EBARA will engage in the "unlimited challenge toward growth" with the aim of becoming a manufacturer of industrial machinery that grows and develops its business on a global basis.

Toichi Maeda
President and Representative Executive Officer

Review of the Previous Medium-Term Management Plan —E-Plan 2016

The fiscal year ended March 31, 2017, was the final year of E-Plan 2016, a three-year medium-term management plan under which we strove to change course markedly from a stage of reinforcing management foundations to one of growth. During the period of this plan, we focused on achieving swift transformation and accelerating growth, successfully reaching a new record high for operating income during the second year of the plan. In the final year of the plan, however, we were unable to achieve our consolidated performance targets. Reasons behind this outcome included the difficult environment faced in the Fluid Machinery & Systems Business, where low crude oil prices caused customers to forego making investments, as well as delayed progress in certain measures.

Vision for the EBARA Group

Although we were unable to meet important consolidated performance targets, the EBARA Group was able to make contributions to society and the environment through its business during the period of E-Plan 2016. These contributions came from the development and subsequent launch of new products boasting superior energy efficiency in all businesses. Looking ahead, we remain committed to making further contributions to the resolution of social issues in the course of our business activities and thereby realizing a more enriched society and protecting the environment.

One look at the world today will reveal countless issues plaguing society and the global environment. Companies too are not without problems, as the competitive climate is constantly growing more complicated and more intense. In this climate, there will certainly be companies that choose to prioritize their own profits and market presence, paying no heed to the concerns of society and the environment. As a company, EBARA must, of course, grow its profits. However, the growth and competitive edge we seek cannot come at the expense of society and the environment. Rather, our vision for the EBARA Group is one in which the Group is able to create social value and help alleviate the burden placed on the environment through its business activities while simultaneously generating profits.

The medium-to-long-term goal of the EBARA Group is to become a manufacturer of industrial machinery that grows and develops its business on a global basis and that can stand abreast with global rivals in terms of both quantity and quality, or, in other words, business scale and profitability. Accomplishing this goal will require that we swiftly heighten the competitiveness of our products in the Fluid Machinery & Systems Business and other businesses while expanding our service and support, or S&S operations. These are tasks that cannot be accomplished without employees that are driven by their passion and dedication and embody the "EBARA Way." We therefore recognize the need to develop organizational structures and workplace environments that enable employees to exercise their talents to an even greater extent than previously possible. Moreover, employees should be able to hone their skills in a corporate culture that encourages competition and embraces challenges while pursuing higher pinnacles together with their coworkers.

Start of a New Medium-Term Management Plan—E-Plan 2019

Our new medium-term management plan, E-Plan 2019, was forged out of sincere introspection with regard to our inability to achieve the targets of E-Plan 2016 and live up to the expectations of our shareholders and other investors. In formulating this plan, we picked apart our experience with E-Plan 2016 to identify the issues that would need to be addressed in the new plan. Now in motion, E-Plan 2019 is aimed at thoroughly improving profitability in all businesses, and its period has been designated as a time to engage in the "unlimited challenge toward growth."

Taking advantage of products backed by EBARA's technologies and turning an earnest eye to the needs of customers, we have proceeded to bolster the Group's performance by maximizing the value we provide to customers. In my capacity as president, I will strive to ensure that all employees and all members of management are keenly aware of the fact that all of our efforts should be aimed at both the accomplishment of our medium-to-long-term goal and at contributions to society and the environment. Spurring us forward, I will help unite the strengths of our employees to drive further improvements to the EBARA Group's corporate value.

