

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

**EBARA (6361)**

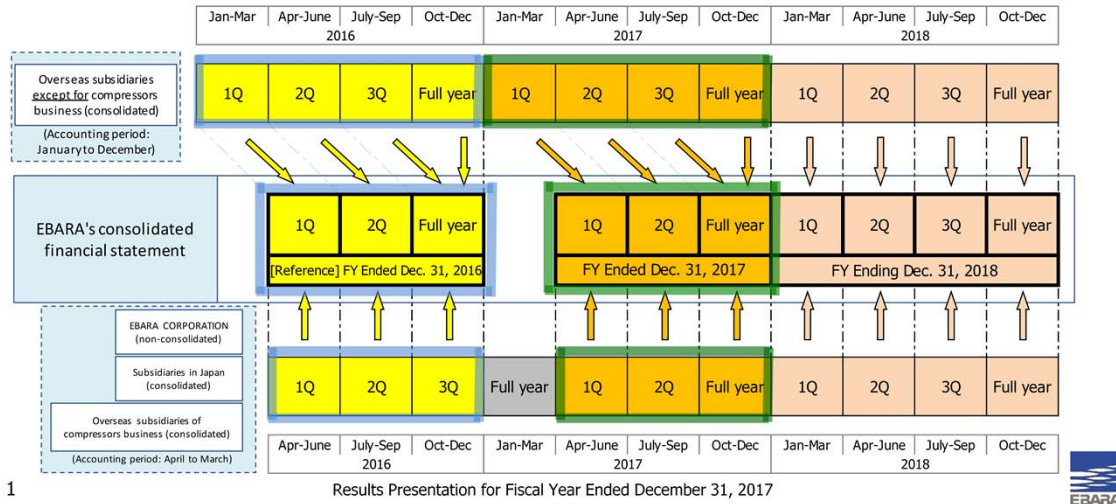
February 15, 2018



## 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.

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Results Presentation for Fiscal Year Ended December 31, 2017





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

### <Main Points>

- Operating income increased by approximately 1.3 billion yen thanks to increased revenues and the impact of foreign exchange rates.
- Ordinary income was higher thanks to higher operating income and losses on foreign currency fluctuations were down thanks to yen depreciation.
- The annual average exchange rate was US \$1 = 112.30 yen (previous year was 107.10 yen).

## 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
Total	385.4	413.5	+28.1	350.2	381.9	+31.7	11.4	18.1	+6.6

FMS Business ... Fluid Machinery & Systems Business

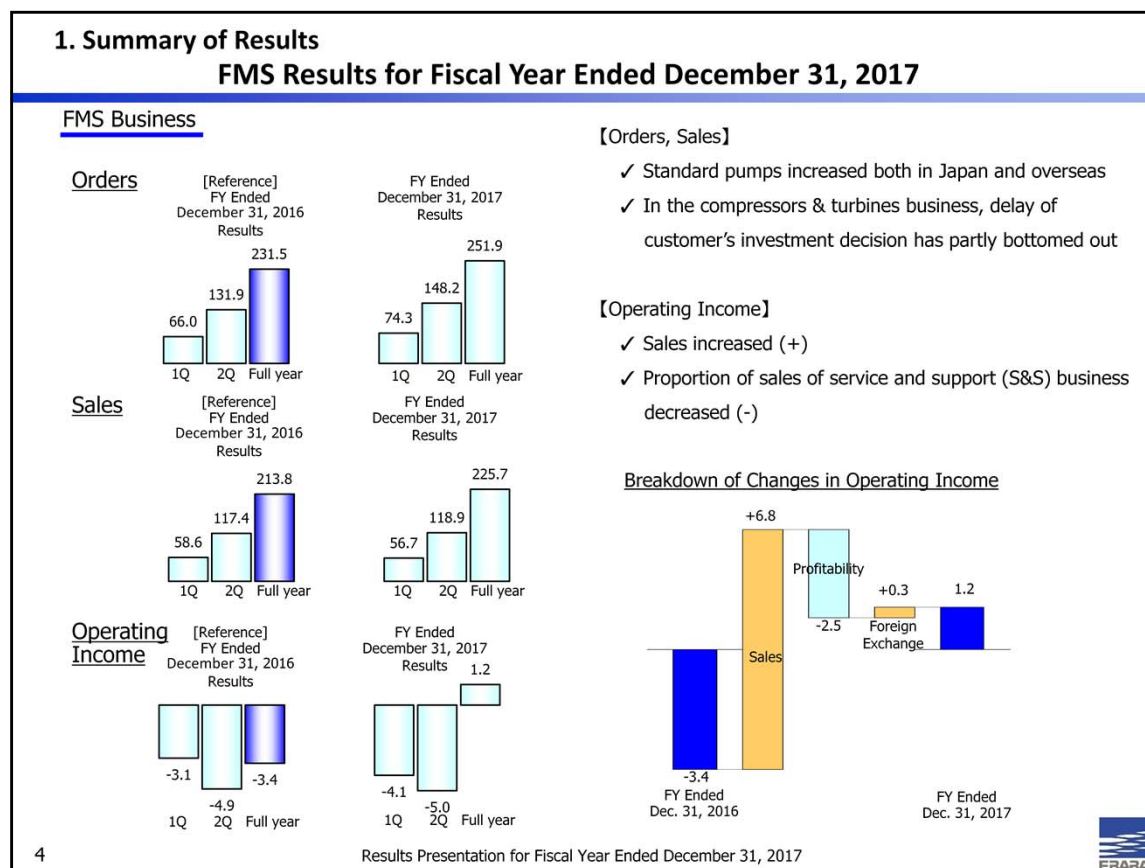
EP Business ... Environmental Plants Business

PM Business ... Precision Machinery Business

Segmental Results for Fiscal Year Ended December 31, 2017:

<Main Points>

- Our mainstay FMS Business saw signs of a recovery trend on oil and gas markets.
- The PM Business continued favorable performance from previous year.



Segmental Results for Fiscal Year Ended December 31, 2017 (FMS Business):  
 (Factors behind increased orders)

- Compared to the same period last year, orders increased by 9.5 billion yen for the pumps business and by 12.4 billion yen for the compressors and turbines business.
- Orders were particularly favorable for standard pumps both in Japan and overseas. Orders for custom pumps mainly grew overseas.
- The compressors and turbines business grew mainly on service and support (S&S).

Products: Saw new orders in certain regions such as China.

