MIURA Co., Ltd.,
Financial Result and MIURA Growth Strategy

November 26 and 27, 2015

MIURA Co., Ltd.
President Yuji TAKAHASHI
# Contents

1. Company Profile 
2. Overview of the Second Quarter of the Fiscal Year Ending March, 2016 
3. Profit share and MIURA Stock 
4. Sales Strategy for “Chaebols” 
5. Reference

---

**Attention**

The future prospects of the business results, etc., described in this material is based on information that the Company has acquired as of the announcement date of financial report, and there is a possibility that actual business results, etc., will be materially different depending on various factors. Please note that although the Company has made careful efforts to ensure the accuracy of the content of this document, we assume no responsibility for any damage arising from use of this data.
1. Company Profile
### Company Information

**Location**
7 Horie, Matsuyama, Ehime, 799-2696 Japan

**Established**
May 1st 1959

**Group Companies**
- Japan: 6 companies
- Abroad: 13 companies

**Employee**
- Consolidated: 4,409 employees
- Group total: 4,500 employees

**Business**
Manufacture, Sales and Maintenance of equipment

**Rating**
A, Affirmed — As at September 3rd, 2015 (Rating and Investment Information, Inc.) MIURA is rated as “A” 11 years in a row.

### [Consolidated Net Sales]

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Sales (Million yen)</th>
<th>Ordinary Income (Million yen)</th>
<th>Profit Attributable to Owners Parent (Million yen)</th>
<th>Capital ratio (%)</th>
<th>Net assets per share (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>85,535</td>
<td>10,298</td>
<td>6,288</td>
<td>78.3</td>
<td>818.33</td>
</tr>
<tr>
<td>2015</td>
<td>90,424</td>
<td>10,799</td>
<td>7,464</td>
<td>79.5</td>
<td>915.75</td>
</tr>
<tr>
<td>2016 (Forecast)</td>
<td>95,000</td>
<td>10,800</td>
<td>7,500</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>
Background

April 1986 Joined Kyodo Oil Co.
(The company’s name was changed to Japan Energy Corporation due to the merger.)

June 1996 Resigned
April 1997 Joined MIURA Co., Ltd.
July 2000 President, MIURA BOILER WEST, INC.
January 2006 General Manager, Chubu management center
July 2008 General Manger, System Innovation management center
July 2009 Executive Officer (Present post)
January 2010 General Manager, Eastern Japan Business Headquarters
General Manager, New Business Development Headquarters

June 2010 Director (Present post) General Manager, Metropolitan Area Business Headquarters
July 2012 General Manager, Aqua Business Headquarters and Environmental Business Headquarters
July 2014 General manager, Americas Business Headquarters (Present post)

<Concurrently>
President (Present post) MIURA INTERNATIONAL AMERICAS INC.
CEO (Present post) MIURA AMERICA CO., LTD

Daisuke MIYAUCHI
Date of birth: June 29th, 1962
Birthplace: Matsuyama, Ehime
Educational background: Bachelor of Engineering in Mineral Science & Technology at the Faculty of Engineering, Kyoto University on March, 1986.
2. Overview of the financial result for the Second Quarter of the Fiscal Year Ending March, 2016
## Consolidated Result

<table>
<thead>
<tr>
<th></th>
<th>FY2014, 2Q</th>
<th>FY2015, 2Q</th>
<th>FY2015, 4Q Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>40,504</td>
<td>46,585</td>
<td>95,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>23,331</td>
<td>27,549</td>
<td>57,000</td>
</tr>
<tr>
<td>SG &amp; A expenses</td>
<td>13,251</td>
<td>14,452</td>
<td>28,500</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3,921</td>
<td>4,584</td>
<td>9,500</td>
</tr>
<tr>
<td>Ordinary profit</td>
<td>4,558</td>
<td>4,925</td>
<td>10,800</td>
</tr>
<tr>
<td>Profit Attributable to Owners Parent</td>
<td>2,858</td>
<td>3,254</td>
<td>7,500</td>
</tr>
</tbody>
</table>

### Overview of financial results

**Domestic**  Increased Boiler, Marine, Food, Medical equipment sales
- Increased sales to the chemical and paper industries
- Increased Marine product (Ballast water management system) sales

**Overseas**  Increased in revenue due to the effect of growth strategies in China and South Korea.  Yen depreciation and seasonal factors
- Switch from coal-fired boilers in China, Increased sales for Chaebol in South Korea

