



**Results Presentation for the 2<sup>nd</sup> Quarter**  
**ended June 30, 2018**

**EBARA (6361)**

August 9, 2018

Looking ahead,  
going beyond expectations  
*Ahead > Beyond*

EBARA CORPORATION

# Contents

## 1. Summary of Results

Executive Officer, **Akihiko Nagamine**  
Responsible for Finance & Accounting

## 2. Projection and Management Strategy

President, **Toichi Maeda**  
Representative Executive Officer

## 1. Summary of Results



### Summary of Results through 2<sup>nd</sup> Quarter

	[Reference] <sup>*1</sup> 2nd Quarter ended Jun 30, 2017	2nd Quarter ended Jun 30, 2018	Change (year-on- year)	2nd Quarter ended Jun 30, 2018	Change (From Plan)
	Results (A)	Results (B)	(B-A)	Initial Plan) <sup>*2</sup> (C)	(B-C)
<b>Orders</b>	<b>257.6</b>	<b>300.8</b>	+ 43.1	<b>290.0</b>	+ 10.8
<b>Net Sales</b>	<b>263.8</b>	<b>251.2</b>	△ 12.6	<b>250.0</b>	+ 1.2
<b>Operating Income</b>	<b>24.0</b> (9.1%)	<b>14.7</b> (5.9%)	△ 9.3	<b>12.0</b> (4.8%)	+ 2.7
<b>Ordinary Income</b>	<b>23.8</b> (9.0%)	<b>14.1</b> (5.6%)	△ 9.6	<b>12.0</b> (4.8%)	+ 2.1
<b>Net Income attributable to owners of parent</b>	<b>16.2</b> (6.2%)	<b>7.4</b> (3.0%)	△ 8.7	<b>7.0</b> (2.8%)	+ 0.4

Exchange rate

1USD = 110.2 JPY

1USD = 109.7 JPY

( ) Ratio to sales

\*1. 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 results for the fiscal year ending December 31, 2018 (from January 1, 2018 to December 31, 2018).

\*2. Planned value announced on May 14, 2018.

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 otherwise stated.

## Summary of Results through 2nd Quarter

- Orders increased significantly compared to the same period last year.
- Sales and income decreased compared to the same period last year, but were largely as planned.

## 1. Summary of Results

### Segmental Summary of Results through 2<sup>nd</sup> Quarter



	Orders			Net Sales			Operating Income		
	[Reference] 2Q ended Jun. 30, 2017	2Q ended Jun. 30, 2018	Change	2Q ended Jun. 30, 2017	2Q ended Jun. 30, 2018	Change	2Q ended Jun. 30, 2017	2Q ended Jun. 30, 2018	Change
FMS Business	154.7	161.5	+ 6.8	155.0	154.3	Δ 0.6	10.5 (6.8%)	2.2 (1.5%)	Δ 8.2
EP Business	37.5	65.8	+ 28.2	35.5	29.3	Δ 6.1	2.4 (7.0%)	2.2 (7.6%)	Δ 0.2
PM Business	64.5	72.6	+ 8.0	72.4	66.7	Δ 5.7	10.8 (15.0%)	10.0 (15.1%)	Δ 0.7
Others, Adjustment	0.8	0.8	Δ 0.0	0.8	0.8	Δ 0.0	0.1 (16.0%)	0.1 (20.5%)	+ 0.0
<b>Total</b>	<b>257.6</b>	<b>300.8</b>	<b>+ 43.1</b>	<b>263.8</b>	<b>251.2</b>	<b>Δ 12.6</b>	<b>24.0</b> (9.1%)	<b>14.7</b> (5.9%)	<b>Δ 9.3</b>

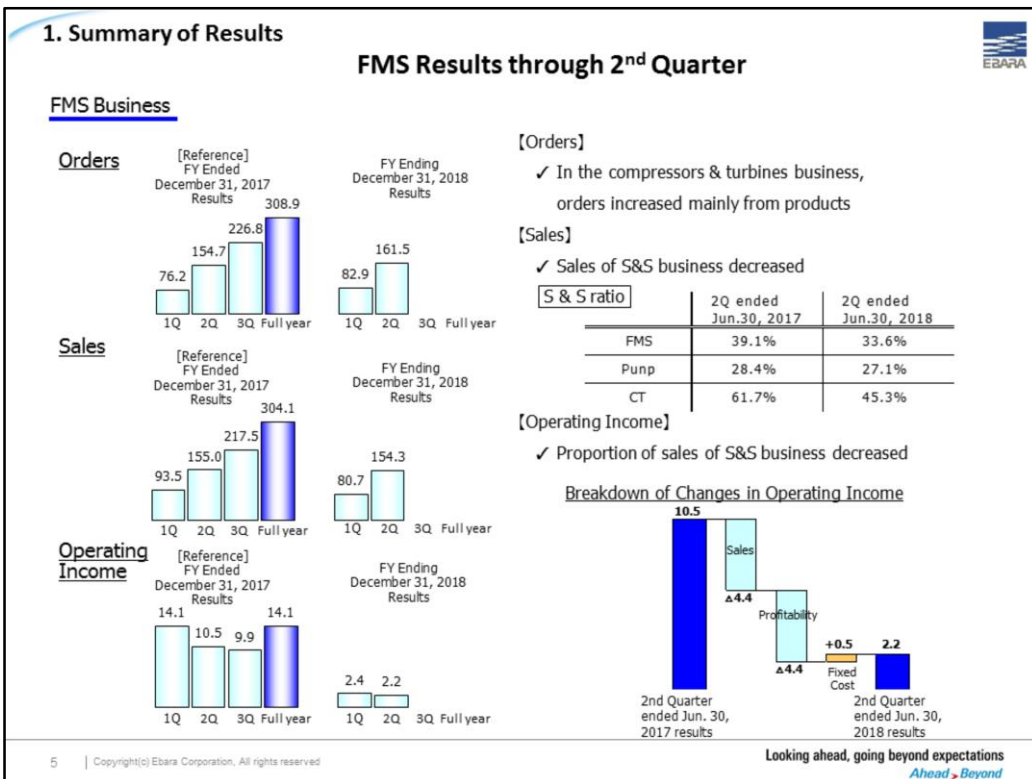
FMS Business ... Fluid Machinery & Systems Business

EP Business ... Environmental Plants Business

PM Business ... Precision Machinery Business

## Segmental Summary of Results through 2nd Quarter

- Having achieved strong orders in the first quarter, EP Business continued to gain strong orders in the second quarter.
- The orders of FMS Business also performed well, thanks in part to a recovery in the CT business. Full-year order projections for this business have been upwardly revised.



