Results Presentation for the 2nd 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, Responsible for Finance & Accounting
   Akihiko Nagamine

2. Projection and Management Strategy
   President, Representative Executive Officer
   Toichi Maeda
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.
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).
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 2nd 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 2nd Quarter

<table>
<thead>
<tr>
<th></th>
<th>Reference 2Q ended Jun.30,2017 (Results) (A)</th>
<th>FY ending Jun.30,2018 (Initial plan) (B)</th>
<th>FY ending Jun.30,2018 (Forecast) (C)</th>
<th>Change (from Plan) (C-B)</th>
<th>Change (Year-on-year) (C-A)</th>
</tr>
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<tbody>
<tr>
<td><strong>FMS Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders</td>
<td>154.7</td>
<td>159.5</td>
<td>161.5</td>
<td>+ 2.0</td>
<td>+ 6.8</td>
</tr>
<tr>
<td>Net Sales</td>
<td>155.0</td>
<td>152.5</td>
<td>154.3</td>
<td>+ 1.8</td>
<td>△ 0.6</td>
</tr>
<tr>
<td>Operating Income</td>
<td>10.5 (6.0%)</td>
<td>1.0 (9.7%)</td>
<td>2.2 (1.5%)</td>
<td>+ 1.2</td>
<td>△ 8.2</td>
</tr>
<tr>
<td><strong>EP Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders</td>
<td>37.5</td>
<td>60.0</td>
<td>65.8</td>
<td>+ 5.8</td>
<td>+ 28.2</td>
</tr>
<tr>
<td>Net Sales</td>
<td>35.5</td>
<td>31.0</td>
<td>29.3</td>
<td>△ 1.6</td>
<td>△ 6.1</td>
</tr>
<tr>
<td>Operating Income</td>
<td>2.4 (7.0%)</td>
<td>2.5 (8.1%)</td>
<td>2.2 (7.6%)</td>
<td>△ 0.2</td>
<td>△ 0.2</td>
</tr>
<tr>
<td><strong>PM Business</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orders</td>
<td>64.5</td>
<td>70.0</td>
<td>72.6</td>
<td>+ 2.6</td>
<td>+ 8.0</td>
</tr>
<tr>
<td>Net Sales</td>
<td>72.4</td>
<td>66.0</td>
<td>66.7</td>
<td>+ 0.7</td>
<td>△ 5.7</td>
</tr>
<tr>
<td>Operating Income</td>
<td>10.8 (15.0%)</td>
<td>8.5 (12.8%)</td>
<td>10.0 (15.1%)</td>
<td>+ 1.5</td>
<td>△ 0.7</td>
</tr>
<tr>
<td><strong>Others, Adjustment</strong></td>
<td>0.8</td>
<td>0.5</td>
<td>0.8</td>
<td>+ 0.3</td>
<td>△ 0.0</td>
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<tr>
<td>Net Sales</td>
<td>0.8</td>
<td>0.5</td>
<td>0.8</td>
<td>+ 0.3</td>
<td>△ 0.0</td>
</tr>
<tr>
<td>Operating Income</td>
<td>0.1 (10.0%)</td>
<td>0.0 (9.6%)</td>
<td>0.1 (10.1%)</td>
<td>+ 0.1</td>
<td>+ 0.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>257.6</td>
<td>290.0</td>
<td>300.8</td>
<td>+ 10.8</td>
<td>+ 43.1</td>
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<tr>
<td>Net Sales</td>
<td>263.8</td>
<td>250.0</td>
<td>251.2</td>
<td>+ 1.2</td>
<td>△ 12.6</td>
</tr>
<tr>
<td>Operating Income</td>
<td>24.0 (8.1%)</td>
<td>17.0 (4.8%)</td>
<td>14.7 (3.9%)</td>
<td>+ 2.7</td>
<td>△ 9.3</td>
</tr>
</tbody>
</table>

( ) Ratio to sales
Sales Composition by Region

- No significant change in overseas sales ratio.
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.
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.
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).
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.
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).
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, ① new projects are being planned and ② existing plants continue to operate at high levels, so they need to be maintained.
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

- **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.