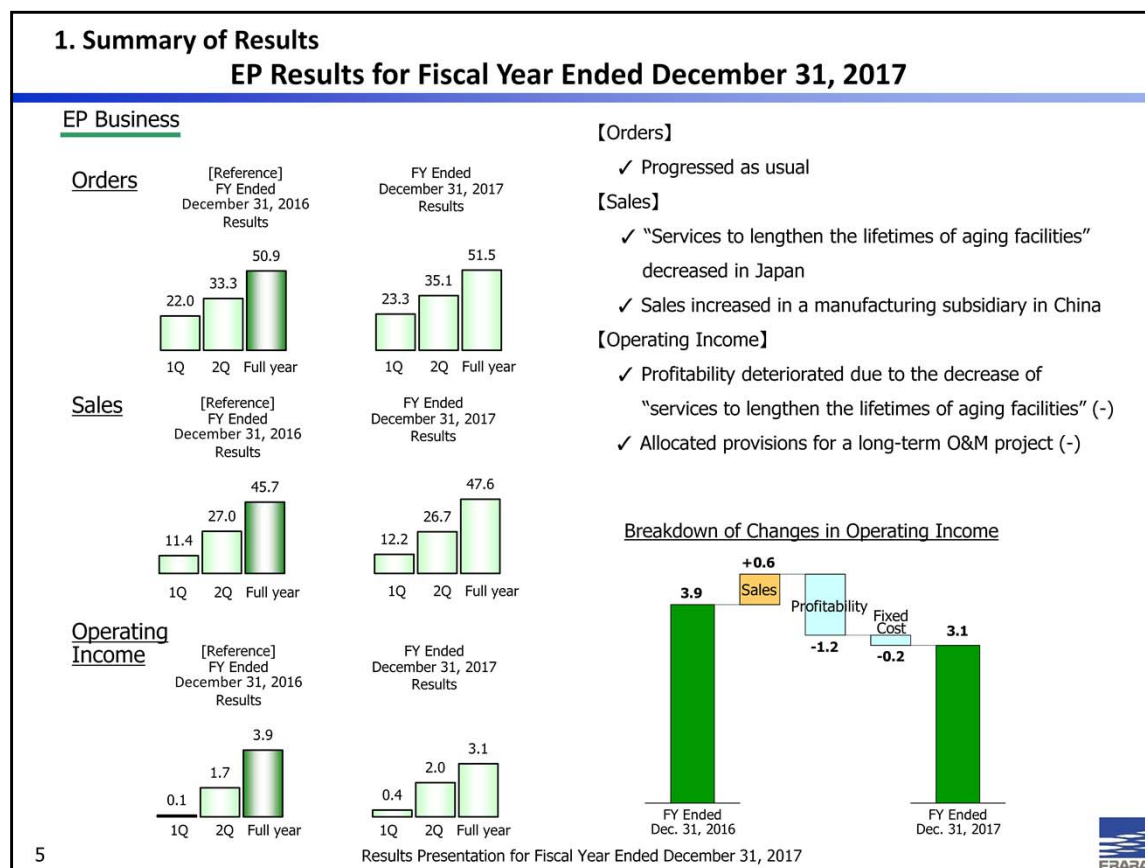
S&S: Trend of putting off maintenance is subsiding as inspections and other local plant services increased.

(Factors behind increased sales)

- The pump business's lead time for standard pumps is short so, like orders, sales are favorable.
- The compressors and turbines business increased mainly on sales of products.

(Factors behind increased operating income)

- Despite the increased revenues, the profit margin decreased for the compressors and turbines business. This was due to a change in product mix as the proportion of sales from S&S decreased. Furthermore, parts sales, a particularly highly profitable aspect of the S&S business decreased compared to the same period last year.



## Segmental Results for Fiscal Year Ended December 31, 2017 (EP Business):

(Factors behind increased orders)

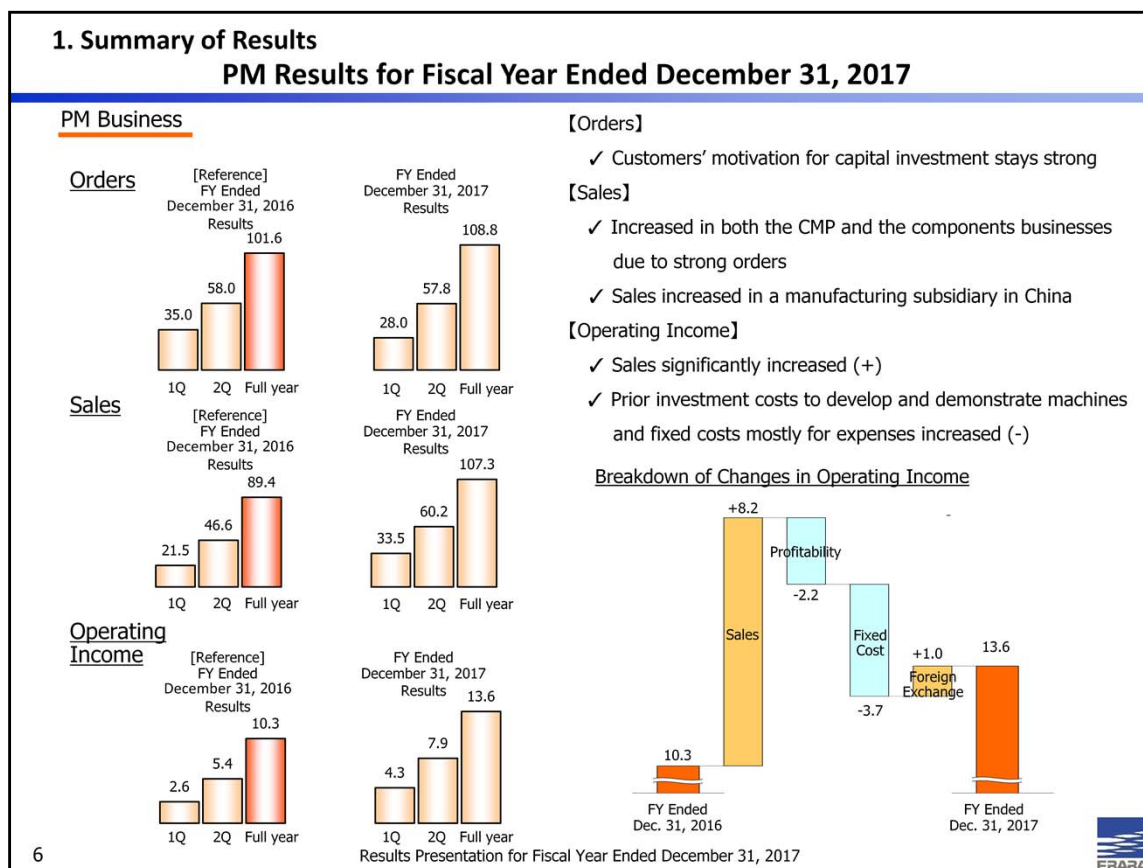
- Orders were largely unchanged year on year.

