Financial Result and MIURA Growth Strategy

Daisuke Miyauchi
President & CEO
MIURA CO., LTD.

May 24th, 2017 (Wed)
The Best Partner of Energy, Water and Environment

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Date 2017.5.15
Contents and Attention

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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 Information
Company Information

Location
7 Horie, Matsuyama, Ehime

Established
May, 1959

Group
Japan: 9
(8 consolidated companies included)
Abroad: 14
(10 consolidated companies included)
※As of March 31, 2017

Employees
Consolidated: 4,950
Group Total: 5,013
(1,392 employees abroad included)

Business
Manufacturing, sale,
and maintenance of equipment

Rating
“A”
(Rating and Investment Information, Inc.)

[Consolidated Net Sales]
Unit: Million yen

<table>
<thead>
<tr>
<th>Year</th>
<th>Affiliated companies abroad</th>
<th>Group companies in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>85,535</td>
<td>72,406</td>
</tr>
<tr>
<td>FY2016</td>
<td>90,424</td>
<td>74,597</td>
</tr>
<tr>
<td>FY2017</td>
<td>99,019</td>
<td>79,006</td>
</tr>
<tr>
<td>Forecast</td>
<td>102,549</td>
<td>83,380</td>
</tr>
</tbody>
</table>

Unit: Million yen

<table>
<thead>
<tr>
<th>Financials</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥99,019</td>
<td>¥102,549</td>
<td>¥110,000</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥10,220</td>
<td>¥10,577</td>
<td>¥11,800</td>
</tr>
<tr>
<td>Pretax profit</td>
<td>¥11,080</td>
<td>¥11,833</td>
<td>¥12,600</td>
</tr>
<tr>
<td>Net income</td>
<td>¥7,476</td>
<td>¥8,163</td>
<td>¥8,700</td>
</tr>
<tr>
<td>Capital ratio</td>
<td>78.4</td>
<td>78.2</td>
<td>–</td>
</tr>
<tr>
<td>Net assets per share</td>
<td>¥947.00</td>
<td>¥993.18</td>
<td>–</td>
</tr>
</tbody>
</table>
2. FY2016 Summary Overview
## FY2016 Summary Overview

### Consolidated Result

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>99,019</td>
<td>102,549</td>
<td>110,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>58,825</td>
<td>60,865</td>
<td>64,900</td>
</tr>
<tr>
<td>SG &amp; A expenses</td>
<td>29,974</td>
<td>31,105</td>
<td>33,300</td>
</tr>
<tr>
<td>Operating profit</td>
<td>10,220</td>
<td>10,577</td>
<td>11,800</td>
</tr>
<tr>
<td>Pretax profit</td>
<td>10,887</td>
<td>11,913</td>
<td>12,600</td>
</tr>
<tr>
<td>Net income</td>
<td>7,476</td>
<td>8,163</td>
<td>8,700</td>
</tr>
</tbody>
</table>

[unit: Million yen]

### Overview of Financial Summary

**Japan**
- Boiler, related equipment, and ballast water management system going well
  - Sales increase due to boiler replacement in food industry
  - Sales increase of marine equipment (e.g., Ballast water management system)

**Overseas**
- High-yen effect and stagnation in US and Taiwan
  - Coal-fired boiler replacement in China and sales expand to Chaebol in Korea
  - Lack of big installation project in US and Taiwan

Increase of personnel expenses due to staff addition and research expenses related to new products such as BWMS
FY2016 Summary Overview

Analysis of Japan Domestic Sales

Unit: Hundred million yen

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017(Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water treatment equipment &amp; chemicals</td>
<td>26</td>
<td>28</td>
<td>34</td>
</tr>
<tr>
<td>Marine equipment</td>
<td>75</td>
<td>87</td>
<td>110</td>
</tr>
<tr>
<td>Food &amp; Medical equipment</td>
<td>88</td>
<td>91</td>
<td>98</td>
</tr>
<tr>
<td>Others (Exhaust gas boiler, environmental analysis equipment, etc.)</td>
<td>51</td>
<td>50</td>
<td>59</td>
</tr>
</tbody>
</table>

【Next FY】 Marine business growth attributed to ballast water management system
Overseas Sales

Unit: Hundred million yen

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas</td>
<td>790</td>
<td>833</td>
<td>880</td>
</tr>
<tr>
<td>Japan</td>
<td>200</td>
<td>192</td>
<td>220</td>
</tr>
<tr>
<td>Overseas sales ratio</td>
<td>20.2%</td>
<td>18.7%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

