



# **Long-term Vision: E-Vision 2030 Medium-term Management Plan: E-Plan 2022**

## **EBARA (6361)**

**February 26, 2020**

Please find corrections from  
the presentation material  
released on February 13: P.33

Looking ahead,  
going beyond expectations

*Ahead*  *Beyond*

**EBARA** CORPORATION

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# **1. Review of Previous Medium-term Management Plan: E-Plan 2019**

# Review of E-Plan 2019 — Basic Policies



## Key Message

**“Unlimited Challenge toward Growth”**

## Key Management Indicators

<b>ROIC</b>	8.0% or more
<b>Operating Income (OI) to Sales Ratio</b>	9.0% or more

## Cash Allocation

<b>Growth Investment</b>	105.0 billion yen (CAPEX, R&D, M&A)
<b>Shareholder Returns</b>	Consolidated total return ratio of 30% or more
<b>Liquidate Interest-bearing Debt</b>	Maintain the debt-to-equity ratio within a certain range

## 5 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

### 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

### Basic Policy 3

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

### 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

### 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

# Review of E-Plan 2019 — Summary



<b>Key Management Indicator Targets</b>	✕	<ul style="list-style-type: none"> <li>Targets of the key management indicators of ROIC and operating income to sales ratio was not achieved</li> <li>Main reasons why targets were not achieved were our too optimistic market outlook and insufficient business structure transformation to strengthen the revenue base</li> </ul>
<b>Growth Investment</b>	△	<ul style="list-style-type: none"> <li>3-year investment was 95.5 billion yen</li> <li>Built an automated plant to improve productivity and invested in systems to improve various processes, but enhanced product competitiveness and improved profitability are expected after 2020</li> </ul>
<b>Shareholder Returns</b>	○	<ul style="list-style-type: none"> <li>Significantly above target: total return ratio 30% or more</li> <li>In the second year repurchased shares for the first time and continued in the third year</li> </ul>
<b>ESG-focused Management</b>	○	<ul style="list-style-type: none"> <li>Promoted environmental management (e.g., TCFD participation)</li> <li>Reformed corporate culture (Implemented new HR system and work-style reform)</li> <li>Enhanced governance (enhanced oversight function of the Board of Directors)</li> </ul>
<b>Issues for Next Medium-term Management Plan</b>		<ul style="list-style-type: none"> <li>Transformation of business structures to strengthen revenue base</li> <li>Enhance S&amp;S business</li> <li>Creation of new businesses</li> </ul>

# Review of E-Plan 2019 — Status of Management Indicators



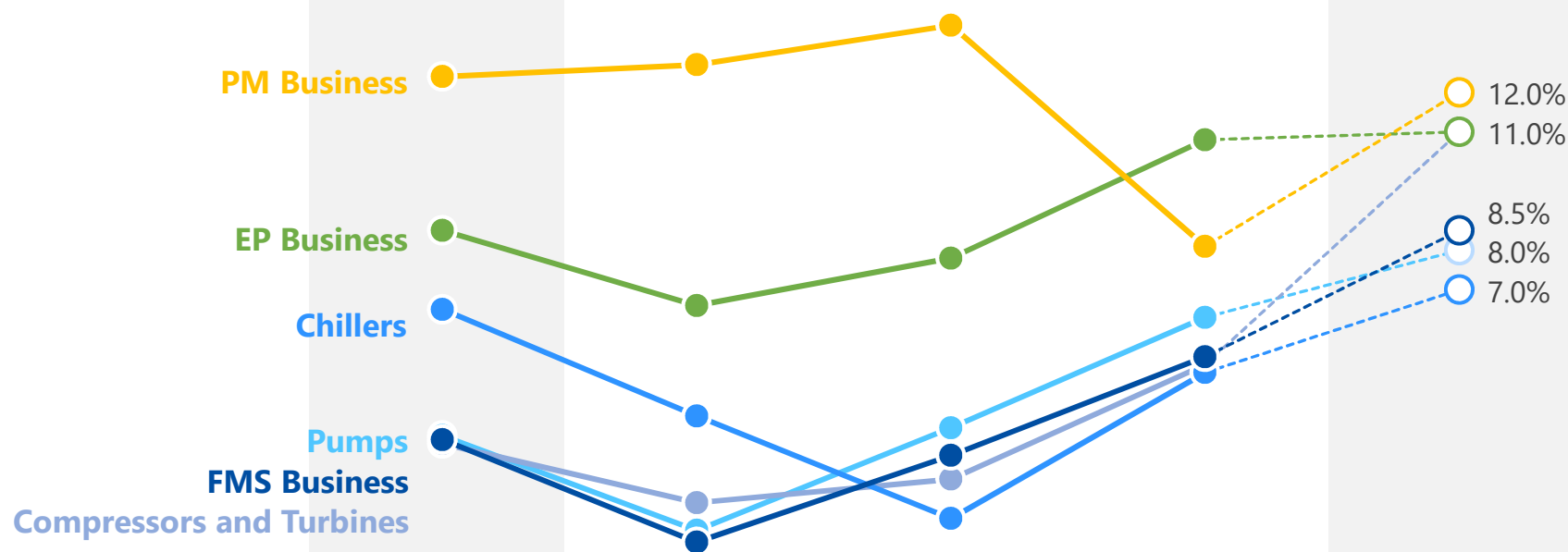
	FY ended Mar. 31, 2017	E-Plan 2019				Target
		FY ended Dec. 31, 2017	FY2018	FY2019	3-year Total	
<b>ROIC</b>	5.6%	2.5%	4.9%	6.5%	-	8.0% or more
<b>OI Ratio</b>	6.3%	4.7%	6.4%	6.8%	-	9.0% or more
<b>ROE</b>	8.0%	3.5%	6.6%	8.3%	-	11.0-13.0%
<b>Debt-to-Equity Ratio</b> (times)	0.36	0.41	0.28	0.29	-	0.4-0.6 times
<b>CAPEX</b> (billions of yen)	22.6	12.3	19.3	34.3	66.1	60.0 billion yen or more
<b>R&amp;D</b> (billions of yen)	8.7	7.2	10.6	11.5	29.4	35.0 billion yen or more
<b>M&amp;A</b>	-	1 a sales company in South Africa	-	-	1	10.0 billion yen
<b>Consolidated Total Return Ratio</b>	28.1%	48.0%	60.5%	88.8%	-	30% or more
<b>Share Repurchase</b> (billions of yen)	-	-	5.0	15.0	20.0	Agile implementation

\* Fiscal year ended December 31, 2017 is an irregular nine-month period.

