



Ebara Corporation

Results Presentation for Six Months Ended June 30, 2022

August 12, 2022

Event Summary

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[Venue]	Webcast	
[Number of Speakers]	6	
	Masao Asami	Director, President, Representative Executive Officer
	Shu Nagata	Executive Officer, President of Fluid Machinery & Systems Company, Responsible for Chillers Business, Fluid Machinery & Systems Company
	Atsuo Ohi	Executive Officer, President of Environmental Engineering Company, Chairman and Representative Director of Ebara Environmental Plant Co., Ltd.
	Tetsuji Togawa	Executive Officer, President of Precision Machinery Company
	Shugo Hosoda	Executive Officer, Division Executive, Corporate Strategic Planning, Finance and Accounting Division
	Akihiro Osaki	Division Executive of Corporate Strategic Planning Division

Presentation

Osaki: Thank you for attending the Q2 financial results briefing of Ebara Corporation for the fiscal year ending December 31, 2022.

Now, let's begin the briefing.

The documents related to the financial results were disclosed at 15:00 today on the TSE platform and our website. Please refer to those materials.

I would like to introduce our attendees to you.

Masao Asami, Director, President, Representative Executive Officer.

Asami: My name is Asami. Thank you.

Osaki: Shu Nagata, President of Fluid Machinery & Systems Company.

Nagata: My name is Nagata. Thank you.

Osaki: Atsuo Ohi, President of Environmental Engineering Company.

Ohi: I am Ohi. Thank you.

Osaki: Tetsuji Togawa, President of Precision Machinery Company.

Togawa: My name is Togawa. Thank you.

Osaki: Shugo Hosoda, Division Executive, Corporate Strategic Planning, Finance and Accounting Division, and Executive Officer in charge of Investor Relations.

Hosoda: I am Hosoda. Thank you.

Osaki: I am Osaki from Corporate Strategic Planning Division and will serve as moderator today. Thank you.

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

■ Abbreviations

FY: fiscal year (FY22: fiscal year ending December 31, 2022)/1Q: 1Q figures/1-2Q, 1-3Q, 1-4Q: cumulative total from 1Q to each quarter

■ Figures in this document are based on IFRS (IFRS applied from 1Q FY21)

■ FY21 1-2Q and 1-3Q are calculated based on retrospectively adjusted figures reflecting the finalization of the provisional accounting treatment for corporate combinations implemented in FY21

Today, Mr. Hosoda, Division Executive of Finance and Accounting Division, will first give an overview of our financial results, and then Mr. Asami, our president, will explain the outlook for the current fiscal year. Afterwards, we will take your questions. The end time is scheduled to be 18:30.

You can also listen to the content of today's meeting on demand via Zoom. Details will be emailed to you after the meeting.

Mr. Hosoda will now begin the explanation.

Points of Results



FY22 1-2Q Results

		YoY*
■ Orders	¥399.4 B.	+15.8% ↗
■ Revenue	¥312.4 B.	+14.0% ↗
■ Operating Profit	¥27.1 B.	+10.1% ↗

* ↗ +5% change or more ↘ -5% change or more → less than ± 5% change

FY22 Forecast

		YoY*
■ Orders	¥750.5 B.	-2.7% →
■ Revenue	¥684.0 B.	+13.4% ↗
■ Operating Profit	¥67.5 B.	+10.0% ↗

Topics

FY22 1-2Q Results

- 1-2Q company-wide performance reached record highs in orders, revenue, and operating profit due to the PM business driving
- Revenue and profit increased due to yen depreciation despite negative impacts from China lockdown and raw material price hikes

FY22 Forecast

- Revised full-year forecasts for FMS business and PM business, raising orders by 58 billion yen, revenue by 24 billion yen, and operating profit by 1.5 billion yen
- Although there remains a risk of soaring raw material prices and difficulties in procurement of parts and materials, we expect to achieve the plan by strengthening various measures.

Change in Business Segments

- Change business segment from the current product-oriented segment, three businesses, to the End-Users market segment, five businesses, from 1Q FY23

Hosoda: I am Hosoda, Executive Officer in charge of IR, Accounting and Finance.

I would first like to explain the key points of our financial results.

In H1 of the fiscal year ending December 31, 2022, orders, revenue, and operating profit for the entire company were all higher than in the same period of the previous year, driven by the precision machinery, or PM, business. For the interim period, we have reached a record high.

Although the business environment was negatively affected by the lockdown caused by COVID-19 in China and soaring raw material prices, the implementation of various measures and positive factors, such as the yen's depreciation, resulted in a YoY increase in both revenue and profit.

For the full-year forecast, we have reviewed the progress of the H1 results and the business environment in the fluid machinery & systems, or FMS, and PM businesses. Based on this, we have decided to revise upward our company-wide order forecast by JPY58 billion, revenue forecast by JPY24 billion, and operating profit forecast by JPY1.5 billion, respectively.

Although we expect the risks of soaring raw material prices and difficulties in procuring parts and materials to continue, we will strengthen various countermeasures and aim to achieve the revised forecast.

In conjunction with the announcement of the financial results, we have disclosed today a notice regarding the changes in the business segments. Starting from Q1 of the next fiscal year, FY2023, we will change our business segments from the conventional product-oriented segment to the end-users market segment.

