

# Financial Summary and MIURA Growth Strategy

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**Daisuke Miyauchi**  
President & CEO

November 20th, 2019 (Wed)

The Best Partner of  
Energy, Water and Environment



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### Caution

Each value mentioned in this document is based on the information currently available and the actual results may be changed and differ from what is stated herein, due to forthcoming various factors. The utmost care has been taken to provide the information publicized in this document. However, MIURA shall not be held responsible for any damages resulting from the information publicized in this document.

# 1 . Company Profile

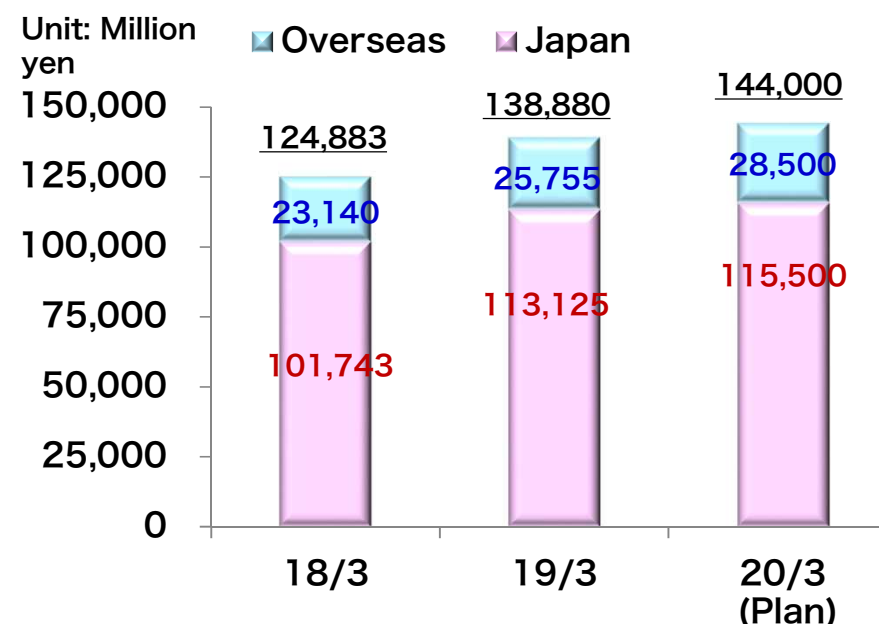
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Name	MIURA CO.,LTD.
Location	7 Horie, Matsuyama, Ehime
Established	May 1959
Group company (including MIURA CO.,LTD.)	Japan:10 companies Overseas: 15 companies *As of September 30, 2019
Employees	Group total: 5,881 1,708 employees overseas included (29.0%)
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>	FY2017	FY2018	FY2019 Plan
Revenue (Million yen)	124,883	138,880	144,000
Operating profit(Million yen)	13,868	16,682	17,500
Profit before income taxes (Million yen)	14,183	17,130	17,800
Profit attributable to owners of parent (Million yen)	10,363	12,280	12,800
Basic earnings per share (Yen)	92.09	109.10	113.71

## 2. FY2019 2nd Quarter Summary Overview

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## 2 FY2019 2nd Quarter Summary Overview



### | First half results

Unit: Million yen

<IFRS>	FY2018 2 <sup>nd</sup>	FY2019 2 <sup>nd</sup>	Increase rate	FY2019 (Plan)
Revenue	65,632	67,714	3.2 %	144,000
Cost of revenue	39,913	40,471	1.4 %	86,500
Selling, general, and administrative expenses	18,673	19,160	2.6 %	41,000
Operating profit	8,022	8,726	8.8 %	17,500
Profit before income taxes	8,310	8,848	6.5 %	17,800
Profit attributable to owners of parent	5,933	6,392	7.7 %	12,800

### Overview

#### Japan

Rise in sales of boilers and medical equipment with maintenance business staying buoyant

##### Equipment sales

Responding to customers' demands collected through public relation activities such as MIURA Fairs  
Steady sales of water treatment equipment and high pressure steam sterilizers

##### Marine equipment

Good performance overall including ballast water management system

#### Overseas

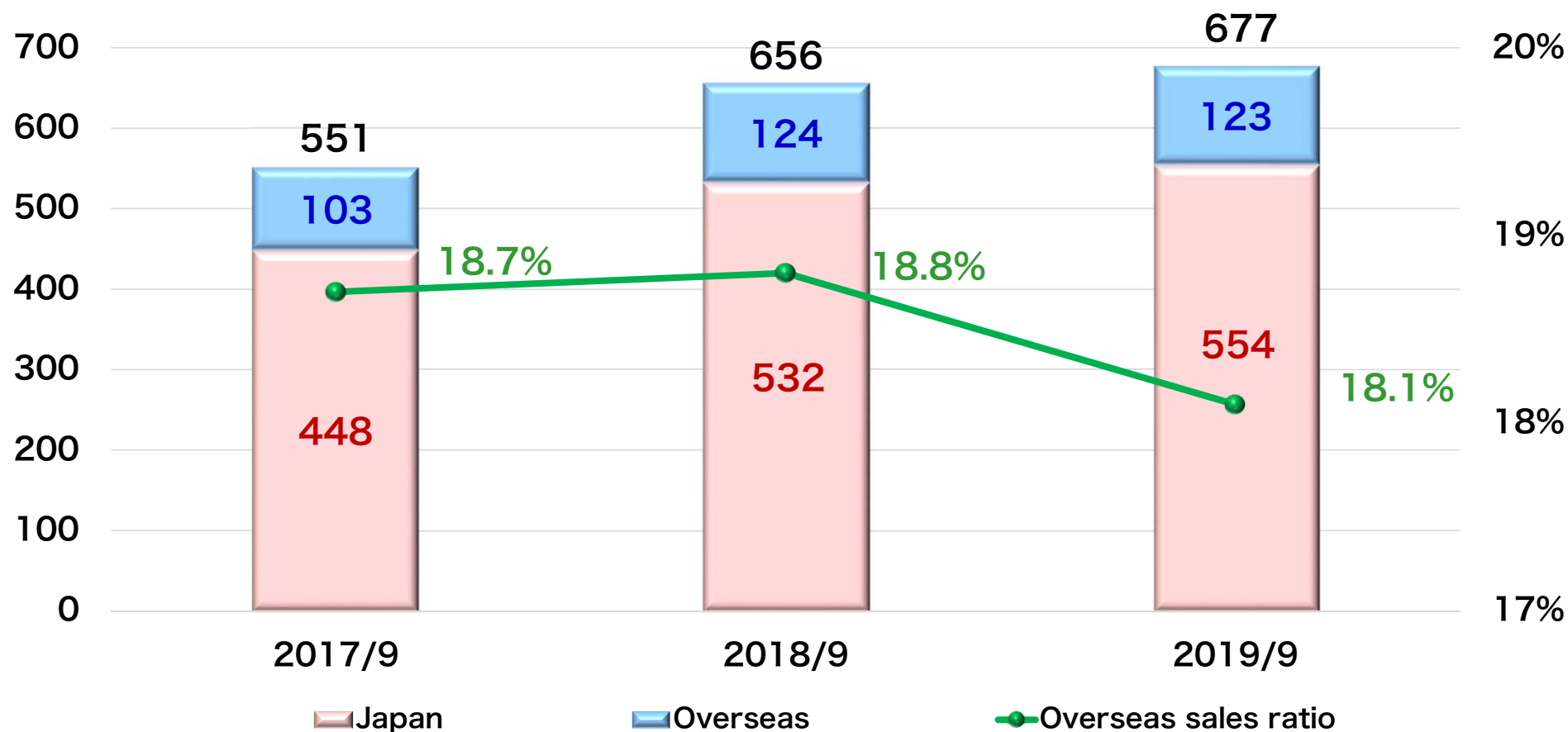
Sluggish boiler sales, but maintenance staying solid

##### China

Deceleration due to US-China trade war and slowdown of environmental regulations

## Domestic and overseas sales (IFRS)

Unit: 100 million yen

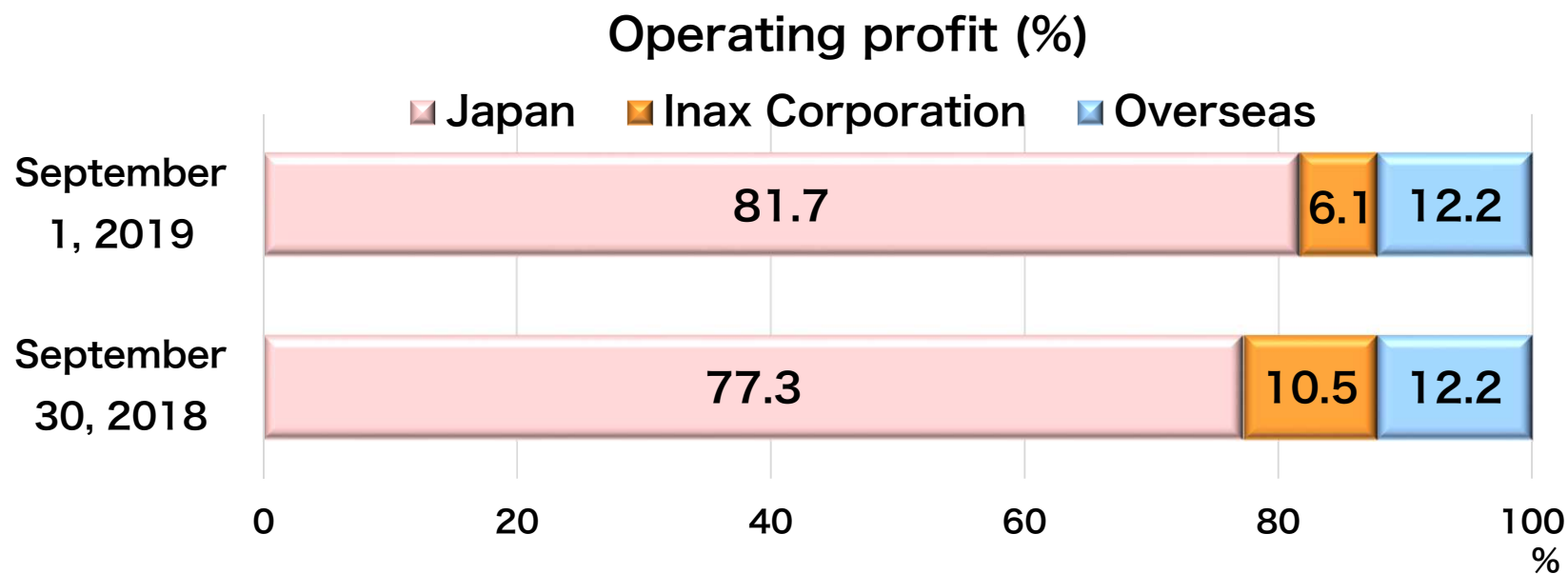


## 2 FY2019 2nd Quarter Summary Overview

### Analysis

Unit: Million yen

FY2019 2 <sup>nd</sup> quarter summary overview	Plan	Result	Achievement rate
Revenue	68,000	67,714	99.6 %
Operating profit	8,300	8,726	105.1 %
Profit before income taxes	8,400	8,848	105.3 %
Profit attributable to owners of parent	6,100	6,392	104.8 %





## 2 FY2019 2nd Quarter Summary Overview

### Comparison with the first half plan

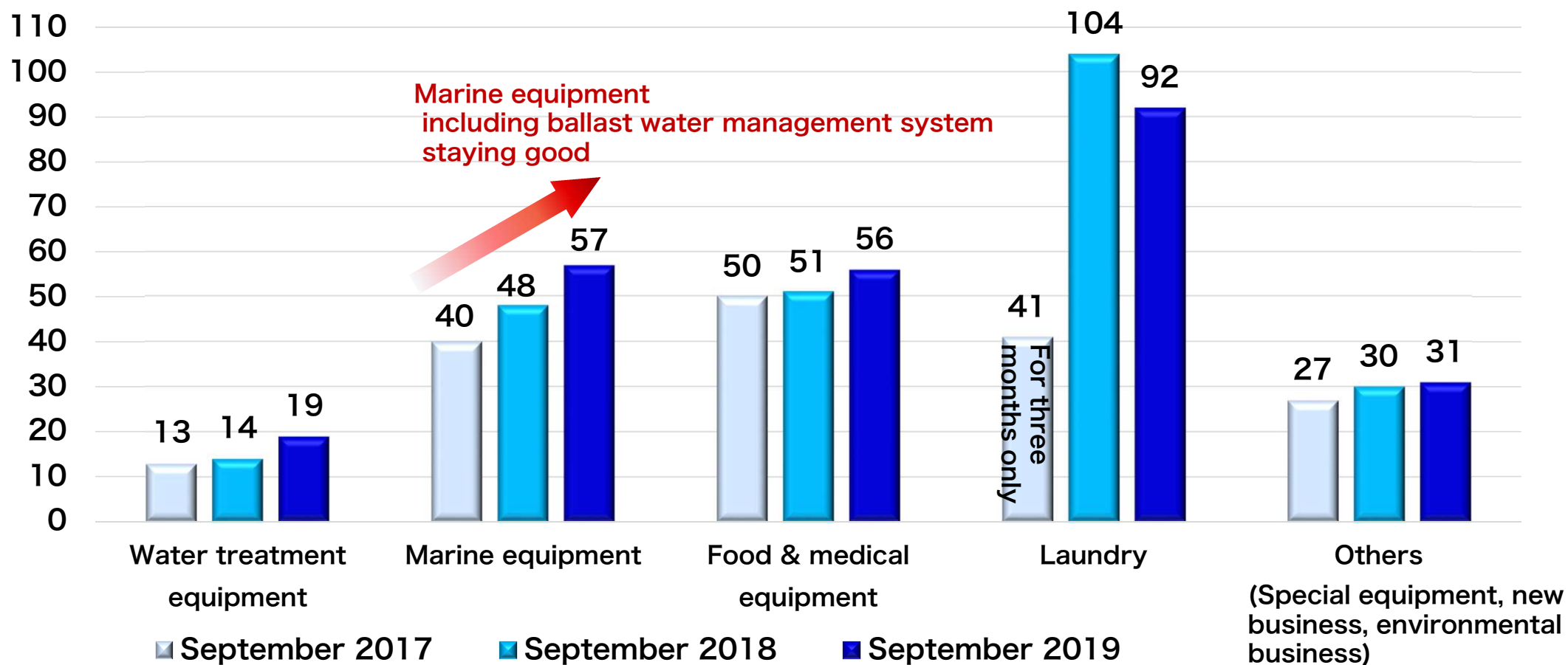
Unit: 100 million yen

First half		FY2018 Result	FY2019 Plan	FY2019 Result	Difference Result–Plan
Domestic	Boiler	285	294	299	5
	Water treatment equipment	14	17	19	2
	Marine equipment	48	51	57	6
	Food & medical equipment	51	54	56	2
	Laundry	104	94	92	–2
	Others (Special equipment, new business, environment, etc.)	30	35	31	–4
Subtotal		532	545	554	9
Overseas	Americas	24	25	25	0
	Korea	36	36	38	2
	China	42	50	39	–11
	ASEAN, Taiwan	22	24	22	–2
	Subtotal	124	135	123	–12
Total		656	680	677	–3



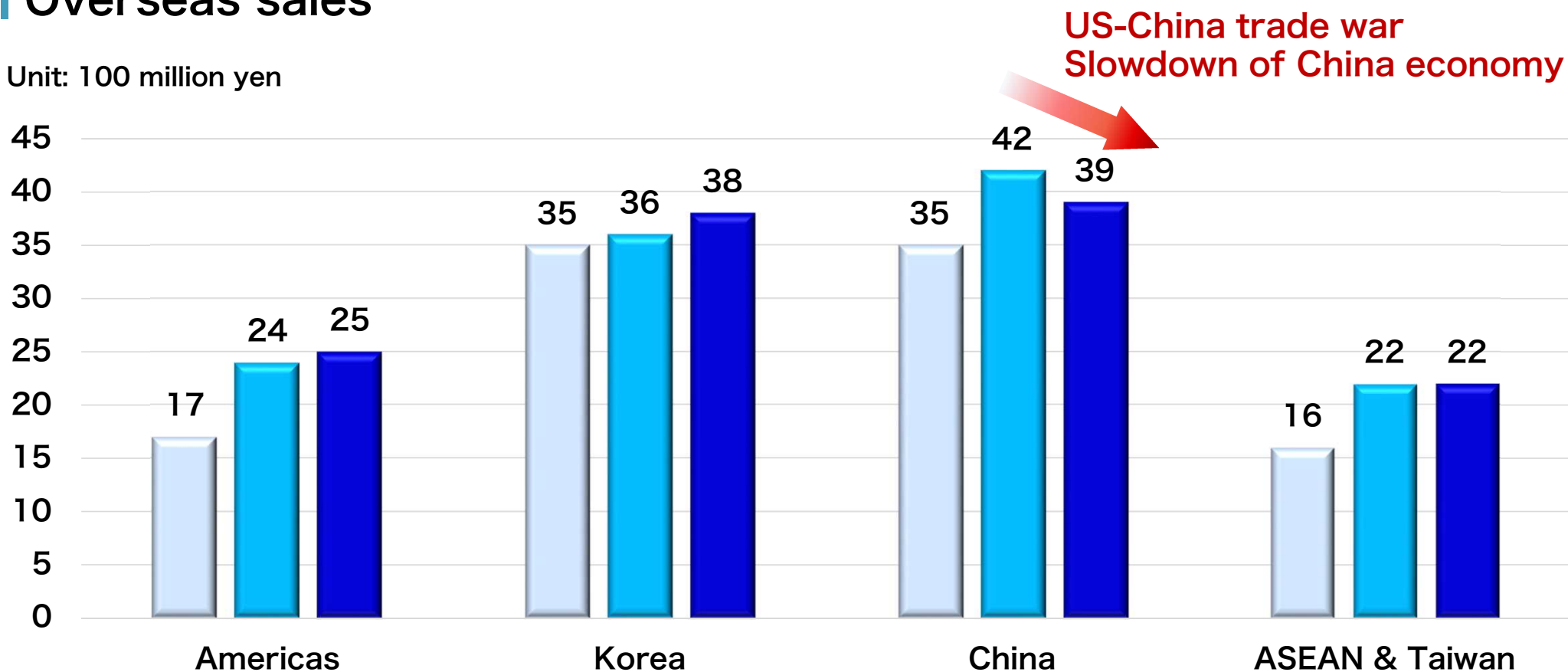
### Domestic sales

Unit: 100 million yen



### Overseas sales

Unit: 100 million yen



\*Mexico consolidated from FY2018 2<sup>nd</sup> quarter

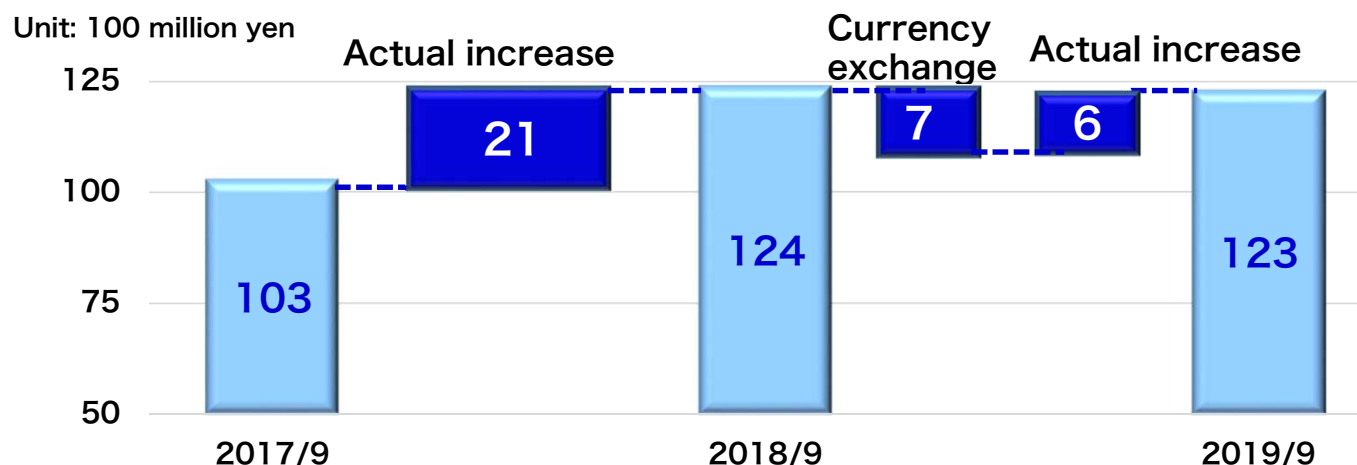
■ September 2017 ■ September 2018 ■ September 2019

