

## Ebara Corporation First Quarter of FY2019 Earnings Conference Main Q&A

<Summary of Q&A during earnings conference held on May 14, 2019>

### First Quarter of FY2019 – Overall Results

**Q:** Looking at overall operating income, your rate of progress appears high. Is progress according to plan?

**A:** Progress is according to plan.

### First Quarter of FY2019 - FMS Business Results

**Q:** Looking at operating income results for the FMS Business, were profitability improvements in line with plans?

**A:** In the pumps business, profitability increase year on year, including for custom pumps. Service & Support (S&S) orders received were also favorable and there are no signs indicating that S&S will decline.

**Q:** Is the timing delay in product orders in the compressors and turbines business due to changes in the demand environment?

**A:** There was a period during the latter half of last year when crude oil prices dropped. This has resulted in investment pessimism among clients that continues to impact us. However, currently crude oil prices are improving, and we forecast receiving the delayed project orders by the end of the fiscal year.

**Q:** In the compressors and turbines business, S&S orders were favorable but how was progress compared to plans?

**A:** Progress is according to plan. This fiscal year, S&S represents a high ratio of first half net sales. However, product sales tend to increase during the second half so we forecast the ratio of S&S to net sales will decline.

**Q:** Product sales decreased in the compressors and turbines business, due to construction delays but since the profitability of products is lower than S&S, did this result in a positive impact that caused operating income to outperform plans?

**A:** There was a minor positive impact but including that impact, overall progress was largely on par with plans.

#### Forecast for Second Quarter of FY2019 - Overall

**Q:** Based on first quarter results, you forecast approximately 4.0 billion yen in overall operating income for the second quarter (April to June) but what are your thoughts on this forecast?

**A:** In a typical year, we do not see much operating income growth for the FMS business during this time of the year. Considering this, we are maintaining our current forecast.

#### Full-year Forecast for FY2019 - PM Business

**Q:** Are orders for the PM business in line with initial plans?

**A:** After confirming the status of projects within each department, we determined progress to be in line with initial plans.

**Q:** Your forecast for CMP business orders during the second quarter is higher than actual results from the first quarter. Is there any risk of underperforming this forecast?

**A:** We forecast orders for projects that were delayed during the first quarter will be secured during the second quarter. As such, our forecast is unchanged from initial plans. Some project delays are due to client-related factors, so it is impossible to say that there is no risk whatsoever.

#### Business Policy

**Q:** Your plan is to focus on improving profitability for the FMS business. Please tell me what you are positioning as current drivers of profitability improvements, the sustainability of those drivers, and the likelihood of achieving your E-Plan 2019 Medium-Term Management Plan goal of an "operating income ratio of 8.5%".

**A:** In the pumps business, while it does depend on the market, profitability is increasing thanks to favorable S&S for custom pumps. Also, there are no signs indicating that S&S will decline. Also, while later than planned, we are beginning to see the benefits of digitization and business reform efforts implemented to improve profitability manifest as empirical results. While there are still issues with our operating income ratio, we are seeing results.

As for achieving an operating income ratio of 8.5% for the FMS business, we will propel powerful strategies, including offering S&S for competitor compressors and turbines, as we aim to increase profitability.

**Q:** You have spoken about reform for the FMS business but what are your thoughts on the EP business and the PM business?

**A:** There is no change in our view that the PM business is a growth business, both in terms of market environment and our position.

The EP business involves long-term contracts lasting 20 to 30 years and produces profits of 5.0 to 6.0 billion yen each year. There is no change in our view of the business as a pillar that supports the profitability of the Ebara Group.

As present, we are advancing the strategies outlined in E-Vision 2030, our long-term management vision, as we evaluate 10-year goals and visions for the FMS business, the EP business, and the PM business. The biggest issue is profitability and we fully realize that the low profitability of the FMS business is a priority issue.