New Medium-Term Management Plan—E-Plan 2019

Management Policy and Medium-Term Management Plan

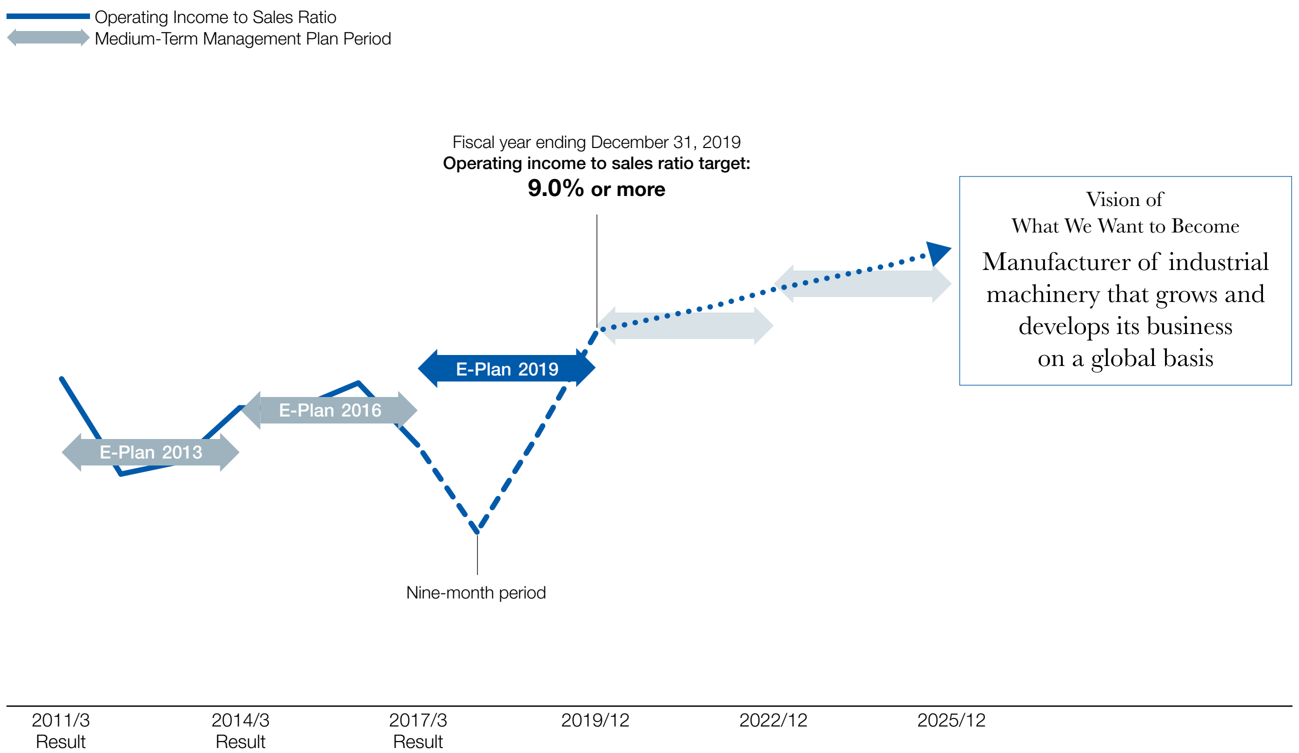
The management policy established in November 2015 defines annual net sales of ¥500.0 billion as the absolute minimum acceptable level. Moreover, we plan to raise this bar by the mid-2020s. This decision was based on our expectation that, in the near future, the Company will require an increasingly large scale in order to win out against the competition as our rivals constantly form and dissolve alliances. As part of our efforts to achieve sales of this level, we will focus on overseas expansion and the growth of operations through a stock-type model in existing businesses. At the same time, the Company will invest in production equipment, develop new products, and refine existing products. Other priority measures will include growing and strategically replacing existing businesses through M&A activities. For example, we will conduct acquisitions for increasing overseas market shares and bolstering product lineups. At the same time, we will look to limit performance volatility in businesses that are highly susceptible to market fluctuations by engaging in M&A activities related to S&S operations.

E-Plan 2019 is the first medium-term management plan to be formulated based on this management policy. Launched in April 2017, this plan is focused on profit, and its period has been designated as a time during which we will pursue profitability improvements in all businesses. Particular emphasis in E-Plan 2019 is placed on the profit margin of the pumps business, our largest business and the one that we have been developing since EBARA's founding.

