



# Consolidated Results Presentation for FY2018 Ended December 31, 2018

## EBARA (6361)

February 14, 2019

Looking ahead,  
going beyond expectations

*Ahead* > *Beyond*

EBARA CORPORATION

## 1. Summary of FY2018 Results

Executive Officer  
Responsible for Finance & Accounting      Akihiko Nagamine

## 2. Projection for FY2019

## 3. Progress of the Medium-Term Management Plan "E-Plan 2019"

President,  
Representative Executive Officer      Toichi Maeda

# 1. Summary of Results

## Summary of Results through FY2018

(unit : billion yen)

	[Reference]* FY2017 result	FY2018 result	Change	FY2018 Forecast**	Change
<b>Orders</b>	<b>506.0</b>	<b>575.5</b>	<b>+69.4</b>	<b>571.0</b>	<b>+4.5</b>
<b>Net Sales</b>	<b>507.8</b>	<b>509.1</b>	<b>+1.3</b>	<b>508.0</b>	<b>+1.1</b>
<b>Operating Income</b>	<b>36.6</b> (7.2%)	<b>32.4</b> (6.4%)	<b>-4.1</b>	<b>32.0</b> (6.3%)	<b>+0.4</b>
<b>Ordinary Income</b>	<b>35.4</b> (7.0%)	<b>31.2</b> (6.1%)	<b>-4.2</b>	<b>31.0</b> (6.1%)	<b>+0.2</b>
<b>Net Income Attributable to Owners of Parent</b>	<b>22.7</b> (4.5%)	<b>18.2</b> (3.6%)	<b>-4.5</b>	<b>17.0</b> (3.3%)	<b>+1.2</b>

Exchange rate  
(Average rate)

1USD = 112.0 JPY

1USD = 111.3 JPY

1USD = 110.0 JPY (Assumed)

( ) Ratio to sales

\*FY2017 consisted of only 9 months due to a change in the accounting term. In this material, we present "[Reference] FY2017" results which are made of results from January 1, 2017 to December 31, 2017, for easy comparison of FY2018 to the previous year.

\*\*Announced on November 13, 2018.

# 1. Summary of Results

## Segmental Summary of Results through FY2018



(unit : billion yen)

	Orders			Net Sales			Operating Income		
	[Reference] FY2017 result	FY2018 result	Change	[Reference] FY2017 result	FY2018 result	Change	[Reference] FY2017 result	FY2018 result	Change
<b>FMS Business</b>	<b>308.9</b>	<b>326.2</b>	<b>+17.3</b>	<b>304.1</b>	<b>308.9</b>	<b>+4.8</b>	<b>14.1</b> (4.7%)	<b>8.7</b> (2.8%)	<b>-5.3</b>
<b>EP Business</b>	<b>65.1</b>	<b>106.9</b>	<b>+41.8</b>	<b>69.9</b>	<b>62.8</b>	<b>-7.1</b>	<b>4.9</b> (7.1%)	<b>4.9</b> (7.8%)	<b>-0.0</b>
<b>PM Business</b>	<b>130.3</b>	<b>140.6</b>	<b>+10.3</b>	<b>132.0</b>	<b>135.7</b>	<b>+3.6</b>	<b>17.4</b> (13.2%)	<b>18.5</b> (13.7%)	<b>+1.1</b>
<b>Others, Adjustment</b>	<b>1.6</b>	<b>1.6</b>	<b>+0.0</b>	<b>1.6</b>	<b>1.6</b>	<b>+0.0</b>	<b>0.1</b> (8.0%)	<b>0.2</b> (15.8%)	<b>+0.1</b>
<b>Total</b>	<b>506.0</b>	<b>575.5</b>	<b>+69.4</b>	<b>507.8</b>	<b>509.1</b>	<b>+1.3</b>	<b>36.6</b> (7.2%)	<b>32.4</b> (6.4%)	<b>-4.1</b>

( ) Ratio to sales

FMS Business ... Fluid Machinery & Systems Business

EP Business ... Environmental Plants Business

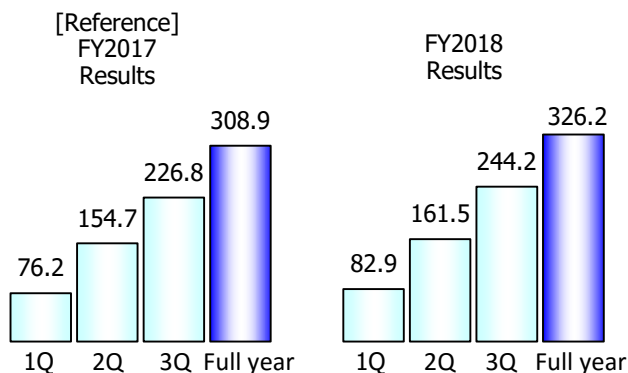
PM Business ... Precision Machinery Business

# 1. Summary of Results

## FMS Results through FY2018

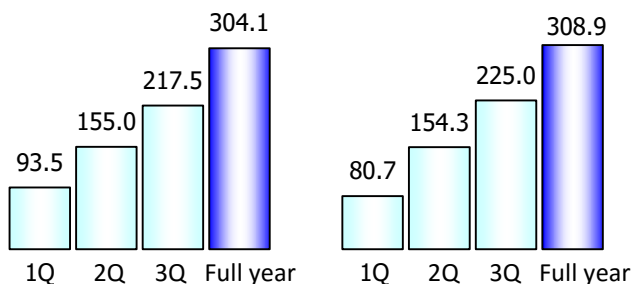
### Orders

unit : billion yen



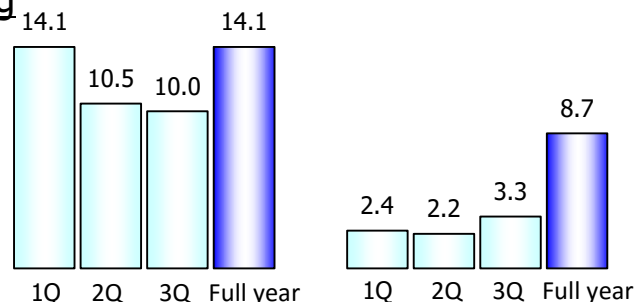
### Sales

unit : billion yen



### Operating Income

unit : billion yen



### 【Orders】

- ✓ Increased mainly in products of Compressors and Turbines (CT) business

### 【Sales】

- ✓ Increased in CT and pumps business

### Service & Support (S&S) sales ratio

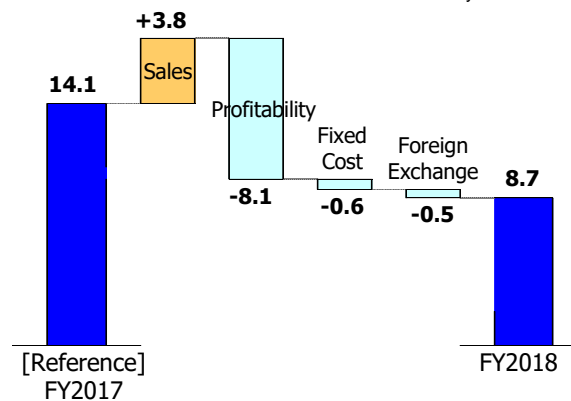
S & S ratio	FY17 4Q	FY18 4Q
FMS	36.2%	34.7%
Pump	24.3%	23.7%
CT	59.4%	55.6%

### 【Operating Income】

- ✓ Some problems for only FY2018 such as defect of custom pump (-)
- ✓ Increased reserves to get new orders in tough price competition in CT business(-)
- ✓ Deterioration in profitability of chillers business (-)

### Breakdown of Changes in Operating Income

unit : billion yen



# 1. Summary of Results

## EP Results through FY2018

[Reference]  
FY2017  
Results

FY2018  
Results

【Orders】

✓ Orders were at a high level

【Sales】

✓ Decreased mainly in engineering, procurement, and construction (EPC) business

【Operating Income】

✓ Sales decreased (-)

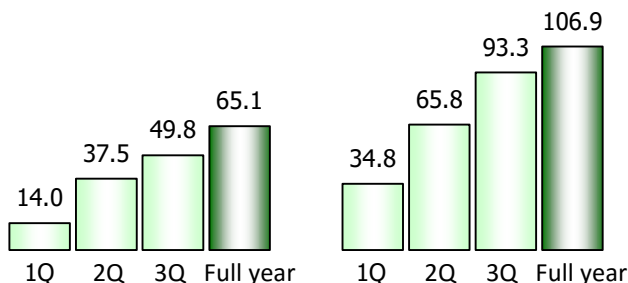
✓ Operation and Maintenance (O&M) sales ratio increased (+)

✓ A loss due to withdrawal from a part of the business at a manufacturing subsidiary in China (-)

✓ Personnel expenses decreased (+)

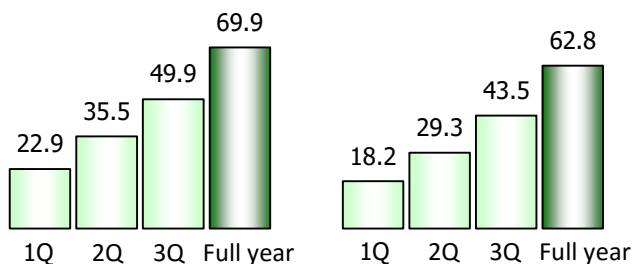
### Orders

unit : billion yen



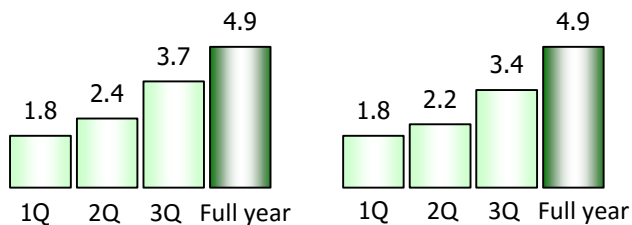
### Sales

unit : billion yen



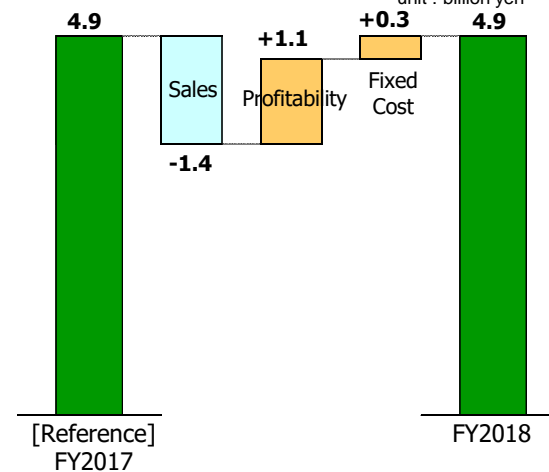
### Operating Income

unit : billion yen



### Breakdown of Changes in Operating Income

unit : billion yen



# 1. Summary of Results

## PM Results through FY2018

[Reference]  
FY2017  
Results

FY2018  
Results

【Orders, Sales】

✓ CAPEX in the semiconductor industry remained steady mainly for memory

✓ Increased in CMP and components business

【Operating Income】

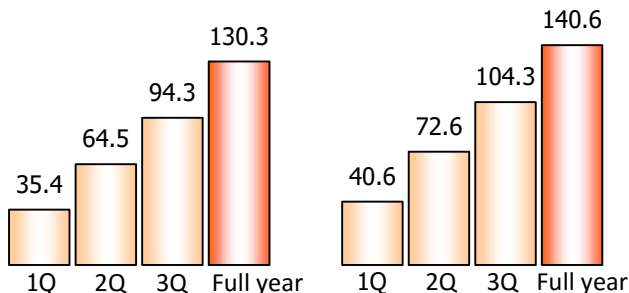
✓ Sales increased (+)

✓ Delays of some R&D projects (+)

✓ Fixed costs increased mainly for personnel expenses and R&D expenses (-)