(Factors behind increased sales)

- The market for service life extension projects decreased in Japan due to a lull in demand but sales increased in China.

(Factors behind decreased operating income)

- Profitability worsened due to decreased sales of service life extension projects and having recorded provisions for long-term O&M projects.



## Segmental Results for Fiscal Year Ended December 31, 2017 (PM Business):

(Factors behind increased orders)

- The components business increased significantly thanks to memory-related investments.
- CMP Business orders decreased but order levels during the same period last year were extremely high and some orders were carried over so in reality order levels were still high.

(Factors behind increased sales)

- Sales increased thanks to favorable orders from the second half of the FY Ended March 2017 to the current fiscal year.

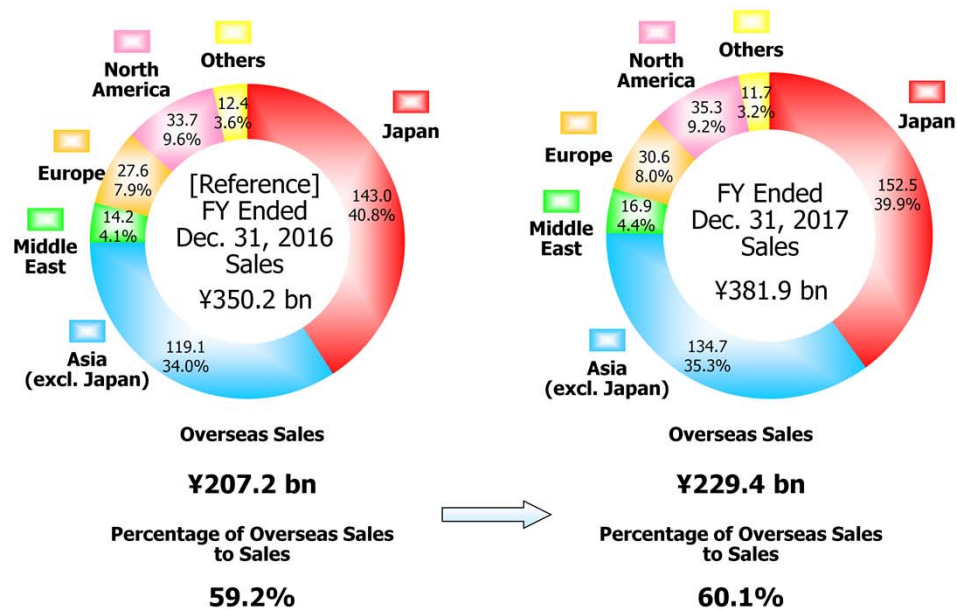
(Factors behind increased operating income)

- Increased revenue.
- Our customer range is expanding and the increase in USD transactions resulted in approximately 1.0 billion yen in currency gains due to yen depreciation.
- Increased investments for demonstration machines, etc., and increased expenses related to greater expenses for outsourced processing to address increased work volume taken on by the components business.



## 1. Summary of Results

### Sales Composition by Region



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Results Presentation for Fiscal Year Ended December 31, 2017



Sales Composition by Region for Fiscal Year Ended December 31, 2017:

Compared to the same period last year, both sales amounts and percentages increased. In particular, semiconductor, and oil and gas-related sales to Asia increased.



## 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>

Balance Sheet for Fiscal Year Ended December 31, 2017:

(Factors behind increase in cash and deposits)

- Recovery of trade receivables progressed thanks to increased sales for the PM Business, which has a relatively low working capital burden.
- Although there were expenditures in FY Ended March 2017 related to investments for production capacity increases at the Kumamoto Plant, capital expenditures this fiscal year, which is a nine-month period, were not as significant as the previous fiscal year.

(Factors behind increase in interest-bearing debt)

- Procured of 10.0 billion yen through corporate bonds.
- Increased debt at overseas subsidiaries.

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	
ROIC	5.6%	2.5%	
ROE	8.0%	3.5%	
Debt/equity ratio	0.36	0.41	
Cash Flows (unit : ¥bn)			
	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
Dividends per Share and Total Payout Ratio (unit : Yen)			
	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%
Capital Expenditures, Depreciation and Amortization, R&D Expenses (unit : ¥bn)			
	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

\* 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.

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

### <Cash flows>

- Cash flows from operating activities... +44.1 billion yen: Recovery of trade receivables progressed.
- Cash flows from investing activities... -7.9 billion yen: Delays in some capital expenditures.
- Cash flows from financing activities... +11.2 billion yen: Dividend payments of 6.0 billion yen, issued corporate bonds and loans received at overseas subsidiaries.

### <Dividends per share & total payout ratio>

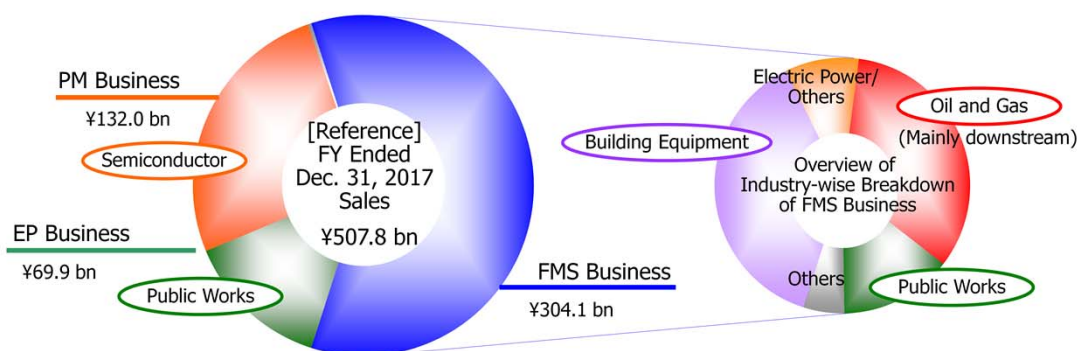
- Dividends per share... at the end of the FY Ended December 2017: 15 yen, full-year: 45 yen (same as initial forecasts)
- Total payout ratio... 48.0% (income for nine months)
- For FY Ended December 2018, we are forecasting a per share dividend of 60 yen and a total payout ratio of 33.8% for the two periods combined beginning from FY Ended December 2017.