## | Overseas sales in local currencies

Country/region	Unit	2017/9	2018/9	2019/9	YoY growth
Canada	10 thousand CAD	338	411	611	↑
United States	10 thousand USD	1,195	1,322	1,210	↓
Mexico	10 thousand MXN	—	3,576	5,200	↑
Brazil	10 thousand BRL	209	1,094	1,394	↑
Korea	100 million KRW	350	358	412	↑
Taiwan	Million NTD	149	241	274	↑
China	Million CNY	214	252	248	↓
Singapore	10 thousand SGD	426	416	342	↓
Indonesia	100 million IDR	410	649	661	↑
Turkey	10 thousand TRY	—	—	296	↑
Thailand	Million THB	80	105	77	↓

## Analysis of overseas sales factors

Due to the yen's ascent, overseas income decreased



Average exchange rate	September 2018	September 2019	Increase rate	FY2019 plan
USD	110.26	108.06	- 1.5%	109.00
CAD	84.87	81.73	- 3.7%	83.50
CNY	16.74	15.68	- 6.4%	15.80
KRW (100 W)	10.04	9.22	- 8.2%	9.80
IDR (100 Rp)	0.78	0.77	- 1.0%	0.74
NTD	3.65	3.49	- 4.5%	3.50
BRL	29.27	27.56	- 5.8%	26.30
MXN	5.75	5.64	- 2.0%	—
THB	3.40	3.49	2.6%	3.30

## 2 FY2019 2nd Quarter Summary Overview

### Revised annual plan \*Breakdown revised

Unit: 100 million yen

First half		FY2018 Result	FY2019 Plan	FY2019 Plan (revised)	Difference
Domestic	Boiler	617	623	631	+ 8
	Water treatment	35	37	37	
	Marine equipment	99	107	117	+ 10
	Food & Medical equipment	109	114	114	
	Laundry	200	200	200	
	Others (Special equipment, new business, environment, etc.)	70	74	74	
	<b>Subtotal</b>	<b>1,130</b>	<b>1,155</b>	<b>1,173</b>	<b>+ 18</b>
Overseas	Americas	49	53	53	
	Korea	74	77	77	
	China	90	105	87	-18
	ASEAN, Taiwan	45	50	50	
	<b>Subtotal</b>	<b>258</b>	<b>285</b>	<b>267</b>	<b>-18</b>
<b>Total</b>		<b>1,388</b>	<b>1,440</b>	<b>1,440</b>	<b>± 0</b>

# 3. Profit Share and Stock

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① Sustaining **stable** dividends

② Targeting **30%** consolidated payout ratio

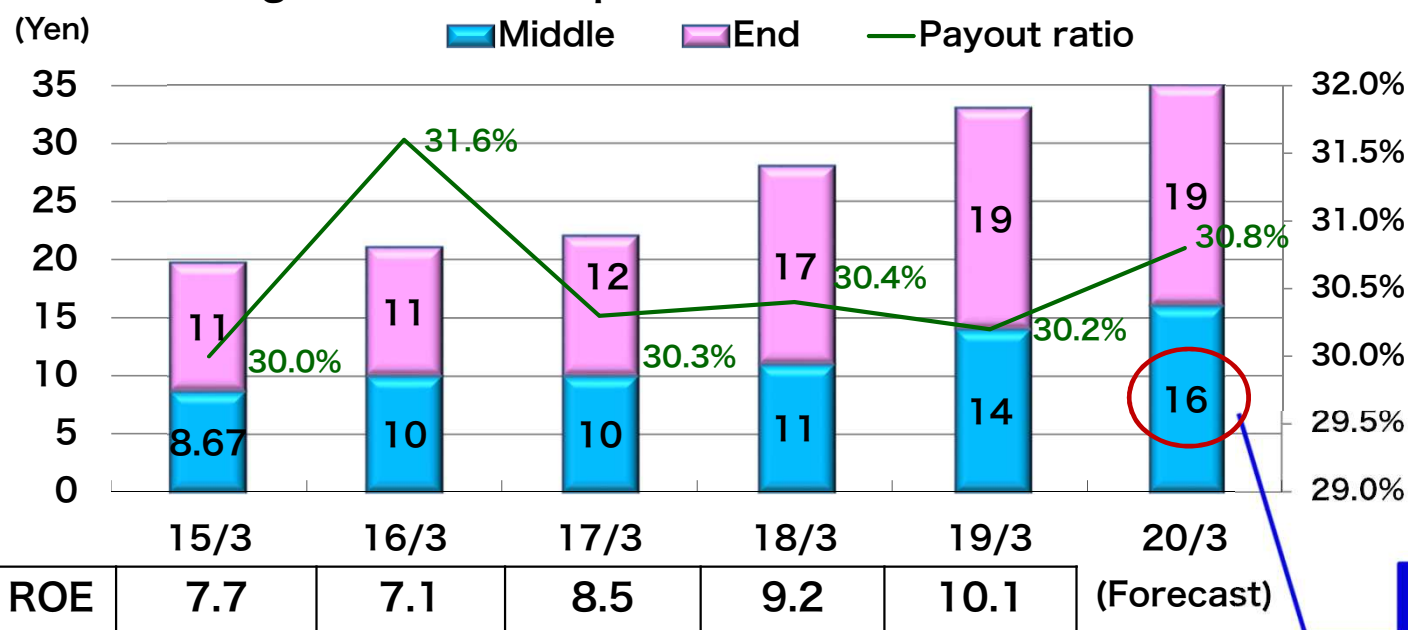
FY2018

Middle 14 yen  
End 19 yen  
Total 33 yen

FY2019

Middle 16 yen  
End 19 yen  
Total 35 yen -Forecast

### 【Changes in dividend per share】



### 【Reference】

Total number of issued shares  
(excluding treasury shares)

112,696,346 shares

Treasury shares

12,594,766 shares

As of March 31<sup>st</sup>, 2019

**Dividend  
increase: 2 yen**

Management target: Maintaining ROE10%



## 4. Ballast Water Management System (BWMS) Business

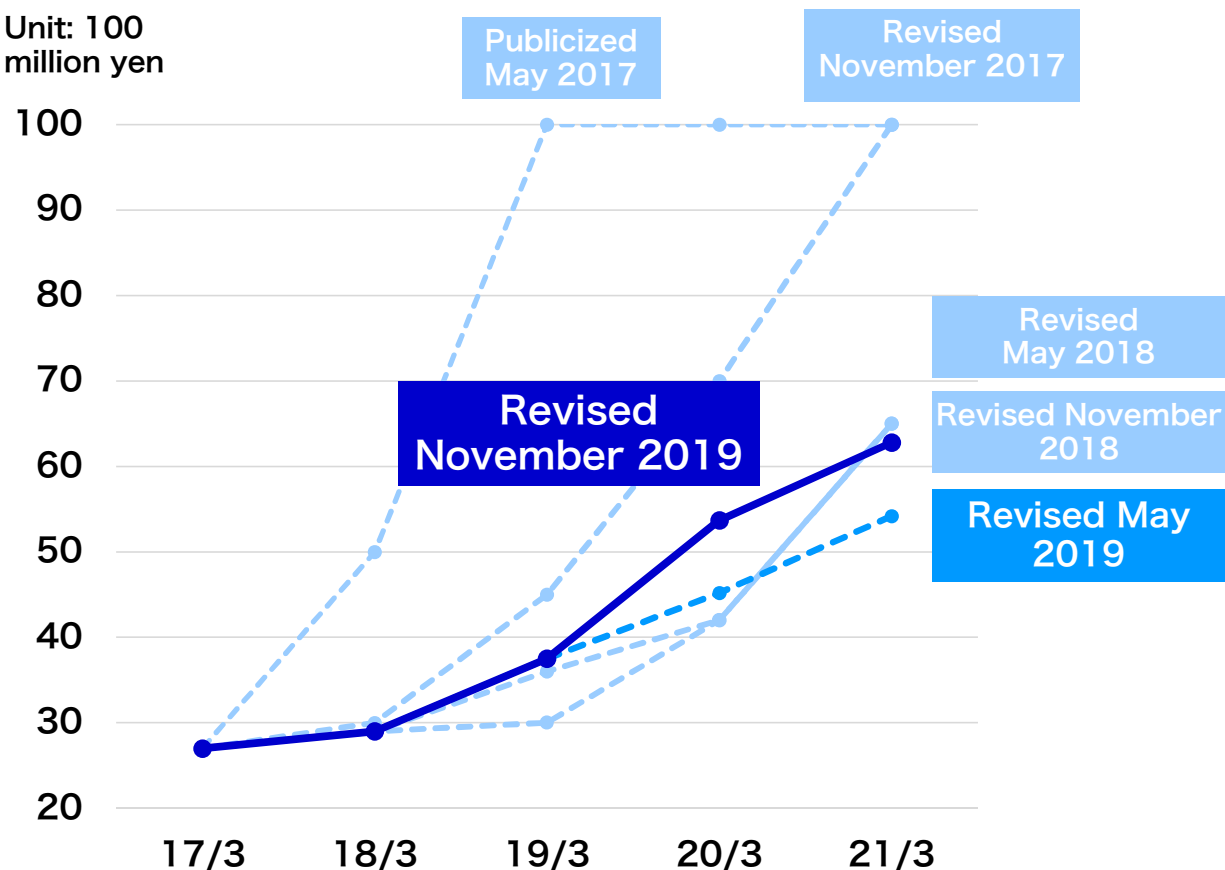
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## Sale plan revision of BWMS

Unit: 100 million yen



**USCG Type Approval  
obtained**

**MIURA's HK is the first in Japan to have obtained the approval for its filtration method with UV treatment** (Based on MIURA's own research)

**Sales target: 1,200 units in total  
(by the end of FY2020)**

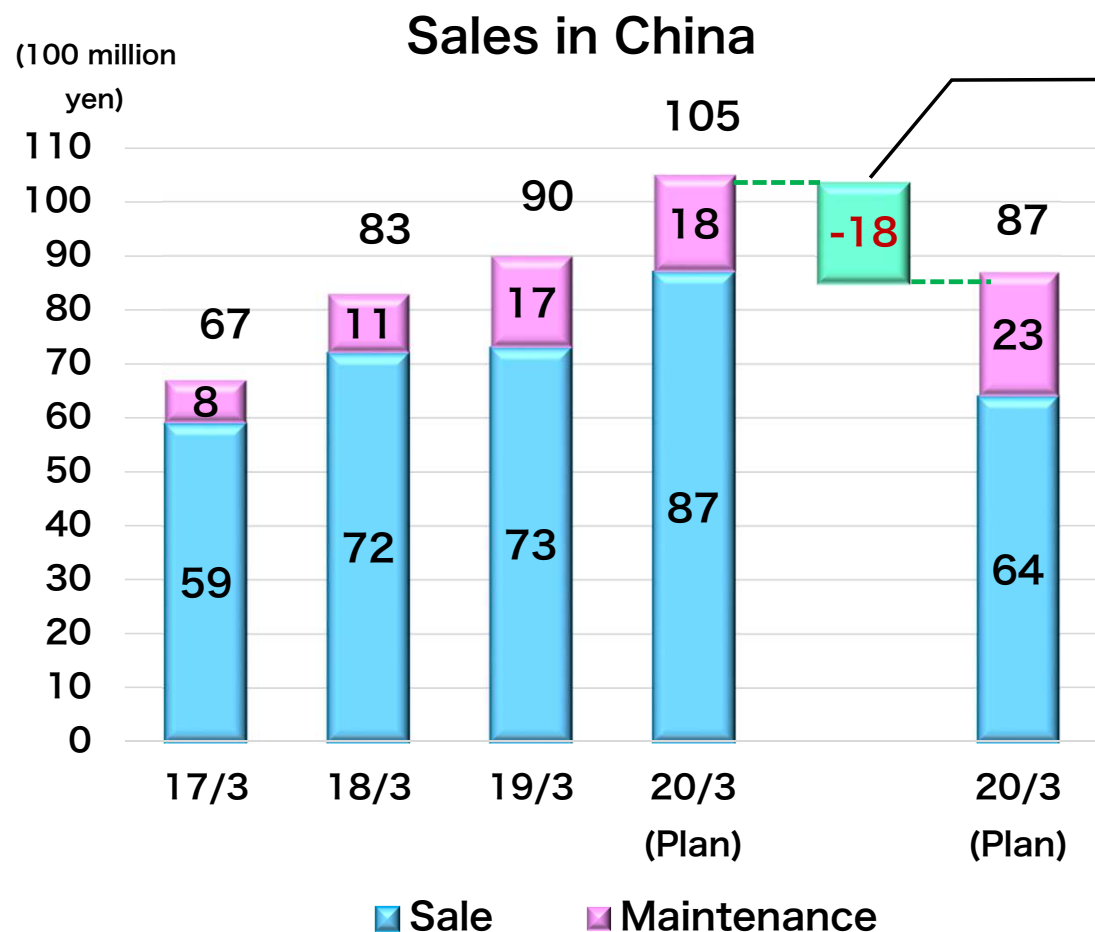
## 5. Current China and Our Business Strategy



# FY2019 2nd Quarter Summary Overview

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## Difference between our plan and result



November 5<sup>th</sup>, 2019  
 China's sales forecast at the end of this fiscal year lowered by 1.8 billion yen, to 8.7 billion yen (No amendment to MIURA's total sales amount)

### Factors of difference

- ① **Economic deterioration in China**  
 Eased penalties regarding environmental regulations and postponement of regulation amendment
- ② **US-China trade war**  
 Investment enthusiasm dampened  
 Our target shift towards food industry
- ③ **Currency exchange influence**

Our second factory in Suzhou is under construction as planned

## | Detailed background

Economic deterioration in China

+

US-China trade war

Withheld facility investment  
Wait-and see stance

- Stagnant automobile industry
- Deflating apartment prices
- Bankruptcies of small and medium-sized enterprises

Economic stagnation  
Worsening economy

Easing environmental regulations

Coal boiler use prohibition postponed in gas shortage areas

Pellet boiler abolition stopped (excluding urban areas)



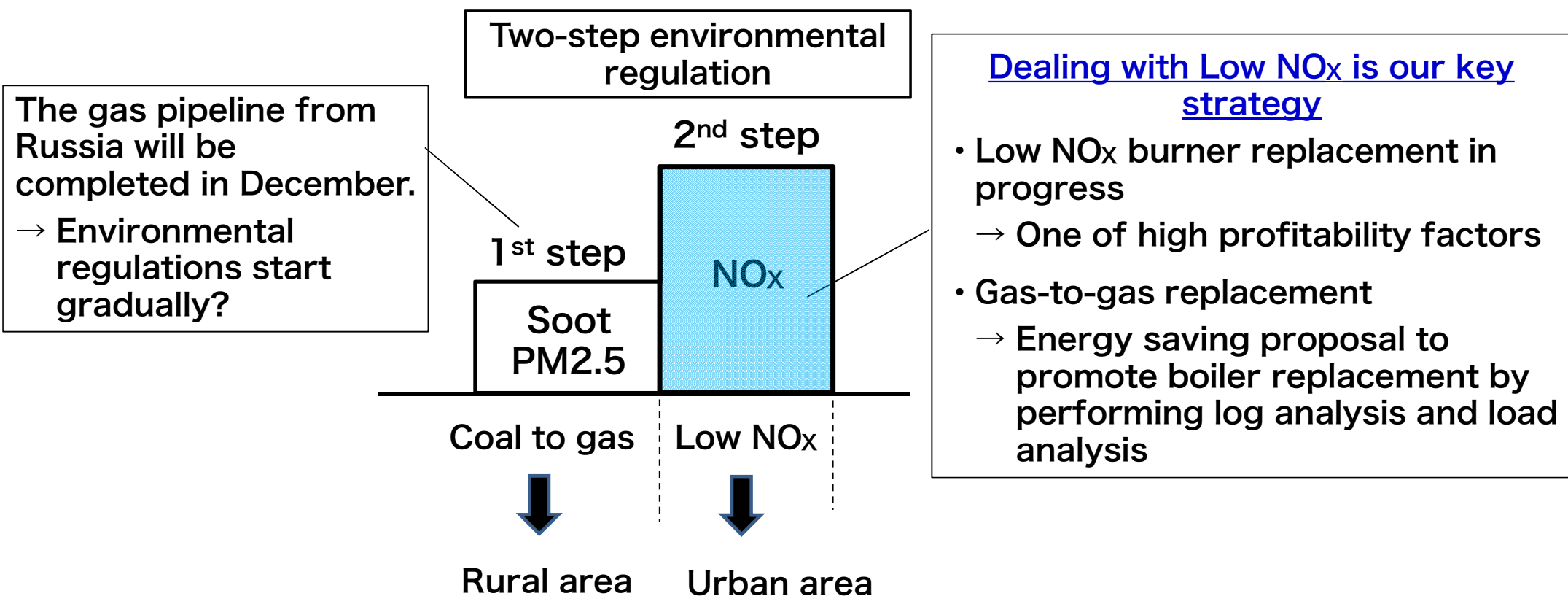
Replacement with gas-fired boiler has been postponed or suspended