## FMS Results through 2nd Quarter

### <Orders>

- Pump orders were negatively affected by a decline in orders for custom pumps (this was a reactionary decline from the same period last year, which was relatively good). However, this decline was offset by an upturn in compressor and turbine (CT) orders.
- In response to the trend towards recovery in customers' CAPEX in the oil and gas market, CT orders increased mainly in products. Custom pump orders are expected to recover at a slightly delayed timing from CT because the lead time of custom pumps is shorter than CT.

### <Sales>

- FMS business sales declined. Although standard pumps sales stayed strong, custom pumps sales declined. (this was a reactionary decline from the same period last year, which was relatively good due to the large-scale projects have been sold.)
- CT sales remained largely the same (product sales improved, but S&S sales declined).

### <Operating income>

- The proportion of S&S sales declined.
- Product mix deteriorated (proportion of profitable parts sales declined, especially in CT business).

The FMS Business saw an overall decline in sales and income. On the positive side, sales and income improved from the same period last year (April-June).

## 1. Summary of Results



### EP Results through 2<sup>nd</sup> Quarter

#### EP Business

##### Orders



##### 【Orders】

✓ Orders were high level

##### Sales



##### 【Sales】

✓ EPC sales decreased

##### Operating Income



##### 【Operating Income】

✓ Sales decreased

✓ Proportion of O&M sales increased

#### Breakdown of Changes in Operating Income



## EP Results through 2nd Quarter

### <Orders>

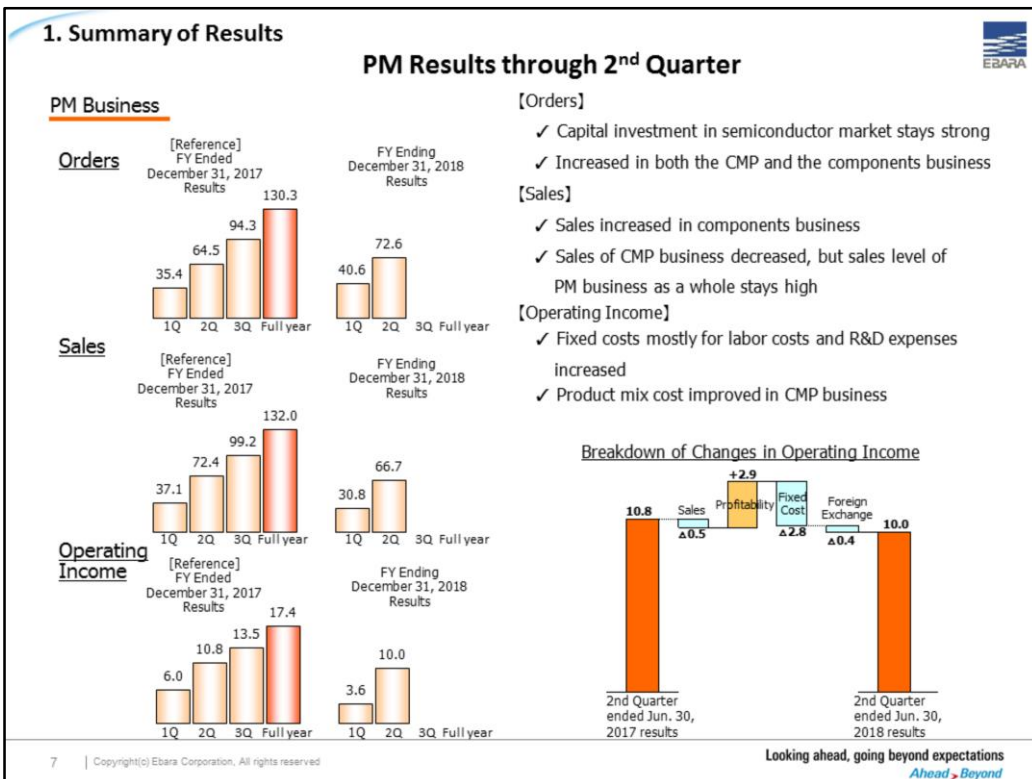
- First quarter: One EPC order for DBO project, one order for private biomass project, one order for long-term O&M project.
- Second quarter: One O&M order for DBO project and several life-extension orders.

### <Sales>

- Fewer ongoing EPC projects.

### <Operating income>

- Adversely affected by declining sales.
- O&M sales proportion increased. Profitability rose slightly, reaching the level of the same period last year.



## PM Results through 2<sup>nd</sup> Quarter

### <Orders>

- Strong components and CMP orders (we benefitted from the ongoing high level of capital investment in memory and other semiconductor projects).

### <Sales>

- Components sales was strong like last year.
- CMP sales recorded lower sales because sales from the same period last year were particularly high.

### <Operating income>

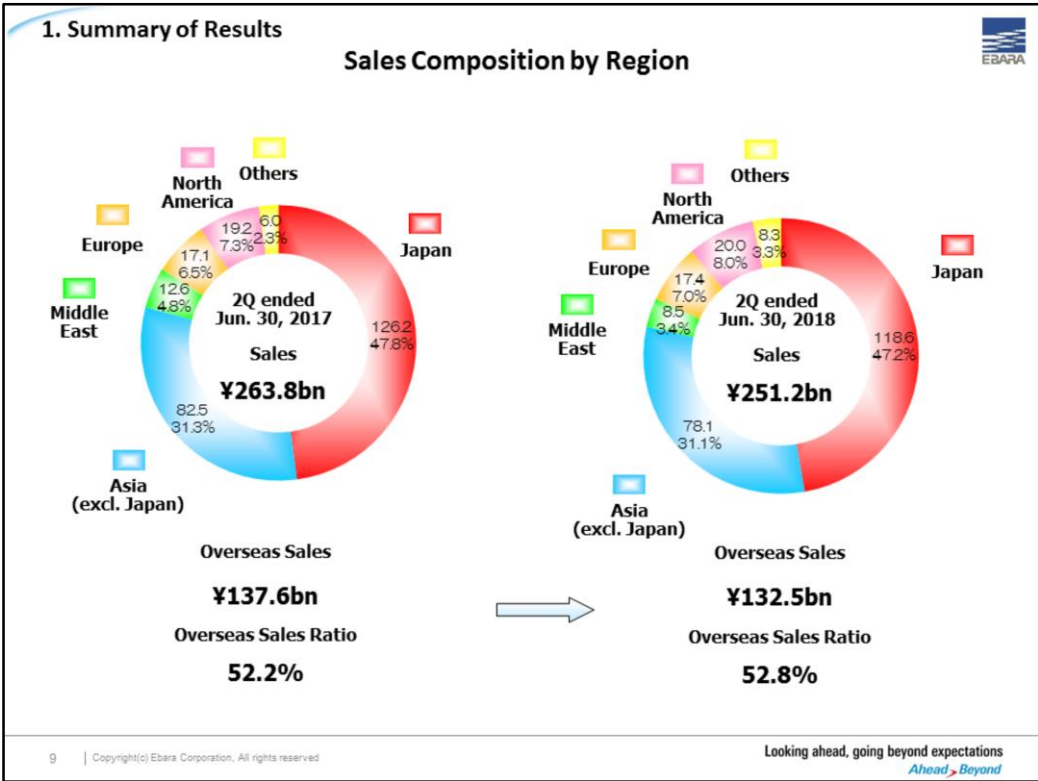
- Product mix improved in CMP business. High profitable deals concentrated in 1Q and 2Q
- Fixed costs (pertaining mainly to labor costs and R&D expenses) increased.



