

Fluid Machinery & Systems Business

Thoroughly Improving Profitability



Atsuo Ohi
Company President

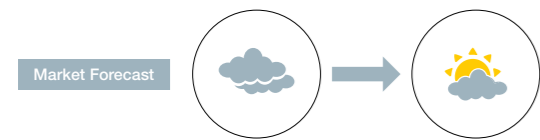
(From left)
Axial compressor impeller
Pump S&S base established in Saudi Arabia in August 2017
New RTXF model centrifugal chiller launched in January 2017



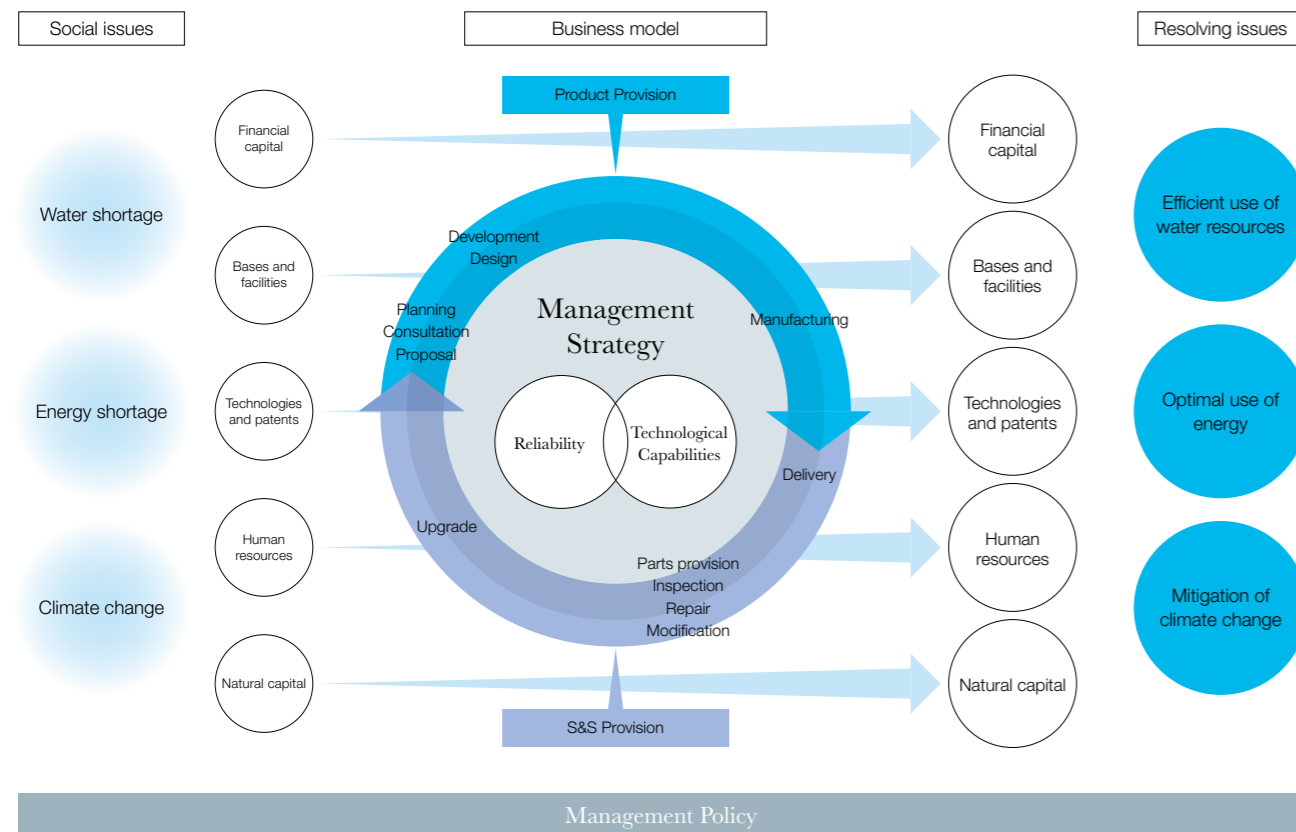
Review of Operations

In the fiscal year ended March 31, 2017, overall financial performance in the Fluid Machinery & Systems Business was lower than in previous fiscal years. Although the pumps business and other operations performed well in the domestic market, the compressor- and turbine-related capital investment plans of customers did not proceed as projected in overseas oil and gas markets.