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Factor analysis of overseas sales increase

Despite currency exchange influence, overseas sale has increased actually

<table>
<thead>
<tr>
<th>Currency</th>
<th>Average exchange rate</th>
<th>FY2015</th>
<th>FY2016</th>
<th>Year-over-year</th>
<th>FY2017 plan</th>
<th>Year-over-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>120.15</td>
<td>108.34</td>
<td></td>
<td>90.2%</td>
<td>105.00</td>
<td>96.9%</td>
</tr>
<tr>
<td>CAD</td>
<td>91.84</td>
<td>82.50</td>
<td></td>
<td>89.8%</td>
<td>78.00</td>
<td>94.5%</td>
</tr>
<tr>
<td>CNY</td>
<td>18.86</td>
<td>16.10</td>
<td></td>
<td>85.4%</td>
<td>15.40</td>
<td>95.7%</td>
</tr>
<tr>
<td>KRW (100 Won)</td>
<td>10.42</td>
<td>9.45</td>
<td></td>
<td>90.7%</td>
<td>9.10</td>
<td>96.3%</td>
</tr>
<tr>
<td>IDR (100 Rp)</td>
<td>0.89</td>
<td>0.82</td>
<td></td>
<td>92.1%</td>
<td>0.80</td>
<td>97.6%</td>
</tr>
<tr>
<td>NTD</td>
<td>3.75</td>
<td>3.42</td>
<td></td>
<td>91.2%</td>
<td>3.30</td>
<td>96.5%</td>
</tr>
</tbody>
</table>

Despite currency exchange influence, overseas sale has increased actually.
Overseas sales

Unit: Hundred million yen

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017(Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>43</td>
<td>37</td>
<td>39</td>
</tr>
<tr>
<td>Korea</td>
<td>66</td>
<td>65</td>
<td>66</td>
</tr>
<tr>
<td>China</td>
<td>67</td>
<td>67</td>
<td>90</td>
</tr>
<tr>
<td>ASEAN &amp; Taiwan</td>
<td>24</td>
<td>23</td>
<td>25</td>
</tr>
</tbody>
</table>

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Main Overseas Sales (Based on Each Local Currency)

**US**
- FY2015: 3,105
- FY2016: 2,952
- FY2017: 2,717

**Unit: Million USD**

**Korea**
- FY2015: 750
- FY2016: 688
- FY2017: 725

**Unit: Hundred million KRW**

**China**
- FY2015: 355
- FY2016: 411
- FY2017: 584

**Unit: Million CNY**
### Business Investment

**[Capital investment]**

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit: Million yen</td>
<td>6,515</td>
<td>3,618</td>
<td>3,090</td>
<td>6,464</td>
</tr>
</tbody>
</table>

**[Depreciation and amortization]**

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit: Million yen</td>
<td>2,535</td>
<td>2,855</td>
<td>2,825</td>
<td>2,622</td>
</tr>
</tbody>
</table>

**Investment examples**

<table>
<thead>
<tr>
<th></th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017 (Plan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2015</td>
<td>• Branch office in Fukuoka</td>
<td>• New HQs building</td>
<td>• Multipurpose factory</td>
</tr>
<tr>
<td>FY2016</td>
<td>• Boiler components factory</td>
<td>• Renovation for environment analysis</td>
<td>• New branch building construction</td>
</tr>
<tr>
<td></td>
<td>•</td>
<td>equipment factory</td>
<td></td>
</tr>
</tbody>
</table>
3. Profit Share and Stock
3 Profit Share and Stock

① Sustaining stable dividends
② Targeting 30% consolidated payout ratio

FY2016
- Middle: 10 yen
- End: 12 yen
- Total: 22 yen

FY2017
- Middle: 11 yen
- End: 13 yen
- Total: 24 yen - Forecast

(Dividend per share)

(Yen)

24

12

6.67 11.33 11 11 12 13

7 7 8.67 10 10 11

FY2012 FY2013 FY2014 FY2015 FY2016 FY2017(Plan)

(Reference)

Treasury stock held
※As of March 31, 2017
- Total issued shares (treasury stock excluded) 112,502,791 shares
- Treasury stock 12,744,432 shares
4. Mid-Term Management Plan
Mid-Term Management Planning

Ideal business model three years ahead

Business environment change

Plan for next FY

Mid-term management plan for coming years

Annual correction in response to economic fluctuations

Rolling plan

To respond to business environment change, MIURA updates its three-year mid-term management plan every year.