### <Capital expenditures, depreciation and amortization, R&D expenses>

- Capital expenditures... 12.3 billion yen, below the original plan amount of 15.0 billion yen
- R&D expenses... 7.2 billion yen, below the original plan amount of 9.0 billion yen
- For FY Ended December 2018, we are forecasting investments of 23.0 billion yen for the pump automation plant and other capital expenditures, and 13.0 billion yen for R&D expenses.

## 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

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Results Presentation for Fiscal Year Ended December 31, 2017



Business environment in Fiscal Year Ended December 31, 2018:

#### <FMS Business>

- While we are seeing more capital expenditures in the oil and gas industry, particularly ethylene and other petrochemical plants, which are the main target markets for the compressors and turbines business, the market has yet to recover sufficiently.
- The building equipment market demand is expected to recover overseas, particularly in emerging markets.

#### <EP Business>

- Orders for waste treatment facilities and other public works projects will be largely unchanged year on year.

#### <PM Business>

- Capital expenditures related to semiconductors continue to transition favorably and customer capital expenditures for both memory and logic are active.

## 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).

2017				2018			
Jan-Mar	Apr-June	July-Sep	Oct-Dec	Jan-Mar	Apr-June	July-Sep	Oct-Dec
1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year
↓				↓			
1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year
↓				↓			
[Reference] FY Ended Dec. 31, 2017				FY Ending Dec. 31, 2018			
↑				↑			
1Q	2Q	3Q	Full year	1Q	2Q	3Q	Full year
↑				↑			
Jan-Mar	Apr-June	July-Sep	Oct-Dec	Jan-Mar	Apr-June	July-Sep	Oct-Dec
2017	2017	2017	2017	2018	2018	2018	2018

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Results Presentation for Fiscal Year Ended December 31, 2017



Earnings projections for Fiscal Year Ending December 31, 2018:

<Main Points>

- We project orders will increase, net sales will decrease, and operating income will be largely unchanged year on year.
- Net income is projected to include costs related to restructuring overseas business, among other costs.

## 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

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Results Presentation for Fiscal Year Ended December 31, 2017



Earnings projections for Fiscal Year Ending December 31, 2018 (by segment):

- For the FMS Business, improving orders for the mainstay pumps business and the compressors and turbines business will be key.
- EP Business orders are projected to increase significantly from the same period last year due to the EPC bid won last year, and we project orders for long-term O&M projects and increases in service life extension projects.
- The PM business is in a favorable environment but the latter half of the year leaves a lack of transparency concerning the business environment so we are planning for orders, sales, and operating income to be largely unchanged year on year.

With the change in our accounting period, we project that some businesses will see a change in how quarterly earnings progress.

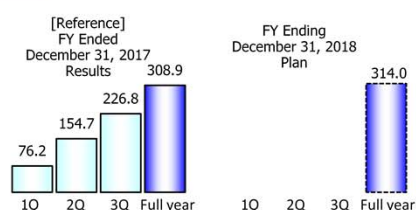


## 2. Projection and Management Strategy

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

#### FMS Business

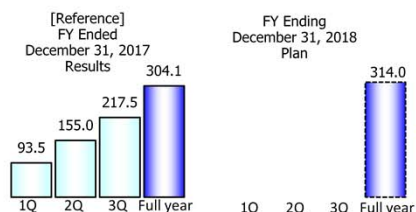
##### Orders



##### 【Orders】

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

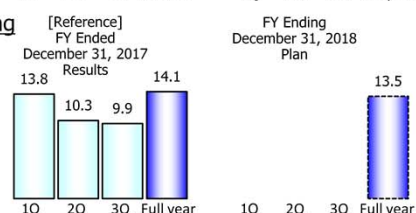
##### Sales



##### 【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



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Results Presentation for Fiscal Year Ended December 31, 2017



Projections for Fiscal Year Ending December 31, 2018 (FMS Business):

#### <Orders and sales>

- With strong demand overseas for standard pumps, we project orders will increase particularly in China and Europe.
- Capital expenditures by customers in the oil and gas markets are trending towards a mild recovery and we are projecting both orders and sales to increase compared to the same period last year.

#### <Operating income>

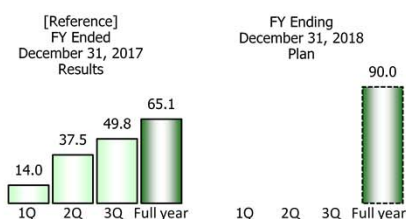
- The factor pulling down income is mainly lower profitability for the compressors and turbines business.
- Although the S&S business, particularly field services, is trending towards recovery, product mix, which has worsened since the previous fiscal year, and intensifying product pricing competition, are expected to cause a delay in income improvement.

## 2. Projection and Management Strategy

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

#### EP Business

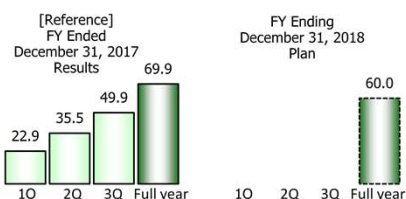
##### Orders



##### 【Orders】

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

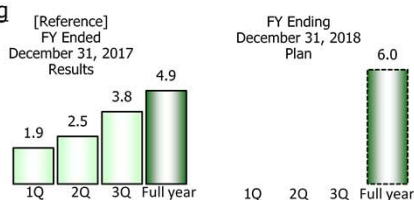
##### Sales



##### 【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

### Projections for Fiscal Year Ending December 31, 2018 (EP Business):

#### <Orders and sales>

- The order environment is favorable and projected to outperform the same period last year significantly. Projecting orders related to bids on large-scale projects won the previous year and strong demand for service life extension projects.
- We project sales will decline year on year due to the progress of existing construction projects. Orders are favorable but we project sales will be recorded next fiscal year or later.

#### <Operating income>

- Income projected to improve on increased private sector sales and no longer recording provisions for long-term O&M projects.