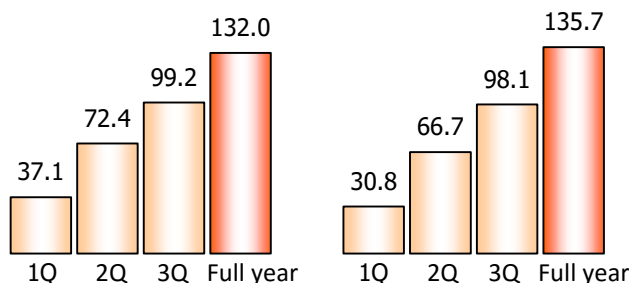
### Orders

unit : billion yen



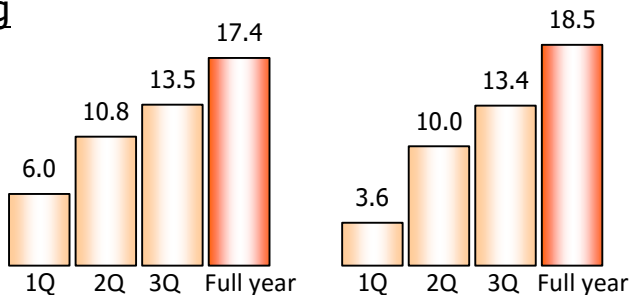
### Sales

unit : billion yen



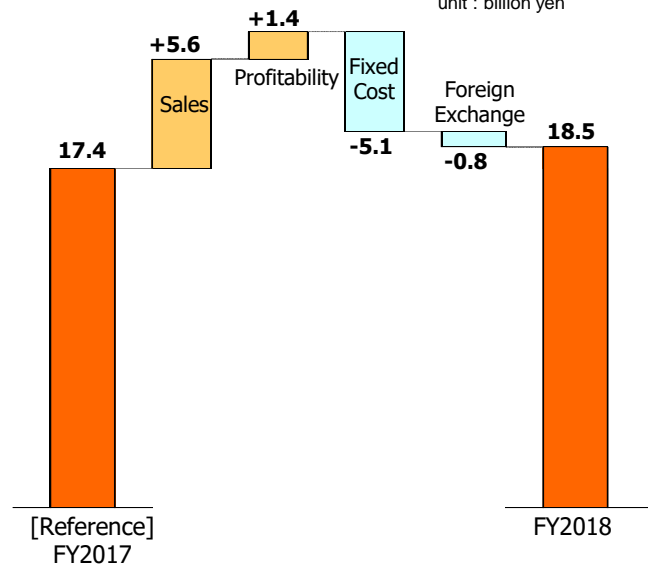
### Operating Income

unit : billion yen



### Breakdown of Changes in Operating Income

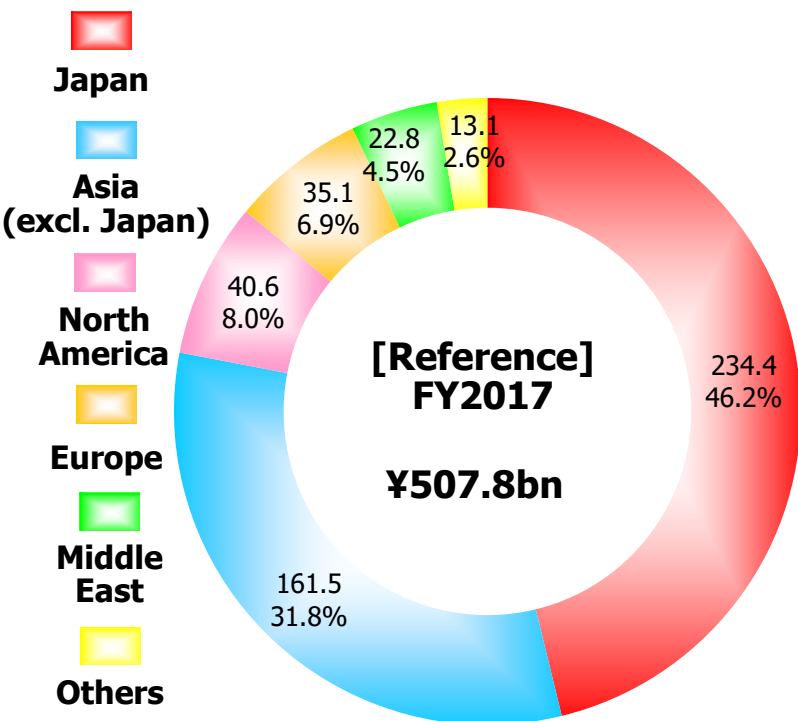
unit : billion yen



# 1. Summary of Results



## Sales Composition by Region

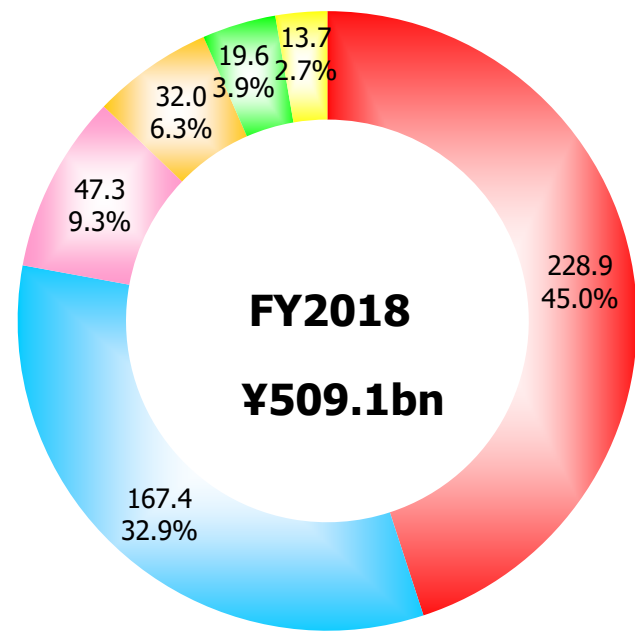


**Overseas Sales**

**¥273.3bn**

**Overseas Sales Ratio**

**53.8%**



**Overseas Sales**

**¥280.2bn**

**Overseas Sales Ratio**

**55.0%**



## Financial Information

### Balance Sheet

(unit : billion yen)

	As of December 31, 2017	As of December 31, 2018	Change		As of December 31, 2017	As of December 31, 2018	Change
<b>Current Assets</b>	<b>447.4</b>	<b>438.5</b>	<b>- 8.9</b>	<b>Liabilities</b>	<b>328.1</b>	<b>304.8</b>	<b>- 23.3</b>
Cash and deposits, Securities	140.8	112.2	- 28.6	Notes and accounts payable-trade	119.6	126.1	+6.5
Notes and accounts receivable-trade	175.3	183.8	+8.5	Interest-bearing debt	114.5	79.1	- 35.4
Inventories	109.5	122.6	+13.1	Others	93.9	99.5	+5.5
Others	21.7	19.7	-2.0	<b>Total Net Assets</b>	<b>284.7</b>	<b>286.7</b>	<b>+1.9</b>
<b>Fixed Assets</b>	<b>165.4</b>	<b>153.0</b>	- 12.3	Shareholders' equity	280.9	289.6	+8.6
Tangible assets	110.2	107.8	- 2.3	Accumulated other comprehensive income	-3.0	-9.9	- 6.9
Intangible assets	12.0	10.6	-1.4	Subscription rights to shares	1.1	1.1	- 0.0
Investments and others	43.1	34.5	- 8.6	Non-controlling interests	5.6	5.9	+0.3
<b>Total Assets</b>	<b>612.9</b>	<b>591.5</b>	<b>- 21.3</b>	<b>Total Liabilities and Net Assets</b>	<b>612.9</b>	<b>591.5</b>	<b>- 21.3</b>

## Financial Information

### Cash Flow Statement

(unit : billion yen)	FY2016 Results	FY2017* Results	FY2018 Results
Cash flows from operating activities	+33.8	+44.1	+34.6
Cash flows from investing activities	- 18.5	- 7.9	- 15.9
Free cash flow	+15.2	+36.2	+18.6
Cash flows from financing activities	- 15.1	+11.2	- 46.4

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

(unit : billion yen)	FY2016 Results	FY2017* Results	FY2018 Results
<b>CAPEX</b>	22.6	12.3	19.3
FMS	11.8	6.6	10.6
EP	1.1	0.4	0.7
PM	7.4	4.0	6.7
Others	2.3	1.2	1.1
<b>D&amp;A</b>	13.7	11.9	15.2
FMS	8.5	6.9	8.4
EP	0.4	0.4	0.5
PM	2.9	2.7	4.0
Others	1.8	1.6	2.1
<b>R&amp;D</b>	8.7	7.2	10.6
FMS	4.7	3.8	5.0
EP	0.2	0.3	0.4
PM	3.7	3.0	5.1

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

## Financial Information

### Management Indicators

	FY2017* Results	FY2018 Results
<b>ROIC</b>	<b>2.5%</b>	<b>4.9%</b>
ROE	3.5%	6.6%
Debt/equity ratio	0.41	0.28

### Working Capital Turnover

(unit : day)	FY2017* Results	FY2018 Results
Receivable turnover peropd	137	129
Inventory turnover period	74	83

### Shareholder Returns

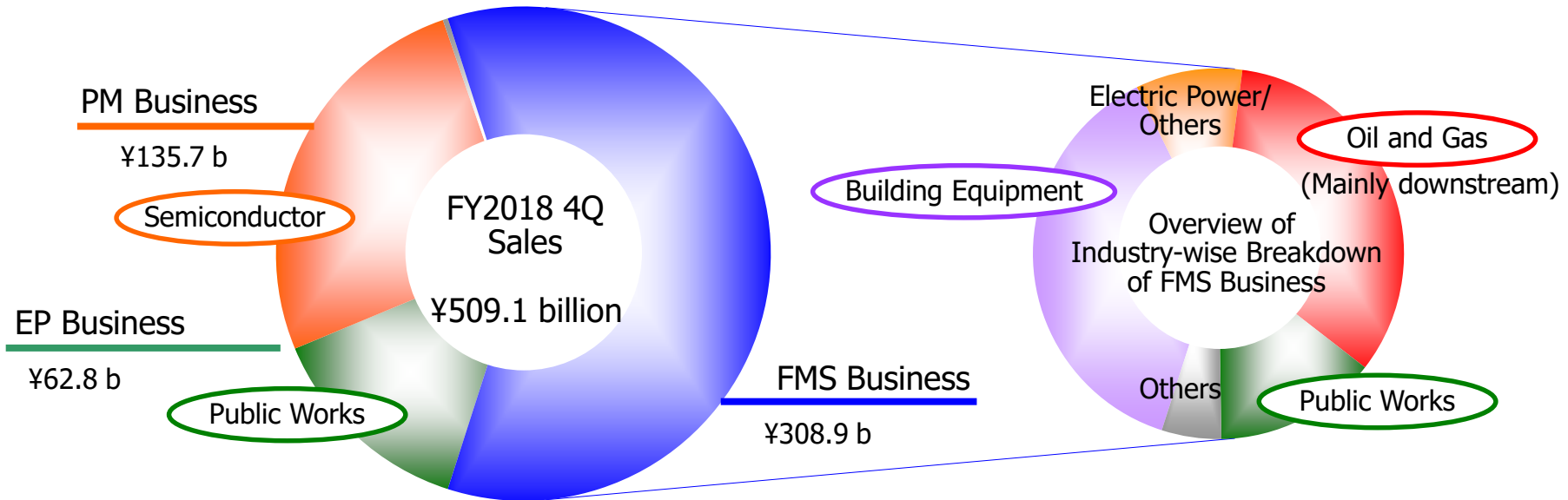
(unit : yen)	FY2017* Results	FY2018 Results
Interim dividends per share	30	30
Year-end dividends per share	15	30
Annual dividends per share	45	60
Total return ratio	48.0%	60.5%

#### <FY2018 repurchase of shares of our own stock>

Purchase period	Total number of shares repurchased	Total repurchased amount
From Nov. 14, 2018 to Dec. 14, 2018	1.7million shares	4.999 billion yen

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

### Business Environment Forecast of FY2019



### Main Business Environment

- Oil and Gas** (Mainly downstream) → Steady CAPEX recovery
- Public Works** → Stable OPEX level to the infrastructure facility
- Building Equipment** → Domestic market to remain stable, Overseas market to grow steadily
- Semiconductor** → Slowdown of CAPEX growth in the semiconductor industry in short term

## Summary of Projection for FY2019

(unit : billion yen)