As a result



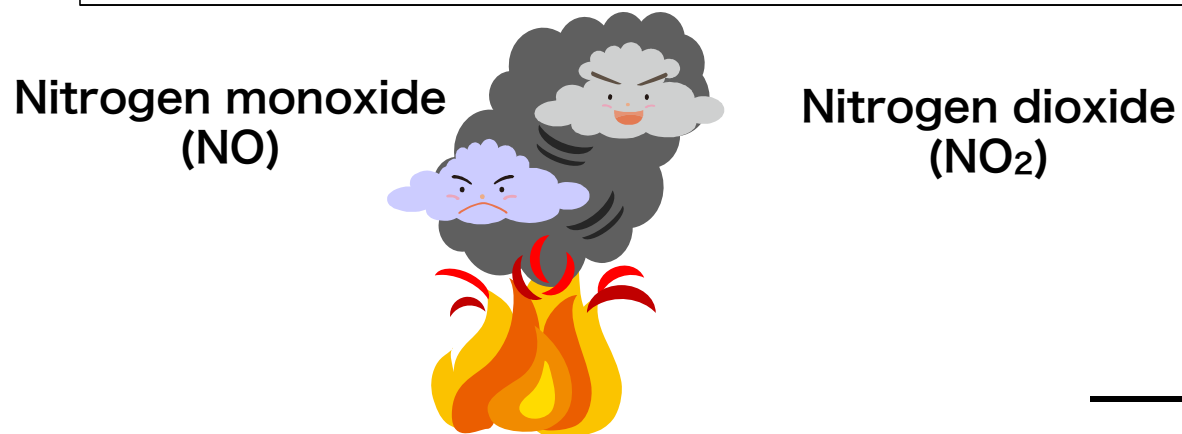
Adoption of pellet boiler increased

### Two-Step Environmental Regulation

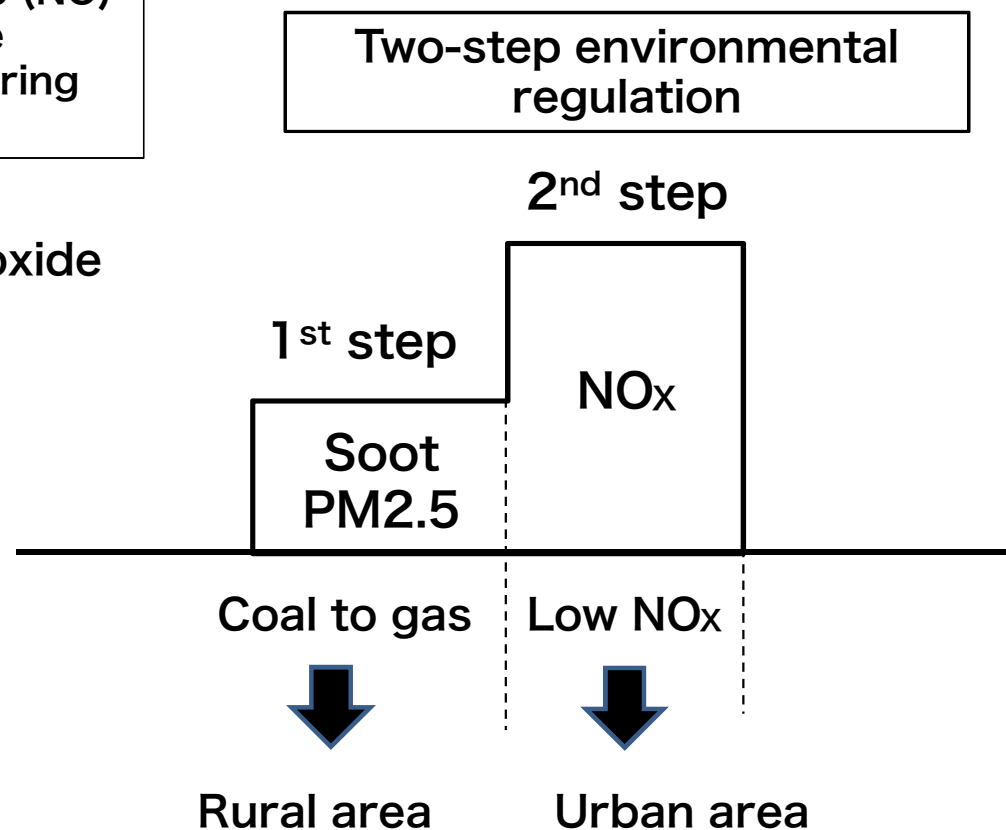


## <Reference> What is NO<sub>x</sub> (nitrogen oxide)?

Nitrogen oxide (NO<sub>x</sub>) such as nitrogen monoxide (NO) and nitrogen dioxide (NO<sub>2</sub>) is produced from the reaction among nitrogen (N) and oxygen (O<sub>2</sub>) during combustion at **high temperatures**.



High levels of nitrogen dioxide (NO<sub>2</sub>) can cause damage to the human respiratory system.





### Boiler manufacturers in China

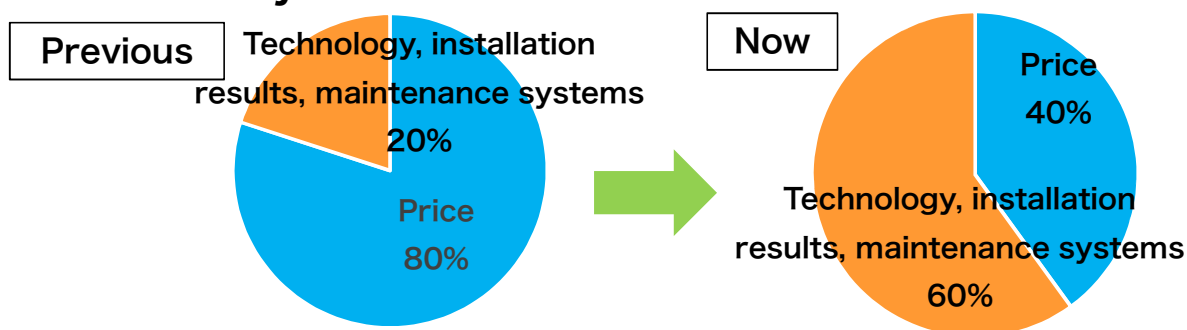
#### Struggle for survival due to economic deterioration

- 18 companies bankrupted this year
- 20 companies reduced their production by 50% or more
- Taiwan's leading boiler manufacturer withdrew from Chinese market

#### Intensified price competition

- Other bidders may sell their stocks at a discount
- However, customers tend to consider aspects other than pricing during a bid

#### <Point system is used for bid evaluation>



Source: MIURA

Reliable boiler manufacturer will survive

Stand our ground for more years to be the No. 1 boiler manufacturer

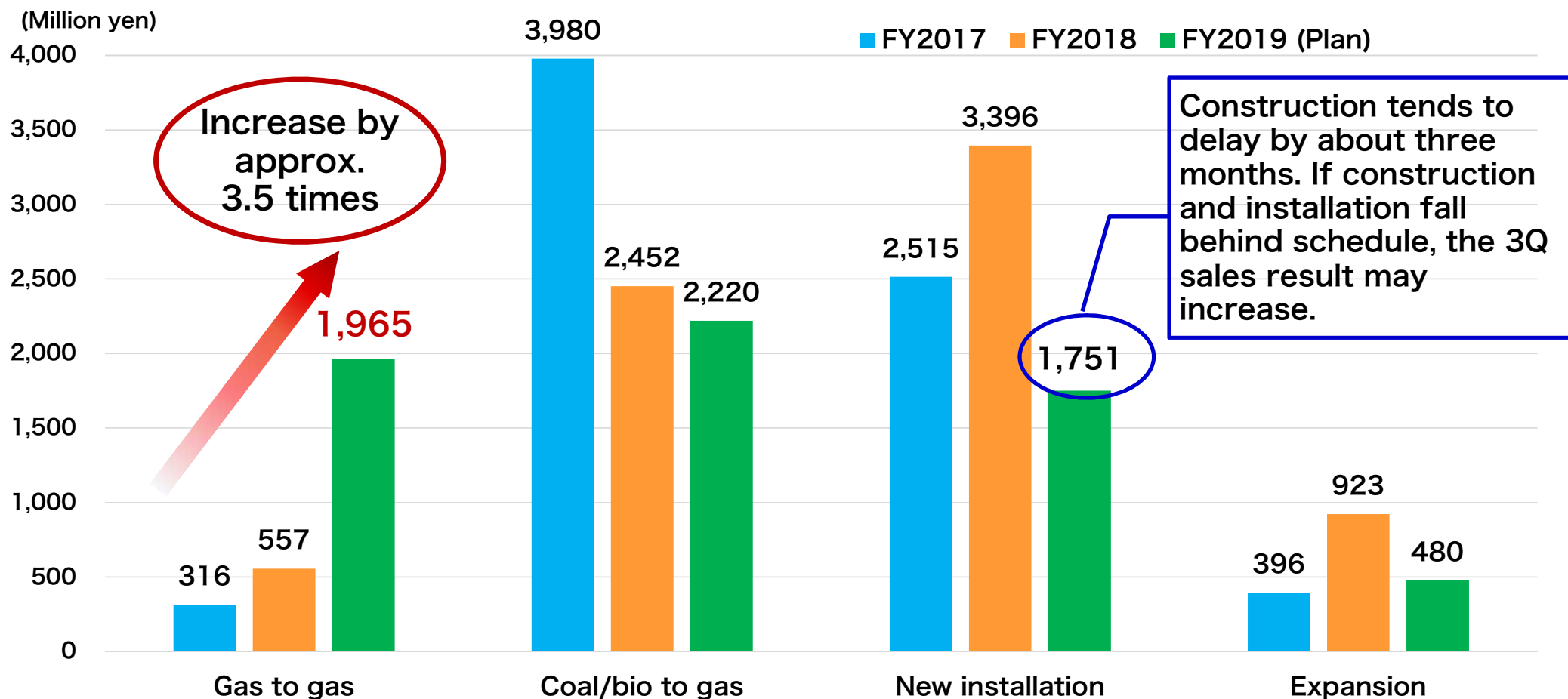
Suggest solutions with our products and maintenance

Prioritize based on MIURA'S standard style

# Prospects and Strategies

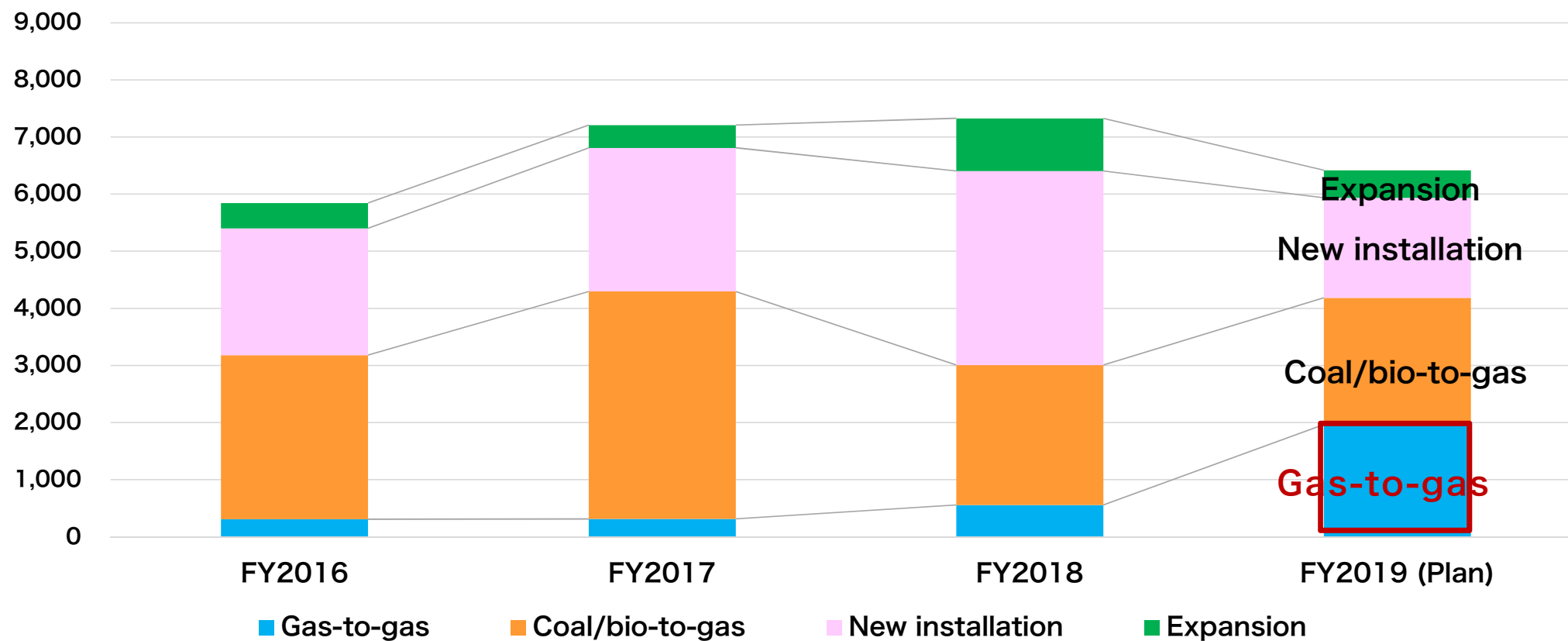


## Boiler installation analysis on MIURA users



## Boiler installation analysis on MIURA users

(Million yen)

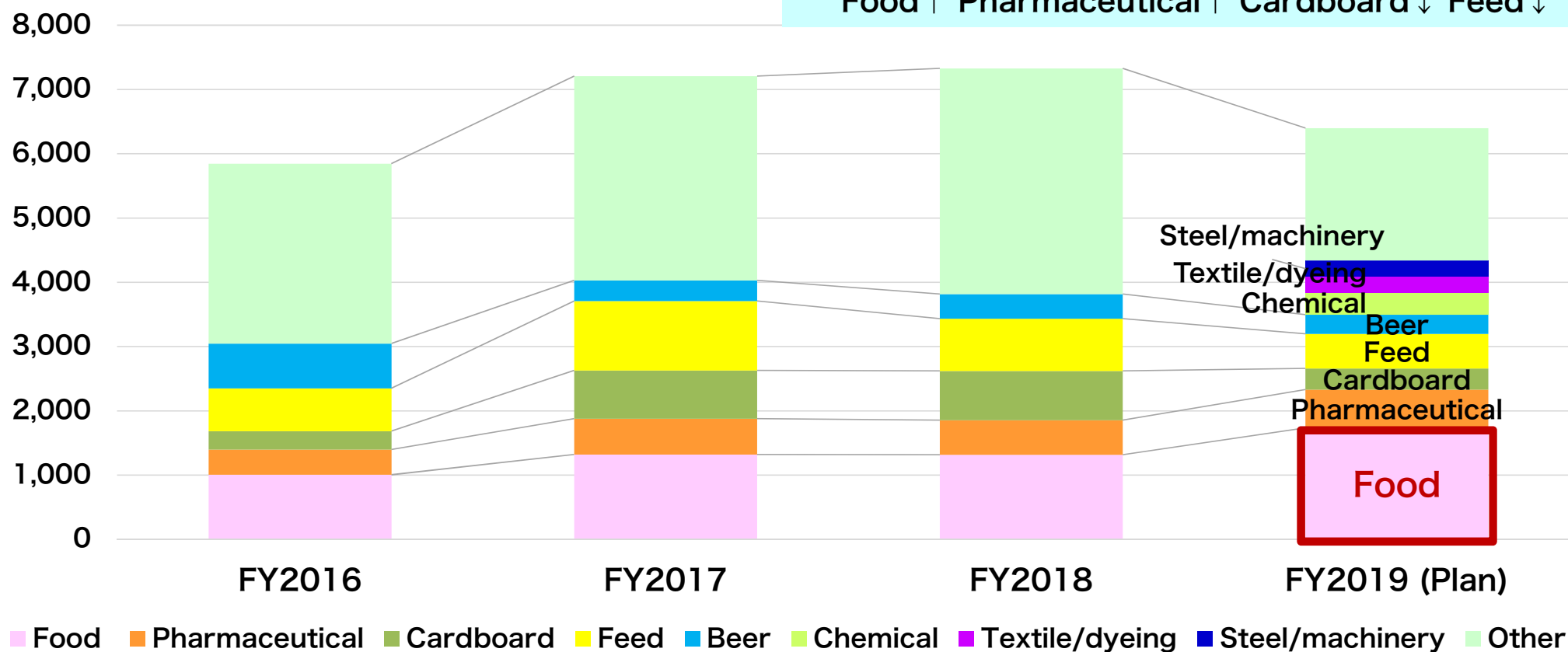


## Boiler market analysis in China

(Million yen)

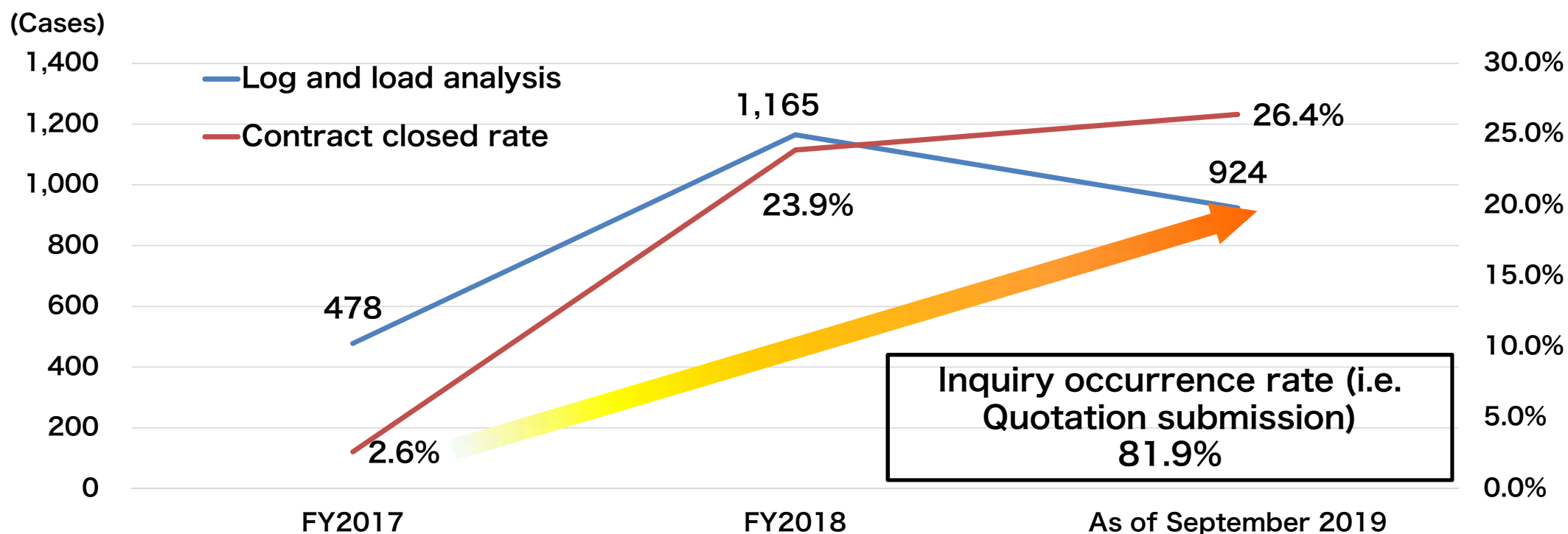
### Target industry

Food ↑ Pharmaceutical ↑ Cardboard ↓ Feed ↓



## Enhancing solution-oriented sales

Performing log and load analysis on other manufacturer's boilers to suggest much more efficient system



Note: Cases whose load analysis and contract-conclusion were done in different years are included above.

