

FY2020 Second Quarter

Financial Summary and MIURA Growth Strategy

MIURA CO.,LTD.

President & CEO MIYAUCHI Daisuke

November 20, 2020

The Best Partner of
Energy, Water and Environment



< Company Profile >

Name MIURA CO.,LTD.
7 Horie, Matsuyama, Ehime

Established May 1959

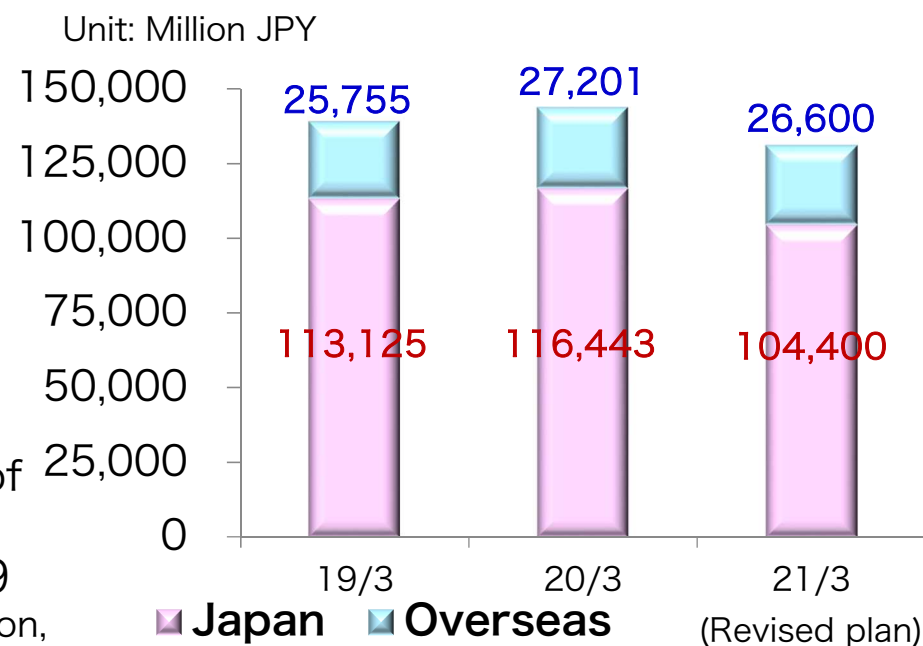
Group company (including MIURA CO.,LTD.) Japan: 10 companies
Overseas: 17 companies
*As of September 30, 2020

Employee Group total: 6,028
1,749 employees overseas included (29%)

Business Manufacturing, sale, and maintenance of equipment

Rating "A" maintained as of December 2019
Publicized by Rating and Investment Information, Inc. (R&I)

【Consolidated Net Sales】



<IFRS>	19/3 Result	20/3 Result	21/3 Revised plan
Revenue (Million JPY)	138,880	143,645	131,000
Operating profit (Million JPY)	16,682	18,540	15,000
Profit before income taxes (Million JPY)	17,130	18,756	15,300
Profit attributable to owners of parent (Million JPY)	12,280	13,746	11,000
Basic earnings per share (JPY)	109.10	122.01	97.63

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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. First Half Result and Annual Plan

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■ First half result

Sluggish equipment sales due to COVID-19

Maintenance profitability improved even in this worsening business environment

<IFRS>	19/9 Result	20/9 Result	Difference	YOY
Revenue (100 million JPY)	677	615	△61	△9.1%
(Breakdown)				
Product sales	393	354	△38	△9.7%
Maintenance	191	202	+10	+5.6%
Laundry	92	58	△33	△36.6%
Operating profit (100 million JPY) Operating profit rate (%)	87 (12.9%)	80 (13.0%)	△7	△8.1%
Profit before income taxes (100 million JPY)	88	81	△7	△8.4%
Profit attributable to owners of parent (100 million JPY)	63	57	△6	△9.9%

■ Revised annual plan

(Japan) Gradual recovery of economic activities but decline in motivation for capital investment

(Overseas) Ensured orders in China and Korea with energy-saving proposal sales

<IFRS>		21/3 Before (May publicized)	21/3 After (Nov publicized)	Difference
Revenue (Million JPY)		1,390	1,310	△80
Operating profit (Million JPY)		150	150	-
Operating profit rate (%)		(10.8%)	(11.5%)	-
Profit before income taxes (Million JPY)		153	153	-
Profit attributable to owners of parent (Million JPY)		110	110	-
Exchange rate	USD	108.0	106.9	-
	CNY	15.0	15.2	-
	WON (100)	8.9	8.8	-

【Factor of sales decline】

- Investment in facilities may be postponed due to the outlook that the domestic business environment stays at low levels
- Slow sales in Central and South America and ASEAN due to COVID-19
- Delay in marine equipment sales due to lengthened shipbuilding
- Not much chance of demand recovery in the laundry market even in the second half

【SGA expense reduction】

- Expense decreased due to restrictions on activities regarding COVID-19
- Cost saving (advertisement, etc.)

FY2020 revised annual plan *Profit not revised

Unit: 100 million JPY

Annual sales		20/3 Result	21/3 Plan before revision	21/3 Plan after revision	Difference
Japan	Boiler	635	635	585	△50
	Aqua (Water treatment equipment)	40	39	39	-
	Marine equipment	114	121	118	△3
	Food & Medical equipment	113	111	106	△5
	Laundry equipment	190	141	126	△15
	Others (Special equipment, New business, Environmental business, etc.)	72	72	70	△2
Subtotal		1,164	1,119	1,044	△75
Overseas	Americas (US, Canada, Brazil, Mexico)	57	56	51	△5
	Korea	81	79	79	-
	China	85	90	95	+5
	ASEAN, Taiwan, Turkey, Netherlands	49	46	41	△5
	Subtotal	272	271	266	△5
Total		1,436	1,390	1,310	△80

Business outlook

Boiler	<ul style="list-style-type: none"> • Decrease in boiler units sold • Anxiety about the conclusion of sales contracts to be deferred until the second half 	
Aqua	<ul style="list-style-type: none"> • Contract conclusion postponed to the second half due to COVID-19 • Increase in pure water equipment inquiries (frozen food, etc.) 	
Marine	<ul style="list-style-type: none"> • Delay in marine equipment sales due to lengthened shipbuilding • Solid sales of BWMS 	
Food & Medical	<ul style="list-style-type: none"> • Increase in sales regarding central kitchens • Convenience-store market slowdown 	
Laundry	<ul style="list-style-type: none"> • Lower demand for linen supplies and cleaning • Sluggish for next 2 years regarding customer's financial power 	
Others	<ul style="list-style-type: none"> • Large equipment sales contributing to the first half sales result; sluggish in the second half 	
Overseas	<ul style="list-style-type: none"> • Solid in China and Korea by efforts in sales activities • Severe depression in Central and South America and ASEAN due to COVID-19 	

2. FY2020 2nd Quarter Summary

MIURA CO.,LTD.
Executive Officer
Financial Accounting Division
SHIMOSAKA Tadashi

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First half result by segment

【Japan】 Solid maintenance, low equipment sales

Equipment sales: Decline in motivation for capital investment due to COVID-19

Maintenance: Solid thanks to an increase of paid maintenance contracts and enthusiastic proposals

Laundry business: Decline in motivation for capital investment in linen/cleaning business