### Summary of Projection for 2<sup>nd</sup> Quarter

		[Reference] 2Q ended Jun.30,2017 (Results) (A)	FY ending Jun. 30, 2018 (Initial plan) (B)	FY ending Jun. 30, 2018 (Forecast) (C)	Change (from Plan) (C-B)	Change (Year-on- year) (C-A)
FMS Business	Orders	154.7	159.5	161.5	+ 2.0	+ 6.8
	Net Sales	155.0	152.5	154.3	+ 1.8	△ 0.6
	Operating Income	10.5 (6.8%)	1.0 (0.7%)	2.2 (1.5%)	+ 1.2	△ 8.2
EP Business	Orders	37.5	60.0	65.8	+ 5.8	+ 28.2
	Net Sales	35.5	31.0	29.3	△ 1.6	△ 6.1
	Operating Income	2.4 (7.0%)	2.5 (8.1%)	2.2 (7.6%)	△ 0.2	△ 0.2
PM Business	Orders	64.5	70.0	72.6	+ 2.6	+ 8.0
	Net Sales	72.4	66.0	66.7	+ 0.7	△ 5.7
	Operating Income	10.8 (15.0%)	8.5 (12.9%)	10.0 (15.1%)	+ 1.5	△ 0.7
Others, Adjustment	Orders	0.8	0.5	0.8	+ 0.3	△ 0.0
	Net Sales	0.8	0.5	0.8	+ 0.3	△ 0.0
	Operating Income	0.1 (16.0%)	0.0 (0.0%)	0.1 (20.5%)	+ 0.1	+ 0.0
Total	Orders	257.6	290.0	300.8	+ 10.8	+ 43.1
	Net Sales	263.8	250.0	251.2	+ 1.2	△ 12.6
	Operating Income	24.0 (9.1%)	12.0 (4.8%)	14.7 (5.9%)	+ 2.7	△ 9.3

( ) Ratio to sales



Sales Composition by Region

- No significant change in overseas sales ratio.

## 1. Summary of Results



### Balance Sheet for 2<sup>nd</sup> Quarter

	End of Dec. 2017	End of Jun. 2018	Change		End of Dec. 2017	End of Jun. 2018	Change
<b>Current Assets</b>	<b>447.4</b>	<b>472.1</b>	<b>+24.6</b>	<b>Liabilities</b>	<b>328.1</b>	<b>345.6</b>	<b>+17.5</b>
Cash and deposits, Securities	140.8	179.7	+38.9	Notes and accounts payable-trade	119.6	129.2	+9.5
Notes and accounts receivable-trade	175.3	154.0	Δ 21.2	Interest-bearing debt	114.5	117.0	+2.4
Inventories	109.5	117.4	+7.9	Others	93.9	99.4	+5.5
Others	21.7	20.8	Δ 0.9	<b>Total Net Assets</b>	<b>284.7</b>	<b>287.2</b>	<b>+2.4</b>
<b>Fixed Assets</b>	<b>165.4</b>	<b>160.7</b>	<b>Δ 4.6</b>	Shareholders' equity	280.9	288.0	+7.0
Tangible assets	110.2	107.2	Δ 2.9	Accumulated other comprehensive income	Δ 3.0	Δ 7.5	Δ 4.5
Intangible assets	12.0	11.6	Δ 0.4	Subscription rights to shares	1.1	1.1	Δ 0.0
Investments and others	43.1	41.8	Δ 1.2	Non-controlling interests	5.6	5.6	Δ 0.0
<b>Total Assets</b>	<b>612.9</b>	<b>632.8</b>	<b>+19.9</b>	<b>Total Liabilities and Net Assets</b>	<b>612.9</b>	<b>632.8</b>	<b>+19.9</b>

## Balance Sheet for 2nd Quarter

### <Cash and cash equivalents>

- Reason for increase compared with the end of previous FY:  
Collection of accounts receivable advanced from public projects in Japan in 2Q.
- Reason for high level: The PM Business's sales share increased (the PM Business has relatively low working capital burden).
- Although the level of cash and cash equivalents has turned to a peak at the beginning of June, it is still at a high level
- We will invest the cash in growth investment, including plant automation projects scheduled for this term and onward.

## 1. Summary of Results

### Financial Information for 2<sup>nd</sup> Quarter



#### Management Indicators

	FY ended Mar. 31, 2017	FY ended Dec. 31, 2017
	Results	Results
<b>ROIC</b>	<b>5.6%</b>	<b>2.5%</b>
ROE	8.0%	3.5%
Debt/equity ratio	0.36	0.41

#### Cash Flows

	FY ended Mar. 31, 2017	FY ended Dec. 31, 2017	FY ending Dec. 31, 2018	2Q ended Jun. 30, 2017	2Q ended Jun. 30, 2018
	Results	Results	Plan	Results	Results
Cash flows from operating activities	+ 33.8	+ 44.1	+ 36.0	+ 41.8	+ 45.8
Cash flows from investing activities	Δ 18.5	Δ 7.9	Δ 25.0	Δ 6.6	Δ 8.1
<b>Free cash flow</b>	<b>+ 15.2</b>	<b>+ 36.2</b>	<b>+ 11.0</b>	<b>+ 35.2</b>	<b>+ 37.7</b>
Cash flows from financing activities	Δ 15.1	+ 11.2	Δ 14.6	+ 5.0	+ 1.0

## Financial Information for 2nd Quarter

### <Second quarter cash flows>

➤ Cash flows from operating activities: Up ¥45.8 billion

Factor: Progress in recovering accounts-receivables.

➤ Cash flows from investing activities: Down ¥8.1 billion

Factor: Capital investment (e.g., plant automation) scheduled for second half.