1. FY22 1-2Q Summary of Results Consolidated



(in billion yen)	FY21 1-2Q	FY22 1-2Q	Change	Change %
Orders	344.9	399.4	+54.4	+15.8%
Revenue	274.1	312.4	+38.2	+14.0%
Operating Profit	24.6	27.1	+2.4	+10.1%
OP Ratio	9.0%	8.7%	-0.3pts	
Profit Attributable to Owners of Parent	16.7	18.0	+1.2	+7.6%
Exchange Rate* Vs. USD (JPY)	107.81	122.89	+15.08	
Vs. EUR (JPY)	129.88	134.22	+4.34	
Vs. CNY (JPY)	16.67	18.97	+2.30	

*Average Exchange Rate

Now, let me move on to the explanation of our financial results.

Please refer to page four. This page shows the consolidated financial results for H1 of the fiscal year ending December 2022.

Orders received increased by JPY54.4 billion from the same period last year to JPY399.4 billion, revenue increased by JPY38.2 billion to JPY312.4 billion, operating profit increased by JPY2.4 billion to JPY27.1 billion, and the operating profit ratio was 8.7%. Profit attributable to owners of parent was JPY18 billion, an increase of JPY1.2 billion from the same period last year.

As for exchange rates, the yen's depreciation against the US dollar, euro, and yuan, the main currencies, has made a positive contribution to our yen-denominated results.

As for the effect of foreign exchange rate fluctuations, we estimate that operating profit increased by approximately JPY2.7 billion compared to the previous year, with a large contribution from fluctuations in the US dollar exchange rate.

1. FY22 1-2Q Summary of Results Segment



(in billion yen)		FY21 1-2Q	FY22 1-2Q	Change	Change %
Total	Orders	344.9	399.4	+54.4	+15.8%
	Revenue	274.1	312.4	+38.2	+14.0%
	Operating Profit	24.6	27.1	+2.4	+10.1%
	OP Ratio	9.0%	8.7%	-0.3pts	
FMS Business	Orders	165.4	187.8	+22.3	+13.5%
	Revenue	162.8	179.2	+16.3	+10.0%
	Operating Profit	13.2	12.7	-0.5	-3.8%
	OP Ratio	8.1%	7.1%	-1.0pts	
EP Business	Orders	61.6	46.2	-15.3	-25.0%
	Revenue	31.3	36.4	+5.1	+16.3%
	Operating Profit	2.8	0.9	-1.8	-66.4%
	OP Ratio	9.0%	2.6%	-6.4pts	
PM Business	Orders	116.8	164.6	+47.7	+40.8%
	Revenue	79.0	96.0	+16.9	+21.5%
	Operating Profit	8.9	13.9	+5.0	+56.4%
	OP Ratio	11.3%	14.5%	+3.2pts	
Others, Adjustment	Orders	0.9	0.7	-0.1	-20.3%
	Revenue	0.8	0.6	-0.1	-18.1%
	Operating Profit	-0.2	-0.4	-0.1	-
	OP Ratio	-34.2%	-61.9%	-27.7pts	

Next, please refer to page five. This is a summary by segment.

In the FMS business, orders and revenue were higher than in the same period of the previous year.

In the pumps business, some regions in China were affected by the lockdown caused by COVID-19. Overseas other than China, however, orders and revenue increased thanks to the steady growth in demand, improved selling prices, and the yen's depreciation.

Operating profit, on the other hand, remained almost unchanged from the previous year due to soaring raw material prices and increased fixed costs.

In the environmental plants, or EP, business, orders received in Q2 were relatively lower than in the same period of the previous year, partly because the level of orders received in the same period of the previous year was very high. However, we have received several large orders for waste treatment facilities in H1 of the current fiscal year and are generally progressing as planned.

Revenue in the EP business increased YoY. On the other hand, operating profit in the EP business was lower than in the same period of the previous year due to a deteriorated mix and one-time expenses.

In the PM business, orders, revenue, and operating profit all exceeded those of the same period of the previous year due to the continued strong demand for semiconductors from last year.

Details will be explained later by segment.

1. FY22 1-2Q Summary of Results

Revenue by Region



(in billion yen)	FY21 1-2Q		FY22 1-2Q		Change	Change %
	Results	Composition of Revenue	Results	Composition of Revenue		
Total	274.1	100.0%	312.4	100.0%	+38.2	+14.0%
In domestic market (Japan)	122.0	44.5%	123.9	39.7%	+1.8	+1.5%
In overseas market	152.0	55.5%	188.5	60.3%	+36.4	+24.0%
China	49.0	17.9%	50.9	16.3%	+1.9	+3.9%
Asia (excl. China)	44.5	16.2%	57.3	18.3%	+12.8	+28.8%
North America	22.1	8.1%	24.2	7.8%	+2.0	+9.3%
Europe	18.2	6.6%	27.3	8.8%	+9.1	+50.4%
Middle East	10.2	3.7%	14.3	4.6%	+4.0	+39.3%
Others	7.8	2.8%	14.2	4.6%	+6.4	+82.9%

"Revenue by Region" indicates revenue on the basis of the geographical location where the goods are sold.

This is the revenue composition by region, or by customer location.

Revenue in each region exceeded those of the same period last year.

In Japan, where demand recovery from COVID-19 has been slow, and in China, where business activities were constrained by the lockdown, the growth rate was relatively small and sluggish.