	<b>FY2018 (Results)</b>	<b>FY2019 (Plan)</b>	<b>Change</b>
<b>Orders</b>	<b>575.5</b>	<b>525.0</b>	<b>-50.5</b>
<b>Net Sales</b>	<b>509.1</b>	<b>525.0</b>	<b>+ 15.8</b>
<b>Operating Income</b>	<b>32.4</b> (6.4%)	<b>34.0</b> (6.5%)	<b>+ 1.5</b>
<b>Ordinary Income</b>	<b>31.2</b> (6.1%)	<b>33.0</b> (6.3%)	<b>+ 1.7</b>
<b>Net Income attributable to owners of parent</b>	<b>18.2</b> (3.6%)	<b>20.0</b> (3.8%)	<b>+ 1.7</b>

Exchange Rate

1USD = 111.3JPY

1USD = 110JPY

( )Ratio to sales

### Summary of Projection for FY2019

(unit : billion yen)

	Orders			Net Sales			Operating Income		
	FY2018	FY2019	Change	FY2018	FY2019	Change	FY2018	FY2019	Change
	Results	Plan		Results	Plan		Results	Plan	
<b>FMS Business</b>	326.2	330.0	+ 3.7	308.9	331.0	+ 22.0	8.7 (2.8%)	16.0 (4.8%)	+ 7.2
<b>EP Business</b>	106.9	68.0	-38.9	62.8	67.0	+ 4.1	4.9 (7.8%)	5.5 (8.2%)	+ 0.5
<b>PM Business</b>	140.6	125.0	-15.6	135.7	125.0	-10.7	18.5 (13.7%)	12.5 (10.0%)	-6.0
<b>Others, Adjustment</b>	1.6	2.0	+ 0.3	1.6	2.0	+ 0.3	0.2 (15.8%)	0.0 (0.0%)	-0.2
<b>Total</b>	575.5	525.0	-50.5	509.1	525.0	+ 15.8	32.4 (6.4%)	34.0 (6.5%)	+ 1.5

( )Ratio to sales

## Summary of Projection for FY2019 1st Half

(unit : billion yen)

	<b>FY18 1st half Results</b>	<b>FY19 1st half Plan</b>	<b>Change</b>
<b>Orders</b>	<b>300.8</b>	<b>280.0</b>	<b>-20.8</b>
<b>Net Sales</b>	<b>251.2</b>	<b>258.0</b>	<b>+ 6.7</b>
<b>Operating Income</b>	<b>14.7</b> (5.9%)	<b>13.5</b> (5.2%)	<b>-1.2</b>
<b>Ordinary Income</b>	<b>14.1</b> (5.6%)	<b>13.0</b> (5.0%)	<b>-1.1</b>
<b>Net Income attributable to owners of parent</b>	<b>7.4</b> (3.0%)	<b>8.0</b> (3.1%)	<b>+ 0.5</b>

( )Ratio to sales

## Summary of Projection for FY2019 1st Half

(unit : billion yen)

	Orders			Net Sales			Operating Income		
	FY18 1st half	FY19 1st half	Change	FY18 1st half	FY19 1st half	Change	FY18 1st half	FY19 1st half	Change
	Results	Plan		Results	Plan		Results	Plan	
<b>FMS Business</b>	161.5	177.0	+ 15.4	154.3	156.0	+ 1.6	2.2 (1.5%)	5.0 (3.2%)	+ 2.7
<b>EP Business</b>	65.8	35.0	- 30.8	29.3	33.0	+ 3.6	2.2 (7.6%)	2.0 (6.1%)	- 0.2
<b>PM Business</b>	72.6	67.0	- 5.6	66.7	68.0	+ 1.2	10.0 (15.1%)	6.5 (9.6%)	- 3.5
<b>Others, Adjustment</b>	0.8	1.0	+ 0.1	0.8	1.0	+ 0.1	0.1 (17.6%)	0.0 (0.0%)	- 0.1
<b>Total</b>	300.8	280.0	- 20.8	251.2	258.0	+ 6.7	14.7 (5.9%)	13.5 (5.2%)	- 1.2

( ) Ratio to sales

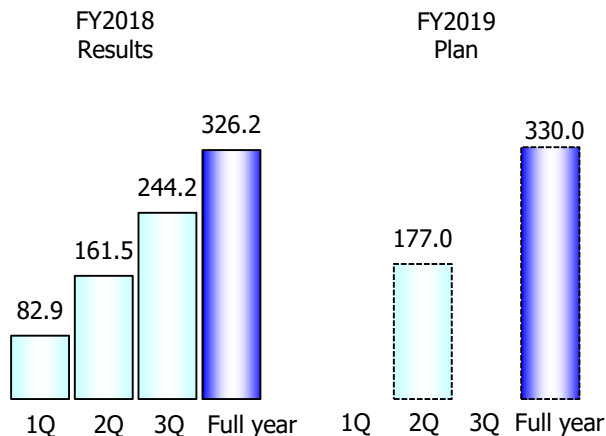


## 2. Projection

# FMS Projection for FY2019

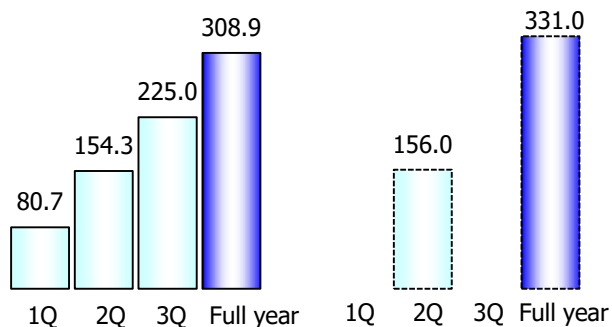
### Orders

unit : billion yen



### Sales

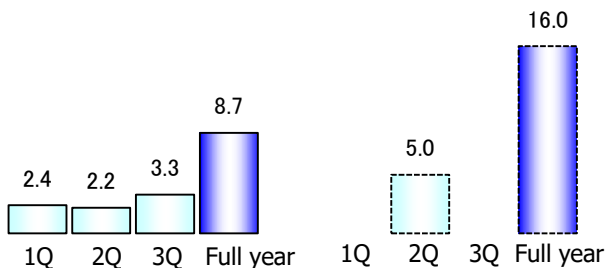
unit : billion yen



### Operating

### Income

unit : billion yen



### 【Orders】

- ✓ In CT business field, CAPEX and OPEX levels are expected to recover
- ✓ Positive effects
  - New product launches in standard pump business
  - An increase of S&S sales in custom pump business

### 【Sales, Operating Income】

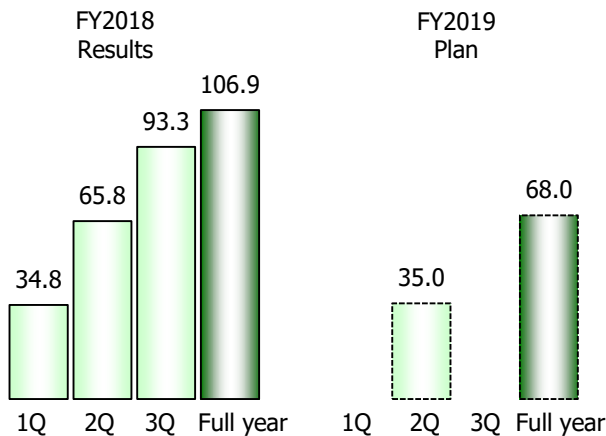
- ✓ Increase in sales and operating income in pumps business mainly for custom pumps
- ✓ Improvement of S&S sales ratio in CT businesses

## 2. Projection

### EP Projection for FY2019

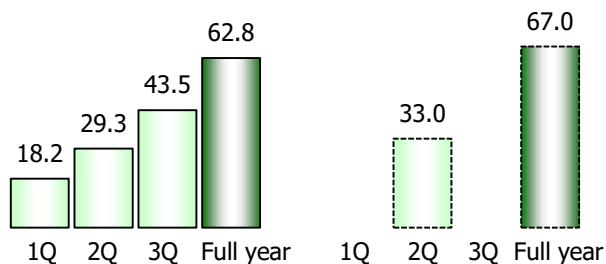
#### Orders

unit : billion yen



#### Sales

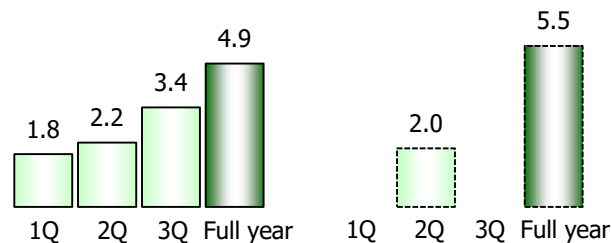
unit : billion yen



#### Operating

#### Income

unit : billion yen



#### 【Orders】

- ✓ Orders level will be back to its normal level.  
(It was relatively strong in FY2018.)

#### 【Sales】

- ✓ Positive effect from the high-level backlog

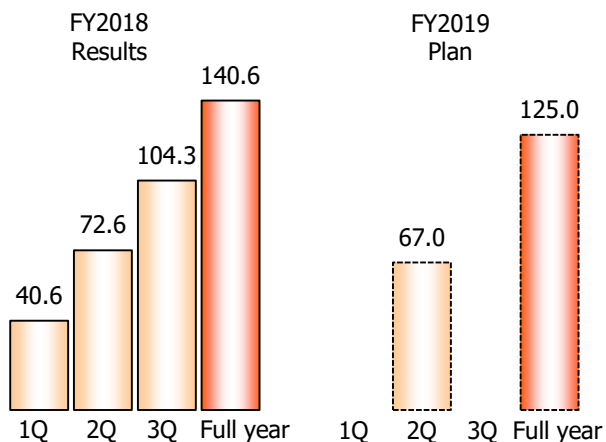
#### 【Operating Income】

- ✓ Negative effect from completion of a high profitability EPC project last fiscal year
- ✓ Positive effect from high-level backlog of O&M business
- ✓ A Loss due to withdrawal from a part of the business at a manufacturing subsidiary in China

# PM Projection for FY2019

### Orders

unit : billion yen

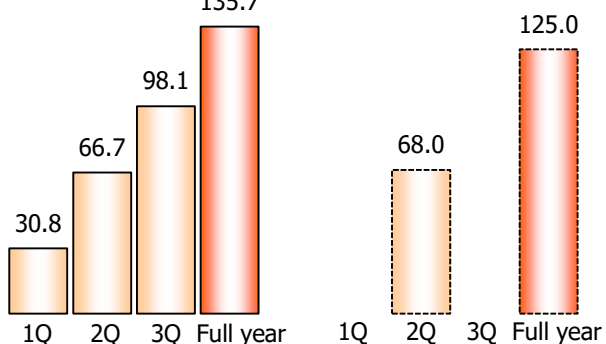


### 【Orders】

- ✓ Slow down of the semiconductor industry's CAPEX mainly for memory products is to continue this fiscal year
- ✓ Due to a decline of CAPEX in the semiconductor industry, it is expected to be lower than the previous year

### Sales

unit : billion yen



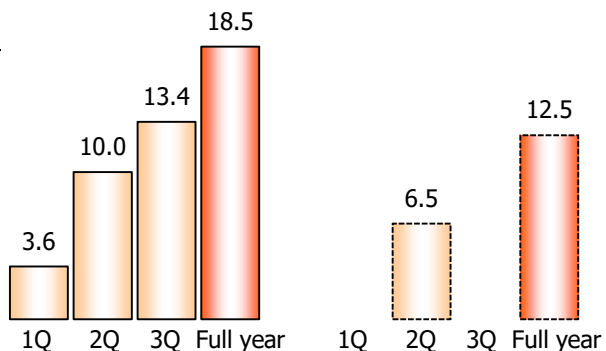
### 【Sales】

- ✓ Since the order backlog is high level, it is expected to keep at high in the first half. For the full year comparison, it'll be lower than the previous year.