Goals of the Management Policy

- The Company recognizes that consolidated sales of ¥500.0 billion constitute the minimum level required to continuously develop its businesses on a global basis and grow.
- In addition to the organic growth of its existing business resources, the Company has positioned mergers and acquisitions of businesses of a certain scale at the center of its growth strategy.
- The Company will achieve the organic growth of its existing business resources by increasing its presence around the world and by expanding its stock-type business.
- The Company will make continuous investments in production facilities and investments for new product development and the improvement of existing products in order to improve its product competitiveness.

Operating Income to Sales Ratio by Medium-Term Management Plan Period



Performance under E-Plan 2016 and Issues Remaining

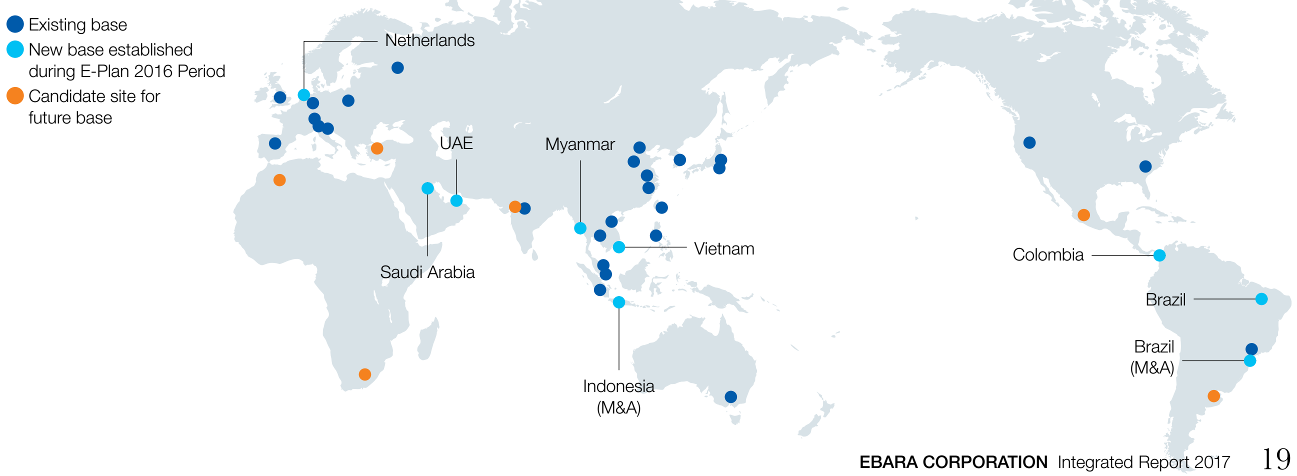
The three years of the previous medium-term management plan, E-Plan 2016, was a period during which we endeavored to change course markedly from a stage of reinforcing management foundations to one of growth. During this period, we emphasized quantity, or net sales, in overseas markets and quality, or operating income, in the domestic market as we utilized internal and external resources in a flexible and concentrated manner and advanced measures in all businesses aimed at swiftly bringing about change and accelerating growth. As a result of these efforts, the Precision Machinery Business remained strong throughout the plan's period, achieving net sales and operating income figures that exceeded our targets. The Fluid Machinery & Systems Business, meanwhile, was unable to meet its targets for these indicators. This was a result of a combination of factors, including delays in investment and orders among customers accompanying the slump in the crude oil price, which became exceptionally prominent in the second half of 2014. The Fluid Machinery & Systems Business was also impacted by sluggish demand in China stemming from economic slowdown, the protracted deflation trend in the domestic economy, and other external factors as well as delays in the progress measures in various business areas. The Environmental Plants Business also fell slightly short of its targets as we were unable to achieve our profitability improvement goals in engineering, procurement, and construction operations. As a consequence of the inability to achieve targets in these two businesses, our consolidated performance targets similarly went unmet. Although the heavy impact of operating environment factors certainly was a factor behind the inability to achieve income targets in the Fluid Machinery & Systems Business, we cannot deny the fact that the main cause lies in our lack of effort, an outcome we must accept in earnest.