<table>
<thead>
<tr>
<th>Rolling plan</th>
<th>FY 2016</th>
<th>FY 2017</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-term management plan 2016</td>
<td>2016–2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-term management plan 2017</td>
<td></td>
<td>2017–2019</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mid-term management plan 2018</td>
<td></td>
<td></td>
<td>2018–2020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Mid-Term Management Plan for FY2017

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2016</th>
<th>FY2017 Plan</th>
<th>FY2018 Plan</th>
<th>FY2019 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>1,025</td>
<td>1,100</td>
<td>1,200</td>
<td>1,300</td>
</tr>
<tr>
<td>Operating profit</td>
<td>105</td>
<td>118</td>
<td>130</td>
<td>145</td>
</tr>
<tr>
<td>Operating profit rate</td>
<td>10.2%</td>
<td>10.7%</td>
<td>10.8%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

*Unit: Hundred million yen*

### Overseas ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas ratio</td>
<td>18.7%</td>
<td>20.0%</td>
<td>22.9%</td>
<td>25.0%</td>
</tr>
</tbody>
</table>
| **Note:** IFRS adopted for FY2017 plan and after

---

**Net sales** and **Operating profit** are expressed in **Hundred million yen**.

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### Growth Strategy for Mid-Term Management Plan

<table>
<thead>
<tr>
<th></th>
<th>FY2016</th>
<th>FY2017Plan</th>
<th>FY2018Plan</th>
<th>FY2019Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Japan</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>833</td>
<td>880</td>
<td>925</td>
<td>975</td>
</tr>
<tr>
<td>Boiler</td>
<td>577</td>
<td>579</td>
<td>587</td>
<td>600</td>
</tr>
<tr>
<td>Water treatment equipment</td>
<td>28</td>
<td>34</td>
<td>36</td>
<td>44</td>
</tr>
<tr>
<td>Marine equipment</td>
<td>87</td>
<td>110</td>
<td>138</td>
<td>160</td>
</tr>
<tr>
<td>Food &amp; Medical equipment</td>
<td>91</td>
<td>98</td>
<td>103</td>
<td>104</td>
</tr>
<tr>
<td>Others (Special equipment, New business, Environmental business)</td>
<td>50</td>
<td>59</td>
<td>61</td>
<td>67</td>
</tr>
<tr>
<td><strong>Overseas</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>192</td>
<td>220</td>
<td>275</td>
<td>325</td>
</tr>
<tr>
<td>Americas (US, Canada, Brazil)</td>
<td>37</td>
<td>39</td>
<td>46</td>
<td>48</td>
</tr>
<tr>
<td>Korea</td>
<td>65</td>
<td>66</td>
<td>68</td>
<td>70</td>
</tr>
<tr>
<td>China</td>
<td>67</td>
<td>90</td>
<td>135</td>
<td>177</td>
</tr>
<tr>
<td>ASEAN &amp; Taiwan</td>
<td>23</td>
<td>25</td>
<td>26</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,025</td>
<td>1,100</td>
<td>1,200</td>
<td>1,300</td>
</tr>
</tbody>
</table>
Mid-Term Management Plan

Comparison with Figure released in FY2016

<table>
<thead>
<tr>
<th>Year of release</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Japan: No amendment made
Overseas: Currency exchange influence considered

Continuous growth maintained
5. Subsidiary Acquisition of INAX Inamoto HD
Subsidiary Acquisition of INAX Inamoto HD

Acquisition Target

【Company Information】
Company: INAX Inamoto HD
Location: 5-1-11 Ozaki, Shinagawa, Tokyo
Established: December 2014
Business (Including Subsidiary): Development, manufacturing, sale, maintenance, and engineering of cleaning equipment for business use

【Capital Structure】

<table>
<thead>
<tr>
<th>INAX Inamoto HD</th>
<th>INAX</th>
<th>Inamoto Manufacturing Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management and operation of group company</td>
<td>Sale and maintenance of cleaning equipment for business use</td>
<td>Manufacturing of cleaning equipment for cleaning use (Sale to INAX)</td>
</tr>
<tr>
<td>100.0%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