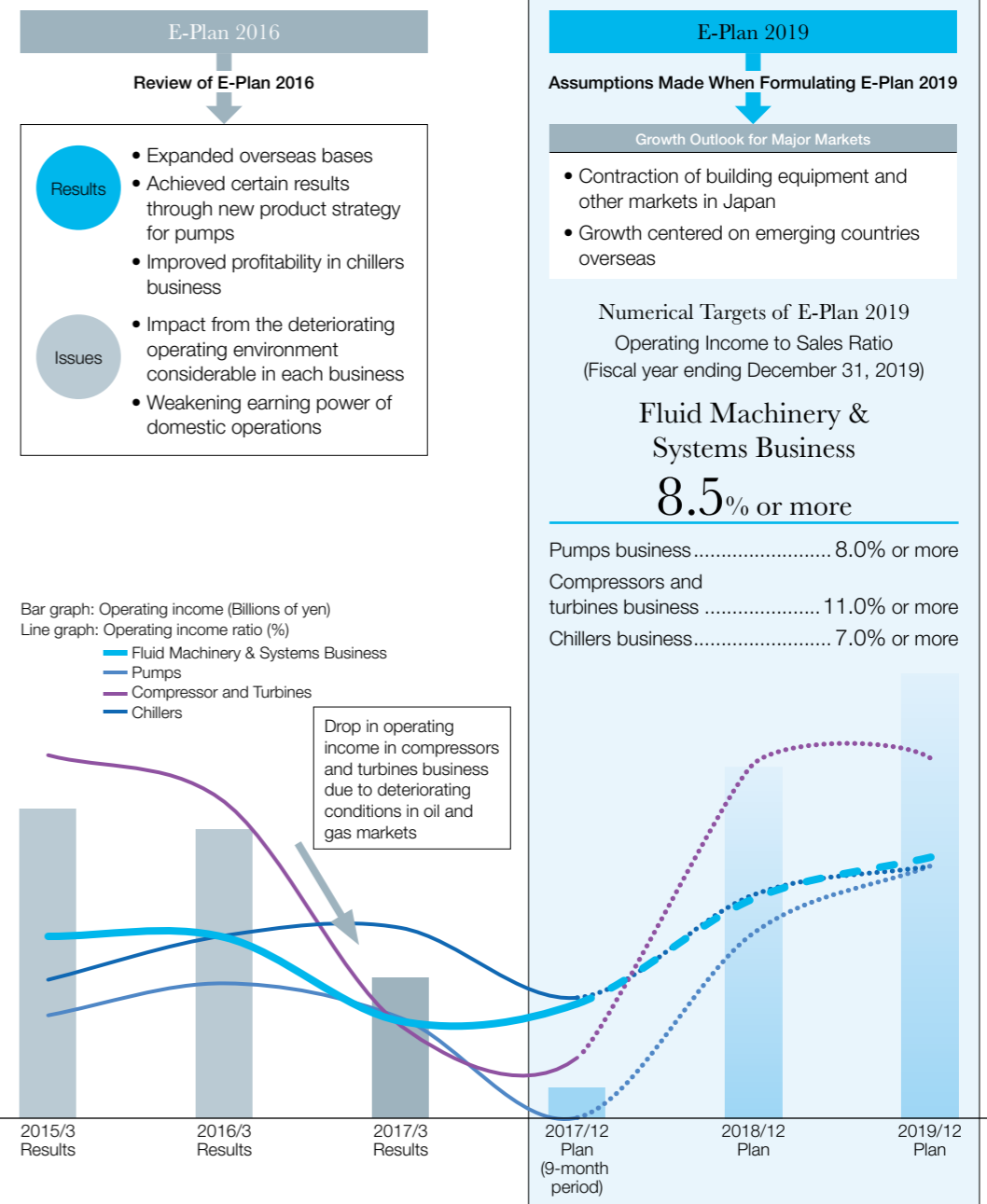
In the fiscal year ending December 31, 2017, oil and gas market conditions are expected to recover gradually, stimulating a steady upturn in the operating environment.



Business Model



Numerical Targets of E-Plan 2019



E-Plan 2019 by Business

Pumps Business

Growth Outlook for Major Markets

- Average annual growth of 4% in global market
- Average annual market contraction of 2% centered on building equipment in the domestic market



EVMS model stainless steel vertical multistage pump



Vertical mixed flow duplex stainless-steel can pump with adjustable vane

Standard Pumps Business

Given that the standard pumps business is less susceptible to market fluctuations in the global market, it will be positioned as the profit base of the pumps business. Upon improving profitability through reforms of the business structure of domestic operations, we will aim for growth in the global market.

