Ebara Corporation

Q4 Financial Results Briefing for the Fiscal Year Ended December 2021

February 14, 2022

Event Summary

[Company Name]	Ebara Corporation
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[Venue]	Webcast

[Number of Speakers]	7	
	Masao Asami	Director, President, Representative Executive Officer
	Nobuharu Noji	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 of Finance & Accounting Division
	Shu Nagata	Executive Officer, Division Executive of Corporate Strategic Planning and Human

	Resources Division
Minoru Matsushita	General Manager, Corporate Strategic Planning Division

Points of Results

FY21 Results

		YoY*	
Orders	¥771.4 B.	+50.9%	↗
Revenue	¥603.2 B.	+15.5%	↗
Operating Profit	¥61.3 B.	+63.4%	↗

FY22 Forecast

		YoY*	
Orders	¥692.5 B.	-10.2%	↘
Revenue	¥660.0 B.	+9.4%	↗
Operating Profit	¥66.0 B.	+7.5%	↗

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

Topics

- **FY21 Results**
  Record highs in orders, revenue, and operating profit
  Achieved 10.2% operating profit ratio due to increased profits in FMS and PM businesses
- **FY22 Forecast**
  Due to the growth of PM business, operating profit is expected to reach a new high for the second consecutive year and double-digit operating profit ratio.
  Orders are expected to remain at a high level, although they will decrease due to early orders from customers in PM Business and the large number of projects in EP Business in the previous year.
- **Shareholder Returns**
  Share Repurchase: completed the acquisition of 20 billion yen in FY21 and all shares have been cancelled
  Dividend forecast: Annual dividend per share for FY21 is planned to be 163 yen (year-end dividend increased from 80 yen to 113 yen)
  FY22 annual dividend per share is expected to be 170 yen, the third consecutive year of dividend increases

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Looking ahead, going beyond expectations
Ahead > Beyond

Hosoda: First, I would like to explain the key points of our financial results.

First of all, as for the full-year consolidated results of the fiscal year ended December 31, 2021, orders, revenue, and operating profit were all strong, and each of them set a new record.

In the Fluid Machinery & Systems business, revenue expanded in line with the recovery of demand from the sluggish economy caused by the COVID-19 pandemic, and measures to improve the profitability of each business were effective. In the Precision Machinery business, our performance was strong against the backdrop of rising demand for semiconductors, resulting in a strong performance.

In light of this, our full-year forecast for the fiscal year ending December 31, 2022, is for an increase in both sales and profits, driven by the continued high level of orders and earnings growth in the Precision Machinery business, and an operating profit level that is even higher than the previous fiscal year, despite a slight decrease in orders compared to the previous year.

We repurchased JPY20 billion of our own shares in the previous fiscal year, and we have already cancelled all the shares acquired.

As for dividends, in light of our policy of linking dividends to business performance, we plan to increase dividends in line with the level of net profit for both the fiscal year ended March 31, 2021, and the fiscal year ending March 31, 2022.

1. FY21 Summary of Results
Consolidated

(in billion yen)	FY20 1-4Q	FY21 1-4Q	Change	Change %
Orders	511.2	771.4	+260.2	+50.9%
Revenue	522.4	603.2	+80.7	+15.5%
Operating Profit	37.5	61.3	+23.8	+63.4%
OP Ratio	7.2%	10.2%	+3.0pts	
Profit Attributable to Owners of Parent	24.2	43.6	+19.3	+80.0%
Exchange Rate Vs. USD (JPY)	106.81	109.86	+3.05	
Vs. EUR (JPY)	121.83	129.91	+8.08	
Vs. CNY (JPY)	15.48	17.04	+1.56	

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Looking ahead, going beyond expectations
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The next page explains the details. Let’s look at the full-year consolidated results for the fiscal year ended December 31, 2021.

Orders received increased by JPY260.2 billion from the same period last year to JPY771.4 billion. Revenue increased by JPY80.7 billion from the previous year to JPY603.2 billion. Operating profit increased by JPY23.8 billion from the previous year to JPY61.3 billion. The ratio of operating profit to revenue improved by 3 percentage points from 7.2% in the previous year to 10.2%. For the first time, we were able to reach the 10% mark for operating profit ratio for the entire Company.

Profit attributable to owners of parent increased by JPY19.3 billion from the previous fiscal year to JPY43.6 billion, also a record high.

As for foreign exchange rates, the yen has depreciated against the US dollar, euro, and Chinese yuan from the previous fiscal year to the fiscal year under review, and this has made a positive contribution to our business results in Japanese yen.

1. FY21 Summary of Results

Segment

(in billion yen)		FY20 1-4Q	FY21 1-4Q	Change	Change %
Total	Orders	511.2	771.4	+260.2	+50.9%
	Revenue	522.4	603.2	+80.7	+15.5%
	Operating Profit	37.5	61.3	+23.8	+63.4%
	OP Ratio	7.2%	10.2%	+3.0pts	
FMS Business	Orders	301.1	354.8	+53.6	+17.8%
	Revenue	313.2	336.9	+23.7	+7.6%
	Operating Profit	19.8	24.7	+4.9	+25.2%
	OP Ratio	6.3%	7.4%	+1.1pts	
EP Business	Orders	61.9	129.4	+67.5	+109.2%
	Revenue	67.4	71.8	+4.4	+6.5%
	Operating Profit	6.8	5.6	-1.2	-18.0%
	OP Ratio	10.2%	7.8%	-2.4pts	
PM Business	Orders	146.6	285.4	+138.7	+94.6%
	Revenue	140.3	192.7	+52.4	+37.4%
	Operating Profit	11.6	28.0	+16.4	+141.1%
	OP Ratio	8.3%	14.5%	+6.2pts	
Others, Adjustment	Orders	1.4	1.7	+0.2	+19.4%
	Revenue	1.4	1.6	+0.1	+8.6%
	Operating Profit	-0.7	2.9	+3.6	-
	OP Ratio	-49.1%	180.1%	+229.2pts	

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Looking ahead, going beyond expectations
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This page shows a summary of the period under review by segment.