Increased Depreciation and Amortization, Personnel expenses, research expenses
Analysis of Domestic Sales

Unit: Hundred million

- Marine boilers increasing
- Ballast water management system
  - Up 3 hundred million yen

Water treatment equipment
- 13/9: 7
- 14/9: 11
- 15/9: 13

Ship machinery
- 13/9: 22
- 14/9: 27
- 15/9: 34

Food & Medical equipment
- 13/9: 43
- 14/9: 40
- 15/9: 44

Others
- 13/9: 22
- 14/9: 23
- 15/9: 22

※Others...New business, Special equipment, Environmental business
Overview of financial result for 2Q, FY2015

Overseas Sales

Unit: Hundred million

- Increased Overseas sales
  Currency Exchanges and seasonal factors to change the accounting term

- Increased domestic sales
  Boilers, Ship machinery, medical equipment.

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic sales</th>
<th>Overseas sales</th>
<th>Overseas sales ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013/9</td>
<td>325</td>
<td>55</td>
<td>14.5%</td>
</tr>
<tr>
<td>2014/9</td>
<td>340</td>
<td>65</td>
<td>16.0%</td>
</tr>
<tr>
<td>2015/9</td>
<td>368</td>
<td>98</td>
<td>21.1%</td>
</tr>
</tbody>
</table>

MIURA Co., Ltd.  All Rights Reserved.
Overview of financial result for 2Q, FY2015

Analysis of factors for increasing overseas sales

Unit: Hundred million

- Actual increase: 98
- Seasonal factor: 16
- Currency Exchange: 7
- 2014/9: 65
- 2015/9: 98
What are “Seasonal factors”?

Decreasing sales at this time (Jan. to Mar.) of the year, because of Chinese New Year and snow in North America. The seasonal factors are moved back to the second half of the fiscal year.
Analysis of Overseas Sales

Increase Sales in South Korea
The effect of strategy for Chaebols

Increased Sales in Americas

large increased on sales in China
Switching coal-fired boilers to gas-fired boilers

Increases ASEAN and Taiwan.

<table>
<thead>
<tr>
<th>Region</th>
<th>13/9</th>
<th>14/9</th>
<th>15/9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>17</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>South Korea</td>
<td>18</td>
<td>26</td>
<td>35</td>
</tr>
<tr>
<td>China</td>
<td>12</td>
<td>15</td>
<td>32</td>
</tr>
<tr>
<td>ASEAN, Taiwan</td>
<td>8</td>
<td>10</td>
<td>12</td>
</tr>
</tbody>
</table>
3. Profit share and MIURA Stock
Profit share and MIURA Stock

1. Sustain Stable Dividends
2. Targeting 30% of the consolidated payout ratio

Ended March, 2015
- Middle: 8.67 yen
- End: 11.00 yen
- Total: 19.67 yen

Ended March, 2016
- Middle: 10 yen
- End: 10 yen (Forecast)
- Total: 20 yen (Forecast)

(Yen) Changes in dividend per share

(Reference)
- Holdings of treasury stocks
  ※ As at September 30, 2015
- Total number of issued share (Without Treasury shares)
  112,503,347 shares
- Treasury Share
  12,787,765 shares
4. **Sales Strategy for “Chaebols”**

“Chaebols” is a large business conglomerate, typically a family-owned one in South Korea.
Changes in Business Results and History

1982: Korea MIURA Co., Ltd. was established, First manufacturer of one-through boiler in South Korea
2004: Started manufacturing Gas-fired boilers
2009: Started “Sales Strategy for Chaebols”
2013: New factory in Cheonan in operation

IMF Finance crisis
Customers went cash-strapped and bankrupt, Shrunk the market of minor business

The local managers got over the financial crisis by themselves, it promoted future localization.
Sales Strategy for “Chaebols”

Overview of South Korea

<table>
<thead>
<tr>
<th></th>
<th>South Korea</th>
<th>Japan</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (million)</td>
<td>50.42</td>
<td>26th</td>
<td>127.06</td>
</tr>
<tr>
<td>GDP (billion US dollar)</td>
<td>1,410.38</td>
<td>13th</td>
<td>4,602.37</td>
</tr>
<tr>
<td>Export dependency</td>
<td>43.87%</td>
<td>41st</td>
<td>15.24%</td>
</tr>
</tbody>
</table>

Population and GDP are from “世界の経済ネタ帳IMF-World Economic Outlook Databases (the October 2015 edition)”Export dependency is from the Global Note in 2014