### | Our new factory



New factory under construction (as of October)

Completion in April 2020,  
operation in September



**Production capacity in the future:  
4,000 to 5,000 units annually**

**We will stand our ground for some  
years of economic deterioration and  
increase our market share in China,  
based on the “gas-to-gas”  
replacement strategy!**

## 6. Domestic Business in Accordance with the Times

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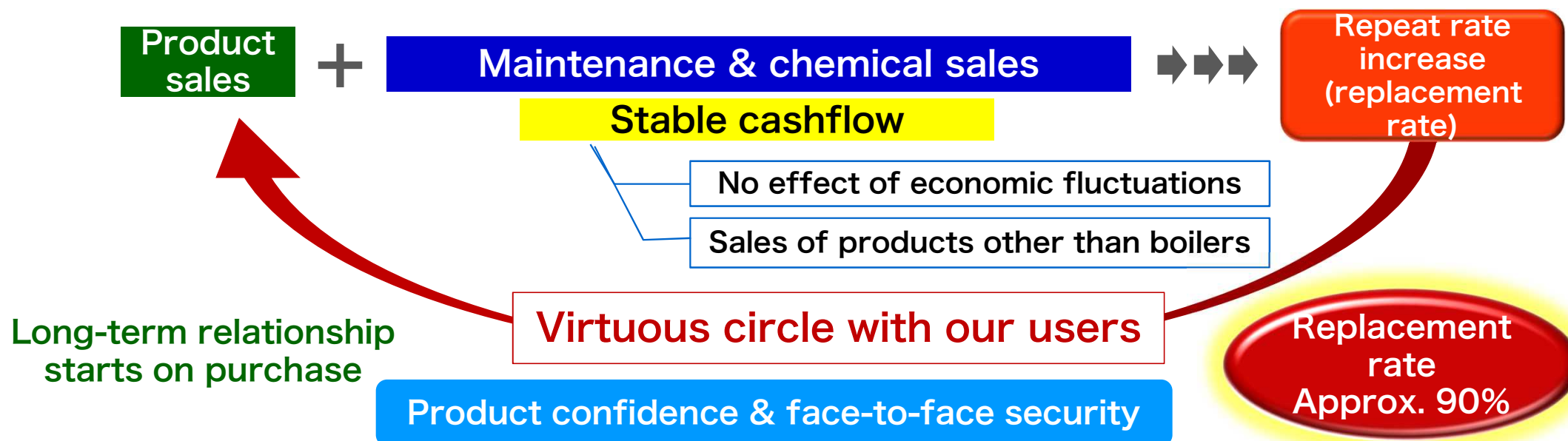
## Hardly susceptible to economic fluctuations

Not only selling our products, but also maintaining them  
—our maintenance and consumable sales continue.

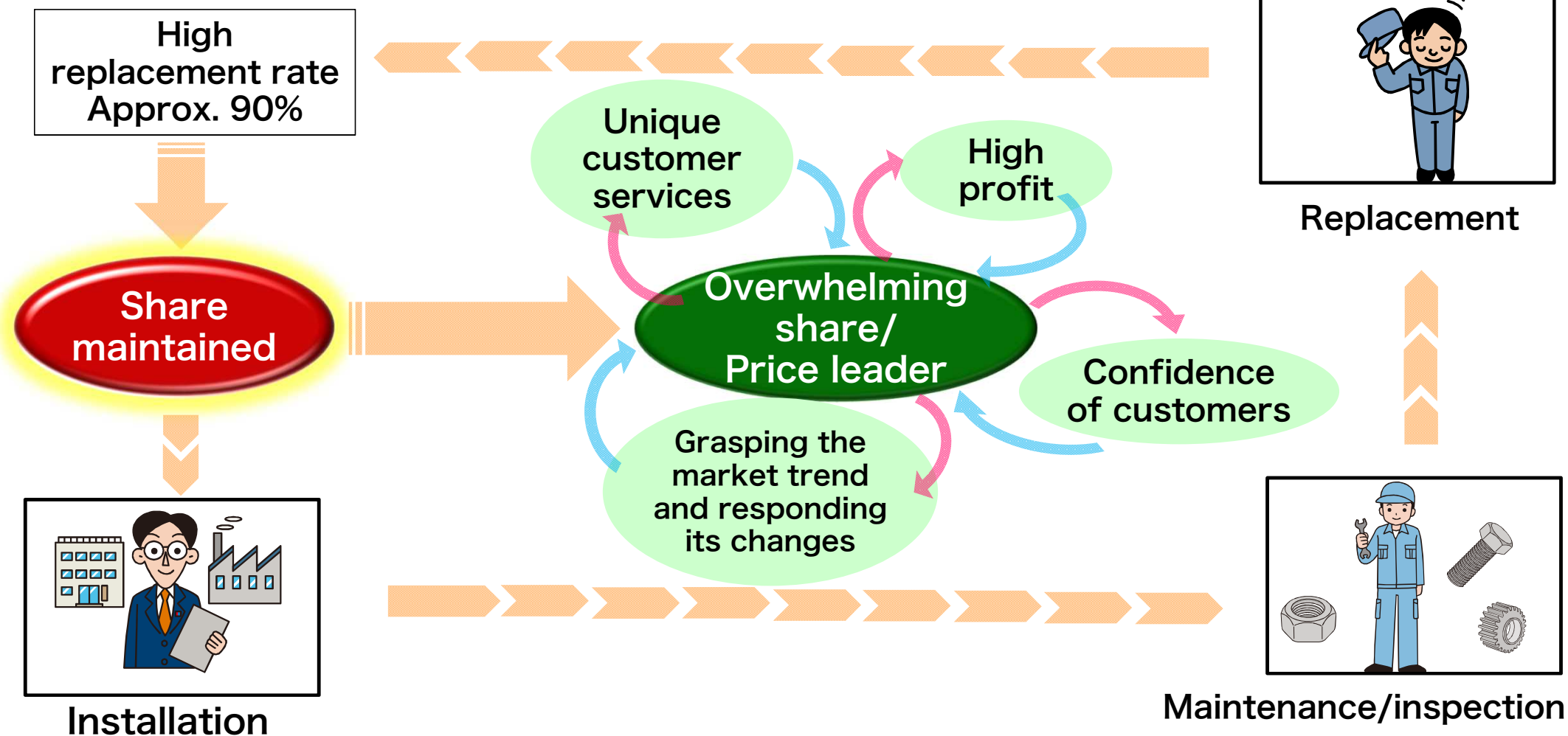
With a boiler's 15-year life

(Unit: Thousand yen)

Sales amount	1st year	2nd year	3rd year	4th year	5th year	6th Year	7th year	8th year	9th year	10th year	11th year	12th year	13th year	14th year	15th year
	10,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000



## | Being a leading manufacturer



Decreasing maintenance staff in Japan

Labor  
shortage

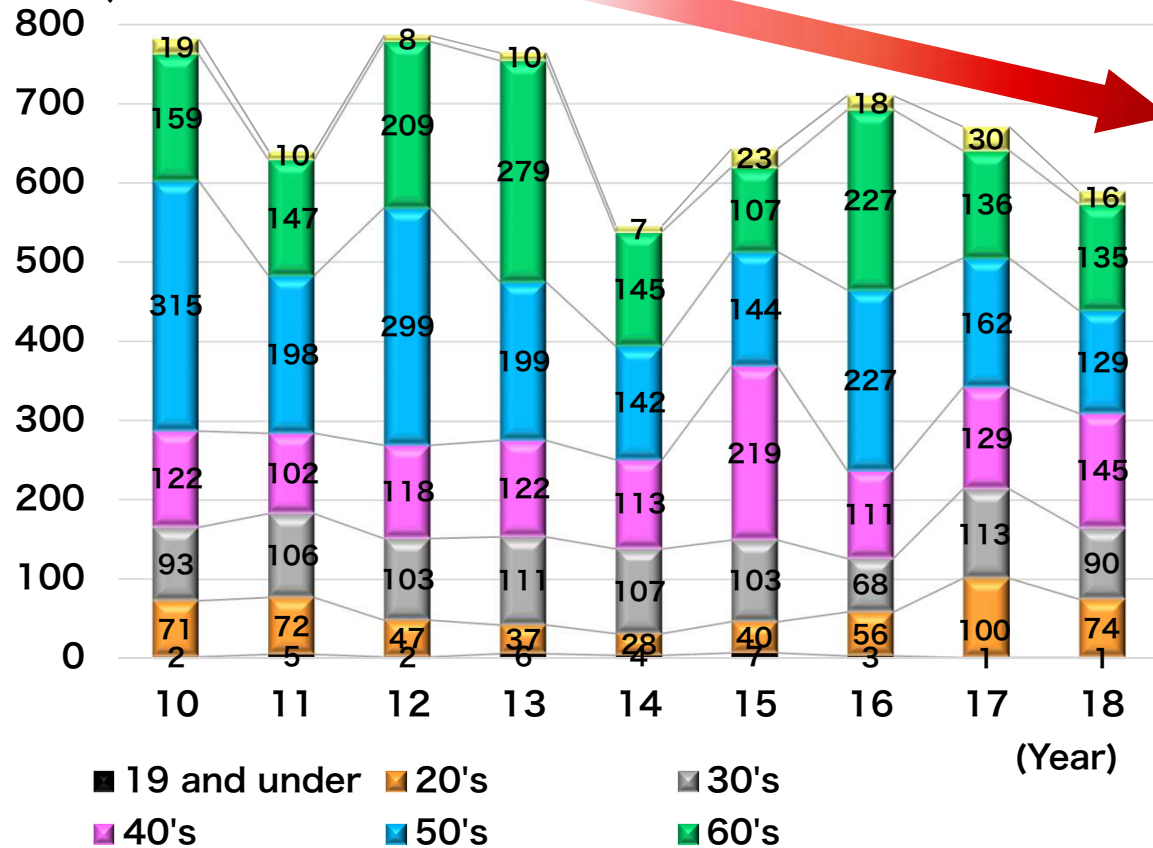
Aging



MIURA is a solution!

(Unit: 10  
persons)

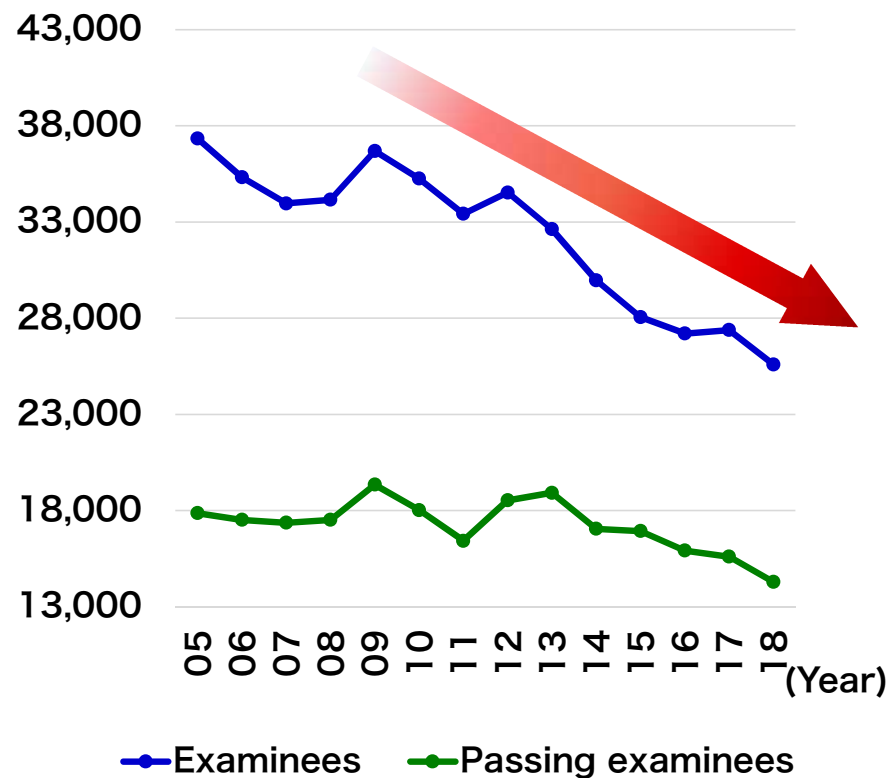
Boiler workers



Source: "Basic Survey on Wage Structure"

Examinees of the 2<sup>nd</sup> grade  
boiler technician

(Persons)



## Profit/Loss management in small groups

### Trio profitability —MIURA's "Triple system"

Good. We can make a profit for another person. Let's have an additional person next year!



We spent expenses more than we had planned...



I regret I bought too many tools...

All together now to offset it!

### Employees' goal

To achieve profitability with his trio members

100 locations around Japan,  
approx. 1,100 people

### Employer's goal

To let each and every employee engaged in maintenance have "ownership"

All staff in MIURA aim to achieve profitability!

To the same goal

# Customer account strategy

MIURA's divisions  
and branches

Customer account  
manager

shares issues with  
customers



Best partner strategy

Long-term trust & confidence

Total solutions strategy

Continuance of resolving  
customer's problems

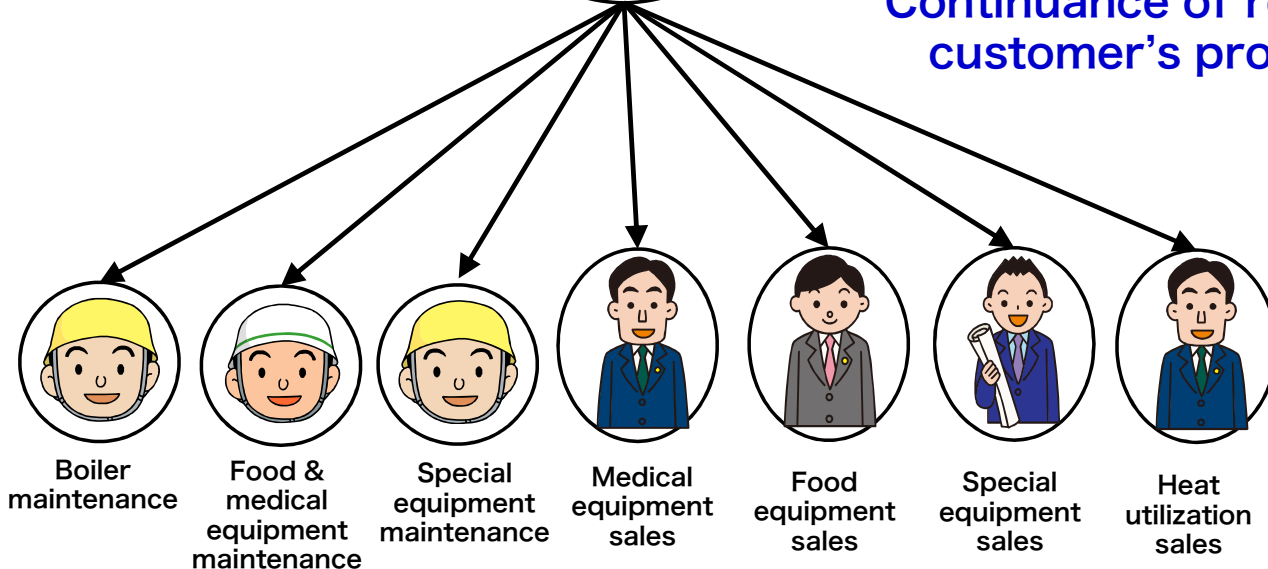
Customers



- No need to find maintenance companies
- Service of the same quality as for boilers to all other products
- Problem/issue solved  
e.g.) Effective use of waste water, cost cutting

Contributing to our customer's  
stable operation

Leading to our long-term stable  
performance



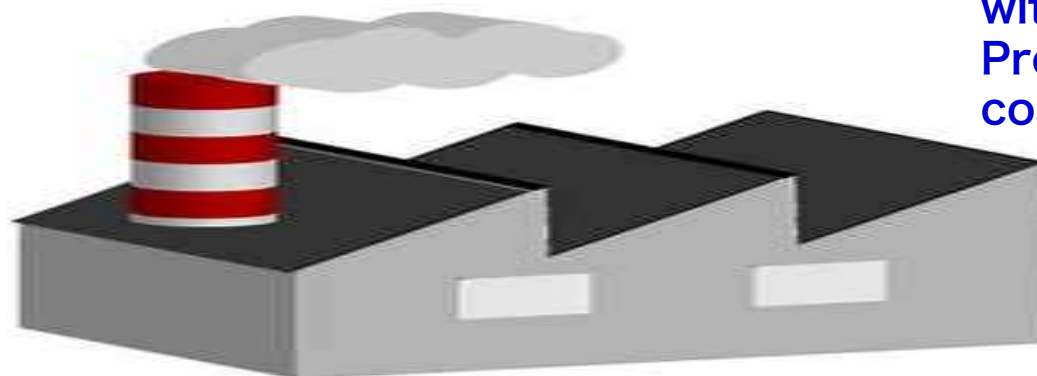
## Installation example: Food company in Aichi

Not only boilers but also other MIURA products

Sale of processing equipment  
with utilities  
Proposal of thoroughgoing  
cost reduction



Maintenance



Manufacturing  
process:  
Retort sterilizer, etc.

Heat source:  
Boilers



Water used:  
Filtration  
equipment



Compressed  
air: Compressor





## Installation example: Nagoya Railroad Co., Ltd.

From boiler sales to solution sales of water for car-washing

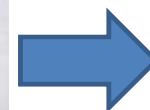


Testing site

Boiler installation was the ice-breaker...