Overseas revenue in the PM segment is growing. The FMS business is also growing in Europe and the Middle East.

Revenue by region by segment is also shown on page 20, so please refer to that as well.

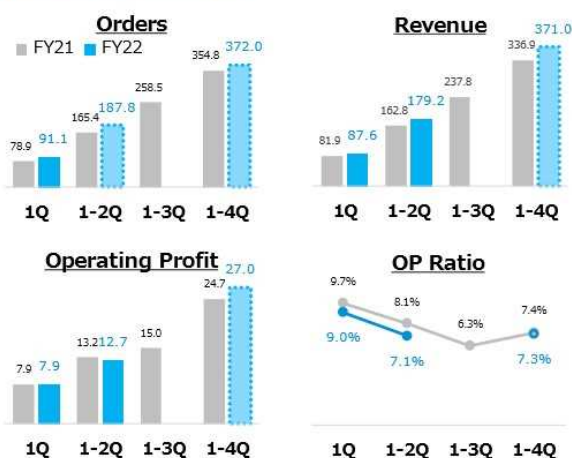
The following pages provide a detailed description of the results by segment.

2. FY22 1-2Q Results by Segment



FMS Business

Results (in billion yen)



S&S Revenue Ratio

	FY21				FY22			
	1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-3Q	1-4Q
FMS	35.7%	34.3%	32.9%	33.9%	38.5%	35.8%	-	-
PUMP	31.3%	27.0%	24.1%	24.3%	30.7%	25.9%	-	-
CT	51.3%	52.9%	53.8%	55.4%	61.5%	60.6%	-	-

Highlights

Pumps

- Orders for standard pumps were strong both in Japan and overseas, and revenue increased overseas (+)
Profit decreased due to soaring raw material prices in Japan (-)
- Orders for custom pumps were strong in Japan
Decrease in orders, revenue and profit in China (-)

Compressors and turbines (CT)

- Service and support (S&S) orders and revenue increased due to mitigation of the COVID-19 impact (+)
- Profit increased due to rise in S&S ratio (+)

Chillers

- Orders, revenue and profit increased due to steady demand in the Chinese market (+)

- All Labor costs increased (-)

Breakdown of Changes in Operating Profit

(in billion yen)



Please refer to page seven. First, I would like to talk about the FMS business.

Orders received increased JPY22.3 billion from the same period last year to JPY187.8 billion, and revenue increased JPY16.3 billion from the same period last year to JPY179.2 billion. Operating profit decreased by JPY0.5 billion to JPY12.7 billion.

Looking at the sub-segments, first, in the pumps business, revenue was almost flat YoY, while profit declined.

In the standard pumps business, a component of the pumps business, orders were strong both in Japan and overseas. Although there were some plant stoppages and shipment delays in China due to the lockdown caused by COVID-19, overall revenue grew steadily overseas.

On the other hand, revenue in the standard pumps business in Japan was sluggish due to construction interruptions and postponements by customers caused by a shortage of parts and materials.

In order to mitigate the impact of the sharp rise in raw material prices, the standard pumps business has been taking measures, such as price revisions, but these measures have not been able to fully offset the impact, resulting in a slight YoY decrease in profit.

On the other hand, in the custom pumps business, another component of the pumps business, orders from the domestic public sector were firm, but a slowdown in demand in China resulted in lower revenue and profit.

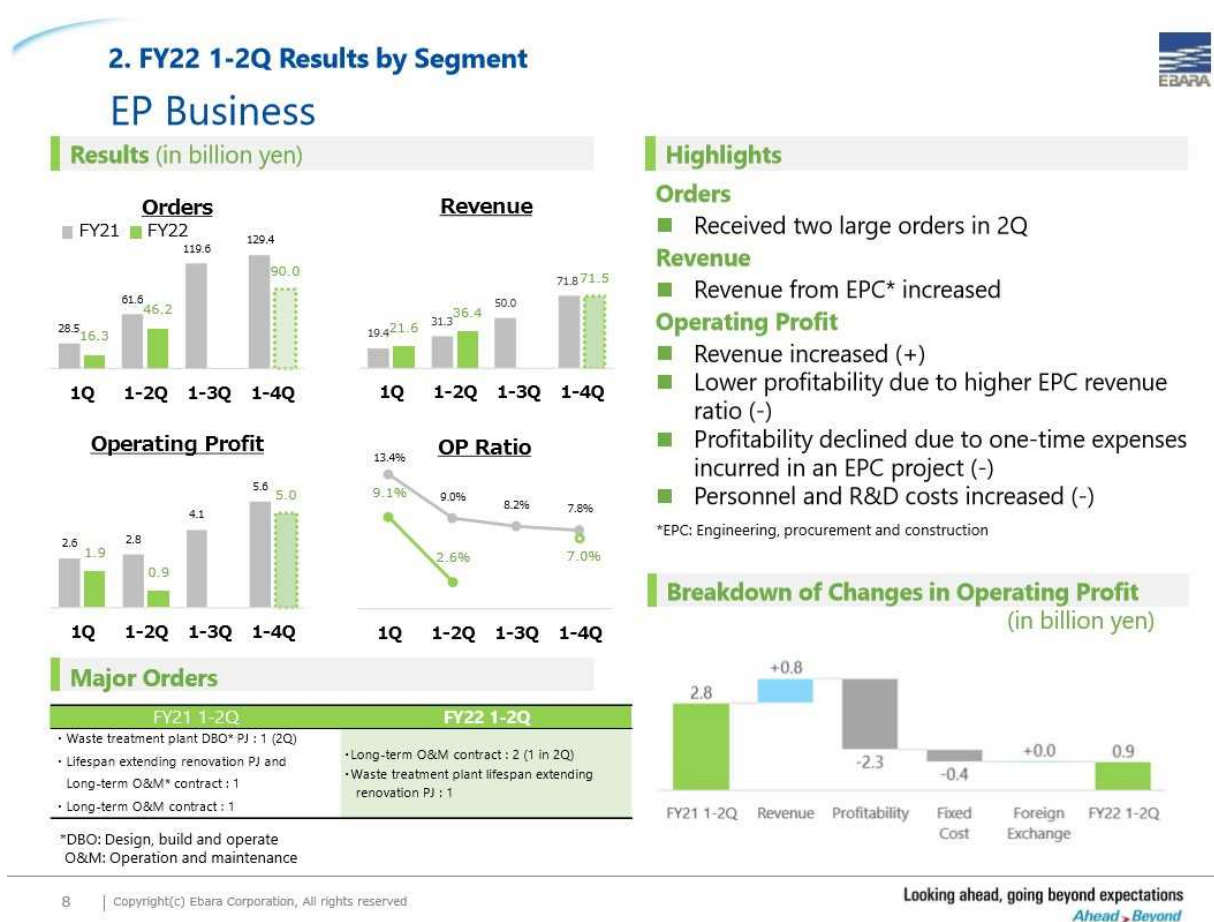
In the compressors and turbines, or CT, business, there was a tendency on the part of customers to suspend investment decisions due to uncertainty caused by the recent inflation and the situation in Ukraine. Due to this, there were some delays in receiving orders.