Basic Policies

- 1 We will continue to eliminate and integrate existing models and reduce administrative costs while shortening product lead time and reducing manufacturing costs.
 - ➔ Started operating with lineup featuring only 7,000 models in April 2017
- 2 We will fundamentally revise our existing production system. By establishing automated production lines through the utilization of the IoT, AI, and robotics as well as shortening product lead time and reducing manufacturing costs, we will strengthen product competitiveness.
- 3 We will fundamentally change business systems for production and sales and enhance operational efficiency.
- 4 We will continuously launch new products that will be sold globally as well as new products that reflect specific regional needs.
 - ➔ Continue to manage the sales of core global products and regional products

Custom Pumps Business

Given that the custom pumps business is a business susceptible to market fluctuations, particularly in oil and gas markets, we will conduct structural reforms on the domestic production system so that profits will be generated even when market conditions are poor. Furthermore, we will aim to improve profitability by expanding domestic and overseas service and support (S&S) operations and by growing operations dealing in products targeting the public sector in Japan.

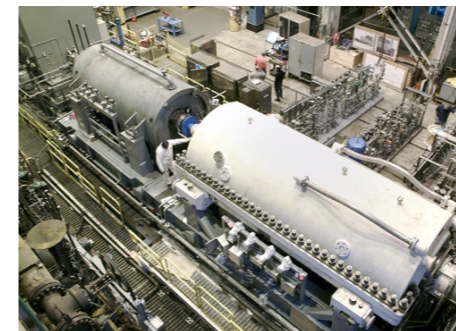
Basic Policies

- 1 We will re-examine our domestic production system to transform this production system into a flexible system that will generate stable income even if the current market conditions persist and will also allow us to increase production once the market recovers.
 - ➔ Promptly transition to a structure that can flexibly deal with operating environment fluctuations
 - ➔ Set a target for the operating income to sales ratio of custom pumps business and manage it carefully
- 2 By re-inventing our production system and standardizing our products, we will shorten product lead times and reduce manufacturing costs.
- 3 In order to expand overseas S&S operations, we will enhance our sales and technology support systems in local regions closer to our customers.
 - ➔ Relocate sales and technical staff from Japan to overseas to enhance the capabilities of overseas bases (Enhance technological capabilities and train local staff)
 - ➔ Manage S&S sales

Compressors and Turbines Business

Growth Outlook for Major Markets

- New plant construction investment to recover to 2013's level by 2020
- Average annual market growth of 3% due to increasing energy demand



Centrifugal compressor

While our ultimate goal is to establish a position as one of the world's top three in the compressors market for oil and gas application by the early 2020s and maintain our No.1 position in the downstream market, during the period of E-Plan 2019, we will aim to improve the profitability of products operations and expand S&S operations so that we will be able to generate a certain level of profits even if the current conditions of low crude oil prices should continue.

Basic Policies

- 1 In addition to strengthening our competitiveness in existing markets, we will seek to enter new segments and markets through M&A activities and proprietary development.
 - ➔ Shorten product lead times and reduce manufacturing costs while continuing to reduce costs
 - ➔ Seek orders for S&S of other companies' products and comprehensive S&S projects
- 2 We will thoroughly improve the profitability of the product and S&S operations.
 - ➔ Review operating processes of products operations and design systems
 - ➔ Optimize global bases in S&S operations
- 3 We will deepen the integration of global management in order to overcome international competition.
 - ➔ Promote cash flow-oriented management through the integrated management of the bases in Japan and the United States

Chillers Business

Growth Outlook for Major Markets

- Average annual market growth of 3% over medium-to-long term in China, Southeast Asia, and other markets



Gas-fired absorption chiller-heater launched in April 2017

In our operations in China, we will aim to expand our market share. In our domestic operations, we will undergo transition to a highly profitable structure.