【Overseas】 COVID-19 affects little in China and Korea

Equipment sales: Performing energy-saving diagnoses to ensure continual orders in China

Maintenance: Constantly replacing existing burners with low NOx burners in China

【Net sales】

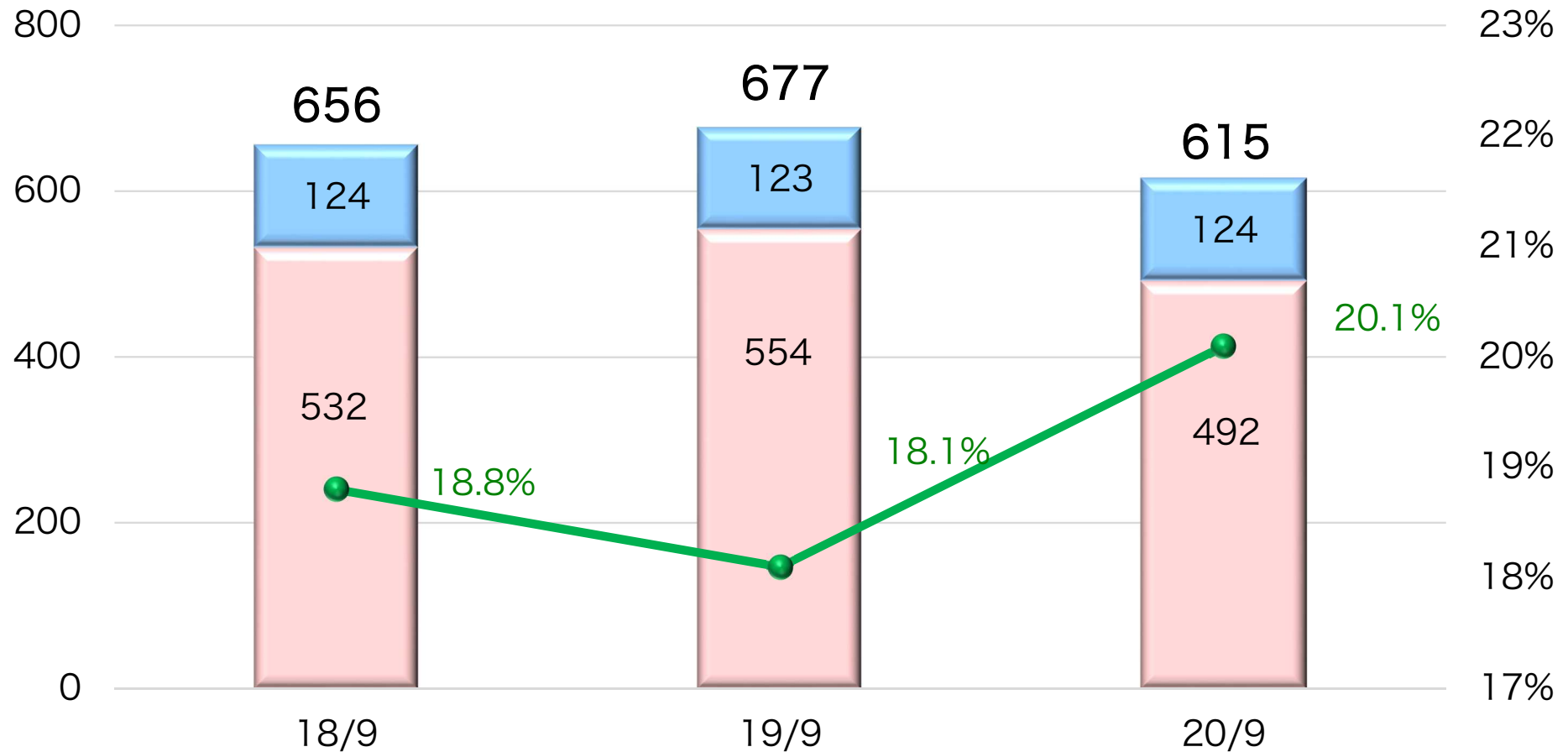
【 100 million JPY】	19/9	20/9	YOY
Domestic Manufacturing and Sales of Products	299	264	△11.6%
Domestic Maintenance	161	168	3.9%
Laundry	92	58	△36.6%
Overseas Manufacturing and Sales of Products	93	89	△3.6%
Overseas Maintenance	29	33	14.8%

【Profit】

【 100 million JPY】	19/9	20/9	YOY
Domestic Manufacturing and Sales of Products	24	16	△32.9%
Domestic Maintenance	47	50	6.4%
Laundry	5	0	△97.7%
Overseas Manufacturing and Sales of Products	7	7	△5.1%
Overseas Maintenance	2	6	108.4%