I would now like to offer some details on the successes in each business during the period of E-Plan 2016 as well as the issues that remain. The Precision Machinery Business benefited from an accommodating operating environment as well as our steadfast effort to advance productivity innovation activities and shorten lead times, which enabled us to take advantage of the rapid growth in demand that began in 2016. This business generated substantial results over the past three years and has thus come to support the solid performance we are seeing today. Success was also achieved in the Environmental Plants Business, where we were able to steadily grow operation and maintenance, or O&M, business in Japan. In addition, our network of bases has expanded from 73 prior to the start of E-Plan 2016 to 80 today. This expanded network is proving to be a powerful asset for generating stable earnings. Similarly, the overseas network of the pumps business was expanded in the Fluid Machinery & Systems Business. Specifically, we established nine new overseas bases, nearly accomplishing the target of 10 new bases. In addition, we acquired companies in Indonesia and Brazil and established a service shop in Saudi Arabia. Meanwhile, we succeeded in developing and introducing new products each year in the standard pumps business.

Aside from our business, we also reinforced the Company's corporate governance system by transitioning to the Company with Three Committees system for the form of our organizational structure.

Turning to issues, although we were able to increase the number of S&S bases in the pumps business, we were unable to deploy services that were truly matched to the customers in the regions where these bases were located. As a result, we could not fully capitalize on our progress in S&S operations, and sales and income in the pumps business did not reach the targeted levels. At the same time, we experienced delays in commencing full-fledged production of new core global products, and the benefits of these products only just began appearing in the fiscal year ended March 31, 2017, the final year of E-Plan 2016. In the Environmental Plants Business, we sought to improve profitability with regard to new plant construction, but efforts on this front were incomplete. Furthermore, we had initially planned to cultivate a product line that could stand alongside components and chemical mechanical polishing, or CMP, systems as a third pillar of operations in the Precision Machinery Business. We had high hopes for plating systems with this regard, but sales promotions did not progress smoothly and the actual performance of this product line diverged significantly from our expectations.

Expansion of Overseas Network in Pumps Business during E-Plan 2016 Period (As of March 31, 2017)



New Medium-Term Management Plan—E-Plan 2019

Basic Policies of E-Plan 2019

Based on the issues remaining from E-Plan 2016, the following five Basic Group Policies have been put forth for E-Plan 2019.

Framework of Basic Group Policies

Basic Policy 1

Solidify the profit foundation of the Group so that it is not influenced by market fluctuations, and aim for further growth

Basic policy to ensure results are produced during the period of E-Plan 2019

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 service & support (S&S) operations to improve and stabilize profitability

Two more concrete policies for supporting the accomplishment of Basic Policy 1

Basic Policy 4

Utilize M&As as effective means for the purpose of increasing the Group's share in overseas markets and enhancing its product lineup in businesses expected to generate stable growth and profits and for the purpose of expanding the domain of S&S operations in businesses that are highly susceptible to market fluctuations

Basic M&A policy

Basic Policy 5

Reinforce corporate headquarters' strategic functions and at the same time make Groupwide efforts to consolidate ongoing operations and enhance their efficiency in order to shore up the global expansion of each business

Basic policy for corporate divisions tasked with supporting business activities

Basic Policy 1: Solidify Profit Foundation of the Group So That It is Not Influenced by Market Fluctuations

Basic Policy 1 provides the basic framework for E-Plan 2019. The EBARA Group seeks to achieve further growth by establishing profit foundations in all businesses that are not influenced by market fluctuations. To guide these efforts, we have evaluated the businesses in EBARA's five business domains based on their degree of sensitivity to market fluctuations. Through these evaluations, the standard pumps and chillers businesses and the Environmental Plants Business have been categorized as businesses in which the influence of market fluctuations is small and stable growth and profits can be expected. Meanwhile, the custom pumps and compressors and turbines businesses and the Precision Machinery Business have been categorized as businesses that are heavily influenced by market fluctuations. Determining the speed of initiatives in each business based on this categorization has been positioned as a core aspect of E-Plan 2019. In businesses in which we can expect stable growth and profits, we will conduct investments in a focused manner aimed at growing operations and boosting profitability. In businesses that are heavily influenced by market fluctuations, rather than implementing strategies that are at the whim of market trends, we will strive to build robust profit structures that can guarantee profits even when faced with the poorest of market conditions.