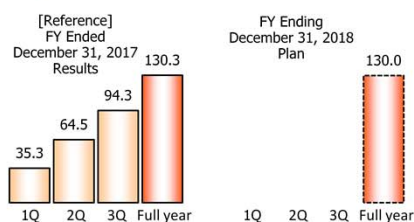


## 2. Projection and Management Strategy

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

#### PM Business

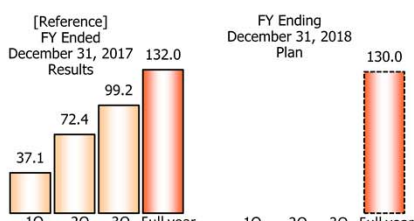
##### Orders



##### 【Orders, Sales】

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

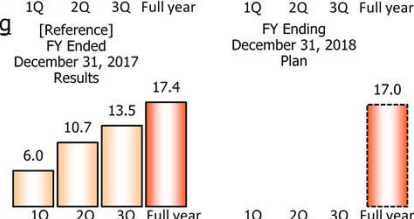
##### Sales



##### 【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



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Results Presentation for Fiscal Year Ended December 31, 2017



### Projections for Fiscal Year Ending December 31, 2018 (PM Business):

#### <Orders and sales>

- The semiconductor market is projected to remain strong thanks to customer capital expenditures for memory and logic. In particular, we project that favorable memory-related (3D-NAND) investments will drive a high level of orders and sales for the components business.
- Projecting market conditions, particularly for the second half of the year, is difficult so plans are based on current observations.

#### <Operating income>

- To achieve future profit growth, we are increasing our R&D budget as part of prior investments but we still project recording income largely unchanged from the same period last year.

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

Orders and sales by business segment:

Important information concerning FY Ending December 2018 projections for orders and sales in the pumps business and the compressors and turbines business are as follows.

- As part of Group internal restructuring, we are planning to shift operational control of the cryogenic pumps business from Ebara International Corporation (US company) to Elliott Company (US company), which operates the compressors and turbines business. By establishing an operating structure that takes advantage of the commonalities of both businesses, we will aim to further expand operations in the oil and gas market. As a result, we have shifted approximately 10.0 billion yen in orders and sales targets from the pump business to the compressors and turbines business.

## Breakdown of Sales Results by Business Segment

### Sales

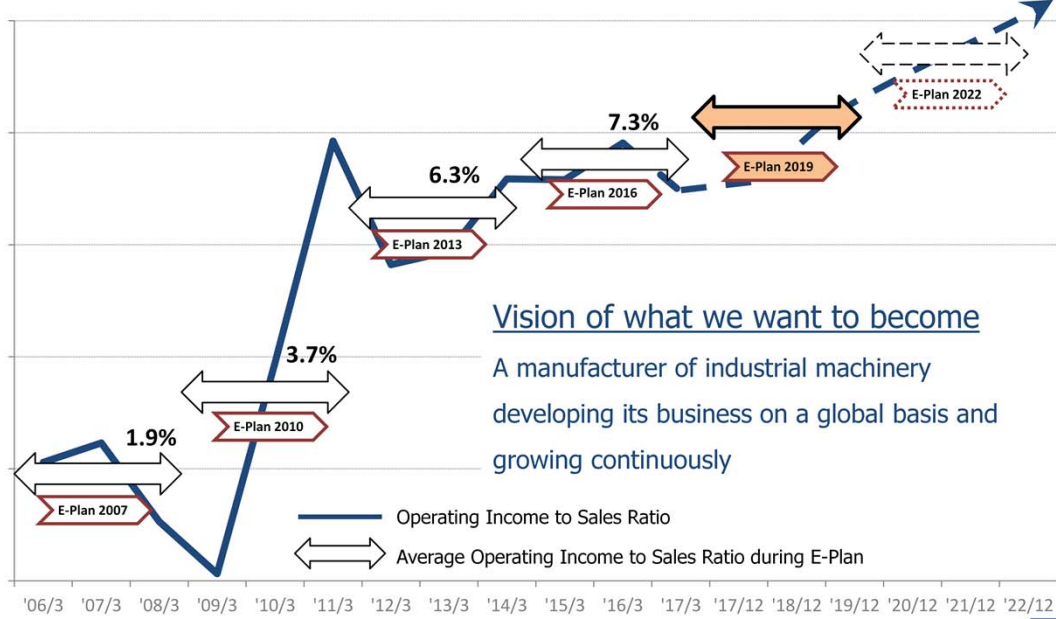
	9 months					12 months		
	[Reference] FY Ended Dec. 31, 2016 Results	FY Ended Dec. 31, 2017			Change	[Reference] FY Ended Dec. 31, 2017 Results	FY Ending Dec. 31, 2018 Plan	Change
		Forecast	Results	Change				
<b>FMS Business</b>								
Pumps	126.9	130.0	133.4	+3.4	+6.4	178.0	178.0	-0.0*
Compressors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



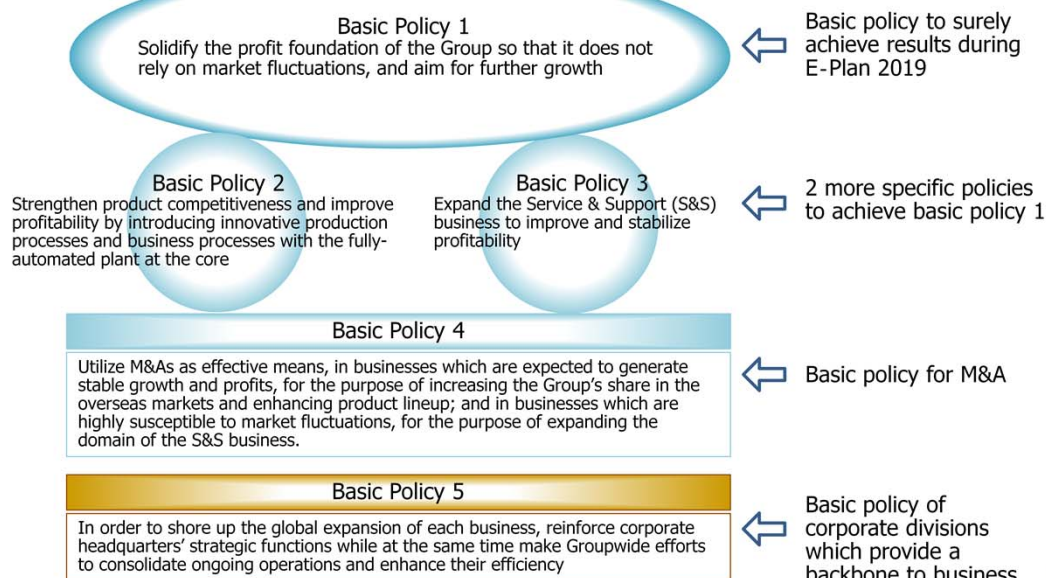
## 2. Projection and Management Strategy

