

Financial Summary and MIURA Growth Strategy

November 19th, 2018 (Mon)

Daisuke Miyauchi
President & CEO

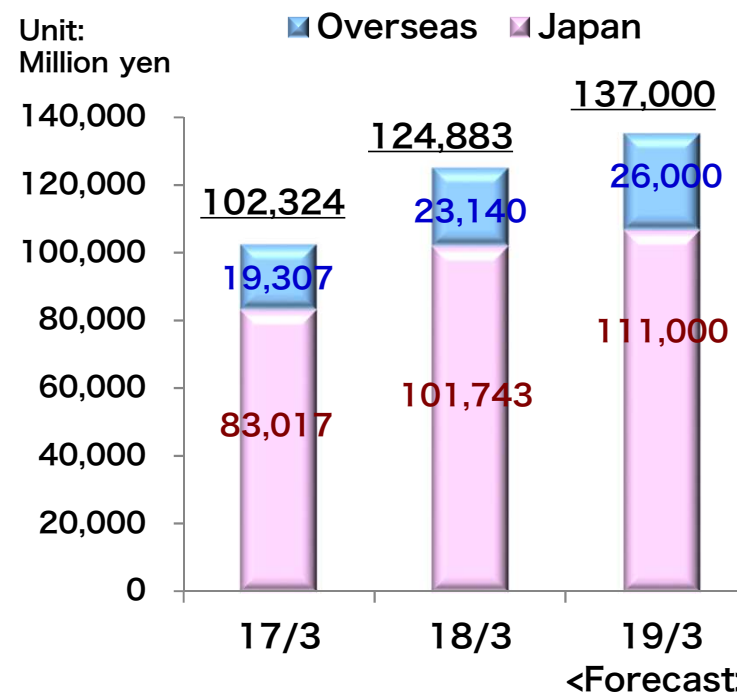
The Best Partner of
Energy, Water and Environment



1. Company Profile

Name	MIURA CO.,LTD.
Location	7 Horie, Matsuyama, Ehime
Establishment	May 1959
Group company (MIURA CO.,LTD. Included)	Japan: 11 Overseas: 15 ※ As of September 30 th , 2018
Employees	Group total: 5,700 (1,648 employees overseas included)
Business	Manufacturing, sale, and maintenance of equipment
Rating	“A” maintained as of October 2018 (Publicized by Rating and Investment Information, Inc.)

【Consolidated Net Sales】



<IFRS>	FY2016	FY2017	FY2018 plan (Revision)
Revenue (Million yen)	102,324	124,883	137,000
Operating profit (Million yen)	12,401	13,868	15,200
Profit before income taxes (Million yen)	12,898	14,183	15,700
Profit attributable to owners of parent (Million yen)	9,012	10,363	11,300
Basic earnings per share (Yen)	80.08	92.09	100.41

2. FY2018 2nd Quarter Summary Overview

Result of the first half of the fiscal year

Unit: Million yen

<IFRS>	FY2017 2 nd	FY2018 2 nd	Increase rate
Revenue	55,156	65,632	19.0%
Cost of revenue	32,651	39,913	22.2%
Selling, general and administrative expenses	16,280	18,146	11.5%
Other income	416	489	17.5%
Other expenses	31	38	22.6%
Operating profit	6,610	8,022	21.4%
Profit before income taxes	6,827	8,310	21.7%
Profit attributable to owners of parent	4,712	5,933	25.9%

《Overview》

Highest revenue and net income achieved

Steadily good in each domestic business and in boiler sales overseas

Firm laundry business in Japan

Inbound demand
Customer needs for labor saving and automation

Steady performance of all the overseas subsidiaries

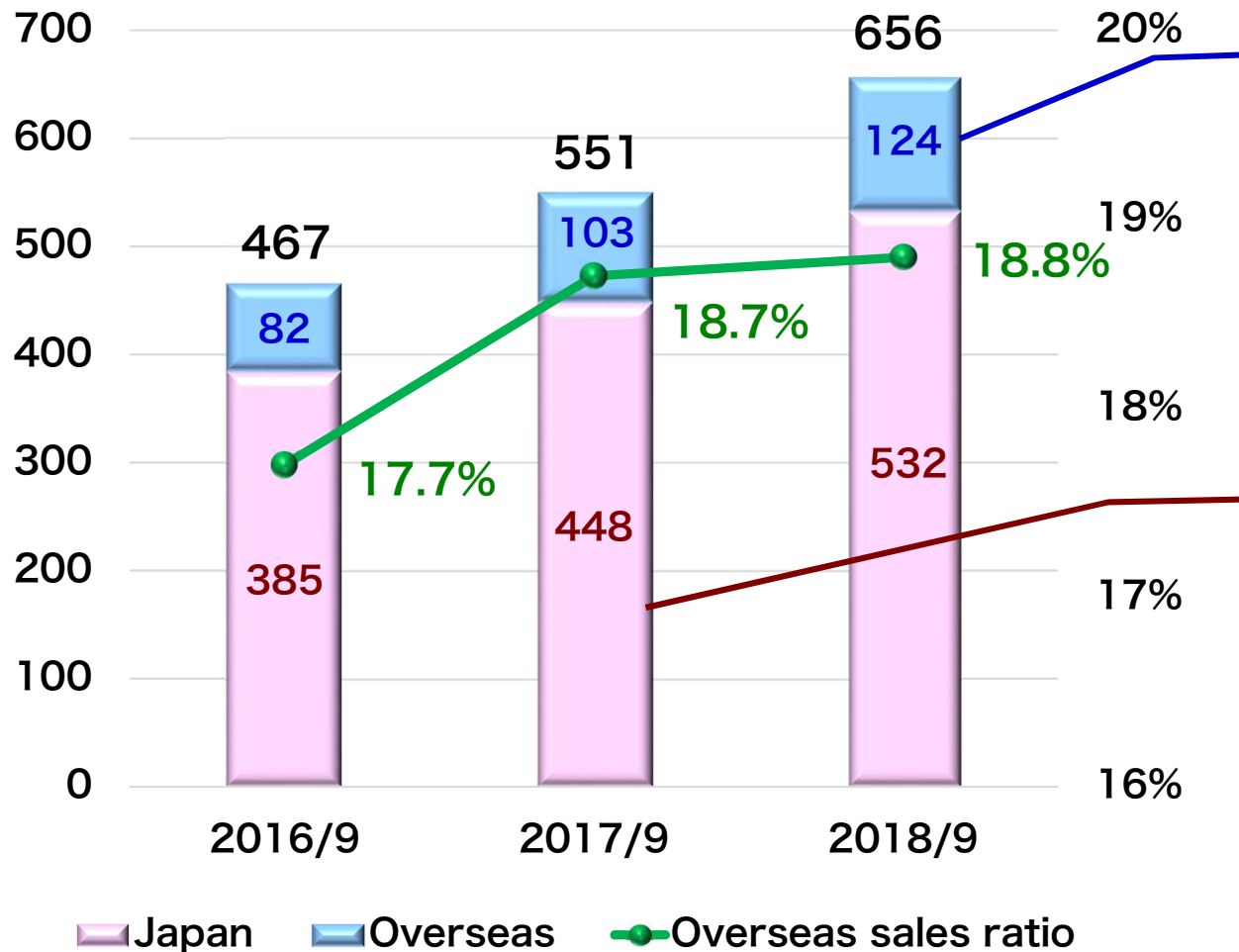
Increasing demand for replacement with gas-fired boiler

Stable maintenance business both in Japan and overseas

The number of boiler installed increased
Positive actions in holding the paid maintenance contract

Domestic/overseas sales (IFRS)

Unit: 100
million yen



Overseas
Currency exchange influence is small; income in local currency increased.

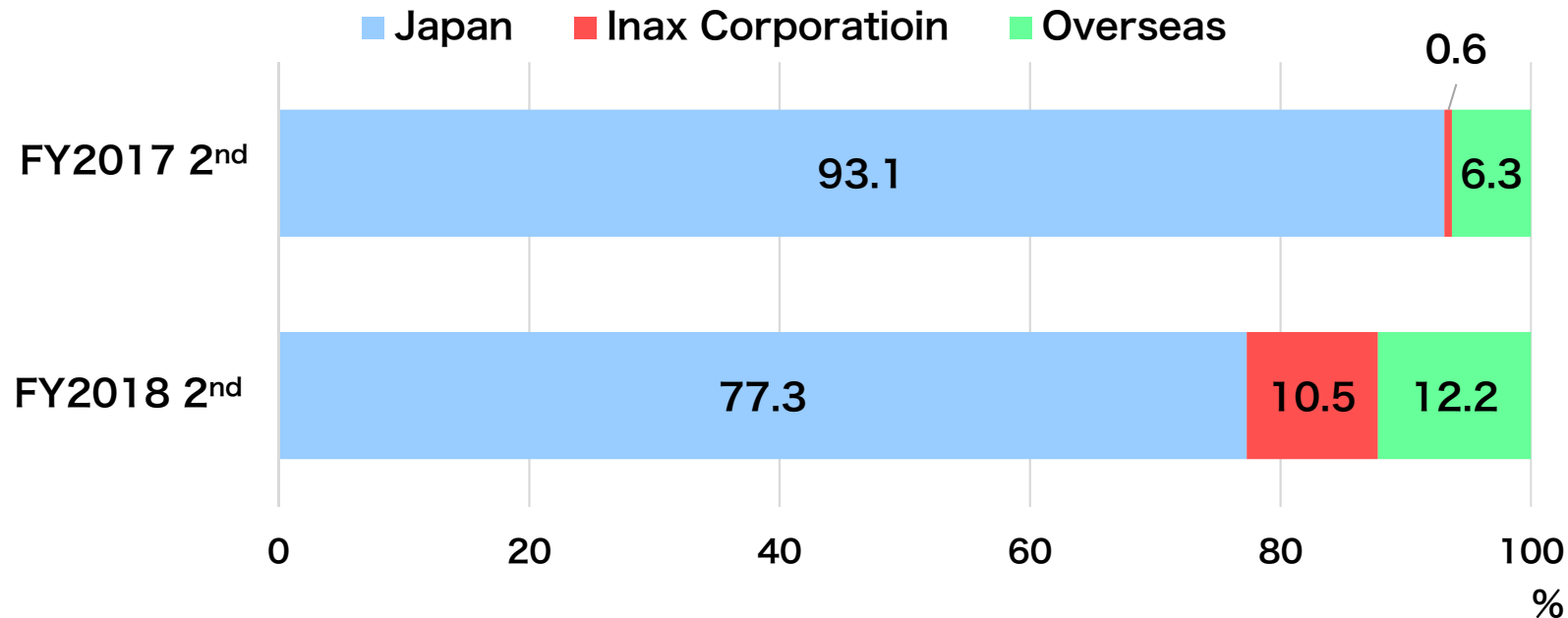
Japan
Laundry business for 3 months is included in the first half of the fiscal year.

Analysis

Unit: Million yen

FY2018 2 nd Quarter Summary Overview	Plan	Result	Growth rate
Revenue	63,500	65,632	103%
Operating profit	7,000	8,022	115%
Profit before income taxes	7,100	8,310	117%
Profit attributable to owners of parent	5,000	5,933	119%

Operating profit



2 FY2018 2nd Quarter Summary Overview

Comparison with the first half plan

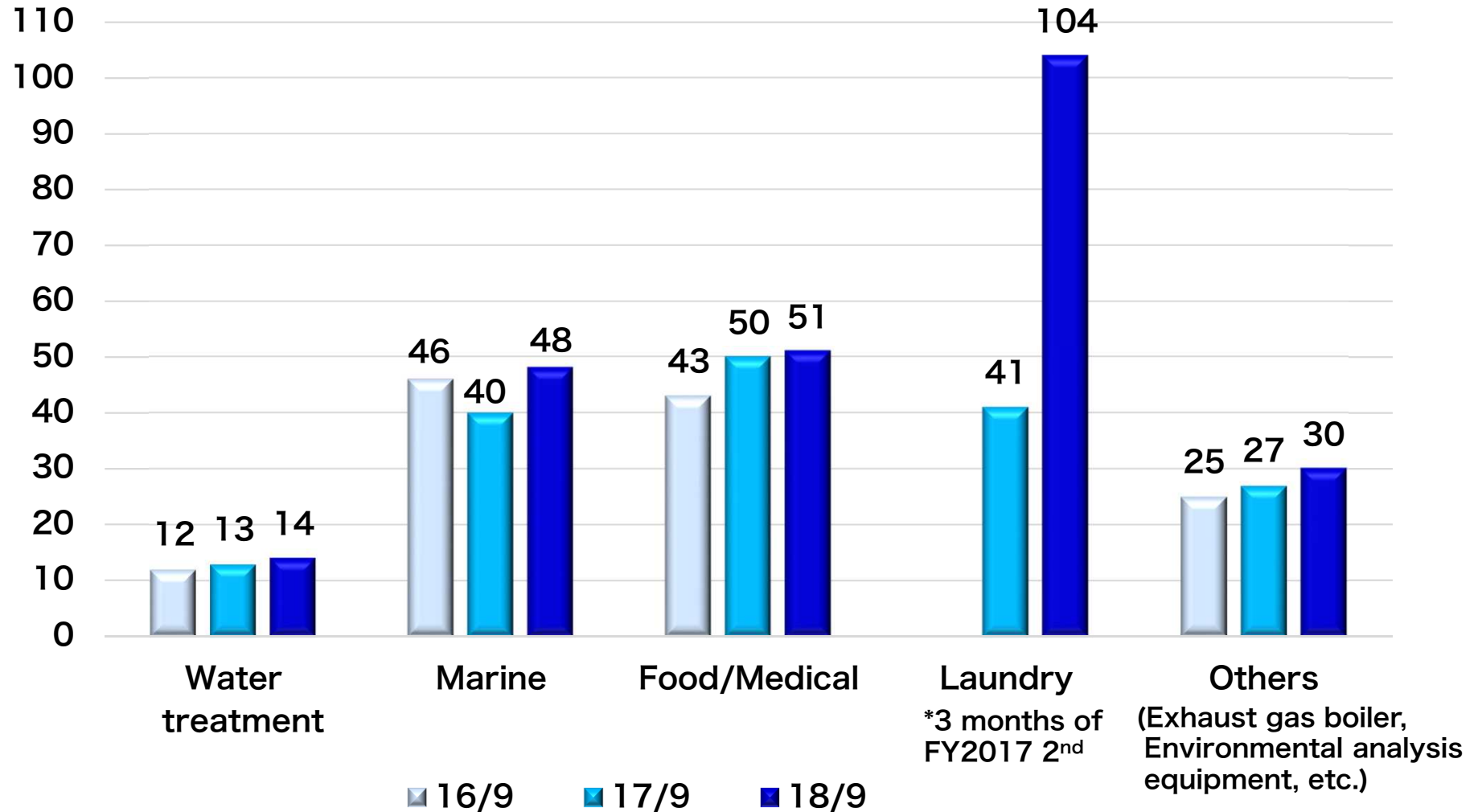
Unit: 100 million yen

The First Half of The Fiscal Year		FY2017 Result	FY2018 Plan	FY2018 Result	Difference Result - Plan
Domestic	Boiler	277	280	285	5
	Water treatment	13	16	14	-2
	Marine equipment	40	42	48	6
	Food & Medical equipment	50	50	51	1
	Laundry	41	80	104	24
	Others (Special Equipment, New Business, Environment, etc.)	27	32	30	-2
	Subtotal	448	500	532	32
Overseas	Americas*	17	21	24	3
	Korea	35	33	36	3
	China	35	61	42	-19
	ASEAN, Taiwan	16	20	22	2
	Subtotal	103	135	124	-11
Total		551	635	656	21