In these manners, we will seek to improve the profitability of all businesses and raise the bar for minimum profits. After this goal has been accomplished, the next step will be to expand the scale of these businesses. This is the goal of Basic Policy 1. Basic Policies 2, 3, and 4 are meant to lay out more concrete policies for supporting the implementation of Basic Policy 1. This framework has been adopted to ensure consistency with the policies of E-Plan 2016 and to chart a clear course for our efforts during the period of E-Plan 2019.

Basic Policy 2: Introduce Innovative Production Processes and Business Processes

It can be expected that the Internet of Things, or IoT, robotics, and artificial intelligence, or AI, technologies will be more advanced and come to be more widely used over the next three years. Acting in accordance with Basic Policy 2, we will seek to incorporate these technologies into our business. As a manufacturer, the EBARA Group has always been dedicated to achieving innovation in its production operations. As one facet of these efforts, we began implementing productivity innovation activities under the guidance of head office management departments around a decade ago. In the Precision Machinery Business, these productivity innovation activities have enabled us to address the recent rise in orders, thereby supporting the strong performance of this business. Looking to expand upon these activities during the period of E-Plan 2019, we have decided to establish fully-automated plants utilizing IoT, robotics, AI, and other cutting-edge technologies in the dry vacuum pumps and standard pumps businesses.

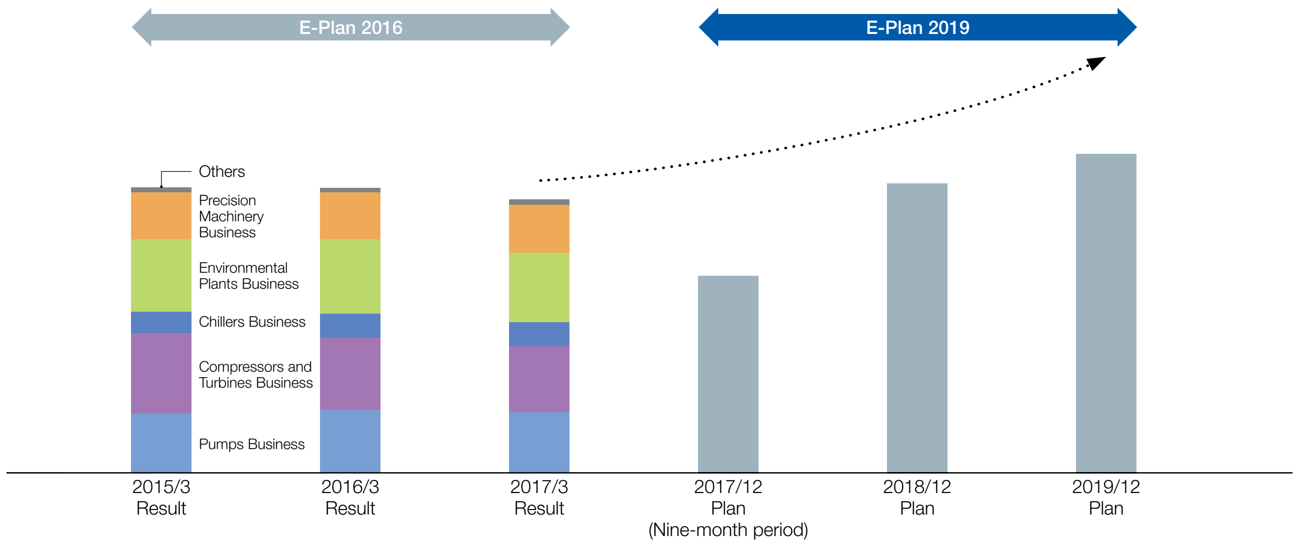
The development of fully-automated plants will enable us to revise our domestic production system in the standard pumps business to manufacture products in Japan that still feature the cost competitiveness necessary to be sold overseas. Such a system would contribute to increased in-company production while also creating a model for production lines that can be introduced at overseas plants. Moreover, fully-automated plants offer a solution to the ever changing labor requirements that stem from demand fluctuations for the dry vacuum pumps of the Precision Machinery Business. Given that we produce and overhaul dry vacuum pumps overseas, we should also be able to apply this line model to overseas production lines. If realized, fully-automated plants could make it possible to boost our competitiveness by fundamentally transforming operations in upstream areas, including marketing, order receipt, sales, and supply chain management, as well as in downstream S&S operations. These plants would be at the core of these efforts. Our first focus will be creating fully-automated plants in the dry vacuum pumps and standard pumps businesses. Once this is accomplished, we will look at introducing such plants into certain areas of production in other businesses. In terms of schedule, we hope to develop a concrete idea for how we will realize fully-automated plants within the fiscal year ending December 31, 2017, and finalize investment decisions by the end of the year. The construction of fully-automated production lines will then be commenced in the fiscal year ending December 31, 2018, with the aim of putting these lines into operation during the following fiscal year. The introduction of innovative production processes and business processes is crucial to the pumps business, where we are pursuing increased profitability through structural reforms. Recognizing this fact, we will implement drastic revisions to our design, production, and supply chain management processes in order to shorten product lead times and reduce manufacturing costs.