# Review of E-Plan 2019 — Status of Business Segment Targets



## Changes in OI Ratio



	FY ended Mar. 31, 2017	FY ended Dec. 31, 2017 *4	FY2018	FY2019	E-Plan 2019 Target
FMS <sup>*1</sup> Business	3.2%	0.6%	2.8%	<b>5.3%</b>	8.5% or more
Pumps	3.3%	0.9%	3.5%	<b>6.3%</b>	8.0% or more
Compressors and Turbines (CT)	3.1%	1.6%	2.2%	<b>5.1%</b>	11.0% or more
Chillers	6.5%	3.8%	1.2%	<b>4.9%</b>	7.0% or more
EP <sup>*2</sup> Business	8.5%	6.6%	7.8%	<b>10.8%</b>	11.0% or more
PM <sup>*3</sup> Business	12.4%	12.7%	13.7%	<b>8.1%</b>	12.0% or more

\*1. Fluid Machinery & Systems / \*2. Environmental Plants / \*3. Precision Machinery

\*4. Fiscal year ended December 31, 2017 is an irregular nine-month period.

Looking ahead, going beyond expectations

Ahead Beyond

# Review of E-Plan 2019 — Achievements and Issues



## Pumps Business

		Standard Pumps Business	Custom Pumps Business
<b>Goals</b>		<ul style="list-style-type: none"> <li>■ Improve profitability through structural reform of domestic business</li> <li>■ Expand market share in the global market</li> </ul>	<ul style="list-style-type: none"> <li>■ Structural reform of domestic production system</li> <li>■ Increase S&amp;S sales</li> </ul>
<b>Main Measures Taken</b>		<ul style="list-style-type: none"> <li>■ Consolidated existing models</li> <li>■ Constructed automated pump assembly line</li> <li>■ Enhanced operational efficiency and optimized human resources in domestic business</li> <li>■ Developed and launched regional products</li> <li>■ Acquired a sales company in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>■ Consolidated domestic production into Futtsu plant</li> <li>■ Established an industry-specific marketing team</li> <li>■ Formed a business alliance with TEIKOKU ELECTRIC MFG. CO., LTD.</li> <li>■ Established a workshop in Saudi Arabia</li> </ul>
<b>OI Ratio Target</b>	<b>8.0% or more</b>	<b>Reasons for Underperformance</b>	
<b>Final Year OI</b>	<b>6.3%</b>	<ul style="list-style-type: none"> <li>■ Delay of core global product launch and occurrence of defects in products</li> <li>■ Delay of global distributor network expansion</li> <li>■ Delay of expanding target models for the automated assembly line</li> </ul>	<ul style="list-style-type: none"> <li>■ Financial loss from production delays, product defects, etc.</li> <li>■ In spite of increasing resources at overseas bases, sales activities were insufficient</li> </ul>
<b>Remaining Issues</b>		<ul style="list-style-type: none"> <li>■ Implement further operational efficiency and labor saving measures</li> <li>■ Develop and launch products that meet local needs in overseas markets</li> <li>■ Increase number of overseas sales bases</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve product profitability</li> <li>■ Optimize global S&amp;S structure</li> </ul>



# Review of E-Plan 2019 — Achievements and Issues



## Compressors and Turbines (CT) Business

<b>Goals</b>	<ul style="list-style-type: none"><li>■ Improve profitability of product operation</li><li>■ Increase S&amp;S sales</li></ul>
<b>Main Measures Taken</b>	<ul style="list-style-type: none"><li>■ Integrated the cryogenic pumps business and increased S&amp;S orders</li><li>■ In 2018, established an IPO (International Procurement Office) at India base</li><li>■ In 2019, started producing small turbines at India base</li></ul>

OI Ratio Target	Final Year OI	
<b>11.0% or more</b>	<b>5.1%</b>	<b>Reasons for Underperformance</b> <ul style="list-style-type: none"><li>■ Delays in oil and gas market recovery and a too-optimistic market outlook</li><li>■ Product cost reduction efforts were insufficient in response to changes in the external environment</li><li>■ The full-fledged effects of enhanced production and procurement functions, as a result of the newly-established India base, are anticipated to occur after 2020, although we have started to see partial benefits</li></ul>

### Remaining Issues

- Improve product profitability
- Utilize IPOs in China and India
- Further increase S&S sales

# Review of E-Plan 2019 — Achievements and Issues



## Chillers Business

### Goals

- Japanese market: Improve profitability
- Chinese market: Expand market share

### Main Measures Taken

- Launched new products
- Reviewed unprofitable businesses and optimized human resources

### OI Ratio Target

### Final Year OI

**7.0% or more**

**4.9%**

### Reasons for Underperformance

- A temporary loss of opportunity and financial loss occurred due to consolidation of domestic cooling tower bases
- Delays in new product development for the Chinese market

### Remaining Issues

- Expand S&S sales in Japan
- Enhance product competitiveness in China

# Review of E-Plan 2019 — Achievements and Issues



## Environmental Plants (EP) Business

<b>Goals</b>	<ul style="list-style-type: none"><li>■ Grow steadily and improve profitability, focusing on domestic O&amp;M business</li></ul>
<b>Main Measures Taken</b>	<ul style="list-style-type: none"><li>■ Strengthened sales activities for comprehensive, long-term service contracts aimed at the 50-year-model</li><li>■ Started operation of a remote support center and an automatic crane system that utilizes AI and ICT</li></ul>

OI Ratio Target	Final Year OI	
<b>11.0% or more</b>	<b>10.8%</b>	<b>Reasons for Underperformance</b> <ul style="list-style-type: none"><li>■ An order of a targeted EPC* project was delayed</li></ul>

\* Engineering, procurement, and construction

## Remaining Issues

- Make sure to receive targeted orders
- Stabilize and streamline plant operation utilizing AI and ICT

# Review of E-Plan 2019 — Achievements and Issues



## Precision Machinery (PM) Business

<b>Goals</b>	<ul style="list-style-type: none"><li>■ Secure 12.0% or more operating income ratio</li><li>■ Create the third pillar of operations</li></ul>	
<b>Main Measures Taken</b>	<ul style="list-style-type: none"><li>■ Built dry vacuum pump automated plant and Technology Development Center</li><li>■ Built overhaul plants at Kyushu and Chubu bases</li><li>■ Started full-scale operation of new CMP mass-production plant at Kumamoto District</li><li>■ Promoted parts procurement and production mainly at overseas bases</li></ul>	
OI Ratio Target	Final Year OI	
<b>12.0% or more</b>	<b>8.1%</b>	<b>Reasons for Underperformance</b> <ul style="list-style-type: none"><li>■ First and second years exceeded the target due to customers' rapid investment expansion and increasing production, but in the third year, the market slowed and as such, we did not reach the target</li><li>■ Sales targets for plating and bevel polishing systems (new businesses) were not achieved</li></ul>
<b>Remaining Issues</b>	<ul style="list-style-type: none"><li>■ Optimize production systems, including advancing automated plant capacity/scale</li><li>■ Expand market share in the growing Chinese market</li><li>■ Start up new businesses quickly</li></ul>	

## 2. Long-term Vision: E-Vision 2030



Factory in Ebara-town, Tokyo, founding place



Founder Issey Hatakeyama



Dr. Ariya Inokuty

## Beginning of EBARA's Challenge

EBARA was established in 1912 as a university-launched venture company to manufacture "Inokuty type volute pump"

## Founding Spirit "Passion and Dedication"

Our founder Issey Hatakeyama expanded EBARA with the spirit of "Passion and Dedication"

"Passion and Dedication"

We shall strive for growth with passion and dedication to bring forth originality and ingenuity. When working with passion and dedication there is nothing that cannot be communicated to others.