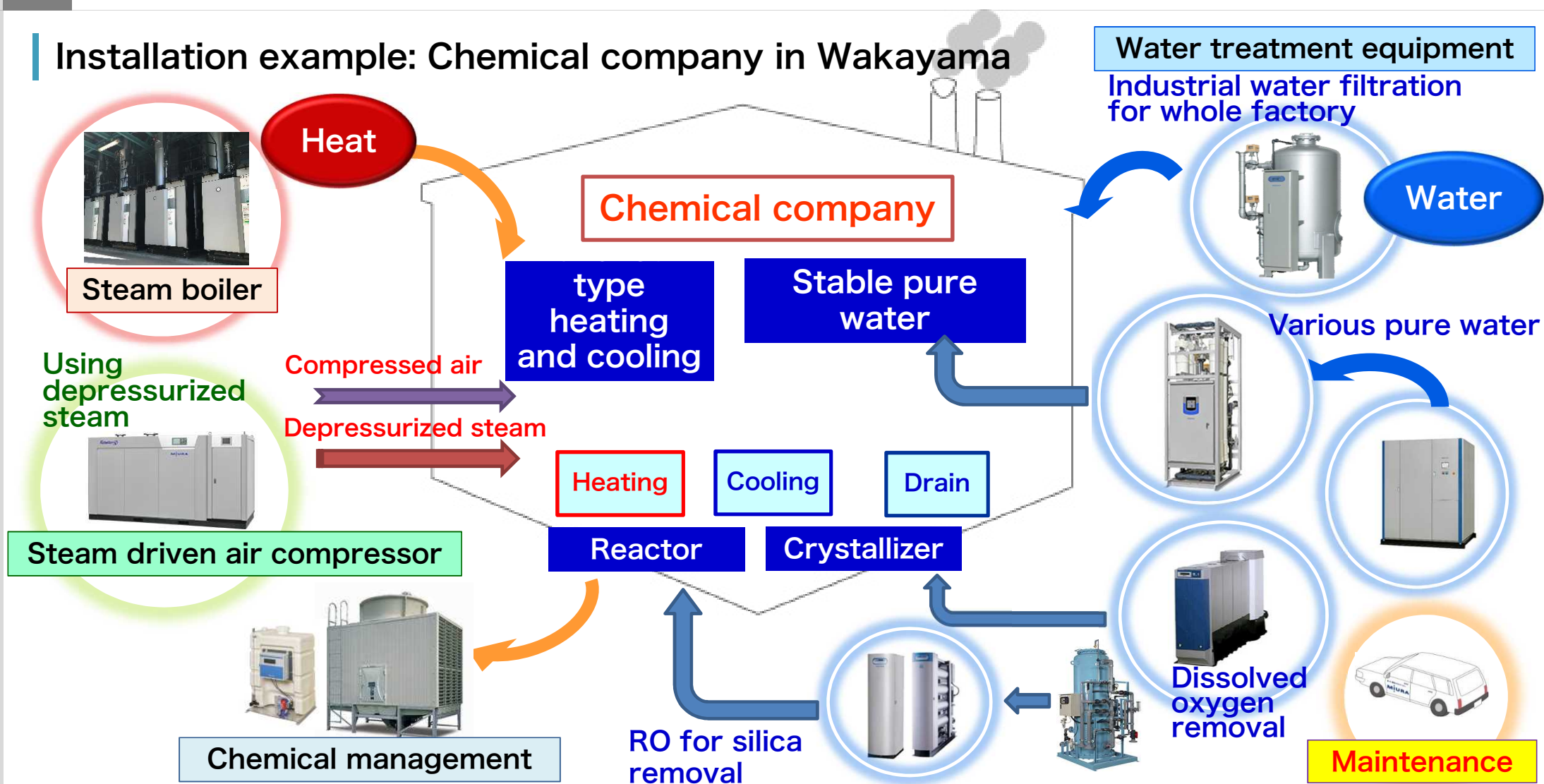
19 units of our water treatment equipment are to be installed (from FY2018 to FY2020)

After our RO equipment installation, Labor and expenses spent for polishing and wiping after car-wash were largely reduced!



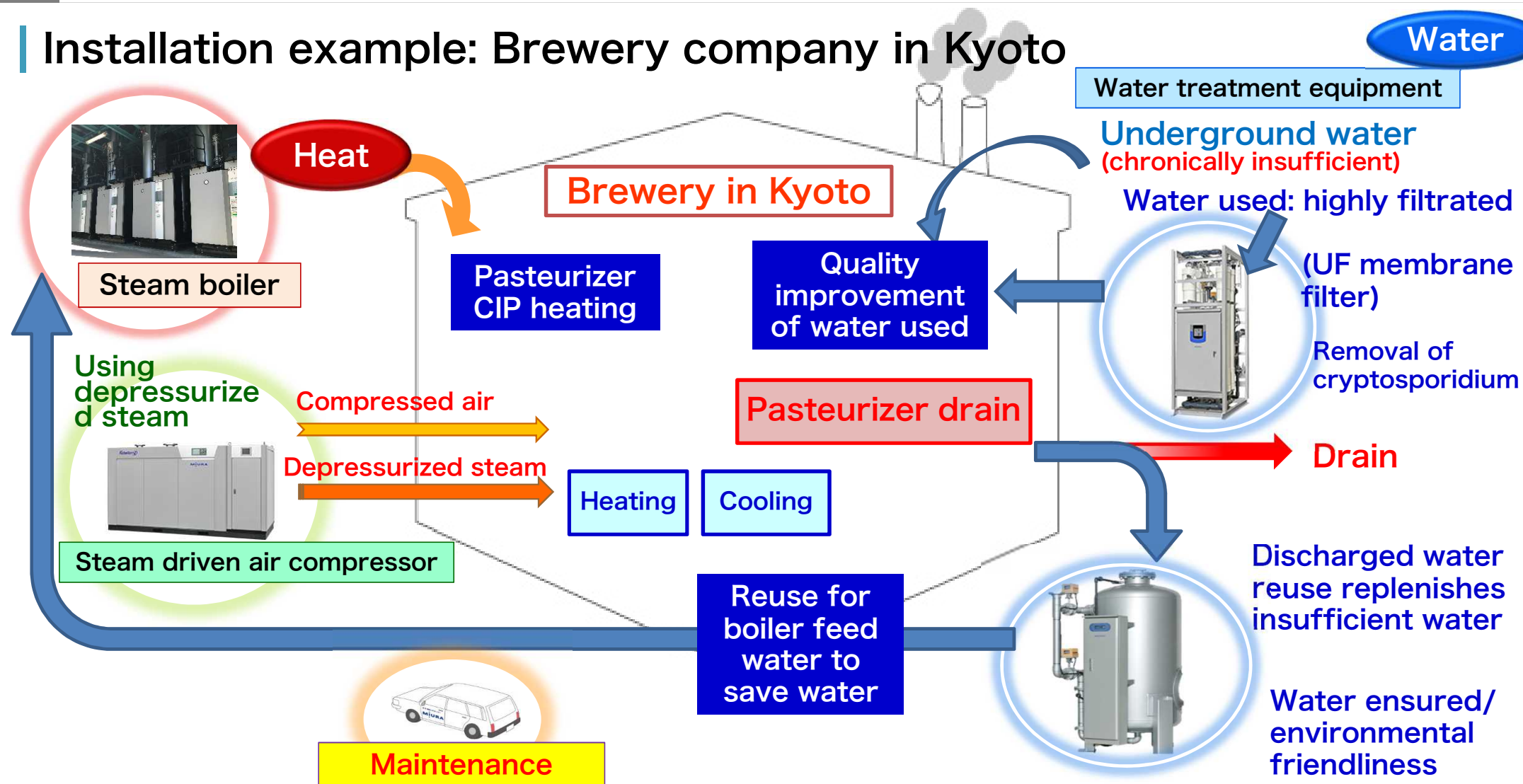
Maintenance

## Installation example: Chemical company in Wakayama





# Installation example: Brewery company in Kyoto

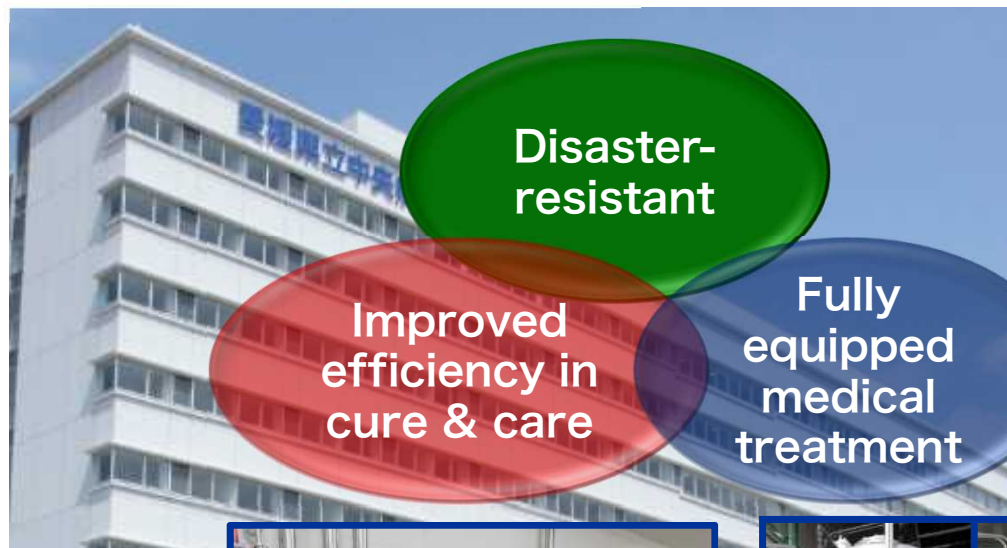


## Installation example: Ehime Prefectural Central Hospital

Preparing for emergency regarding BCP (Business continuity planning)



Fuel selectable  
boiler



Vacuum



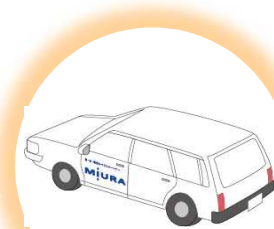
Steam sterilizer  
system



Vacuum boiling



Filters

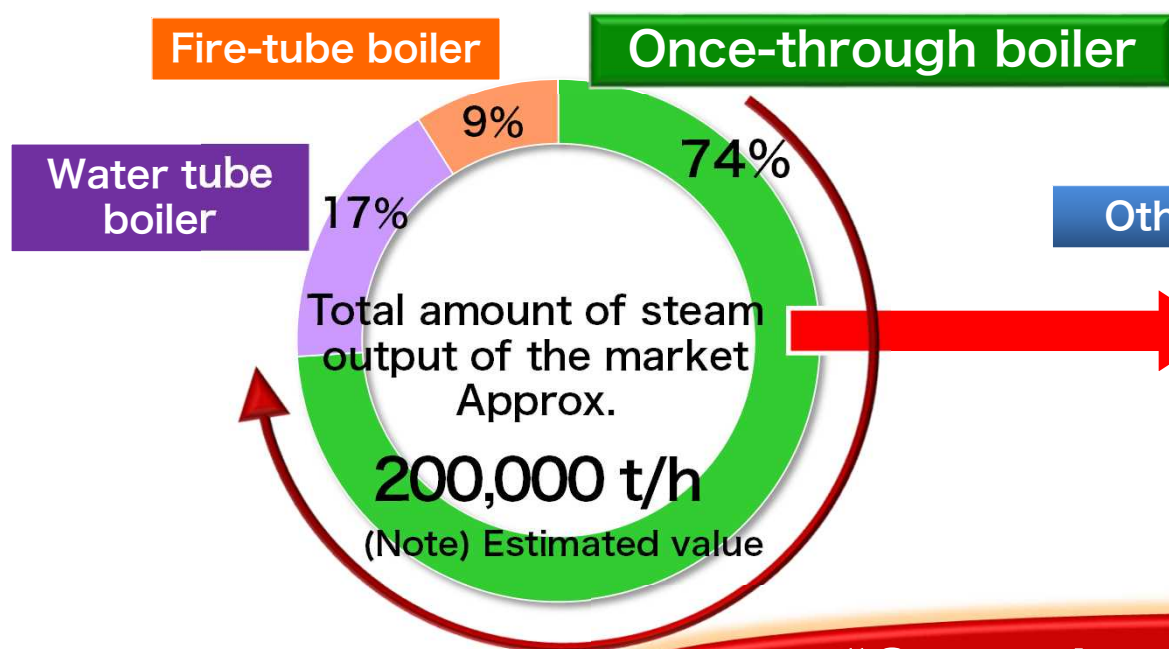


Maintenance

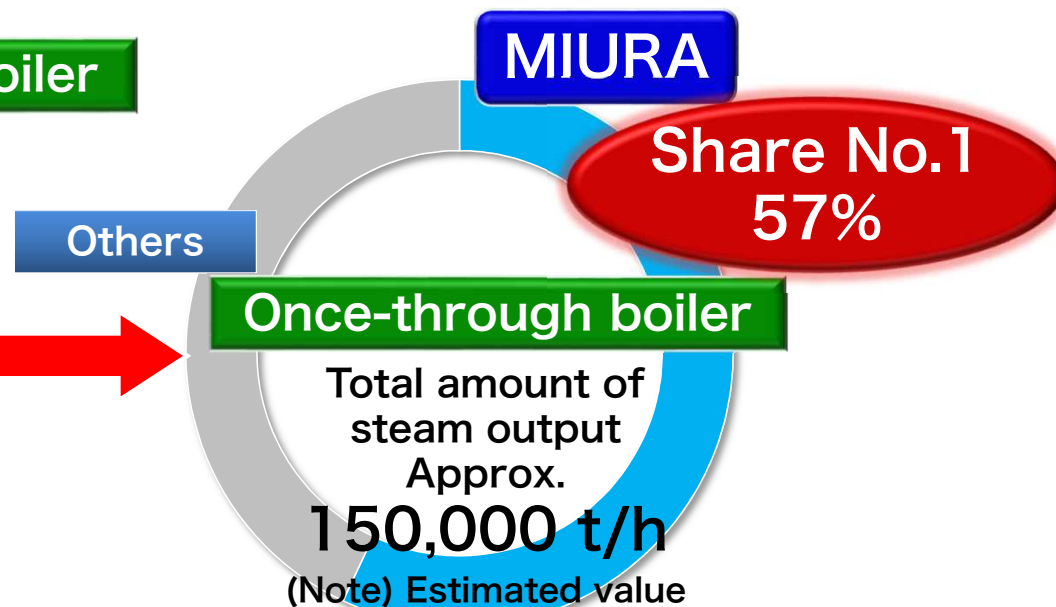
## Domestic share

\*Boilers for power generation excluded (based on MIURA's research as of September 2017)

### Steam boiler market in Japan



### Once-through boiler market in Japan



## “Once-through-ism” movement

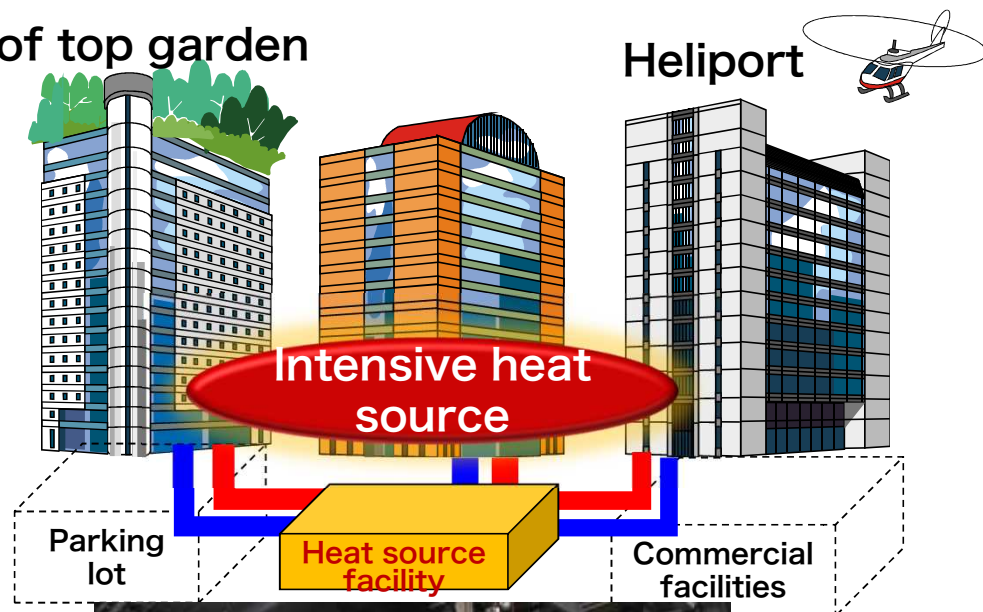
- District heating and cooling (DHC)
- Cardboard/paper mill
- Japan railway / other private railways
- In-house power generation (boilers of Electricity Business Act)

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

## Installation example: Heat supply company (district heating and cooling) in Tokyo

Roof top garden

Heliport



## Advantages of Multiple Installation (MI)

## Highly efficient even if the load fluctuates

- Summer, winter, daytime → High demand
- Spring, fall, nighttime → Low demand

## Energy-saving and environmentally friendly

- Central management of large-scale facility

## Space-saving

- Close installation of boilers
- Easy to carry into the basement



Replacing fire-tube boiler  
with MI boilers



## Installation example: Chemical company in Fukuoka (replacing boilers of Electricity Business Act)

**Before**

\*These images may differ from actual facilities.  
Power generation boiler × 2 units  
200 t/h per unit  
**Total: 400 t/h**

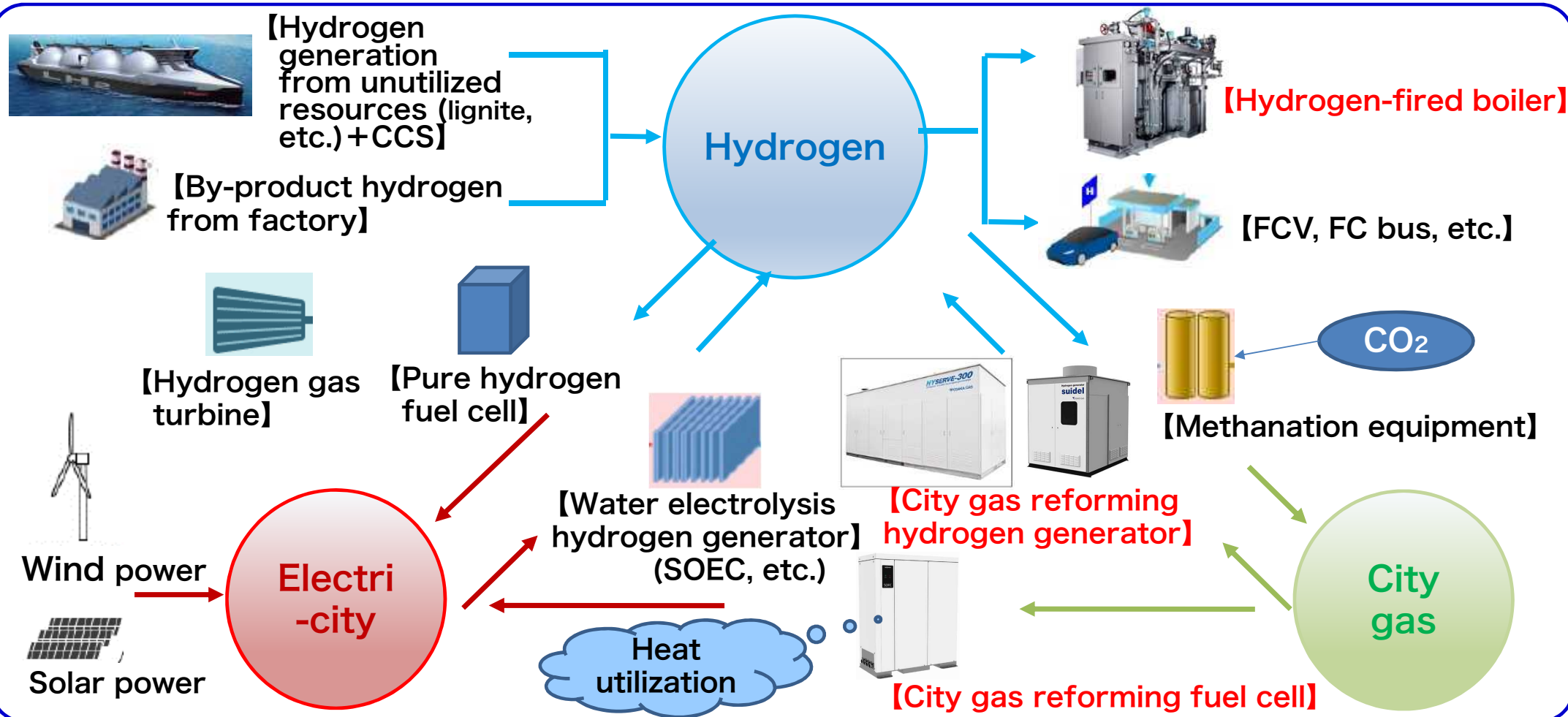
**After**

- 4 t/h once-through boiler × 16 units (2.45 MPa specification)
- 7 t/h once-through boiler × 22 units (1.57 MPa specification)




**Total: 218 t/h**

**MIURA's once-through boilers and online maintenance were introduced!**

## Forthcoming hydrogen society (low carbon to de-carbon)



## New model fuel cell “FC-5B” (Sales started from October 1<sup>st</sup>, 2019)

4.2-kW solid oxide fuel cell system (SOFC)	“suidel” Small hydrogen generator (co-developing with Tokyo Gas Company)	“HYSERVE” Compact on-site hydrogen generator (manufactured on commission from Osaka Gas Engineering Co., Ltd.)
		