Basic Policy 3: Expand S&S Operations

Basic Policy 3 is to expand our S&S operations, which we expect to function as a pillar supporting earnings. In April 2017, we reorganized our organization to perform business operation in a way that integrates order receipt, production, sales, and S&S. Under the new organizational structure, we are able to clearly identify the target markets for each business, accurately reflect customer needs in new product launches, and thereby ensure that products can be swiftly introduced into the appropriate markets to guarantee contributions to earnings.

In the pumps business, an area in which we are particularly determined to reinforce operations, augmenting and optimizing the functions of bases is a matter of urgency. As for the custom pumps business, we aim to dispatch employees from Japan to overseas bases in droves and to accelerate efforts to develop and enhance the skills of local overseas hires. At the same time, we intend to bolster the database functions that are indispensable to S&S operations. The compressors and turbines business, meanwhile, differs from the custom pumps business in that it already has a global S&S system in place. Our focus in this business will therefore be to reevaluate this system so that we can develop the ideal service center network. The creation of new services using the IoT and AI will also be pursued on the S&S front.

S&S Sales by Business



Basic Policy 4: Utilize M&As

Basic Policy 4 is to continue utilizing M&A activities as a viable tool for developing our business. In the standard pumps business, a business in which we anticipate stable growth and earnings, M&A activities will be carried out with an eye to increasing EBARA's share in overseas markets and bolstering product lineups. In businesses that are heavily influenced by market fluctuations, namely the custom pumps and compressors and turbines businesses, our goal will be to mitigate risks of performance downturns through M&As aimed at expanding S&S operations, which are resilient to market fluctuations.

Basic Policy 5: Reinforce Corporate Headquarters

Lastly, Basic Policy 5 is meant to guide us in reinforcing the corporate headquarters' strategic functions while at the same time making Groupwide efforts to consolidate ongoing operations and enhance their efficiency in order to shore up the global expansion of each of the EBARA Group's businesses as we proceed to implement Basic Policies 1 through 4. Under this policy, we will consolidate and enhance the efficiency of ongoing processes of management functions that need to be adjusted in line with the globalization of our business, including human resources, taxation, finance, governance, and core system functions. We thereby aim to reinforce the strategic function.