# E-Vision 2030 — Context of E-Vision 2030: EBARA's History



We have supported society through our over 108 year-history because customers have chosen us for our reliability, technological capabilities, and continuing spirit of "Passion and Dedication." We will continue to challenge ourselves to meet the needs of the age with innovative products and services.

1912~ Modernization of Japan	1945~ Post-WWII Reconstruction Japan's Economic Miracle	1980~ Development of Information Society	2000~ Search for Path to Sustainability	2020~ Toward a More Diverse and Inclusive Society
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Development of social infrastructure  
➢ Development of water infrastructure

Increase in construction due to urbanization/development of industrial infrastructure  
➢ Development of wind & water power products and waste incineration equipment

Demand & market growth for semiconductors  
➢ Development & release of semiconductor manufacturing equipment and devices

Growing interest in environmental issues & accelerated innovation in semiconductor technology  
➢ Provision of energy-saving products and reuse technologies

- Creation of a sustainable society
- Development of dynamic and abundant lifestyles
- Supporting the development of resilient social infrastructure
- Providing eco-friendly products
- Becoming a manufacturer used by people on 5 continents
- Increasing amounts of renewable energy through greater power generation efficiency at incineration plants
- Spreading chemical-recycling technology
- Providing products and services that support evolving semiconductor technology
- Reducing environmental load of semiconductor manufacturing processes

## FMS Business

1958 Standard Pumps



2019 New FRESHER: Industry's smallest installation area



1912 Pumps

1921 Fans & Blowers



1963 Absorption Chiller-Heaters



1930 Centrifugal Chillers



1938 Compressors/Turbines

## EP Business

1931 Rapid Filtration System



1961 Grate-type Incineration System



1971 Municipal Solid Waste



Fluidized-bed Incineration System

1989 ICFB

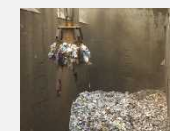
2002 Fluidized-bed Gasification and Ash Melting System

2003 EUP



2006 ICFG (demo)

2019 Automatic crane system with waste identification AI



## PM Business



1986 Roots-type Dry Vacuum Pumps

1998 Electron Beam Inspection Systems  
Bevel Polishing Equipment

1990 Bump Plating Systems



1992 CMP Systems

Gas Abatement Systems

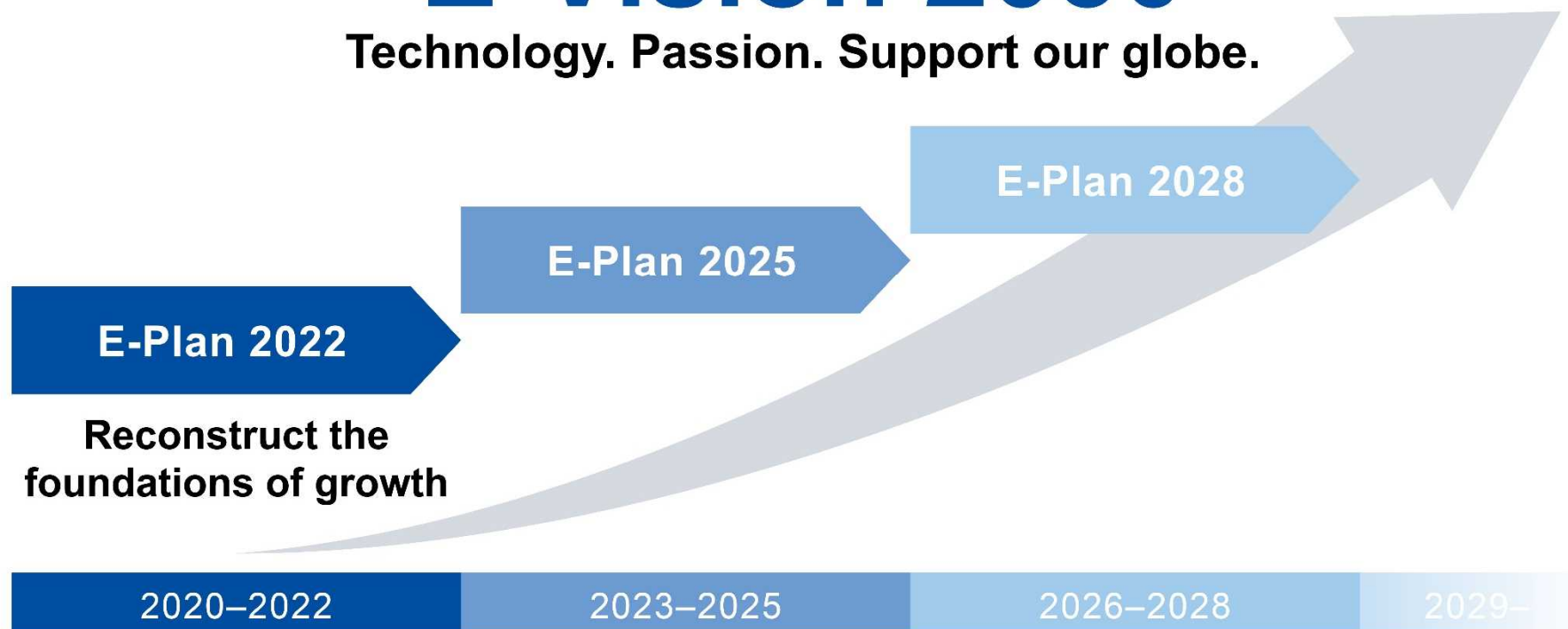
2018 New Dry Vacuum Pump



We aim to further our contributions toward the SDGs and improve ESG-focused management to contribute to the creation of a sustainable society, while simultaneously increasing the social/environmental and economic value we generate. We believe this will earn us greater corporate value and recognition as an excellent global company.