In the Fluid Machinery & Systems business, orders, revenue, and operating profit all exceeded those of the previous year. In the building equipment market and the oil and gas market, which are the face-to-face market for the Fluid Machinery & Systems business, orders and revenue increased due to the overall recovery trend in demand from the economy affected by the COVID-19 pandemic, although there are regional differences.

Although operating profit was affected by soaring raw material prices and logistics costs, as well as the difficulties of procurement of parts and materials, it increased due to increased revenue and the contribution of measures to improve profitability in the Custom Pump business and Compressor and Turbine business.

In the Environmental Plants business, orders increased significantly, up 109% from the previous year, or more than double the previous year's level. This was due to the fact that we received several large orders for waste treatment facilities.

On the other hand, operating profit in the Environmental Plants business decreased YoY due to a decline in the revenue ratio of O&M, or operation and maintenance.

In the Precision Machinery business, orders, revenue, and operating profit all increased significantly over the previous year.

Semiconductor manufacturers are continuing to expand their capital investment, and the factory utilization rate of our customers remains high. In addition, customers are placing orders early because they are concerned about prolonged delivery times, which resulted in a higher revenue. As a result, OP ratio improved by 14.5% from the previous year.

Revenue by Region

(in billion yen)	FY20 1-4Q		FY21 1-4Q		Change	Change %
	Results	Composition of Revenue	Results	Composition of Revenue		
Total	522.4	100.0%	603.2	100.0%	+80.7	+15.5%
In domestic market (Japan)	235.9	45.2%	247.4	41.0%	+11.5	+4.9%
In overseas market	286.5	54.8%	355.7	59.0%	+69.1	+24.1%
China	78.3	15.0%	111.3	18.5%	+33.0	+42.1%
Asia (excl. China)	100.3	19.2%	121.7	20.2%	+21.3	+21.3%
North America	41.9	8.0%	44.2	7.3%	+2.2	+5.4%
Europe	36.6	7.0%	35.9	6.0%	-0.7	-2.0%
Middle East	18.0	3.5%	22.5	3.7%	+4.4	+24.7%
Others	11.1	2.1%	19.9	3.3%	+8.8	+79.5%

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

Looking ahead, going beyond expectations
Ahead Beyond

Next, on page six, is the revenue composition by region, or by customer location.

In Japan, demand in the building equipment market was somewhat sluggish due to delays in construction work by customers caused by the repeated declarations of emergency due to the re-spread of COVID-19. As a result, revenue in Japan increased by 4.9%.

Overseas, the majority of orders came from China, where we had a 42% increase over the previous year. Each business segment in China had a very strong performance due to the quick recovery of orders from the impact of COVID-19.

The 21% increase in revenue in Asia excluding Japan and China was mainly due to the increase in revenue in the Precision Machinery business.

Revenue by region by segment is also shown on page 30, so please refer to that as well.

1. FY21 Summary of Results

Management Indicators

	FY20 1-4Q	FY21 1-4Q
Management Indicators		
ROIC	6.4%	10.7%
ROE	8.6%	14.5%
Debt-to-equity Ratio	0.34 times	0.36 times
Working Capital Turnover		
Receivable turnover period	142 days	127 days
Inventory turnover period	71 days	67 days
Shareholder Returns		
Annual dividends per share	90 JPY	163 JPY
Annual dividend	8.5 billion yen	15.1 billion yen
Total payout ratio	35.4%	35.2%
Total repurchased amount	-	20.0 billion yen

Looking ahead, going beyond expectations
Ahead > Beyond

Next, page seven, shows a summary of the management indicators for the period under review.

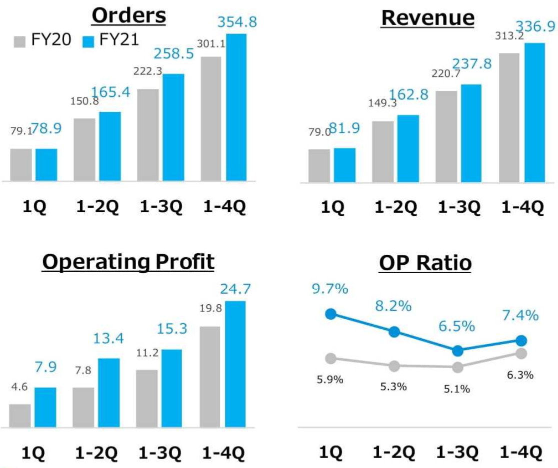
In terms of efficiency indices such as ROIC and ROE, in FY2021, the impact of improved profits was significant. In addition, working capital improvement and the repurchase of own shares also contributed.

As a result, ROIC was 10.7% and ROE was 14.5%, both showing a significant improvement from the previous year.

In terms of returns to shareholders, the annual dividend per share is JPY163, an increase of JPY73 compared to the previous year's annual dividend of JPY90. We repurchased JPY20 billion of our own shares in 2021, and, again, we cancelled all the shares.