On the other hand, since last year, there have been restrictions on travel caused by COVID-19, but they have gradually been eased, so demand for service & support has been increasing, resulting in an increase in revenue and profit.

In the chillers business, demand in the Chinese market was very strong, resulting in an increase in revenue and profit.

In the FMS business in general, fixed costs increased. This was due to an increase in performance-linked bonuses based on the good performance of the previous fiscal year, as well as an increase in depreciation and amortization.

As for profit and loss by sub-segment, please refer to the figures on pages 16 onward of this document.



Next is the EP business. Please refer to page eight.

Orders received decreased by JPY15.3 billion from the same period last year to JPY46.2 billion. Revenue increased JPY5.1 billion to JPY36.4 billion, and operating profit decreased JPY1.8 billion to JPY0.9 billion.

Orders received are as shown in the major orders section on the lower left. In Q2, we received one order for a long-term comprehensive contract and one order for life extension during the period from April to June, for a total of three orders in H1 of the year, which is in line with our plan.

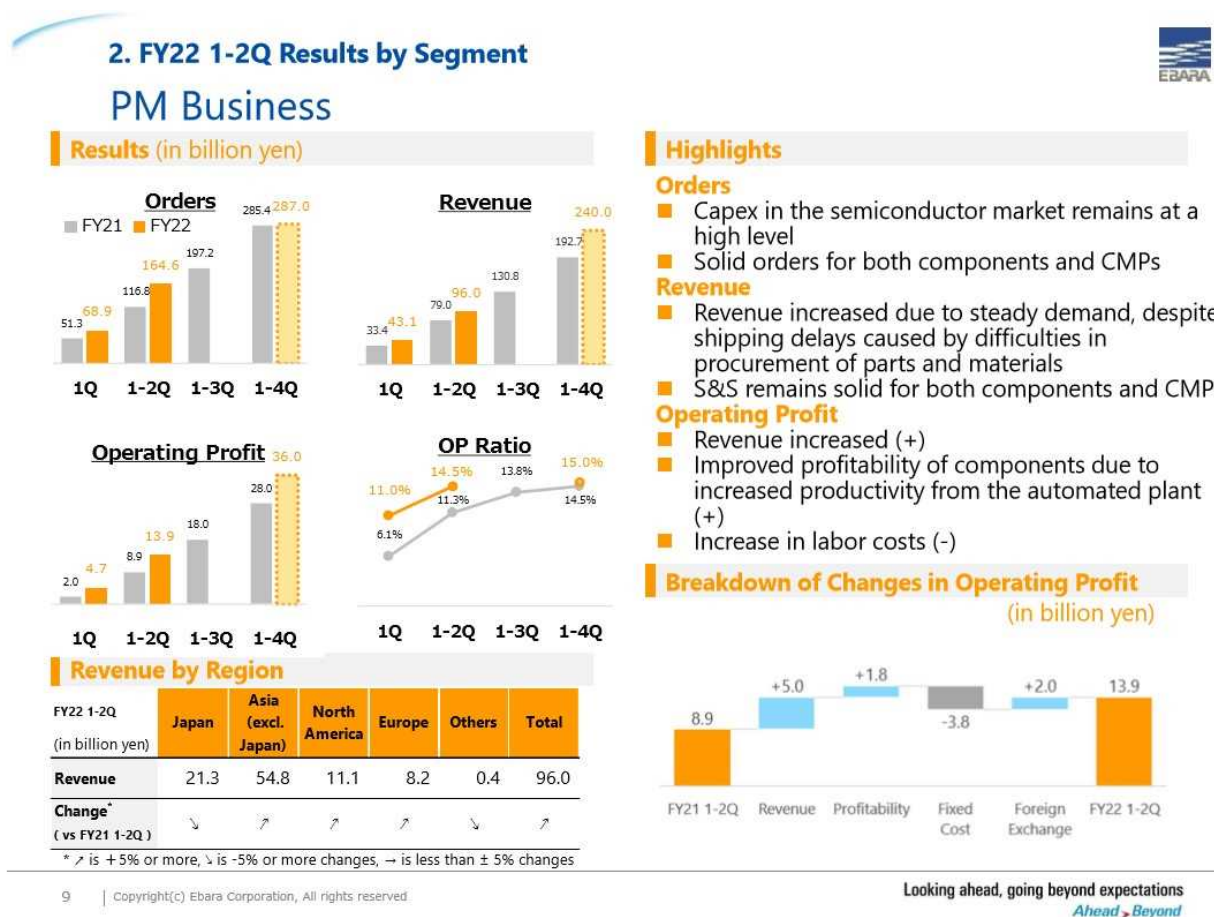
The reasons for the YoY decrease can be divided into profitability factors and fixed cost factors.