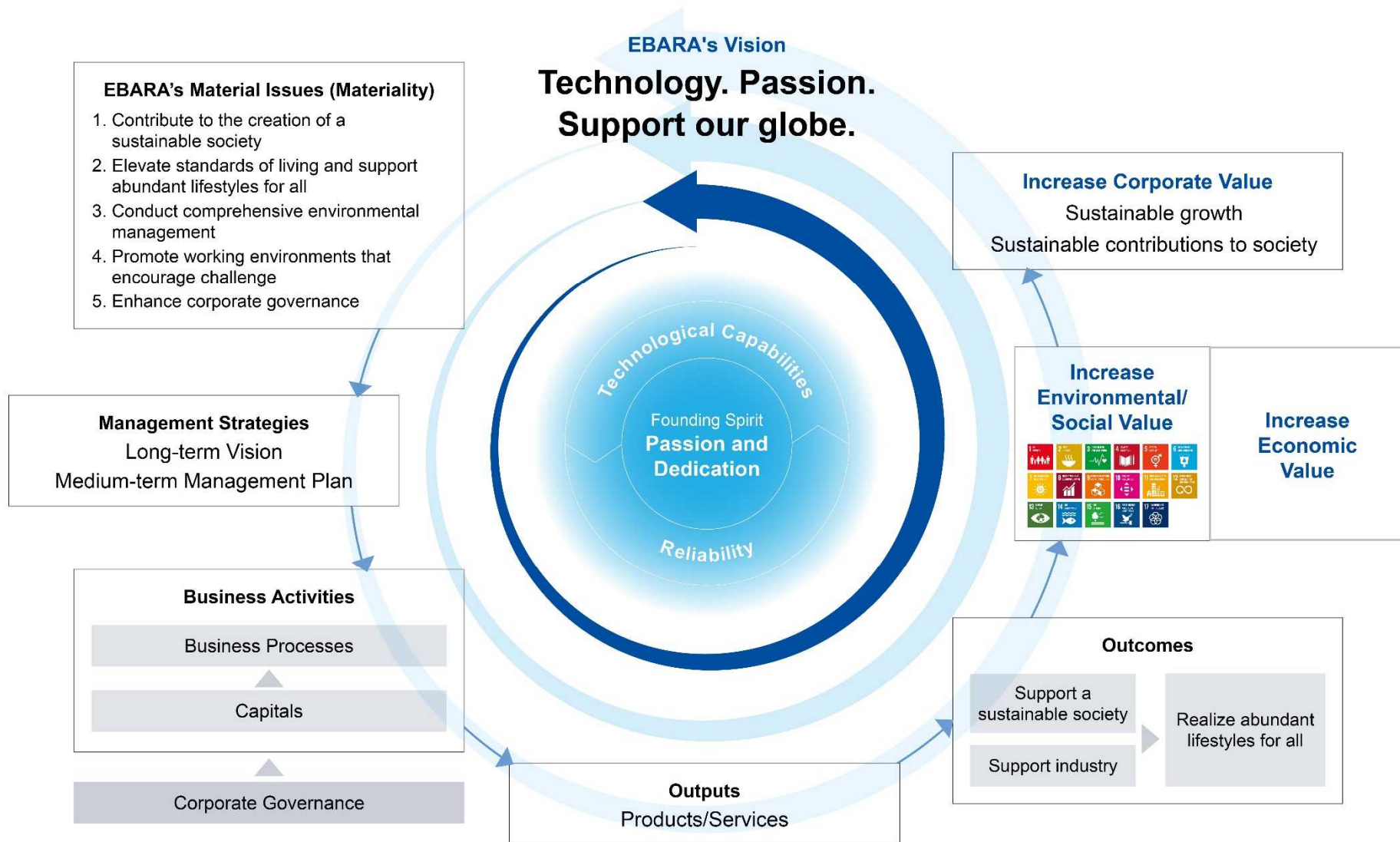
# E-Vision 2030

**Technology. Passion. Support our globe.**





# E-Vision 2030 — EBARA's Value Creation Process



# E-Vision 2030 — 5 Material Issues (Materiality)



## 1. Contribute to the creation of a sustainable society

We will utilize our technologies to passionately support the creation of a sustainable, environmentally-friendly world with ample food and water, and safe and reliable social infrastructure



## 2. Elevate standards of living and support abundant lifestyles for all

We will utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles



## 3. Conduct comprehensive environmental management

We will promote the reduction of CO<sub>2</sub> emissions from our business operations and maximizing our use of renewable energy to move toward a carbon-neutral world



## 4. Promote working environments that encourage challenge

We will promote a corporate group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments



## 5. Enhance corporate governance

We will lay out a vision for and pursue growth through offensive and defensive governance that supports high-level management capabilities

Looking ahead, going beyond expectations

Ahead Beyond



Reduce greenhouse gas (GHG) emissions of business operations

- Reduce amount of energy used in production
- Develop more energy-efficient products
- Improve the power generation efficiency of municipal solid waste treatment facilities



Support and provide resilient infrastructure that helps solve environmental problems associated with urbanization and deliver water all over the world



Contribute to the development of high spec semiconductors necessary to answer the increasing demand for IoT, Cloud, AI, automated driving (self-driving cars), and 5G (ICAC5) through the provision of cutting-edge semiconductor manufacturing equipment

## **Basic Policy** Maximize corporate value through the optimization of business portfolio

- Recognize issues based on realistic future forecasts
- Integrate a global market-in approach

### **1** New/Existing Business Strategies

#### **New Business**

Contribute to solving material issues by starting up new types of business

#### **Existing Businesses**

Enhance S&S and execute aggressive business segment-specific strategies

### **2** Regional Strategies

#### **Global Market**

Actively develop business in areas where problems associated with economic development are arising (i.e., increasing energy consumption, population growth, environmental issues, etc.)

#### **Japanese Market**

In the midst of a maturing market, expand S&S services and implement creative, flexible business reforms untethered to conventional manufacturing

### **3** Resource Strategies

Achieve optimal resource allocation through focus on the following three strategies:

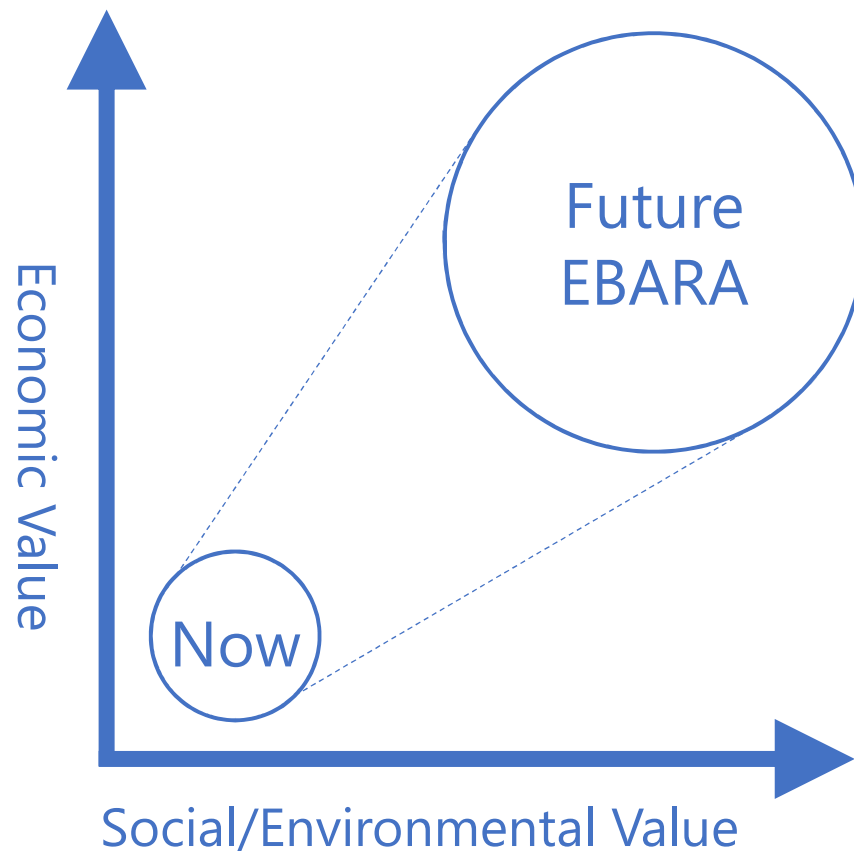
- Financial/Investment Strategy
- Manufacturing/Technology/Information Strategy
- Human Resource Strategy