FMS Business

Results (in billion yen)



S&S Revenue Ratio

	FY20				FY21			
	1Q	1-2Q	1-3Q	1-4Q	1Q	1-2Q	1-3Q	1-4Q
FMS	41.1%	38.9%	35.8%	35.5%	35.7%	34.3%	32.9%	33.9%
PUMP	34.3%	29.9%	26.8%	26.8%	31.3%	27.0%	24.1%	24.3%
CT	55.9%	56.5%	52.9%	51.1%	51.3%	52.9%	53.8%	55.4%

Highlights

Pumps
- Orders, revenue and profit of standard pumps increased due to recovery in the building equipment market (+)
- In custom pumps, orders, revenue and profit increased in China, large export orders received in the Middle East, and profit increased in Japan due to improved profitability of products (+)

Compressors and turbines (CT)
- Service and support (S&S) orders increased due to mitigation of the COVID-19 impact, and product orders increased due to large projects in China and other regions
- Profit increased due to improved profitability of products (+)

Chillers
- Orders and revenue increased due to strong demand in the Chinese market
- Profitability declined in Japan due to lower revenue of S&S (-)

Breakdown of Changes in Operating Profit

(in billion yen)

Looking ahead, going beyond expectations
Ahead > Beyond

Next, I will explain the business results by major segment.

For more detailed information on profit and loss by sub-segment, please refer to the supplementary materials on and after page 27 of your handout.

First, I would like to talk about the Fluid Machinery & Systems business.

Orders received were JPY354.8 billion, an increase of JPY53.6 billion from the previous fiscal year, revenue was JPY336.9 billion, an increase of JPY23.7 billion from the previous fiscal year, and operating profit was JPY24.7 billion, an increase of JPY4.9 billion from the previous fiscal year, with both orders and operating profit reaching record high levels.

In the Pump business, revenue and operating profit increased compared to the previous year. In standard pumps for the building equipment market, demand recovered globally. In addition, the Turkish pump manufacturer that we acquired in April 2021 is also contributing to our business performance through cross-selling. Cross-selling refers to the selling of each other's products among group companies.

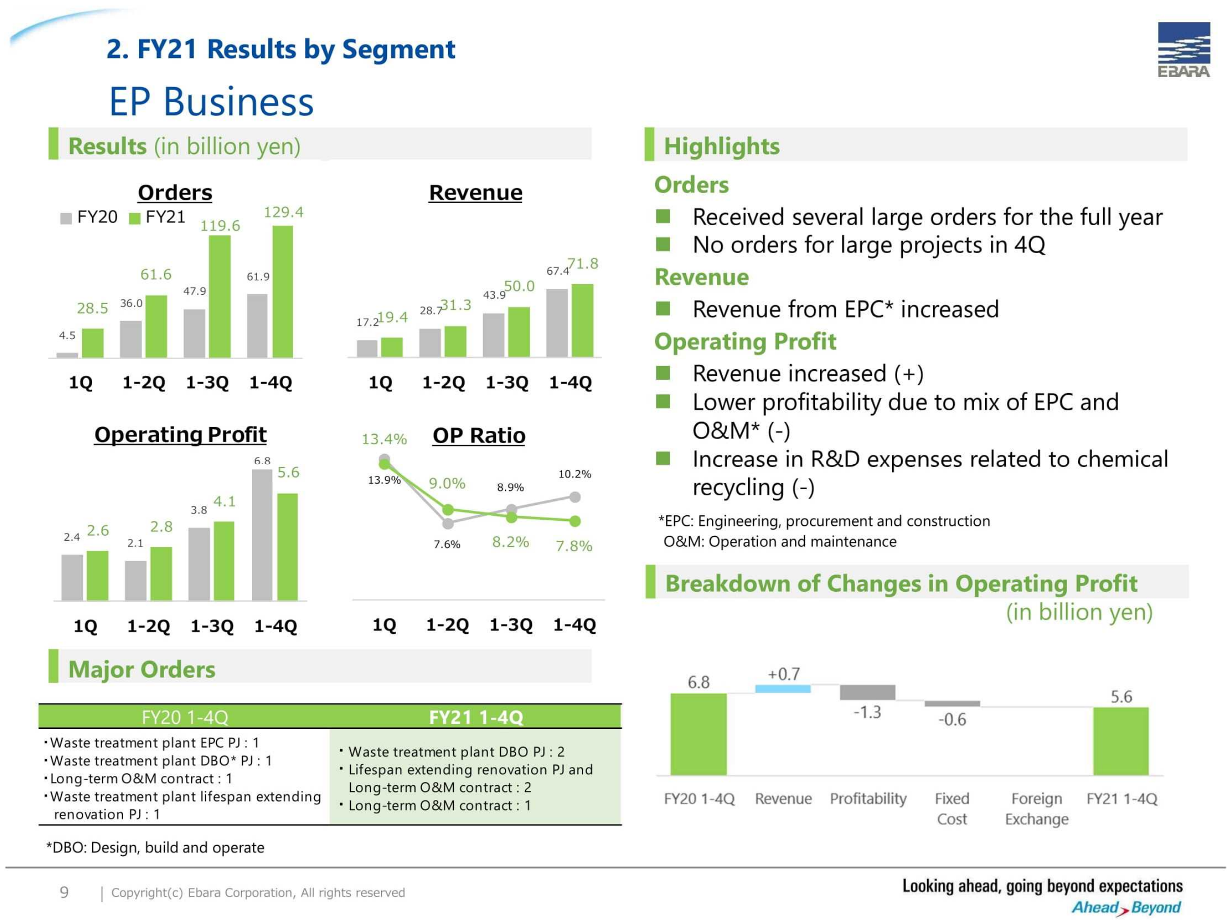
In the custom pumps for the oil and gas market, we were able to win orders for new construction projects for petrochemical plants in China and large-scale projects in the Middle East. Operating profit in the Pump business increased due to higher sales of standard pumps and the success of ongoing measures to improve profitability of custom pumps.

In the Compressor and Turbines business, revenue decreased, and operating profit increased. Orders exceeded JPY100 billion, and both products and service and support exceeded the previous year's level.