Basic Policies

- 1 In the Chinese market, we will designate centrifugal chillers and cooling towers as the most important models, and we will develop and promote sales of competitive products.
 - ➔ Improve product lineup of centrifugal chillers (launch highly efficient, low-cost centrifugal chillers)
 - ➔ Improve profitability by cutting back on existing product costs
 - ➔ Manage new product sales
- 2 In the domestic market, we will steadily maintain our S&S operations for chillers and expand our cooling tower S&S operations, which promise growth.
- 3 We will promptly establish bases and build production, sales, and service systems in order to expand our business to countries other than Japan and China.
 - ➔ Utilize the overseas sales bases of the pumps business

Environmental Plants Business

Maintaining Consistent Growth and Improving Profitability



Akira Ichihara
Company President

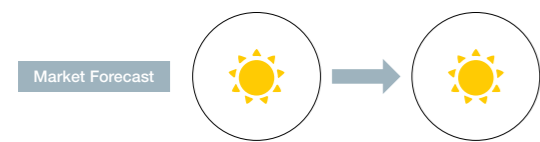
(From left)
Musashino Clean Center completed in March 2017
Central control room of waste incineration plant
Funabashi City north waste incineration plant completed in March 2017



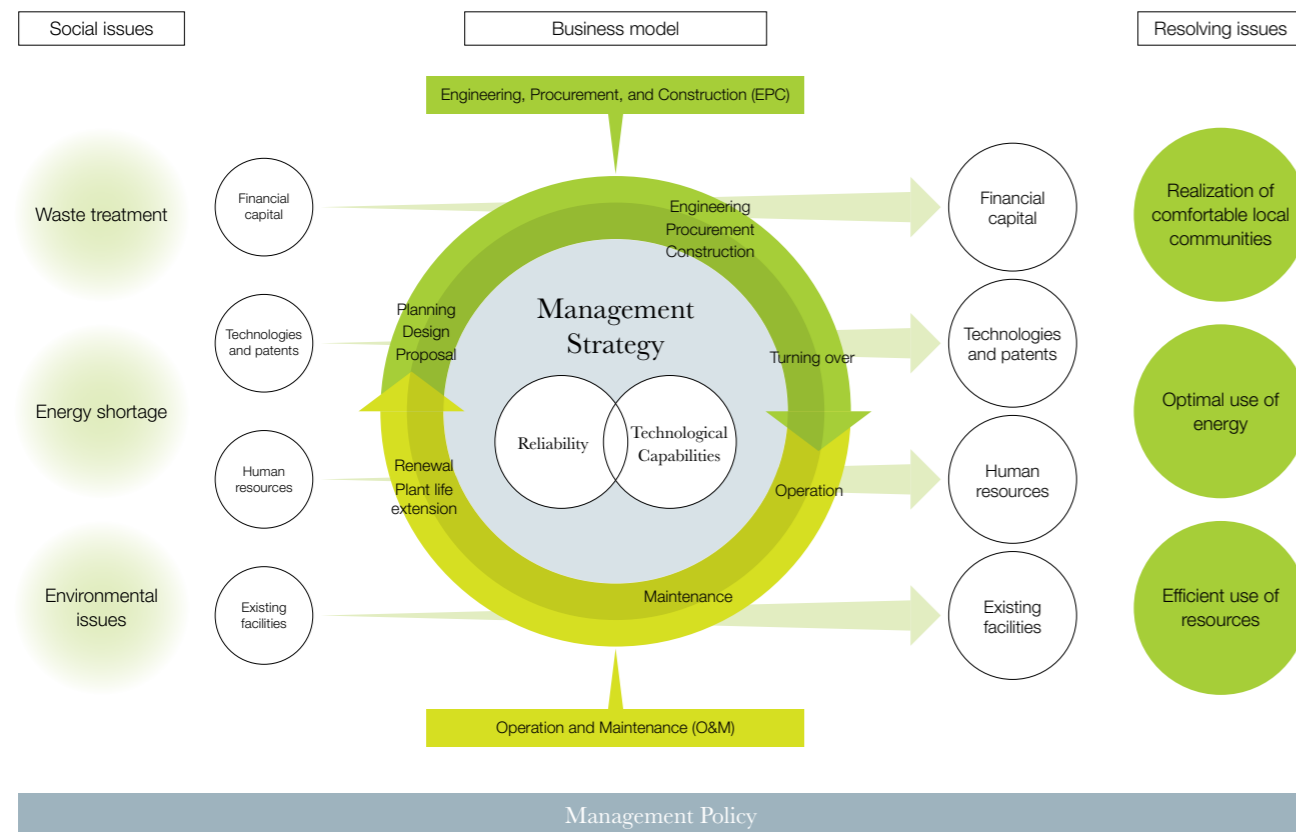
Review of Operations

In the fiscal year ended March 31, 2017, the Environmental Plants Business achieved performance that was in line with previous fiscal years. This result was a product of solid performance in the midst of stable waste treatment facility upgrade demand in Japan.