### **4** ESG Strategies

Further refine ESG-focused management to facilitate the creation of a sustainable society

- E** Take aim at environmental issues
- S** Foster bonds with society
- G** Enhance governance

Enhance EBARA's corporate value through the improvement of social, environmental, and economic value



### Social/Environmental Value

Solve social issues through our business:

- Reduce GHG emissions equivalent to around 100 million tons of CO<sub>2</sub>
- Deliver water to 600 million people
- Contribute to development of ICAC5...Challenge 14 Å

### Economic Value

- ROIC over 10.0%
- Roughly 1 trillion yen in sales

### Indicator of Corporate Value

1 trillion yen in market capitalization

### ■ Reduce GHG emissions by the equivalent of **about 100 million tons** of CO<sub>2</sub>

Calculated using a sales projection of current products from 2020 to 2030 and the average CO<sub>2</sub> emissions of those products over their lifecycle. The following data points were then utilized to calculate our approximate target.



- Amount of energy-savings (converted to CO<sub>2</sub> emission equivalents) anticipated from each business segment's product development plans, as we strive to provide more energy efficient products
- Amount of PFCs (converted to CO<sub>2</sub> emission equivalents) treated by our Gas Abatement Systems that would be emitted if not treated

[For your reference – Visualizing 100 million tons of CO<sub>2</sub>]

Japan's total energy consumption in 2018 generated around 500 million tons of CO<sub>2</sub> (excluding PFC to CO<sub>2</sub> calculated emissions)

### ■ Deliver water to **600 million people**

Calculated based on population forecasts for 2030 and our current market share of standard pumps



- Global market: Anticipated growth of about 5% during the period of E-Vision 2030

### ■ Contribute to ICAC5...Challenge **14Å**

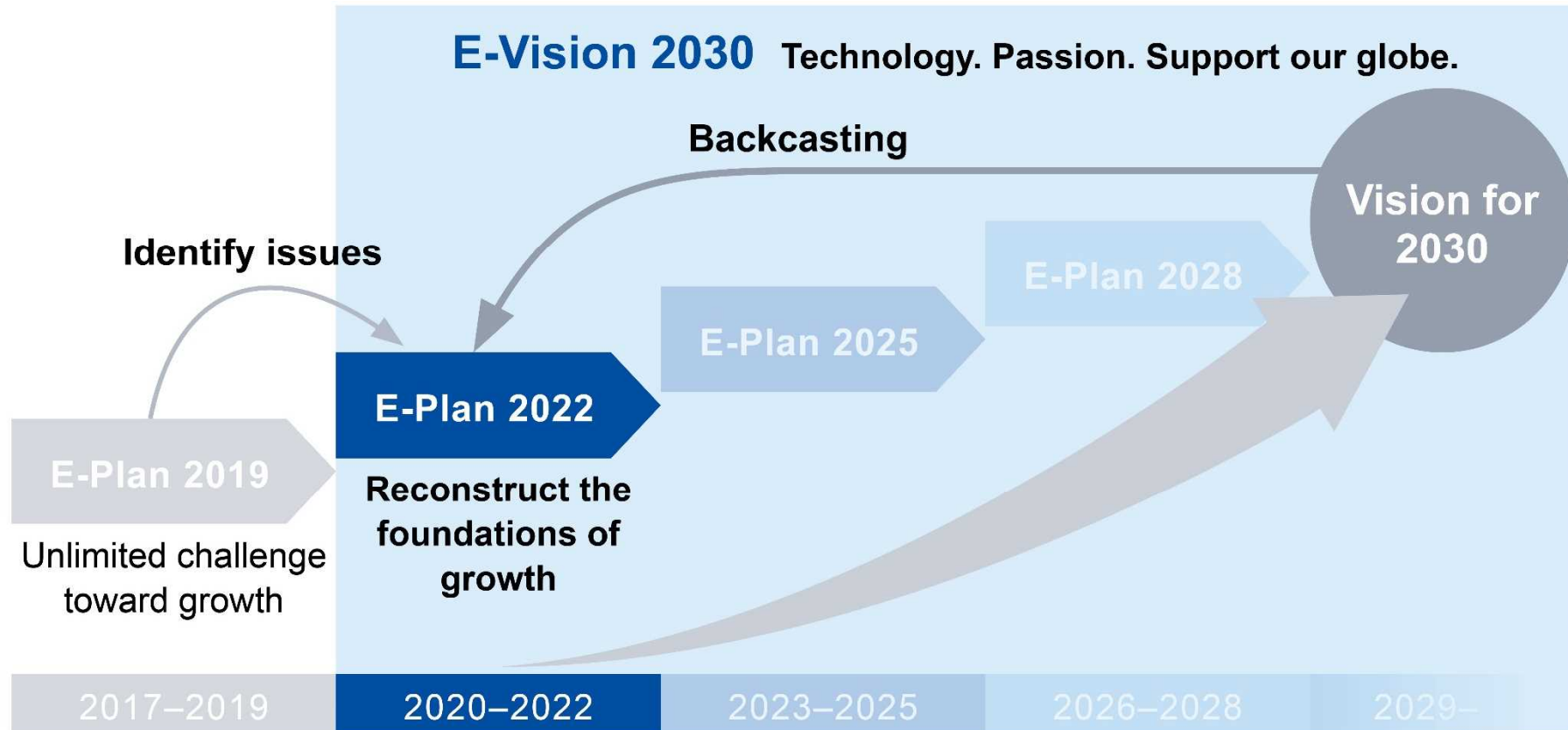
The development of ICAC5\* is boosting demand for semiconductors and in turn, performance capabilities are growing at an astonishing rate. Around 2030, state-of-the-art semiconductor devices are expected to enter the 14Å (angstrom, 1/10 billionth) generation.



\*IoT, Cloud, AI, Cars (autonomous driving), 5G technologies



### **3. New Medium-term Management Plan: E-Plan 2022**



Tasks for the next three years:

- Increase profits by continuously reevaluating and optimizing our business portfolio
- Identify and match both internal and external technologies/know-how with market needs to create new businesses
- Improve management efficiency and speed by taking measures to improve global operations
- Conduct business operations in line with the ideals of stakeholder capitalism



## 1 Strive for growth

Create and cultivate new businesses and expand existing businesses further into the global market

## 2 Improve profitability of existing businesses

Transform business structures to strengthen revenue base and increase S&S sales in all businesses

## 3 Refine management and business infrastructure

Proactively implement digital transformation (DX) technologies to facilitate swifter management and further emphasize ROIC management

## 4 Enhance ESG-focused management

Address evolving environmental issues, foster bonds with society, and enhance governance practices

## Business Strategies

### 1 New business

- Identify and match both internal and external technologies/know-how with market needs to create new businesses
- Be flexible regarding external partnerships/investments/acquisitions, etc.