<p>Cogeneration equipment to generate electricity and heat (hot water) using city gas. Contributes to saving energy!</p>	<p>Generates hydrogen at 5 m<sup>3</sup>N/h using city gas as fuel. Small amount of hydrogen can be supplied! *suidel is a registered trademark of Tokyo Gas.</p>	<p>Generates hydrogen using city gas or LPG. MIURA manufactures HYSERVE 300 and HYSERVE 100. *HYSERVE is a registered trademark of Osaka Gas.</p>

# Reference

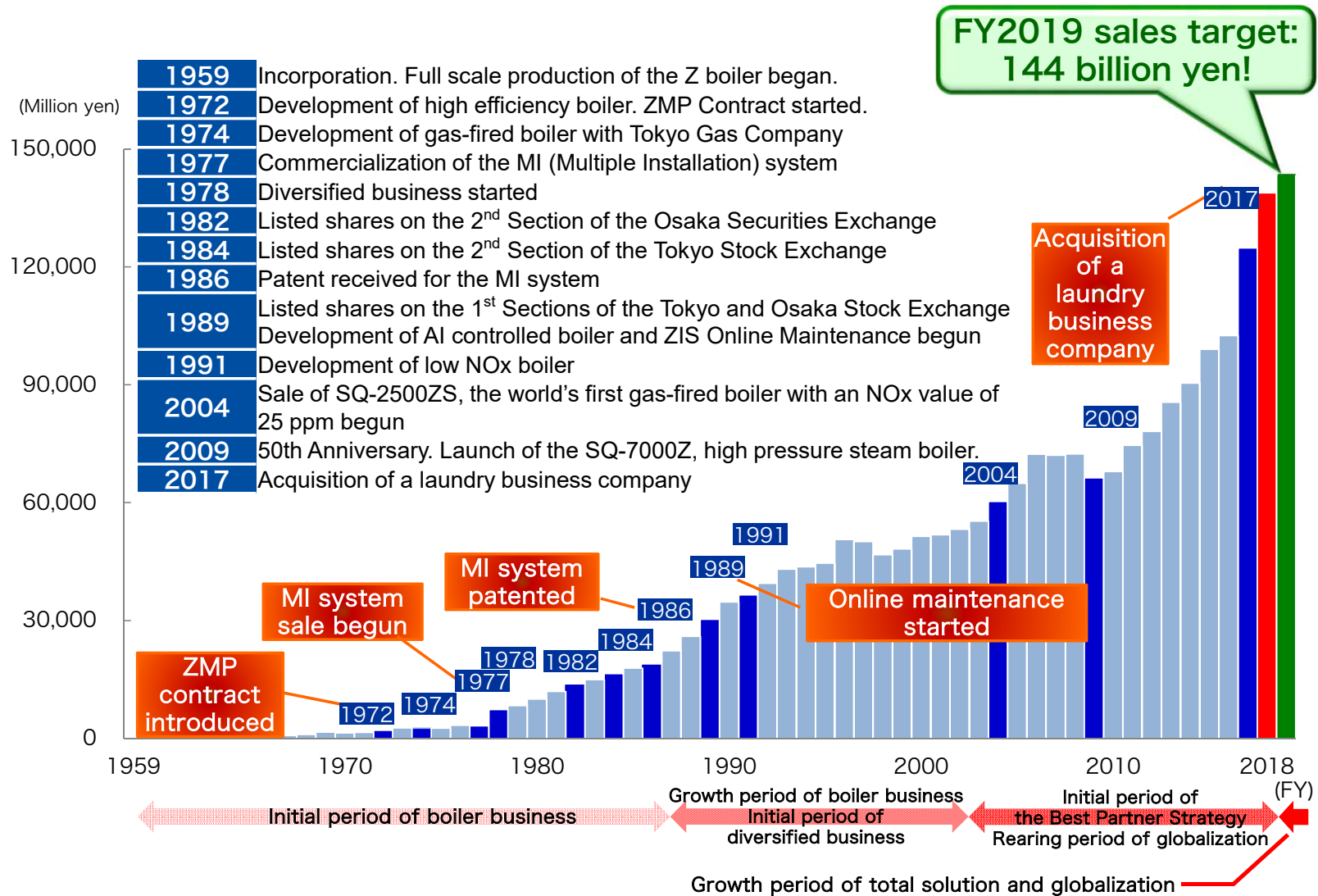


熱・水・環境のベストパートナー



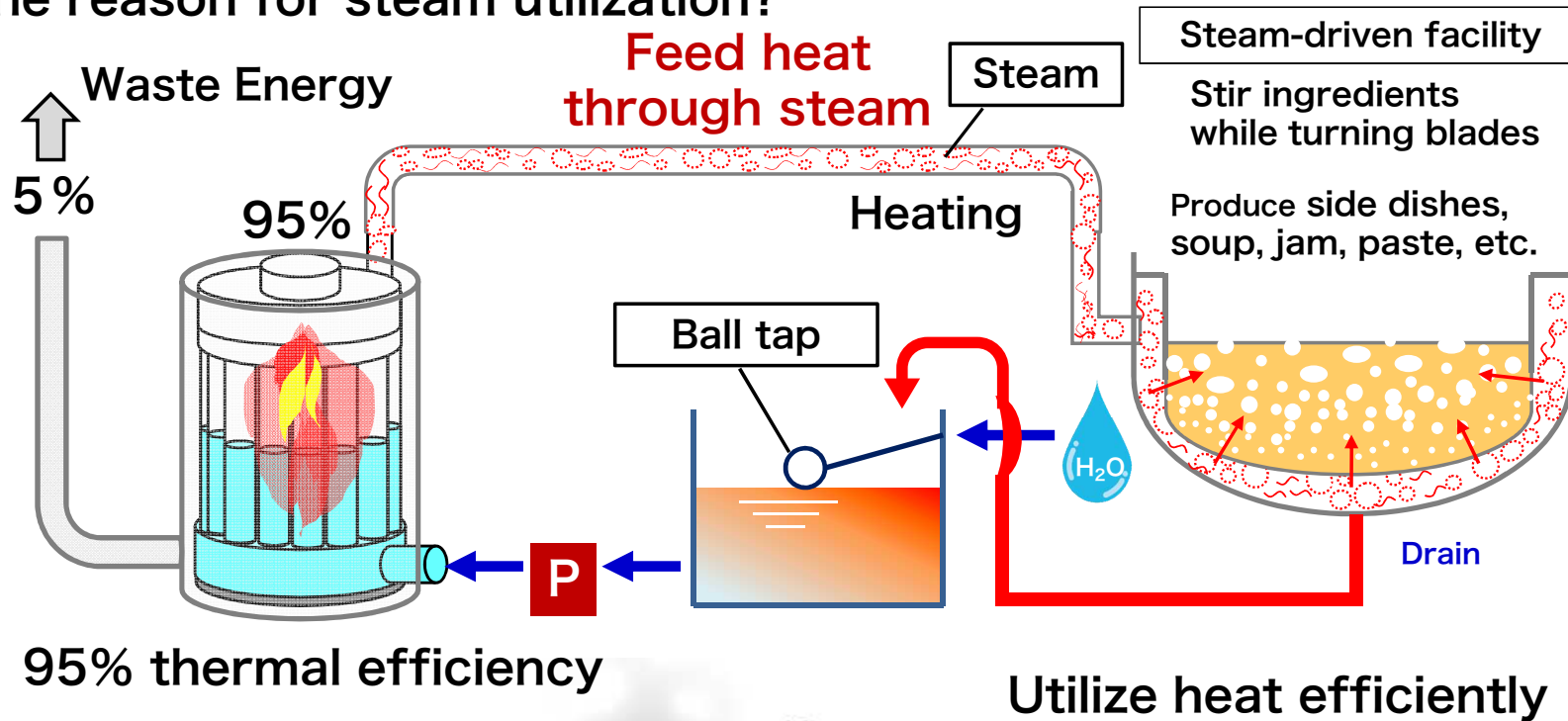


## History



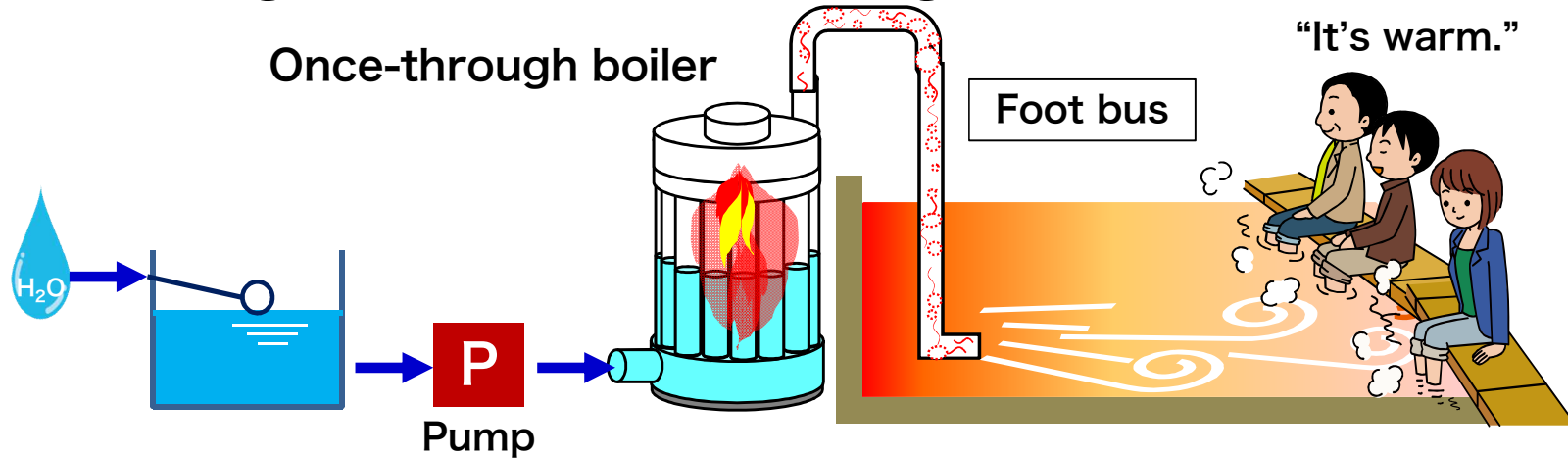
## About the boiler

### What is the reason for steam utilization?



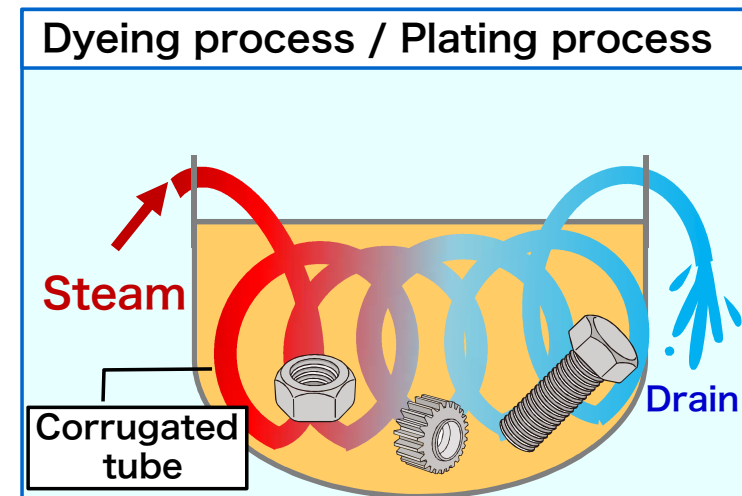
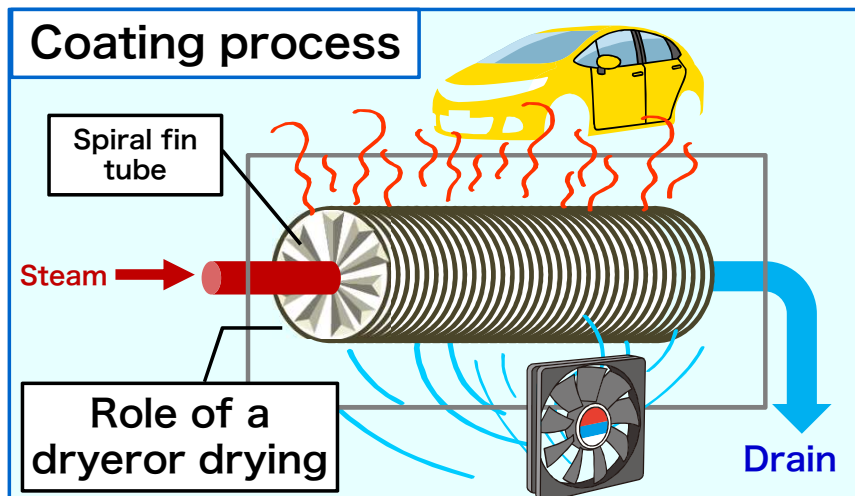
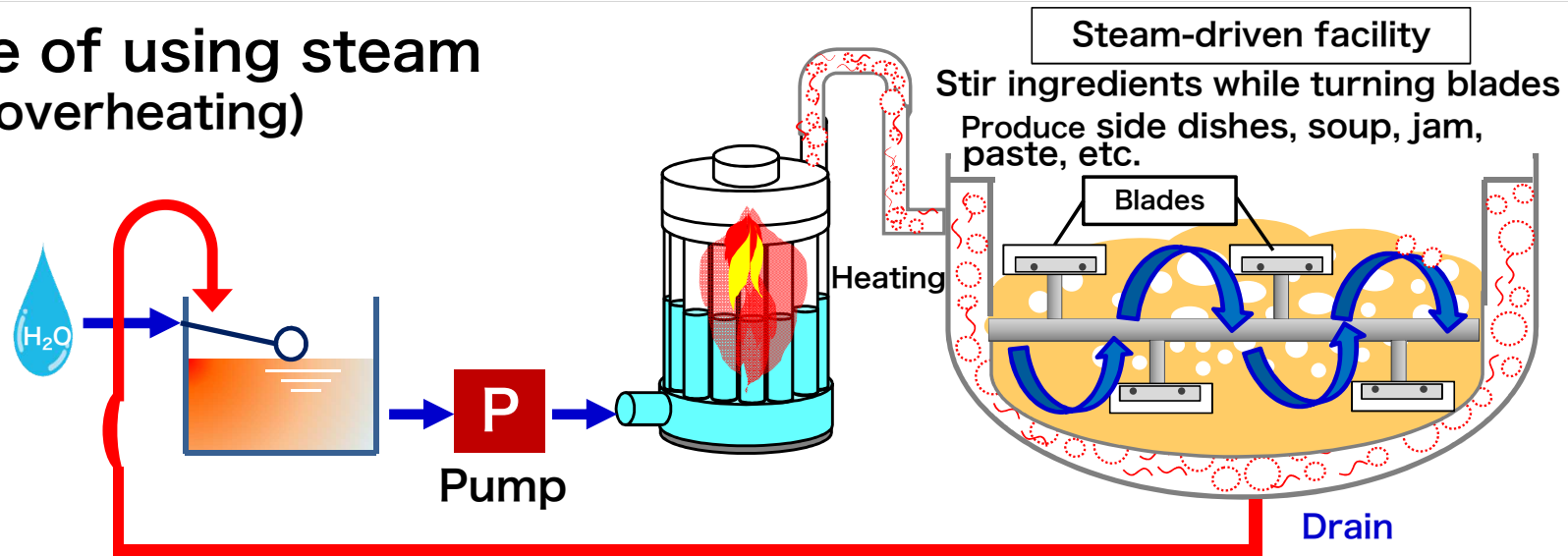
## About the boiler