## 1. Summary of Results

### Financial Information for 2<sup>nd</sup> Quarter



#### Capital Expenditures, Depreciation and Amortization, R&D Expenses

	FY ended Mar. 31, 2017	FY ended Dec. 31, 2017	FY ending Dec. 31, 2018	2Q ended Jun. 30, 2017	2Q ended Jun. 30, 2018
	Results	Results	Plan	Results	Results
<b>CAPEX</b>	<b>22.6</b>	<b>12.3</b>	<b>23.0</b>	<b>6.5</b>	<b>6.6</b>
FMS	11.8	6.6	9.0	2.9	3.8
EP	1.1	0.4	0.5	0.2	0.3
PM	7.4	4.0	9.0	2.4	1.8
Others	2.3	1.2	4.5	0.9	0.6
<b>D&amp;A</b>	<b>13.7</b>	<b>11.9</b>	<b>15.0</b>	<b>7.3</b>	<b>7.7</b>
FMS	8.5	6.9	7.5	4.2	4.4
EP	0.4	0.4	0.5	0.2	0.2
PM	2.9	2.7	4.5	1.6	1.9
Others	1.8	1.6	2.5	1.1	1.1
<b>R&amp;D</b>	<b>8.7</b>	<b>7.2</b>	<b>13.0</b>	<b>4.0</b>	<b>4.7</b>
FMS	4.7	3.8	5.0	2.2	2.3
EP	0.2	0.3	0.5	0.2	0.1
PM	3.7	3.0	7.5	1.5	2.2

## Financial Information for 2nd Quarter

<Second half capital expenditure, depreciation and amortization, R&D expenses>

- Capital expenditure: ¥6.6 billion
- Depreciation and amortization: ¥7.7 billion
- R&D expenses: ¥4.7 billion

All three items increased YoY. We plan increases as we head into the second half (we will invest in plant automation, and the PM Business will develop new project leads).

## 2. Projection and Management Strategy

### Summary of Projection for Fiscal Year 2018



	[Reference] FY ended Dec. 31, 2017 (Results) (A)	FY ending Dec. 31, 2018 (B)*	FY ending Dec. 31, 2018 (Forecast) (C)	Change (from Plan) (C-B)	Change (Year-on-year) (C-A)
Orders	<b>506.0</b>	<b>545.0</b>	<b>555.0</b>	<b>+ 10.0</b>	<b>+ 48.9</b>
Net Sales	<b>507.8</b>	<b>505.0</b>	<b>505.0</b>	-	<b>△ 2.8</b>
Operating Income	<b>36.6</b> (7.2%)	<b>37.0</b> (7.3%)	<b>37.0</b> (7.3%)	-	<b>+ 0.3</b>
Ordinary Income	<b>35.4</b> (7.0%)	<b>36.0</b> (7.1%)	<b>36.0</b> (7.1%)	-	<b>+ 0.5</b>
Net Income attributable to owners of parent	<b>22.7</b> (4.5%)	<b>22.0</b> (4.4%)	<b>22.0</b> (4.4%)	-	<b>△ 0.7</b>

\*Planned value announced on May 14, 2018.

( )Ratio to sales

Exchange Rate 1USD = 112JPY

1USD = 110JPY

1USD = 110JPY

## Summary of Projection for Fiscal Year 2018

- Orders: ¥555 billion (up ¥10 billion from May 14 forecast)
- No change in forecast for sales and operating income.

## 2. Projection and Management Strategy



### Segmental Summary of Projection for Fiscal Year 2018

		[Reference] FY ended Dec. 31, 2017 (Results) (A)	FY ending Dec. 31, 2018 (B)*	FY ending Dec.31,2018 (Forecast) (C)	Change (from Plan) (C-B)	Change (Year-on- year) (C-A)
FMS Business	Orders	308.9	314.0	324.0	+ 10.0	+ 15.0
	Net Sales	304.1	314.0	314.0	-	+ 9.8
	Operating Income	14.1 (4.7%)	13.5 (4.3%)	13.5 (4.3%)	-	Δ 0.6
EP Business	Orders	65.1	90.0	90.0	-	+ 24.8
	Net Sales	69.9	60.0	60.0	-	Δ 9.9
	Operating Income	4.9 (7.1%)	6.0 (10.0%)	6.0 (10.0%)	-	+ 1.0
PM Business	Orders	130.3	140.0	140.0	-	+ 9.6
	Net Sales	132.0	130.0	130.0	-	Δ 2.0
	Operating Income	17.4 (13.2%)	17.0 (13.1%)	17.0 (13.1%)	-	Δ 0.4
Others, Adjustment	Orders	1.6	1.0	1.0	-	Δ 0.6
	Net Sales	1.6	1.0	1.0	-	Δ 0.6
	Operating Income	0.1 (8.0%)	0.5 (50.0%)	0.5 (50.0%)	-	+ 0.3
Total	Orders	506.0	545.0	555.0	+ 10.0	+ 48.9
	Net Sales	507.8	505.0	505.0	-	Δ 2.8
	Operating Income	36.6 (7.2%)	37.0 (7.3%)	37.0 (7.3%)	-	+ 0.3

\*Planned value announced on May 14, 2018.

## Segmental Summary of Projection for Fiscal Year 2018

- FMS Business orders: ¥324 billion (up ¥10 billion from May 14 forecast)

We upwardly revised our projection for CT business orders.  
Reason: Better capital investment-appetite in oil & gas market (the key market for our CTs).

## 2. Projection and Management Strategy

### FMS Projection for Fiscal Year 2018



#### FMS Business

Revised orders forecast upward by 10 billion yen from the initial plan

#### Orders



#### [Orders]

- ✓ Revised order plan upward in the compressors & turbines business, reflecting a steady CAPEX recovery
- ✓ In the custom pumps business, demand is recovering
- ✓ Orders in pumps business are expected to achieve the plan

#### Sales



#### [Sales, Operating Income]

- ✓ Progressed following the plan in pumps business
- ✓ Sales of S&S in compressors & turbines business, which is more profitable, are to be concentrated to 4Q

#### Operating Income



## FMS Projection for Fiscal Year 2018

- Orders: ¥324 billion (up ¥10 billion from May 14 forecast)
- Sales: ¥314 billion
- Operating income: ¥13.5 billion

We project an increase in S&S sales for custom pump and CT businesses toward the end of the term.

Reason: In the oil & gas market, ①new projects are being planned and ②existing plants continue to operate at high levels, so they need to be maintained.