In the Products business, there was movement in investment projects by customers in China, the Middle East and India. The revenue ratio of service and support is increasing due to the easing of restrictions on movement caused by COVID-19.

Although sales in the Products business in particular declined YoY, due to a small order backlog at the beginning of the fiscal year, operating profit increased YoY, due to improved profitability through order selection and cost reductions. Operating profit was also higher than planned.

As for the Chillers business, revenue increased, and operating profit decreased. Although revenue and orders received in the Chinese market were strong, soaring prices of materials and sluggish demand for service and support in Japan resulted in a decrease in operating profit compared to the previous year.



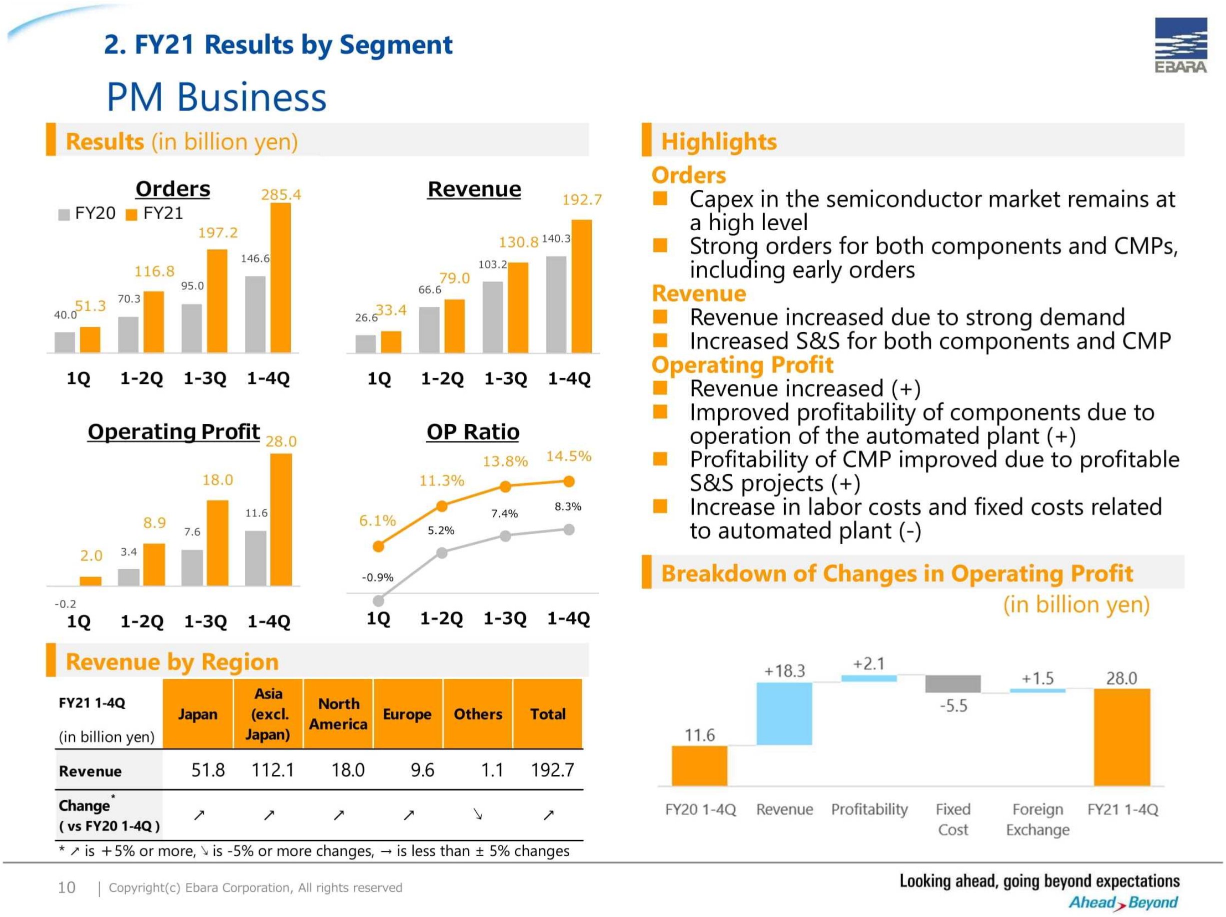
Next is the Environmental Plants business.

Orders increased by JPY67.5 billion from the same period last year to JPY129.4 billion, revenue increased by JPY4.4 billion to JPY71.8 billion, and operating profit decreased by JPY1.2 billion to JPY5.6 billion.

Although there were no major orders in the fourth quarter of the fiscal year under review, orders received for the full year were approximately JPY130 billion, a significant increase over the previous year.

Although revenue increased due to the progress of EPC -- engineering, procurement, and construction -- projects, overall profitability declined, due to a decrease in the operation and maintenance ratio to revenue and the worsening profitability of some EPC projects.

The increase in related expenses due to research and development for the demonstration of chemical recycling technology, etc., was one factor in the increase in fixed costs.



Next, I would like to talk about Precision Machinery business.

Orders received increased by JPY138.7 billion from the previous year to JPY285.4 billion, revenue increased by JPY52.4 billion to JPY192.7 billion, and operating profit increased by JPY16.4 billion to JPY28 billion, with orders, revenue, and operating profit all reaching new record highs.

In the semiconductor market, capital investment by customers in general continued to be at a high level, and there was a tendency for customers to place orders early because they were concerned about the long delivery times.

As a result, orders and revenue for both products and service & support grew significantly.

Operating profit benefited greatly from the increase in revenue, but profitability also improved significantly due to the operation of an automated dry vacuum pump plant and increased sales of high-margin projects, such as CMP modifications.