Domestic and overseas sales

Although overseas sales fluctuate every year, stable on the whole



Unit: 100 million JPY

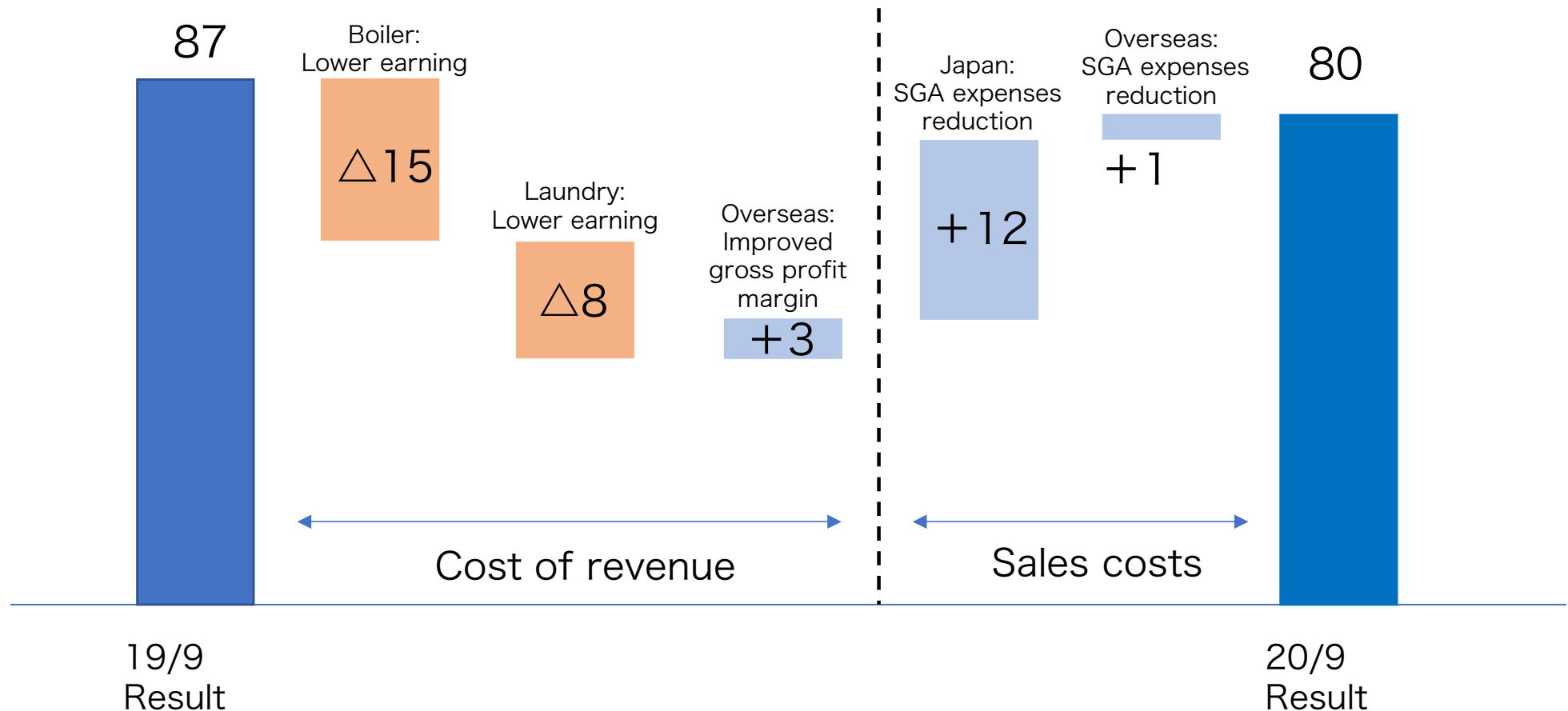
Japan

Overseas

Overseas ratio

Operating profit and factors (the same period of the previous fiscal year)

Although the budget underrun due to activity restrictions regarding COVID-19 contributed slightly, decreased equipment sales in each segment led to lower profits.



First half result against its plan

- Insufficient sales activities in the first quarter affected the sales in September
- Cutdown on expenses due to restrictions on activities

Unit: 100 million JPY

	20/9 Plan	20/9 Result	Achievement rate
Revenue	630	615	97.7 %
Operating profit (Operating profit rate)	68 (10.8%)	80 (13.0%)	117.9 %
Profit before income taxes	70	81	115.8 %
Profit attributable to owners of parent	49	57	117.6 %

Sales by business

Unit: 100 million JPY

		19/9 Result	20/9 Plan	20/9 Result	YOY
Japan	Boiler	299	268	264	△35
	Aqua (Water treatment equipment)	19	21	22	+3
	Marine equipment	57	66	62	+5
	Food & Medical equipment	56	52	50	△6
	Laundry equipment	92	61	58	△33
	Others (Special equipment, New business, Environmental business, etc.)	31	35	35	+4
	Subtotal	554	503	492	△62
Overseas	Americas (US, Canada, Brazil, Mexico)	25	22	21	△4
	Korea	38	40	40	+2
	China	39	46	46	+7
	ASEAN, Taiwan, Turkey, Netherlands	22	19	17	△5
	Subtotal	123	127	124	1
Total		677	630	616	△61