Planning to merge with INAX as the surviving company on July 1, 2017

【Main Products】
- Tunnel Washer
- Heavy Duty Washer
- Large Dryer
- Roll Ironer
- Extractor
- Compact Washer

【Market Share】
- Leading manufacturer of cleaning equipment for business use, holding the largest market share in Japan (50%) as manufacturer of heavy duty washer for business use and related products.
- In addition to production capabilities, INAX has strengths in engineering for large-scale linen supply factories and cleaning factories through proposal-based sales and the largest domestic maintenance system in Japan.
Growth Strategy of Mid-term Plan

INAX Corporation

Company Profile

<table>
<thead>
<tr>
<th>President</th>
<th>Kazuo Sasada</th>
</tr>
</thead>
</table>
| Business  | • Sale of cleaning equipment for business use, maintenance, engineering, constructions such as electricity and building operations.  
• Sale of cleaning equipment for hospitals, nursing homes, laboratories, government office, etc. |
| Location  | Osaki, Shinagawa, Tokyo |
| Established | January 1970 |
| Capital | JP Yen 100,000,000 |
| Employee | 179 (February 2017) |

Customer

Home cleaning company  Dust control company  Tunnel Washer  Linen supplier  Large Dryer

System proposal for large-scale facilities, facility design, construction, introduction, maintenance operation, etc.

Source: Corporate website

Inamoto Manufacturing Co., Ltd.

Company Profile

<table>
<thead>
<tr>
<th>President</th>
<th>Kazuo Sasada</th>
</tr>
</thead>
</table>
| Business  | • Manufacturing washer and dryer for business use  
• Sale and maintenance are carried out by its group company, INAX Corporation. |
| Location  | Hakuzan, Ishikawa |
| Established | June 1952 |
| Capital | JP Yen 96,300,000 |
| Employee | 144 (January 2017) |
### Subsidiary Acquisition of INAX Inamoto HD

**Sales Results and Financial Condition of Acquired Company (Consolidated)**

Due to renewal of the factories constructed during the bubble era of Japan and an increase of foreign tourists, the linen supply market has been steady, and the target company group is steadily expanding sales. Furthermore, as for FY2015, after the acquisition by Rising Japan Equity, the target company group improved profitability by improving labor productivity and reducing expenses.

(100 million of Yen)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>FY2015</th>
<th>[Reference] FY2016 (Results of 12 months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated net assets</td>
<td>34</td>
<td>43</td>
</tr>
<tr>
<td>Consolidated total assets</td>
<td>157</td>
<td>152</td>
</tr>
<tr>
<td>Net sales</td>
<td>151</td>
<td>188</td>
</tr>
<tr>
<td>Profit</td>
<td>10</td>
<td>17</td>
</tr>
</tbody>
</table>

**Notes:**
1. Figures are truncated.
2. INAX Inamoto HD plans to change the fiscal year end (the last day of the business year) from March 31 to June 30, and due to this change, FY2016 will be a 15-month account settlement from April 1 2016 to June 30, 2017. Therefore, the financial figures of April 2016 to March 2017 (results as of the end of March 2017) stated in [Reference] are cumulative total for 12 months; because the accounting period has not finished, the audit and some consolidation adjustments have been unfinished.
Due to population growth and economic growth, demand trend is upward for cleaning equipment of business use in Asia.

The hotel linen market in Japan continues to expand due to increasing number of foreign tourists visiting Japan, by government-focused measures toward tourism developed countries.

Note 1: Global Industry Analysts' estimate
Note 2: Displayed in JP Yen. 1 USD = JP Yen 111.4 at the exchange rate of the end of April 2017
Source: COMMERCIAL LAUNDRY MACHINERY - A GLOBAL STRATEGIC BUSINESS REPORT 06/16 (Global Industry Analysts, Inc.)
5 Subsidiary Acquisition of INAX Inamoto HD

**Mid-Term Plan**

*<from point to line, and then to area>*

Improving the sales/maintenance system from individual customer to debit system of area or field (Organization reform)

In addition to proposing the total solution of existing products and maintenance, aiming for the total solution from the point of product development

---

**Total solution**

- Supply filtered water for washer
- Supply steam for dryer
- Supply steam for iron

---

**Proposal of total solution**

One-stop maintenance

- Improvement of factory operation

Saving loss by MIURA’s total solution
Mid-Term Strategy and Strategic Positioning of Acquisition Target

Improve the product lineup, and develop solutions for the major end-user markets. Aim to expand to the overseas markets in mid-term plan.