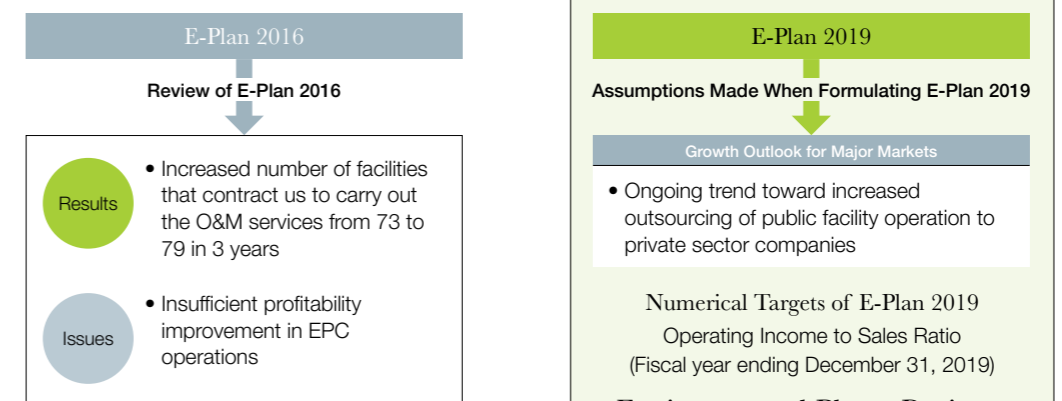
In the fiscal year ending December 31, 2017, public-sector demand for waste treatment facilities is expected to be consistent with previous fiscal years while plans for biomass power plants are on the rise in the private sector, making for a stable business environment.



Business Model

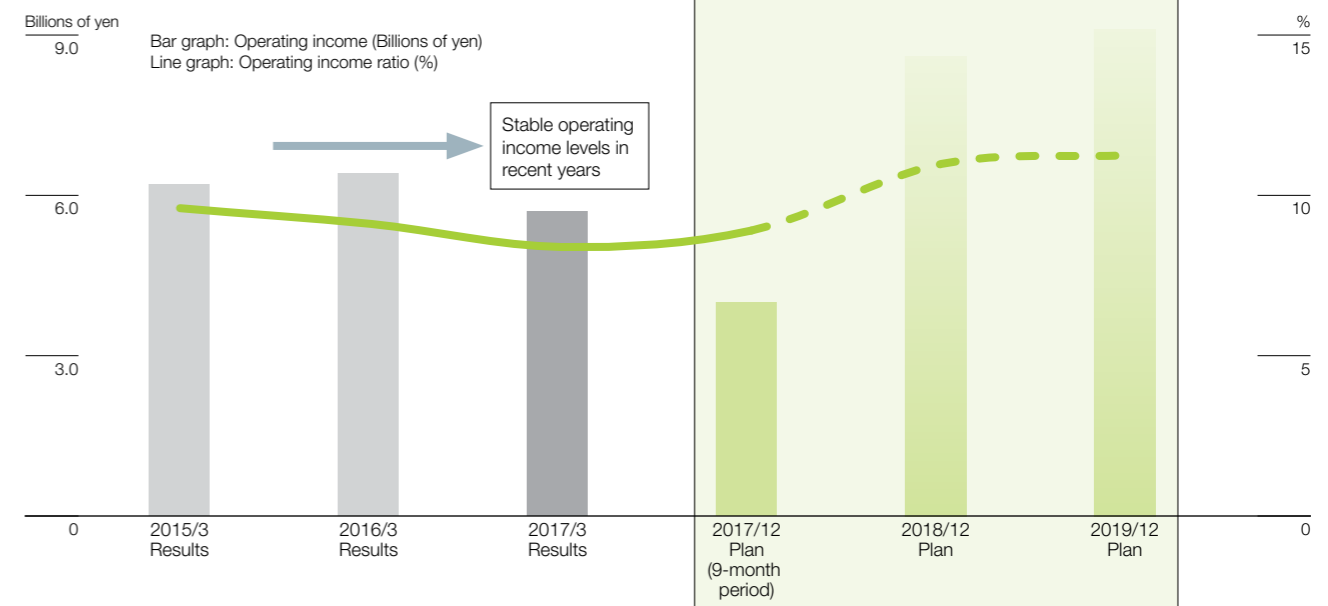


Numerical Targets of E-Plan 2019



Numerical Targets of E-Plan 2019
Operating Income to Sales Ratio
(Fiscal year ending December 31, 2019)

