Results Presentation for Fiscal Year
Ended December 31, 2017

EBARA (6361)

February 15, 2018
1. Summary of Results

Change in Accounting Period

- Changed our accounting period from the end of March to the end of December.
- The fiscal year ended December 31, 2017 is a transitional period, covering nine months from April 1, 2017 to December 31, 2017 of companies whose accounting period was originally April to March, and 12 months from January 1, 2017 to December 31, 2017 of companies whose accounting period was originally January to December.
- In this presentation, to compare results for the fiscal year ended December 31, 2017 (9 months) with the same period of the fiscal year ended December 31, 2016, we use reference values, combining March 31 year-end companies' 9-month results from April 1, 2016 to December 31, 2016 and December 31 year-end companies' 12-month results from January 1, 2016 to December 31, 2016.
<Main Points>

- Operating income increased by approximately 1.3 billion yen thanks to increased revenues and the impact of foreign exchange rates.
- Ordinary income was higher thanks to higher operating income and losses on foreign currency fluctuations were down thanks to yen depreciation.
- The annual average exchange rate was US $1 = 112.30 yen (previous year was 107.10 yen).
Segmental Results for Fiscal Year Ended December 31, 2017:

<Main Points>

- Our mainstay FMS Business saw signs of a recovery trend on oil and gas markets.
- The PM Business continued favorable performance from previous year.
### Segmental Results for Fiscal Year Ended December 31, 2017 (FMS Business):

#### (Factors behind increased orders)
- Compared to the same period last year, orders increased by 9.5 billion yen for the pumps business and by 12.4 billion yen for the compressors and turbines business.
  - Orders were particularly favorable for standard pumps both in Japan and overseas. Orders for custom pumps mainly grew overseas.
  - The compressors and turbines business grew mainly on service and support (S&S).
  - Products: Saw new orders in certain regions such as China.
  - S&S: Trend of putting off maintenance is subsiding as inspections and other local plant services increased.

#### (Factors behind increased sales)
- The pump business's lead time for standard pumps is short so, like orders, sales are favorable.
- The compressors and turbines business increased mainly on sales of products.

#### (Factors behind increased operating income)
- Despite the increased revenues, the profit margin decreased for the compressors and turbines business. This was due to a change in product mix as the proportion of sales from S&S decreased. Furthermore, parts sales, a particularly highly profitable aspect of the S&S business decreased compared to the same period last year.
Segmental Results for Fiscal Year Ended December 31, 2017 (EP Business):

(Factors behind increased orders)
- Orders were largely unchanged year on year.

(Factors behind increased sales)
- The market for service life extension projects decreased in Japan due to a lull in demand but sales increased in China.

(Factors behind decreased operating income)
- Profitability worsened due to decreased sales of service life extension projects and having recorded provisions for long-term O&M projects.
Segmental Results for Fiscal Year Ended December 31, 2017 (PM Business):

(Factors behind increased orders)

- The components business increased significantly thanks to memory-related investments.
- CMP Business orders decreased but order levels during the same period last year were extremely high and some orders were carried over so in reality order levels were still high.

(Factors behind increased sales)

- Sales increased thanks to favorable orders from the second half of the FY Ended March 2017 to the current fiscal year.

(Factors behind increased operating income)

- Increased revenue.
- Our customer range is expanding and the increase in USD transactions resulted in approximately 1.0 billion yen in currency gains due to yen depreciation.
- Increased investments for demonstration machines, etc., and increased expenses related to greater expenses for outsourced processing to address increased work volume taken on by the components business.
Sales Composition by Region for Fiscal Year Ended December 31, 2017:

Compared to the same period last year, both sales amounts and percentages increased. In particular, semiconductor, and oil and gas-related sales to Asia increased.
Balance Sheet for Fiscal Year Ended December 31, 2017:

(Factors behind increase in cash and deposits)
- Recovery of trade receivables progressed thanks to increased sales for the PM Business, which has a relatively low working capital burden.
- Although there were expenditures in FY Ended March 2017 related to investments for production capacity increases at the Kumamoto Plant, capital expenditures this fiscal year, which is a nine-month period, were not as significant as the previous fiscal year.

(Factors behind increase in interest-bearing debt)
- Procured 10.0 billion yen through corporate bonds.
- Increased debt at overseas subsidiaries.
Financial Information for Fiscal Year Ended December 31, 2017:

<Cash flows>
- Cash flows from operating activities... +44.1 billion yen: Recovery of trade receivables progressed.
- Cash flows from investing activities... -7.9 billion yen: Delays in some capital expenditures.
- Cash flows from financing activities... +11.2 billion yen: Dividend payments of 6.0 billion yen, issued corporate bonds and loans received at overseas subsidiaries.