*Consolidated Mexico from FY2018 2nd

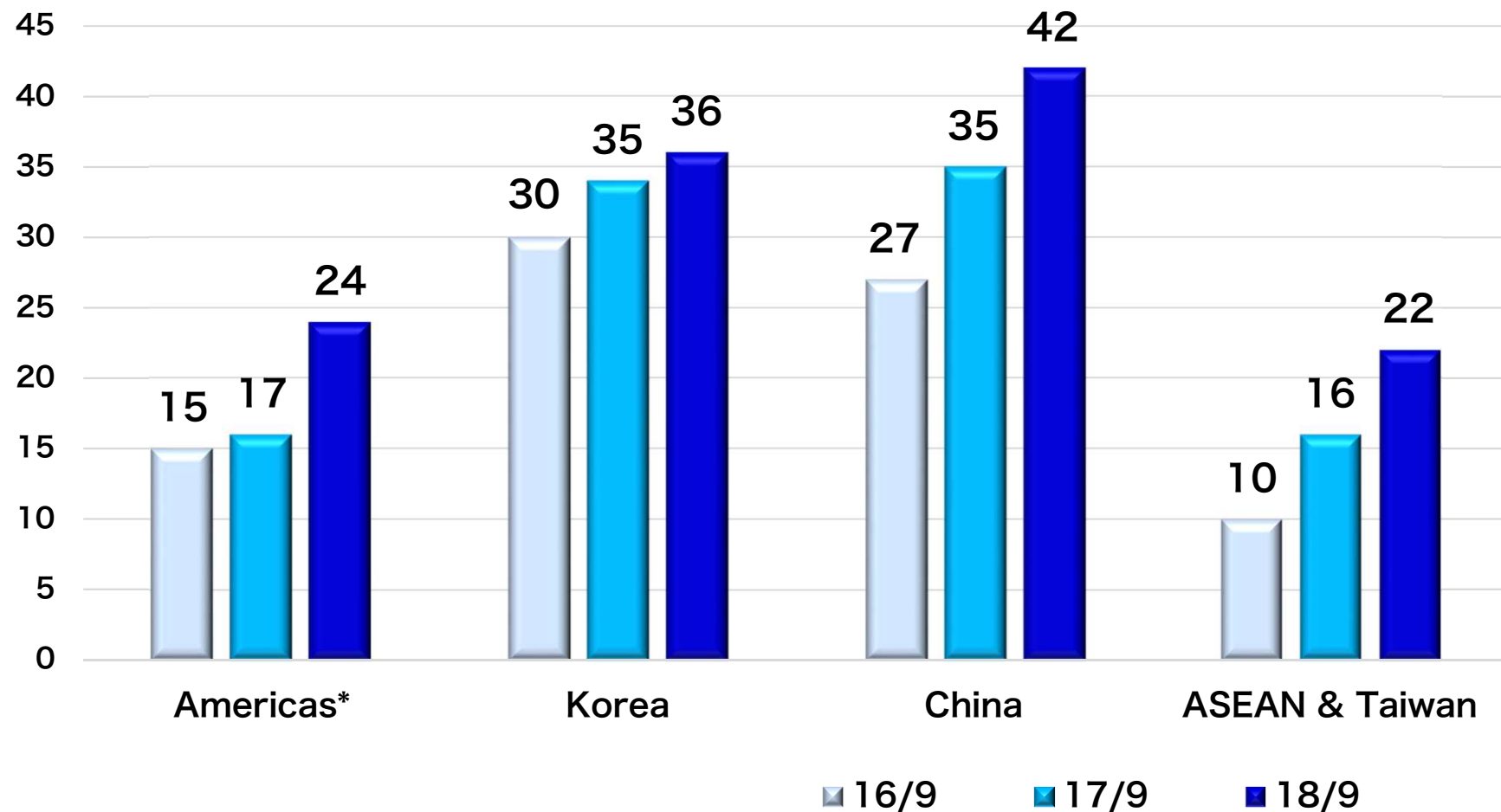
Domestic sales

Unit: 100 million yen



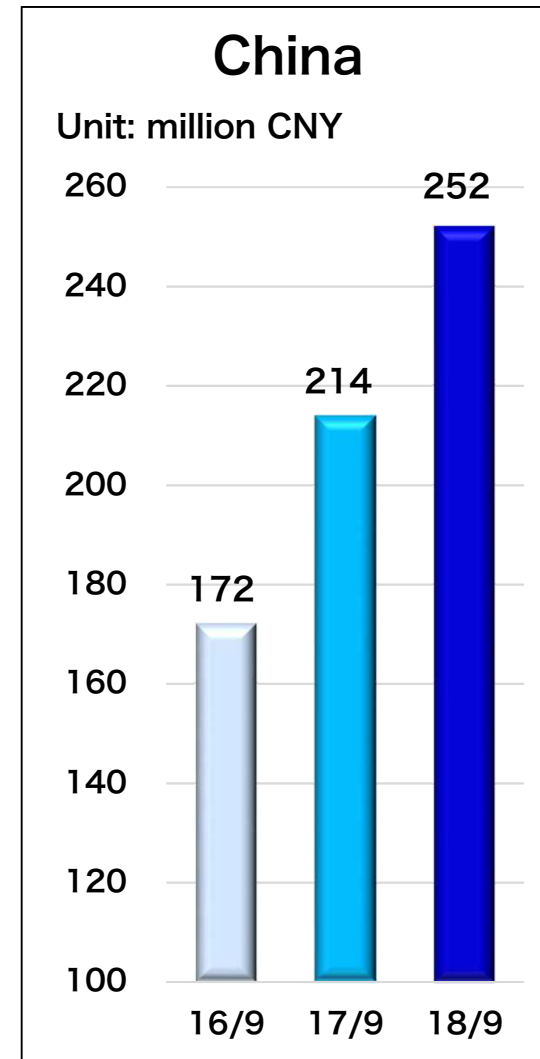
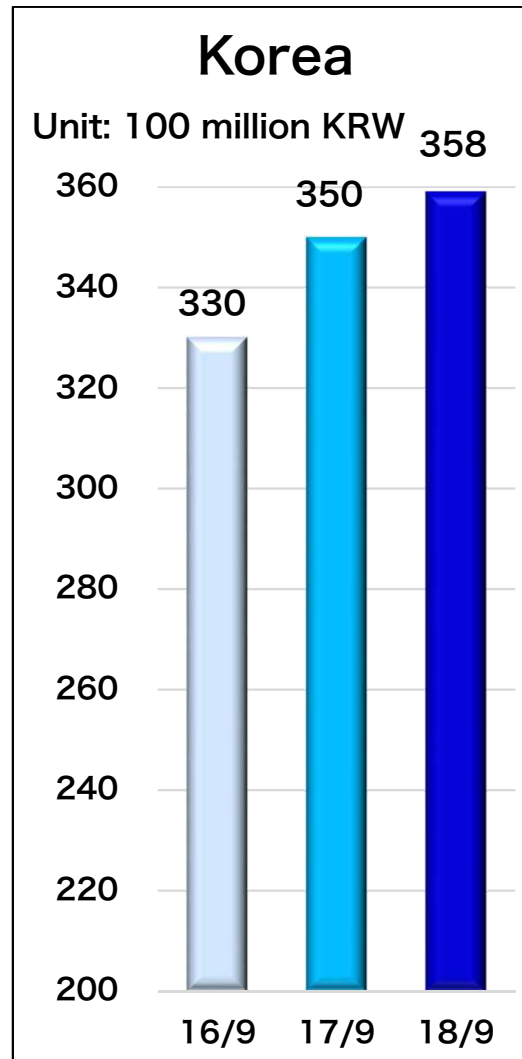
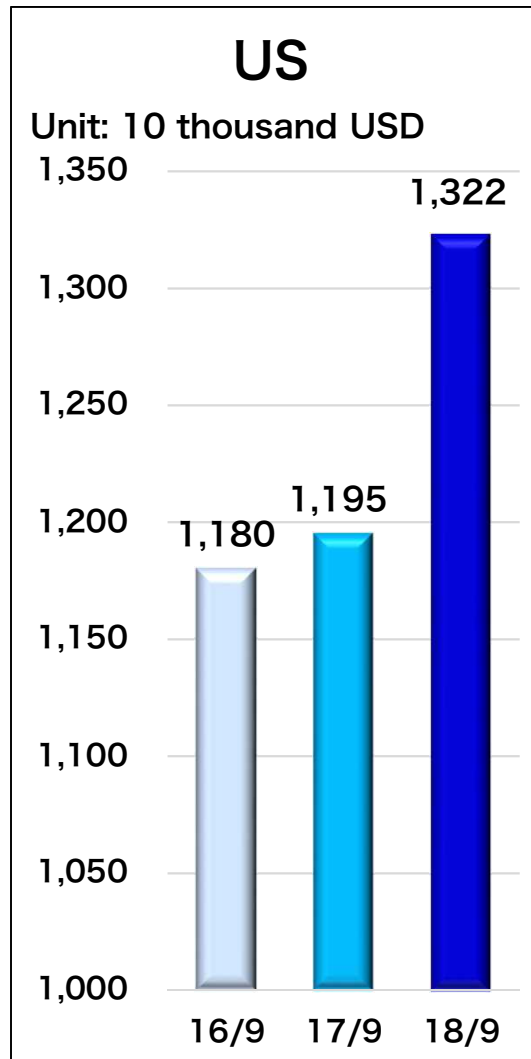
Overseas sales

Unit: 100 million yen



*Consolidated Mexico from FY2018 2nd

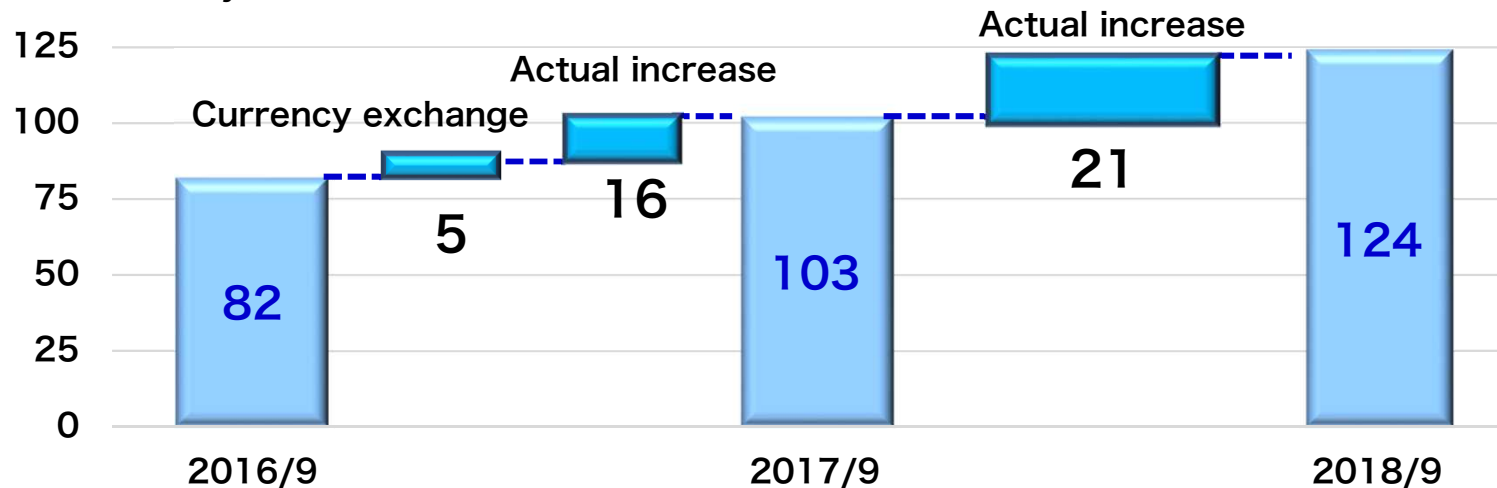
Main overseas sales (in local currency)



Analysis of factors for increasing overseas sales

Unit: 100 million yen

Currency exchange influence is small; income in local currency increased.



Average exchange rate	FY2017	FY2018	Increase rate	FY2018 plan
USD	111.04	110.26	- 0.7%	105.00
CAD	85.58	84.87	- 0.8%	82.00
CNY	16.42	16.74	2.0%	16.40
KRW (100 W)	9.83	10.04	2.1%	9.60
IDR (100 Rp)	0.84	0.78	- 7.6%	0.80
NTD	3.67	3.65	- 0.5%	3.50
BRL	34.83	29.27	- 16.0%	32.00
MXN	6.11	5.75	-5.9%	5.75
THB	3.28	3.40	3.7%	3.20

2 FY2018 2nd Quarter Summary Overview

Revised annual plan

Unit: 100 million yen

		FY2017 Result	FY2018 Plan	FY2018 (Revised)	Difference
Domestic	Boiler	588	594	609	+15
	Water treatment	29	35	35	
	Marine equipment	86	90	100	+10
	Food & Medical equipment	104	106	106	
	Laundry	139	170	190	+20
	Others (Special Equipment, New Business, Environment, etc.)	71	70	70	
Subtotal		1,017	1,065	1,110	+45
Overseas	Americas	44	45	45	
	Korea	69	70	70	
	China	83	130	100	-30
	ASEAN, Taiwan	35	40	45	+5
	Subtotal	231	285	260	-25
Total		1,248	1,350	1,370	+20

3. Profit Share and Stock

3 Profit Share and Stock

① Sustaining **stable** dividends

② Targeting **30%** of the consolidated payout ratio



FY2017

Mid. 11 yen
End 17 yen

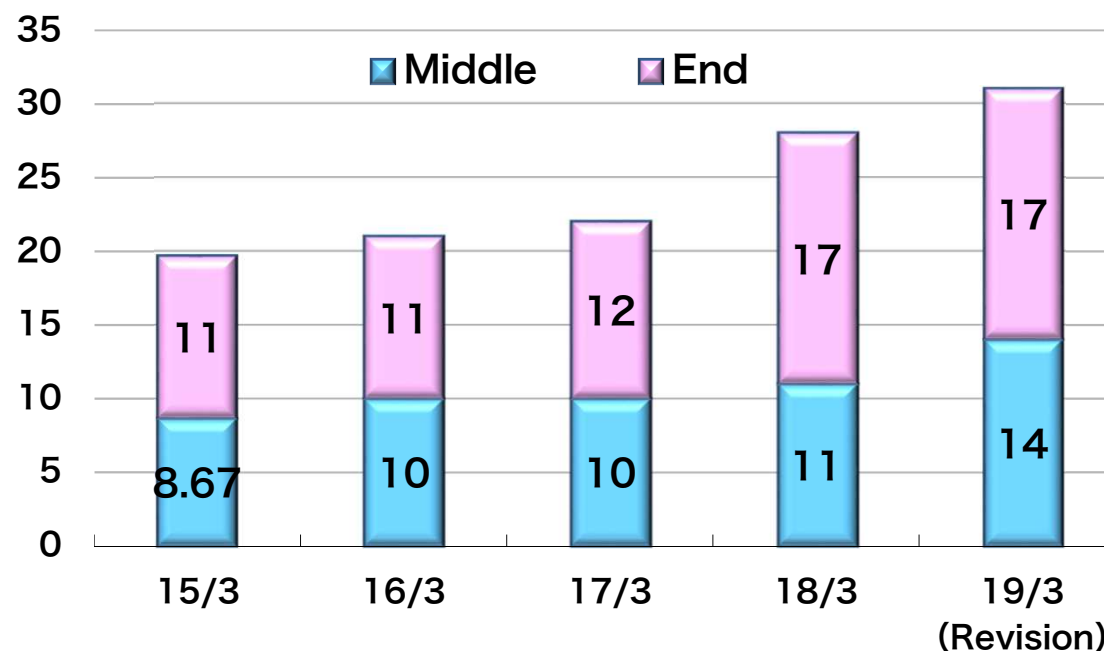
Total 28 yen

FY2018

Mid. 14 yen (Revised)
End 17 yen

Total 31 yen -Forecast

Unit: yen **【Changes in dividend per share】**



(Reference)

Holdings of treasury stock
*As of September 30, 2018

- Total number of issued shares (without treasury shares)
112,574,546 shares
- Treasury share
12,716,566 shares

**Dividend
increase:
3 yen**

Financial Summary and MIURA Growth Strategy 2

November 19th, 2018 (Mon)

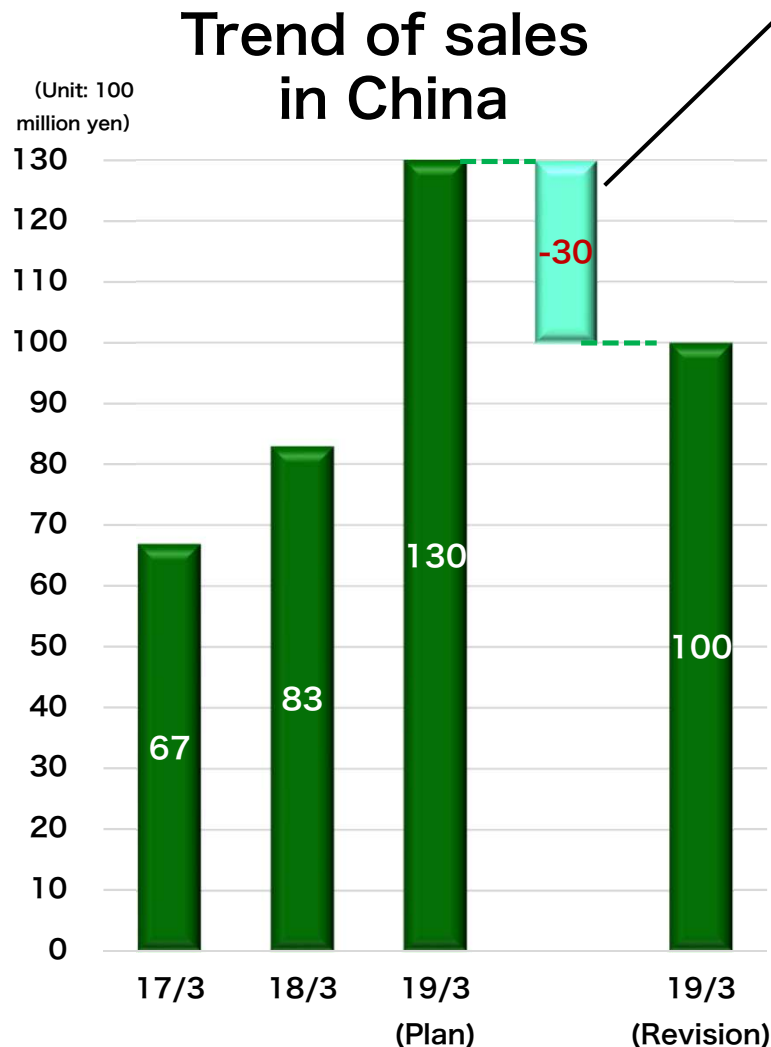
Daisuke Miyauchi
President & CEO

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1. Current Business in China

Difference between our plan and result



November 5th, 2018

The revenue in China of this fiscal year has been revised to 10 billion yen, three billion yen downwards.

Factors of difference

① **Gas shortage**

Large increase in demand

② **Trade war**

Wait-and-see attitude toward investment

③ **Eased regulations**

Replacement of coal boiler by pellet boiler

The construction of our second factory in Suzhou starts in January 2019. There seems no change in the long-term environmental regulations.

Detailed background

China

Work environment regulations regarding waste water and air are also tightened.

US-China trade war

+

Tightening environmental regulations

Worsened profit devastated the economy

Economic stagnation
Worsening economy

Easing regulations

Prohibition of coal boiler use postponed in gas shortage areas



Replacement with gas-fired boiler has been postponed or suspended









As a result

Pellet boiler abolition stopped (excluding urban areas)



Adoption of pellet boiler increased

Current environmental regulations

Environmental regulation	Area	Influence	FY2018	FY2019
Tightened NOx	Shanghai North China Shanxi	Burner changed New model boiler		
Postponement of coal boiler prohibition	Northeast China (Dalian)	Postponed		 <small>if the northeast pipeline is completed as planned,</small>
Postponement of pellet boiler prohibition (until 2021)	Guangzhou	Postponed		
Pellet boiler permission (Replacement of coal boiler by pellet boiler)	Guangdong (Reference) Installation in 2017 • Pellet: 500 units • Gas: 450 units	Lost		

Gas shortage

Northeast pipeline supply schedule



●October 2019

North section (from Heihe to Changling) completed

Annual supply of 5 billion cubic meters started

*Supply to Hebei/Beijing is possible via Changchun/Shenyang.

→ Central Government decides based on each province's report.

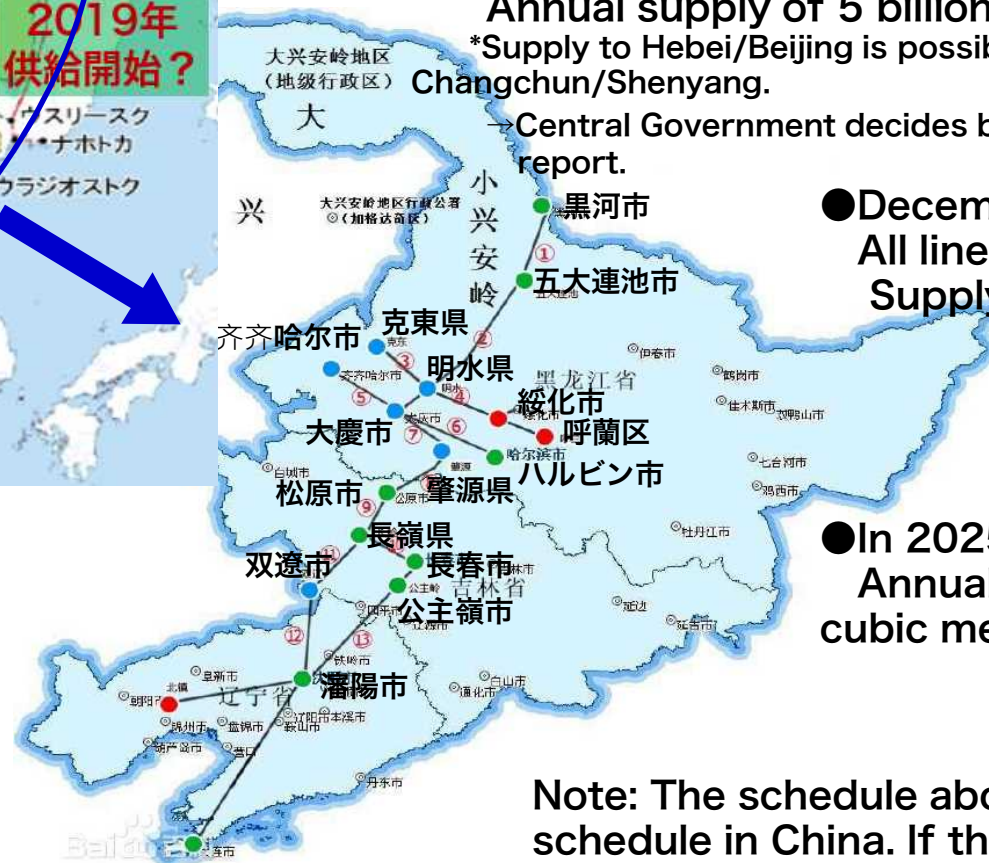
●December 2020

All lines completed

Supply started in stages







●In 2025

Annual supply of 38 billion cubic meters



Note: The schedule above is based on the schedule in China. If the Russian pipeline completion delays, the supply may delay.