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

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

“Unlimited challenge toward growth”

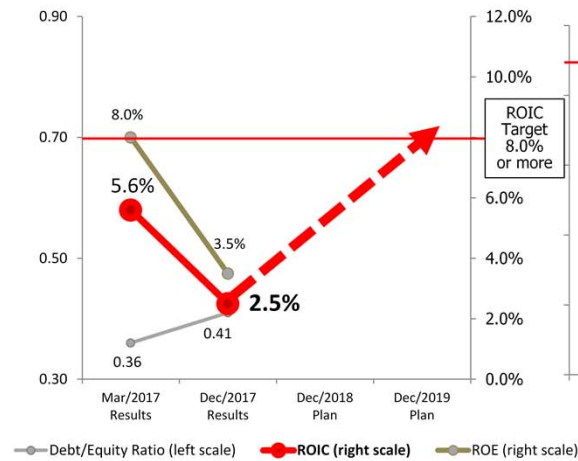
#### 5 Basic Policies and the Structure



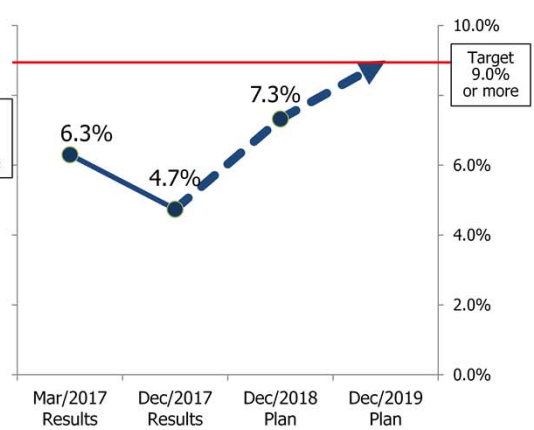
## 2. Projection and Management Strategy E-Plan 2019 First-Year Review

### 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**

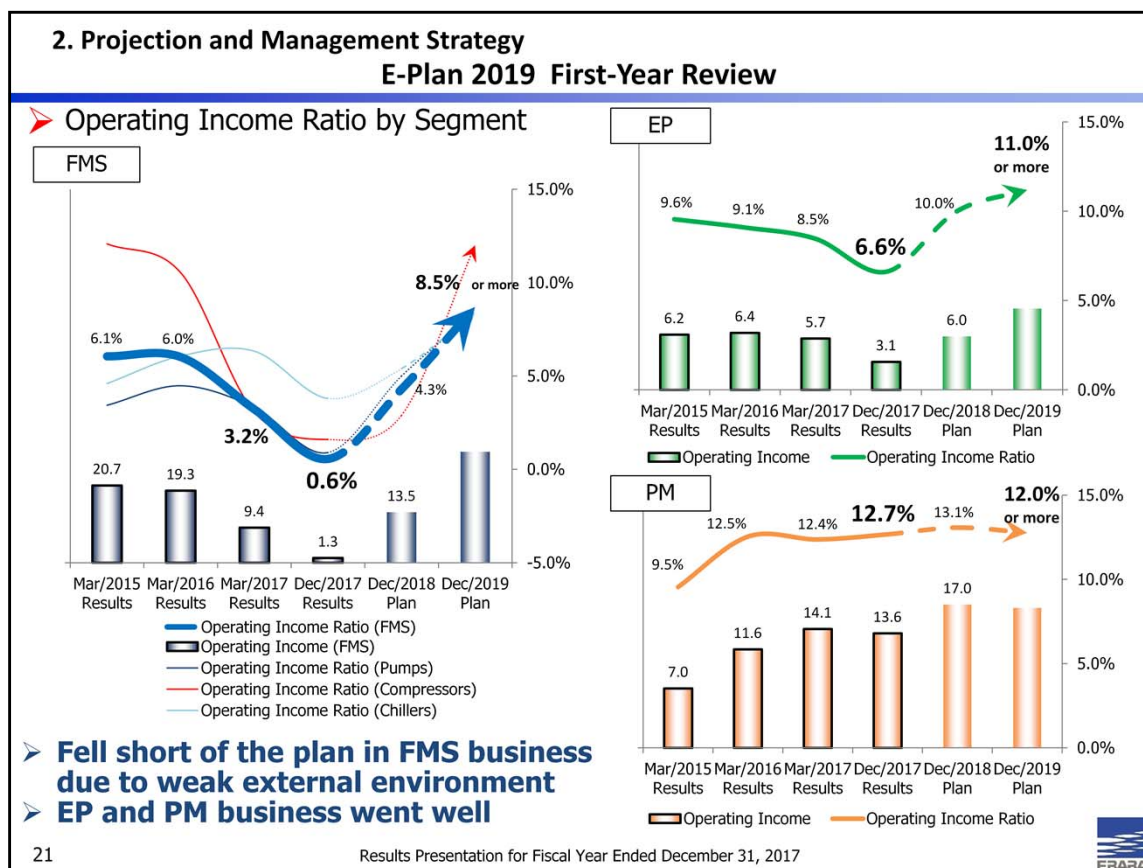
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Results Presentation for Fiscal Year Ended December 31, 2017



E-Plan 2019 first year review:

Due to the impact of a nine month accounting period, income levels declined temporarily, and both ROIC and operating income ratio declined year on year.



E-Plan 2019 first year review (operating income ratio by segment):

PM Business was favorable thanks to firm capital expenditures in semiconductors. On the other hand, the other two businesses were impacted by the nine month accounting period, resulting in a significant decrease in income levels. In particular, the FMS Business saw operating income for the custom pumps and the compressors and turbines business perform below plans due to sluggish recovery on the oil and gas market.