11 Chaebols share 69% of GDP in South Korea

<South Korean Economics>

① Chaebols lead the economics

② Heavily dependent on export
Korea MIURA Co., Ltd. Profile

Location: HQ: Seoul, Factory: Cheonan
Capital: 11.4 billion won
Date of Establishment: May in 1982
Offices: 30 offices in 23 locations
Employees: 320 employees (including 2 Japanese)

Business: Manufacture, Sales and Maintenance of equipment

Company dormitory: 20 people capacity
Office building: Training center 70 people capacity

Factory in Cheonan, South Korea

- Operation: July 2013
- Site area: 36,090 m²
- Factory total floor area: 13,669 m²
- Production capability: Approx. 2,500 unit/year
Steam Boiler market in South Korea (steam output)

Share of Korea MIURA 8.5%
- South Korea: 約12.5K t/h (Total amount of steam output)
- Other Once-through boiler: 1.2%
- Fire/Water tube boiler: 80.3%

Remaining market of large boilers
- Once-through: 15.8
- Once-through: 2.5

Boiler Market in South Korea
- The market size is 60% of Japanese one, however, there are still market of fire/water tube boilers.

Remaining market is large!

Share of MIURA 40%
- Japan: 約220K t/h (Total amount of steam output)

Japan
- Fire/Water tube: 6.2
- South Korea
- Fire/Water tube: 10
Sales Strategy for “Chaebols”

Chaebols’ aggressive capital investment

Investment of 30 Chaebols Yearly average 6.5% from 2008 to 2014

「400 t Project」

Big project ongoing
One factory needs 400 t/h boilers

Running through 400 t/h at one factory

The number of boiler
160 units
42 units

The largest MI system in Japan
400 t Project

<Feature of investment of Chaebols>
- Owner of the company
  → Quick Decision
- Mass scale
  → Mass production and export

Why Semiconductor factory chooses MIURA?

Large Load fluctuation

MIURA MI system is the BEST. Providing the required amount of steam, only when it is needed.
### Chaebols’ aggressive capital investment

**Example**

**Lotte Hotel Seoul**

7th largest Chaebols in South Korea, Lotte Group

<table>
<thead>
<tr>
<th>Retail, Hotels</th>
<th>Lotte Hotel</th>
<th>Lotte Department store</th>
<th>Korea Seven</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, Beverage</td>
<td>Lotte Confectionary</td>
<td>Lotte Chilsung Beverage</td>
<td>Lotte Liquor</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Lotte Electron</td>
<td>Korean Fuji Film</td>
<td>Lotte Aluminum</td>
</tr>
<tr>
<td>Leisure</td>
<td>Lotte World</td>
<td>Lotte Giants</td>
<td>Lotte • JTB</td>
</tr>
<tr>
<td>Others</td>
<td>Lotte Capital</td>
<td>Lotte Insurance</td>
<td>Lotte Bussan</td>
</tr>
</tbody>
</table>

**Boiler room**

- MIURA Boilers
  - SQ-2000ZSG × 1 9 units
  - EZ-2500GO × 5 units
The purpose of sales strategy for Chaebols

- Introducing to other factories easily
- Good reputation has expanded during Chaebols
- No payback risk

Chaebol’s Factories in abroad

Overseas expansion

To the World from South Korea Export expansion

Korea MIURA Globalization
Sales Strategy for “Chaebols”

The purpose of sales strategy for Chaebols

<table>
<thead>
<tr>
<th>Air pollutant emission standard</th>
<th>Internal standard of Samsung</th>
</tr>
</thead>
<tbody>
<tr>
<td>NO$_x$ 40ppm</td>
<td>NO$_x$ Less than 10ppm</td>
</tr>
</tbody>
</table>

Meet Strict technical standard

Japanese environmental technology transfer

Unrivalled environmental technology

Capability of Large capacity

Choose MIURA
How to penetrate MIURA Brand...:

- **Factory Tour**
  - Show MIURA’s Manufacturing
  - Factory Tour, Energy Conservation seminar 36 times
  - 636 companies (944 people)

- **Energy Conservation Seminar**
  - Improving confidence in “Once-through Boilers”
  - Completed New Factory in 2013
  - The effective use of new factory

- **User tour**
  - Visit MI system user

- **Exhibits**
  - Famous Company Visit in Japan
  - Show the achievements in Japan
Energy Conservation Proposal Seminar

Analysis of Boiler operation logs
Analyze customers’ boiler operating time, water supply and fuel use based on their boiler logs and propose best way for the energy-saving.