[Diagram showing revised segment breakdown in orders and sales forecast from the initial plan]

- [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

- [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
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

#### Full Year

<table>
<thead>
<tr>
<th>Business</th>
<th>FY ended Dec 31, 2017</th>
<th>FY ending Dec 31, 2018</th>
<th>Change</th>
<th>Change</th>
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<tr>
<td><strong>FMS Business</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pumps</td>
<td>174.2</td>
<td>170.0</td>
<td>-3.7</td>
<td>89.0</td>
</tr>
<tr>
<td>Compressors &amp; Turbines</td>
<td>83.3</td>
<td>85.0</td>
<td>+16.0</td>
<td>30.1</td>
</tr>
<tr>
<td>Chillers</td>
<td>34.5</td>
<td>37.0</td>
<td>+16.0</td>
<td>17.9</td>
</tr>
<tr>
<td>Others</td>
<td>16.7</td>
<td>14.0</td>
<td>-16.0</td>
<td>6.6</td>
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<td><strong>FMS Business Total</strong></td>
<td>308.9</td>
<td>314.0</td>
<td>+16.0</td>
<td>154.7</td>
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<tr>
<td><strong>EP Business</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Plants</td>
<td>65.1</td>
<td>90.0</td>
<td>+24.8</td>
<td>37.5</td>
</tr>
<tr>
<td><strong>EP Business Total</strong></td>
<td>65.1</td>
<td>90.0</td>
<td>+24.8</td>
<td>37.5</td>
</tr>
<tr>
<td><strong>PM Business</strong></td>
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<td></td>
</tr>
<tr>
<td>Components</td>
<td>59.8</td>
<td>65.0</td>
<td>+1.0</td>
<td>29.6</td>
</tr>
<tr>
<td>CMP Systems</td>
<td>62.7</td>
<td>71.0</td>
<td>+18.0</td>
<td>30.7</td>
</tr>
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<td>Others</td>
<td>7.7</td>
<td>16.0</td>
<td>+16.0</td>
<td>4.1</td>
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<td><strong>PM Business Total</strong></td>
<td>130.3</td>
<td>140.0</td>
<td>+16.0</td>
<td>64.5</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>1.6</td>
<td>1.0</td>
<td>-16.0</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Others Total</strong></td>
<td>1.6</td>
<td>1.0</td>
<td>-16.0</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>326.0</td>
<td>345.0</td>
<td>+16.0</td>
<td>207.6</td>
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#### 2Q

<table>
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<tr>
<th>Business</th>
<th>2Q ended Jun 30, 2017</th>
<th>2Q ended Sep 30, 2017</th>
<th>Change</th>
<th>Change</th>
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<td><strong>FMS Business</strong></td>
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<td></td>
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<tr>
<td>Pumps</td>
<td>89.0</td>
<td>86.0</td>
<td>+1.0</td>
<td>64.9</td>
</tr>
<tr>
<td>Compressors &amp; Turbines</td>
<td>50.6</td>
<td>50.0</td>
<td>+0.7</td>
<td>50.7</td>
</tr>
<tr>
<td>Chillers</td>
<td>17.5</td>
<td>17.5</td>
<td>+0.0</td>
<td>19.4</td>
</tr>
<tr>
<td>Others</td>
<td>6.0</td>
<td>6.0</td>
<td>+0.0</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>FMS Business Total</strong></td>
<td>154.7</td>
<td>159.5</td>
<td>+2.0</td>
<td>161.5</td>
</tr>
<tr>
<td><strong>EP Business</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Plants</td>
<td>65.8</td>
<td>60.0</td>
<td>+5.8</td>
<td>65.8</td>
</tr>
<tr>
<td><strong>EP Business Total</strong></td>
<td>65.8</td>
<td>60.0</td>
<td>+5.8</td>
<td>65.8</td>
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<td><strong>PM Business</strong></td>
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</tr>
<tr>
<td>Components</td>
<td>29.6</td>
<td>32.0</td>
<td>+12.0</td>
<td>36.7</td>
</tr>
<tr>
<td>CMP Systems</td>
<td>30.7</td>
<td>36.0</td>
<td>+27.0</td>
<td>38.7</td>
</tr>
<tr>
<td>Others</td>
<td>4.1</td>
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<td>3.1</td>
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<td><strong>PM Business Total</strong></td>
<td>64.5</td>
<td>70.0</td>
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<td>72.0</td>
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<tr>
<td><strong>Others</strong></td>
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<td>0.8</td>
</tr>
<tr>
<td><strong>Others Total</strong></td>
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<td>0.5</td>
<td>+3.0</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>207.6</td>
<td>290.0</td>
<td>+10.0</td>
<td>300.0</td>
</tr>
</tbody>
</table>

*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."