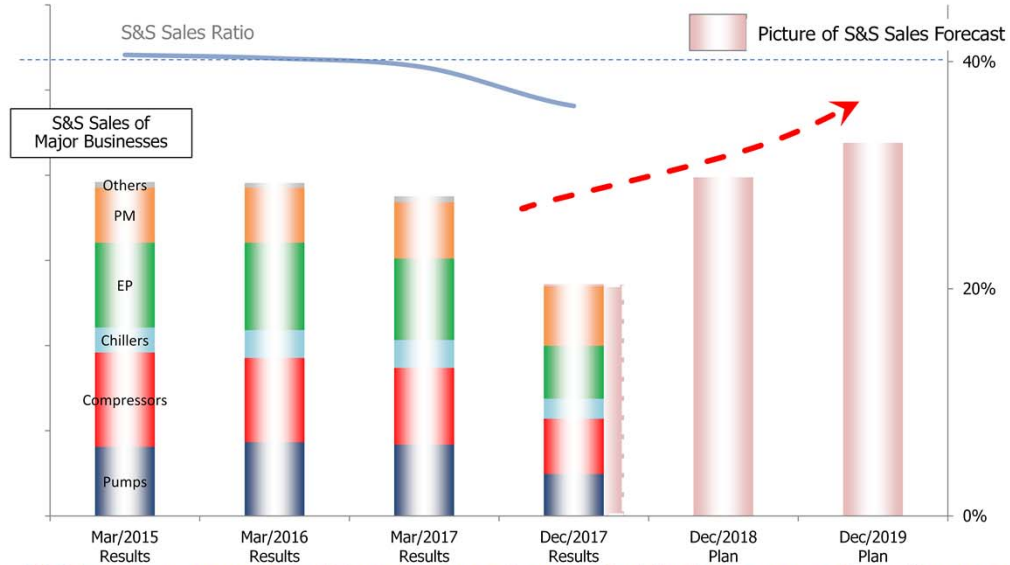


## 2. Projection and Management Strategy

### 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**

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Results Presentation for Fiscal Year Ended December 31, 2017

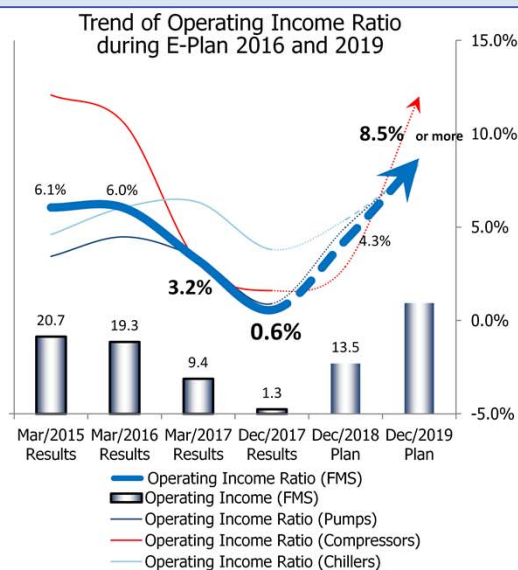


E-Plan 2019 first year review (transitions for major KPI (S&S sales)):

Achieved first year goals. Sales levels decreased due to the impact of the nine month accounting period but FY Ended December 2017 transitioned largely on par with plans.

## 2. Projection and Management Strategy E-Plan 2019 First-Year Review

### FMS Business



- 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

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Results Presentation for Fiscal Year Ended December 31, 2017



## E-Plan 2019 first year review (FMS Business):

### <Compressors and turbines business>

#### ■ External environment

- While the oil and gas market downstream segments show signs of a mild recovery, upstream segments do not appear to have bottomed-out. Businesses with expertise in upstream segments continue to shift into downstream segments, causing intensified competition.

#### ■ Measures

- Pursue cost reductions and faster turnaround through design standardization and automation.
- Optimize global operations consolidation.

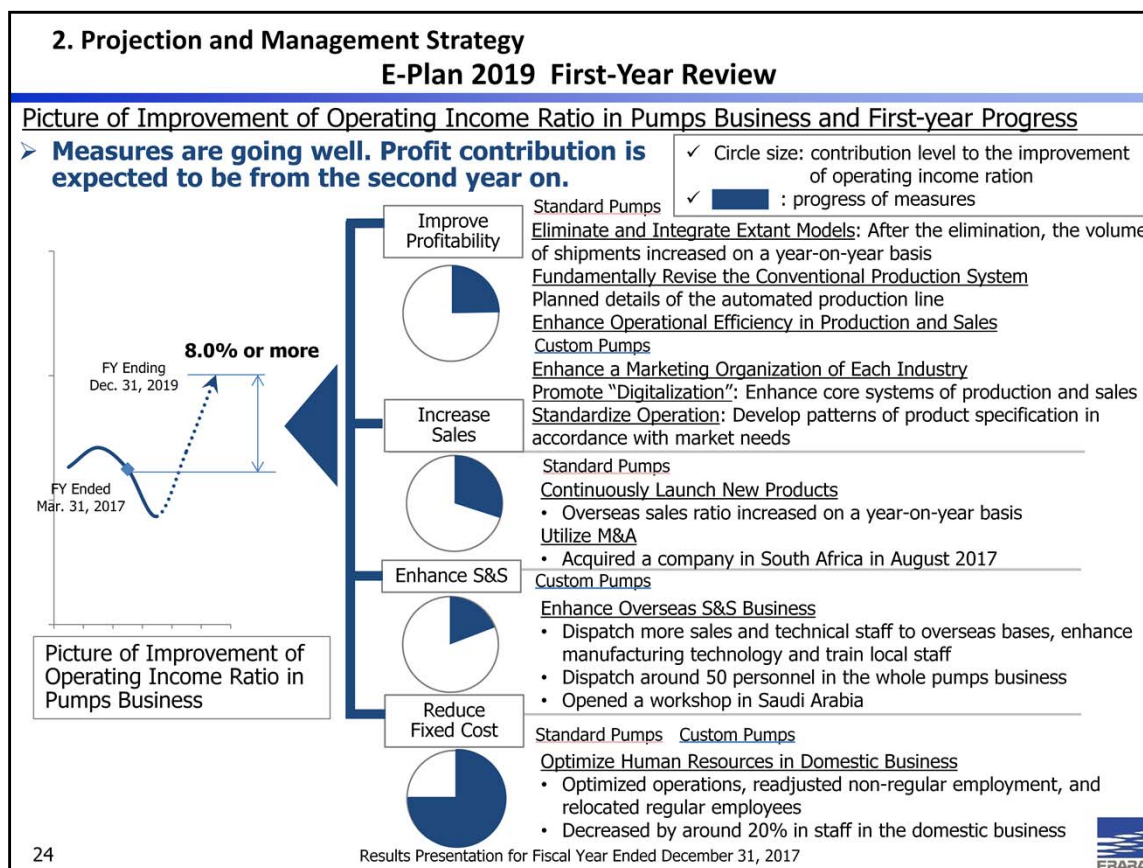
### <Chillers business>

#### ■ External environment

- Firm domestic market
- Overseas, sales and orders of large-scale heat pumps in the Chinese market were largely unchanged.