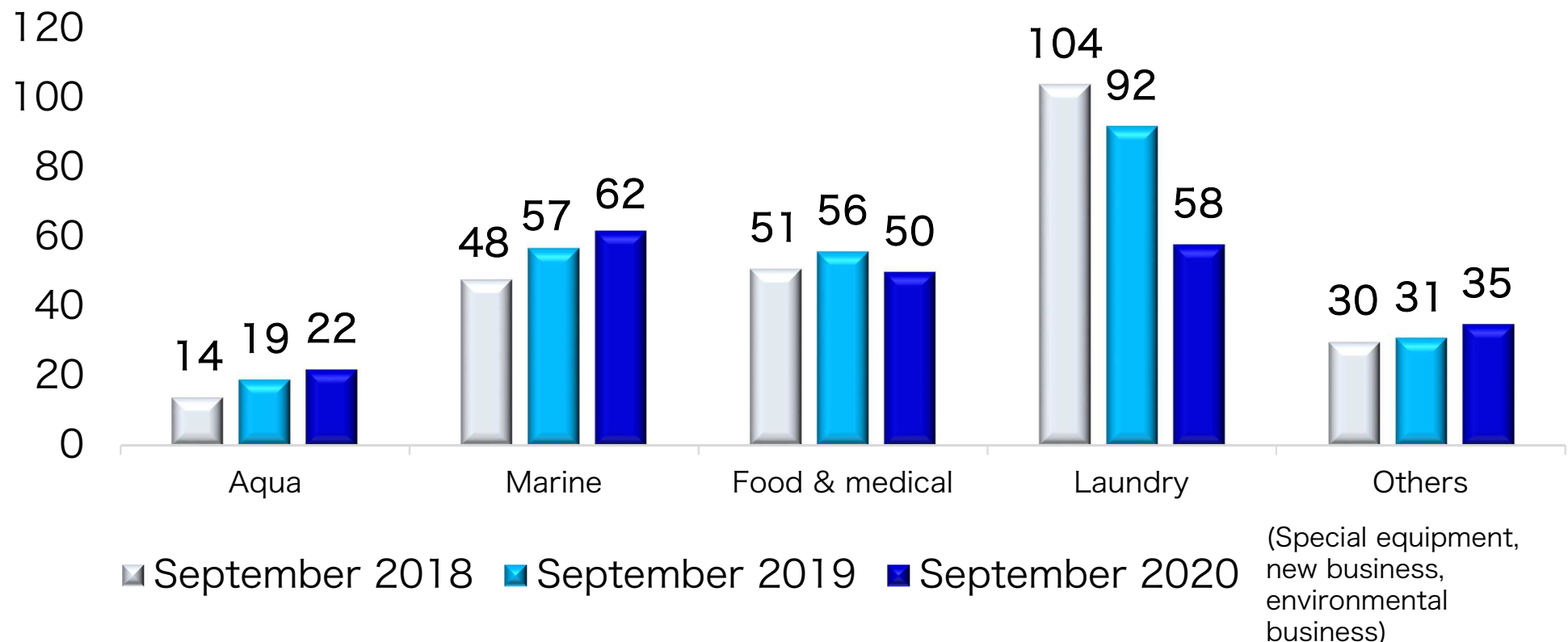
Domestic sales

Aqua business : Steady maintenance growth

Marine business : Solid sales of BWMS

Medical : Last-minute demand before
the consumption tax hike

【Unit: 100 million JPY】



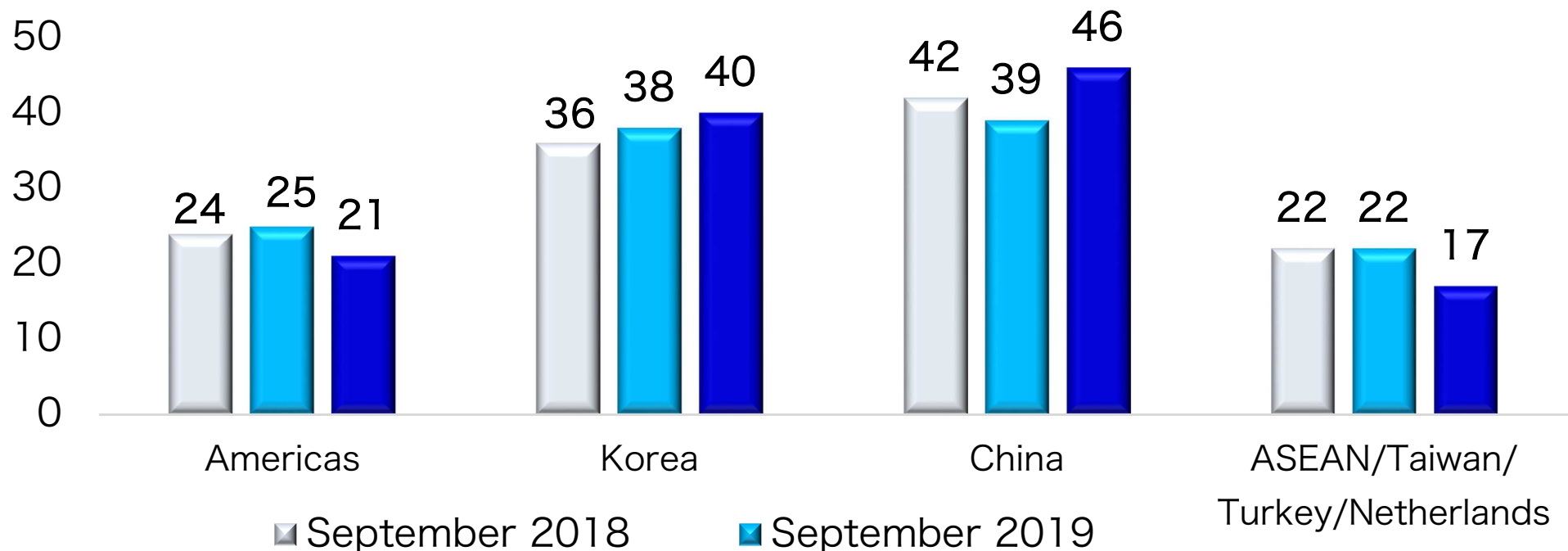
Overseas sales

China receives a steady inflow of orders by energy saving proposals.

Environmental regulations are in favor of Korea!

Sales activities in the Americas and ASEAN have been inert due to COVID-19.

【Unit: 100 million JPY】



※Mexico consolidated since FY2018, Turkey since FY2019, Netherlands since FY2020

Balance sheet

Equity ratio 74.8% (YOY 3.6% increase)

Current assets: Decrease in trade receivables 8.6 billion yen

Increase in other financial assets 4.3 billion yen, etc.

Non-current assets : Increase in current valuation of securities 1.7 billion yen

Decrease in right-of-use & intangible assets 1 billion yen

Current liabilities: Decrease in trade payables 4.5 billion yen, etc.

Non-current liabilities: Decrease in lease liabilities 0.2 billion yen

Decrease in borrowings 0.2 billion yen

Net assets: Increase in retained earnings 3.4 billion yen

Increase in gain on valuation of securities 1 billion yen

【100 million JPY】	20/3	20/9	Difference
Current assets	1,094	1,059	△34
Non-current assets	778	786	+8
Total assets	1,872	1,845	△26
Current liabilities	462	393	△68
Non-current liabilities	76	71	△5
Net assets	1,333	1,380	+47

3. Profit Share and Stock

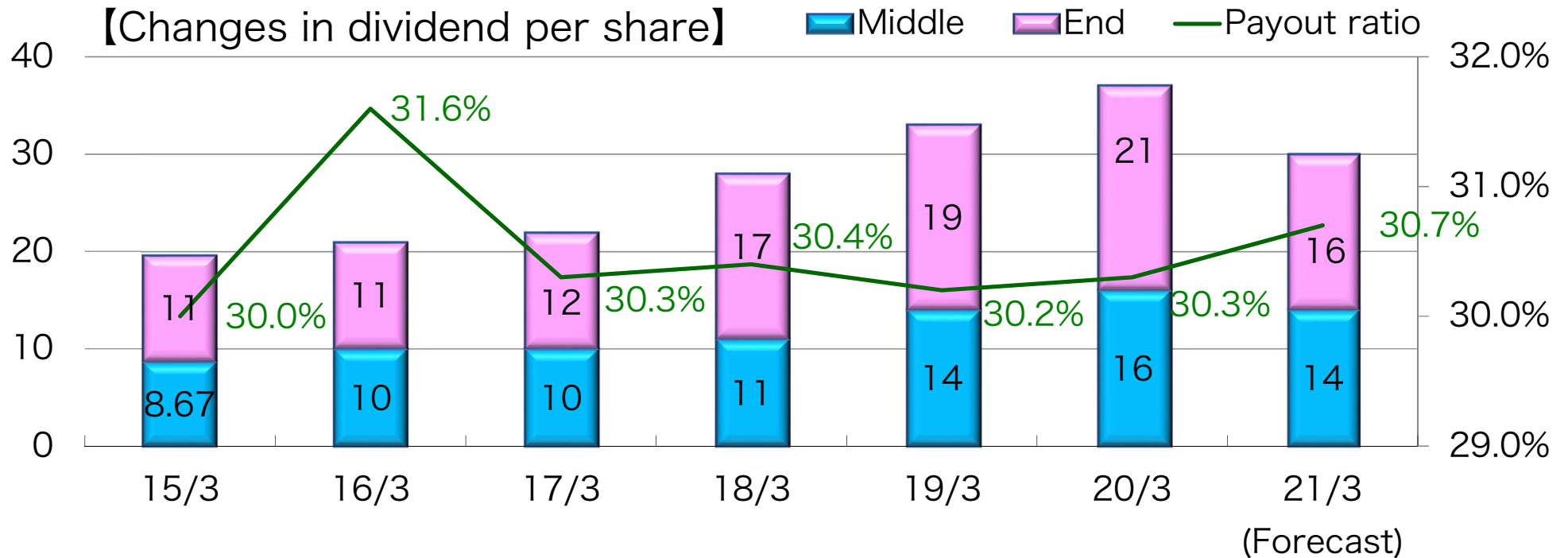
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- ① Sustaining **stable** dividends
- ② Targeting **30%** consolidated payout ratio

	FY2019	FY2020
Middle	16 yen	14 yen
End	21 yen	16 yen
Total	37 yen	30 yen -Forecast

Unit: JPY



ROE	7.7	7.1	8.5	9.2	10.1	10.6
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Management target: ROE 10% or more

【 Reference 】 * As of March 31st, 2020

Total number of issued shares (excluding treasury shares) 112,696,195 shares, Treasury shares 12,594,917 shares

4. Environmental contribution from our products

Energy/Water Conserving Pure Water System

MIURA
CO., LTD.
Executive Managing Officer & CTO
Director of Aqua Headquarters
OCHI Yasuo
November 20, 2020