### Example of using steam (Direct heating)



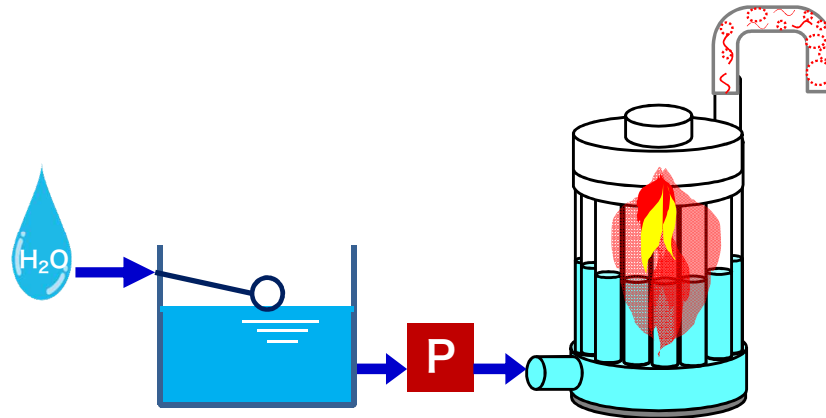
## About the boiler

### Example of using steam (Indirect overheating)



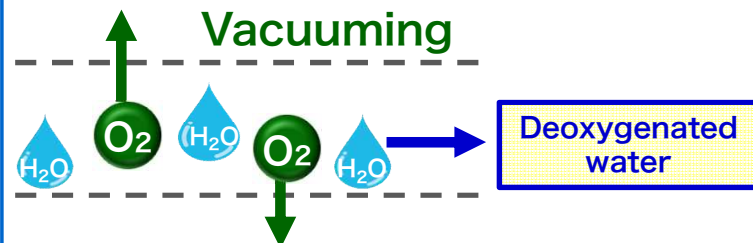
## About the boiler

Must be maintenance for the steam boiler



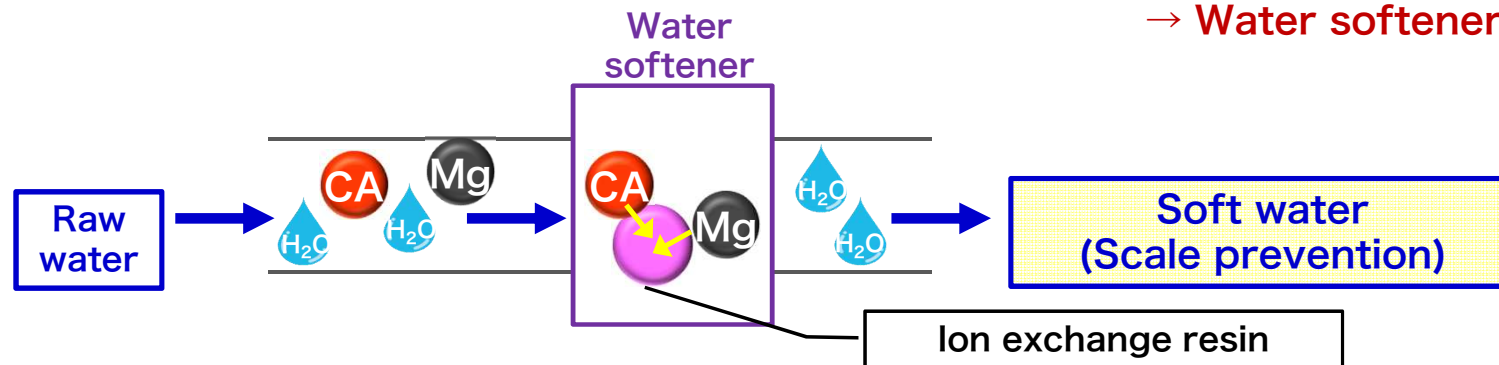
Greatest enemy  
for the boiler

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

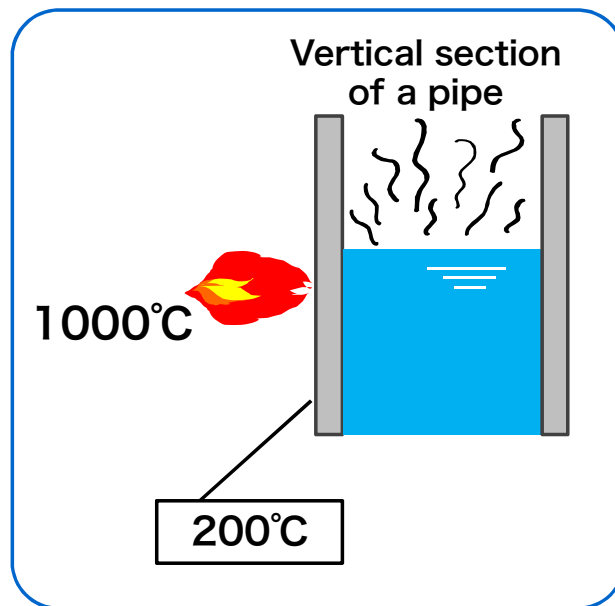
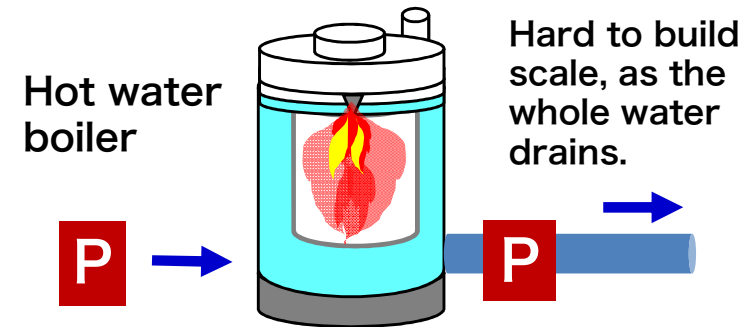
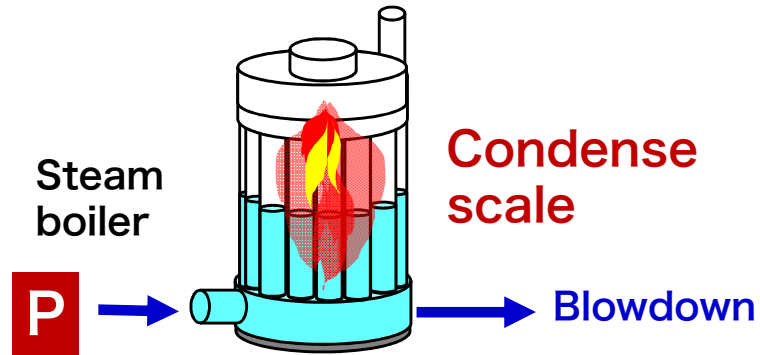


② Scale → Lower boiler efficiency or Rupture of water pipes

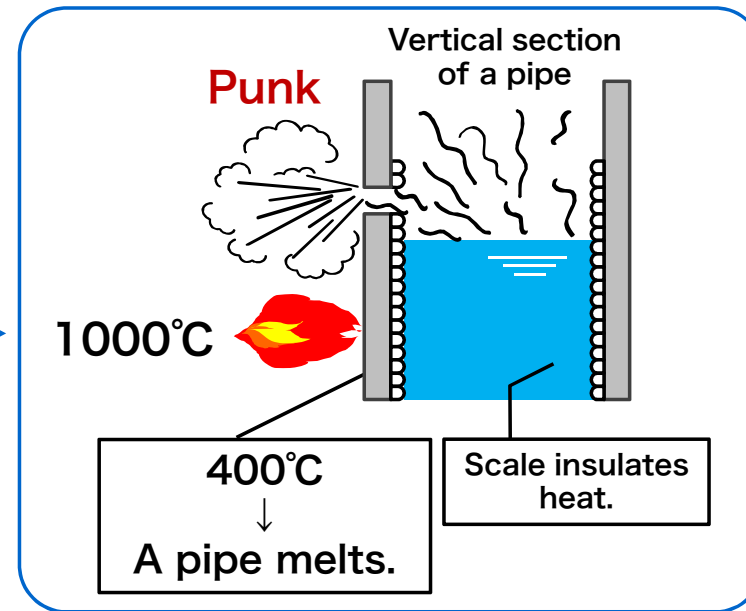
→ **Water softener**



### Must be maintenance for the steam boiler

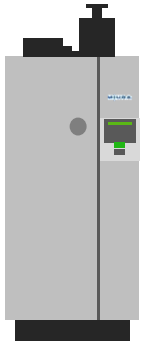


Scale buildup

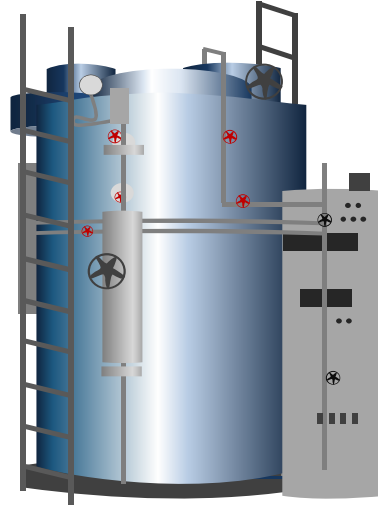


## Type of Boilers

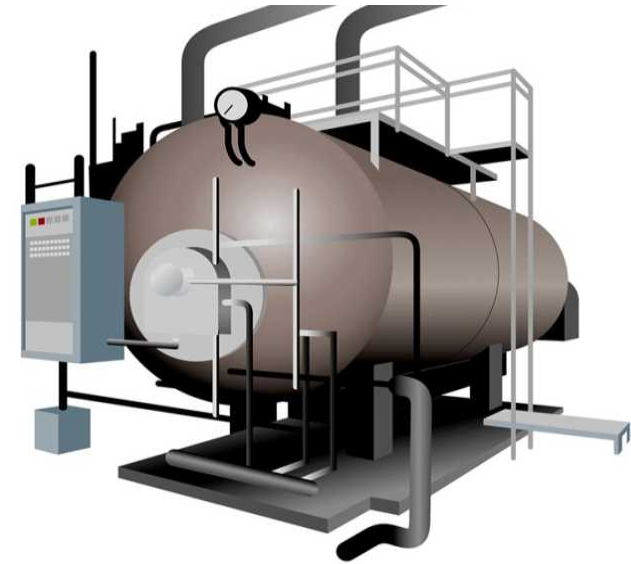
### | Types of boilers — Same capacity



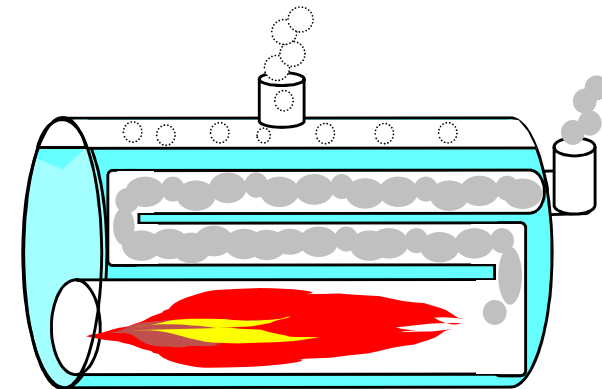
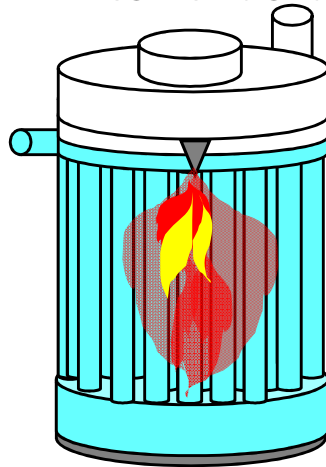
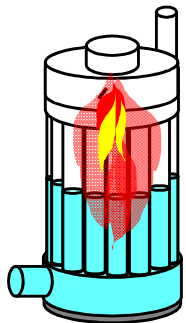
Once-through boiler



Water tube boiler



Fire tube boiler

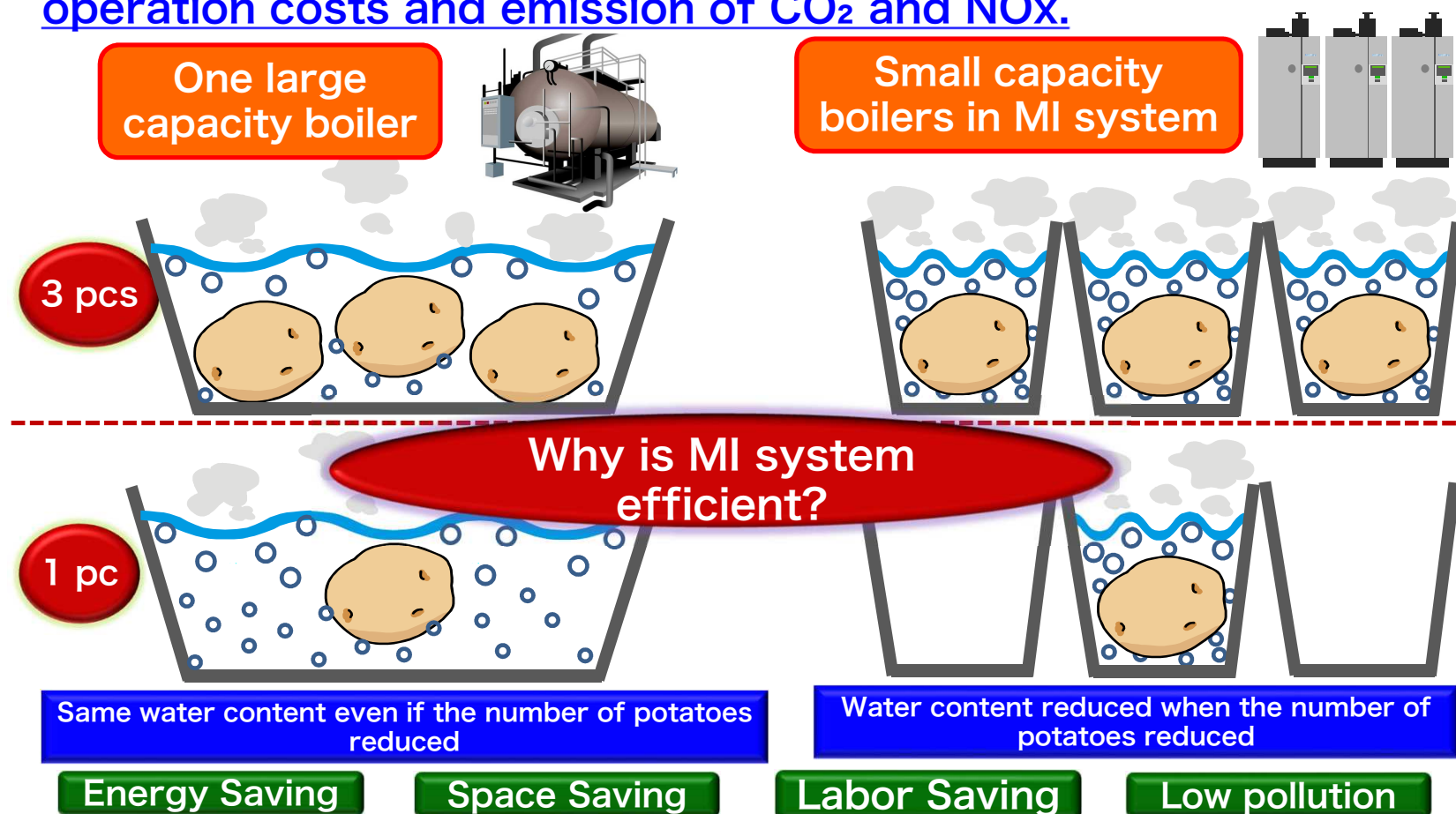




# What is Multiple Installation (MI) System?

## MIURA MI (Multiple Installation) System

Provides steam of required amount when needed, reducing operation costs and emission of CO<sub>2</sub> and NO<sub>x</sub>.



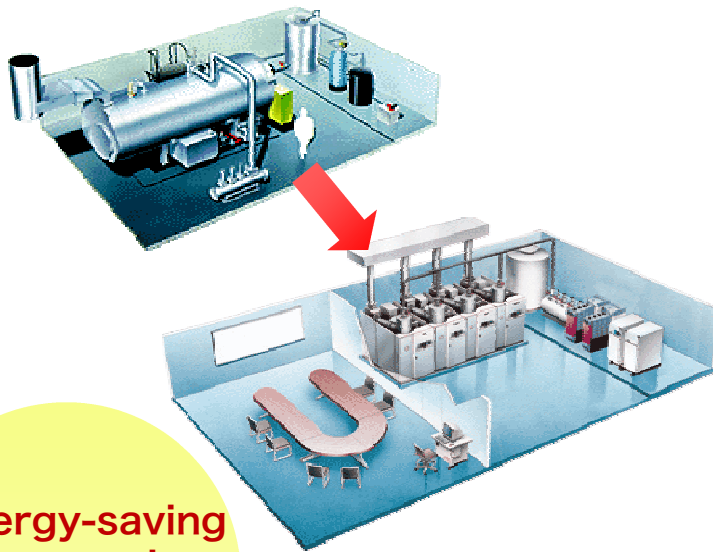


# What is Multiple Installation (MI) System?

In 1986 MI system patented

**MI system** (Multiple Installation system)

Once-through boiler design makes energy savings a reality.



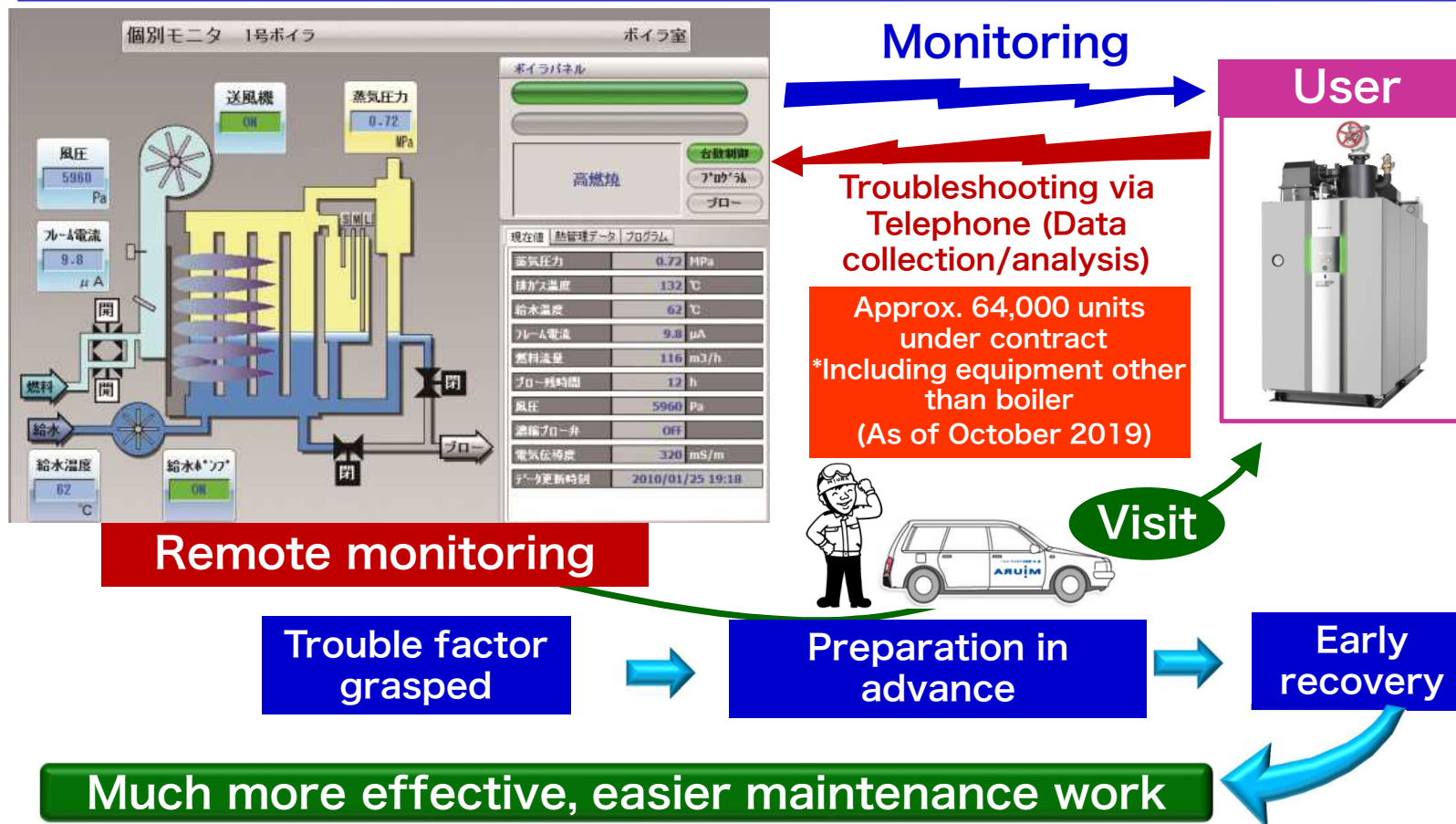
- Energy-saving
- Space-saving
- Labor-saving
- Low pollution