## 2. Projection and Management Strategy

### EP Projection for Fiscal Year 2018



#### EP Business

No change from the initial plan

##### Orders



##### [Orders]

✓ Progressing steadily toward the full-year plan

##### Sales



##### [Sales]

✓ Sales are expected to be as planned

##### Operating Income



##### [Operating Income]

✓ Profitability is expected to improve as planned due to increase in proportion of O&M sales

## EP Projection for Fiscal Year 2018

- Orders: ¥90 billion
- Sales: ¥60 billion
- Operating income: ¥6.0 billion

We have not changed our full-year targets.

Reason: Although the order climate remains outstanding (as the above data indicates), most of the orders that we gained this year (for EPC, long-term O&M, and other projects) will only contribute to revenue from next year.

## 2. Projection and Management Strategy



### PM Projection for Fiscal Year 2018

#### PM Business

Revised segment breakdown in orders and sales forecast from the initial plan

#### Orders



#### [Orders, Sales]

- ✓ Capital investment level in semiconductor market stays strong
- ✓ There is no change in the full-year plan for PM business as a whole, but the breakdown of the segment was modified according to changes in customers' investment plan

#### Sales



#### [Operating Income]

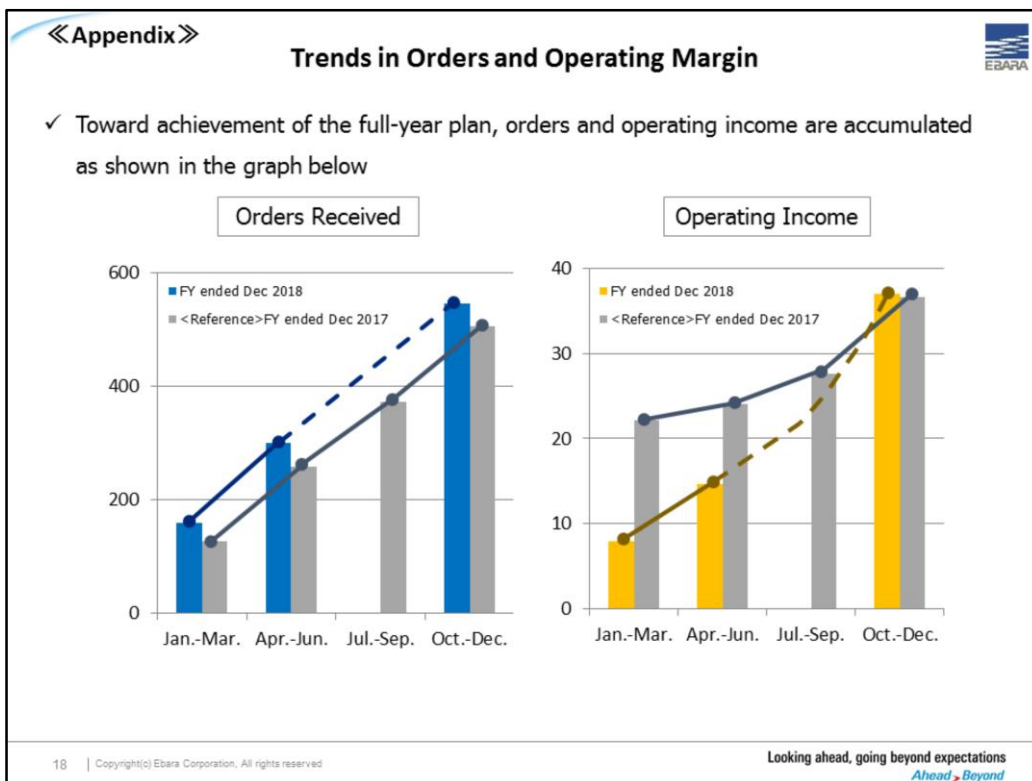
- ✓ Fixed costs are expected to increase, partly because of R&D expenses carried over
- ✓ R&D projects with customers are expected to be implemented intensively in the latter half of this fiscal year

#### Operating Income



## PM Projection for Fiscal Year 2018

- Orders: ¥140 billion
- Sales: ¥130 billion
- Operating income: ¥17 billion
- Capital investment remains at a high level in the semiconductor market.
- Although we revised targets in each sub segment, we have not revised full-year targets. The full-year outlook indicates a consistently high level of demand.



## Trends in Orders and Operating Margin

Cumulative growth in orders and operating income of last year and this fiscal year.

\*These graphs are not created by using actual plan values but just a transition image of orders and operating income. (order will be accumulated to the same degree in both 3Q and 4Q, but more operation income will accumulated in 4Q than in 3Q).

### <Orders>

- Solid performance from the outset. The first two quarters both surpassed the previous year's figure.

### <Operating income>

- The first quarter fell far short of the previous year's figure, but the gap narrowed in the second quarter.
- The full-year cumulative outlook indicates that much of this year's income will come after the end of the third quarter, resulting in a slight YoY increase in the fourth quarter.

### Breakdown of Orders Results by Business Segment

Orders

	Full year					2Q				
	[Reference] FY ended Dec. 31, 2017 Results	FY ending Dec. 31, 2018			Change	[Reference] 2Q ended Jun. 30, 2017 Results(A)	2Q ended Sep. 30, 2017 Results(B)	2Q ended Jun. 30, 2018 Results(C)	Change (C-B)	Change (C-A)
		Initial plan	Forecast	Change						
<b>FMS Business</b>										
Pumps	174.2	<b>178.0</b>	<b>178.0</b>	-	+3.7	89.0	<b>86.0</b>	84.9	Δ 1.0	Δ 4.0
Compressors and Turbines	83.3	<b>85.0</b>	<b>95.0</b>	<b>+10.0</b>	+11.6	39.1	<b>50.0</b>	50.7	+0.7	+11.6
Chillers	34.5	<b>37.0</b>	<b>37.0</b>	-	+2.4	17.9	<b>17.5</b>	19.4	+1.9	+1.5
Others	16.7	<b>14.0</b>	<b>14.0</b>	-	Δ 2.7	8.6	<b>6.0</b>	6.2	+0.2	Δ 2.3
<b>FMS Business Total</b>	<b>308.9</b>	<b>314.0</b>	<b>324.0</b>	<b>+10.0</b>	+15.0	154.7	<b>159.5</b>	161.5	+2.0	+6.8
<b>EP Business</b>										
Environmental Plants	65.1	<b>90.0</b>	<b>90.0</b>	-	+24.8	37.5	<b>60.0</b>	65.8	+5.8	+28.2
<b>EP Business Total</b>	<b>65.1</b>	<b>90.0</b>	<b>90.0</b>	-	+24.8	37.5	<b>60.0</b>	65.8	+5.8	+28.2
<b>PM Business</b>										
Components	59.8	<b>65.0</b>	<b>64.0</b>	<b>Δ 1.0</b>	+4.1	29.6	<b>32.0</b>	30.7	Δ 1.2	+1.1
CMP Systems	62.7	<b>71.0</b>	<b>71.0</b>	-	+8.2	30.7	<b>36.0</b>	38.7	+2.7	+7.9
Others	7.7	<b>4.0</b>	<b>5.0</b>	<b>+1.0</b>	Δ 2.7	4.1	<b>2.0</b>	3.1	+1.1	Δ 1.0
<b>PM Business Total</b>	<b>130.3</b>	<b>140.0</b>	<b>140.0</b>	-	+9.6	64.5	<b>70.0</b>	72.6	+2.6	+8.0
<b>Others</b>	1.6	<b>1.0</b>	<b>1.0</b>	-	Δ 0.6	0.8	<b>0.5</b>	0.8	+0.3	Δ 0.0
<b>Others Total</b>	<b>1.6</b>	<b>1.0</b>	<b>1.0</b>	-	Δ 0.6	0.8	<b>0.5</b>	0.8	+0.3	Δ 0.0
<b>Total</b>	<b>506.0</b>	<b>545.0</b>	<b>555.0</b>	<b>+10.0</b>	+48.9	257.6	<b>290.0</b>	300.8	+10.8	+43.1

