EBARA CORPORATION

Long-Term Vision E-Vision 2035 and Medium-Term Management Plan E-Plan 2028 Briefing held February 13, 2026

Summary of Q&A

Questioner 1:
For the FY2028 medium-term management plan targets, how were the performance figures determined? Are they based on high-certainty bottom-up plans, or do they include stretch elements? Specifically, how were the JPY1.2 trillion revenue target and 14.5% or higher operating profit ratio target set?

Hosoda:
The FY2028 targets are fundamentally built from the aggregated business plans of each segment and then shaped by the collective intent of the entire Group. We considered market expansion trends and each business environment and created a three-year plan that is realistic yet includes a degree of stretch ambition.

Questioner 1:
On the cash allocation slide (page 24): What are the assumptions for three-year cumulative free cash flow and asset sales? Also, how should we think about share buybacks, given the JPY10 billion buyback announced and the comment that buybacks will occur more frequently?

Hosoda:
For cash flow, we expect JPY400 billion in operating cash flow before R&D over the three-year period. Normally, operating cash flow excludes R&D, but because we allocate R&D intentionally, we use the “operating cash flow before R&D” concept. Subtracting JPY80 billion of R&D gives JPY320 billion as our cumulative operating cash flow assumption.

For asset sales, as we advance structural reforms, we will consider monetizing idle assets or low-efficiency businesses, but we do not have a specific target amount at this time.

Fuchida:
Before discussing buybacks, let me address shareholder returns more broadly. Our baseline dividend policy remains a payout ratio of 35% of operating profit. Given the increased stability of earnings, during the E-Plan 2028 period, we intend to conduct share buybacks on a continuous, not one-off, basis, aligned with our ROE target of 18% or higher. After investing for future growth, we plan to return more than 100% of cumulative free cash flow to shareholders. While we cannot specify annual buyback amounts today, we expect to review buybacks each year.

Questioner 1:
When you say buybacks will be reviewed annually, does that mean a fixed annual buyback budget, or simply an annual decision based on conditions?

Fuchida:
We will consider both the size of the authorization and the timing of execution each year.

Questioner 2:
With many business-environment changes expected over the next three years, which numerical targets are most important to management?

Hosoda:
All targets matter, but scale will ultimately follow execution. We place particular emphasis on efficiency indicators such as ROIC and ROE, and on profitability indicators such as the operating profit ratio.

Questioner 2:
For Precision Machinery, given that major investments have already been made over the past three years, it seems that little additional capex is needed in the next 1–2 years. With revenue expected to grow more than 15%, shouldn't the operating profit ratio improve more?

Hosoda:
Precision Machinery must invest ahead of demand. The market moves extremely quickly, and waiting until growth materializes would be too late. Capacity expansion and R&D must both be executed proactively. We have invested heavily in Fujisawa, Kumamoto, Taiwan, Korea, and China, and while this capacity will support us for a period, recent months suggest the market may expand faster than previously expected. We must continually evaluate the timing and scale of the next wave of investment. Therefore, we do not assume a pause in growth investment; some level of investment is planned during the next three years.

Nambu:
We made significant investments over the past three years, but further growth still lies ahead, so necessary investments will continue. Regarding the operating profit ratio, adoption of high-value-added technologies progresses gradually as the industry validates new processes. Therefore, profitability improves step by step rather than dramatically. Our policy is to steadily advance high-value-added offerings and profitability improvements, which will raise the operating profit ratio over time.

Questioner 3:
Regarding subsidiary profitability: Although revenue scale is small, EBARA has acquired companies such as Vansan. How much improvement is expected in subsidiary profitability during the medium-term plan? Are synergies included?

Nagata:
Recent acquisitions include Vansan in Turkey, Hayward Gordon in North America, and the Mitsubishi Electric three-phase motor business, which will soon close. For Vansan and Hayward Gordon, synergies, such as cross-selling, are already emerging. We also expect manufacturing efficiencies to materialize during E-Plan 2028.

For the Mitsubishi Electric motor business, motors are a critical component of EBARA’s pumps. Integrating motors, pumps, and control systems enhances product differentiation and competitiveness. Synergies from this integration are included in the plan, though we will not disclose specific figures.

Questioner 3:
In a previous small meeting, you mentioned unifying ERP globally to improve inventory management. Is this investment included in the medium-term plan?

Hosoda:
ERP implementation is not solely for improving subsidiary profitability or inventory management; it is part of strengthening our overall management foundation. ERP and other system investments are included within the JPY60 billion allocated for infrastructure investments.

End of Q&A