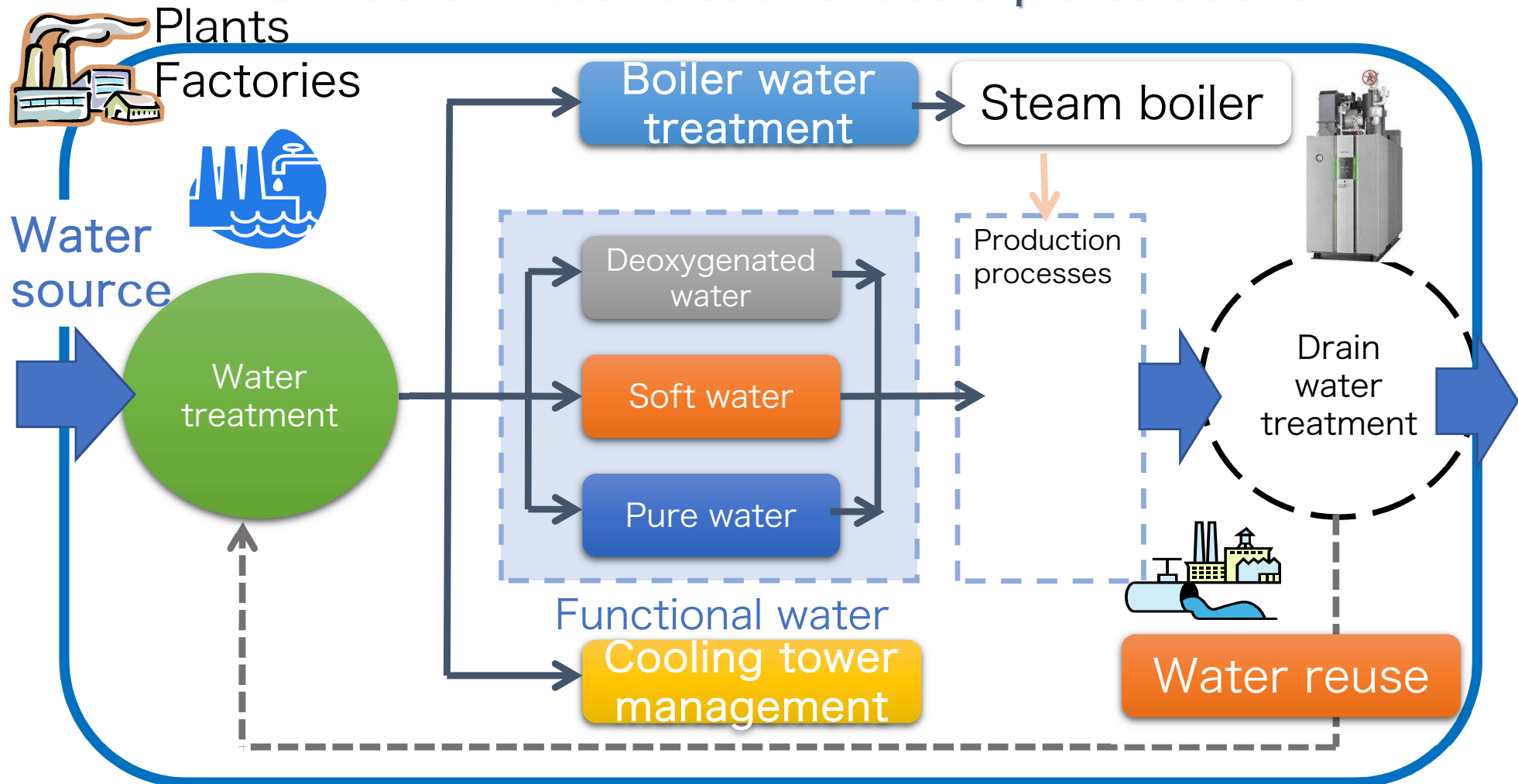
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MIURA's aqua-solutions

Given that the environmental awareness and safety awareness have been rising in addition to sophistication of industries, the water business market is expected to expand.

From boiler water treatment to aqua-solutions

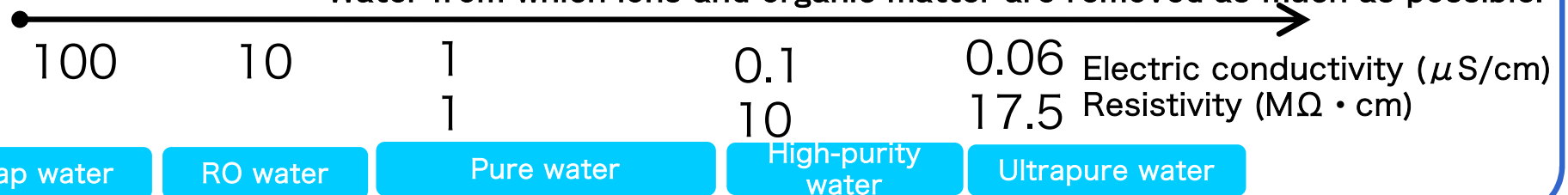


Pure water and its usage

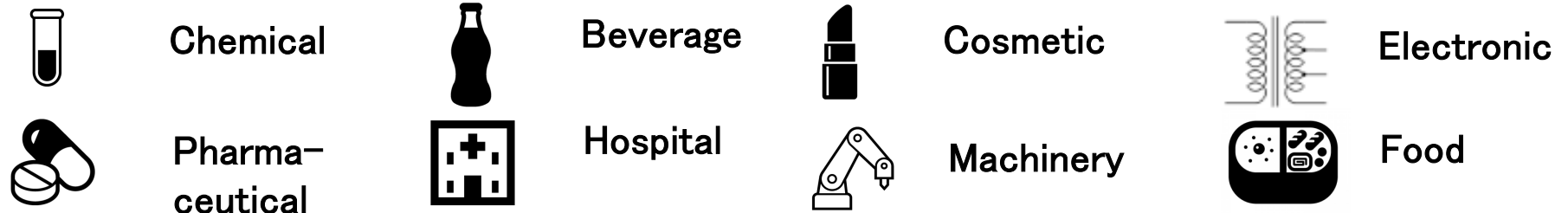
The demand for pure water systems is expected to increase thanks to the favorable current market conditions in IT, medical and biotechnology fields where pure water is used.

Pure water

Water from which ions and organic matter are removed as much as possible.



Industry type



Usage



Pure water system flow example

Water quality meter (residual chlorine, raw water hardness, hardness, and silica)

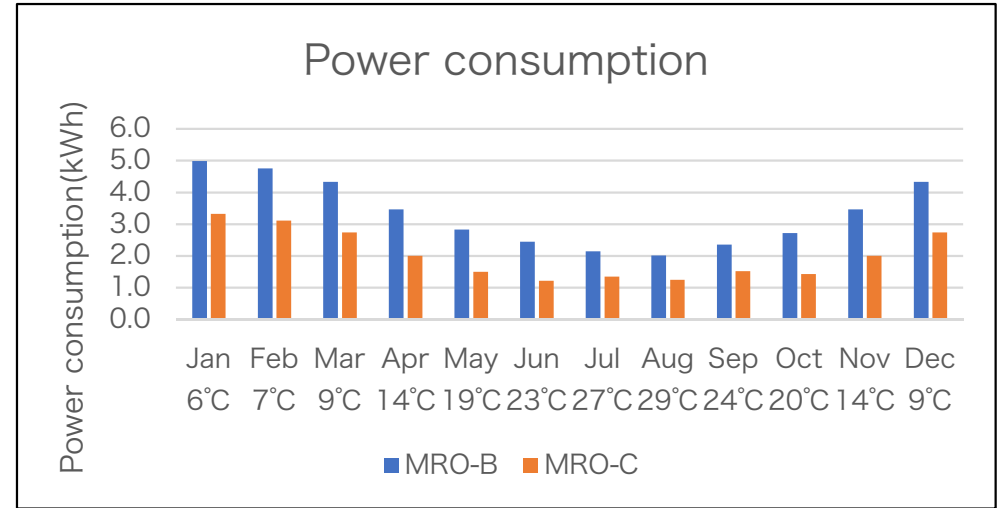
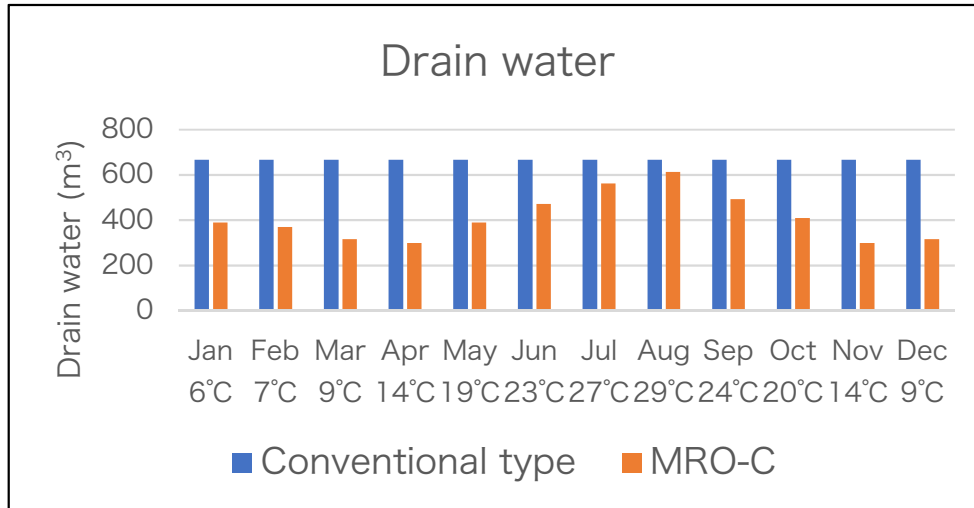


