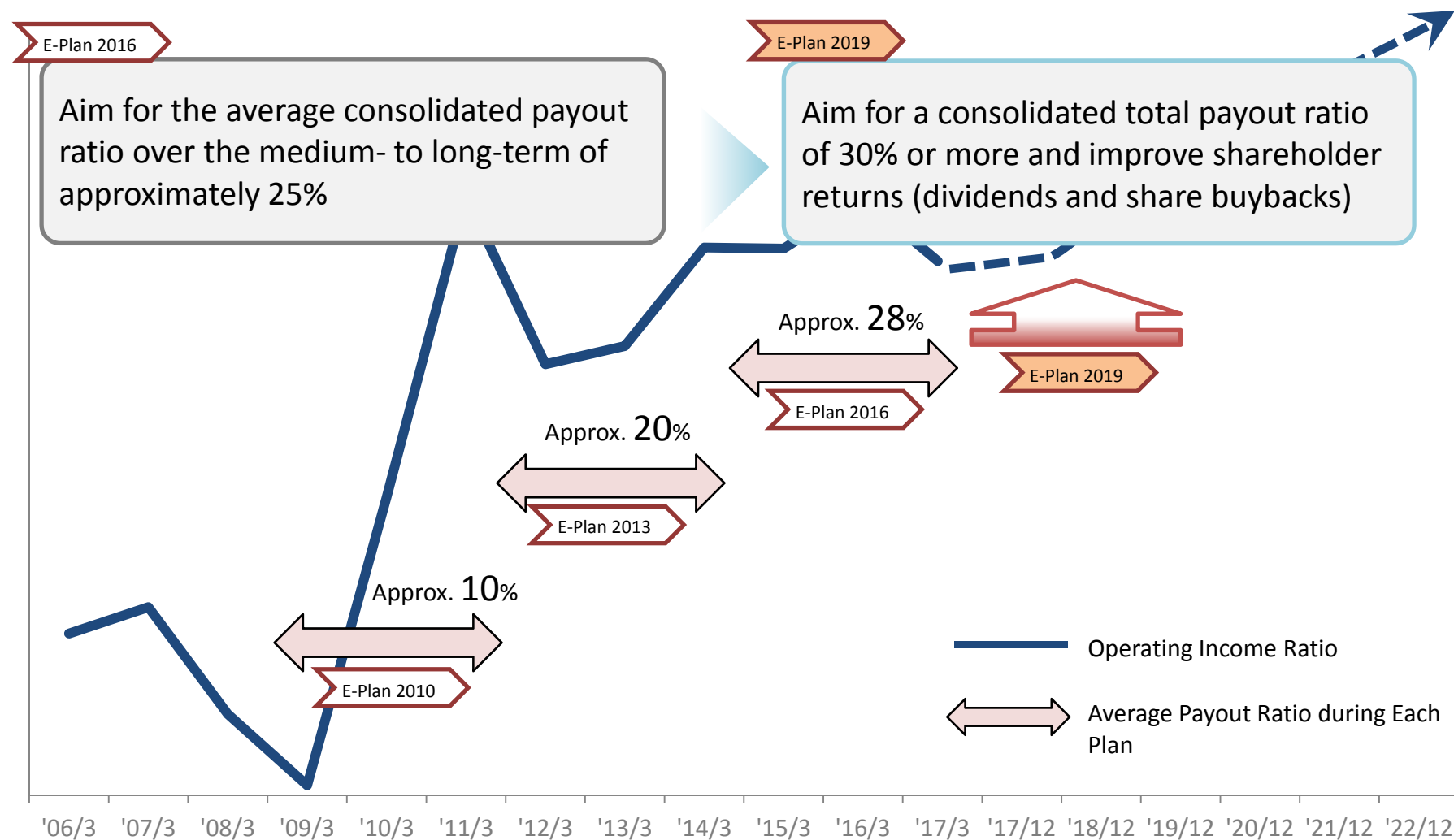
\*On the assumption that consolidated external sales will be 500 billion yen or more

Cash allocation



(Cumulative amount during E-Plan 2019)



Shareholder returns

## Standard Pumps

Given that the Standard Pumps Business is less susceptible to market fluctuations in the global market, it will be positioned as the profit base of the Pumps Business. Upon improving profitability through reforms on the business structure of the domestic business, we will aim for growth on the global markets and set forth the following as our basic policy.