### Operating

### Income

unit : billion yen



### 【Operating Income】

- ✓ Influence from sales decrease
- ✓ Fixed costs are expected to increase mainly due to R&D expenses and depreciation expenses

## 2. Projection

### Cash Flow Statement

(unit : billion yen)	FY2018 Results	FY2019 Plan	Change
Cash flows from operating activities	+ 34.6	+ 33.5	- 1.1
Cash flows from investing activities	-15.9	-40.3	- 24.3
Free cash flow	+ 18.6	-6.8	- 25.4
Cash flows from financing activities	-46.4	-21.0	+25.4

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

(unit : billion yen)	FY2018 Results	FY2019 Plan	Change
<b>CAPEX</b>	19.3	33.0	+13.6
FMS	10.6	10.0	- 0.6
EP	0.7	1.0	+0.2
PM	6.7	18.0	+11.2
Others	1.1	4.0	+2.7
<b>D&amp;A</b>	15.2	15.0	- 0.2
FMS	8.4	8.0	- 0.4
EP	0.5	0.5	- 0.0
PM	4.0	4.5	+0.4
Others	2.1	2.0	- 0.1
<b>R&amp;D</b>	10.6	14.0	+3.3
FMS	5.0	5.5	+0.4
EP	0.4	0.5	+0.0
PM	5.1	8.0	+2.8

### Plan of Shareholder Returns in FY2019

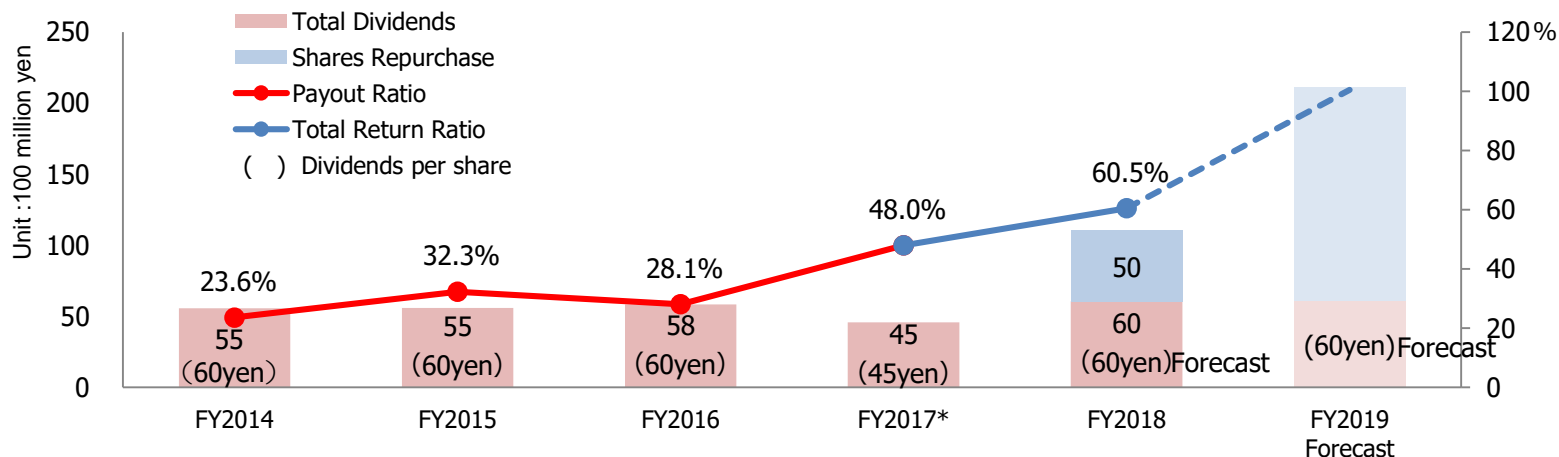
#### 【Dividends per Share】

Annual Total Dividends (Forecast)	60 yen (interim dividend 30 yen)
Total Dividend Payments (Forecast)	6 billion yen (excluding treasury stock)

#### 【Details of the Repurchase】

Type of shares to be repurchased	Common stock of Ebara corporation
Total number of shares to be repurchased	Up to 7,000,000 shares (Equivalent to 7.0% of outstanding shares (excluding treasury stock))
Total amount to be repurchased	Up to 15 billion yen
Repurchase period	From February 14, 2019 to September 31, 2019

#### 【Shareholder Return】



\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

## Breakdown of Orders Plan by Business Segment

Unit : billion yen

\*Announced on November 13, 2018.

	Full year						First half			
	[Reference] FY2017	FY2018			Change	FY2019		FY2018	FY2019	Change
	Results	Forecast*	Results	Change		Plan	Change	Results	Plan	
<b>FMS Business</b>										
<b>Pumps</b>	174.2	<b>173.0</b>	<b>171.0</b>	<b>- 1.9</b>	- 3.2	<b>175.0</b>	+3.9	84.9	<b>85.0</b>	+0.0
<b>Compressors and Turbines</b>	83.3	<b>105.0</b>	<b>102.7</b>	<b>- 2.2</b>	+19.3	<b>110.0</b>	+7.2	50.7	<b>70.0</b>	+19.2
<b>Chillers</b>	34.5	<b>37.0</b>	<b>37.5</b>	<b>+0.5</b>	+2.9	<b>33.0</b>	- 4.5	19.4	<b>16.0</b>	- 3.4
<b>Others</b>	16.7	<b>14.0</b>	<b>14.9</b>	<b>+0.9</b>	- 1.7	<b>12.0</b>	- 2.9	6.2	<b>6.0</b>	- 0.2
<b>FMS Business Total</b>	308.9	<b>329.0</b>	<b>326.2</b>	<b>- 2.7</b>	+17.3	<b>330.0</b>	+3.7	161.5	<b>177.0</b>	+15.4
<b>EP Business</b>										
<b>Environmental Plants</b>	65.1	<b>100.0</b>	<b>106.9</b>	<b>+6.9</b>	+41.8	<b>68.0</b>	- 38.9	65.8	<b>35.0</b>	- 30.8
<b>EP Business Total</b>	65.1	<b>100.0</b>	<b>106.9</b>	<b>+6.9</b>	+41.8	<b>68.0</b>	- 38.9	65.8	<b>35.0</b>	- 30.8
<b>PM Business</b>										
<b>Components</b>	59.8	<b>63.0</b>	<b>62.8</b>	<b>- 0.1</b>	+2.9	<b>57.0</b>	- 5.8	30.7	<b>29.0</b>	- 1.7
<b>CMP Systems</b>	62.7	<b>71.0</b>	<b>72.0</b>	<b>+1.0</b>	+9.3	<b>62.0</b>	- 10.0	38.7	<b>35.0</b>	- 3.7
<b>Others</b>	7.7	<b>6.0</b>	<b>5.7</b>	<b>- 0.2</b>	- 1.9	<b>6.0</b>	+0.2	3.1	<b>3.0</b>	- 0.1
<b>PM Business Total</b>	130.3	<b>140.0</b>	<b>140.6</b>	<b>+0.6</b>	+10.3	<b>125.0</b>	- 15.6	72.6	<b>67.0</b>	- 5.6
<b>Others</b>	1.6	<b>2.0</b>	<b>1.6</b>	<b>- 0.3</b>	+0.0	<b>2.0</b>	+0.3	0.8	<b>1.0</b>	+0.1
<b>Others Total</b>	1.6	<b>2.0</b>	<b>1.6</b>	<b>- 0.3</b>	+0.0	<b>2.0</b>	+0.3	0.8	<b>1.0</b>	+0.1
<b>Total</b>	506.0	<b>571.0</b>	<b>575.5</b>	<b>+4.5</b>	+69.4	<b>525.0</b>	- 50.5	300.8	<b>280.0</b>	- 20.8

\*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 Plan by Business Segment

Unit : billion yen

\*Announced on November 13, 2018.

	Full year						First half			
	[Reference] FY2017	FY2018			Change	FY2019		FY2018	FY2019	Change
	Results	Forecast*	Results	Change		Plan	Change	Results	Plan	
<b>FMS Business</b>										
<b>Pumps</b>	168.5	<b>173.0</b>	<b>172.0</b>	<b>- 0.9</b>	+3.5	<b>176.0</b>	+3.9	90.5	<b>90.0</b>	- 0.5
<b>Compressors and Turbines</b>	83.8	<b>92.0</b>	<b>87.6</b>	<b>- 4.3</b>	+3.8	<b>110.0</b>	+22.3	40.6	<b>45.0</b>	+4.3
<b>Chillers</b>	35.8	<b>37.0</b>	<b>35.8</b>	<b>- 1.1</b>	- 0.0	<b>33.0</b>	- 2.8	16.7	<b>15.0</b>	- 1.7
<b>Others</b>	15.9	<b>14.0</b>	<b>13.4</b>	<b>- 0.5</b>	- 2.4	<b>12.0</b>	- 1.4	6.3	<b>6.0</b>	- 0.3
<b>FMS Business Total</b>	304.1	<b>316.0</b>	<b>308.9</b>	<b>- 7.0</b>	+4.8	<b>331.0</b>	+22.0	154.3	<b>156.0</b>	+1.6
<b>EP Business</b>										
<b>Environmental Plants</b>	69.9	<b>60.0</b>	<b>62.8</b>	<b>+2.8</b>	- 7.1	<b>67.0</b>	+4.1	29.3	<b>33.0</b>	+3.6
<b>EP Business Total</b>	69.9	<b>60.0</b>	<b>62.8</b>	<b>+2.8</b>	- 7.1	<b>67.0</b>	+4.1	29.3	<b>33.0</b>	+3.6
<b>PM Business</b>										
<b>Components</b>	57.0	<b>58.0</b>	<b>59.3</b>	<b>+1.3</b>	+2.3	<b>57.0</b>	- 2.3	30.6	<b>30.0</b>	- 0.6
<b>CMP Systems</b>	68.5	<b>66.0</b>	<b>69.8</b>	<b>+3.8</b>	+1.3	<b>62.0</b>	- 7.8	32.1	<b>35.0</b>	+2.8
<b>Others</b>	6.4	<b>6.0</b>	<b>6.5</b>	<b>+0.5</b>	+0.0	<b>6.0</b>	- 0.5	3.8	<b>3.0</b>	- 0.8
<b>PM Business Total</b>	132.0	<b>130.0</b>	<b>135.7</b>	<b>+5.7</b>	+3.6	<b>125.0</b>	- 10.7	66.7	<b>68.0</b>	+1.2
<b>Others</b>	1.6	<b>2.0</b>	<b>1.6</b>	<b>- 0.3</b>	+0.0	<b>2.0</b>	+0.3	0.8	<b>1.0</b>	+0.1
<b>Others Total</b>	1.6	<b>2.0</b>	<b>1.6</b>	<b>- 0.3</b>	+0.0	<b>2.0</b>	+0.3	0.8	<b>1.0</b>	+0.1
<b>Total</b>	507.8	<b>508.0</b>	<b>509.1</b>	<b>+1.1</b>	+1.3	<b>525.0</b>	+15.8	251.2	<b>258.0</b>	+6.7

\*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 Operating income Plan by Business Segment

Unit : billion yen

\*Announced on November 13, 2018.