In terms of fixed costs, there has been an increase in personnel costs and outsourcing costs in response to the continued growth in demand, as well as depreciation and amortization costs associated with the full-scale operation of the automated plant.

This is my explanation of the consolidated financial results for the fiscal year ended March 31, 2021.

3. FY22 Forecast

Consolidated

(in billion yen) Announced date(m/d/y)	1-2Q				1-4Q			
	FY21 a	FY22 Plan Feb/14/22 b	Change b-a	Change %	FY21 c	FY22 Plan Feb/14/22 d	Change d-c	Change %
Orders	344.9	349.3	+4.3	+1.3%	771.4	692.5	-78.9	-10.2%
Revenue	274.1	317.3	+43.1	+15.7%	603.2	660.0	+56.7	+9.4%
Operating Profit	24.6	24.6	-0.0	-0.4%	61.3	66.0	+4.6	+7.5%
OP Ratio	9.0%	7.8%	-1.2pts	-	10.2%	10.0%	-0.2pts	-
Profit Attributable to Owners of Parent	16.7	17.0	+0.2	+1.3%	43.6	46.0	+2.3	+5.5%
ROIC					10.7%	10.5%	-0.2pts	
Annual Dividend per share					163	170	+7	
Interim Dividend					50	85	+35	
Year-end Dividend					113	85	-28	
Exchange Rate Vs. USD (JPY)	107.81	110.00	+2.19		109.86	110.00	+0.14	
Vs. EUR (JPY)	129.88	130.00	+0.12		129.91	130.00	+0.09	
Vs. CNY (JPY)	16.67	17.00	+0.33		17.04	17.00	-0.04	

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Looking ahead, going beyond expectations
Ahead > Beyond

Asami: Now, I would like to explain our business forecast for 2022 and the progress of our medium-term management plan. Please refer to page 11.

As for the business environment in 2022, in addition to the impact of the re-spread of COVID-19 and the prolonged pandemic, there are also problems in the supply chain due to soaring material prices and difficulties in procuring parts. We expect this uncertainty to continue in the current fiscal year.

I will explain the situation and measures for each business later, but overall, since our face-to-face market is mainly for industrial infrastructure, potential demand is solid, and we expect the recovery to continue with the normalization of economic activities from the pandemic.

In addition, with the rapid expansion of demand against the backdrop of the current global shortage of semiconductors, the Precision Machinery business has continued to grow at a very high rate since last year. We believe that we can expect further growth by continuing to respond quickly to customer demand.

In such an environment, we forecast orders received for 2022 to decrease by JPY78.9 billion to JPY692 billion, due to the unusual high orders in the Environmental Plants business in 2021.

Revenue is expected to increase by JPY56.7 billion to JPY660 billion and operating profit by JPY4.6 billion to JPY66.0 billion, marking the second consecutive year of record high revenue and operating profit.

The operating margin is expected to be 10%, the ROIC to be 10.5%, and the dividend per share is assumed to be JPY170, an increase of JPY7.

The exchange rates are assumed to be JPY110 to the dollar, JPY130 to the euro, and JPY17 to the Chinese yuan.

3. FY22 Forecast
Segment

(in billion yen) Announced date(m/d/y)		1-2Q FY21 a	1-2Q FY22 Plan Feb/14/22 b	1-2Q Change b-a	1-2Q Change %	1-4Q FY21 c	1-4Q FY22 Plan Feb/14/22 d	1-4Q Change d-c	1-4Q Change %
Total	Orders	344.9	349.3	+4.3	+1.3%	771.4	692.5	-78.9	-10.2%
	Revenue	274.1	317.3	+43.1	+15.7%	603.2	660.0	+56.7	+9.4%
	Operating Profit	24.6	24.6	-0.0	-0.4%	61.3	66.0	+4.6	+7.5%
	OP Ratio	9.0%	7.8%	-1.2pts		10.2%	10.0%	-0.2pts	
FMS Business	Orders	165.4	175.0	+9.5	+5.7%	354.8	349.0	-5.8	-1.6%
	Revenue	162.8	171.0	+8.1	+5.0%	336.9	347.0	+10.0	+3.0%
	Operating Profit	13.4	11.0	-2.4	-18.0%	24.7	25.5	+0.7	+2.8%
	OP Ratio	8.2%	6.4%	-1.8pts		7.4%	7.3%	-0.1pts	
EP Business	Orders	61.6	45.0	-16.6	-27.0%	129.4	90.0	-39.4	-30.5%
	Revenue	31.3	35.0	+3.6	+11.6%	71.8	71.5	-0.3	-0.5%
	Operating Profit	2.8	2.0	-0.8	-29.4%	5.6	5.0	-0.6	-11.2%
	OP Ratio	9.0%	5.7%	-3.3pts		7.8%	7.0%	-0.8pts	
PM Business	Orders	116.8	128.5	+11.6	+9.9%	285.4	252.0	-33.4	-11.7%
	Revenue	79.0	110.5	+31.4	+39.8%	192.7	240.0	+47.2	+24.5%
	Operating Profit	8.9	12.0	+3.0	+34.8%	28.0	36.0	+7.9	+28.4%
	OP Ratio	11.3%	10.9%	-0.4pts		14.5%	15.0%	+0.5pts	
Others, Adjustment	Orders	0.9	0.8	-0.1	-13.3%	1.7	1.5	-0.2	-15.5%
	Revenue	0.8	0.8	-0.0	-6.3%	1.6	1.5	-0.1	-7.2%
	Operating Profit	-0.4	-0.4	+0.0	-	2.9	-0.5	-3.4	-
	OP Ratio	-54.3%	-50.0%	+4.3pts		180.1%	-33.3%	-213.4pts	

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Looking ahead, going beyond expectations
Ahead > Beyond

Next, on page 12, I will explain the forecast for each segment.