【MIURA’s total solution】

Major end-user market
- Mechanical
- Chemical
- Food process.
- Hospital
- Hotel
- Linen

Enhance

Expand to the global market

Japan

Overseas

China

ASEAN

North America

INAX Inamoto HD

Boiler

Others
- Water treatment
- Food process.
- Medical

Marine products
- Marine boiler
- Ballast

Expand to the end-user markets

Enhance

Enhance

Enhance

Enhance
6. Coal-Fired Boiler Replacement Strategy in China
**Coal-Fired Boiler Replacement Strategy in China**

### MIURA's Target

- **Boilers installed in 2015**
  - 75% Coal
  - 15% Gas
  - 10% Others (E.g. oil, wood pellet)
  - **Boiler market in China**
    - Approx. 800 thousand ton/h
    - (Total steam output)

- **Breakdown of coal-fired boiler**
  - 69% MIURA's target
  - 17% Pre-restricted region
  - 14% Restricted region
  - Target: Boilers of 4 ton/h or more
  - 186 thousand ton/h

- **Coal fuel is restricted but no due date for abolition is determined.**

※Research conducted by MIURA INDUSTRIES (CHINA) CO., LTD.
Coal-Fired Boiler Regulation

Regulation
Decides and conveys government policy to every area

November 2014
「燃煤锅炉节能环保综合提升工程实施方案」 promulgated from seven major department of the government

Department of Environment has the authority to stop the production activities, for its strict control.

Gas utilization by area | MIURA China strategy
--- | ---
Area with almost no coal-fired boiler (e.g. Shanghai, Beijing) | Gas-to-gas replacement proposal
Area with coal fuel abolished within the expiration period | Focusing on coal-fired boiler replacement of peripheral areas
Area with legal regulation but postponed | Periodic visit and proposal in advance to adapt to sudden regulation tightening
Area with replacement permission to biomass (wood chip) | Proposal of gas-fired boiler replacement regarding several-year-later abolishment
Area with no legal regulation | Periodic visit and proposal in advance to get ready for promulgation

Based on the content, MIURA China regards 2016 to 2020 as the important period for coal-fired boiler replacement.
Exhaust Gas Regulation over Severe Air Polluted Areas

Northeast: Severe air polluted area but regulation delayed due to lack of gas

<table>
<thead>
<tr>
<th>Regulation start/Area</th>
<th>NOx regulation of newly-installed gas-fired boiler</th>
<th>Appropriate MIURA boiler</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/Tianjin</td>
<td>80 mg/m³</td>
<td>Low NOx Spec.</td>
</tr>
<tr>
<td>2017(Plan)/Hebei</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017/Shanghai?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017.4/Beijing</td>
<td>30 mg/m³</td>
<td>New LX model</td>
</tr>
<tr>
<td>2017/Zhengzhou, Henan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017/Chengdu, Sichuan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The regulation can be expanded regarding the areas above, shaanxi, Chongqing, and Chengdu.

Competitor

<table>
<thead>
<tr>
<th>Fire-tube boiler manufacturer</th>
<th>Once-through boiler manufacturer</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 1,000 companies (estimate)</td>
<td>Approx. 200 companies (the “once-through” populism can be an error factor.)</td>
</tr>
</tbody>
</table>

Depending on the area, MIURA encounters the above-mentioned competitors or others focusing on the area. If there are many, even nine competitors appear!

Cooperation with representatives holding local personal network started
Gas Supply Network and MIURA’s Expansion

Sites planned for new MIURA bases regarding gas supply

As of the end of March 2017
- Factory 1
- Branch 7
- Sales office 96
- Sales office 103

Further plan
- Year 2017 139
- Year 2018 156

No problem found in demand and supply of gas
- Gas field development in China (Shale gas around Chengdu city)
- Import capacity increased (Pipeline, LNG terminal, long term gas service contract)

For clear, blue sky in China
### Future Prospect

<table>
<thead>
<tr>
<th>Coal fire</th>
<th>Replacement to cheap fire-tube boiler</th>
<th>MIURA once-through boiler</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Example:</strong> Corrugated cardboard material factory</td>
<td>![Coal prohibition icon] Poor efficiency High gas cost</td>
<td>Fatal to narrow-margin high-turnover management</td>
</tr>
<tr>
<td>Annual fuel cost</td>
<td>5 million CNY</td>
<td><strong>13 million CNY</strong></td>
</tr>
</tbody>
</table>