\*From the first quarter ended March 31, 2018, the cryogenic pumps (LNG transfer pumps) business, which was included in the pumps business before, is included in the compressors & turbines business.

### Breakdown of Sales Results by Business Segment

Sales

	Full year					2Q				
	[Reference] FY ended Dec. 31, 2017 Results	FY ending Dec. 31, 2018			Change	[Reference] 2Q ended Jun. 30, 2017 Results(A)	2Q ended Jun. 30, 2018 Plan(B)	2Q ended Jun. 30, 2018 Results(C)	Change (C-B)	Change (C-A)
		Initial plan	Forecast	Change						
<b>FMS Business</b>										
Pumps	168.5	178.0	178.0	-	+ 9.4	88.6	89.0	90.5	+ 1.5	+ 1.8
Compressors and Turbines	83.8	85.0	85.0	-	+ 1.1	41.0	41.0	40.6	△ 0.3	△ 0.4
Chillers	35.8	37.0	37.0	-	+ 1.1	16.4	16.0	16.7	+ 0.7	+ 0.2
Others	15.9	14.0	14.0	-	△ 1.9	8.7	6.5	6.3	△ 0.1	△ 2.3
<b>FMS Business Total</b>	304.1	314.0	314.0	-	+ 9.8	155.0	152.5	154.3	+ 1.8	△ 0.6
<b>EP Business</b>										
Environmental Plants	69.9	60.0	60.0	-	△ 9.9	35.5	31.0	29.3	△ 1.6	△ 6.1
<b>EP Business Total</b>	69.9	60.0	60.0	-	△ 9.9	35.5	31.0	29.3	△ 1.6	△ 6.1
<b>PM Business</b>										
Components	57.0	58.0	58.0	-	+ 0.9	28.0	29.0	30.6	+ 1.6	+ 2.6
CMP Systems	68.5	69.0	67.0	△ 2.0	△ 1.5	41.3	35.0	32.1	△ 2.8	△ 9.1
Others	6.4	3.0	5.0	+ 2.0	△ 1.4	3.1	2.0	3.8	+ 1.8	+ 0.7
<b>PM Business Total</b>	132.0	130.0	130.0	-	△ 2.0	72.4	66.0	66.7	+ 0.7	△ 5.7
<b>Others</b>	1.6	1.0	1.0	-	△ 0.6	0.8	0.5	0.8	+ 0.3	△ 0.0
<b>Others Total</b>	1.6	1.0	1.0	-	△ 0.6	0.8	0.5	0.8	+ 0.3	△ 0.0
<b>Total</b>	507.8	505.0	505.0	-	△ 2.8	263.8	250.0	251.2	+ 1.2	△ 12.6

\*From the first quarter ended March 31, 2018, the cryogenic pumps (LNG transfer pumps) business, which was included in the pumps business before, is included in the compressors & turbines business.

## 2. Projection and Management Strategy

### Progress of E-Plan 2019 Measures in Pumps Business

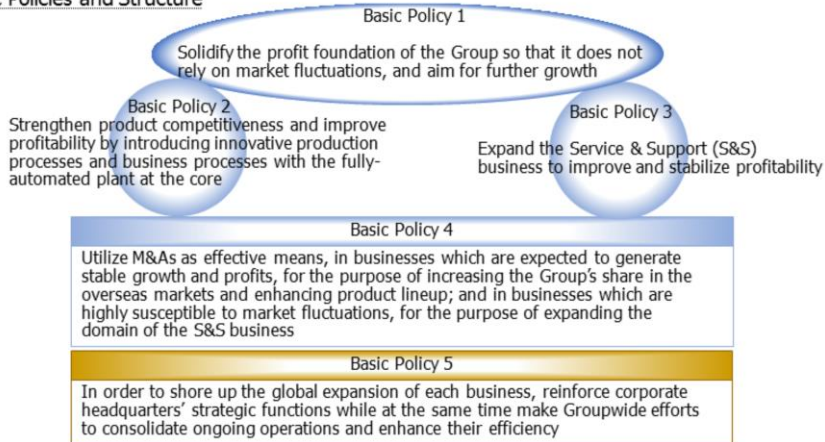


#### Position of Pumps Business in E-Plan 2019

The key message of E-Plan 2019

“Unlimited challenge toward growth”

#### 5 Basic Policies and Structure





➤ **The most important challenge is**  
**to improve profitability of the pumps business**













**2. Projection and Management Strategy**  
**Progress of E-Plan 2019 Measures in Pumps Business**

Pump Business Objectives to be Achieved in 2019

➤ Operating Income Margin 8.0% or More

Measures and Progress

 Effect on profitability is coming out  
 Effect on profitability will come out from now on

	Standard Pumps		Custom Pumps	
	Policy	Progress	Policy	Progress
Improve Profitability	<ul style="list-style-type: none"> <li>➤ <u>Eliminate and Integrate Extant Models</u></li> <li>➤ <u>Fundamental Revise of the Conventional Production System</u></li> <li>➤ Enhance Operational Efficiency in Production and Sales</li> </ul>	  	<ul style="list-style-type: none"> <li>➤ Reconstruction of Marketing Organization by Industry</li> <li>➤ Promotion of "Digitalization"</li> <li>➤ Standardize Operation</li> </ul>	  
Increase Sales	<ul style="list-style-type: none"> <li>➤ Continuous Launch of New Products</li> <li>➤ Utilization of M &amp; A</li> </ul>	 	<ul style="list-style-type: none"> <li>➤ Utilization of M &amp; A</li> </ul>	
Expand S&S	-	-	➤ <u>Expand Overseas S&amp;S Business</u>	
Reduce Fixed Cost	➤ Optimize Human Resources in Domestic Business		➤ <u>Structural Reform of Domestic Production System</u>	

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*Ahead Beyond*

Progress of E-Plan 2019 Measures in Pumps Business

<Standard pumps>

Our measures are already producing results, allowing us to make headway in improving profitability.