### 2 Existing businesses

- Enhance S&S
- Execute aggressive business segment-specific strategies
- Strengthen development capabilities to create competitive advantages
- Expand global procurement system

### 3 Regional strategies

- Global market
- Japanese market

## Refine Management and Business Infrastructure

### 4 Strengthen capitals (resources)

- Strengthen ROIC/portfolio management
- Manufacturing/Technology/Information Strategy
- Human Resource Strategy

## Enhance ESG-focused management

### 5 Refine ESG-focused management

- Take aim at environmental issues
- Foster bonds with society
- Enhance governance

## E-Vision 2030: New/Existing Business Strategies

- New Business: Contribute to solving material issues by starting up new types of business
- Existing Businesses: Enhance S&S and execute aggressive business segment-specific strategies

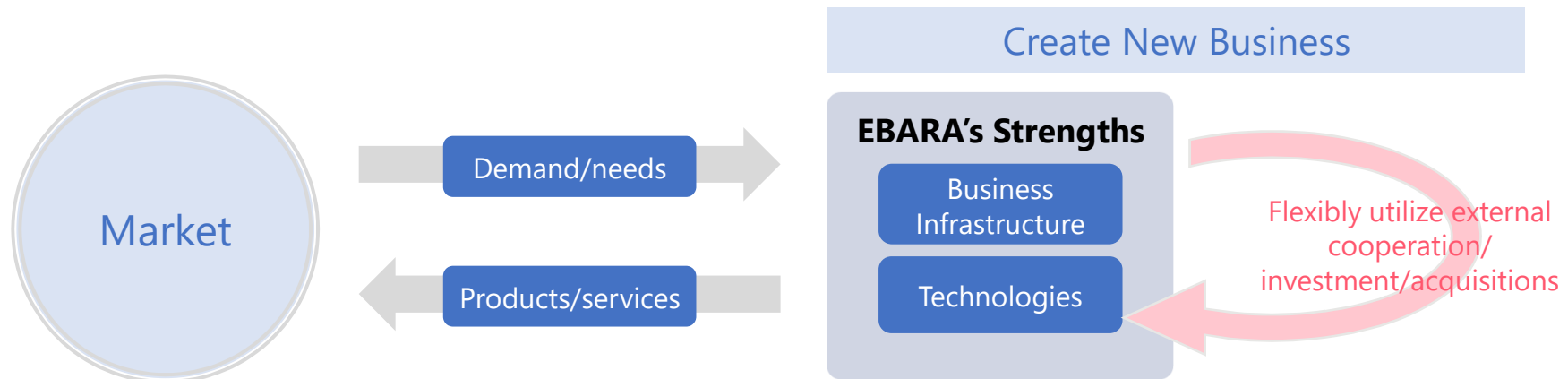
### Strategy 1 New Business

Aim to identify global needs from a market-in approach, and match internal and external technologies/know-how with market needs to provide customers with new solutions



Identify and pursue global needs

- Business alliance with Spiber
- Promotion of waste plastic chemical recycling technology



## Examples of recent investments and business alliances

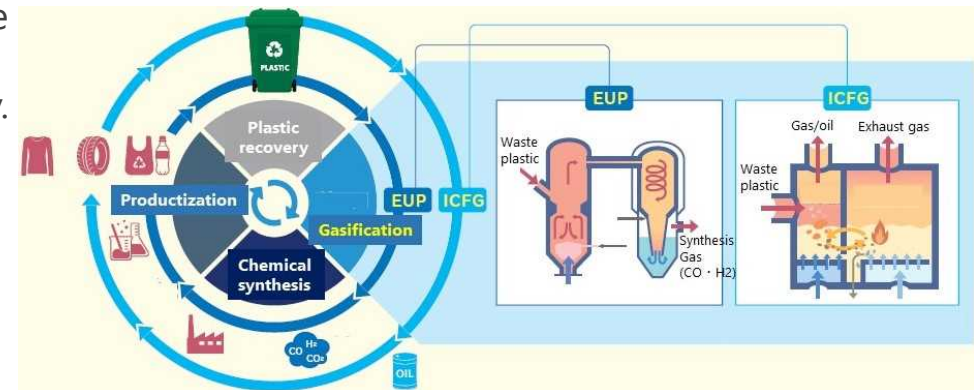
### ■ Business alliance with Spiber (1.0 billion yen)

We are working with Spiber to challenge the transformation of the materials industry through the pursuit of breakthrough functional improvements that expand the applications of industrial machinery. Through the alliance we will:

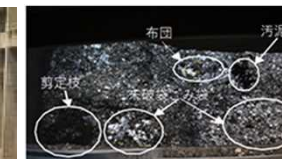
1. Implement more efficient manufacturing processes for mass production of synthetic protein materials
2. Improve functions of EBARA Group products by adding/substituting synthetic protein materials



### ■ Business alliance working to commercialize waste plastic chemical recycling technology

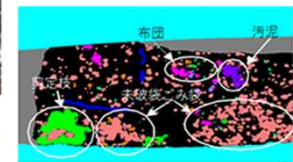


### ■ Business tie-up with 100 million yen investment in Ridge-i



Photograph of monitor screen

AI-powered garbage identification



## E-Vision 2030: New/Existing Business Strategies

- New Business: Contribute to solving material issues by starting up new types of business
- Existing Businesses: Enhance S&S and execute aggressive business segment-specific strategies

### Strategy 2 Existing Businesses

Search for markets and areas where our products and services provide added value and that leverage our strengths from a market-in perspective. Then consider and implement business models appropriate to that market

#### 1 Enhance S&S

##### Plan

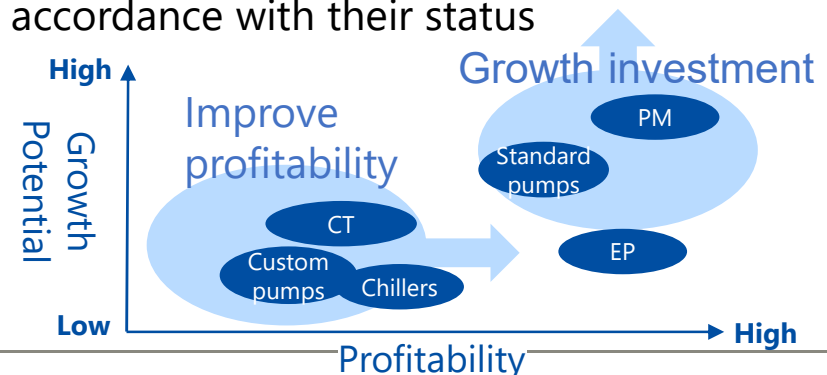
- Improve synergy among business segments to facilitate the provision of optimal services to each market, country, region, and customer



#### 2 Execute aggressive business segment-specific strategies

##### Plan

- Divide business segments into two groups: "Growth investment" and "Improve profitability," and set strategies in accordance with their status



Looking ahead, going beyond expectations  
Ahead Beyond

## E-Vision 2030: New/Existing Business Strategies

- New Business: Contribute to solving material issues by starting up new types of business
- Existing Businesses: Enhance S&S and execute aggressive business segment-specific strategies