As for profitability factors, first of all, the mix of EPC projects and operation and maintenance projects, i.e., the increase in the ratio of EPC project revenue, is one of the reasons for the decline in profitability.

In addition, there are some one-time costs, such as additional costs for troubleshooting the commissioning of EPC projects in progress, which also have led to a decline in profitability.

Fixed cost factors include a YoY increase in fixed personnel expenses.

Although an increase in EPC projects temporarily reduces profitability, we view it positively as contributing to medium- and long-term business value, as it will lead to an increase in future operations and maintenance business.



Please refer to page nine. This is the PM business.

Orders increased by JPY47.7 billion from the same period last year to JPY164.6 billion, revenue increased by JPY16.9 billion to JPY96 billion, and operating profit increased by JPY5 billion to JPY13.9 billion. Orders, revenue, and operating profit all reached record highs for H1 of the fiscal year in the PM segment.


Capital investment in the semiconductor market remained at a high level, and customers' factory utilization rates were very high, resulting in strong orders for both products and service & support.

Customers continued to place orders early, assuming longer-than-usual lead times, resulting in a 40% increase in orders over the same period last year.

Revenue was higher than in the same period of the previous year, although there were some shipping delays due to difficulties in procuring parts and materials.


Operating profit increased as a result of increased revenue and improved profitability associated with the full-scale operation of the automated dry vacuum pump plant, which exceeded the increase in fixed costs due to personnel expenses and other factors.

This concludes the explanation of the consolidated financial results for Q2.



3. FY22 Forecast

Consolidated



* Prior Plan

(in billion yen)	FY21 Results	FY22 P-Plan*	FY22 Plan	1-4Q			
				YoY Change		Change from previous plan	
Announced date(m/d/y)	a	b*	b	Change b-a	Change %	Change b-b*	Change %
Orders	771.4	692.5	750.5	-20.9	-2.7%	+58.0	+8.4%
Revenue	603.2	660.0	684.0	+80.7	+13.4%	+24.0	+3.6%
Operating Profit	61.3	66.0	67.5	+6.1	+10.0%	+1.5	+2.3%
OP Ratio	10.2%	10.0%	9.9%	-0.3pts		-0.1pts	
Profit Attributable to Owners of Parent	43.6	46.0	46.5	+2.8	+6.6%	+0.5	+1.1%
ROIC	10.7%	10.5%	10.3%	-0.4pts		-0.2pts	
Annual Dividend per share	163	170	170	+7		-	
Interim Dividend	50	85	85	+35		-	
Year-end Dividend	113	85	85	-28		-	
Exchange Rate							
Exchange Rate Vs. USD (JPY)	109.86	125.00	125.00	+15.14		-	
Vs. EUR (JPY)	129.91	135.00	135.00	+5.09		-	
Vs. CNY (JPY)	17.04	19.00	19.00	+1.96		-	

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Looking ahead, going beyond expectations
Ahead Beyond

Asami: I would like to explain our full-year earnings forecast and the changes in the business segments disclosed today.

Please refer to page 10.

The business environment is showing some signs of improvement from soaring raw material prices and the impact of the lockdown in China. On the other hand, we recognize that uncertainties remain, such as inflation in the US and Europe, in addition to geopolitical risks, such as the re-expansion of the COVID-19 mutant strains and the situation in Ukraine.

The impact of soaring raw material prices and shortages of parts on business performance is expected to continue in H2 of the year. In this context, in order to continue and further strengthen various measures, we have decided to revise our full-year forecasts upward in light of the H1 results and future demand trends.

The forecast for orders is JPY750.5 billion, up JPY58 billion from the previous announcement, and the forecast for revenue is JPY684 billion, up JPY24 billion. The forecast for operating profit is JPY67.5 billion, up JPY1.5 billion, and for profit attributable to owners of parent is JPY46.5 billion, up JPY500 million.

OP ratio and ROIC, key management indicators, are expected to be 9.9% and 10.3%, respectively.

There will be no change in the dividend per share and the assumed exchange rate.