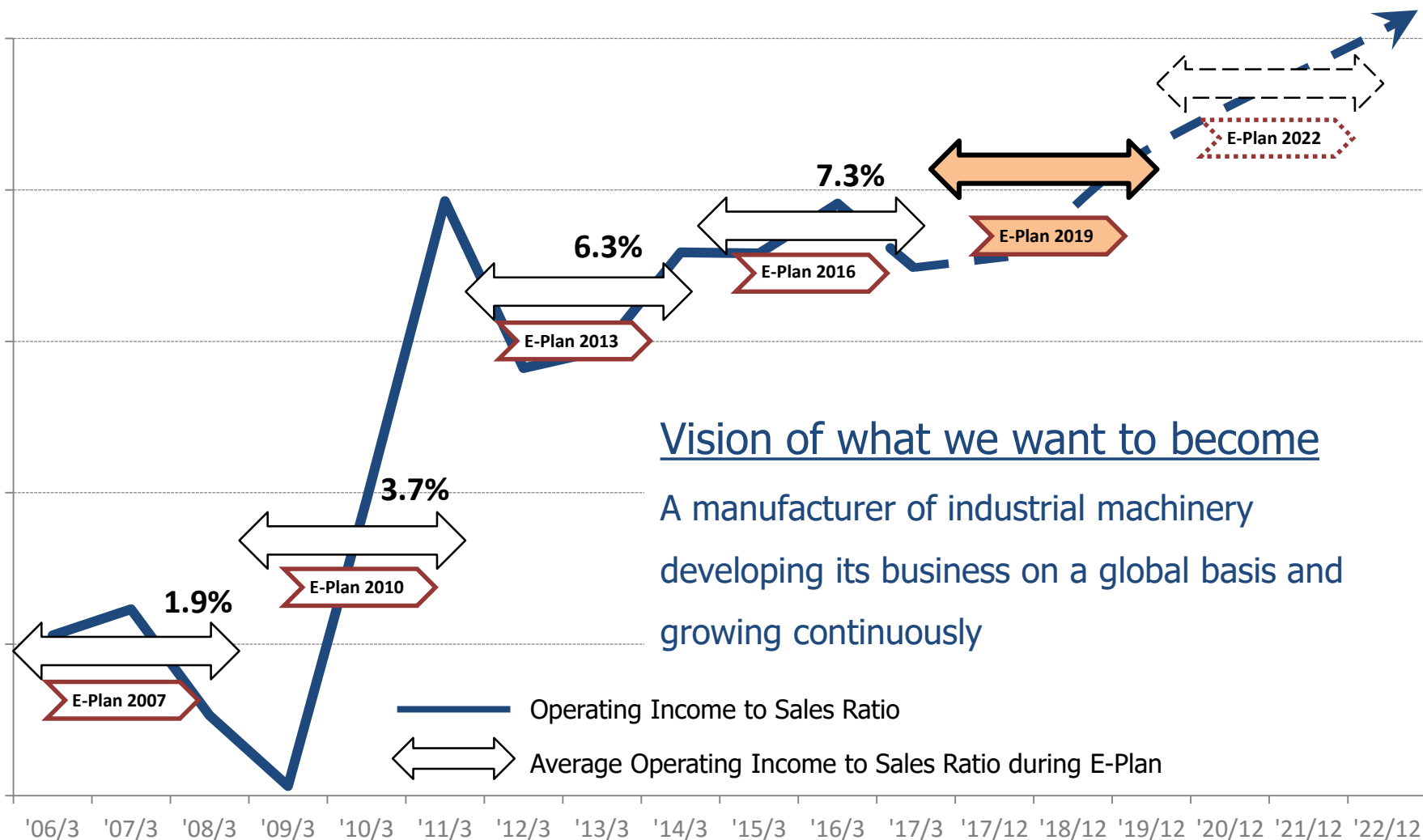
	Full year							First half		
	[Reference] FY2017	FY2018			Change	FY2019		FY2018	FY2019	Change
	Results	Forecast*	Results	Change		Plan	Change	Results	Plan	
<b>FMS Business</b>										
<b>Pumps</b>	7.0 (4.2%)	<b>7.0</b> (4.0%)	<b>5.9</b> (3.5%)	<b>-1.0</b>	-1.0	10.0 (5.7%)	<b>+4.0</b>	5.2 (5.8%)	4.5 (5.0%)	-0.7
<b>Compressors and Turbines</b>	5.9 (7.0%)	<b>2.0</b> (2.2%)	<b>1.9</b> (2.2%)	<b>-0.0</b>	-3.9	3.5 (3.2%)	<b>+1.5</b>	-4.1 (-10.3%)	0.0 (0.0%)	+4.1
<b>Chillers</b>	1.9 (5.5%)	<b>1.0</b> (2.7%)	<b>0.4</b> (1.2%)	<b>-0.5</b>	-1.5	2.0 (6.1%)	<b>+1.5</b>	0.1 (1.2%)	0.5 (3.3%)	+0.3
<b>Others</b>	-0.7	<b>0.0</b>	<b>0.4</b>	<b>+0.4</b>	+1.1	0.5	<b>+0.0</b>	1.0	0.0	-1.0
<b>FMS Business Total</b>	14.1 (4.7%)	<b>10.0</b> (3.2%)	<b>8.7</b> (2.8%)	<b>-1.2</b>	-5.3	16.0 (4.8%)	<b>+7.2</b>	2.2 (1.5%)	5.0 (3.2%)	+2.7
<b>EP Business</b>										
<b>Environmental Plants</b>	4.9	<b>5.0</b>	<b>4.9</b>	<b>-0.0</b>	-0.0	5.5	<b>+0.5</b>	2.2	2.0	-0.2
<b>EP Business Total</b>	4.9 (7.1%)	<b>5.0</b> (8.3%)	<b>4.9</b> (7.8%)	<b>-0.0</b>	-0.0	5.5 (8.2%)	<b>+0.5</b>	2.2 (7.6%)	2.0 (6.1%)	-0.2
<b>PM Business</b>										
<b>Precision Machinery</b>	17.4	<b>17.0</b>	<b>18.5</b>	<b>+1.5</b>	+1.1	12.5	<b>-6.0</b>	10.0	6.5	-3.5
<b>PM Business Total</b>	17.4 (13.2%)	<b>17.0</b> (13.1%)	<b>18.5</b> (13.7%)	<b>+1.5</b>	+1.1	12.5 (10.0%)	<b>-6.0</b>	10.0 (15.1%)	6.5 (9.6%)	-3.5
<b>Others</b>	0.1	<b>0.0</b>	<b>0.2</b>	<b>+0.2</b>	+0.1	0.0	<b>-0.2</b>	0.1	0.0	-0.1
<b>Others Total</b>	0.1	<b>0.0</b>	<b>0.2</b>	<b>+0.2</b>	+0.1	0.0	<b>-0.2</b>	0.1	0.0	-0.1
<b>Total</b>	36.6 (7.2%)	<b>32.0</b> (6.3%)	<b>32.4</b> (6.4%)	<b>+0.4</b>	-4.1	34.0 (6.5%)	<b>+1.5</b>	14.7 (5.9%)	13.5 (5.2%)	-1.2

\*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.



# “Unlimited challenge toward growth”

During 3 years of E-Plan 2019, we will focus on profit growth and improve profitability in all our business



## Vision of what we want to become

A manufacturer of industrial machinery  
developing its business on a global basis and  
growing continuously

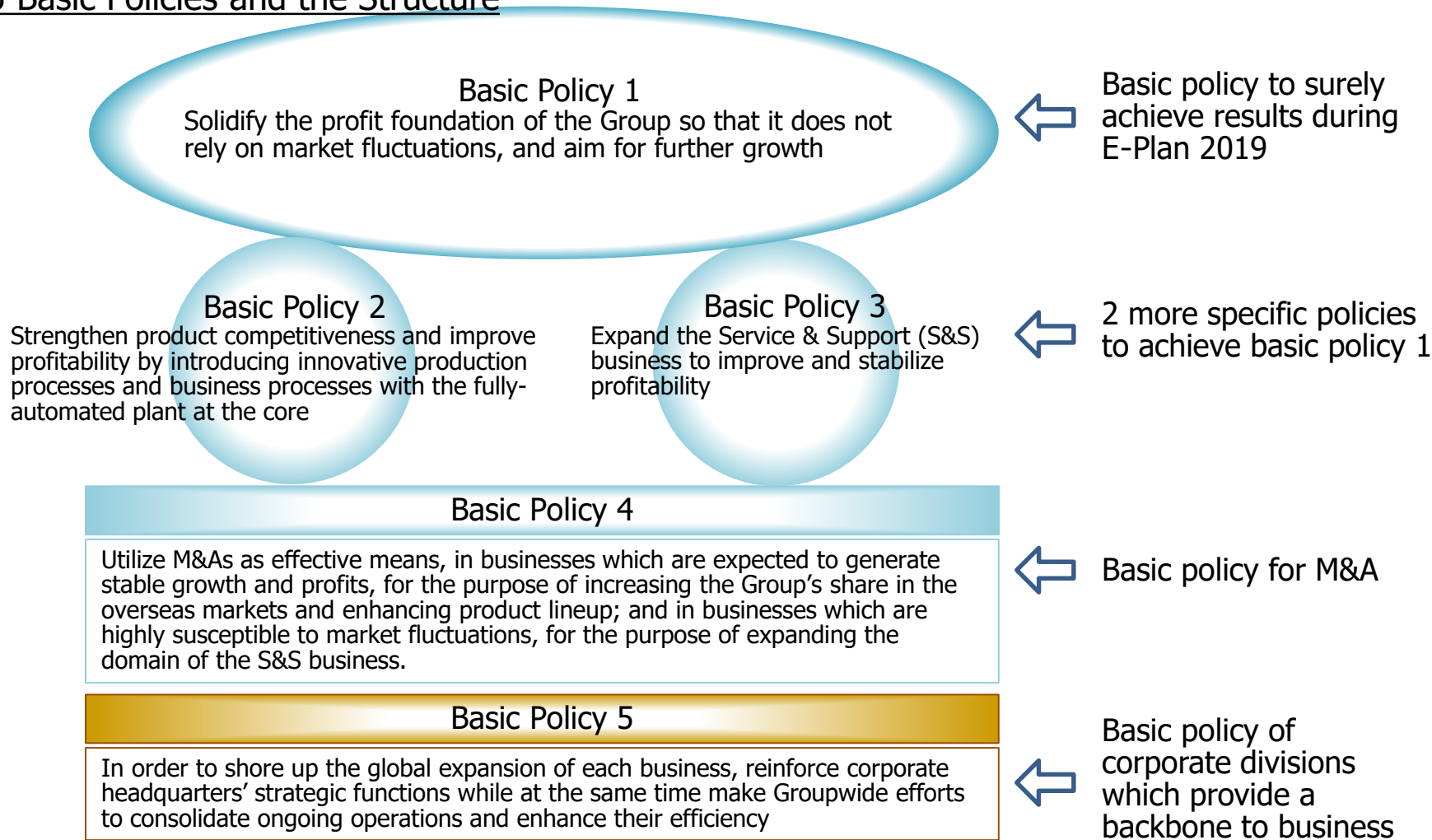
— Operating Income to Sales Ratio  
 ↔ Average Operating Income to Sales Ratio during E-Plan

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

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

“Unlimited challenge toward growth”

#### 5 Basic Policies and the Structure



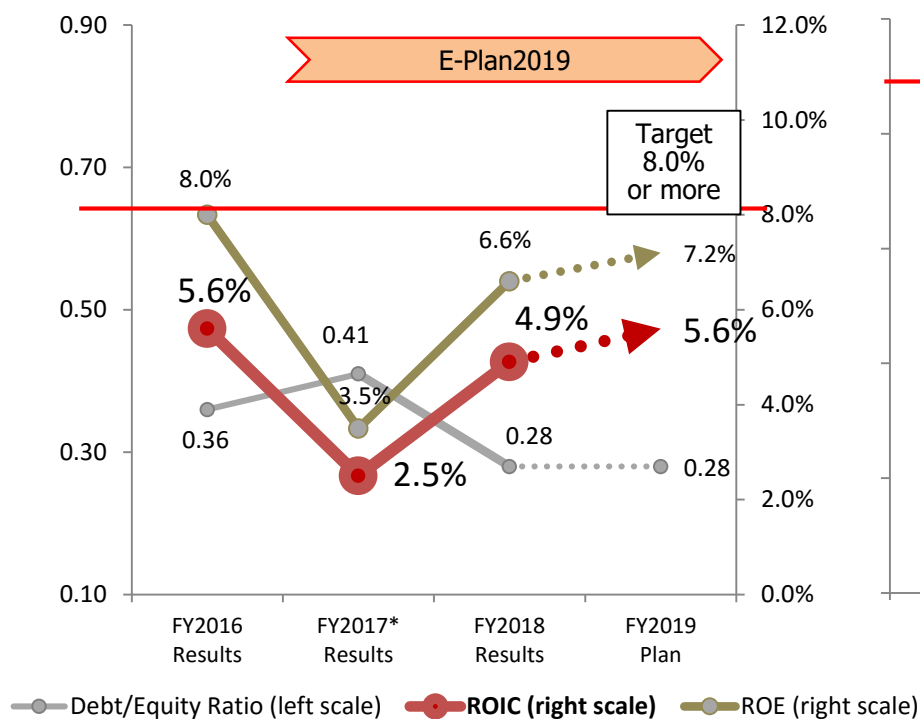
# 3. Medium-Term Management Plan "E-Plan 2019"