- **2.6 times**
- **2.13 times**

**High efficiency and performance appreciated distinguish and differentiate MIURA!**

**Leading to another project in the same region in the same industry**
In China, lateral spread tend to be caused - an installation at a company (factory) can lead to another installation, rather easily. → Market share increase

Industry study in MIURA China
- Industry-related machines and mechanism
- Easy-to-understand unit expressions
  E.g. Corrugated cardboard industry: Steam consumption per 1㎡
  Feed industry: Gas amount and production output per 1 t
Employees and Net Sales of MIURA China

<table>
<thead>
<tr>
<th>(Persons)</th>
<th>Sales</th>
<th>Maintenance</th>
<th>Net sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2011</td>
<td>171</td>
<td>70</td>
<td>241</td>
</tr>
<tr>
<td>FY2012</td>
<td>195</td>
<td>85</td>
<td>280</td>
</tr>
<tr>
<td>FY2013</td>
<td>220</td>
<td>96</td>
<td>316</td>
</tr>
<tr>
<td>FY2014</td>
<td>250</td>
<td>112</td>
<td>362</td>
</tr>
<tr>
<td>FY2015</td>
<td>285</td>
<td>135</td>
<td>420</td>
</tr>
<tr>
<td>FY2016</td>
<td>323</td>
<td>174</td>
<td>497</td>
</tr>
</tbody>
</table>

(Unit: Million CNY)

※Expats from Japan are excluded.
※Staff concerning sales and maintenance only are included.

In-need recruiting is typical in China

Recruiting from name-brand universities starts in FY2017

Best and brightest human resources secured
Coal-Fired Boiler Replacement Strategy in China

**Mid-Term Management Plan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Local currency (CNY)</th>
<th>Japanese Yen base (Hundred million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>584</td>
<td>90</td>
</tr>
<tr>
<td>2018</td>
<td>876</td>
<td>135</td>
</tr>
<tr>
<td>2019</td>
<td>1,149</td>
<td>177</td>
</tr>
</tbody>
</table>

※1 CNY=15.4 yen

(Unit: million CNY) (Unit: Hundred million yen)
Future Tasks

Personnel development

- Understanding policy and strategy
- Understanding boiler basics, principles, and production process
- Understanding cultural and institutional aspects and settling in MIURA

Performance

- Technical acquisition
- Support from Japan

3 years later

Proposal sales

- Log analysis: Analyzing operation time, feed water volume, fuel consumption, etc. using boiler operation record
- Load analysis: Grasping steam load fluctuation with a load analyzer installed

Best boiler system proposal

Differentiation from competitors

High quality of Japanese product + Preventive maintenance
Future Tasks

**ZMP contract acquisition**

**To get ZMP contract**

- ZMP contract closing for the first year (Inspection 3 times/year performed)

**Face-to-face sales**

- ZMP proposal at inspection report briefing

- ZMP contract next year

**Aiming at 80% acquisition rate (same as Japan)**

**Three advantages of ZMP contract**

- High boiler efficiency
- Vessel and parts assurance
- Periodical and online maintenance
Future Prospect

- Additional education facility
- Training center construction considered
- Production capacity enlargement
- New factory construction considered
  → Area: Twice larger
  Capacity: 3 to 4 times more
  Approx. 5,000 to 6,000 units/year

Suzhou factory in China

Training scene in Japan
7. Reference
Company established. Full scale production of the Z boiler begun.
Development of high efficiency boiler. ZMP Contract started.
Development of gas-fired boiler with Tokyo Gas Company.
Sale of Multiple Installation System begun.
Diversified business started.
Listed on the 2nd Section of the Osaka Stock Exchange.
Listed on the 2nd Section of the Tokyo Stock Exchange.
Patent received for MI (Multiple Installation) System.
Listed on the 1st Section of the Tokyo and Osaka Stock Exchange.
Development of AI controlled boiler ZIS Online Maintenance begun.
Development of low NOx boiler.
Sale of SQ-2500ZS low NOx boiler begun.
50th Anniversary. Launch of the SQ-7000Z, high pressure steam boiler.
Online maintenance started.
Patent received for Multiple Installation System.
Sale of Multiple Installation System begun.
Types of Boilers ~ Same capacity ~

- Once-through boiler
- Water Tube boiler
- Fire Tube boiler
### Merit of Once-through Boiler