5. Appendix

Cash Flows



* Prior Plan

(in billion yen) Announced date(m/d/y)	1-2Q			1-4Q				
	FY21	FY22	Change	FY21	FY22 P.Plan*	FY22 Plan	YoY Change	Change from previous plan
	a	b	b-a	c	May/12/22 d'	Aug/12/22 d	d-c	d-d'
CF from operating activities	62.8	28.4	-34.3	72.8	65.0	40.0	-32.8	-25.0
CF from investing activities	-29.0	-14.0	+15.0	-31.3	-48.0	-48.0	-16.6	-
FCF	33.8	14.4	-19.3	41.4	17.0	-8.0	-49.4	-25.0
CF from financing activities	-3.9	-16.5	-12.5	-29.4	-24.0	-13.4	+16.0	+10.6

Some revisions have been made to the annual cash flow plan. For more information, please see page 22.

3. FY22 Forecast Segment



* Prior Plan

(in billion yen)		1-4Q						
		FY21	FY22 P.Plan*	FY22 Plan	YoY Change		Change from previous plan	
		a	May/12/22 b'	Aug/12/22 b	Change b-a	Change %	Change b-b'	Change %
Announced date(m/d/y)								
Total	Orders	771.4	692.5	750.5	-20.9	-2.7%	+58.0	+8.4%
	Revenue	603.2	660.0	684.0	+80.7	+13.4%	+24.0	+3.6%
	Operating Profit	61.3	66.0	67.5	+6.1	+10.0%	+1.5	+2.3%
	OP Ratio	10.2%	10.0%	9.9%	-0.3pts		-0.1pts	
FMS Business	Orders	354.8	349.0	372.0	+17.1	+4.8%	+23.0	+6.6%
	Revenue	336.9	347.0	371.0	+34.0	+10.1%	+24.0	+6.9%
	Operating Profit	24.7	25.5	27.0	+2.2	+8.9%	+1.5	+5.9%
	OP Ratio	7.4%	7.3%	7.3%	-0.1pts		-	
EP Business	Orders	129.4	90.0	90.0	-39.4	-30.5%	-	-
	Revenue	71.8	71.5	71.5	-0.3	-0.5%	-	-
	Operating Profit	5.6	5.0	5.0	-0.6	-11.2%	-	-
	OP Ratio	7.8%	7.0%	7.0%	-0.8pts		-	
PM Business	Orders	285.4	252.0	287.0	+1.5	+0.6%	+35.0	+13.9%
	Revenue	192.7	240.0	240.0	+47.2	+24.5%	-	-
	Operating Profit	28.0	36.0	36.0	+7.9	+28.4%	-	-
	OP Ratio	14.5%	15.0%	15.0%	+0.5pts		-	
Others, Adjustment	Orders	1.7	1.5	1.5	-0.2	-15.5%	-	-
	Revenue	1.6	1.5	1.5	-0.1	-7.2%	-	-
	Operating Profit	2.9	-0.5	-0.5	-3.4	-	-	-
	OP Ratio	180.1%	-33.3%	-33.3%	-213.4pts		-	

The revisions by segment are explained on page 11.

In the FMS business, the market is strong and various measures are being implemented, including measures to improve selling prices and recovery from the lockdown in China.

As a result, we have upwardly revised our order forecast by JPY23 billion to JPY372 billion, our revenue forecast by JPY24 billion to JPY371 billion, and our operating profit forecast by JPY1.5 billion to JPY27 billion.

In the PM business, orders received were revised upward by JPY35 billion, as customers' appetite for capital investment remains high.

5. Appendix

Revenue



* Prior Plan

(in billion yen) Announced date(m/d/y)	FY21				FY22				
	1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-4Q P.Plan* May/12/22 a	1-4Q Plan Aug/12/22 b	Change b-a
Total	135.2	274.1	419.9	603.2	152.8	312.4	660.0	684.0	+24.0
FMS Business	81.9	162.8	237.8	336.9	87.6	179.2	347.0	371.0	+24.0
Pumps	52.4	96.2	137.0	191.5	51.6	97.4	200.0	210.0	+10.0
CT	16.6	40.5	62.2	91.2	22.4	50.6	95.0	105.0	+10.0
Chillers	8.6	19.0	28.4	40.7	10.1	24.7	41.0	45.0	+4.0
Others	4.1	7.1	10.0	13.5	3.4	6.3	11.0	11.0	-
EP Business	19.4	31.3	50.0	71.8	21.6	36.4	71.5	71.5	-
PM Business	33.4	79.0	130.8	192.7	43.1	96.0	240.0	240.0	-
Components	18.4	37.5	57.2	82.4	21.9	45.8	92.0	111.5	+19.5
CMP Systems	13.8	38.8	69.1	103.6	19.5	47.0	143.0	122.5	-20.5
Others	1.1	2.6	4.4	6.6	1.6	3.0	5.0	6.0	+1.0
Others	0.4	0.8	1.2	1.6	0.3	0.6	1.5	1.5	-



There is no change in total revenue, but there are changes in each sub-segment. We have described the details on page 17.