(Key measures)

- Consolidate existing models.
- Continually launch new products to market.
- Optimize human resources in domestic business.

<Custom pumps>

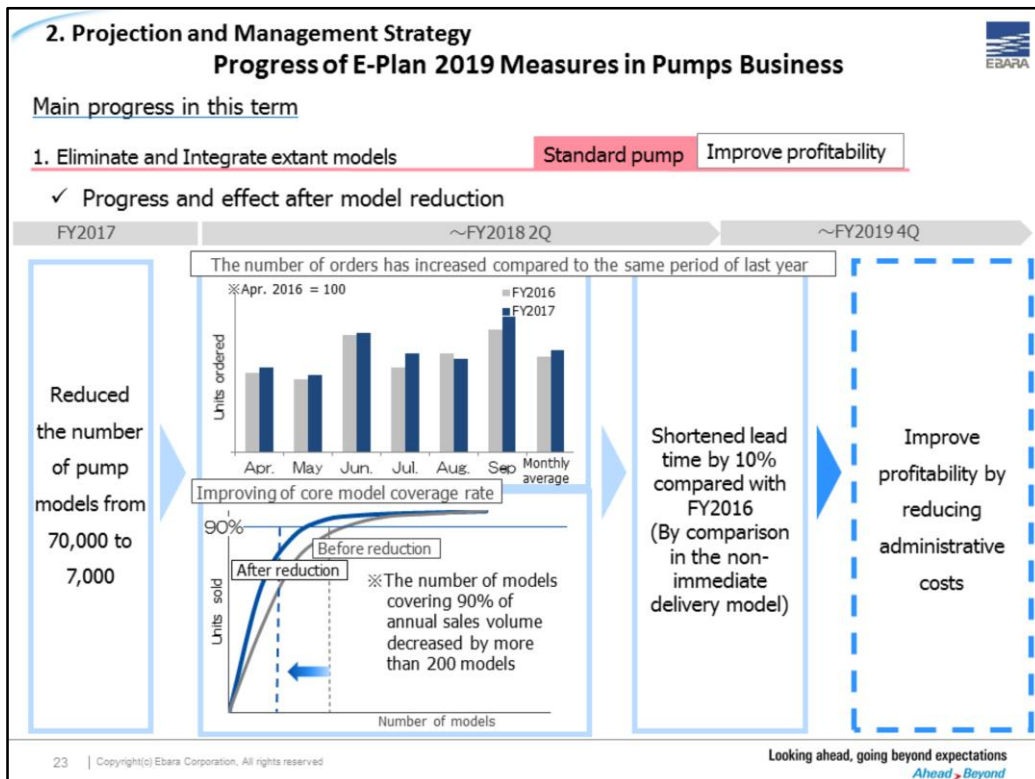
Our measures are on track, but contributions to operating income have not appeared yet.

Reason: Low number of orders (although energy markets have recovered, demand still falls short of the forecasts we made in E-Plan 2019).

(Key measures)

- Promote digitalization.
- Standardize operations.
- Expand overseas S&S business.





## Progress of E-Plan 2019 Measures in Pumps Business

Consolidate existing models (measure for standard pumps):  
 We consolidated existing models in Japan.

<Reduce number of models>

- By March 2017, we reduced the number of models from 70,000 to 7,000.
- In April 2017, we launched sales with the new 7,000 lineup.
- Monthly orders surpassed that of the previous year (thanks in part to us briefing customers and agents about the reduction beforehand).

<Shift toward key models>

- We have encouraged customers to switch to main-seller models that encompass the same features.
- Previously, the number of models accounting for 90% of units-sold was 1,600. We reduced this number to below 1,400.

<Outcomes>

- Lead times reduced by 10%.
- Lower administrative costs.

**2. Projection and Management Strategy**  
**Progress of E-Plan 2019 Measures in Pumps Business**

**2. Fundamentally Revise the Conventional Production** Standard pump Improve profitability

- ✓Planned details of the automated assembly line for land pumps
- ✓Establish an automated assembly line for a type of pump

<Line overview>

- ①The purposes of the automation are labor saving, productivity improvement, space saving and manufacturing quality improvement
- ②Started launching automated mass production line.  
 Mass production is to begin with some models this August.

Construction of automatic assembly line schedule image

	FY2018	FY2019
Land pump	<ul style="list-style-type: none"> <li>● Setting . Operation trial</li> <li>☀ Model model Mass production start</li> </ul>	<ul style="list-style-type: none"> <li>☀ Line remodeling, adjustment</li> <li>☀ Started mass production by expanding target model</li> </ul>
Submersible pump	<ul style="list-style-type: none"> <li>Know-How Inheritance</li> <li>Preparation and adjustment for installation</li> </ul>	<ul style="list-style-type: none"> <li>● Setting . Operation trial</li> <li>☀ Model model Mass production start</li> </ul>

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## Progress of E-Plan 2019 Measures in Pumps Business

Fundamentally Revise the Conventional Production: We introduced automated assembly lines in standard pump.

### <Detailed designs>

- We completed the detailed designs of production line in fiscal 2017.

### <Test runs>

- In fiscal 2018, we installed automated assembly lines for land pumps, and then test run started for a model of land pump.

### <Mass production>

- Mass production of a model is scheduled to commence in late August. We will refine and adjust the lines and expand the number of land pump models for automated production.
- Having accumulated experience in constructing automated production systems for land pumps, we will apply this experience to submersible pump production and start steadily mass producing these pumps too.