<Dividends per share & total payout ratio>
- Dividends per share... at the end of the FY Ended December 2017: 15 yen, full-year: 45 yen (same as initial forecasts)
- Total payout ratio... 48.0% (income for nine months)
- For FY Ended December 2018, we are forecasting a per share dividend of 60 yen and a total payout ratio of 33.8% for the two periods combined beginning from FY Ended December 2017.

<Capital expenditures, depreciation and amortization, R&D expenses>
- Capital expenditures... 12.3 billion yen, below the original plan amount of 15.0 billion yen
- R&D expenses... 7.2 billion yen, below the original plan amount of 9.0 billion yen
- For FY Ended December 2018, we are forecasting investments of 23.0 billion yen for the pump automation plant and other capital expenditures, and 13.0 billion yen for R&D expenses.
Business environment in Fiscal Year Ended December 31, 2018:

<FMS Business>
- While we are seeing more capital expenditures in the oil and gas industry, particularly ethylene and other petrochemical plants, which are the main target markets for the compressors and turbines business, the market has yet to recover sufficiently.
- The building equipment market demand is expected to recover overseas, particularly in emerging markets.

<EP Business>
- Orders for waste treatment facilities and other public works projects will be largely unchanged year on year.

<PM Business>
- Capital expenditures related to semiconductors continue to transition favorably and customer capital expenditures for both memory and logic are active.
Earnings projections for Fiscal Year Ending December 31, 2018:

<Main Points>

- We project orders will increase, net sales will decrease, and operating income will be largely unchanged year on year.
- Net income is projected to include costs related to restructuring overseas business, among other costs.
Earnings projections for Fiscal Year Ending December 31, 2018 (by segment):

- For the FMS Business, improving orders for the mainstay pumps business and the compressors and turbines business will be key.
- EP Business orders are projected to increase significantly from the same period last year due to the EPC bid won last year, and we project orders for long-term O&M projects and increases in service life extension projects.
- The PM business is in a favorable environment but the latter half of the year leaves a lack of transparency concerning the business environment so we are planning for orders, sales, and operating income to be largely unchanged year on year.

With the change in our accounting period, we project that some businesses will see a change in how quarterly earnings progress.
2. Projection and Management Strategy
FMS Projection for Fiscal Year Ending December 31, 2018

<table>
<thead>
<tr>
<th>FMS Business</th>
<th>Orders</th>
<th>Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orders</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY Ending December 31, 2018 Plan</td>
<td>314.0</td>
<td>314.0</td>
<td>13.5</td>
</tr>
<tr>
<td>FY Ending December 31, 2017 Results</td>
<td>266.9</td>
<td>304.1</td>
<td>14.1</td>
</tr>
<tr>
<td>1Q, 2Q, 3Q, Full Year</td>
<td>154.7</td>
<td>217.5</td>
<td>10.3</td>
</tr>
<tr>
<td></td>
<td>76.2</td>
<td>93.5</td>
<td>9.9</td>
</tr>
</tbody>
</table>

**[Orders]**
- In the pumps business, standard pumps are expected to increase overseas.
- The compressors & turbines business is on a gradual recovery trend.

**[Sales, Operating Income]**
- In the pumps business, sales and profit are expected to increase.
- In the compressors & turbines business, profit improvement is slow.

Projections for Fiscal Year Ending December 31, 2018 (FMS Business):

**<Orders and sales>**
- With strong demand overseas for standard pumps, we project orders will increase particularly in China and Europe.
- Capital expenditures by customers in the oil and gas markets are trending towards a mild recovery and we are projecting both orders and sales to increase compared to the same period last year.

**<Operating income>**
- The factor pulling down income is mainly lower profitability for the compressors and turbines business.
- Although the S&S business, particularly field services, is trending towards recovery, product mix, which has worsened since the previous fiscal year, and intensifying product pricing competition, are expected to cause a delay in income improvement.

<Orders and sales>
- The order environment is favorable and projected to outperform the same period last year significantly. Projecting orders related to bids on large-scale projects won the previous year and strong demand for service life extension projects.
- We project sales will decline year on year due to the progress of existing construction projects. Orders are favorable but we project sales will be recorded next fiscal year or later.