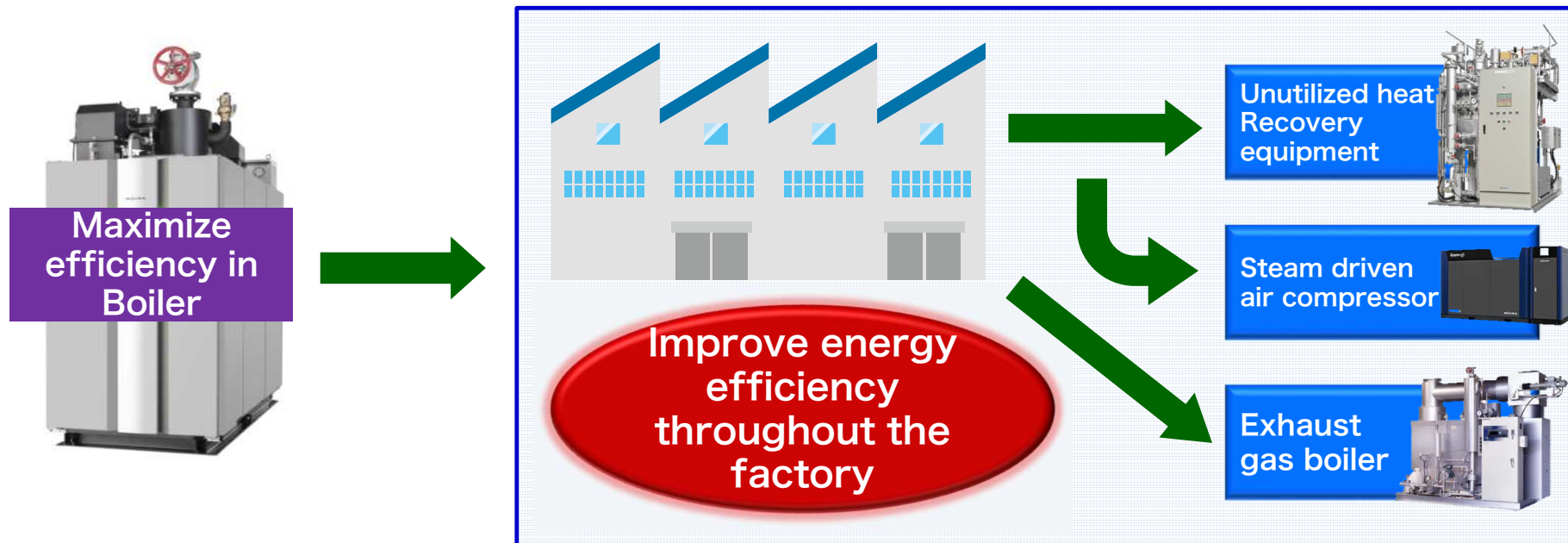
Provide steam when needed and only when needed, low operation costs and reduction of CO<sub>2</sub> and NO<sub>x</sub>.

## Online Maintenance

Maintaining high profitability with “IoT” for 29 years



### | 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

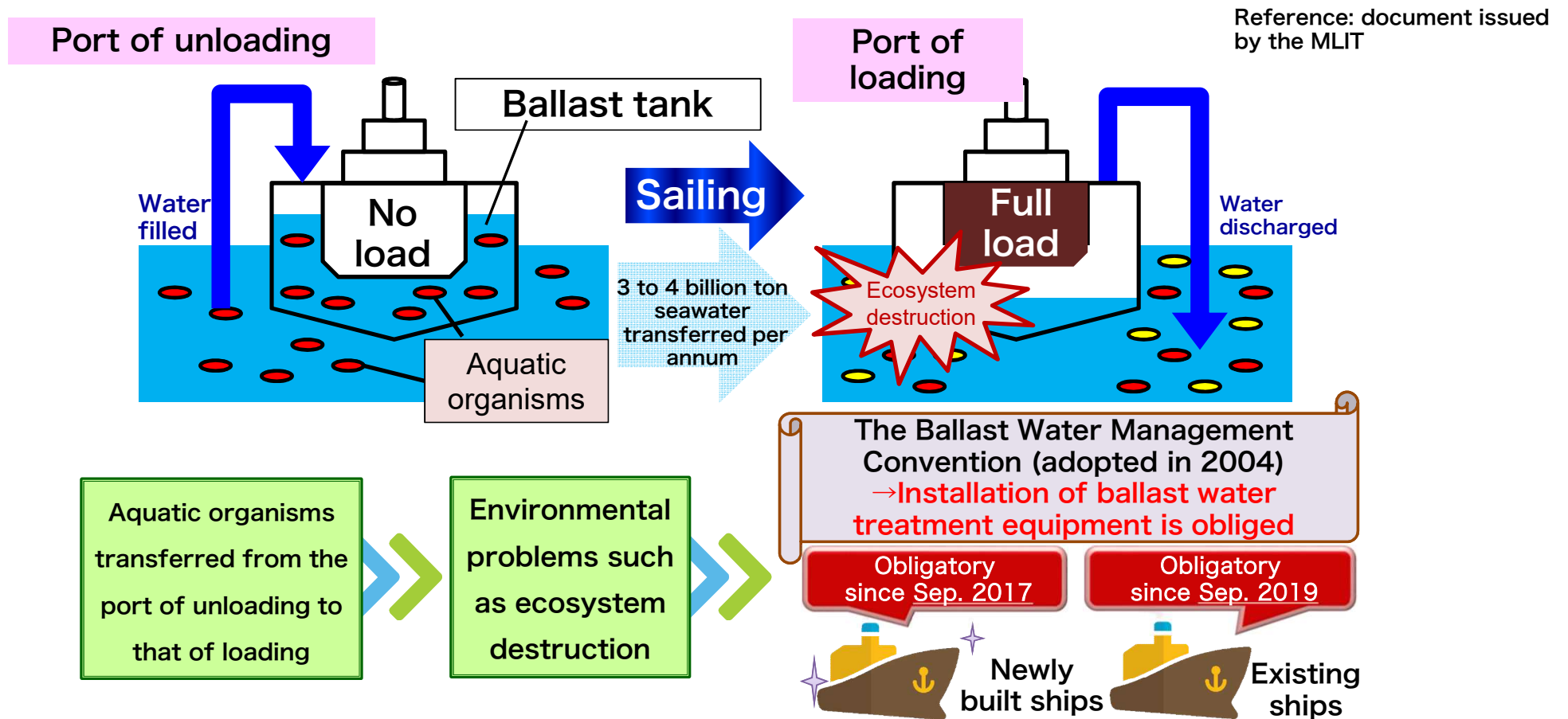


Ballast water management system



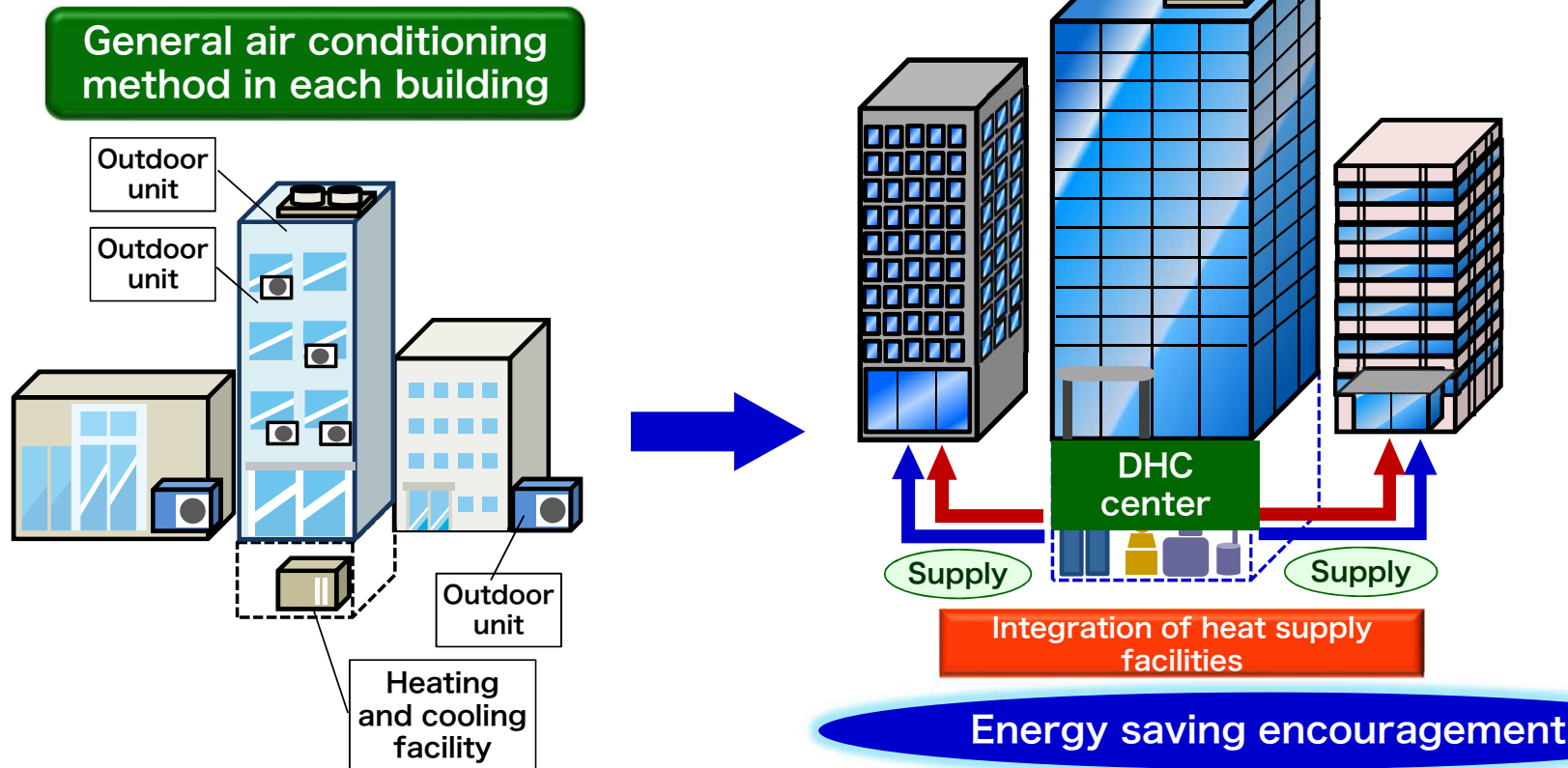
## Ballast water problem “A new market born”

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



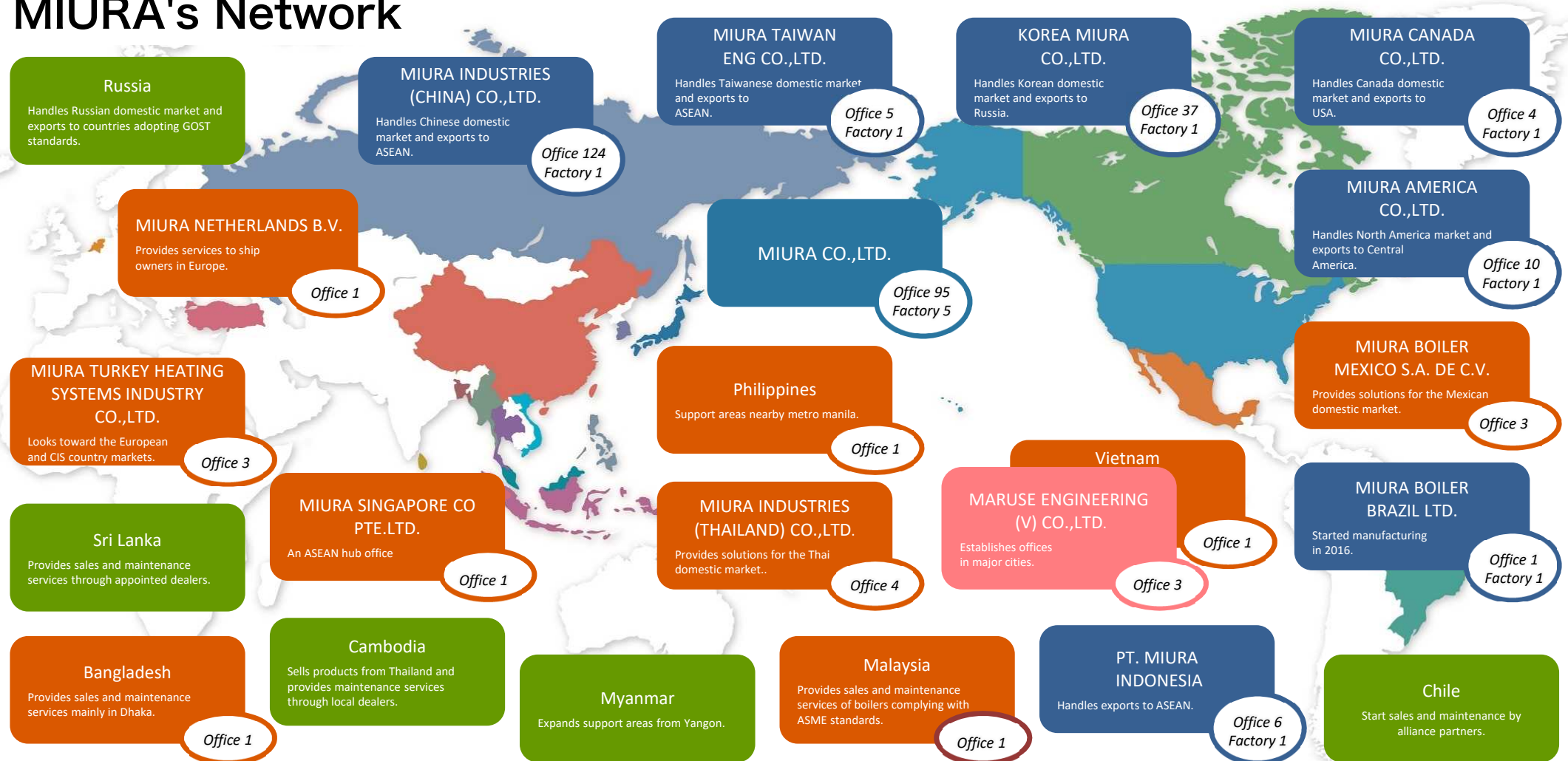
## What is a district heating and cooling (DHC) system?

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



# International Sales Strategy

## MIURA's Network



※As of March 2019



# 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.

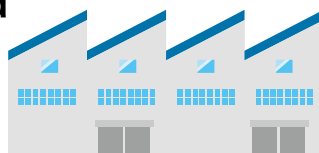
## Sustainable and stable return to shareholders

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



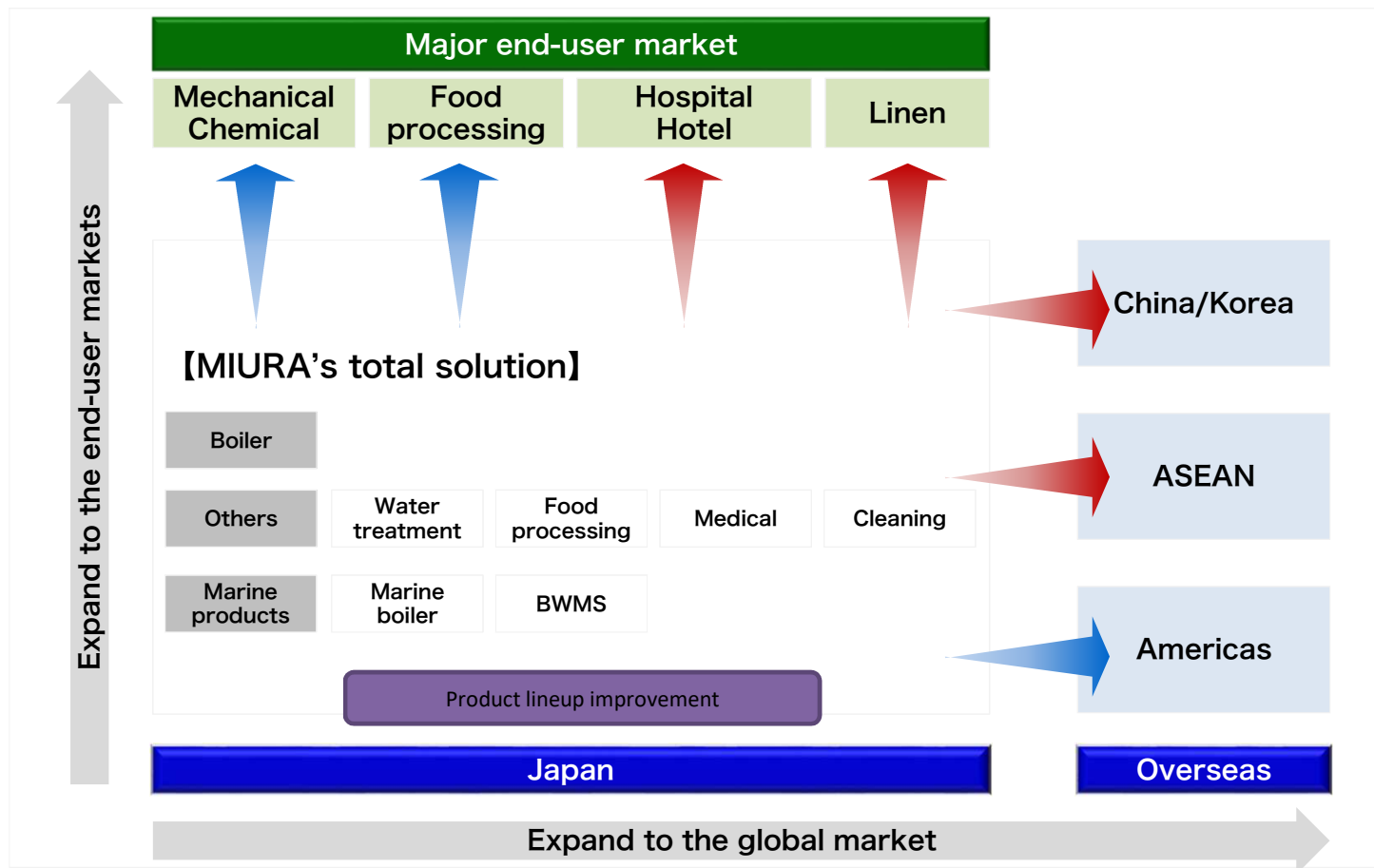
### ② Coal-fired boiler replacement in China

- 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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