Orders in the Fluid Machinery & Systems business are expected to be JPY349 billion, revenue JPY347 billion, and operating profit JPY25.5 billion, the highest revenue and operating profit ever.

In the Environmental Plants business, we expect orders to be JPY90 billion, revenue to be JPY71.5 billion, and operating profit to decrease to JPY5 billion. As I mentioned, the expected decline in orders in the Environmental Plants business in the current fiscal year is due to the high level of orders received in the previous year, when we won several large projects.

The expected decline in the operating profit ratio is due to a lower ratio of operation and maintenance to total sales.

In the Precision Machinery business, we expect record-high revenue and operating profit, with orders of JPY252.0 billion, revenue of JPY240.0 billion, and operating profit of JPY36 billion.

Orders in the Precision Machinery business are expected to decline from last year, but this is due to an increase in early orders from customers in the previous year.

4. Progress of Medium-term Management Plan "E-Plan 2022"

EBARA

Review of the Second Year and Outlook for the Final Year

- Achieved targets for ROIC and operating profit ratio, the key performance indicators, one year ahead of schedule

Key Performance Indicators (KPI)	FY19 Results	FY20 Results	FY21 Results	FY22 Forecast	E-Plan 2022 Targets
		E-Plan 2022			
	JGAAP	IFRS	IFRS	IFRS	IFRS
ROIC	6.5%	**6.4%**	**10.7%**	**10.5%**	**7.6% or more**
Operating Profit Ratio	6.8%	**7.2%**	**10.2%**	**10.0%**	**8.5% or more**
Target Achievement Indicators					
ROE	8.3%	8.6%	14.5%	-	11.2% or more
Debt-to-Equity Ratio	0.29 times	0.34 times	0.36 times	-	0.4～0.6 times
Operating Profit Ratio by Business					
FMS Business	5.3%	6.3%	7.4%	7.3%	7.0% or more
Pumps Business	6.3%	5.5%	7.4%	7.0%	6.5% or more
Compressors and Turbines Business	5.1%	8.0%	9.7%	9.5%	8.0% or more
Chillers Business	4.9%	5.4%	4.1%	5.1%	5.0% or more
EP Business	10.8%	10.2%	7.8%	7.0%	9.5% or more
PM Business	8.1%	8.3%	14.5%	15.0%	13.0% or more

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Looking ahead, going beyond expectations
Ahead > Beyond

Next, please refer to page 13. I would now like to review the second year of our medium-term management plan, E-Plan 2022, and explain our outlook for the current fiscal year, the final year of the plan.

First of all, let's look at the numerical targets.

The rightmost column on the slide shows the planned values for the E-Plan. Those are numerical targets for FY2022, the final year.

In the second year, 2021, each business had its own issues, but looking at the Company-wide ROIC and operating profit ratio targets, we were able to make further improvements from the first year and achieve the goals of the mid-term plan one year ahead of schedule.

In the third year of the project, we will continue to work on the remaining issues and new measures and make every effort to achieve the goals of the mid-term management plan and the business forecast for the current fiscal year.

Business Environment in E-Plan 2022

	Market/Regional Trends Main markets only		Market Fluctuation Factors	Forecast* Original	Forecast* Current	Newly Identified Risks/Opportunities
Growth Businesses						
Standard Pumps	Building equipment	Japan	Building equipment demand	↘	↘	Stagnation of economic activity due to re-spreading of COVID-19
		Overseas	GDP growth	↗	↗	
PM	Semiconductor	Japan/Overseas	CAPEX trends	↗	↗	Rapid increase in capital investment by foundry and memory manufacturers
Profitability Improvement Businesses						
Custom Pumps	Public works	Japan	National and local government finances	→	→	Change in order timing for large projects
	Oil and gas, water use, electric power	Japan/Overseas	Oil prices, CAPEX trends in Oil and Gas market, decarbonization	→	→	Decreased demand for crude oil due to acceleration toward decarbonization
	Emerging countries		GDP growth	↗	↗	Stagnation of economic activity due to re-spreading of COVID-19
CT	Oil and gas (downstream)	Japan/Overseas	Oil prices, CAPEX trends	→	↗	Current capital investment is strong due to high crude oil prices
Chillers	Building equipment	Japan	Building equipment demand	↘	↘	Stagnation of economic activity due to re-spreading of COVID-19
	China	Overseas	GDP growth	→	→	
EP	Waste incineration plants	Japan	National and local government finances	→	→	Change in order timing for large projects

*The forecast covers the period of E-Plan 2022. The original forecast was made February 2021.

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Looking ahead, going beyond expectations
Ahead > Beyond

Please refer to page 14. Here you see our updated outlook on the business environment for the mid-term plan period again.

We summarized the external environment, such as the prolonged pandemic, the booming semiconductor market, and the rise in crude oil prices.

We revised the trend in the oil and gas market, and we now expect it to turn up, due to the improvement in customers' investment sentiment as a result of the rise in crude oil prices, but there are no major changes in the direction of other markets.