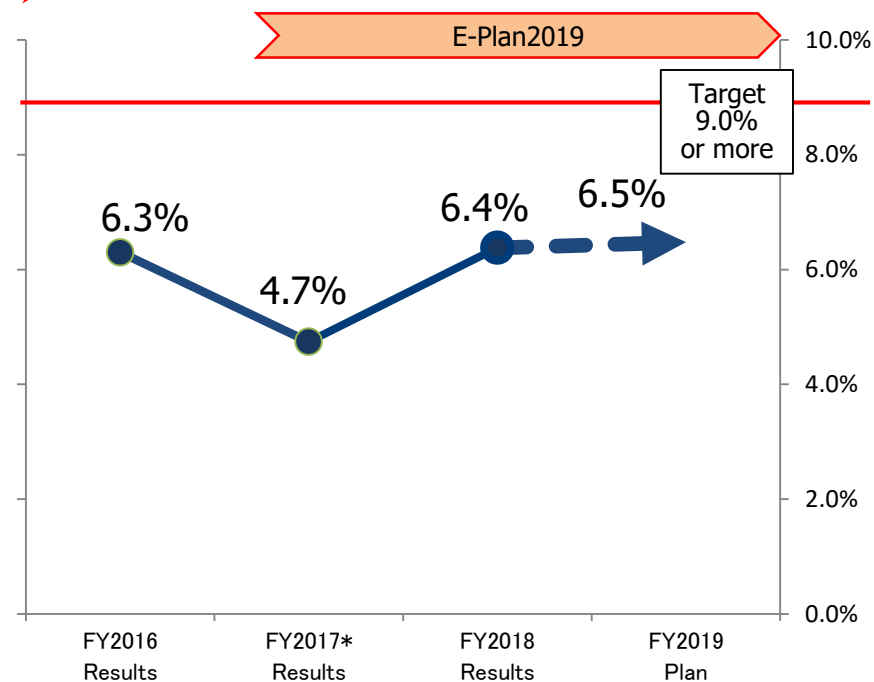
## Second Year Review and Third Year Forecast

### Trend of Management Indicators

#### Trend of ROIC



#### Trend of Operating Income Ratio



\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

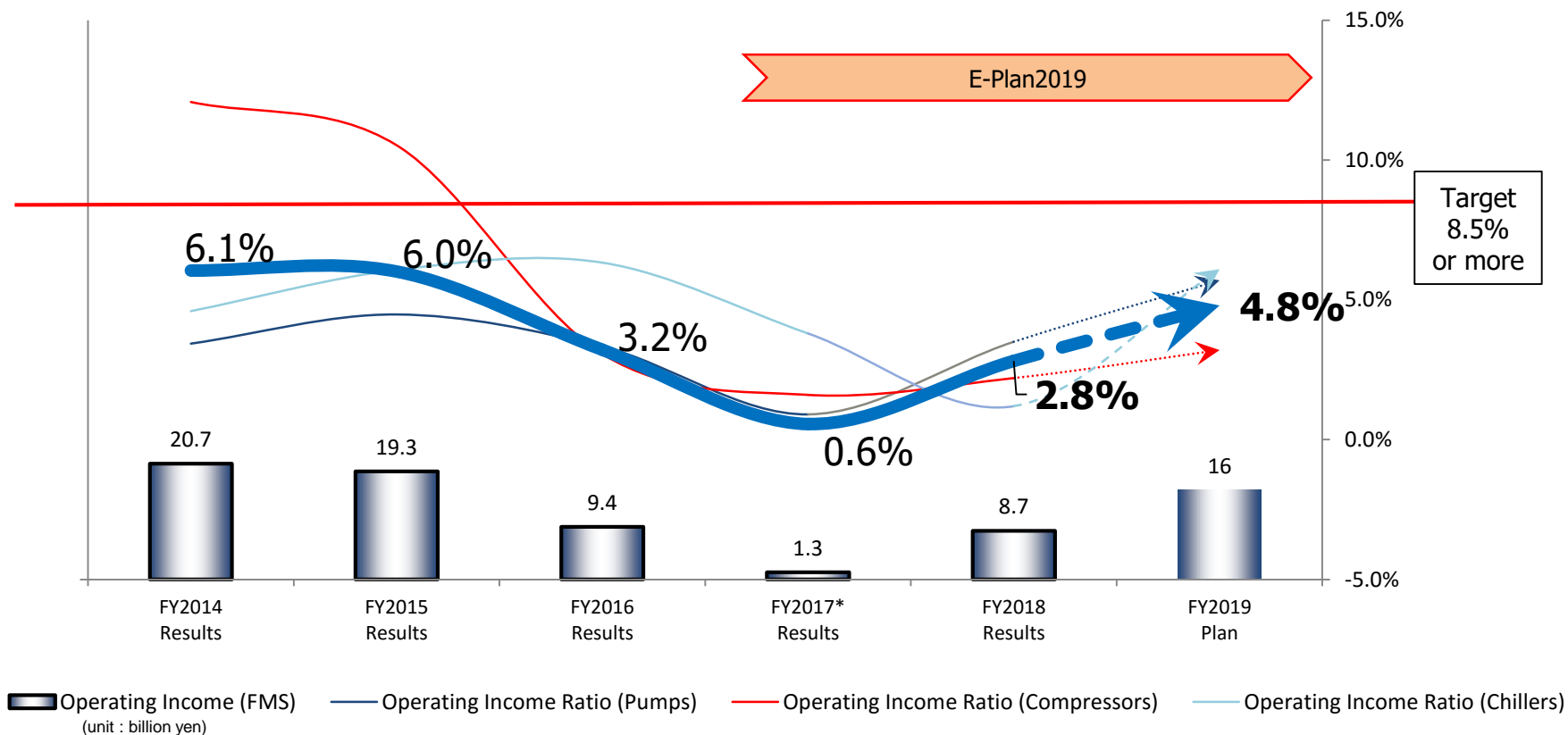
### 3. Medium-Term Management Plan “E-Plan 2019”



## Second Year Review and Third Year Forecast

### Fluid Machinery & Systems (FMS) Company

<Trend of operating income ratio >



➤ Improvement in profitability was delayed in each business, and the company's profitability was lower than the target.

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

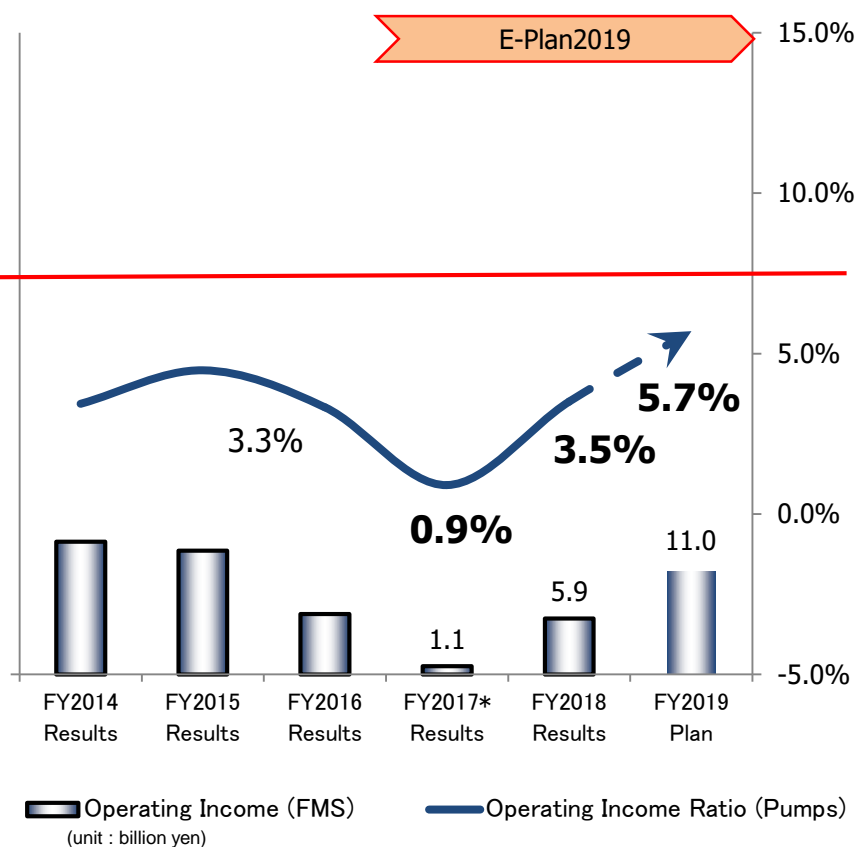
# 3. Medium-Term Management Plan “E-Plan 2019”



## Second Year Review and Third Year Forecast

### Pumps Business

<Trend of operating income ratio >



#### 【External environment】

- ✓ Overseas, the oil and gas market is on a recovery trend. However, some parts of the power generation industry will shrink under the movement toward CO2 emission control and decarbonization.
- ✓ In Japan, investment scale is to be almost the same level as the previous fiscal year

#### 【Measures】

Refer to the following pages

#### 【The final year forecast】

It's expected that the profitability target cannot be achieved

#### Standard pumps

Delay in overseas sales growth

#### Custom pumps

Delay in improvement of the profitability due to the slow recovery of oil and gas market

We are working on measures such as the promotion of new product launches and expansion of S&S sales to improve the profitability.

➤ We think that accomplishing each measure to the end will lead achievement of the profitability goals. However, the achievement will be after E-Plan 2019 term.

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

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

## Second Year Review and Third Year Forecast

### Measures and progress of the pump business















Effect on profitability is coming out



Effect on profitability will come out from now on



: Execution completed

	Standard Pump		Custom Pump	
	Measures	Progress	Measures	Progress
Improve Profitability	<ul style="list-style-type: none"> <li>➤ <b>Eliminate and integrate extant models</b> Reduced from 70,000 models to 7,000 models</li> <li>➤ <b>Fundamental revise of the conventional production system</b> Automatic assembly line started its operation</li> <li>➤ Enhance Operational Efficiency in Production and Sales</li> </ul>	      	<ul style="list-style-type: none"> <li>➤ Enhance a Marketing Organization of Each Industry</li> <li>➤ Promotion of “Digitalization”</li> <li>➤ Standardize Operation</li> </ul>	  
Increase in Sales	<ul style="list-style-type: none"> <li>➤ <u>Continuous Launch of New Products</u></li> <li>➤ <u>M &amp; A</u> August 2017, acquired a company in South Africa</li> </ul>		<ul style="list-style-type: none"> <li>➤ M &amp; A</li> </ul>	
Expand S&S	-	-	<ul style="list-style-type: none"> <li>➤ <u>Expand Overseas S&amp;S Business</u> Orders increased</li> </ul>	
Reduce Fixed Cost	<ul style="list-style-type: none"> <li>➤ Optimize Human Resources in Domestic Business Personnel size of domestic business decreased by 20%</li> </ul>		<ul style="list-style-type: none"> <li>➤ Structural Reform of Domestic Production System The Production system was consolidated in one location, “Futtsu plant”</li> </ul>	

# 3. Medium-Term Management Plan "E-Plan 2019"



## Second Year Review and Third Year Forecast

### Overseas expansion of pump business

#### Standard pumps

#### Increase in Sales

- Launch of new products for overseas markets
- Expansion and reinforcement of overseas sites
  - ✓ Acquired a company in South Africa in August 2017
  - ✓ Integrated two subsidiaries in Brazil
- Overseas sales increased mainly in the Building equipment market