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Looking ahead, going beyond expectations

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### Breakdown of Sales Results by Business Segment

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>FMS Business</strong></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Pumps</td>
<td>164.5</td>
<td>170.0</td>
<td>-1.6</td>
<td>88.6</td>
<td>89.0</td>
<td>+1.5</td>
<td>+1.8</td>
</tr>
<tr>
<td>Compressors and Turbines</td>
<td>83.8</td>
<td>85.0</td>
<td>-1.8</td>
<td>41.0</td>
<td>41.0</td>
<td>+0.2</td>
<td>-0.6</td>
</tr>
<tr>
<td>Chillers</td>
<td>35.8</td>
<td>37.0</td>
<td>-1.6</td>
<td>16.4</td>
<td>16.0</td>
<td>+0.7</td>
<td>+0.2</td>
</tr>
<tr>
<td>Others</td>
<td>35.9</td>
<td>14.0</td>
<td>+1.6</td>
<td>8.7</td>
<td>6.5</td>
<td>+0.3</td>
<td>+2.3</td>
</tr>
<tr>
<td>FMS Business Total</td>
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<td>125.0</td>
<td>152.5</td>
<td>+1.8</td>
<td>+9.8</td>
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<td><strong>EP Business</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Plants</td>
<td>69.0</td>
<td>60.0</td>
<td>+1.5</td>
<td>35.5</td>
<td>31.0</td>
<td>+1.3</td>
<td>+4.1</td>
</tr>
<tr>
<td>EP Business Total</td>
<td>69.0</td>
<td>60.0</td>
<td>+1.5</td>
<td>35.5</td>
<td>31.0</td>
<td>+1.3</td>
<td>+4.1</td>
</tr>
<tr>
<td><strong>PM Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Components</td>
<td>57.0</td>
<td>56.0</td>
<td>+1.8</td>
<td>28.0</td>
<td>29.0</td>
<td>+1.8</td>
<td>+2.6</td>
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<td>CMF Systems</td>
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<td>69.0</td>
<td>-1.5</td>
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<td>PM Business Total</td>
<td>130.0</td>
<td>130.0</td>
<td>-1.0</td>
<td>72.4</td>
<td>66.0</td>
<td>+0.7</td>
<td>+5.7</td>
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<td>Others</td>
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<td>0.8</td>
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<td>Others Total</td>
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<td>0.8</td>
<td>0.5</td>
<td>+0.3</td>
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<tr>
<td>Total</td>
<td>597.8</td>
<td>505.0</td>
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<td>263.0</td>
<td>250.0</td>
<td>+1.2</td>
<td>+12.6</td>
</tr>
</tbody>
</table>

*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.*

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Looking ahead, going beyond expectations

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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

- **Basic Policy 1**: Solidify the profit foundation of the Group so that it does not rely on market fluctuations, and aim for further growth.

- **Basic Policy 2**: Strengthen product competitiveness and improve profitability by introducing innovative production processes and business processes with the fully-automated plant at the core.

- **Basic Policy 3**: Expand the Service & Support (S&S) business to improve and stabilize profitability.

- **Basic Policy 4**: Utilize M&As as effective means, in businesses which are expected to generate stable growth and profits, for the purpose of increasing the Group's share in the overseas markets and enhancing product lineup; and in businesses which are highly susceptible to market fluctuations, for the purpose of expanding the domain of the S&S business.

- **Basic Policy 5**: In order to shore up the global expansion of each business, reinforce corporate headquarters’ strategic functions while at the same time make Groupwide efforts to consolidate ongoing operations and enhance their efficiency.

➢ The most important challenge is to improve profitability of the pumps business.
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.
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.
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.
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.
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.
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>

- 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.
This release contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof. EBARA undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

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