Load Analysis
Make a detailed analysis of the load fluctuation of steam and propose total solution system for boiler room.

Analysis diagram of load fluctuation

25,000 achievements in Japan

Developing in Korea MIURA 1,864 achievements (From2010〜To2015)

Grasp the situation based on water supply, steam and fuel use.
Propose Energy conservation
Grasp load fluctuation
Propose best system
4 Sales Strategy for "Chaebols"

Maintenance training

Building the technologies and trust which are recognized by major companies

Changes in customers

Minor Business ➔ Chaebols Major business

Required high skills and quality

- Strict environmental standard
- Stable boiler operation
- Guarantee highly efficient operation

Maintenance training

- Lectures to exceed dedicated boilermen
- Transfer of Japanese technologies

Group training at Cheonan factory

🠔The 9th equipment test in South Korea
Maintenance Training

Hiring when it need → Hiring new graduates every year

- Systematic education
- Joint training with Japanese new graduates

Possible

Started hiring new graduates 9 years ago...high level

Improve their skills and levels

High level maintenance engineers

Establishment of the system for maintenance in abroad Shop test around the world

Overseas expansion of Korean firms

Korean New Employees Training
Date: Nov. 5th 2015
Location: Training center in Japan
The task of maintenance service in the future

How to increase the contract rate of maintenance

South Korea

Typically boilermen maintain and inspect boilers

Counterp

- Guarantee efficiency
- Scheduled maintenance with online maintenance system
- Parts free exchange

Enrichment of maintenance training

Appeal for the superiority of manufacturer maintenance
Sales Strategy for “Chaebols”

Win “President’s Commendation” at Energy Efficiency Awards in South Korea

The historic first! The foreign company won the award.

<Overview>
The 37th Energy Efficiency Awards in South Korea (the field of improving energy-saving and energy efficiency) “President’s Commendation”
• It is given to a person or an organization which made a large contribution to efficient supply of national energy. For example, introduction of new method, replacement to highly-efficient equipment and rationalization of operational control for energy supply.

Organizer: Ministry of Trade, Industry and Energy
The award ceremony: November 17th, 2015

<Korea MIURA>
Playing a major role in supporting Korean leading companies.

The Achievements were recognized by South Korean Government

The award ceremony on November 17th.
5. Reference
What is a Boiler?

Equipment which generates steam. It is necessary for factories, Schools, hospitals and high-rise buildings, etc...

用途 Heating, or process based power generation, sanitation etc...
※ Same principal as a kettle.

Types of boilers ~ Same capacity ~

- Once-through Boiler
- Water Tube Boiler
- Fire Tube Boiler

【Steam Advantages】

- Five times more energy than hot water
- Compressible
- Easily acquired since it uses water
- Recyclable – Water to steam to water
- Sanitary
Types of Boilers ~ Same capacity ~

- Once-through boiler
- Water Tube boiler
- Fire Tube boiler
In 1986, MI system patent

MI system (Multiple Installation system)

Once-through boiler design makes energy savings a reality!

- Energy-saving
- Space-saving
- Labor-saving
- Low pollution

Provide steam when needed and only when needed, low operation costs and reduction of CO₂ and NOx.
Example: Energy savings and Co2 reduction with once-through Gas Boiler  <ANA Hotel Matsuyama>

<table>
<thead>
<tr>
<th>Effect</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficiency of boiler</td>
<td>61.0% → 90.5%</td>
</tr>
<tr>
<td>CO₂ Emission</td>
<td>49.3% Cut</td>
</tr>
<tr>
<td>Labor – saving</td>
<td>MIURA maintenance contract</td>
</tr>
<tr>
<td>Space – saving</td>
<td>Approx. 50% Reduction</td>
</tr>
</tbody>
</table>
Boiler market in Japan

Industrial Boiler Market

- Fire Tube Boiler: 10%
- Water Tube Boiler: 18%

Total amount of steam output: Approx. 220K t/h
(Note) estimated value

Once-through Boiler: 72%

Domestic Once-through boiler market

- MIURA No.1: 55%

Total amount of steam output: Approx. 160 t/h
(Note) estimated value

Competitors
- NIPPON THERMOENER CO., LTD
- IHI PACKAGED BOILER CO., LTD
- Kawasaki Thermal Engineering Co., Ltd.
- Hirakawa Corporation
- SAMSON CO., LTD.
- YOSHIMINE CO., LTD.