<table>
<thead>
<tr>
<th>Human activities</th>
<th>MI system (Multiple installation)</th>
<th>Large boiler</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Daytime: High load</strong></td>
<td><img src="image" alt="Once-through boilers" /></td>
<td><img src="image" alt="Fire tube boiler" /></td>
</tr>
<tr>
<td><img src="image" alt="Human activities" /></td>
<td>Only required number of boiler in operation</td>
<td>Operation regardless of load</td>
</tr>
<tr>
<td><strong>Night time: Low load</strong></td>
<td><img src="image" alt="Higher efficiency" /></td>
<td><img src="image" alt="Poor efficiency" /></td>
</tr>
</tbody>
</table>

**Reference**
MIURA CO., LTD. All Rights Reserved.
MIURA MI (Multiple Installation) System

Provides steam of required amount when needed, reducing operation costs and emission of CO₂ and NOx.

Why is MI system efficient?

- Energy Saving
- Space Saving
- Labor Saving
- Low pollution

Same water content even if the number of potatoes reduced

Water content reduced when the number of potatoes reduced
In 1986 MI system patented

**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 CO$_2$ and NOx.
What is ZMP Contract?

**Period**

- Update every 3 years
- 5 terms (15 years)

**Contents**

- 3 time inspections per year
  - Free replacement
- Remedy for sudden troubles
  - Free replacement parts
- Anomaly perception
- Trouble factor check in advance
- Water analysis
- Online maintenance

**Customers’ safety & relief**

**Early recovery**
Online Maintenance

Maintaining high profitability with “IoT” for 27 years

Remote monitoring

Trouble factor grasped

Preparation in advance

Early recovery

Monitoring

Troubleshooting via Telephone (Data collection/analysis)

Approx. 57,000 units under contract
*Including equipment other than boiler (As of April 2017)

User

Visit

Much more effective, easier maintenance work
Boiler Lifespan and MIURA Business Model

Not only the product sales, but maintenance & consumables sales

Assuming a boiler has a lifespan of 15 years,

Sales result

<table>
<thead>
<tr>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
<th>15th</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Product sales + Maintenance and chemical sales → Continuous cash flow → Securing repeat customers

- No effect of economic fluctuations

High quality product + Reliable maintenance

Additional sales of MIURA products other than boiler

Good relationship with customer
Maintenance Brings Profits

- **Product sales**
  - Sales ratio: 68.1%
  - Profit ratio: 36.7%

- **Maintenance**
  - Sales ratio: 31.9%
  - Profit ratio: 63.3%

*The whole MIURA group as of March, 2017

MIURA Maintenance Network

- Approx. 100 offices
- Approx. 1,150 engineers

Reference
## Mid & Long Term Management Strategy

### Domestic

<table>
<thead>
<tr>
<th>① Total solution</th>
<th>② BWMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Improving energy efficiency all over the factory &amp; plant all equipped with MIURA products achieving one-stop maintenance</td>
<td>• Obtaining USCG type approval</td>
</tr>
<tr>
<td></td>
<td>• Aiming at 10 billion sales of FY 2018</td>
</tr>
<tr>
<td></td>
<td>• Taking full advantages of our technology, maintenance, and customers’ trust in MIURA</td>
</tr>
</tbody>
</table>

### Overseas

<table>
<thead>
<tr>
<th>① Beer-company strategy</th>
<th>② Coal-fired boiler replacement in China</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Appealing advantages of MI system and suggesting energy-saving boiler system</td>
<td>• Introducing gas-fired boiler technology in Japan to meet legal requirements on the fuel shift from coal to gas regarding serious air pollution in China which have been tightened</td>
</tr>
<tr>
<td>• Globalizing MIURA boiler while increasing installation</td>
<td>• Expanding maintenance network to provide maintenance as in Japan</td>
</tr>
</tbody>
</table>
Domestic share

*Boilers for power generation excluded

Domestic boiler market

- Fire tube boiler: 10%
- Water tube boiler: 18%
- Once-through boiler: 72%

Total amount of steam output of the market:
Approx. 220K t/h
(*) Estimated value

Domestic once-through boiler market

- Once-through boiler: MIURA
- Others

Total amount of steam output:
Approx. 160K t/h
(*) Estimated value

“Once-through-ism” movement

Competitors

- NIPPON THERMOENER CO., LTD
- IHI PACKAGED BOILER CO., LTD
- Hirakawa Corporation
- SAMSON CO., LTD
- Kawasaki Thermal Engineering 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 that.
What will we offer for the matured market in Japan?