## 2. Projection and Management Strategy

### Progress of E-Plan 2019 Measures in Pumps Business



#### 3. Expansion of overseas S & S business

Custom pump

S & S expansion

##### ✓ Opened a workshop in Saudi Arabia

###### ① Facility overview

- Building area : 5,000㎡
- S&S capabilities to meet various kinds of S&S demands such as repair and maintenance etc.
- Manufacturing capabilities of standard pumps

###### ② Major markets

Oil and Gas Market, Water Infrastructure Market

###### ③ Strength

- More than 5,000 pumps installed in Saudi Arabia
- High level maintenance capability based on experience as a pump manufacturer (For example, maintenance of other companies' products can be handled)

⇒ Started wide range S&S business in Saudi Arabia, the largest market in the Middle East, from this fiscal year



## Progress of E-Plan 2019 Measures in Pumps Business

Expand overseas S&S business (measure for custom pumps): In November 2017, we organized a workshop at the Saudi Arabia site.

### <Advantages>

- There are over 5,000 pumps we have installed in Saudi Arabia and this track record is the largest in the Middle East region for us.
- Therefore Saudi Arabia is extremely attractive as a market for S&S business.

### <About the site>

- The site is equipped to meet a wide range of S&S needs. We can provide service such as repair, inspection, modification etc. not only for our products but also for third parties' products.
- The site also has manufacturing function of standard pumps.

Operation of this site has started from the beginning of this fiscal year, and order receiving activities are proceeding smoothly.

Using this site, we aim to expand our business scale of pump business in the Middle East by the end of the final year of E-Plan 2019.

**2. Projection and Management Strategy**  
**Progress of E-Plan 2019 Measures in Pumps Business**

4. Structural reform of domestic production system **Custom pump** Fixed cost reduction

✓ Integrated domestic production bases, in addition to the measures planned at the start of E-Plan 2019  
 Consolidated the three production bases , Futtsu plant, Tochigi plant and some production lines in Fujisawa plant, into Futtsu plant

External Environment	<ul style="list-style-type: none"> <li>■ Oil and Gas Market is on a gradual recovery trend</li> <li>■ Water Infrastructure Market are recovering</li> </ul> ⇒Product demand of custom pumps outside Japan stays strong
Internal Environment	<ul style="list-style-type: none"> <li>■ Production capacity improvement among overseas production bases</li> </ul> ⇒Increasing in the number of projects that can be proceeded without relying on exports from Japan ⇒Efficiency of production operation through unification of production system among Japan and overseas production bases

**Effects**

- Reduction of factory production costs and fixed costs by optimizing domestic production bases
- Improve production efficiency at overseas bases, strengthen product competitiveness

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Ahead Beyond

## Progress of E-Plan 2019 Measures in Pumps Business

Structurally reform domestic production systems (supplementary measure for custom pumps):

Since the recovery of the external environment is behind our assumption at the time of formulation of E-Plan 2019, progress in improving profitability is delayed in the custom pump business. We established this supplementary measure to make up for the delay.

- In April 2018, we consolidated production sites from three plants (Futtsu, Tochigi, and Fujisawa) into one (Futtsu).

(External environment)

- The oil & gas market is steadily recovering.
- Likewise, the water infrastructure market is on the recovery in Asia and the Middle East.

(Internal environment)

- We are handling more overseas projects using local resources (without relying on exports from Japan).
- We are harmonizing domestic and overseas production systems, which is helping to improve the production system efficiency.

<Outcomes>

- Consolidating domestic production led to better production output. This allows us to respond more flexibly to demand.
- Our overseas locations have greater production capacity, and our products are more competitive.

## 2. Projection and Management Strategy

### E-Plan 2019 Improvement of working capital efficiency



E-Plan 2019 : Measures to achieve the ROIC target 8.0% or more

While focusing on capital efficiency, we will continue to improve profitability

#### Improve ROIC

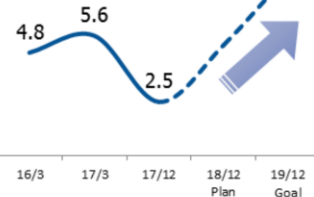
##### Improve Operating Income Ratio

- Take an approach responding to the latest situation in each business
- Steadily carry out measures into depth

##### Improve Capital Turnover Ratio

- **Shorten the receivable turnover period**
- **Shorten the inventory turnover period**
- Manage the balance sheet properly

【ROIC target (end of December 2019)】  
8.0% or More



## E-Plan 2019 Improvement of working capital efficiency

A KPI of E-Plan 2019 is “ROIC of 8% or more.” Accordingly, as well as improving profitability, we must improve our balance sheet so that we can invest capital effectively.

## 2. Projection and Management Strategy

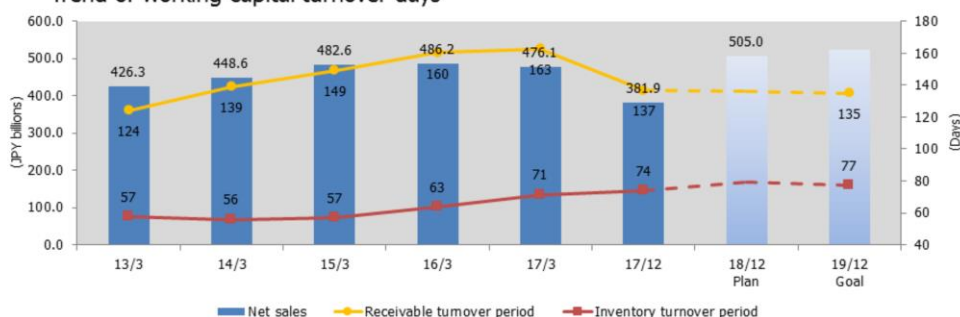
### E-Plan 2019 Improvement of working capital efficiency



#### KPI for working capital improvement

KPI	2017/3 Achievements	2019/12 Goal	Activity examples
Receivable turnover period	163 days	135 days	<ul style="list-style-type: none"> <li>Established internal committee to accelerate collection of accounts receivable</li> </ul>
Inventory turnover period	71 days	77 days	<ul style="list-style-type: none"> <li>Eliminate and Integrate extant models and launch automated production line in the standard pump business</li> <li>Reduction in lead time of compressor and turbine</li> </ul>

#### Trend of working capital turnover days



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## E-Plan 2019 Improvement of working capital efficiency

There are many products and projects with long lead times in the FMS business in which we expect the sales recovery from now on. Recognizing that it is a future issue to suppress working capital which tends to expand as FMS business performance recovers.

### <KPI for working capital>

- Accounts receivable turnover period (days): 163 (FYE Mar 31, 2017) → 135 (FYE Dec 31, 2019)
- Inventory turnover period (days): 71 (FYE Mar 31, 2017) → 77 (FYE Dec 31, 2019)

Each business division will pursue their own KPIs to contribute toward the company-level KPI.

We will efficiently invest working capital in our business operations, and then use the returns—as well as additional capital—for investment in future growth.



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