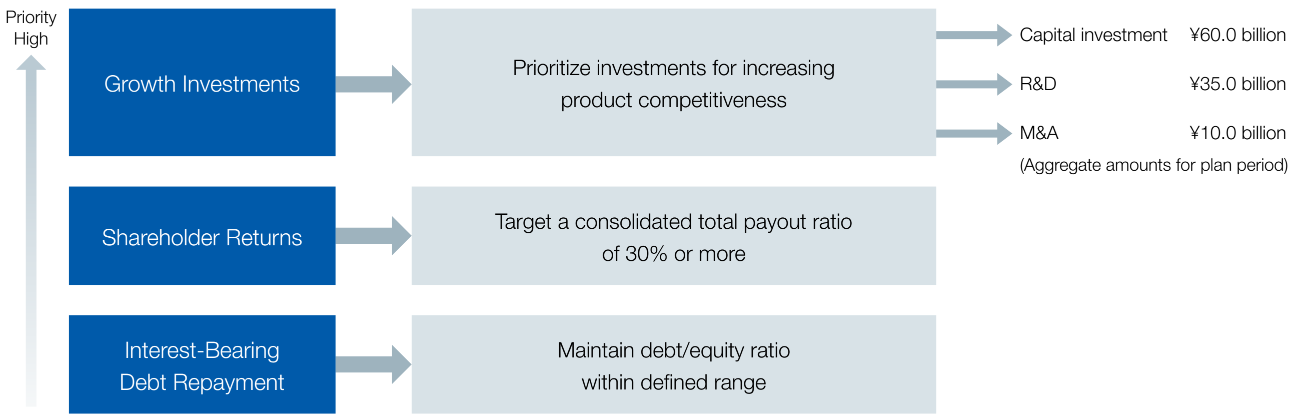
The work style reforms that are already underway are another area requiring attention going forward. The EBARA Group's work style reforms are designed to help all employees realize ongoing improvements in work efficiency and productivity. In other words, these reforms are initiatives aimed at generating a continual increase in the value created by each employee by the hour. We have thus established targets for the total work hours of all employees, including managers, based on which we will endeavor to cut costs without sacrificing productivity. The accomplishment of this objective will lead to an increase in earnings capacity and thereby contribute to the improvement of profitability in all businesses, the aim for E-Plan 2019. Meanwhile, the cash flows generated as the EBARA Group grows into a conglomerate that boasts high earnings will be allocated to growth investments, shareholders returns, and employee compensation.

The pumps business is faced with the pressing need to improve profitability. The domestic operations of the pumps business, in particular, require structural reforms. The success of these reforms will hinge on the aforementioned corporate culture that encourages competition and embraces challenges, and cultivating such a culture will thus be our first priority. As one facet of these efforts, we have eliminated the prior human resource systems, which tended to favor employees with longer service records, and replaced them with new job grade and evaluation systems to foster a culture that is thoroughly merit and results oriented. At the same time, we have begun increasing the efficiency of organizational management by expanding individual organizations and flattening organizational levels. These efforts have led to a 40% decrease in the overall number of organizations at EBARA Corporation and its domestic subsidiaries, and the number of Fluid Machinery & Systems Business organizations has been cut by 60%. These new initiatives will be advanced while simultaneously building upon the measures of E-Plan 2016.

Financial Strategy

The cash flows generated during the period of E-Plan 2019 will be primarily allocated to growth investments for increasing product competitiveness, but we will also strive to issue stable dividend payments. Among these growth investments, we have earmarked approximately ¥60.0 billion for capital investments, which includes the investments budgeted for developing fully-automated plants in the standard pumps and dry vacuum pumps businesses. Other increases will include ¥35.0 billion devoted to R&D activities and ¥10.0 billion set aside for M&A activities. In regard to dividend payments, we had targeted an average dividend payout ratio of 25% during the period of E-Plan 2016. We surpassed our target with a

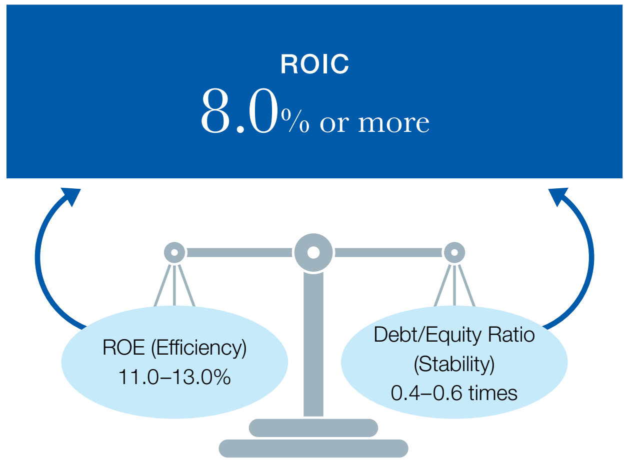
Use of Cash Flows during E-Plan 2019 Period