Trade war impact

Area	Industry	Influence	FY2018	FY2019
Shandong	Rubber, Chemical	Postponement or disappearance due to companies closed		Shifting to food and feed industries 
Guangdong Fujian	Food	None		 ?
Whole China	Corrugated cardboard	None		To Vietnam and Indonesia 

Influence in Shandong



High-density area of major companies regarding tyre and chemical (rubber) industries

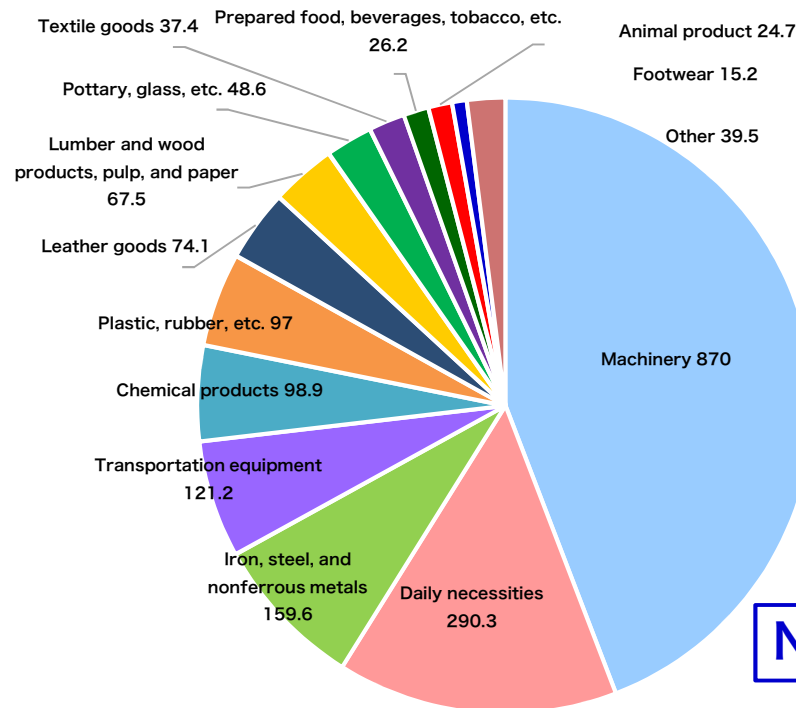
Due to the US-China trade war, 2 out of 4 major companies went bankrupt.
*One of them has the largest debt ever in China.



Approx. 50% of boiler units to be delivered to the related companies in the first half of this FY has been postponed or disappeared!

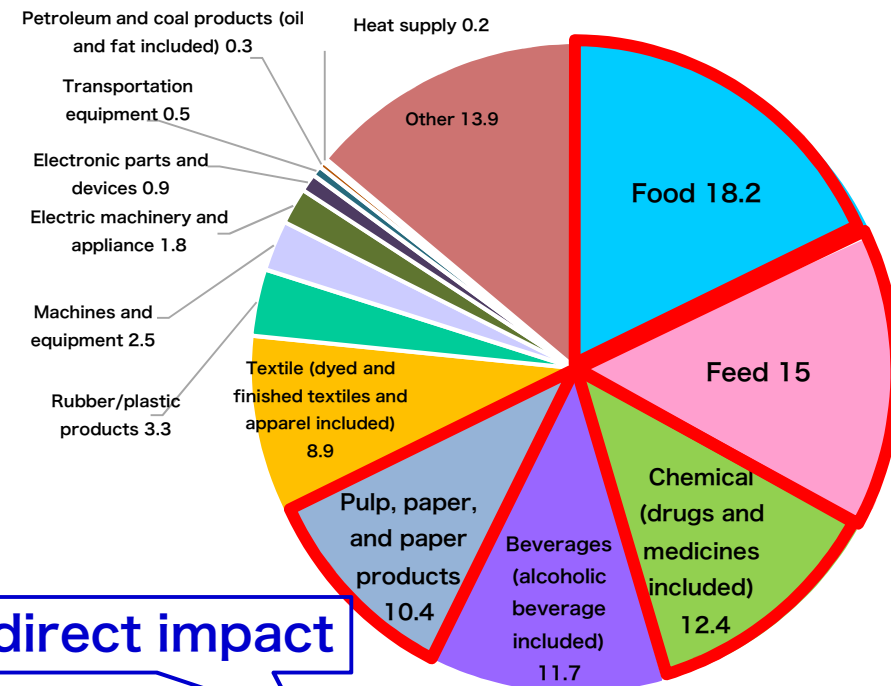
Trade war impact

USTR's Section 301 tariff list
(Released on July 10th: 200 billion dollars)



Section 301 of the Trade Act
Authorizes the President to take all appropriate action, including retaliation such as tariff increase, against foreign government's unjustified or unreasonable trading

Applications in boiler market
(MIURA's own research)



No direct impact

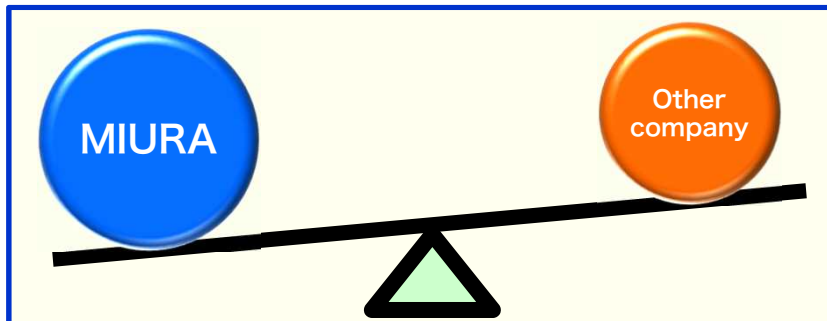
Our target is less subject to the impact

Food, feed, pharmaceutical, and corrugated cardboard industries

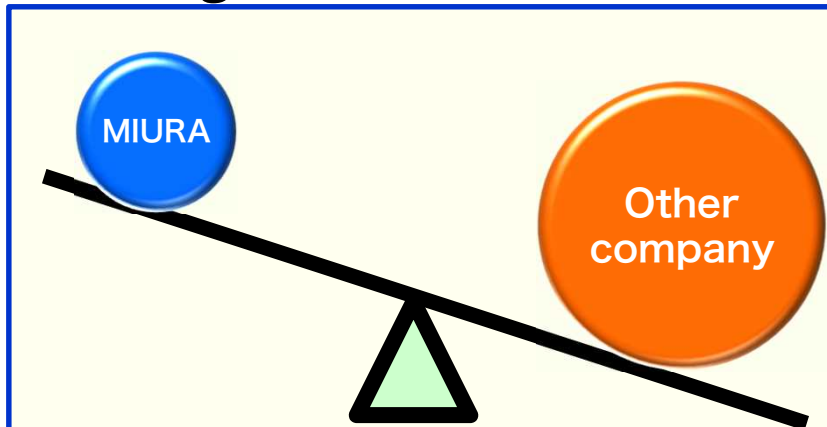
Price competitiveness

“Life Cycle Cost” enlightenment

Initial costs



Running costs



To buy or not to buy:
that is the question.



- Main unit
- Installation fee

Et tu?
Our advantages should be
known to everybody...



Unique energy-saving technology

- Fuel
- Maintenance/inspection
- Parts and consumables
- Replacement fee
- Repairing

ZMP contract

Intensified competition

Sales unit price dropped due to intensified competition



Several-year recovery by maintenance

Appeal of running cost advantages

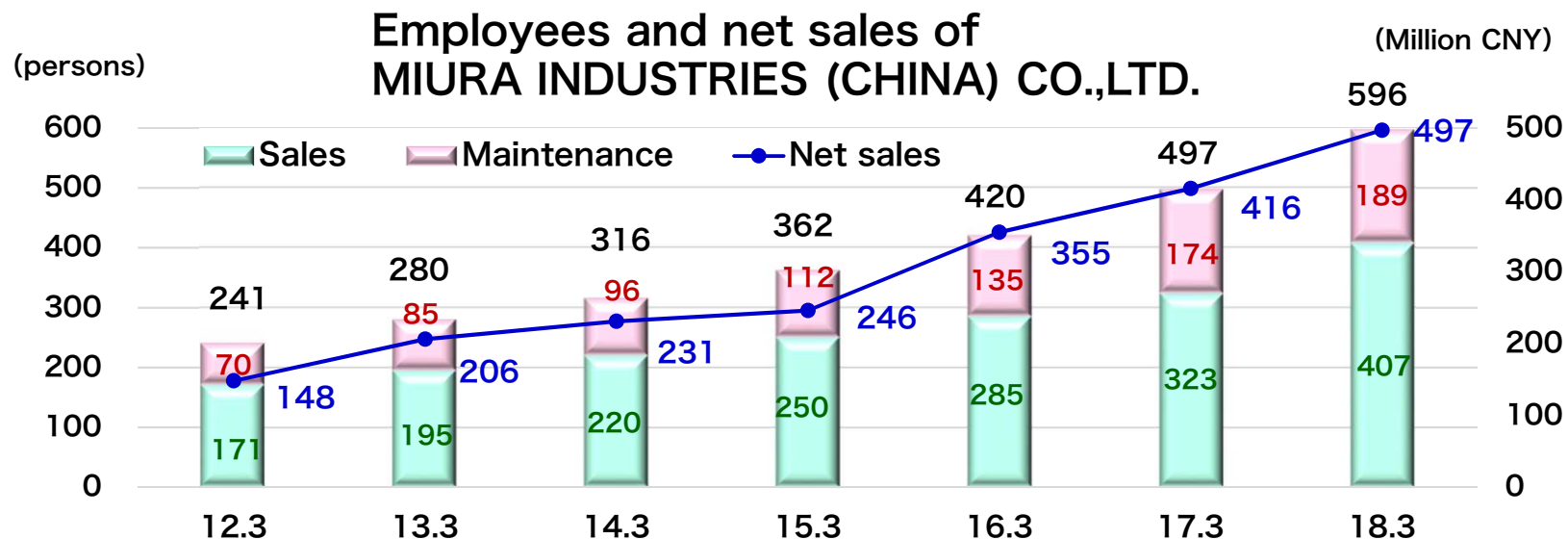
Education

Training center
(200 people capacity)
construction is planned!

Sales persons and maintenance persons gather and take appropriate training there.



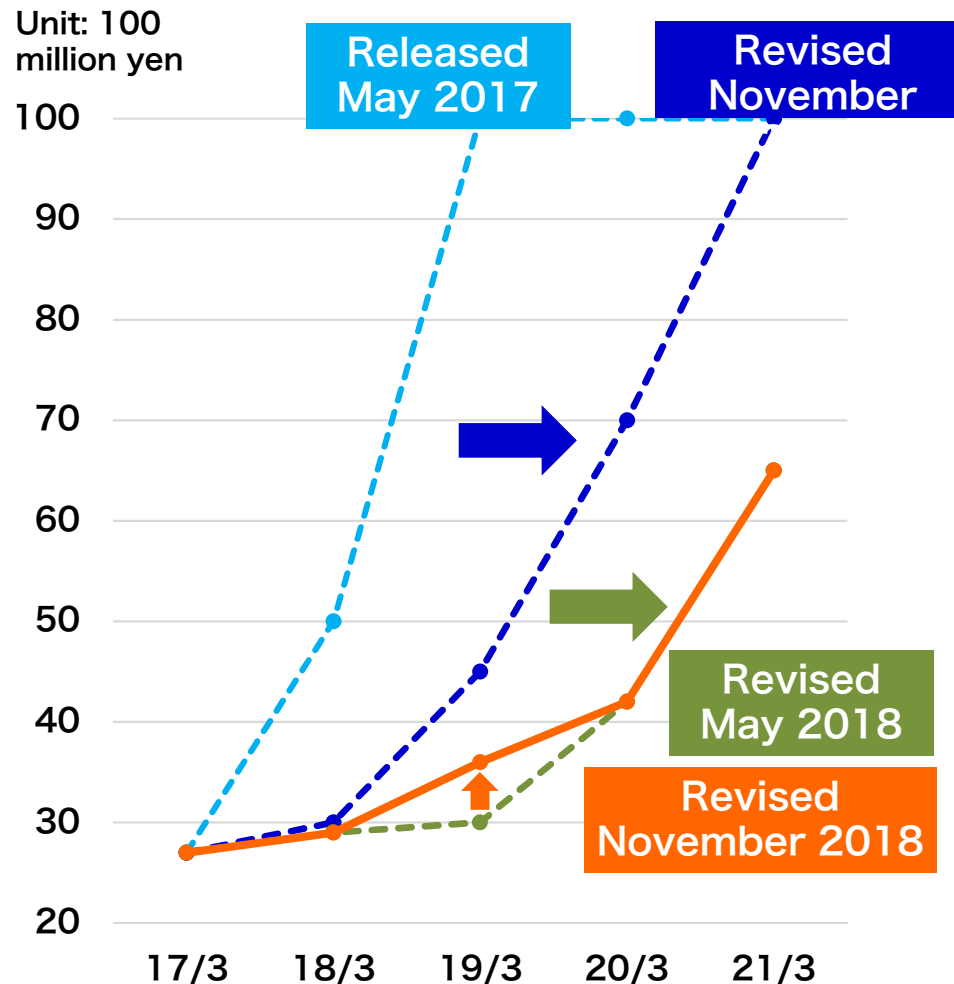
- Human resource development
- Know-how to utilize boiler operation report, load analysis, etc.



2. Current BWMS Business

Revision of BWMS sales forecast

BWMS installation timing changed



(In-service vessels)
During regular inspection
from September 2017

2 year
postponement

(In-service vessels)
During regular inspection
from September 2019

MIURA's USCG TA obtaining
plan changed

Obtainment by March 2018

Delay

Application by March 2019

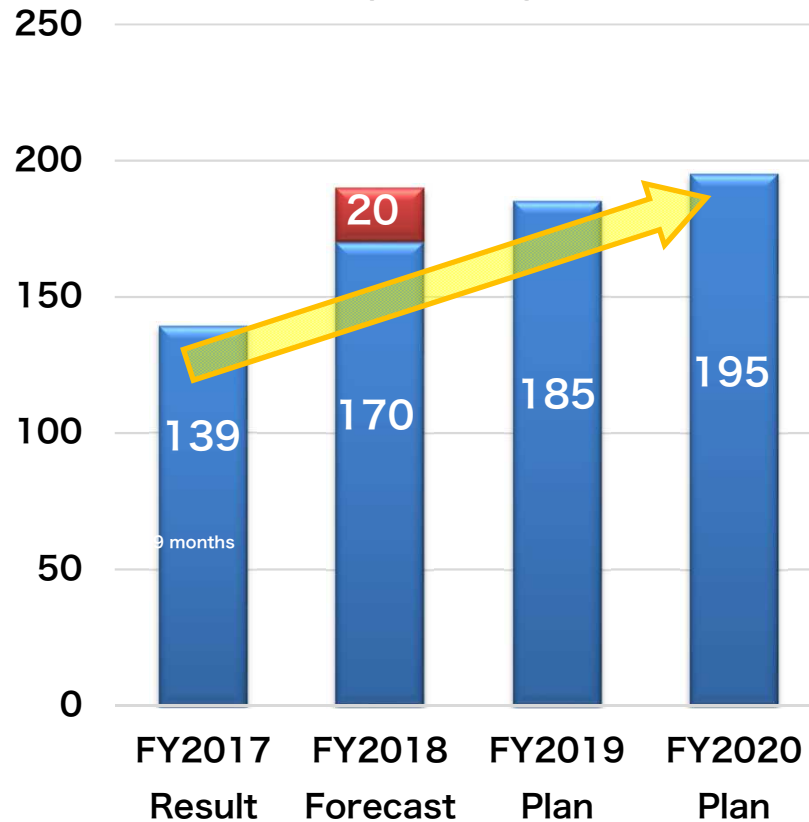
3. Current Laundry Business and Its Future

1H: Performance concentration due to accounting period change

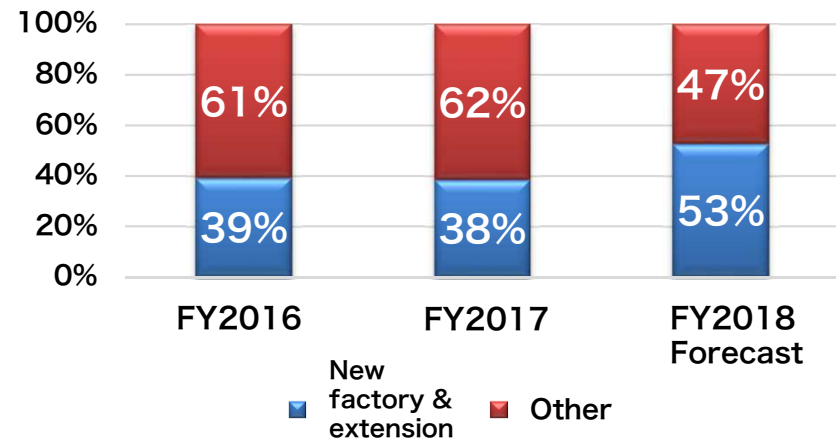
2H: Increasing inquiries from linen factories due to firm inbound demand

(100 million yen)