- 1) We will continue to eliminate and integrate extant models, and reduce administrative costs, while at the same time shorten product lead time and reduce manufacturing costs.
- 2) We will fundamentally revise the conventional production system. By establishing an automated production line through the utilization of IoT, AI and robotics as well as shortening product lead time and reducing manufacturing costs, we will strengthen product competitiveness.
- 3) We will fundamentally change the business systems of production and sales and enhance operational efficiency.
- 4) We will continuously launch new products that will be sold globally as well as new products that reflect specific regional needs



## Custom Pumps

Given that the Custom Pumps Business is a business susceptible to market fluctuations, particularly from the oil and gas markets, we will conduct structural reforms on the domestic production system so that profits will be generated even at the bottom of the market. Furthermore, we will aim to improve profitability by expanding the domestic and overseas S&S business and through the expansion of the products business intended for the public sector in Japan, and set forth the following as our basic policy.

- 1) We will re-examine our domestic production system, and transform our production system into a flexible system that will generate stable income even if current market conditions prevail, and will also allow us to increase production once the market recovers.
- 2) By renewing our production system and standardizing our products, we will shorten product lead time and reduce manufacturing costs.
- 3) In order to expand the overseas S&S business, we will enhance our sales and technology support system in the local regions closer to our customers.

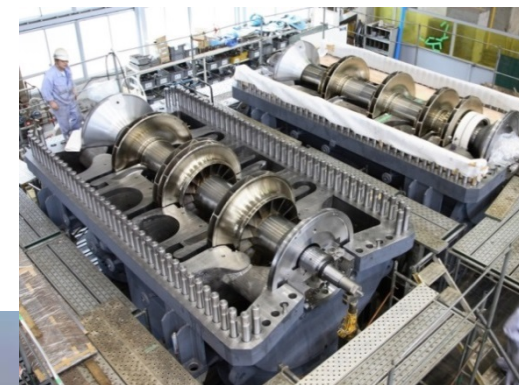


## Compressors and Turbines



While our ultimate goal is to establish our position in the world's top three in the compressors market for oil and gas by the early 2020's, and maintain the No.1 position in the downstream market, during the period of E-Plan 2019, we will aim to improve the profitability of the products business and expand the S&S business so that we will be able to generate a certain level of profits even if the current conditions of low crude oil prices should continue, and set forth the following as our basic policy.

- 1) In addition to ensuring and strengthening our competitiveness in the existing markets, we will seek to enter new segments and markets through M&As and proprietary development.
- 2) We will thoroughly improve the profitability of the products and S&S businesses.
- 3) We will deepen the integration of global management in order to overcome international competition.



## Chillers

In the China business, we will aim to expand our market share, and in our domestic business, we will undergo transition to a highly-profitable structure, and set forth the following as our basic policy.

- 1) In the Chinese market, we will designate centrifugal chillers and cooling towers as the most important models, and we will develop and increase sales of competitive products.
- 2) In the domestic market, we will steadily maintain the S&S business of chillers, and expand the S&S business to cooling towers which promise growth.
- 3) We will promptly establish bases and build production/sales/service systems in order to expand our business to countries other than Japan and China.



### Environmental Plants

We will continue to aim for stable growth and improved profits mainly in the domestic O&M business (public infrastructure services) which primarily caters to public sector entities, and set forth the following as our basic policy.

- 1) We will fully develop business management and profit/loss management through deepening and change.
- 2) We will shore up our domestic customer base and strengthen the presence of our domestic O&M business.
- 3) We will ensure the sustained growth of the new electric power business while at the same time proactively incorporate the biomass power generation facility market into our business.



### Precision Machinery

Upon securing an operating income ratio exceeding the average operating income ratio for the period of the E-Plan 2019 by the early 2020's, we will create new businesses and new products that will become the third pillar as well as establish a business base to ensure sustainable growth for 2020 and beyond when semiconductor-manufacturing technology will reach a turning point, and set forth the following as our basic policy.

- 1) We will enhance production efficiency and business efficiency by promoting automation, and strengthen our competitiveness by shortening product lead time and reducing costs.
- 2) We will increase sales from the equipment group centering on plating equipment, which is slated to become the third pillar, mainly in the packaging process.
- 3) We will utilize the open innovation policy, seek out demand for new semiconductor manufacturing technology, and engage in development for commercialization.
- 4) We will expand and stabilize existing businesses, while at the same time reinforce the global strategies of each business.





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### Safe Harbor Statement

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