### Strategy 2 Existing Businesses

Search for markets and areas where our products and services provide added value and that leverage our strengths from a market-in perspective. Then consider and implement business models appropriate to that market

#### 3 Strengthen development capabilities to create competitive advantages

##### Plan

- Continue to develop products and services with competitive advantages and sell them at a price that maximizes profit



Example: Standard Pump: FRESHER 3100NEO

Customer needs	Competitive Advantages	
More utilization of building space	Miniaturization (~32%*)	Achieved industry's smallest area necessary for installation and use
Easier installation	Reduce mass (~44kg*)	Achieved lighter product
Less power consumption	Energy saving (~19%*)	High efficiency motor, energy saving mode
More efficient inspections	Connectivity	Can check operating status with smartphone

#### 4 Expand global procurement system

##### Plan

- Reduce production and fixed costs by lowering procurement costs
- Conduct optimal region-based procurement

\*All data calculated by EBARA, in comparison to previous models

## E-Vision 2030: Regional Strategies

### Global

Actively develop business in areas where problems associated with economic development are arising (i.e., increasing energy consumption, population growth, environmental issues, etc.)

### Japan

In the midst of a maturing market, enhance S&S services and implement creative, flexible business reforms untethered to conventional manufacturing

## Strategy 3 Regional Strategy

Maximize revenue through initiatives tailored to regional markets

### Global

Allocate investment and resources to regions of anticipated growth

#### Standard Pumps

- Increase coverage of business by establishing 10+ bases (in Africa, Central/South America, etc.)
- Reinforce existing bases

#### Precision Machinery

- Expand business in the growing Chinese market

#### Compressor/Turbine

#### Custom Pumps

- Utilize IPO, and expand sales in the Indian market

### Japan

- Improve operational efficiency in all businesses
- Contribute to building resilient social infrastructure

#### All business segments

- Receive more S&S orders
- Promote DX

#### Custom Pumps

#### Environmental Plants

- Fortify the technological capabilities necessary to provide social infrastructure resilient to natural disasters



## E-Vision 2030: Resource Strategies

Achieve optimal resource allocation based on three strategies:

→ Financial/Investment Strategy → Manufacturing/Technology/Information Strategy → Human Resource Strategy

### Strategy 4 Strengthen Capitals (resources)

Evolve and strengthen the six capitals\* required for business growth to better invest in adaptations to the changing business environment and global business expansion

\*6 capitals: Human, Manufacturing, Financial, Intellectual, Social & Relationship, Natural

#### Strengthen ROIC/ Portfolio Management

- Conduct capital allocation based on corporate portfolio assessments

##### Performance indicators:

- ROIC/WACC spread
- Net sales growth rate
- Improve capital efficiency for each business

#### Manufacturing/Technology/ Information Strategy

- Transform products, services, and business models through the promotion of DX

##### Examples:

- Introduce ERP companywide and consolidate business infrastructure
- Advance automated production capabilities

#### Human Resource Strategy

- Improve internal talent pipelines on a global scale and facilitate greater mobility of human resources
- Promote diversity through increasing mid-career hires



## E-Vision 2030: ESG Strategies

Further refine ESG-focused management to facilitate the creation of a sustainable society

➔ Take aim at environmental issues (E) ➔ Foster bonds with society (S) ➔ Enhance governance (G)

### Strategy 5 Refine ESG-focused Management

In the interest of our sustainable growth we will take aim at environmental issues, foster bonds with society, and enhance corporate governance

#### ENVIRONMENTAL



- Reduce greenhouse gas emissions by providing highly energy efficient products
- Minimize the environmental impacts of business operations

#### SOCIAL



- Create social value through the provision of safe and reliable products
- Contribute to the advancement of local communities and respect human rights throughout our business operations
- We will make a clear distinction between the social value of our products/services and our philanthropy activities and continue to support various cultural facilities, etc.

#### GOVERNANCE



- Improve the feedback-loop between the outcome goals and execution status of our management policy, and implement a more effective system
- Enhance group governance and risk management in line with the globalization of our operations

## SOCIAL



### Donations to the Ebara Hatakeyama Memorial Foundation

- The Company agrees with the purpose and mission of the Foundation, which aims to promote the broad development of academia, culture, art, Sado (tea ceremony), and sports
- Hatakeyama Memorial Museum of Fine Art has many valuable collections of fine arts and crafts, including some national treasures. The museum is currently closed for seismic retrofitting (from March 2019)
- In commemoration of the Company's 100<sup>th</sup> anniversary and the Ebara Hatakeyama Memorial Foundation's 60<sup>th</sup>, and as an extension of the Company's philanthropic activities, the Company has decided to donate expenses necessary for the renovation of the museum. We hope to contribute to the conservation of important parts of Japan's cultural history as well as invest in improved exhibitions that will appeal to a wider audience

### About Hatakeyama Memorial Museum of Fine Arts

- Established in 1964 by Issey Hatakeyama, EBARA's founder, for the purpose of preserving and promoting the appreciation of Chinese, Korean, and Japanese art objects, particularly tea ceremony goods
- Managing entity: EBARA HATAKEYAMA MEMORIAL FOUNDATION
- Collection: approx. 1,300 pieces, 6 of which are designated as National Treasures of Japan, 33 of which are designated Important Cultural Property

New fourth floor gallery concept



New exterior concept



Looking ahead, going beyond expectations

Ahead Beyond

## E-Plan 2022 — Numerical Targets



Key Performance Indicators (KPI)	FY19 Results	FY22 Targets
ROIC (Return on Invested Capital)	6.5%	8.0% or more
Operating Income to Sales Ratio	6.8%	8.5% or more
Target Achievement Indicators		
ROE (Return on Equity)	8.3%	11.0% or more
Debt-to-Equity Ratio	0.29 times	0.3-0.5 times
Operating Income Ratio by Business		
FMS Business	5.3%	7.0% or more
Pumps Business	6.3%	6.5% or more
CT Business	5.1%	8.0% or more
Chillers Business	4.9%	5.0% or more
EP Business	10.8%	9.5% or more
PM Business	8.1%	13.0% or more

The top priority is growth investment. We will enhance shareholder returns including dividends, and improve working capital to improve the capital efficiency of each business.