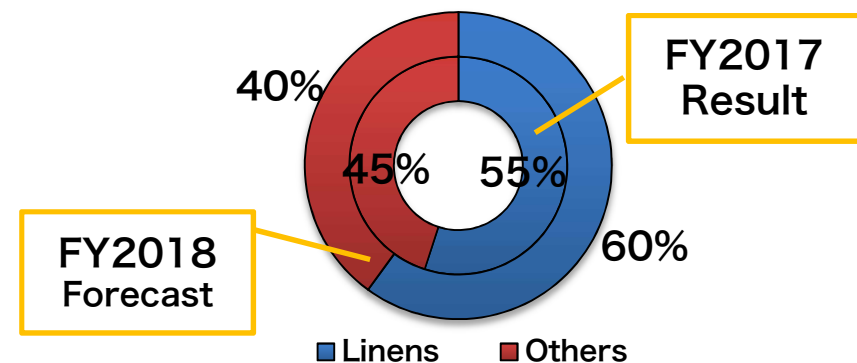
Net sales



Tunnel washer installation category

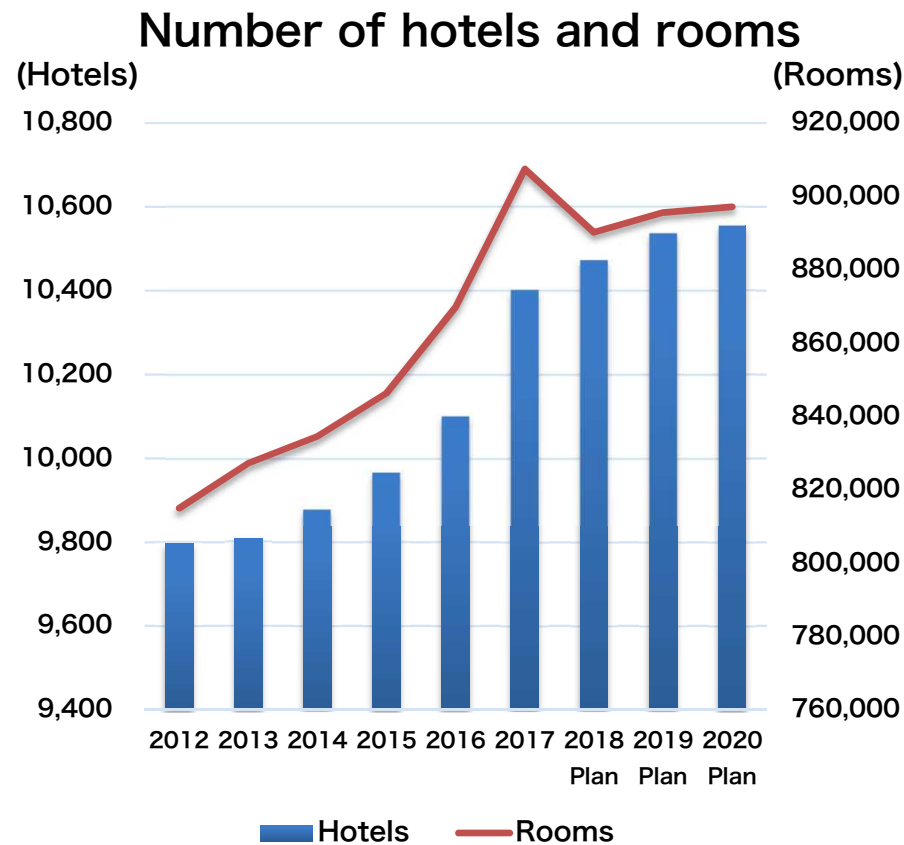


Sales ratio by business

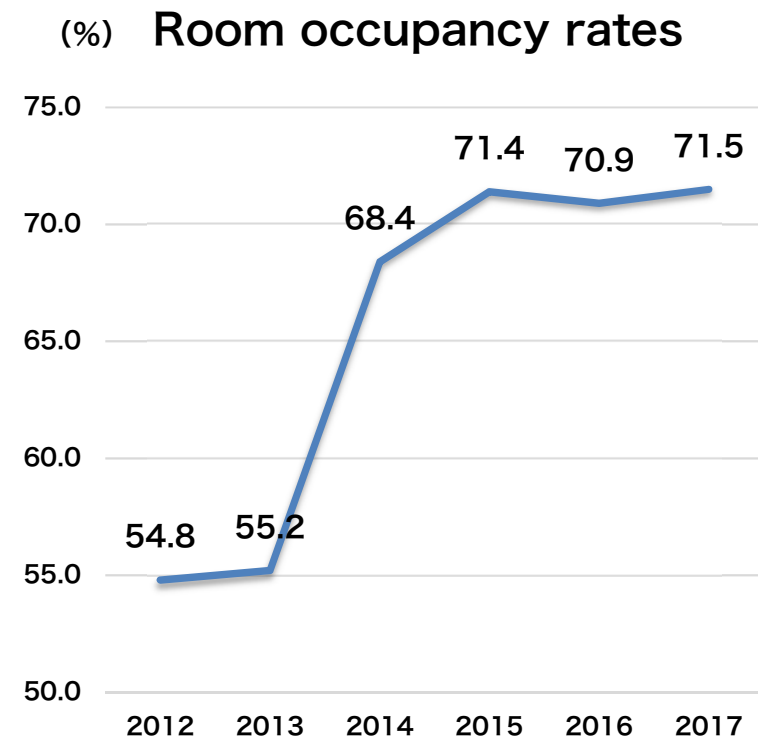


Hotel linen market trend

- ① Increasing hotels and their occupancy rates
- ② Luxury shifting (pillows/towels)



Source: Ministry of Health, Labour and Welfare “Report on Public Health Administration and Services” and MIURA’s own research



Source: Japan Tourism Agency “Overnight Travel Statistics Survey”

<Past to Present>

Production cannot keep up with demand
due to increasing foreign visitors and room occupancy rates

Replace old equipment with higher spec equipment
to improve productivity

<Present to Future>

High productivity, but...

Slow improvement of work environment affects human resources.

Equipment to achieve “small number of workers, but high quality output”
is in demand.

Roller
finishing



Power
saving

Uniform
finishing



Labor
saving

Towel
finishing



Automation

4. Superheated Steam Regeneration Activated Carbon Filter (J TOP CO.,LTD.)

Profile of our new business partner

【Company profile】

Name	J TOP CO.,LTD.
Location	4-5-44 Migata-cho, Izumi-city, Osaka
Establishment	December 2009
Business	Manufacturing and sale of equipment for environmental protection. Environmental consultant
Representative	President Jiichi Nakaki
Capital	80 million yen (As of October 2018)
Employees	20 (As of October 2018)
Major shareholder	Jiichi Nakaki (66.7%) MIURA CO.,LTD. (20.0%) Other (13.3%)

【Main product】

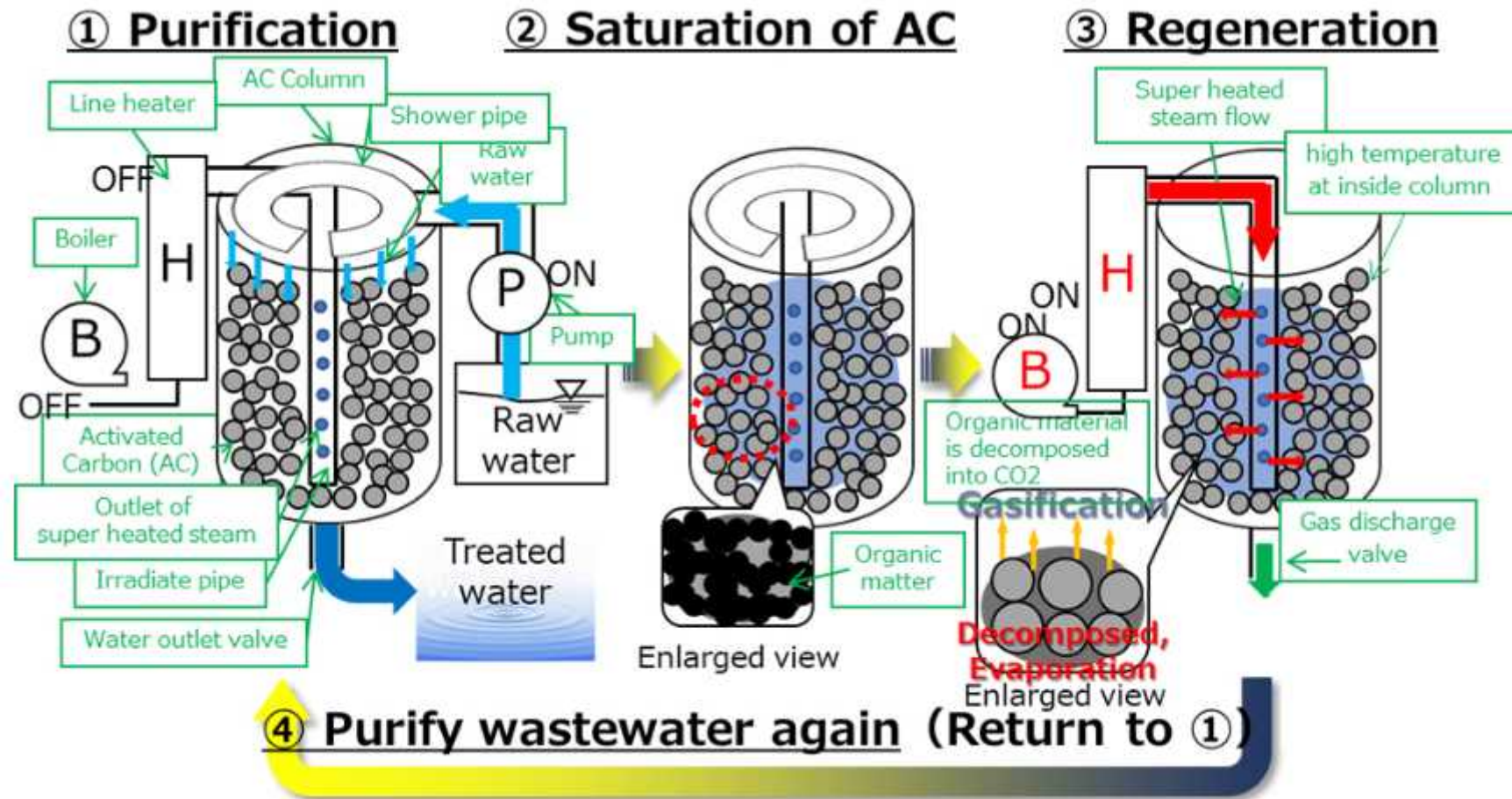
Activated carbon filter



【Product features】

- Uses on-site superheated steam to regenerate J TOP's activated carbon filter.
- Reduces organic matters and concentration. This product can be used in various fields such as water purification, wastewater processing, and reuse water treatment. MIURA and J TOP being linked by steam, this product could be another aspect of our total solutions.

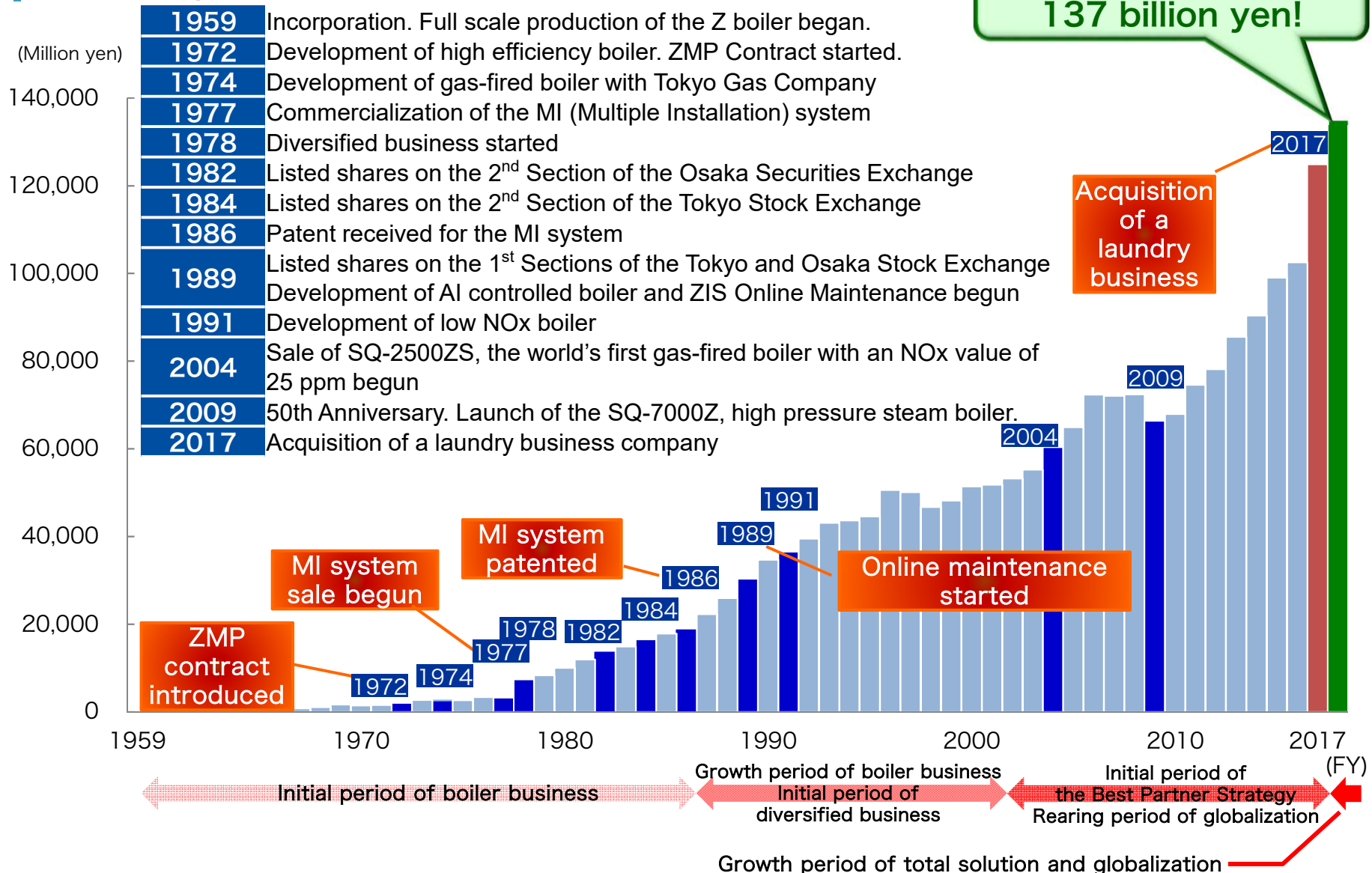
Regeneration of activated carbon filter using superheated steam

Features

Reference

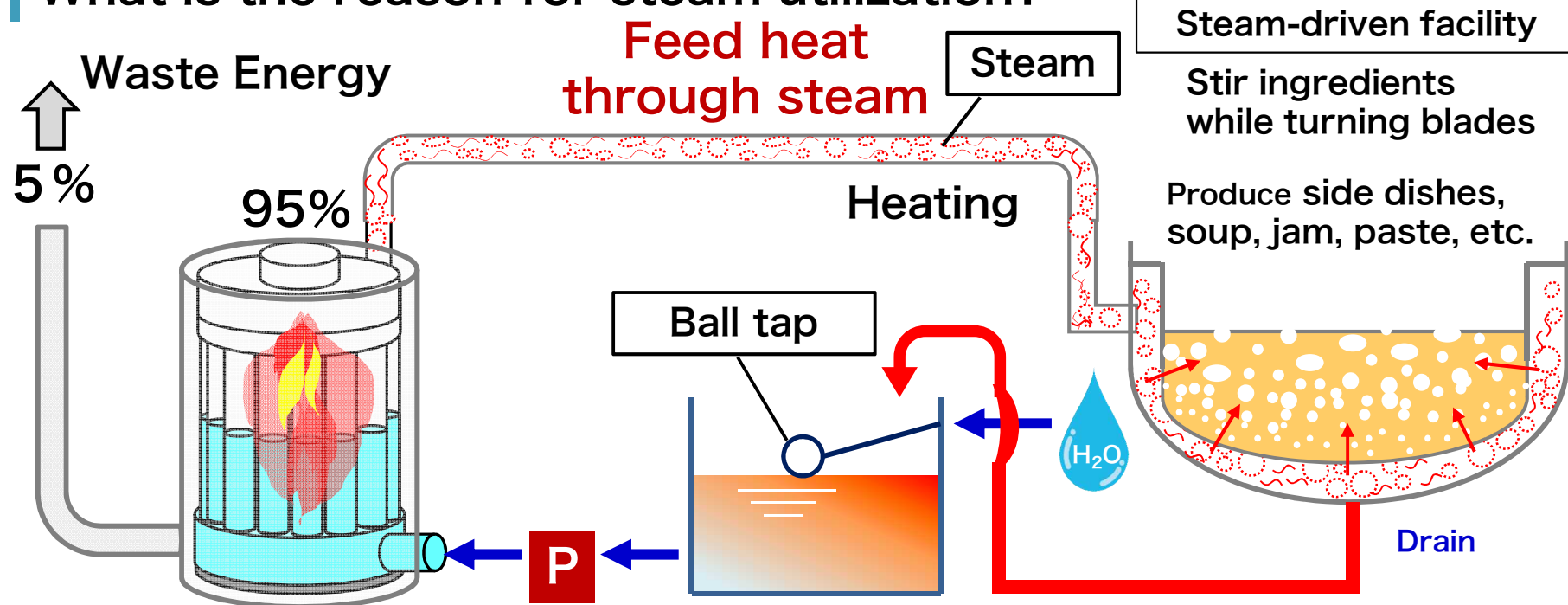


History



About the boiler

What is the reason for steam utilization?



95% thermal efficiency

Utilize heat efficiently

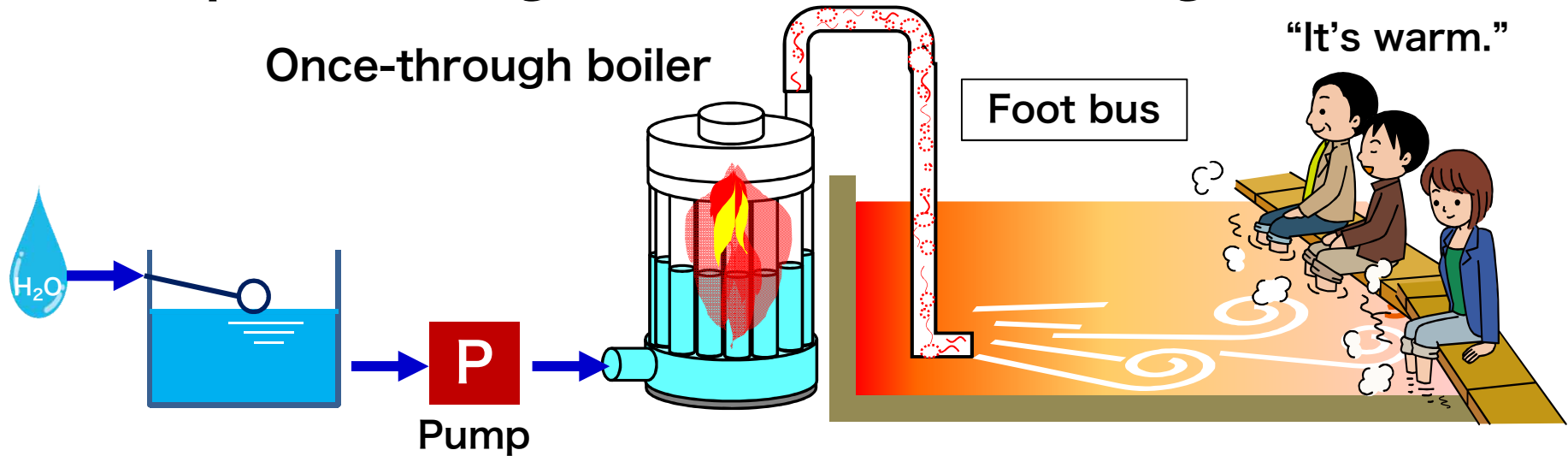
**Waste Energy
70%**



30% thermal efficiency

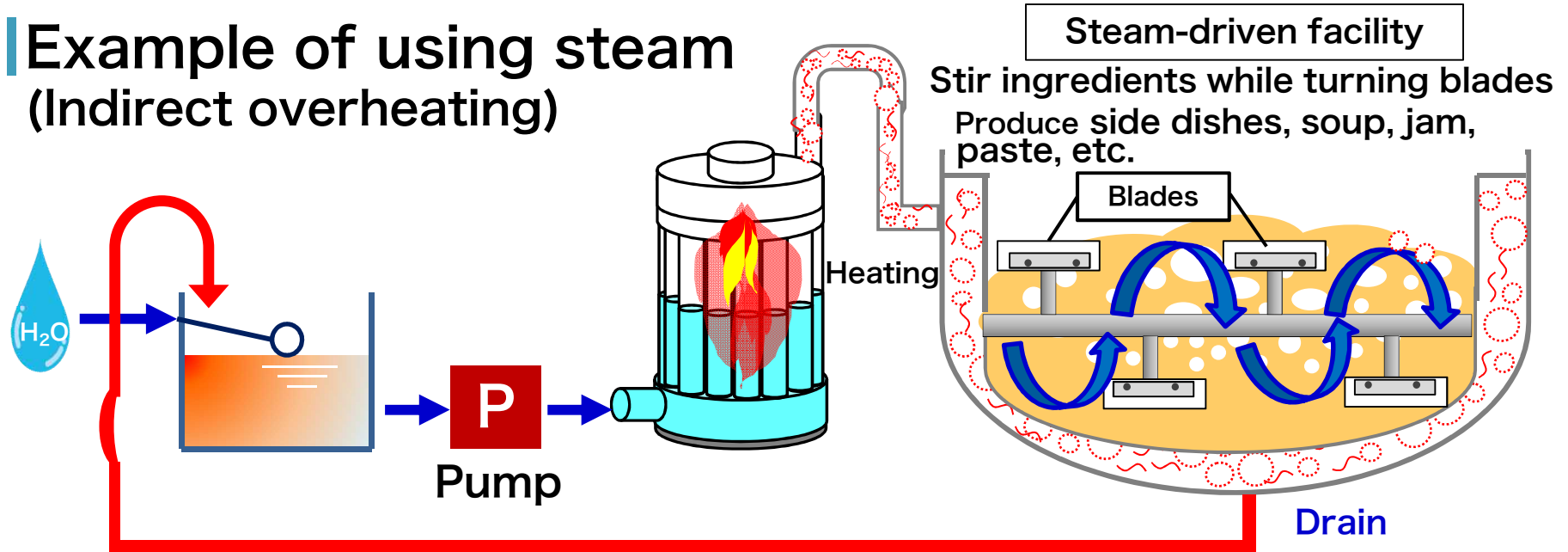
About the boiler

Example of using steam (Direct heating)