4. Progress of Medium-term Management Plan "E-Plan 2022"

Changes in Business Environment and Impacts

- FY21: Difficulty in procuring parts and rising costs due to COVID-19. Although the impact on business performance has been controlled by taking measures for each business, the situation began to deteriorate in some businesses from 4Q.
- FY22: Take further actions to address difficulties in procuring parts and materials and rising costs, and limit the impact on earnings
- FY22: Business opportunities will continue to expand in the PM, CT, and custom pumps businesses due to semiconductor shortages and high crude oil prices

Environmental Changes in FY21	Events in FY21	FY22 Forecast	EBARA's Response
■ Impact of COVID-19	■ Difficulty in procurement and price hikes due to shortages of raw materials and parts	■ Difficulty in procurement and price hikes due to shortage of raw materials and parts continue	■ Strengthen global supply chain system ■ Build up some inventories ■ Respond to rising procurement costs FMS: Price pass-through and cost reduction through design changes PM: Strengthen cooperation with suppliers
	■ Rising logistics costs, container shortage	■ Logistics costs rise, container shortage continues	■ Review of transportation methods, etc.
■ Rapid increase in semiconductor demand	■ Semiconductor shortage	■ Semiconductor shortage continues	■ Strengthen global supply chain system
	■ Increase in capital investment by customers	■ Semiconductor production equipment demand will expand	■ Strengthen production system and recruitment activities to expand PM business
	■ Shortage of human resources in the semiconductor industry	■ Booming markets continue to cause hiring difficulties and rising labor costs around the world	
■ Rising crude oil prices	■ Capex in downstream oil and gas market increased in some regions	■ Capex in downstream oil and gas market strong, capex recovery in North America	■ Promote activities to receive orders while selecting those in the custom pumps and CT businesses

Please turn to page 15. This is a summary of the events that occurred in response to changes in the business environment in 2021 and their impact in 2022.

In 2021, due to the impact of the COVID-19 pandemic, we faced difficulties in procurement due to a shortage of parts, and costs for raw materials and logistics rose, but we managed to implement countermeasures in each business and limit the impact on our business performance.

On the other hand, from the fourth quarter onward, the Standard Pumps and Chillers businesses began to show signs of deterioration due to the soaring prices of raw materials.

As for the outlook for 2022, we believe that the shortage of semiconductors, the expansion of capital investment in the semiconductor market, and the rise in crude oil prices in the oil and gas market will lead to better investment sentiment among our customers, which will expand business opportunities.

We will take different measures in each business to deal with the forecast shown in the slide.

Please move onto page 16.

Specific progress for each of the basic policies of the mid-term plan is summarized on page 22 onward. Due to the time constraint, I will not explain it this time, but I hope you can see it later.

I would now like to explain the progress of the Standard Pumps business, which we have positioned as a growth business in the mid-term plan.

As for the progress of major measures, we are expanding our coverage of growth markets, which is shown in the world map on the right side of the slide.

In 2020, we established two bases, marked with green points, and in 2021, we acquired a pump manufacturer in Turkey, shown by the blue point. In 2022, we will establish six bases in Europe, South America, and Africa.

We aim to establish more than 10 bases in the three years of our mid-term management plan, which will lead to further expansion of opportunities to receive orders overseas.

The line graph on the lower right of the slide shows the growth in sales revenue of the Overseas Standard Pumps business.

This is the growth rate of revenue when 2019 is set at 100. In 2020, revenue declined due to the economic slowdown caused by COVID-19, but in 2022, revenue is expected to increase about 1.5 times compared to 2019.

Please go to page 17. I would like to explain the progress of our other growth business, the Precision Machinery business.

To strengthen our competitiveness, we have continued to develop and sell new products that meet market needs in the Component and CMP businesses.

Last year, we launched an exhaust system for UV lithography equipment, and in addition to this, we launched a chiller for semiconductor manufacturing equipment, in cooperation with the Chillers business, thereby increasing synergy across businesses.

In terms of overseas strategy, we are making steady progress in developing new customers to expand our market share in China. In July last year, the overhaul center in China became operational, and revenue has been steadily increasing.

In order to respond flexibly to the changing demands of our customers, we have also started full-scale operation of an automated dry vacuum pump plant and expanded the production line of CMP equipment at our Kumamoto plant to increase production capacity.

As for the outlook for the future, we are planning to add a fourth production line at the CMP Kumamoto Plant this year, and we are also planning to construct a new plant to meet the future increase in demand, as announced today, and to actively enhance our production system.

As for other capital investments, we are planning to construct a new development building at the Fujisawa Plant to strengthen the development of advanced technologies in order to increase our market share.

4. Progress of Medium-term Management Plan “E-Plan 2022”

EBARA

Create New Businesses

	Needs Social Issues	EBARA's Products and Technologies	Business Area	Growth Potential	Values We Deliver
Hydro-gen	Carbon neutral in 2050	Cryogenic pumps, compressors	Hydrogen supply chain (liquefied hydrogen, etc.)	Global acceleration of efforts to build a hydrogen society	■ Providing solutions mainly for liquefied hydrogen-related equipment
	Rise of the satellite and space industry for the information society	Turbopumps, etc.	Aerospace (rocket parts)	Increasing demand with the spread of satellite business	■ Development and deployment of fuel supply pumps
Environ-ment	Resource recycling of waste plastics for decarbonization	EUP ICFG	Chemical recycling	Increasing demand for resource recycling of waste plastics	■ Recycling of waste plastics into chemical raw materials, etc.
	Water scarcity, water infrastructure development in developing countries	Fluid Technology, pumps	Water supply (drinking water, etc.)	Expanding demand due to population growth and economic development in developing countries	■ Providing sustainable water supply systems in developing countries
Marine	Increased demand for marine resources, Marine pollution, biodiversity	Fluid and heat exchange technology, pumps	Inland aquaculture	Protein and food shortages Expansion of fisheries market	■ Integrated management of aquaculture business from upstream to downstream (fish sales)
Biotech	Development of biotechnology, decarbonized resources	Thermal fluid technology, engineering systems technology	Structural protein materials Cell cultured meat Regenerative medicine	Protein and food shortages Transition to a decarbonized society	■ Breakthrough functional improvement and application expansion of products in the industrial machinery field ■ Optimizing the culture process and providing equipment to meet the needs

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Looking ahead, going beyond expectations
Ahead Beyond

Please refer to page 18. This section will explain our new business initiatives.