Activated carbon filter

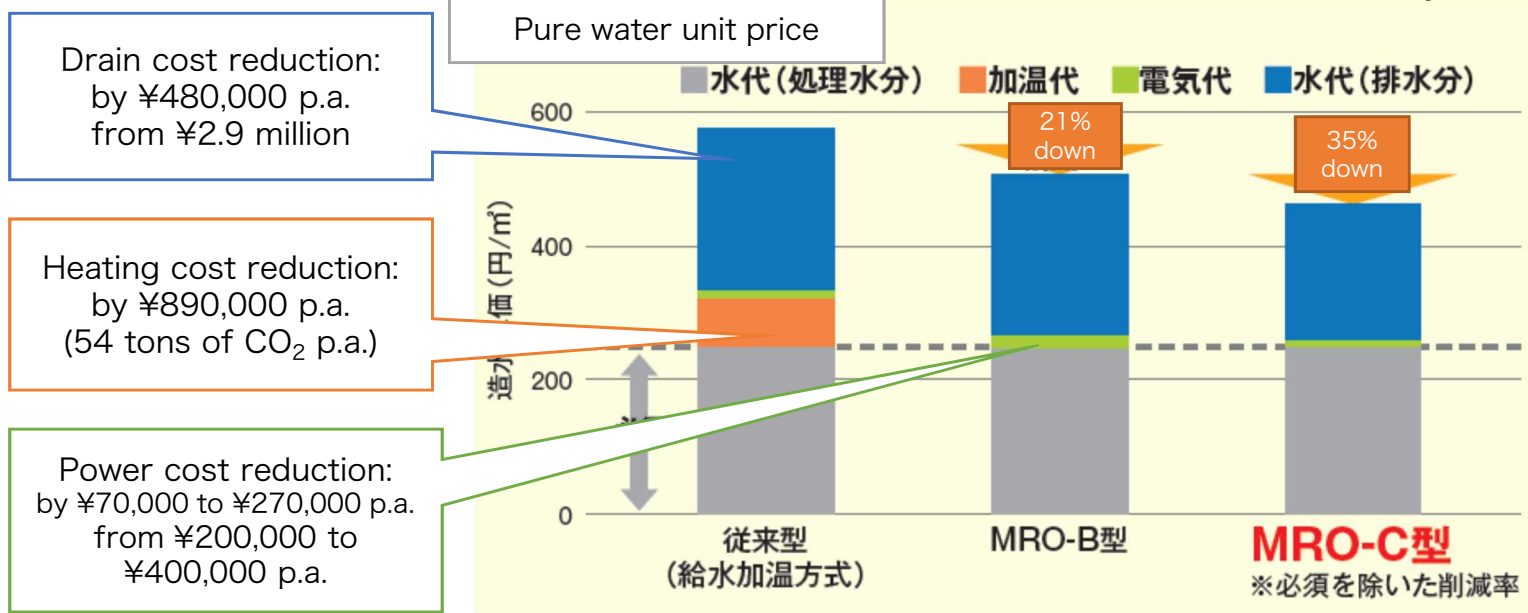
Water softener

Pure water unit (RO+EDI)

Feature 1. The RO unit deionizes water by removing more than 90% of ions and impurities in water using RO membrane to make high purity water.



4.0 m³/h 12,000 m³ p.a.



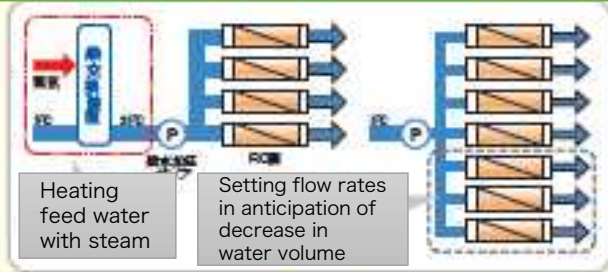
RO unit (MRO-C series)

~Three feedback controls developed out of MIURA technology~

Constant treated water flow

Constant flow rate feedback control

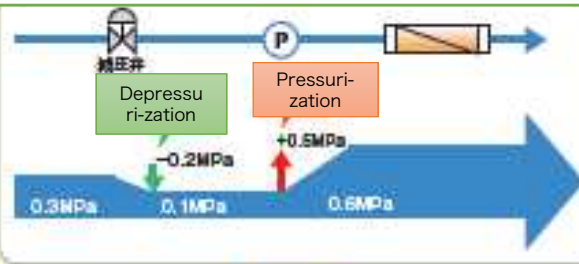
The pump frequency is controlled for stable water supply even in winter when water becomes viscous.



Effective use of raw water pressure

Feed water pressure feedback control

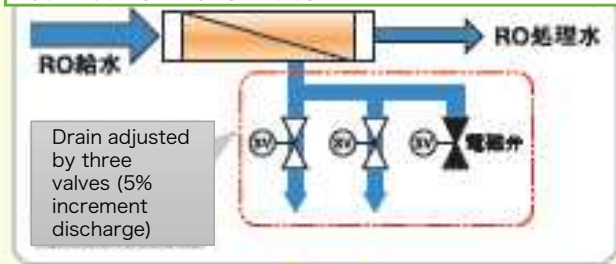
Feed water pressure controlled according to operation conditions leads to power saving of the RO unit pump and contributes to energy saving.