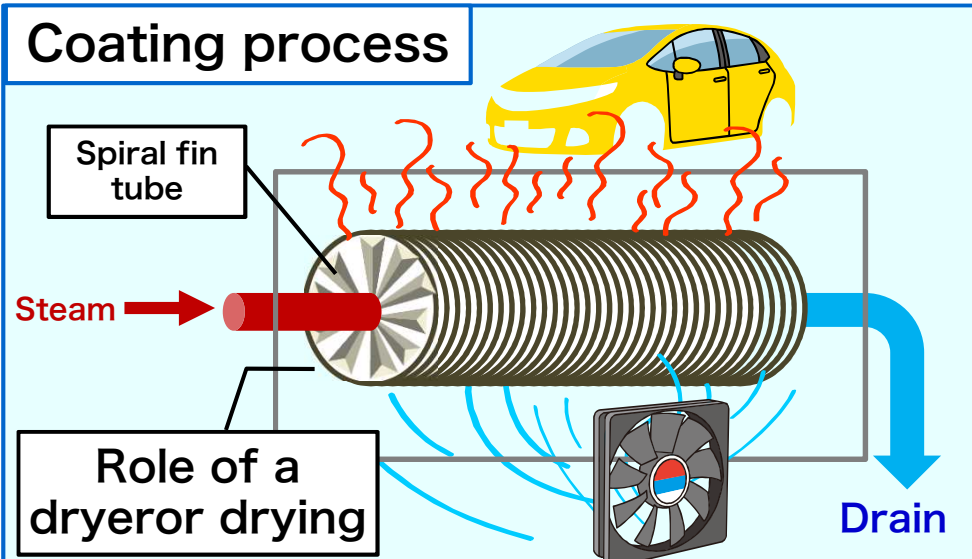


About the boiler

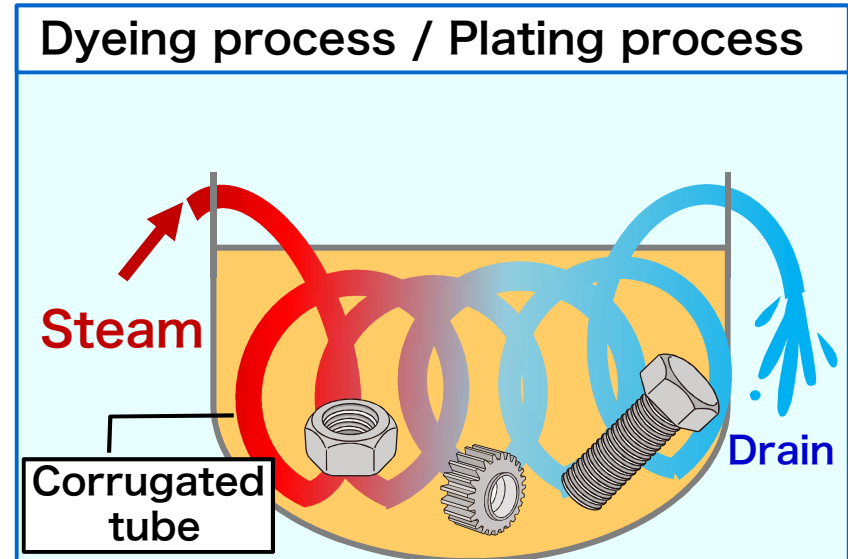
Example of using steam (Indirect overheating)



Coating process



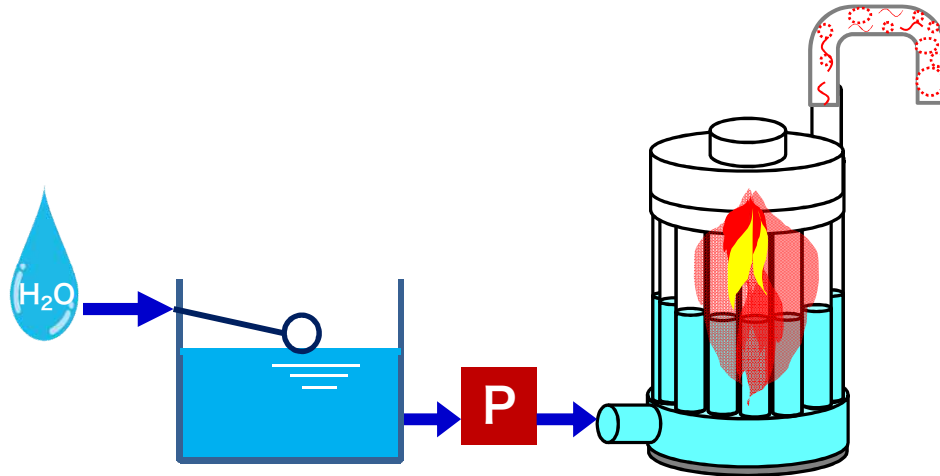
Dyeing process / Plating process



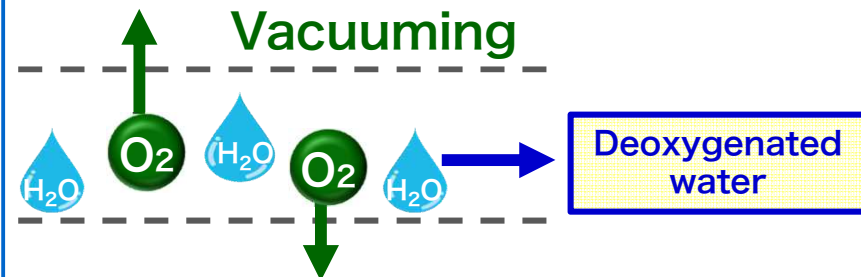
About the boiler

Must be maintenance for the steam boiler

Greatest enemy
for the boiler

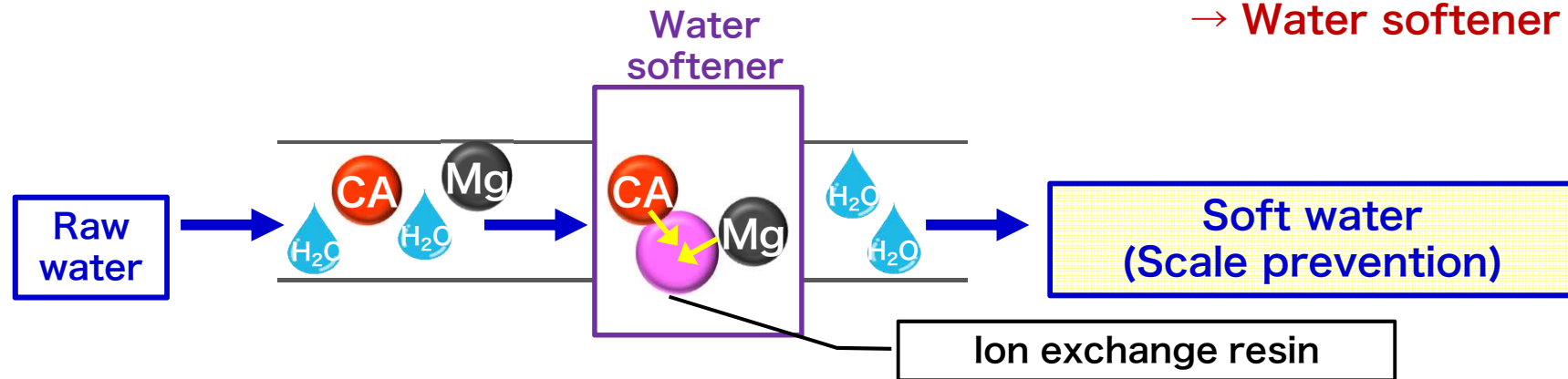


① Corrosion → Occur a Pitting corrosion in a vessel → **Removal of Dissolved Oxygen → DOR**



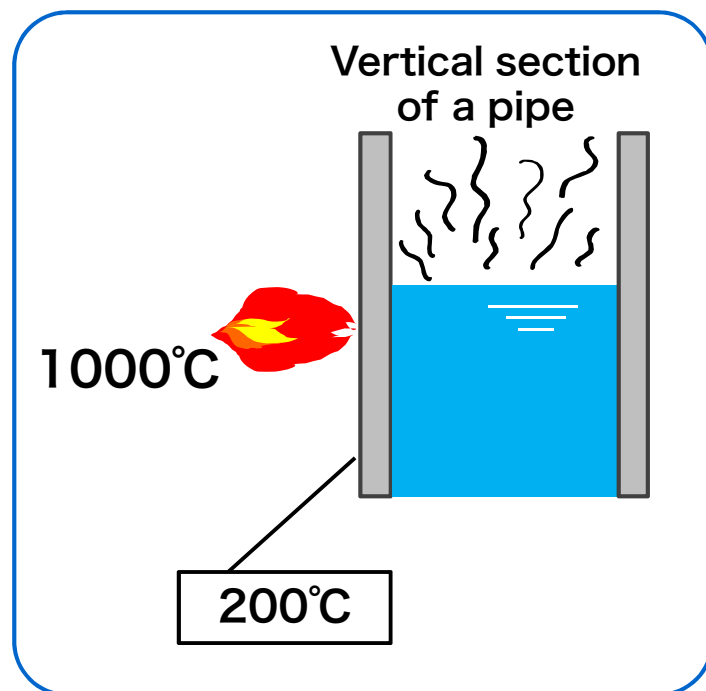
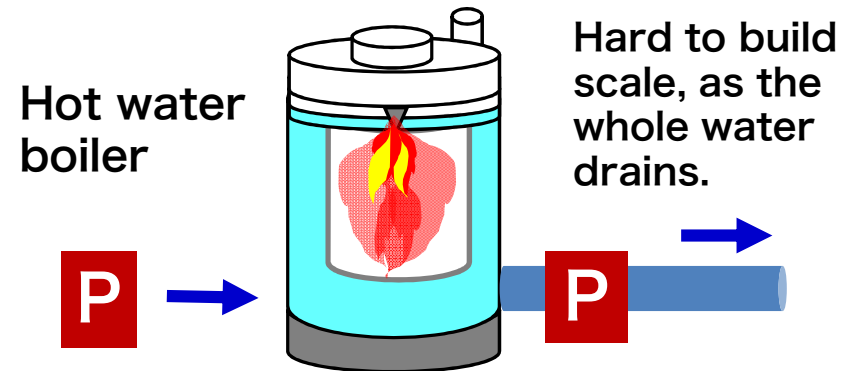
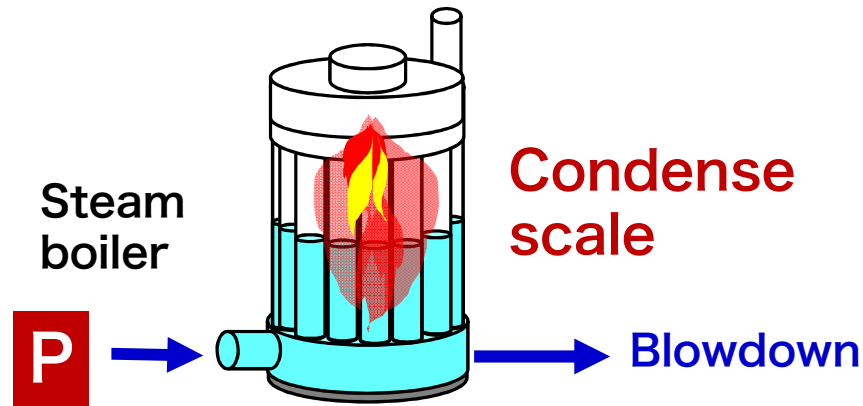
② Scale → Lower boiler efficiency or Rupture of water pipes

→ **Water softener**

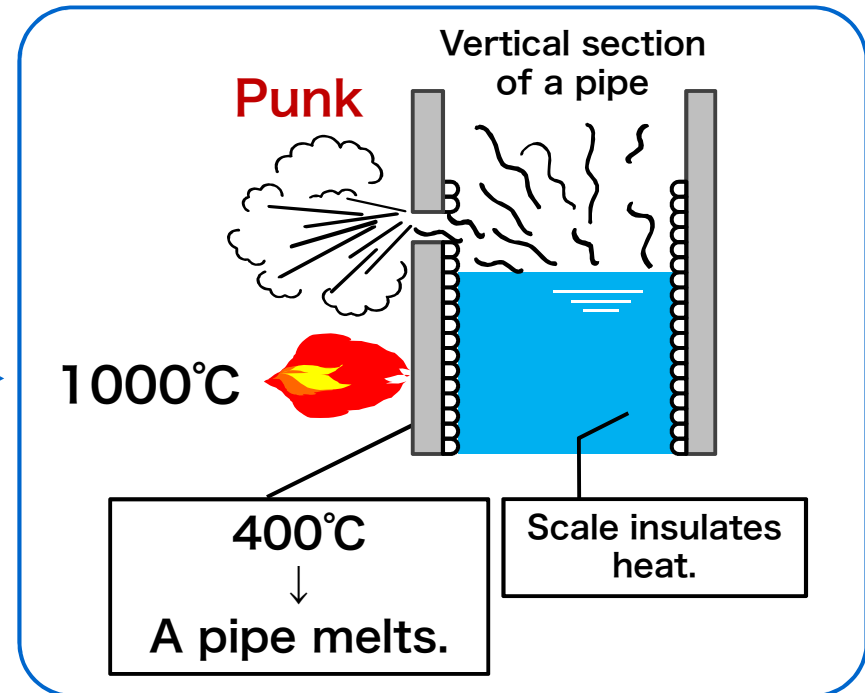


About the boiler

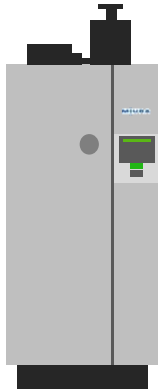
Must be maintenance for the steam boiler



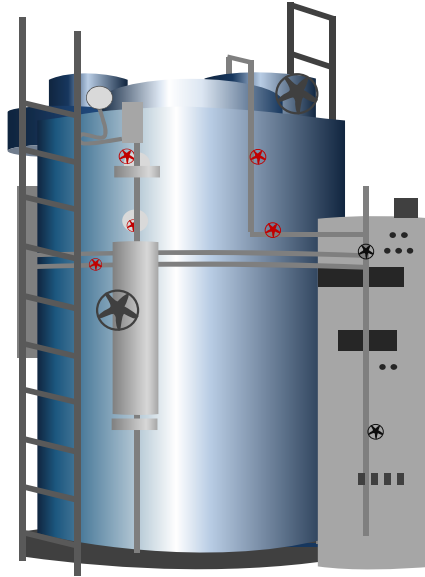
Scale buildup



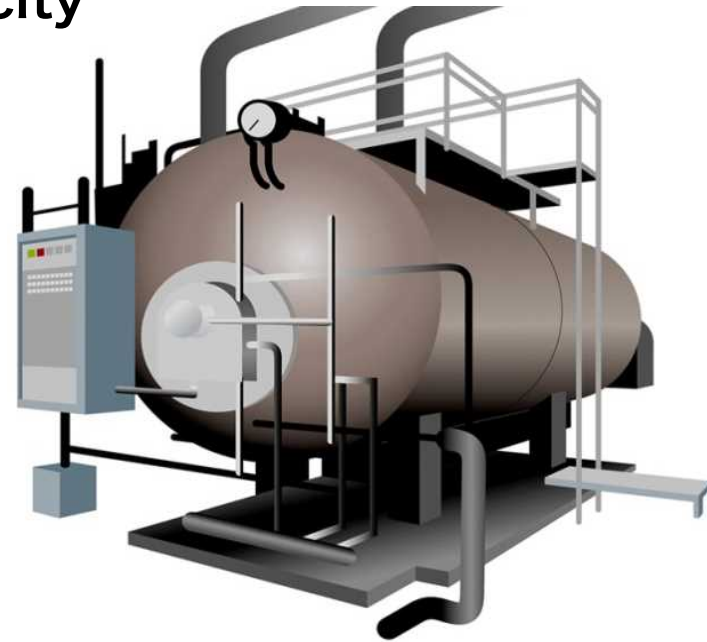
| Types of boilers — Same capacity



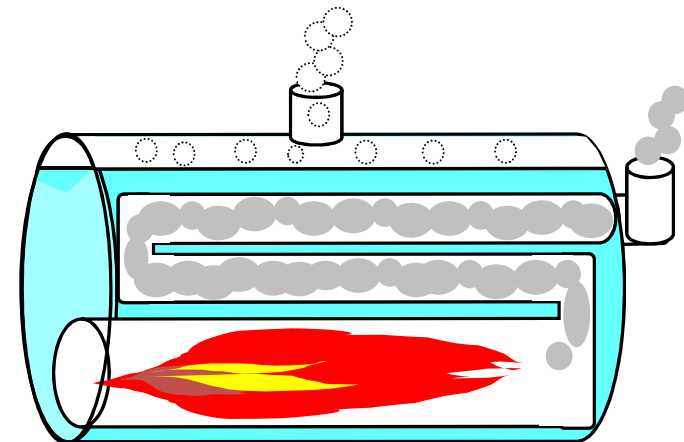
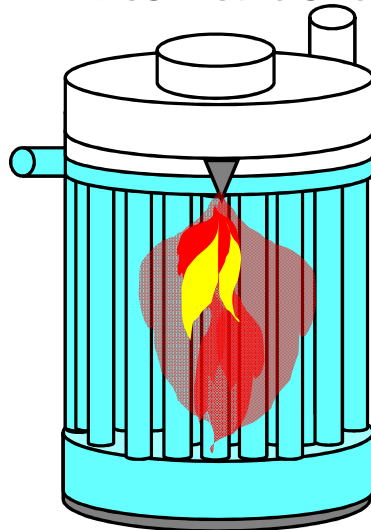
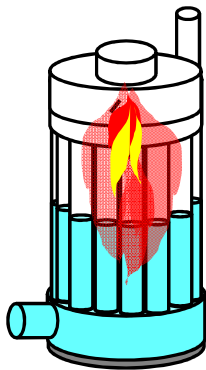
Once-through boiler



Water tube boiler



Fire tube boiler



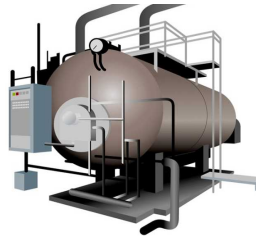
What is Multiple Installation (MI) System?