This slide shows the four fields we are working on with regard to new businesses -- Hydrogen, Environment, Marine, and Biotechnology -- and what new markets we will enter using our technologies and products to address social issues and market needs, as well as the growth factors and the Ebara value we will provide.

For example, in the area of Hydrogen, as announced in August last year, we launched a Company-wide Hydrogen-related business project in response to the transition to a hydrogen society. We are developing pumps for transporting liquid hydrogen and turbopumps for rockets that use hydrogen as fuel, through participation in NEDO projects and collaboration with private companies and universities.

In response to the social issues and needs described on the slide, we would like to make steady progress in our efforts to create new businesses in various business domains through partnerships, investments, collaborations, and development.

4. Progress of Medium-term Management Plan "E-Plan 2022"

Growth Investment

	E-Plan 2022 Target (3 years)	FY20 Results	FY21 Results	FY22 Forecast
■ Capex	¥100.0 B.	¥35.0 B.	¥22.7 B.	¥47.0 B.
■ R&D	¥40.0 B.	¥12.5 B.	¥13.5 B.	¥17.5 B.
■ Proactive M&A		-	¥10.7 B.	-

Main investment projects in FY22

- In the PM business, where market expansion is expected over the medium to long term, we plan to increase production capacity at the CMP Kumamoto Plant and construct a development building to strengthen the development of cutting-edge technologies.
- Investment related to the company-wide ERP implementation project, which is being promoted to strengthen the management infrastructure, will be continued.
- Continue to consider M&A.

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Looking ahead, going beyond expectations
Ahead > Beyond

Please turn on to page 19. In this section, I will explain the investment plans listed in the mid-term management plan as growth investments.

Capital investment for the three years of the mid-term plan was planned to be JPY100 billion and R&D JPY40 billion. In 2022, as shown, we plan to invest JPY47 billion in capital expenditures and JPY17.5 billion in R&D investments.

Major investments include new production capacity expansion in the Precision Machinery business, the construction of a new development building as mentioned earlier, and the ongoing investment in the implementation of a Company-wide ERP system to strengthen our management base.

We will also continue to consider M&A opportunities.

EBARA

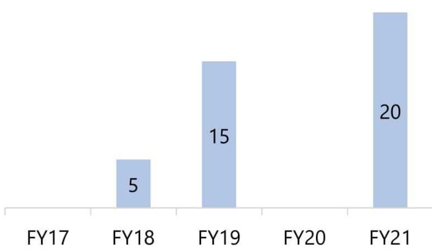
Shareholder Returns

Status of Share Repurchases

- As for the share repurchase announced in May 2021, we have completed the repurchase to the maximum amount of 20 billion yen in December.
- All shares repurchased have been cancelled on January 31, 2022.

	Repurchase limit Announced on May 14, 2021	Results
Total amount to be repurchased	¥20 B.	¥20 B.
Total number of shares to be repurchased	5,200,000 shares Percentage of total shares issued: 5.45%	3,510,000 shares Percentage of total shares issued: 3.68%
Repurchase period	From May 17, 2021 to December 23, 2021	

Share Repurchases
(in billion yen)



Looking ahead, going beyond expectations
Ahead > Beyond

Please refer to page 20.

Lastly, with regard to shareholder returns, we have reached the maximum amount of JPY20 billion announced in May last year for the repurchase of own shares.

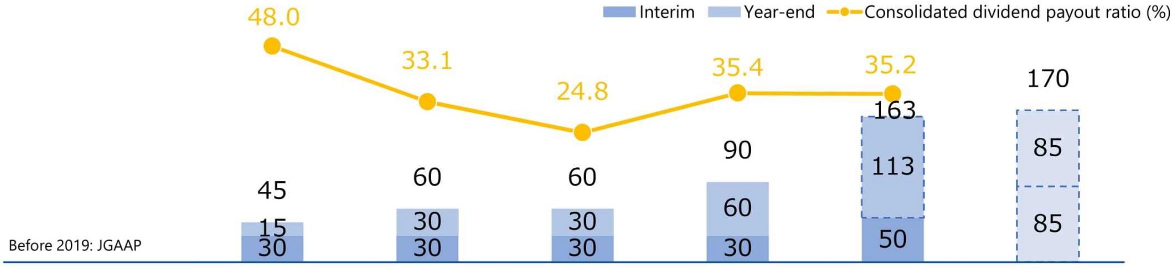
We cancelled all of the 3.51 million shares we acquired.

Shareholder Returns

Forecast of Annual Dividend per Share

Dividend Policy	■ Targeting a consolidated dividend payout ratio of 35% or more, dividends are linked to the financial results for the fiscal year. ■ Secure a ratio of dividends to equity attributable to owners of the parent company (consolidated), or DOE, of at least 2.0%.
FY21	■ Plan to increase the year-end dividend from 80 yen to 113 yen, and the annual dividend from 130 yen to 163 yen (+73 yen from the previous year)
FY22	■ Annual dividend forecast is 170 yen (+7 yen from the previous year)

Annual Dividend per Share (yen)



	FY17	FY18	FY19	FY20	FY21 Plan	FY22 Forecast
Consolidated dividend payout ratio	48.0	33.1	24.8	35.4	35.2	-
DOE	1.7	2.2	2.1	3.1	5.1	-

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Looking ahead, going beyond expectations
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Please refer to page 21.

As stated in the plan, our dividend policy is to link dividends to business performance, with a target consolidated payout ratio of 35% or more.

In accordance with this, the annual dividend per share is planned to be JPY163 for 2021 and expected to be JPY170 for 2022.

This is the end of my presentation. Thank you very much.