(Note) The share of once-through boilers is based on MIURA’s investigation and the actual results may differ from them.
The share of MIURA’s Boiler market

※ Based on Steam Volume (1,000 t/h units)

MIURA 40%

Japan
Approx. 220K t/h
(Total amount of steam output)

South Korea
Approx. 140K t/h
(Total amount of steam output)

8.5%

ASEAN
Approx. 175K t/h
(Total amount of steam output)

2%

U.S.
Approx. 430K t/h
(Total amount of steam output)

1%

China
Approx. 800K t/h
(Total amount of steam output)

Less than 1%

Mainly Large, Low efficiency boilers

80% of the market is Coal-fired boilers which is rapidly switching over to natural gas.
Global Sales and Maintenance Network

13 companies, 6 factories, Selling and Maintenance in 19 countries

- **Netherlands** 2012
  - Marine Services
  - Export to South Korea and Russia
- **South Korea** 1982
  - Sales in North America and Export to Latin America
- **Canada** 1987
  - Develop markets in Latin America
  - 74 locations
- **China** 1993
  - Export to Asia
- **Mexico** 2011
  - Develop markets in Latin America
  - 4 locations
- **Taiwan** 1988
  - Export to Asia
- **ASEAN** 2012
  - 10 locations
- **Thailand**
  - Sales in Thailand
- **Turkey** 2014
  - Europe and CIS Countries
  - Future Development
- **Singapore** 2008
  - Hub company in ASEAN
- **Indonesia** 2009
  - Export to ASEAN

※CIS Countries: Commonwealth of Independent States, Republic of Azerbaijan, Republic of Armenia, Republic of Uzbekistan, Republic of Kazakhstan, Kirghiz Republic, Republic of Tadzhikistan, Republic of Turkmenistan, Republic of Belarus, Republic of Moldova, Russia (Turkmenistan and Moldova are associate countries)
MIURA Business Model

The Customer-based business model with total power

- Develop environmental friendly products.
- Offer problem solving solutions
- "Scheduled Maintenance" to maintain boilers’ performance
- Technology (Product Competitive)
- Sales Capabilities
- Maintenance skill

The Japanese Society of Mechanical Engineers-Medals for Distinguished Engineers Award
National Innovation Award
In 1989  Started Online Maintenance system

Maintenance Service with high-tech tools

1. Efficient Maintenance
2. Improve work place for Service Engineer
MIURA Maintenance Network

<table>
<thead>
<tr>
<th>Offices</th>
<th>Approx. 100 offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Engineers</td>
<td>Approx. 1,000 engineers</td>
</tr>
</tbody>
</table>

[Map of Japan with various locations marked]
Small once-through boiler ZP was certified as the “Mechanical Engineering Heritage” by the Japan Society of Mechanical Engineers (JSME) in 2015. The registration ceremony was held on August 7, 2015 (Machine Day), at TOYOTA Commemorative Museum of Industry and Technology in Nagoya, Aichi.

Mechanical Engineering Heritage has been awarded to mechanical technology which made significant contributions to the development of mechanical engineering in Japan since 2007.

The small once-through boiler ZP was spread in various field, because it can be operated easily (without licenses) and it was highly efficient and reasonable price. Since once-through boiler ZP has released, they worked behind the scenes to contribute to the development of Japan. Excluding large-capacity boilers used in such industries as power generation, once-through boilers currently account for around 70% of the industrial boiler market, and continue to grow as a technology that Japanese industry simply could not do without. This high energy conservation and environmental improvement were recognized world widely and have been expanding their activities.

there are full of challenges for development of one-through boiler ZP therefore it is MIURA's symbol for specialty manufacturing. We will move forward worldwide as conserving energy and improving environment.

(From News release, http://www.miuraz.co.jp/)

※1. Mechanical Engineering Heritage
The Mechanical Engineering Heritage program was inaugurated in June 2007 in connection with the 110th anniversary of the founding of the JSME. "The Mechanical Engineering Heritage" is awarded to mechanical technology which had a historical impact in Japan. (From: website of The Japan Society of Mechanical Engineers)
Your best partner for Energy, Water, and Environment

Assist the customers by conserving energy and improving the environment around the world.
Thank you for listening.

問い合わせ先
三浦工業株式会社 経営企画室
TEL 089-979-7045
FAX 089-979-7011
URL http://www.miuraz.co.jp