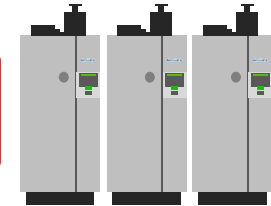
MIURA MI (Multiple Installation) System

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

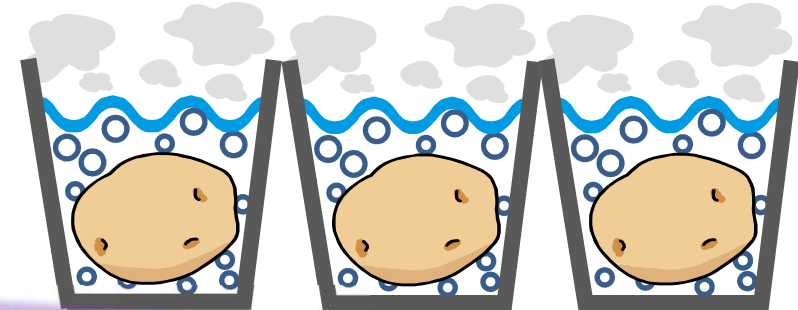
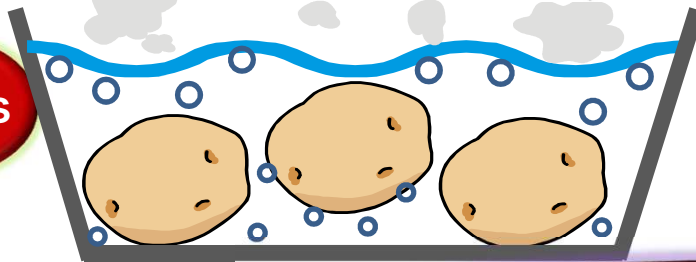
One large capacity boiler



Small capacity boilers in MI system

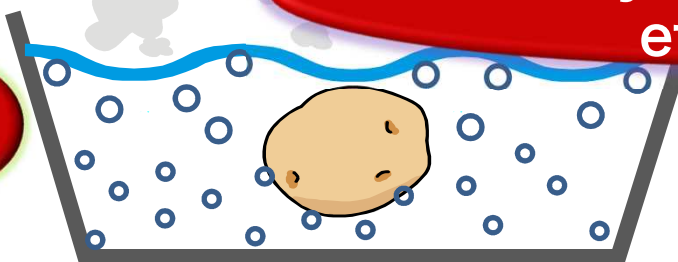


3 pcs



Why is MI system efficient?

1 pc



Same water content even if the number of potatoes reduced

Water content reduced when the number of potatoes reduced

Energy Saving

Space Saving

Labor Saving

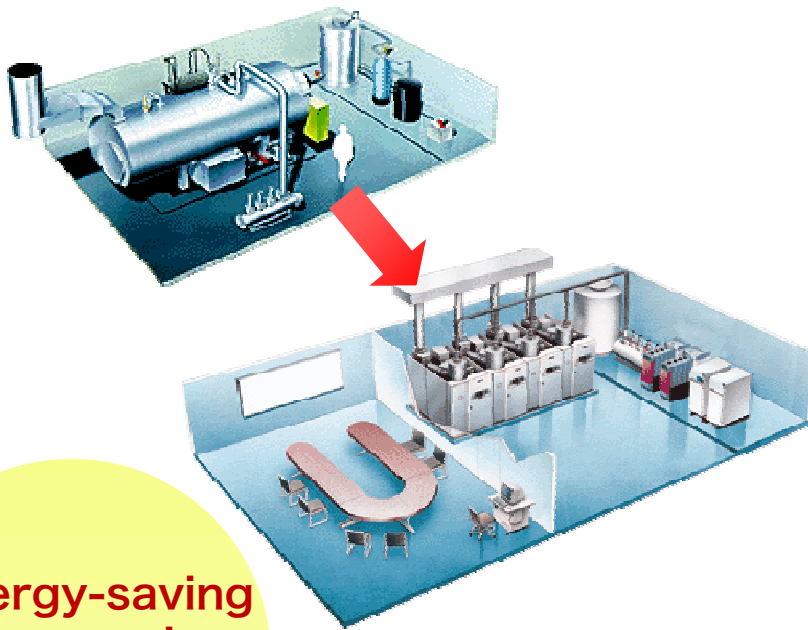
Low pollution

What is Multiple Installation (MI) System?

In 1986 MI system patented

MI system (Multiple Installation system)

Once-through boiler design makes energy savings a reality.

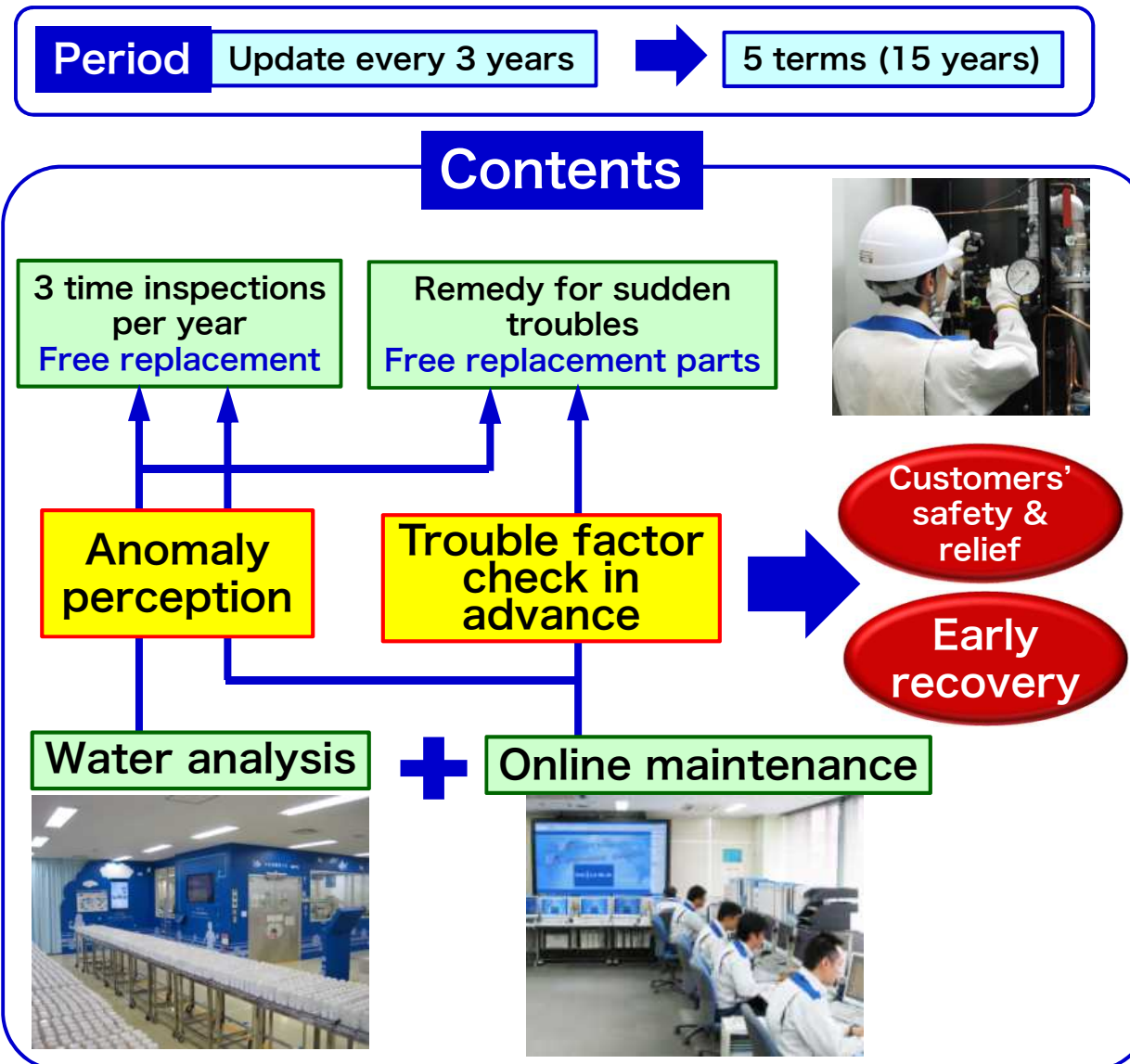


- Energy-saving
- Space-saving
- Labor-saving
- Low pollution



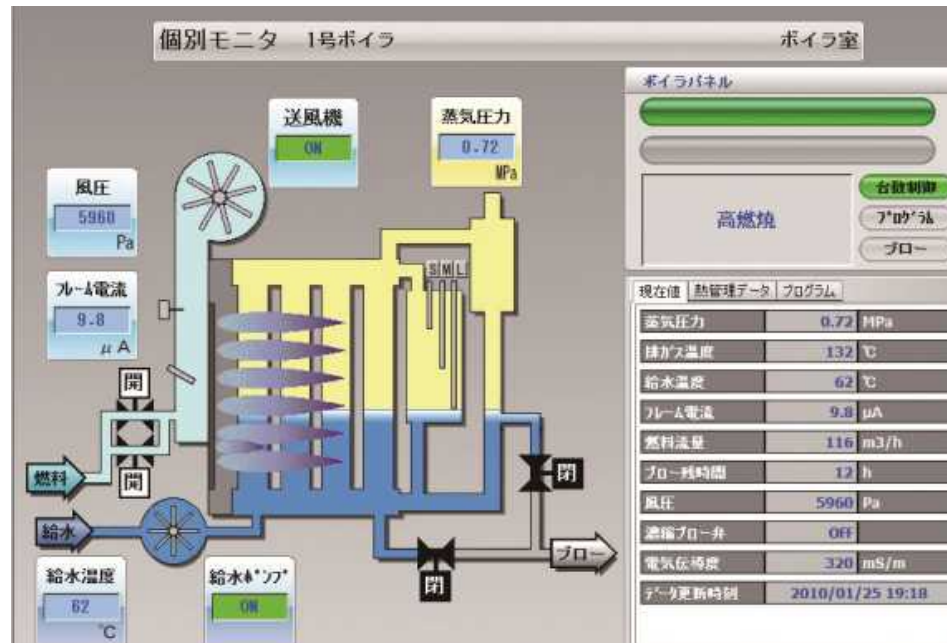
Provide steam when needed and only when needed, low operation costs and reduction of CO₂ and NO_x.

What is ZMP Contract?



Online Maintenance

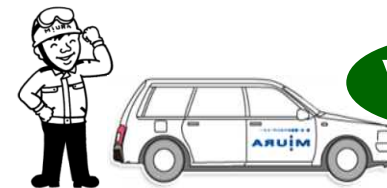
Maintaining high profitability with "IoT" for 29 years



Remote monitoring

Monitoring

User

Troubleshooting via
Telephone (Data
collection/analysis)Approx. 62,000 units
under contract
*Including equipment other
than boiler
(As of November 2018)

Visit

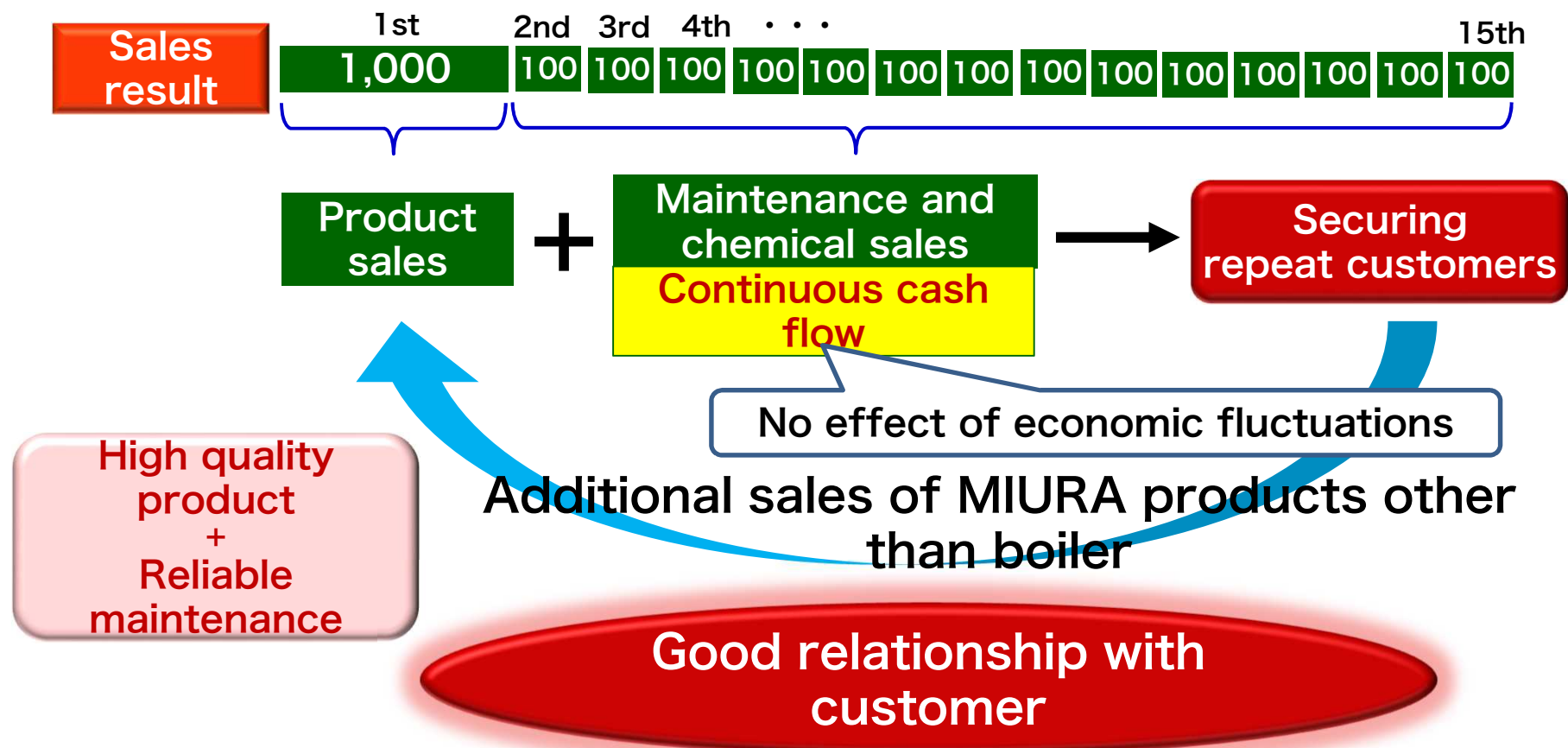
Trouble factor
graspedPreparation in
advanceEarly
recovery

Much more effective, easier maintenance work

Boiler Lifespan and MIURA Business Model

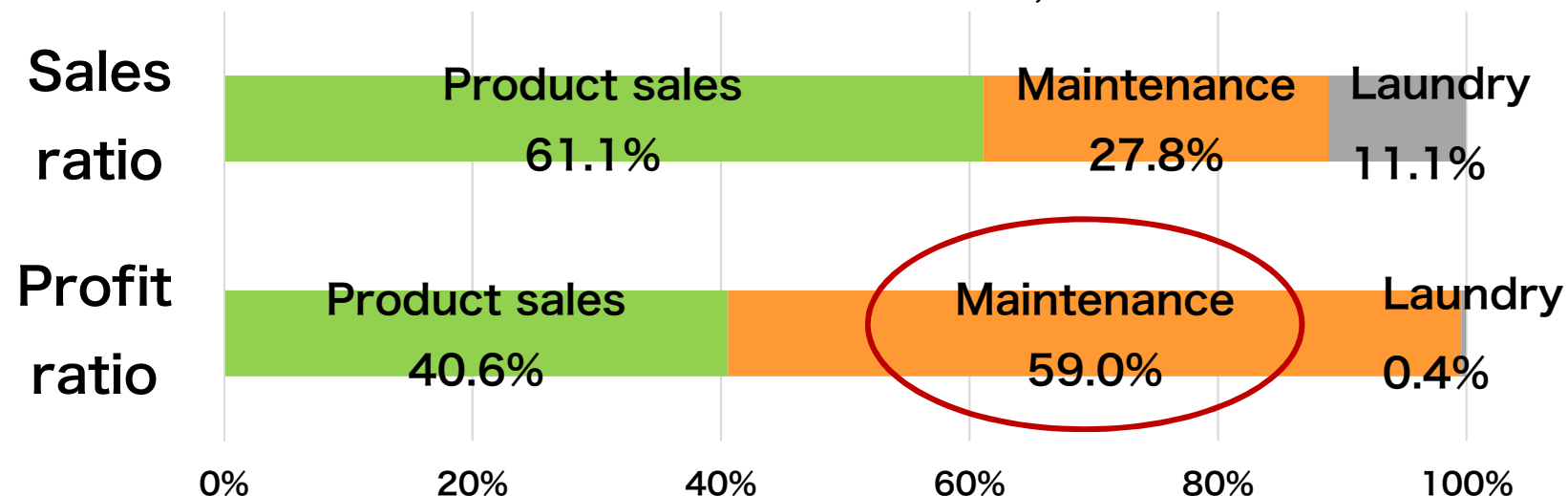
Not only the product sales, but maintenance & consumables sales