ratio of around 28%. Under E-Plan 2019, we will aspire to issue an even higher level of returns, targeting a consolidated total payout ratio, which accounts for share buybacks in addition to dividends, of 30% or more. The EBARA Group has a unique funding situation in which we tend to accumulate funds beginning in April and leading up to October, when expenditures generally start increasing. For this reason, it is important to take a flexible stance toward shareholder returns, remaining mindful of the balance between our ability to generate cash flows and our financial position. As for interest-bearing debt, our policy will be to maintain the current debt/equity ratio while procuring funds through borrowings as necessary.

Targets to Be Achieved Under E-Plan 2019

Targets for the Fiscal Year Ending December 31, 2019



Operating income to sales ratio

9.0% or more*

Fluid Machinery & Systems Business	8.5% or more
Pumps Business	8.0% or more
Compressors and Turbines Business	11.0% or more
Chillers Business	7.0% or more
Environmental Plants Business	11.0% or more
Precision Machinery Business	12.0% or more

* On the assumption that consolidated net sales will amount to ¥500 billion or more

Return on invested capital, or ROIC, will continue to be positioned as the most important key management indicator under E-Plan 2019. Unfortunately, we were unable to achieve our ROIC target of 7.0% or higher for the fiscal year ending March 31, 2017, the final year of E-Plan 2016, with the actual figure coming to 5.6%. Regardless, we have chosen to chase an even higher level of returns under E-Plan 2019 with a final-year target that is 1 percentage point higher than the previous target at 8.0% or more. This lofty target might seem a little overly ambitious. Nevertheless, we are committed to achieving ROIC of 8.0% or more. This goal will be pursued in part by increasing the earnings capacity of the struggling pumps business to be on par with the levels of other businesses and thereby raising the consolidated operating income to sales ratio to 9.0% or above. At the same time, we will endeavor to keep the debt/equity ratio around its current level and post return on equity of 11.0% or above. Improving the profitability of the pumps business is a central part of E-Plan 2019. To further clarify this fact, we have announced targets for the operating income to sales ratios of individual businesses in the final year of the plan.

For the pumps business, we project that the global market will grow by an average annual rate of around 4% while the domestic market will contract by roughly 2% each year. The compressors and turbines business, meanwhile, is currently suffering from the exceptionally bearish conditions in the global oil and gas markets, but we anticipate that by around 2020 conditions in these markets will recover to the relatively bullish state seen in 2013. As for the Precision Machinery Business, this business is anticipated to enjoy a continuously growing market supported by firm global demand for semiconductors, particularly those for memory and IoT applications, coupled with robust capital investment demand in Taiwan, South Korea, Japan, China, and other Asian markets.

In this manner, all businesses are projected to grow over the medium-to-long term. Nonetheless, we have incorporated a certain degree of risks pertaining to market growth into the targets of E-Plan 2019, making for targets for which accomplishment is not overall dependent on the expansion of business scale. Furthermore, we have chosen not to set net sales targets for individual businesses, rather opting to formulate other targets based on the assumption of our achieving total consolidated net sales of more than ¥500 billion in the plan's final year.

These targets may seem a bit conservative. However, these targets have been adopted based on one of the realizations made under E-Plan 2016: that rather than attempting to predict market trends, it is more important to build a strong business foundation that is capable of generating steady profits no matter how market conditions may fluctuate. Beyond E-Plan 2019 lies our vision of becoming a manufacturer of industrial machinery that grows and develops its business on a global basis. Striving to transform EBARA into such a manufacturer, we will engage in the "unlimited challenge toward growth" during the period of E-Plan 2019 to thoroughly improve profitability in all businesses.