Environmental Plants Business
11.0% or more



Precision Machinery Business

Building Business Foundations for Sustainable Growth



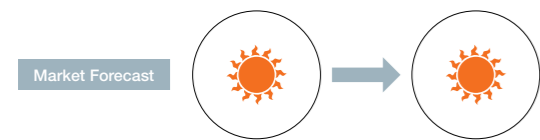
Masao Asami
Company President

(From left)
Chemical mechanical polishing (CMP) system being prepared for shipment
New facility constructed within Kumamoto Plant
Newly launched EV-L model dry vacuum pump boasting lower electricity consumption than previous models

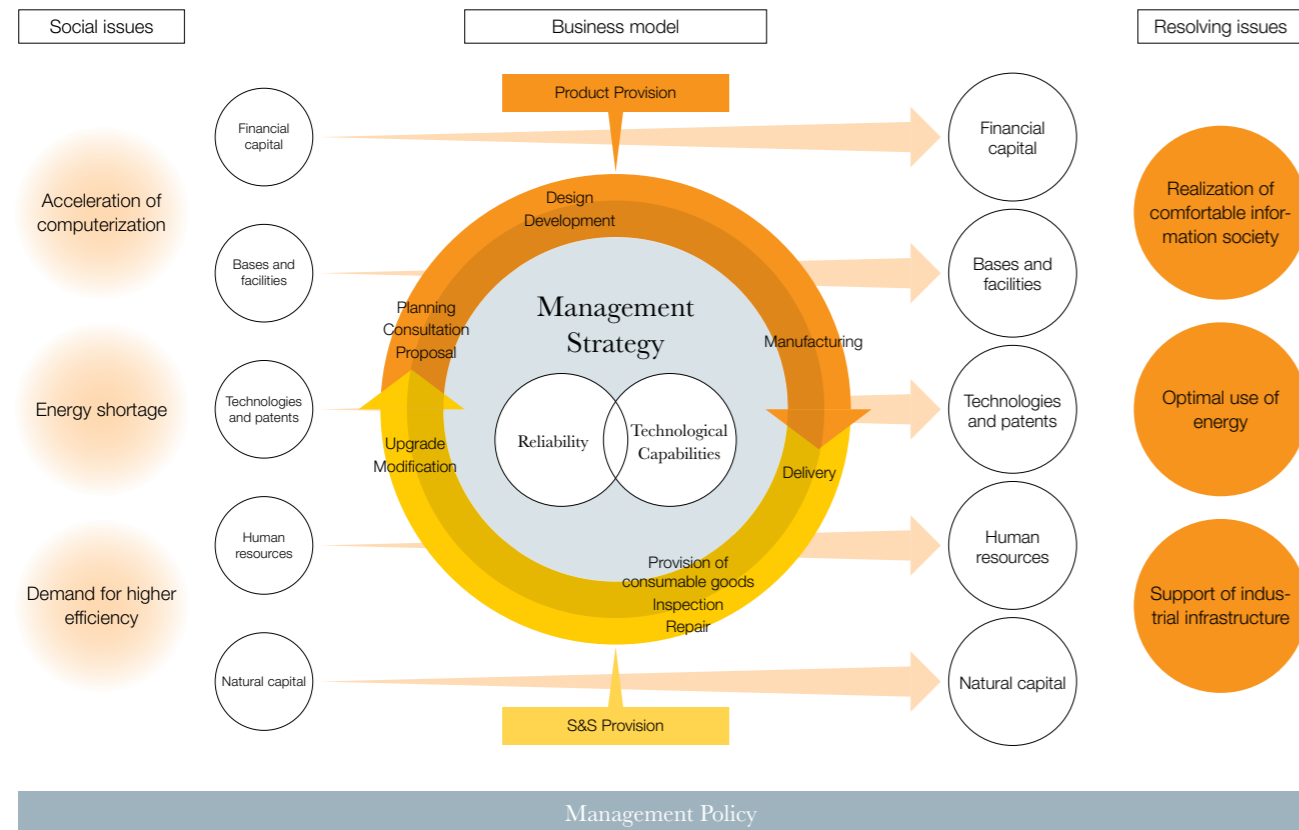


Review of Operations

The Precision Machinery Business has benefited from the high capital investment levels seen among semiconductor manufacturers in the recent years. As a result, demand for EBARA products rose significantly in the fiscal year ended March 31, 2017, on the back of higher demand for storage devices, particularly for server applications. In the fiscal year ending December 31, 2017, the appetite for investment among customers is expected to remain strong.



Business Model



Numerical Targets of E-Plan 2019