Assuming a boiler has a lifespan of 15 years,



Maintenance Brings Profits

*The whole MIURA group as of March, 2018



MIURA Maintenance Network

Offices

Approx. 100 offices

Service Engineers

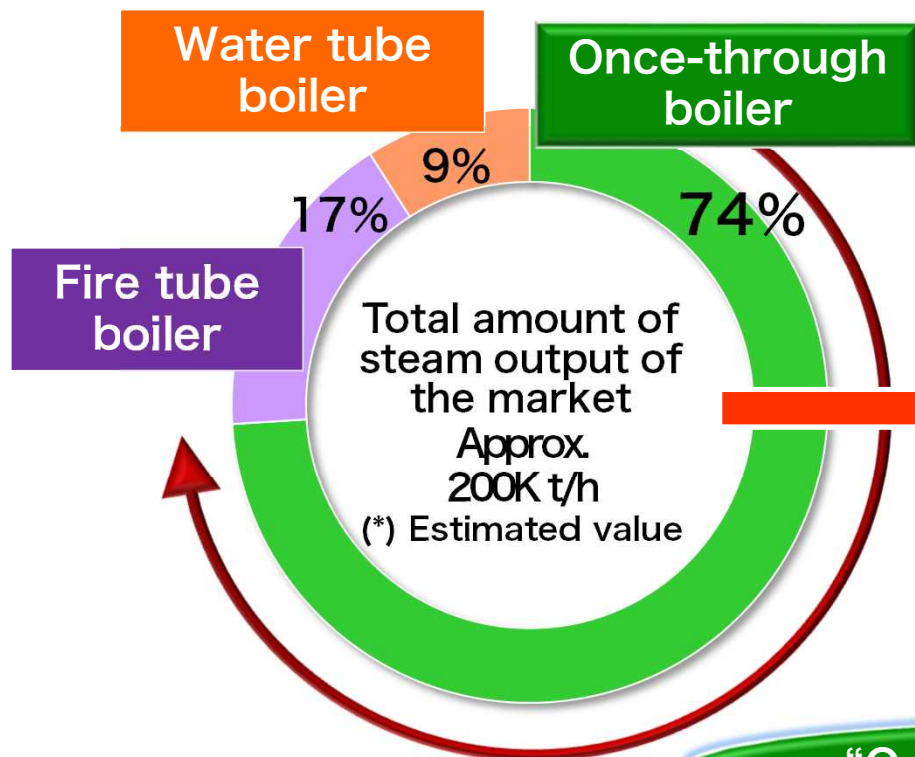
Approx. 1,100 engineers



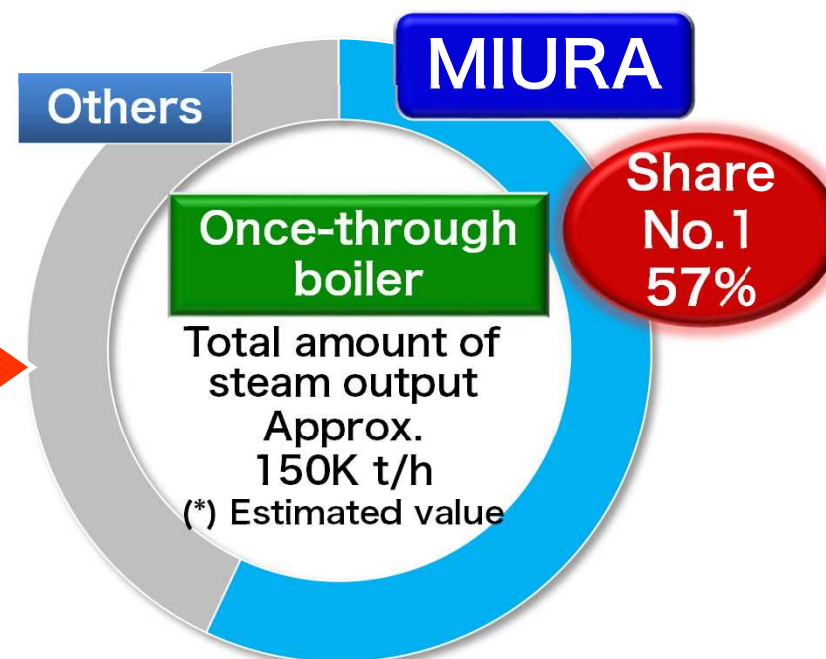
Domestic share

*Boilers for power generation excluded
(Based on an in-house investigation, September 2017)

Domestic boiler market



Domestic once-through boiler market



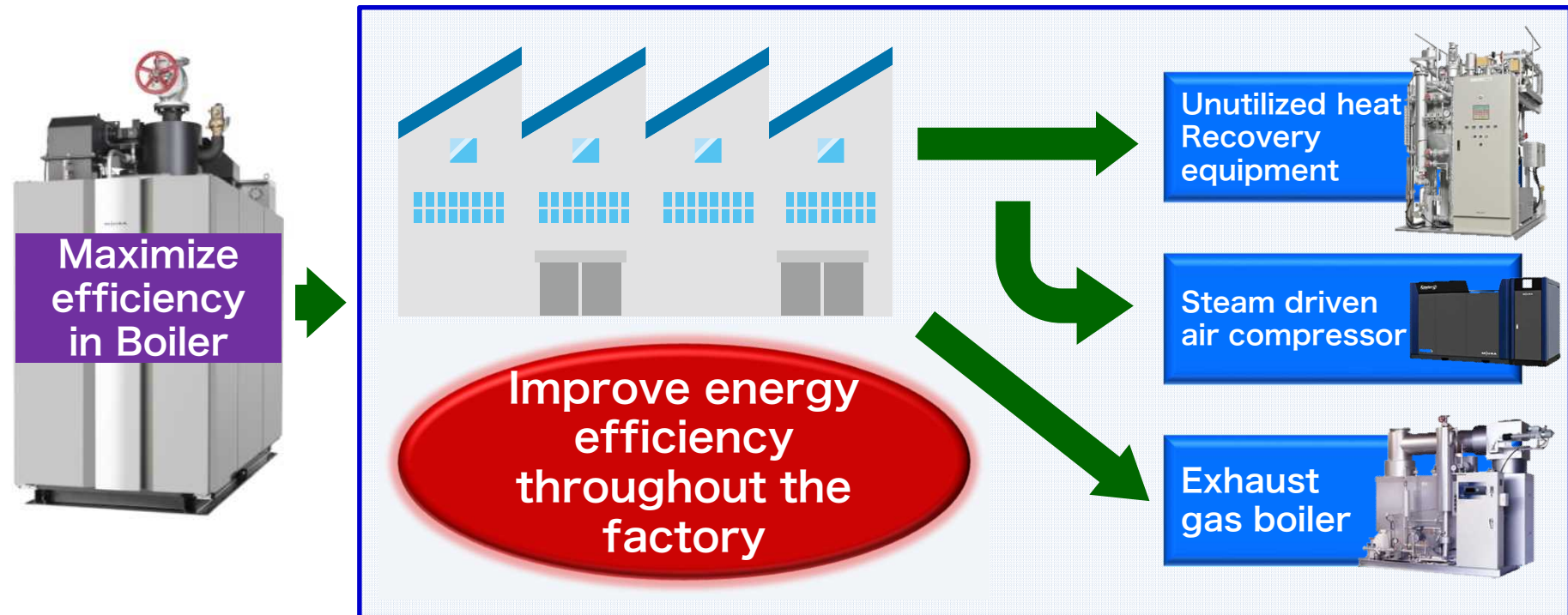
“Once-through-ism” movement

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?



Other than Boilers

Water treatment equipment



Food processing equipment



Medical equipment



Laundry equipment



Marine equipment

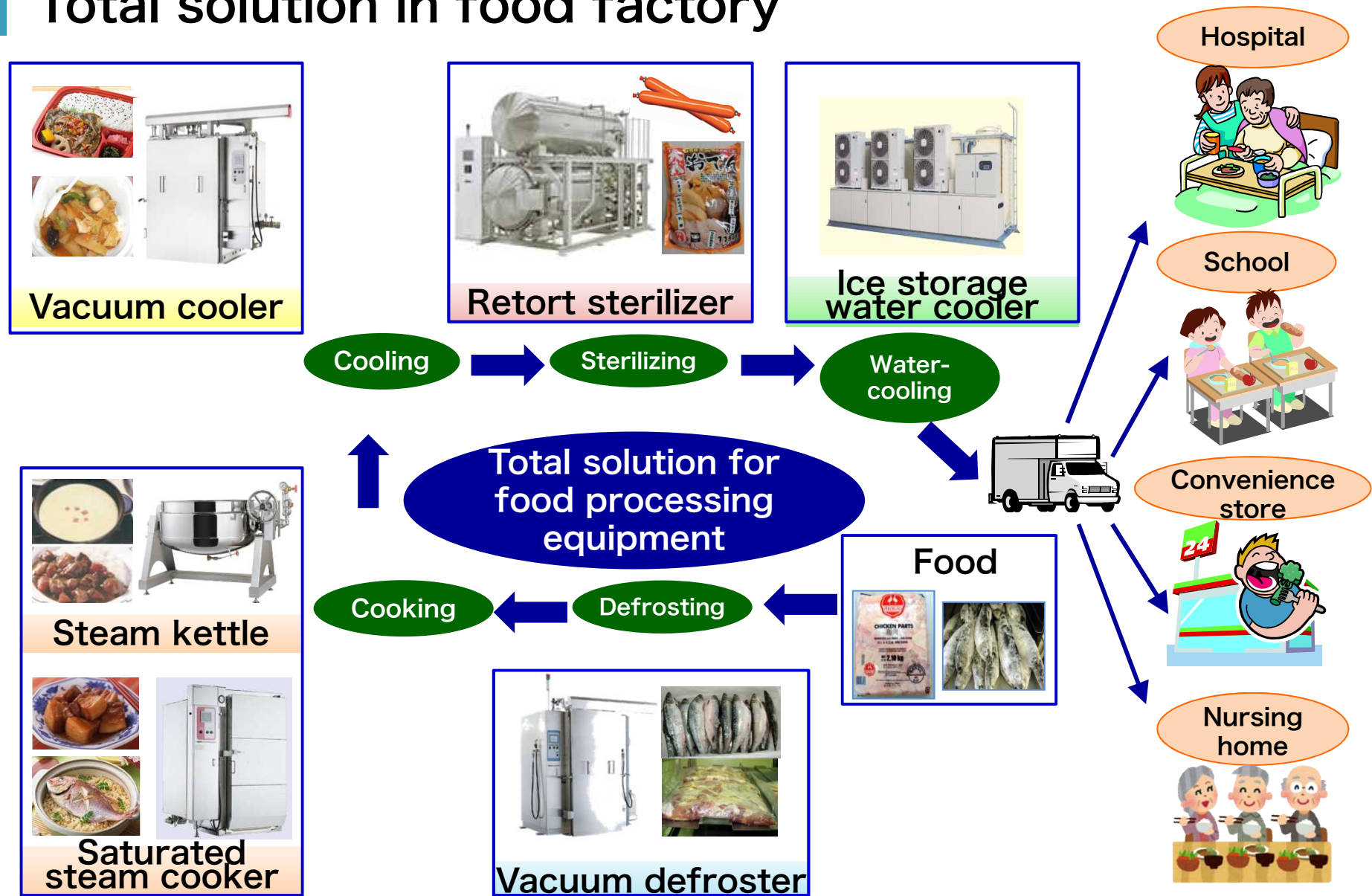
Marine boilers



Ballast water management system

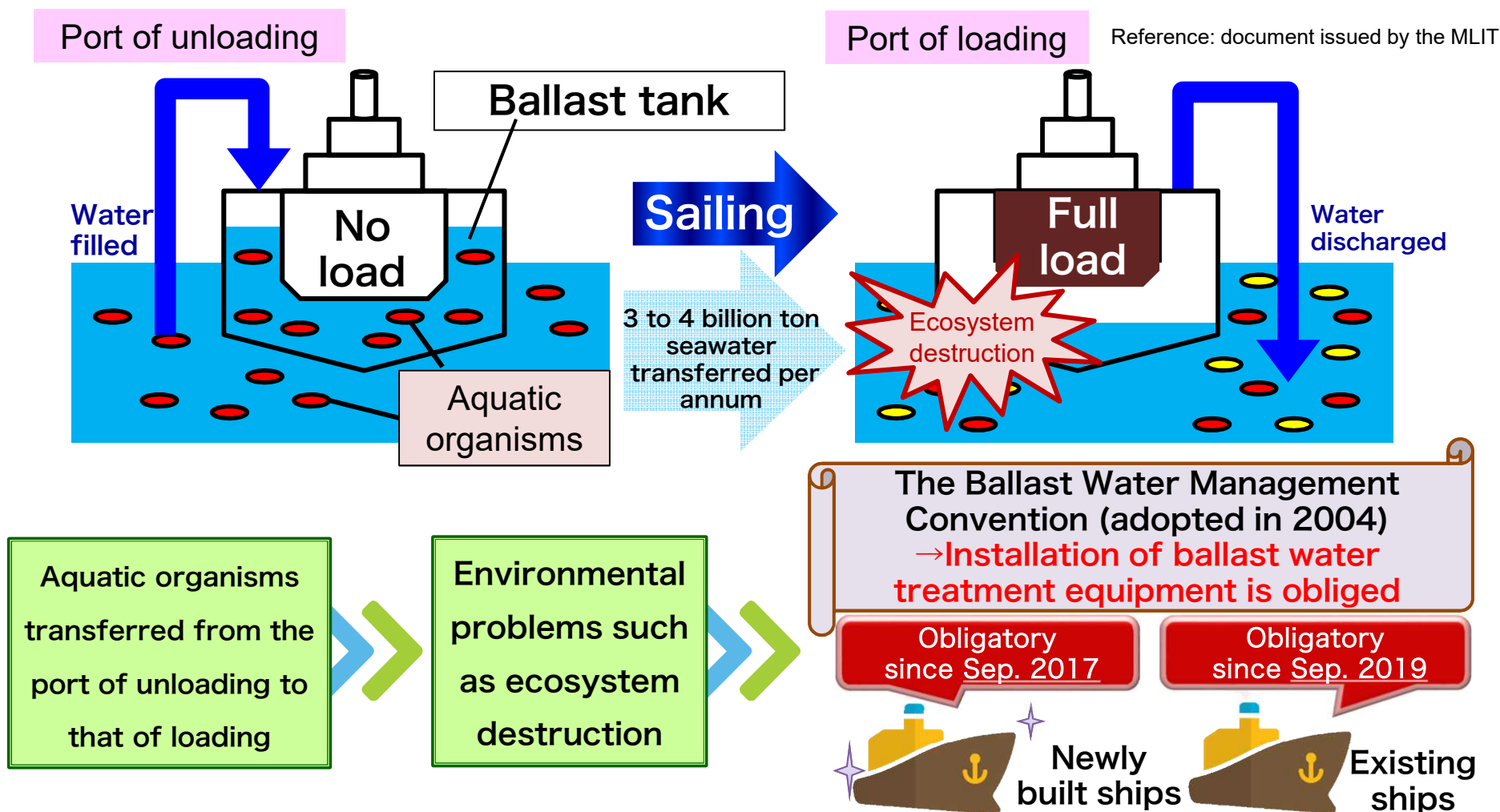


Total solution in food factory



Ballast water problem “A new market born”

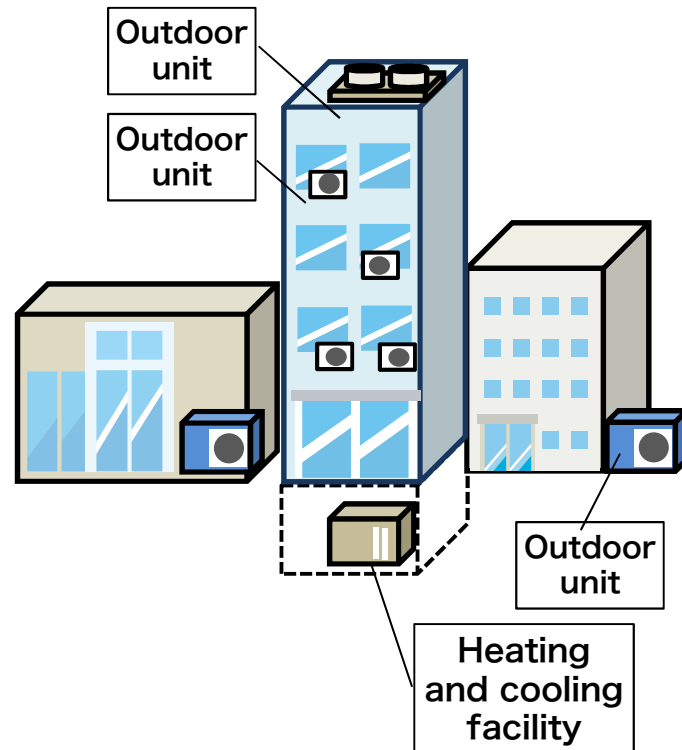
“Ballast water” is the seawater taken into a ship’s tank to provide stability to the ship.



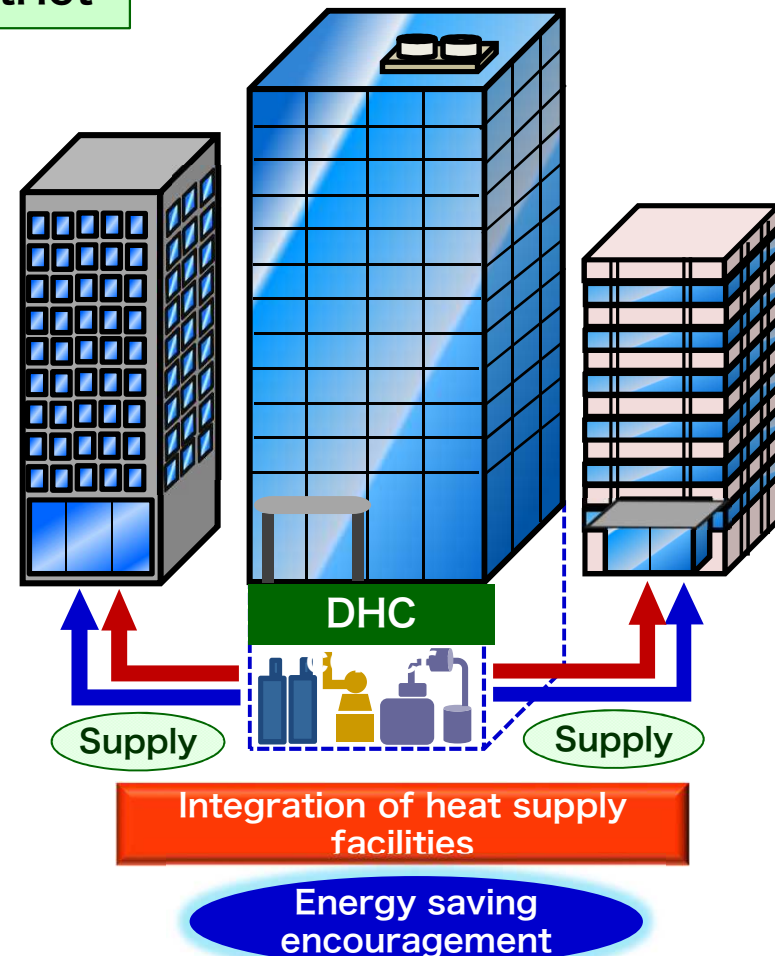
What is a district heating and cooling (DHC) system?