<Operating income>
- Income projected to improve on increased private sector sales and no longer recording provisions for long-term O&M projects.
Projections for Fiscal Year Ending December 31, 2018 (PM Business):

<Orders and sales>
- The semiconductor market is projected to remain strong thanks to customer capital expenditures for memory and logic. In particular, we project that favorable memory-related (3D-NAND) investments will drive a high level of orders and sales for the components business.
- Projecting market conditions, particularly for the second half of the year, is difficult so plans are based on current observations.

<Operating income>
- To achieve future profit growth, we are increasing our R&D budget as part of prior investments but we still project recording income largely unchanged from the same period last year.
Orders and sales by business segment:

Important information concerning FY Ending December 2018 projections for orders and sales in the pumps business and the compressors and turbines business are as follows.

- As part of Group internal restructuring, we are planning to shift operational control of the cryogenic pumps business from Ebara International Corporation (US company) to Elliott Company (US company), which operates the compressors and turbines business. By establishing an operating structure that takes advantage of the commonalities of both businesses, we will aim to further expand operations in the oil and gas market. As a result, we have shifted approximately 10.0 billion yen in orders and sales targets from the pump business to the compressors and turbines business.
## Breakdown of Sales Results by Business Segment

<table>
<thead>
<tr>
<th></th>
<th>Sales</th>
<th>9 months</th>
<th>12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Forecast</td>
<td>Results</td>
</tr>
<tr>
<td><strong>FMS Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pumps</td>
<td>126.9</td>
<td>130.0</td>
<td>133.4</td>
</tr>
<tr>
<td>Compressors and Turbines</td>
<td>48.0</td>
<td>50.0</td>
<td>53.8</td>
</tr>
<tr>
<td>Chillers</td>
<td>25.0</td>
<td>25.0</td>
<td>28.2</td>
</tr>
<tr>
<td>Others</td>
<td>13.2</td>
<td>13.0</td>
<td>9.3</td>
</tr>
<tr>
<td><strong>FMS Business Total</strong></td>
<td>213.8</td>
<td>218.0</td>
<td>225.7</td>
</tr>
<tr>
<td><strong>EP Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Plants</td>
<td>45.7</td>
<td>45.0</td>
<td>47.6</td>
</tr>
<tr>
<td><strong>EP Business Total</strong></td>
<td>45.7</td>
<td>45.0</td>
<td>47.6</td>
</tr>
<tr>
<td><strong>PM Business</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Components</td>
<td>37.9</td>
<td>44.0</td>
<td>51.7</td>
</tr>
<tr>
<td>CMP Systems</td>
<td>45.8</td>
<td>49.5</td>
<td>49.8</td>
</tr>
<tr>
<td>Others</td>
<td>5.6</td>
<td>6.5</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>PM Business Total</strong></td>
<td>89.4</td>
<td>100.0</td>
<td>107.3</td>
</tr>
<tr>
<td>Others</td>
<td>1.2</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Others Total</td>
<td>1.2</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>203.2</td>
<td>224.0</td>
<td>239.1</td>
</tr>
</tbody>
</table>

* In the results of the fiscal year ended December 31, 2017, orders and sales of the cryogenic pumps (LNG transfer pumps) business were included in the pumps business. Meanwhile, in the plan of the fiscal year ending December 31, 2018, they are included in the compressors & turbines business.
2. Projection and Management Strategy
Medium-Term Management Plan “E-Plan 2019”

“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
2. Projection and Management Strategy
Medium-Term Management Plan “E-Plan 2019”

The Key Message of E-Plan 2019

“Unlimited challenge toward growth”

5 Basic Policies and the 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
E-Plan 2019 first year review:

Due to the impact of a nine month accounting period, income levels declined temporarily, and both ROIC and operating income ratio declined year on year.
E-Plan 2019 first year review (operating income ratio by segment):

PM Business was favorable thanks to firm capital expenditures in semiconductors. On the other hand, the other two businesses were impacted by the nine month accounting period, resulting in a significant decrease in income levels. In particular, the FMS Business saw operating income for the custom pumps and the compressors and turbines business perform below plans due to sluggish recovery on the oil and gas market.
E-Plan 2019 first year review (transitions for major KPI (S&S sales)):

Achieved first year goals. Sales levels decreased due to the impact of the nine month accounting period but FY Ended December 2017 transitioned largely on par with plans.
E-Plan 2019 first year review (FMS Business):

**Compressors and turbines business**

- **External environment**
  - While the oil and gas market downstream segments show signs of a mild recovery, upstream segments do not appear to have bottomed-out. Businesses with expertise in upstream segments continue to shift into downstream segments, causing intensified competition.