#### Custom pumps

#### Expand S&S

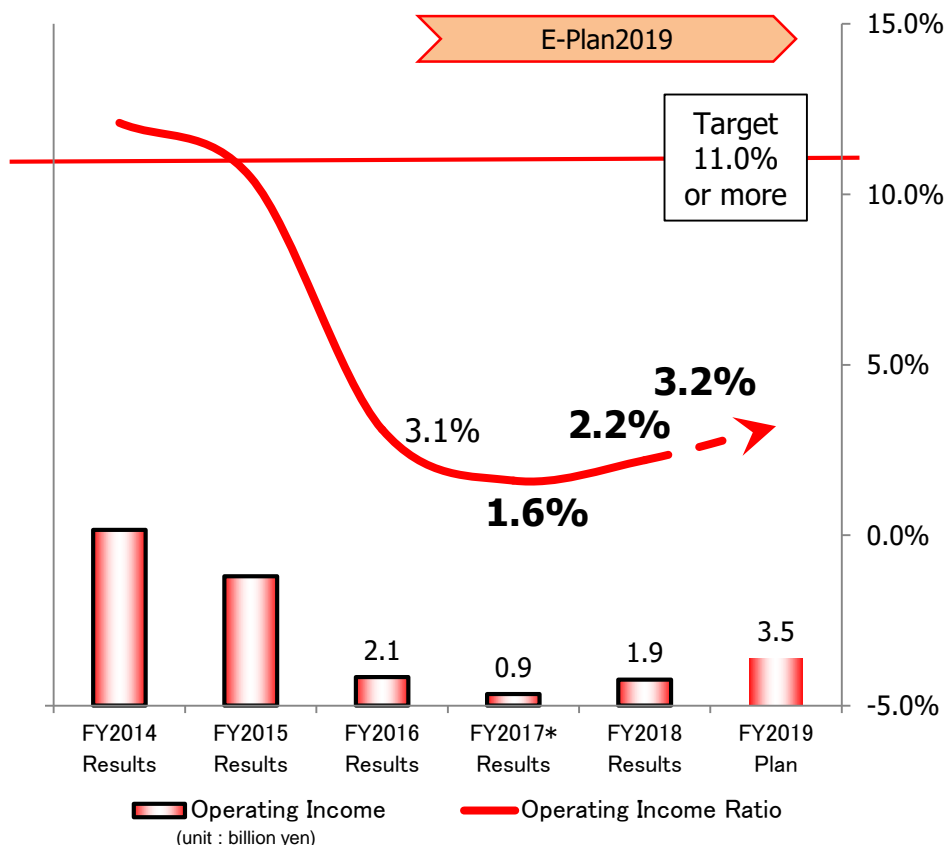
- Strengthen the capabilities of overseas sites
  - ✓ Dispatches of sales representatives and engineers to overseas sites to train local staffs
  - ✓ Opened a workshop in Saudi Arabia
- S&S sales increased mainly in the Middle East



## Second Year Review and Third Year Forecast

### Compressors and turbines business

<Trend of operating income ratio >



#### 【External environment】

- ✓ In the oil and gas market, CAPEX level has been recovered. This movement started in China and began to extend to other areas.
- ✓ In the phase of market recovery, tough price competition is occurring.

#### 【Measures】

##### Product

- Design standardization, automation
- Shorten lead time

##### S&S

- Offer comprehensive services  
⇒ Strengthen the organization through education for employees
- Enhance S&S Business for other manufacturers' products

#### 【The final year forecast】

It is expected to be significantly lower than the target due to the delay in the market recovery. We will enhance the capabilities of overseas sites and their procurement functions.

➤ Achievement of profitability targets will be delayed. However, according to the market recovery, the effects from each measure will come out, and the profitability will improve toward the target.

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.



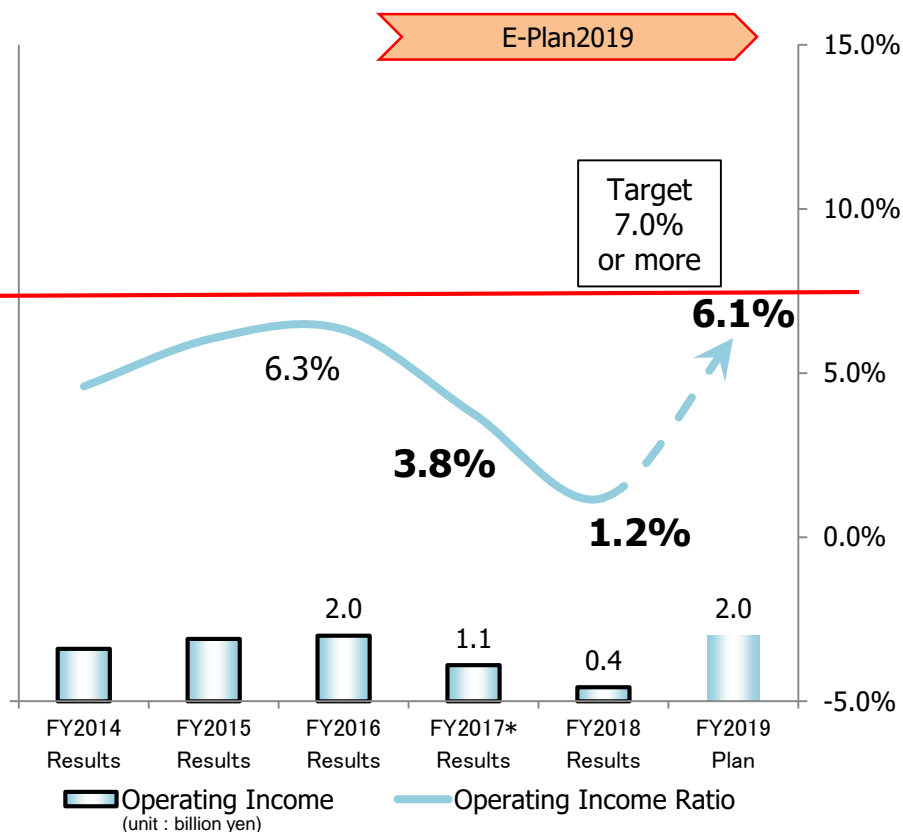
### 3. Medium-Term Management Plan “E-Plan 2019”



## Second Year Review and Third Year Forecast

### Chillers business

<Trend of operating income ratio >



#### 【External environment】

- ✓ Stable Japanese market growth
- ✓ Expect slowdown in the Chinese market. Furthermore, price competitions and a surge in prices of raw materials have occurred.

#### 【Measures】

##### Chinese market

Launch of New Products

##### Japanese market

Enhance S&S business of cooling towers

#### 【The final year forecast】

It is expected to be lower than the target due to a surge in prices of raw materials etc..

However, we will continue to strive to improve profitability by each measure, including the reduction of fixed costs.

- Although it is expected to be lower than the target, we will aim to reduce the delays with measures such as fixed cost reduction.

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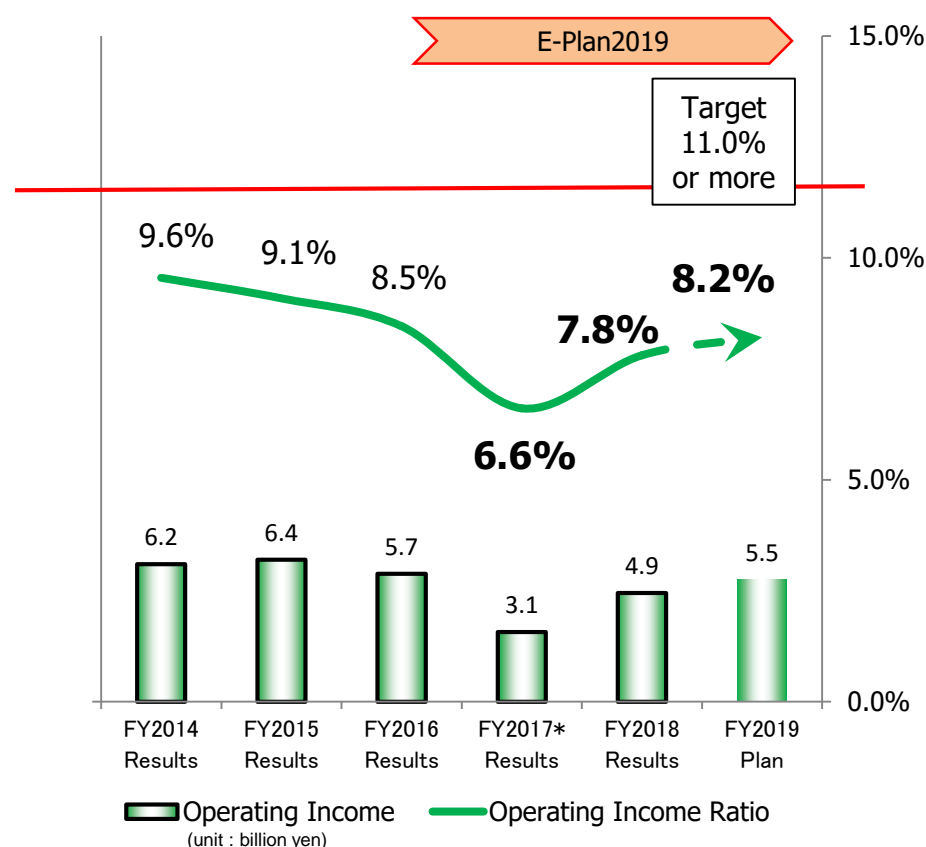
### 3. Medium-Term Management Plan “E-Plan 2019”



## Second Year Review and Third Year Forecast

### Environmental Plants Business

<Trend of operating income ratio >



#### 【External environment】

- ✓ Order schedules for public EPC projects are slightly behind the schedule
- ✓ The order volume of O&M business is expected to remain steady.
- ✓ Demands level for construction of biomass power generation facilities continues to unchanged.

#### 【Measures】

- ✓ Improve the profitability of EPC business  
⇒ Improve the score of non-price evaluation
- ✓ Promote biomass power generation facilities business
- ✓ Increase the number of O&M contracting facilities  
⇒ Established Remote Support Centers

#### 【The final year forecast】

It is expected to be lower than the target. It's because the EPC orders was below our plan in FY2017.  
We will continue to carry out the measures to improve profitability.

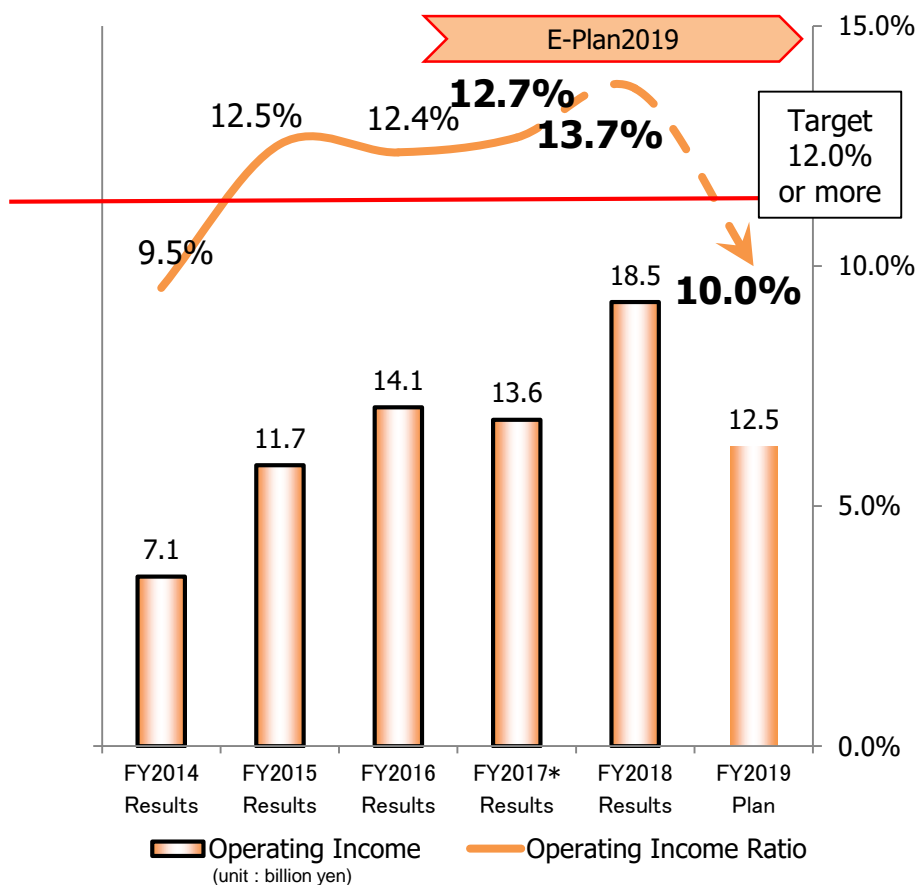
➤ It is expected to be lower than the profitability target. It is the biggest factor that orders plan of EPC project wasn't achieved in FY2017.

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

## Second Year Review and Third Year Forecast

### Precision Machinery (PM) Company

<Trend of operating income ratio >



**【External environment】**

✓ Although investment growth by memory makers slows down, relatively high CAPEX level continues due to the demand expansion for semiconductors.