A system to provide air conditioning and hot water to whole buildings such as commercial facilities and apartment houses in the district

General air conditioning method in each building

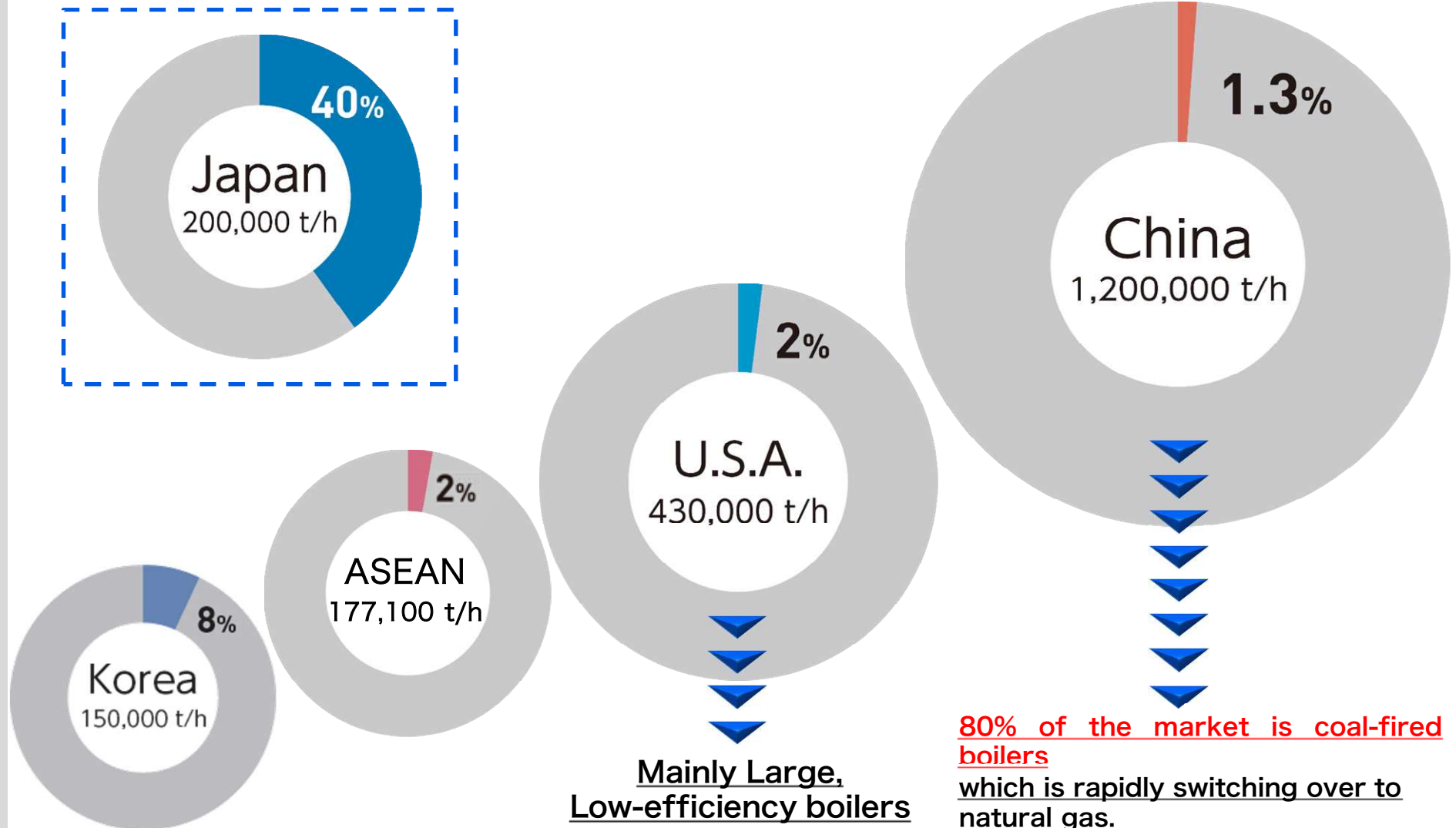


DHC method

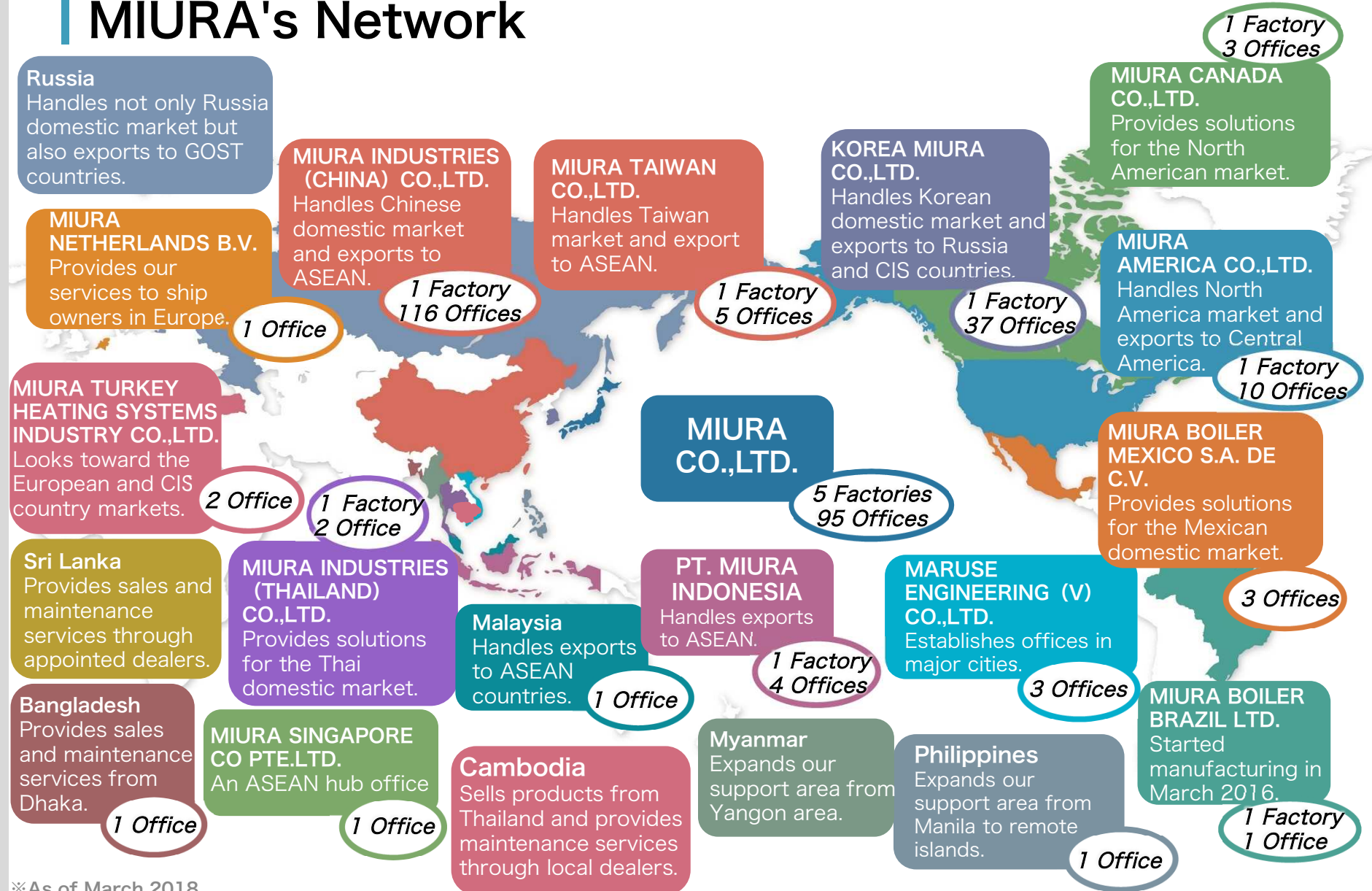


Boiler market share

*Based on total amount of steam output
(Based on an in-house investigation, March 2018)







MIURA's Network



※As of March 2018

Future Prospect

Gas-to-gas replacement promotion

	Coal fire	Replacement to cheap fire-tube boiler	MIURA once-through boiler
Example: Corrugated cardboard material factory	<p>Coal prohibition</p> 	 <p>Fatal to narrow-margin high-turnover management!</p> <p>Poor efficiency High gas cost</p> 	
Annual fuel cost	5 million CNY	13 million CNY	10.65 million CNY

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

Future Tasks

Personnel development

A year later

Serving a customer by himself

Understanding policy and strategy

Understanding boiler basics, principles, and production process

Understanding cultural and institutional aspects and settling in MIURA

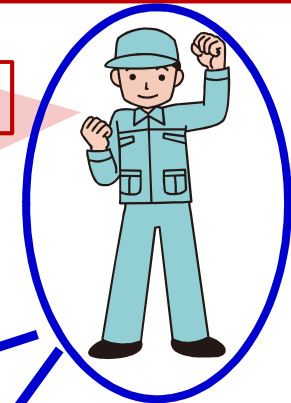
2 years later

Technical acquisition

Support from Japan

3 years later

Performance



Proposal sales

Log analysis

Analyzing operation time, feed water volume, fuel onsumption, etc. using boiler operation record

Load analysis

Grasping steam load luctuation with a load analyzer installed



Best boiler system proposal

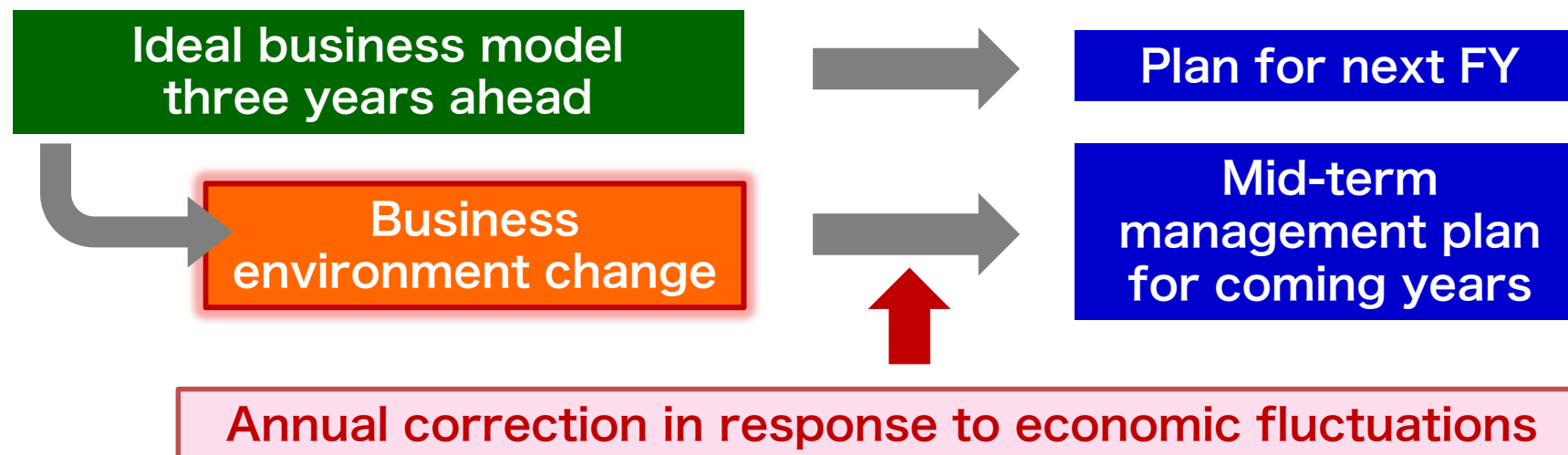


Differentiation from competitors

High quality of Japanese product
+
Preventive maintenance



Mid-term management planning



Rolling plan

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

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Mid-term management plan 2016	2016–2018				
Mid-term management plan 2017		2017–2019			
Mid-term management plan 2018			2018–2020		

Mid-Term Management Plan for 2018

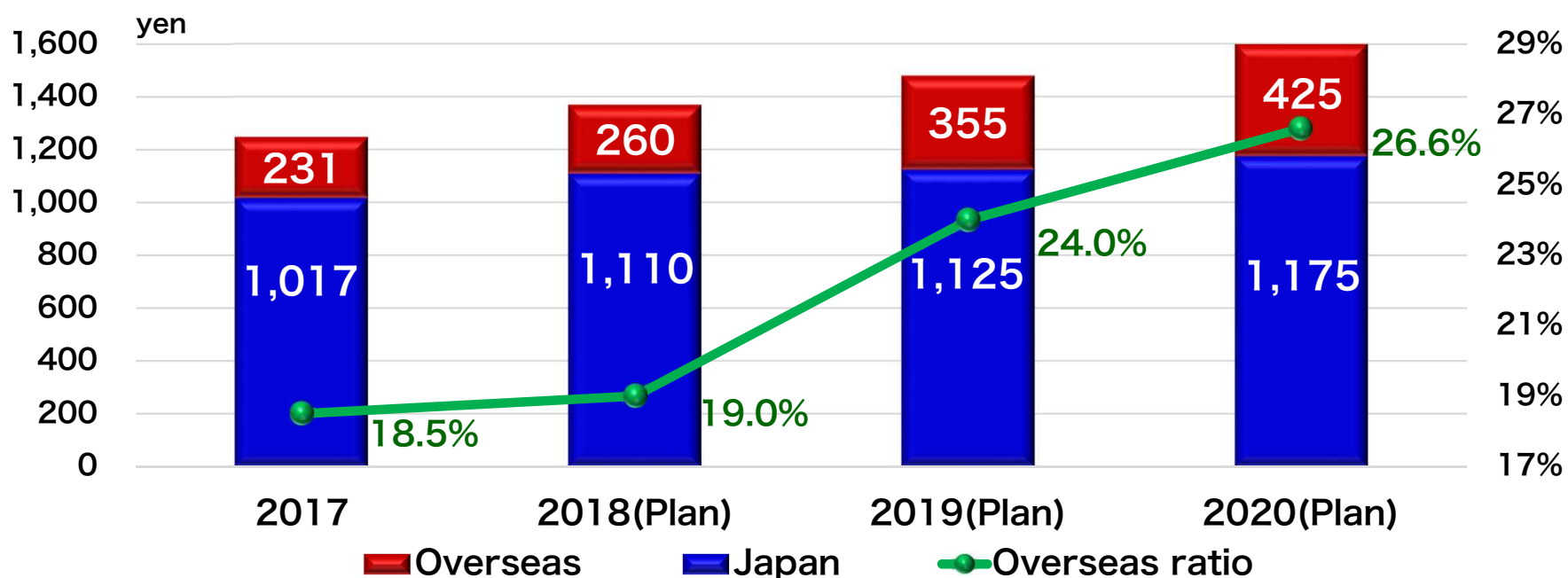


Summary

Unit: 100 million yen

	FY2017	FY2018 Plan	FY2019 Plan	FY2020 Plan
Net sales	1,248	1,370	1,480	1,600
Operating profit	138	152	165	180
Operating profit rate	11.1%	11.0%	11.1%	11.3%

Unit: Hundred million



Revised annual plan

Unit: 100 million yen

		FY2017 Result	FY2018 Plan	FY2018 (Revised)	Difference
Domestic	Boiler	588	594	609	+15
	Water treatment	29	35	35	
	Marine equipment	86	90	100	+10
	Food & Medical equipment	104	106	106	
	Laundry	139	170	190	+20
	Others (Special Equipment, New Business, Environment, etc.)	71	70	70	
Subtotal		1,017	1,065	1,110	+45
Overseas	Americas	44	45	45	
	Korea	69	70	70	
	China	83	130	100	-30
	ASEAN, Taiwan	35	40	45	+5
	Subtotal	231	285	260	-25
Total		1,248	1,350	1,370	+20

Basic Capital Policy

Here is the basic capital policy of the Miura Group specified to improve our corporate value in the medium- and long-term over the ensured financial soundness.

Capital efficiency improvement

Regarding that steady profit increase regardless of the market environment leads to corporate value increase and shareholder's interest improvement, MIURA aims to achieve Return on Equity (ROE) of 10% or more steadily.

Sustainable and stable return to shareholders

Not only the continuation of stable dividends but also the fair return of profit based on the company's performance is ideal. We strive to increase the level of dividends, setting the consolidated dividend payout ratio of 30% as a benchmark and comprehensively taking our consolidated results and financial conditions into account.

Domestic

① Total solution

- Improving energy efficiency all over the factory & plant all equipped with MIURA products achieving one-stop maintenance

② BWMS

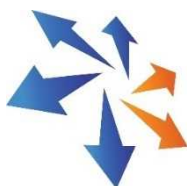
- Obtaining USCG type approval
- Taking full advantages of our technology, maintenance, and customers' trust in MIURA



Overseas

① Deployment of our Japanese business model

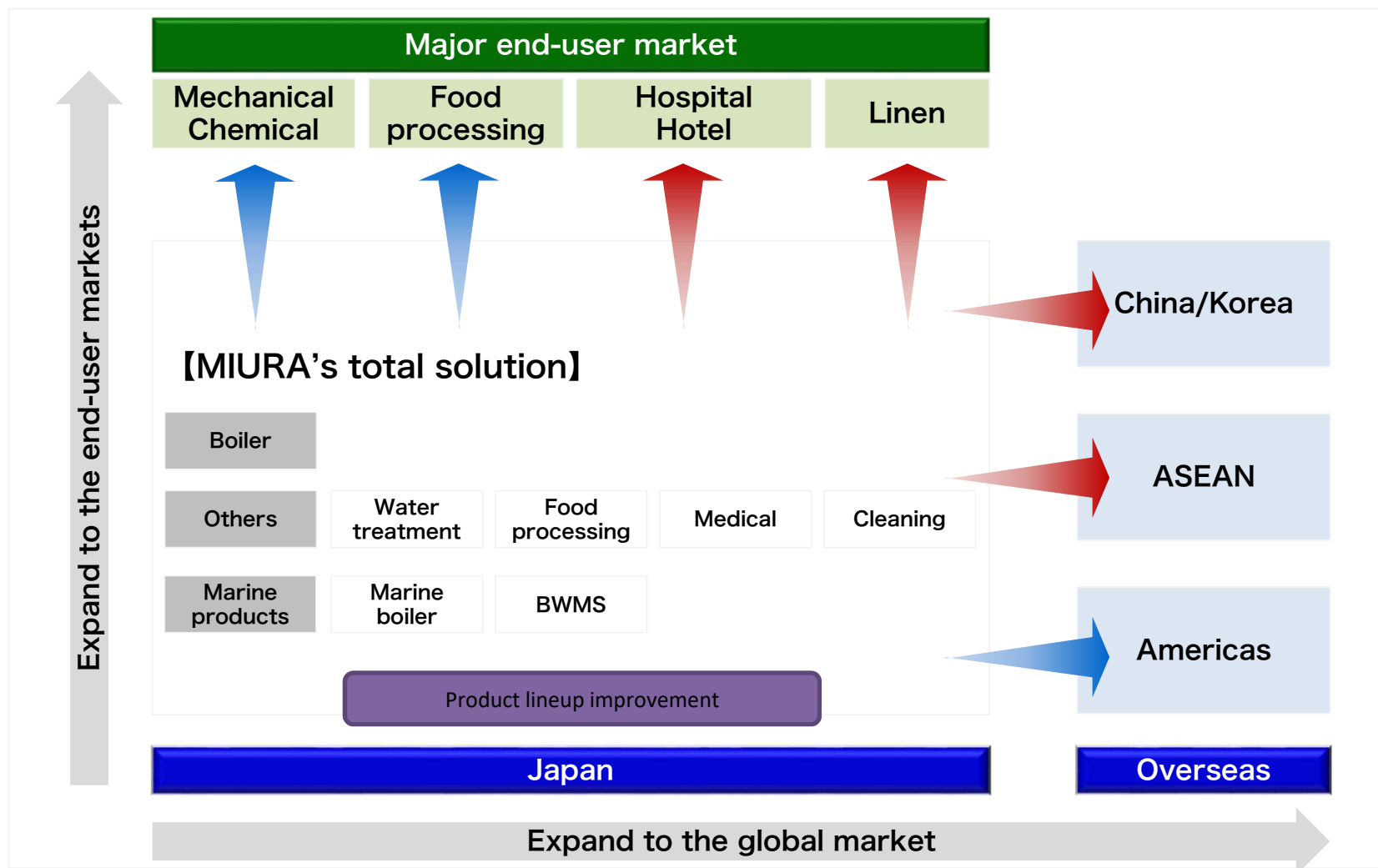
- Appealing advantages of MI system and suggesting energy-saving boiler system
- Globalizing MIURA boiler while increasing installation



② Coal-fired boiler replacement in China

- Introducing gas-fired boiler technology in Japan to meet legal requirements, which have been tightened, on the fuel shift from coal to gas regarding serious air pollution in China
- Expanding maintenance network to provide maintenance as in Japan

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



**The Best Partner of
Energy, Water and Environment**



Contact

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