3. FY22 Forecast



Response to Changes in Business Environment

- Minimize the impact on business performance by appropriately responding to various risks caused by changes in the business environment
- Impact on full-year operating profit has been factored into this revised forecast

Risks	Businesses	Measures	Results	Forecast	
			1-2Q Impact on operating profit (YoY)	3-4Q Outlook (vs. 1-2Q)	Full year Impact on operating profit (YoY)
Raw material price hikes	All	Sales <ul style="list-style-type: none"> ■ Price revision ■ Reflection on estimates 	¥ -2.0 B.	Flat 	¥ -4.5 B. ~ ¥ -5.5 B.
Difficulty in procurement of parts and materials	Pumps, CT, PM	Procurement <ul style="list-style-type: none"> ■ Bulk purchasing ■ Global procurement enhancement ■ Increase in procurement personnel ■ Design change 			
COVID-19 lockdown in China	Pumps, Chillers, PM	<ul style="list-style-type: none"> ■ Recovery through increased production 	¥ -1.7 B.	Improving 	
Exchange	All	Assumed rate unchanged USD: 125JPY, EUR: 135JPY, CNY: 19JPY	¥ +2.7 B.	-	¥ +5.5 B.

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Looking ahead, going beyond expectations
Ahead > Beyond

Next, please refer to page 12.

The four risk factors reflected in our full-year forecast are: raw material price hikes, difficulties in procuring parts and materials, lockdowns in China, and currency exchange rates.

While we will continue to respond to soaring raw material prices and difficulties in procuring parts and materials throughout the year, we are revising prices and shortening the validity period of quotations to more easily reflect soaring raw material prices.

In terms of procurement, we are also taking measures, such as bulk purchasing and utilizing procurement at our global bases.

In H1 of the year, operating profit was negatively affected by about JPY2 billion. We expect the impact in H2 to be the same as in H1.

As for the lockdown in China, we were affected by the shutdown of plants of Chinese subsidiaries in the pumps business and the PM business, as well as the prolonged delivery time of parts.

Although there was a negative JPY1.7 billion impact on operating profit in H1, the action restrictions have already been lifted, and we plan to recover from the delay in H1 by increasing production.

The full-year impact of these factors, combined with soaring raw material prices, difficulties in procuring parts and materials, and lockdowns in China, is expected to be a factor lowering operating profit by JPY4.5 billion to JPY5.5 billion annually.

On the other hand, if we assume that the current assumed exchange rate remains unchanged, the projected impact of exchange rate fluctuations will be a factor that boosts profits by JPY5.5 billion for the full year.

The net impact on total operating profit is judged to be negligible.

We have incorporated these risks into the revised full-year forecasts.

4. Toward the Next Medium-Term Management Plan

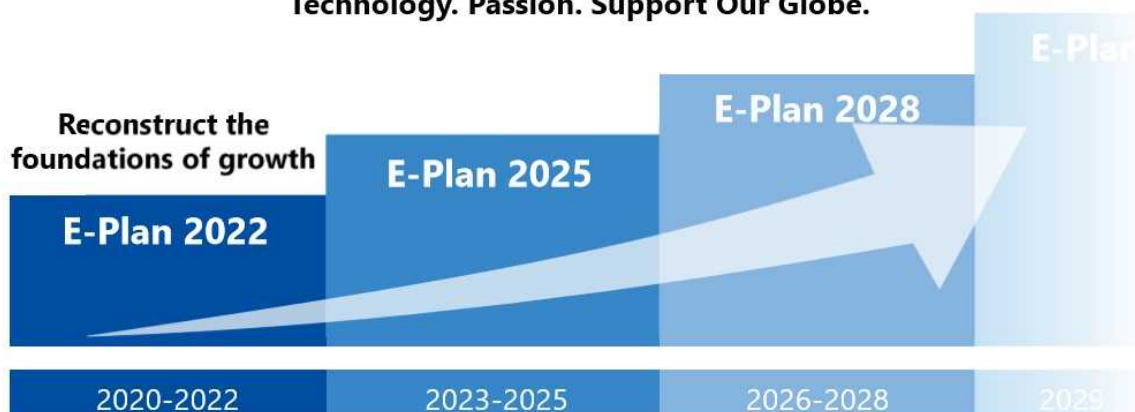


Change in Business Segments

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.



Finally, please refer to page 13.

I would like to provide an overview of the changes in our business segments, which we disclosed at 15:00 today in conjunction with the announcement of our financial results.

In February 2020, we announced E-Vision 2030, our vision for the year 2030, and have been promoting E-Plan 2022, positioned as "Reconstruct the foundations of growth," under the banner of "Technology. Passion. Support Our Globe."