- Maximize efficiency in boiler
- Improve energy efficiency throughout the factory
- Unutilized heat recovery equipment
- Steam driven air compressor
- Exhaust gas boiler
- Other than boilers:
  - Water treatment equipment
  - Food processing equipment
  - Medical equipment
  - Laundry
- Marine equipment:
  - Marine boilers
  - Ballast water management system
Ehime Prefectural Central Hotel
~Preparation for Emergencies regarding BCP (Business continuity planning)~

Fuel selectable boiler

Toughness against disaster

Improved efficiency in cure & care

Fully-equipped medical treatment

Vacuum cooler

Steam sterilizer system

Vacuum-boiling washer

Filtration equipment
Total solution in food factory

- Vacuum cooler
- Retort sterilizer
- Ice storage water cooler

- Steam kettle
- Saturated steam cooker
- Vacuum defroster

- Total solution for food processing equipment

- Cooling
- Sterilizing
- Water-cooling
- Cooking
- Defrosting

- Food

- Hospital
- School
- Convenience store
- Nursing home

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Reference
Ballast water problem “A new market born”

“Ballast water” is the seawater taken into a ship’s tank to provide stability to the ship.

3 to 4 billion tons of seawater transferred per annum

Approx. 170 countries of IMO members adopted

Ratification on September 8th, 2016 announced by IMO!

Reference: document issued by the MLIT
Market & Sales of the BWMS

**Market size**
Vessels in the world: 80 to 100 thousand

**MIURA’s target**
19,000 vessels (small/medium vessels of 20 to 60 thousand DWT*)

---

**Estimation of installation-targeted vessels**
(in the case of effective date in January, 2015)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vessels</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20,000</td>
</tr>
</tbody>
</table>

Reference: document issued by the MLIT

*DWT: Maximum weight of load (Dead Weight Tonnage)

---

**Plan for FY 2018**
BWMS installation: 720 units
Sales expected: 10 billion JPY

New market born!

Approx. ¥10 billion

---

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**Boiler Market Share**

- **Japan**
  - Approx. 220K t/h
  - MIURA 40%

- **South Korea**
  - Approx. 140K t/h
  - 8.5%

- **ASEAN**
  - Approx. 175K t/h
  - 2%

- **U.S.**
  - Approx. 430K t/h
  - Mainly Large, Low-efficiency boilers
  - 1%

- **China**
  - Approx. 800K t/h
  - 1.3%
  - 80% of the market is coal-fired boiler which is rapidly switching over to natural gas.

*Based on steam volume*
Appropriate location, production, and sales to establish global network

14 companies, 7 factories, Sales and Maintenance in 19 countries

- **Netherlands**: 2012
  - Marine business development
  - 32 locations
- **Turkey**: 2014
  - Future sale in Europe and CIS* Countries
  - 103 locations
- **South Korea**: 1982
  - Korea and export to Russia
  - 11 locations
- **U.S. (2 companies)**: 1991
  - Sale in North America and export to Latin America
  - 11 locations
- **Canada**: 1987
  - Sale in North America
- **Mexico**: 2011
  - Sale in Mexico
- **Brazil**: 2012
  - New factory established in March 2016
- **Thailand**: 2012
  - Sale in Thailand
  - 10 locations
- **Singapore (2 companies)**: 2008
  - Hub in ASEAN
  - 4 locations
- **ASEAN 10 locations**
- **Indonesia**: 2009
  - Export to ASEAN
  - 7 locations
- **Vietnam**: 2016
  - Maintenance service started
  - 56 locations
- **China**: 1993
  - Export to Turkey and Malaysia
  - 32 locations
- **South Korea**: 2011
  - Sale in South Korea and export to Russia
  - 4 locations
- **Europe and CIS* Countries**: 2016

*CIS Countries The abbreviation of 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).
Your best partner for **Energy, Water, and Environment**, helping customers all over the world in energy conservation and environmental preservation. to bring products with the best price and quality in the world in the fields of energy, water, and the environment!
The Best Partner of
Energy, Water and Environment

Contact
MIURA CO., LTD.
Management Planning Department
TEL 089-979-7045
FAX 089-979-7011
URL http://www.miuraz.co.jp