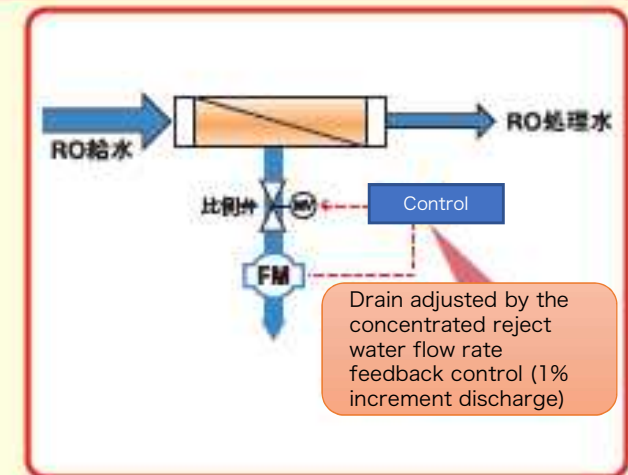
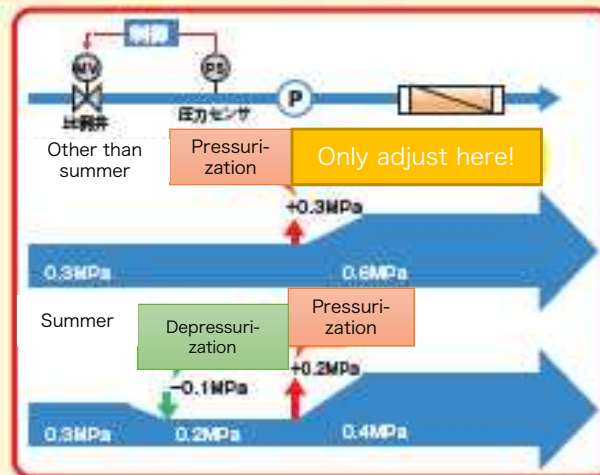
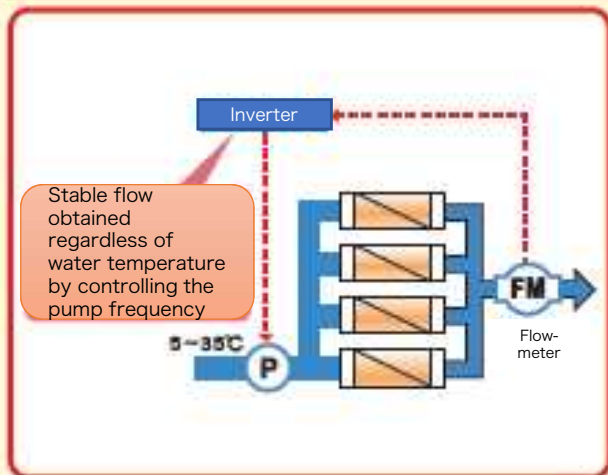
Less drain

Concentrated reject water flow rate feedback control

The allowable recovery rate changes according to water temperatures. Following the rates in multiple stages can save more water.



MRO-C

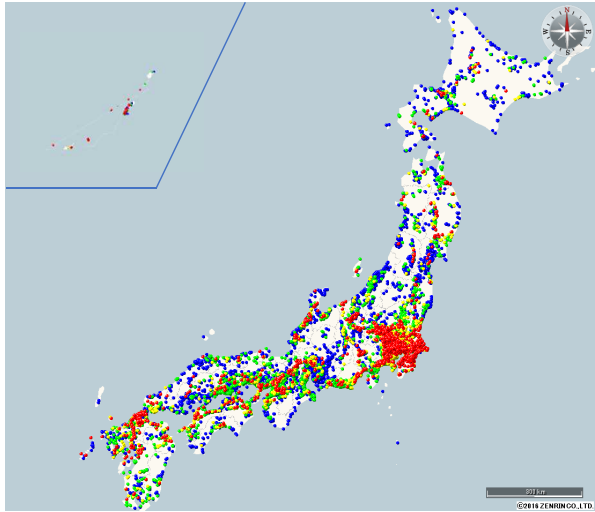
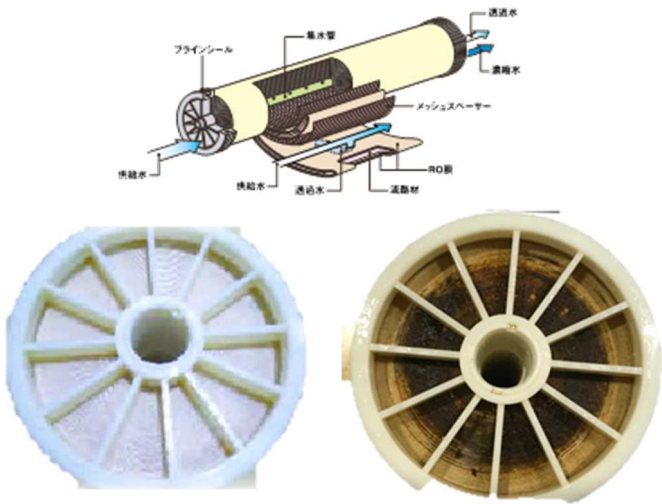