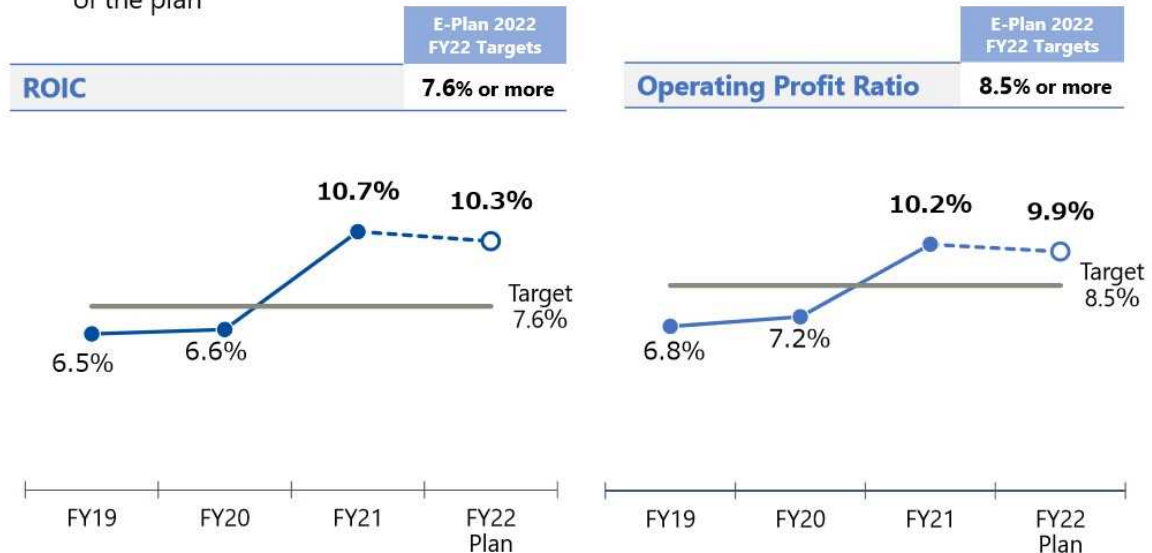
4. Toward the Next Medium-Term Management Plan



Change in Business Segments

Progress of E-Plan 2022

- Achieved targets for ROIC and operating profit ratio, the key performance indicators, one year ahead of schedule
- Plan to exceed the targets of the medium-term management plan in 2022, the third year of the plan



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Last year, we achieved the ROIC and operating margin targets set forth in E-Plan 2022, one year ahead of schedule, and we plan to achieve them again this year.

E-Plan 2022 is the stage of "Reconstruct the foundations of growth," and we have implemented a variety of measures. A major result of this is improved profitability.

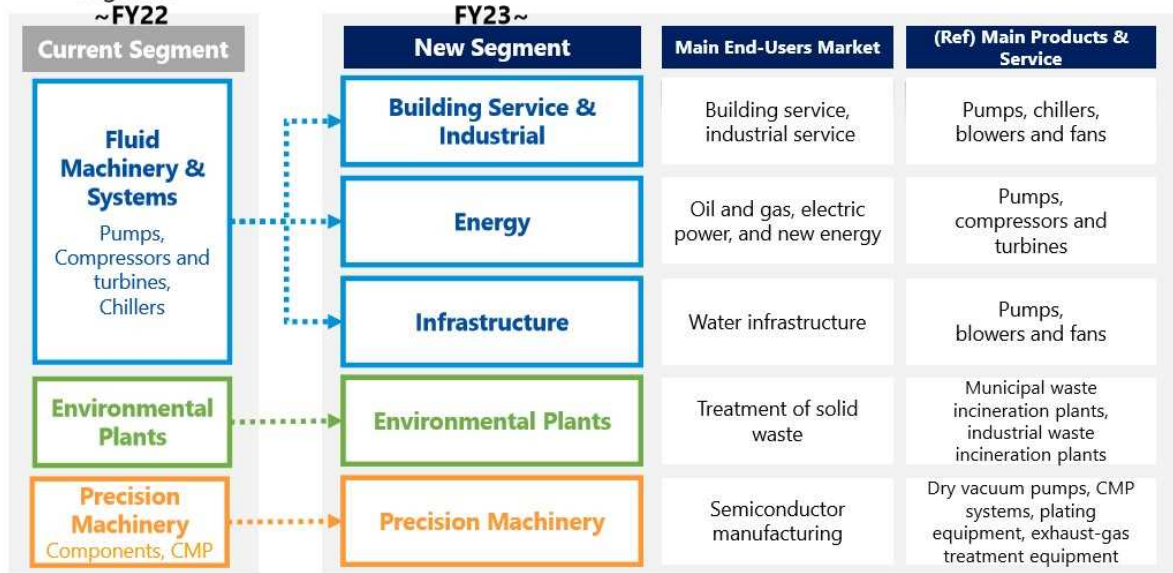
Of course, we still have a way to go and will continue to make improvements, but we believe that we have strengthened our base to be able to do what we want to do in a sustainable manner toward our desired state in 2030.

4. Toward the Next Medium-Term Management Plan Change in Business Segments



Purpose: Strengthen strategies for each End-User market to achieve value creation from a customer-oriented perspective

- Change business segment from the current product-oriented segment to the End-Users market segment
- 1Q results for the fiscal year ending December 2023 are scheduled to be disclosed in the new segment ~FY22



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Looking ahead, going beyond expectations
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Based on this, our focus in the next medium-term management plan, E-Plan 2025, which will begin next year, is to further strengthen and realize customer-driven value creation. We believe that what is needed to achieve this is to change from the traditional product-oriented segment to an end-users market segment.

Specifically, we intend to change our fluid machinery & systems business into three end-users market segments—building service & industry, energy, and infrastructure—to focus on market needs and strengthen our competitiveness.

There will be no change in the segmentation of the precision machinery business and the environmental plants business. At the same time, we would like to further strengthen our awareness of facing the market and make changes to increase our competitiveness, aiming for further growth in the precision machinery business, as well as in the environmental plants business.

We will formulate specifics of E-Plan 2025 in the new business segments.

That's all for my explanation.