Financial Policy	
<b>Growth Investment</b>	<ul style="list-style-type: none"><li>■ CAPEX about 100.0 billion yen</li><li>■ R&amp;D about 40.0 billion yen</li><li>■ Proactive M&amp;A</li></ul>
<b>Shareholder Returns</b>	<ul style="list-style-type: none"><li>■ Consolidated dividend payout ratio 35% or more *Lower limit: Based on shareholders' equity, consolidated dividend on equity ratio (DOE) 2.0% or more</li><li>■ Agile share repurchase</li></ul>
<b>Capital Efficiency</b>	<ul style="list-style-type: none"><li>■ Debt-to-equity ratio about 0.3-0.5 times</li><li>■ Shrink trade receivables and inventories</li></ul>

## E-Plan 2022 — Business Environment



Our plans were created with consideration given to the business environment and downside risks

- We will establish a system for monitoring risks in addition to a system that facilitates quick recovery in the face of realized risks

	Market/Regional Trend <small>*Main market only</small>		Market Fluctuation Factors	
Growth Investment				
Standard Pumps	Building equipment	Japan	↗	Building equipment demand
		Overseas	↗	GDP growth
PM Business	Semiconductor	Japan/Overseas	↗	CAPEX trends
Improve Profitability				
Custom Pumps	Public works	Japan	→	National and local government finances
	Oil and gas, water use, electric power	Japan/Overseas	→	Oil price, CAPEX trend, decarbonization
	Emerging country		↗	GDP growth
CT Business	Oil and gas (Downstream)	Japan/Overseas	→	Oil price, CAPEX trend
Chillers Business	Building equipment	Japan	↗	Building equipment demand
	China	Overseas	→	GDP growth
EP Business	Waste incineration facilities	Japan	→	National and local government finances

# E-Plan 2022 — Basic Policies and Main Measures



## 1 Standard Pumps

OI Ratio Target of  
Pumps Business

6.3% → **6.5% or more**

### Japan: Improve Profitability

### Overseas: Expand Sales

#### Basic Policies

- Cultivate new markets
- Develop energy efficient, miniaturized, lighter, and smarter products and systems, and shift to a solution-provider business model
- Build a business structure that further advances operational efficiency and labor saving
- Bring high value-added products to market
- Strengthen S&S structures
- Bring products that meet local needs to market by expanding sales bases and enhancing development systems
- Strengthen supply chain management

#### Main Measures

- Promote digital transformation (DX) in sales and production operations
- Secure update demand by increasing S&S sales staff and increasing maintenance efficiency with IoT technology
- Promote sales in promising regions and markets
- Establish 10 or more new sales bases
- Reduce lead time and optimize inventory by setting up a distribution center
- Consider M&A

## 2 Custom Pumps

OI Ratio Target of  
Pumps Business

6.3% → **6.5% or more**

	Japan: Improve Profitability	Overseas: Improve Profitability
<b>Basic Policies</b>	<ul style="list-style-type: none"> <li>■ Build a business structure focused on profitability</li> <li>■ Improve product profitability</li> <li>■ Capture different regional demands</li> <li>■ Develop products for new markets</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Contribute to infrastructure construction and maintenance responding to the intensification of natural disasters</li> </ul>	<ul style="list-style-type: none"> <li>■ Improve production capabilities and supply chain management at overseas bases</li> </ul>
<b>Main Measures</b>	<ul style="list-style-type: none"> <li>■ Focus on the areas where we can leverage our competitive advantages</li> <li>■ Optimize global production system</li> <li>■ Reduce lead time and financial loss by improving business efficiency with DX</li> <li>■ Increase the regional coverage of each site to expand S&amp;S (collaboration with CT business )</li> <li>■ Develop new products</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Develop lifespan extension technology for aging domestic infrastructure equipment</li> </ul>	

## 3 Compressors and Turbines (CT) Business

OI Ratio Target

5.1% → **8.0%** or more

	Products: Improve Profitability	S&S: Increase Sales
<b>Basic Policies</b>	<ul style="list-style-type: none"> <li>■ Give first priority to achieving acceptable levels of profit</li> <li>■ Optimize scale of sales and production systems</li> </ul>	<ul style="list-style-type: none"> <li>■ Expand business scale</li> <li>■ Strengthen lifecycle management</li> </ul>
<b>Main Measures</b>	<ul style="list-style-type: none"> <li>■ Optimize US-Japan production system according to sales volume</li> <li>■ Reduce procurement cost by utilizing IPO</li> <li>■ Promote digital engineering with DX and improve profitability</li> <li>■ Bring new products to market</li> <li>■ Build a new test stand for cryogenic pumps</li> </ul>	<ul style="list-style-type: none"> <li>■ Increase staffing</li> <li>■ Optimize the service network by restructuring existing service shops</li> <li>■ Consider M&amp;A</li> </ul>



## 4 Chillers Business

OI Ratio Target

4.9% → **5.0%** or more

	Japan: Improve Profitability	Overseas: Expand Sales & Improve Profitability
<b>Basic Policies</b>	<ul style="list-style-type: none"> <li>■ Improve product profitability</li> <li>■ Expand S&amp;S</li> </ul>	<ul style="list-style-type: none"> <li>■ Cultivate new markets</li> <li>■ Increase market share of existing business by improving price competitiveness of products and broadening sales channels</li> </ul>
<b>Main Measures</b>	<ul style="list-style-type: none"> <li>■ Develop new products and improve existing products</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Promote production transfer to China</li> <li>■ Increase S&amp;S of cooling towers</li> </ul>	<ul style="list-style-type: none"> <li>■ Cultivate sales channel of cooling towers in China</li> <li>■ Promote regional production and consumption in South East Asia</li> </ul>

## 5 Environmental Plants (EP) Business

OI Ratio Target

10.8% → **9.5%** or more

	Japan: Improve Profitability	Overseas: Expand Sales
<b>Basic Policies</b>	<ul style="list-style-type: none"> <li>■ Increase the number of facilities operated by EP</li> <li>■ Spread the 50-year model</li> <li>■ Improve non-price valuation of proposals by shortening the preparation time for DBO projects</li> <li>■ Develop new businesses to become a total waste resource recycling solution provider</li> </ul>	<ul style="list-style-type: none"> <li>■ Promote strategies for Asia based on existing Chinese base</li> </ul>
<b>Main Measures</b>	<ul style="list-style-type: none"> <li>■ Improve order accuracy of new EPC/DBO projects by improving non-price related elements of proposals</li> <li>■ Incorporate peripheral operations of the comprehensive, long-term service projects and propose lifespan extensions</li> <li>■ Reduce O&amp;M cost by making full use of AI/ICT and improve plant performance</li> <li>■ Build a business model for chemical recycling</li> </ul>	<ul style="list-style-type: none"> <li>■ Increase production capacity in Chinese production base and expand sales beyond Japan and China</li> </ul>

## 6 Precision Machinery (PM) Business

OI Ratio Target

8.1% → **13.0%** or more

### Expand Sales and Improve Profitability

#### Basic Policies

- Change from a single hardware manufacturer to a solutions provider that also provides related products and services, and expand share in existing markets
- Promote production efficiency including an automated plant and strengthen global supply chain management
- Create new businesses

#### Main Measures

##### Components Business

- Bring a new dry vacuum pump model to market
- Reduce number of models and promote production efficiency (through automated plants, etc.)
- Optimize global S&S structures
- Strengthen sales capabilities, especially in the Chinese market

##### CMP Business

- Propose process solutions and build early development systems
- Deploy models in response to various customer needs
- Enhance S&S at sites by strengthening alliances with consumables manufacturers and sharing parts information, expanding support menu, and proactively making proposals to customers
- Strengthen sales capabilities, especially in the Chinese market

##### New Business

- Bring new models for next-generation applications to market and establish a new department specialized in development

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**Technology. Passion. Support our Globe.**

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