#### ■ Measures

- We will continue to strengthen the S&S business.
- We will expand our centrifugal chiller products to increase our lineup of competitive products.



E-Plan 2019 first year review (Pump business measures):

Measures are on schedule and we expect to see the effect on gains and losses from the second year onward.

#### ■ Measures

##### (1) Improve profitability

- Plan for automated production line, optimization of operations, promote digitalization, and standardize operations.
- We will aim to launch operations in 2019 on automated production line for standard pumps that is limited to models suited for mass production and with designs that allow ease of application to other models. We currently are in the detailed planning phase.
- We will improve work efficiency by establishing a new department that consolidates work related to estimates, inquiries, etc.

##### (2) Increase sales

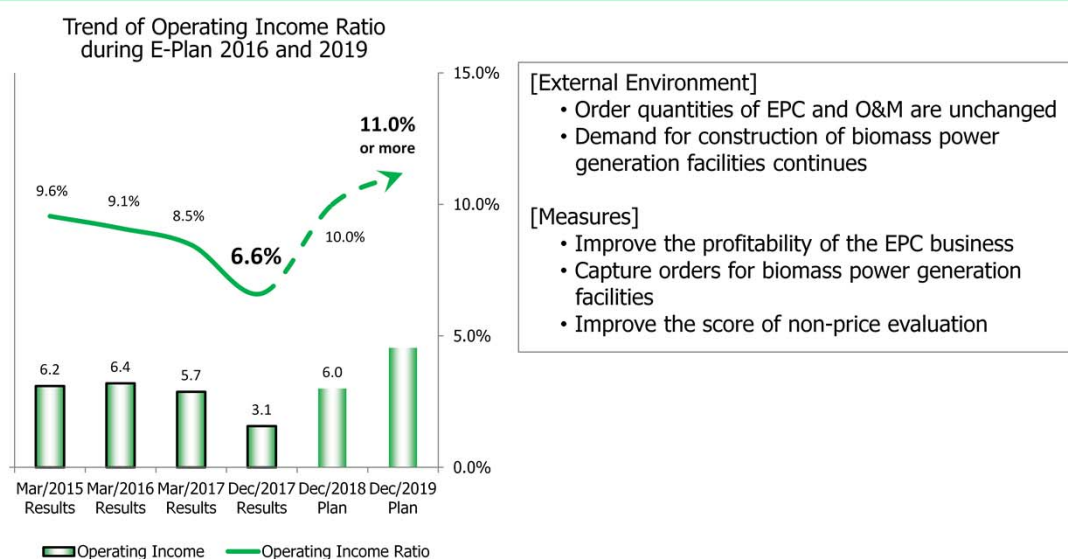
- Develop global core products and regional products to meet the needs of customers in each region, and consistently launch new products to market.
- In August 2017, we purchased a South African company to serve as a sales company for standard pumps and establish a base for a future growth market.

##### (3) Reduce fixed costs

- We optimized human resources as a part of structural reforms for the domestic pumps business. Reduce overall human resource numbers for the domestic pumps business by 20% by reassigning full-time employees throughout Group companies and reviewing non-regular employees.

## 2. Projection and Management Strategy E-Plan 2019 First-Year Review

### EP Business



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

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Results Presentation for Fiscal Year Ended December 31, 2017



E-Plan 2019 first year review (EP Business):

Income declined due to the impact of the nine month accounting period but from FY Ending December 2018 onward, we project an increase in orders for highly profitable service life extension projects.

#### ■ External environment

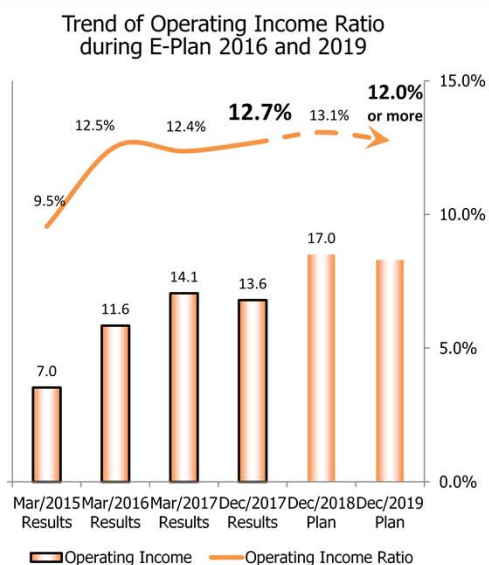
- Order volume was stable for EPC and O&M for municipal waste incineration plants, our main market.

#### ■ Measures

- Initiatives to improve non-price evaluations in order to capture new orders.
- Expand scope of work received from O&M clients.

## 2. Projection and Management Strategy E-Plan 2019 First-Year Review

### PM Business



#### [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**

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Results Presentation for Fiscal Year Ended December 31, 2017



E-Plan 2019 first year review (PM Business):

#### ■ External environment

- Memory and logic markets both transitioned favorably and investments by memory manufacturers were particularly strong.

#### ■ Measures

- We will implement strategies and conduct prior investments.
- We also will focus on the growth of a third business to follow up CMP and components.
- Planning for the automated factory for dry vacuum pumps was completed the previous fiscal year. We plan to complete construction this fiscal year and start operations next fiscal year.



## 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**

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Results Presentation for Fiscal Year Ended December 31, 2017



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

### <Summary of first year>

- Measures for each business progressed smoothly and we saw results in some areas. However, as we conducted prior investments for growth, we will not immediately see major contributions to income.
- Recovery of the energy sector, particularly oil and gas, is slower than expected. Although we projected a certain level of market recovery, the competitive environment is not showing signs of improvement. As a result, profitability for custom pumps and compressors and turbines fell below plans.

### <For second and third year>

- To achieve our key management indicator of ROIC 8%, we will implement additional measures to operating income ratio and promote enhancements to capital efficiency.
  - At businesses lagging behind in profitability improvements, we will rebuild production structures and optimize human resources to further improve income.
  - We will improve capital turnover ratio and reinforce appropriate balance sheet management to improve capital efficiency and pursue the achievement of both business and capital goals.

## 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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