- **Measures**
  - Pursue cost reductions and faster turnaround through design standardization and automation.
  - Optimize global operations consolidation.

**Chillers business**

- **External environment**
  - Firm domestic market
  - Overseas, sales and orders of large-scale heat pumps in the Chinese market were largely unchanged.

- **Measures**
  - We will continue to strengthen the S&S business.
  - We will expand our centrifugal chiller products to increase our lineup of competitive products.
E-Plan 2019 first year review (Pump business measures):

Measures are on schedule and we expect to see the effect on gains and losses from the second year onward.

- **Measures**

  1. **Improve profitability**
     - Plan for automated production line, optimization of operations, promote digitalization, and standardize operations.
     - We will aim to launch operations in 2019 on automated production line for standard pumps that is limited to models suited for mass production and with designs that allow ease of application to other models. We currently are in the detailed planning phase.
     - We will improve work efficiency by establishing a new department that consolidates work related to estimates, inquiries, etc.

  2. **Increase sales**
     - Develop global core products and regional products to meet the needs of customers in each region, and consistently launch new products to market.
     - In August 2017, we purchased a South African company to serve as a sales company for standard pumps and establish a base for a future growth market.

  3. **Reduce fixed costs**
     - We optimized human resources as a part of structural reforms for the domestic pumps business. Reduce overall human resource numbers for the domestic pumps business by 20% by reassigning full-time employees throughout Group companies and reviewing non-regular employees.
E-Plan 2019 first year review (EP Business):

Income declined due to the impact of the nine month accounting period but from FY Ending December 2018 onward, we project an increase in orders for highly profitable service life extension projects.

- **External environment**
  - Order volume was stable for EPC and O&M for municipal waste incineration plants, our main market.

- **Measures**
  - Initiatives to improve non-price evaluations in order to capture new orders.
  - Expand scope of work received from O&M clients.
E-Plan 2019 first year review (PM Business):

■ External environment
  ➢ Memory and logic markets both transitioned favorably and investments by memory manufacturers were particularly strong.

■ Measures
  ➢ We will implement strategies and conduct prior investments.
  ➢ We also will focus on the growth of a third business to follow up CMP and components.
  ➢ Planning for the automated factory for dry vacuum pumps was completed the previous fiscal year. We plan to complete construction this fiscal year and start operations next fiscal year.
Second and Third Year of E-Plan 2019:

<Summary of first year>

- Measures for each business progressed smoothly and we saw results in some areas. However, as we conducted prior investments for growth, we will not immediately see major contributions to income.
- Recovery of the energy sector, particularly oil and gas, is slower than expected. Although we projected a certain level of market recovery, the competitive environment is not showing signs of improvement. As a result, profitability for custom pumps and compressors and turbines fell below plans.

<For second and third year>

- To achieve our key management indicator of ROIC 8%, we will implement additional measures to operating income ratio and promote enhancements to capital efficiency.
  - At businesses lagging behind in profitability improvements, we will rebuild production structures and optimize human resources to further improve income.
  - We will improve capital turnover ratio and reinforce appropriate balance sheet management to improve capital efficiency and pursue the achievement of both business and capital goals.
# Second and Third Year of E-Plan 2019

## Achievement Status of Management Indicators

<table>
<thead>
<tr>
<th>Companywide</th>
<th>FY Ended March 31, 2017 (Results)</th>
<th>FY Ended December 31, 2017 (Initial Plan)</th>
<th>FY Ending December 31, 2019 (Targets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROIC</td>
<td>5.6%</td>
<td>N/A</td>
<td>2.7%</td>
</tr>
<tr>
<td>Operating Income (¥bn)</td>
<td>29.9</td>
<td>15.0</td>
<td>18.1</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>6.3%</td>
<td>4.2%</td>
<td>4.7%</td>
</tr>
<tr>
<td>FMS Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (¥bn)</td>
<td>9.4</td>
<td>2.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>3.2%</td>
<td>0.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>EP Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (¥bn)</td>
<td>5.7</td>
<td>4.0</td>
<td>3.1</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>8.5%</td>
<td>8.9%</td>
<td>6.6%</td>
</tr>
<tr>
<td>PM Business</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income (¥bn)</td>
<td>14.1</td>
<td>9.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Operating Income Ratio</td>
<td>12.4%</td>
<td>10.0%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>
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