**【Measures】**

- ✓ Establish an automated assembly line for dry vacuum pumps (to be completed in December 2019)
- ✓ Develop new technology following "open innovation" policy
- ✓ Reinforce the competitiveness of extant products
  - ⇒ Establish a new technology development center for dry vacuum pumps and gas abatement systems
- ✓ Enhance S&S business
  - ⇒ Established overhaul factories for dry vacuum pumps in Kyushu region and Chubu region in Japan

**【The final year forecast】**

Although there are negative effects to profitability from the declining of the market in 3rd year, 3-year average operating income ratio is expected to exceed the target "12%".

➤ Three-year average operating income ratio is expected to exceed the target "12%".

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

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

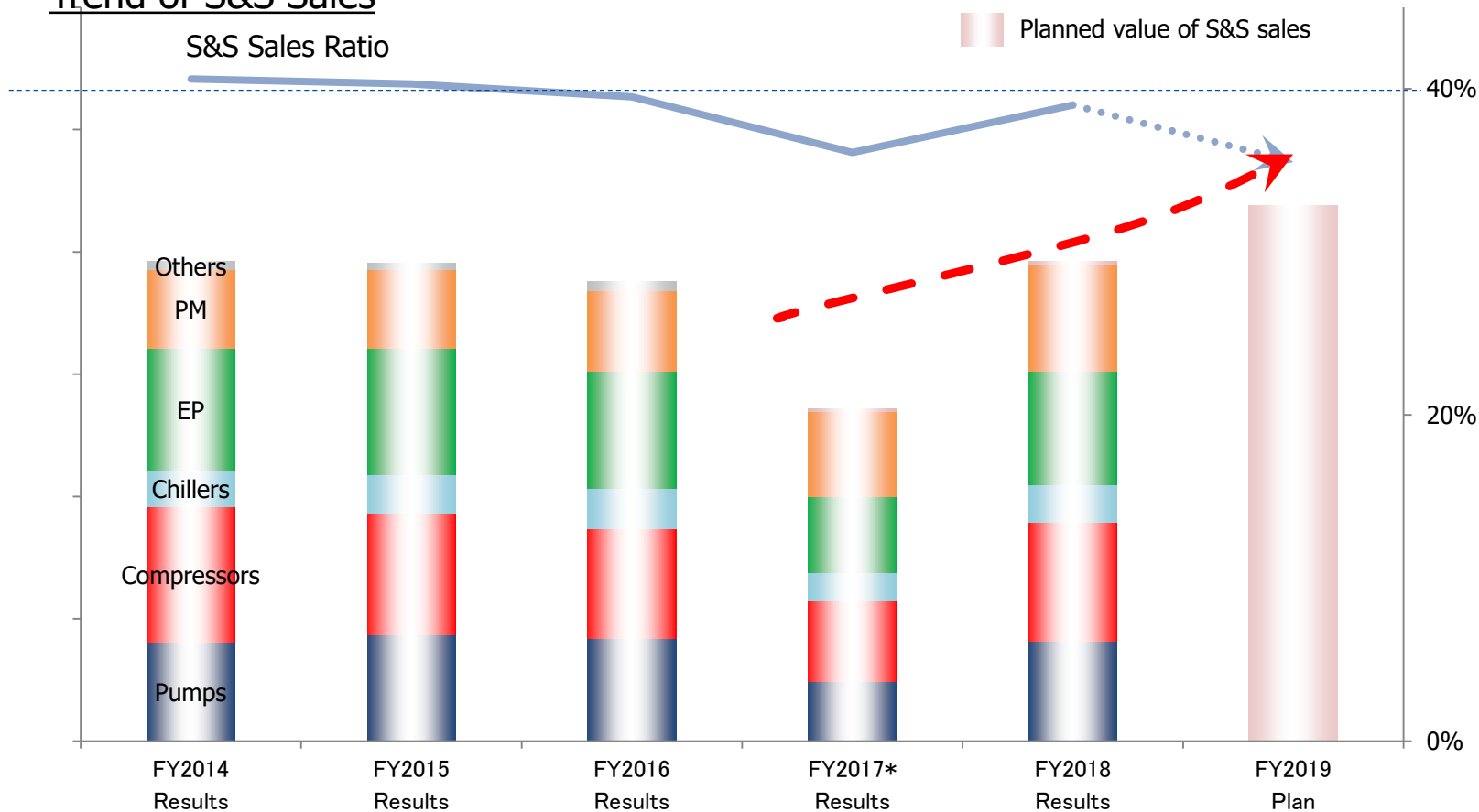


## Second Year Review and Third Year Forecast

It is necessary to expand the S&S business to solidify the profit foundation of the Group so that it does not rely on market fluctuations and aim for further growth.

→set S&S sales as KPI

### Trend of S&S Sales



➤ S&S Sales growth is going well.

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

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



## Second Year Review and Third Year Forecast

### Trend and Target of Management Indicators

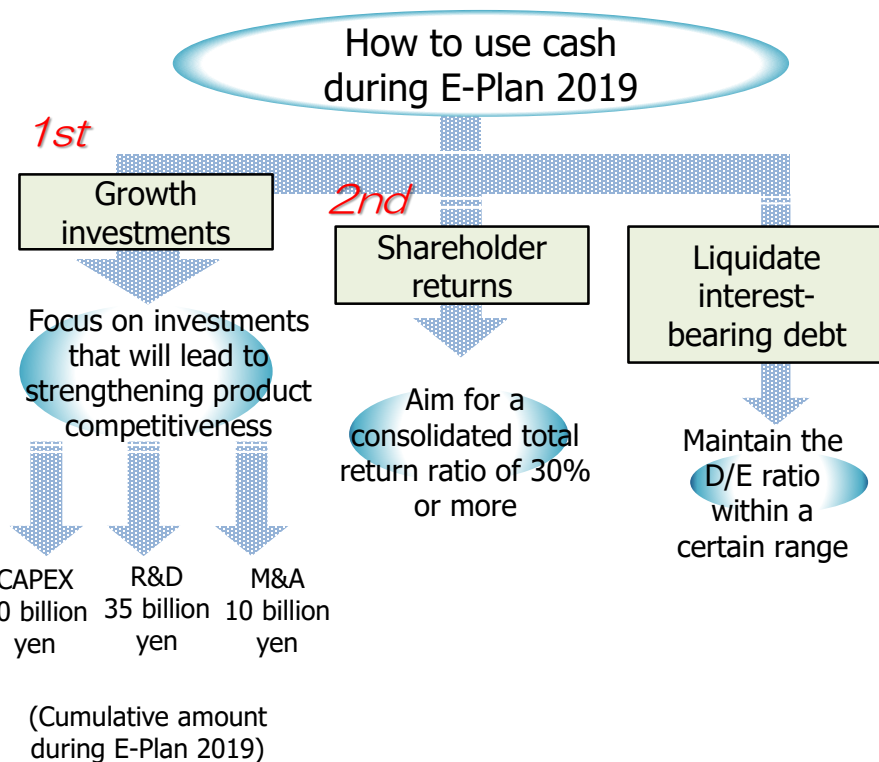
		FY2016 (Results)	FY2017* (Results)	FY2018 (Results)	FY2019 (Plan)	E-Plan2019 Target
ROIC	Whole	5.6%	2.5%	4.9%	5.6%	8.0% or more
Operating income ratio		6.3%	4.7%	6.4%	6.5%	9.0% or more
Operating income ratio	FMS	3.2%	0.6%	2.8%	4.8%	8.5% or more
	Pumps	3.3%	0.9%	3.5%	5.7%	8.0% or more
	CTs	3.1%	1.6%	2.2%	3.2%	11.0% or more
	Chillers	6.5%	3.8%	1.2%	6.1%	7.0% or more
	EP	8.5%	6.6%	7.8%	8.2%	11.0% or more
	PM	12.4%	12.7%	13.7%	10.0%	12.0% or more

\*The fiscal year, from April 1st, 2017 to December 31st, 2018, consisted of only 9 months due to a change in the accounting term.

## Second Year Review and Third Year Forecast

### Financial Strategy

#### <Cash allocation>



#### [1<sup>st</sup> Growth investments]

Growth investment is generally progressing as planned, though the investment scale in M&A is slightly less than the plan. (Only one acquisition in South Africa)

We are continuing to consider M&A investments in FY2019.

- The second year : Construction of an automated assembly line for standard pumps.
- The third Year : Construction of an automated assembly factory for dry vacuum pumps.
- Total investment during E-Plan2019 will be JPY96.4 billion except M&A.

#### [2<sup>nd</sup> Shareholder returns]

The total return ratio is expected to exceed the target "30%" at the end of E-Plan 2019 by stable dividends and repurchase of shares of our common stock.

- The second year : Total return ratio 60.5% and purchase of shares of our common stock (JPY 4.9billion)
- The third year : Intend to repurchase the stock (JPY 15.0billion) in addition to stable dividends.

#### [Repayment of interest-bearing debt]

Intend to repay interest-bearing debt taking into consideration the balance between growth investment and working capital level.

- Repurchased of shares of our common stock for the first time.
- If the growth investment is carried out as planned, the total investment for 3 years will be 96.4 billion yen.

### 3. Medium-Term Management Plan “E-Plan 2019” Toward the Final Year

Summary of the 2nd year : Improvement of ROIC is behind of the schedule due to the delay of profitability improvement.

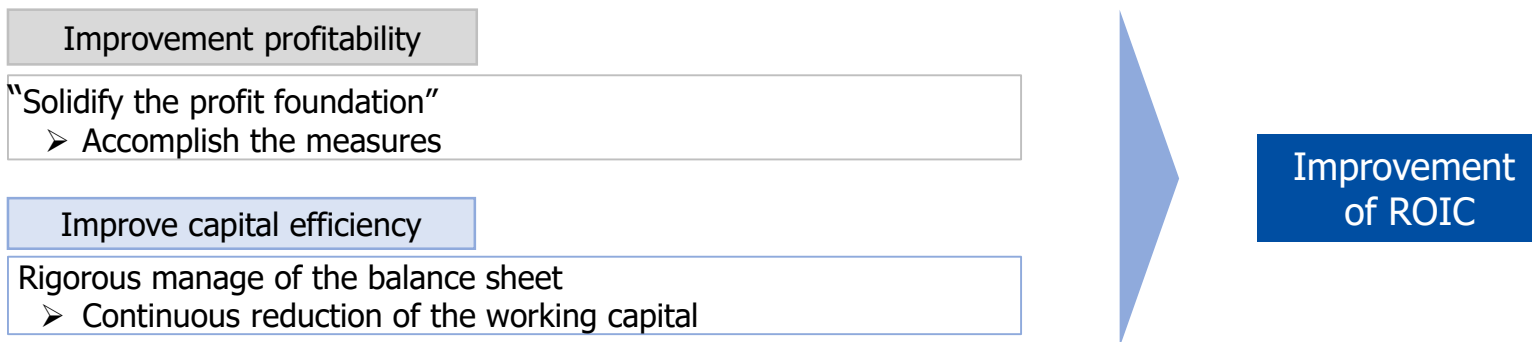
<The factors affecting the profitability>

Negative	<ul style="list-style-type: none"> <li>✓ Delay in recovery of the energy-related market compared to the situation that we expected at the planning.</li> <li>✓ The slowdown in the Chinese market</li> <li>✓ The Slowdown in the semiconductor industry</li> </ul>	External environment
	<ul style="list-style-type: none"> <li>✓ Some temporary costs from FMS business</li> <li>✓ A loss due to withdrawal from a part of the business at a manufacturing subsidiary of EP business in China</li> </ul>	Temporary internal factor
Positive	<ul style="list-style-type: none"> <li>✓ Effects of E-Plan 2019 measures progress</li> </ul>	Internal factors

⇒ The biggest reason for profitability improvement delay is the influence from the external environment.

⇒ It is necessary to solidify the profit foundation so that it does not rely on market fluctuations.

What we must tackle in the third year : Improvement of ROIC



➤ It is difficult to achieve the profitability targets by the end of E-Plan 2019, Dec. 2019, but we try to accomplish the all of measures. It will lead to achievement of the profitability targets after 2020.

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