Feature 2. **Development of drain rate optimizing software**

Filter clogging test

On-site evaluation

Water analysis

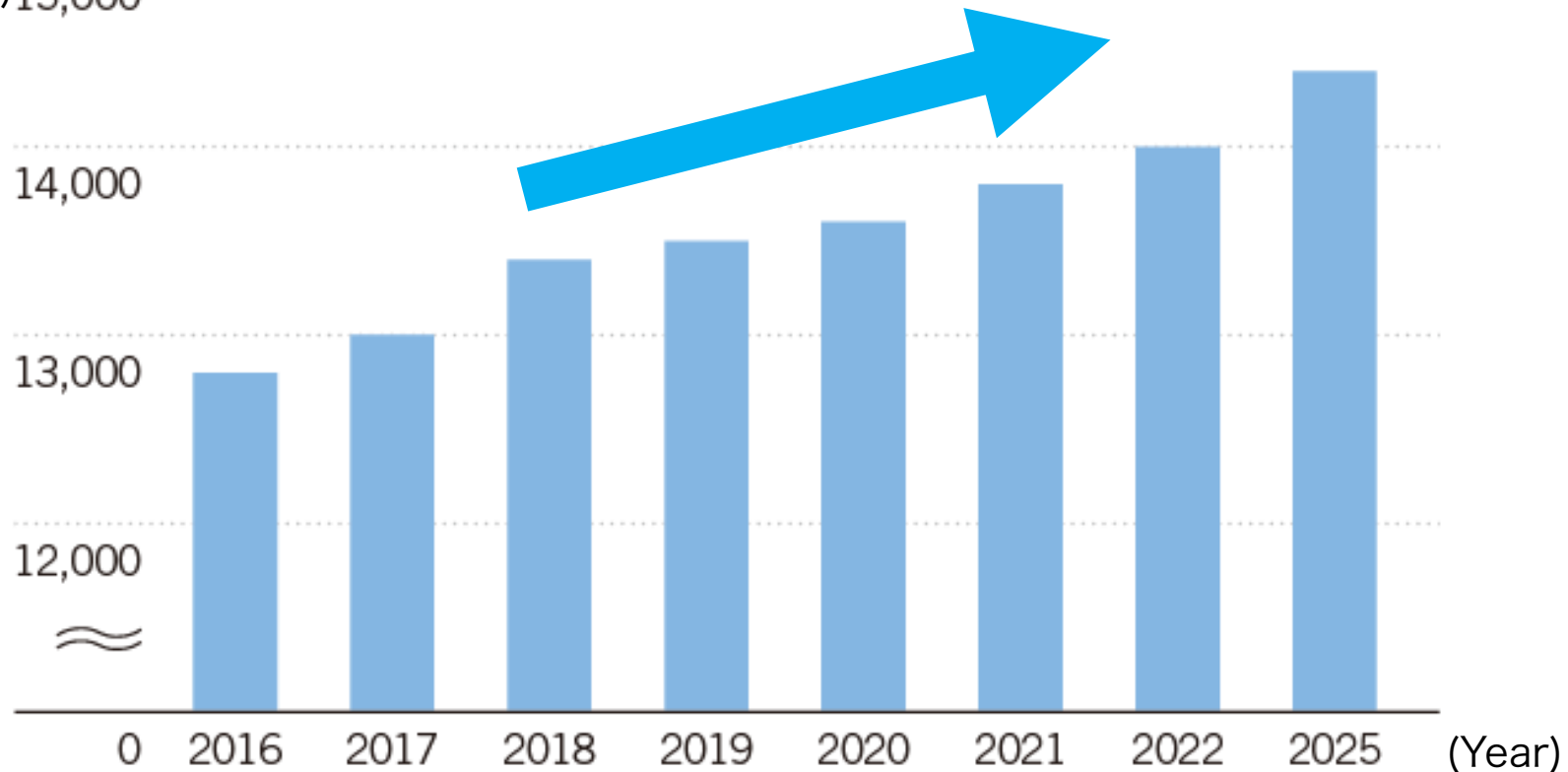


Based on our various data such as in-house tests, on-site evaluation, and more than **10 million** water analysis cases per annum, MIURA's unique software to set optimal drain rates preventing clogging and scales is installed.

Lower drain rates save water!!

Domestic market size of pure water

(Million JPY) 15,000



Source: “2019年版 水資源関連市場の現状と将来展望”

(Water resource related market 2019 – current status and outlook) by Fuji Keizai Group

*Forecast of 2019 and prediction of 2020 and after

【FY2019 sales】

¥1.5 billion/year



【FY2024 sales forecast】

¥2.5 billion/year

※Maintenance sales excluded

5. Business in China: Progress and Prospects

MIURA CO.,LTD.

Executive Managing Officer
Asia/Americas Business Headquarters

KOJIMA Yoshihiro

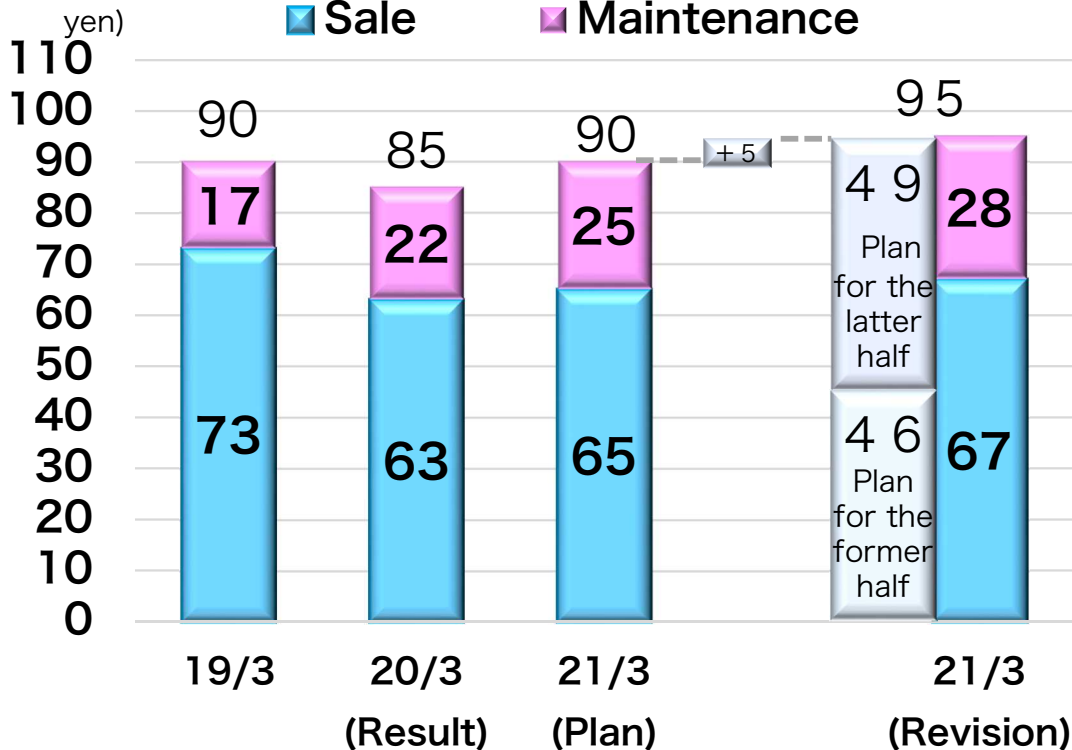
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Plan and sales forecast of FY 2021

Sales in China

(100 million



China's GDP	2019	2020
Jan. to Sep.	YOY	YOY
Primary industry	2.9%	11.9%
Secondary industry	5.6%	-1.3%
Tertiary industry	7.2%	6.2%
GDP total	6.2%	3.6%

Strategy

- Replacement by gas-fired boilers regarding environmental regulations utilizing energy-saving diagnoses

Market trend

- ① COVID-19 affects down to a minimum.
- ② U.S.-China relations
 - Investment enthusiasm dampened
- ③ Sluggish economy in China
 - Eased penalties regarding environmental regulations and postponed improvement timing

Factors increasing sales

- 【Sale】** Performing energy-saving diagnoses to ensure continual orders
- 【Maintenance】** Constantly replacing existing burners with low NOx burners

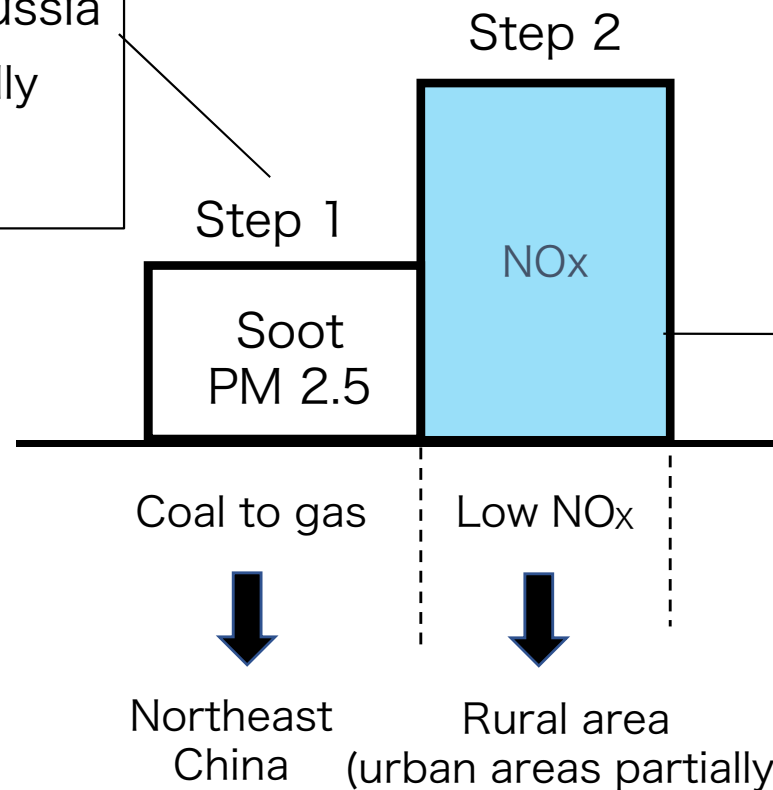
Two-step environmental regulation



In major cities, NOx regulation compliance is almost completed in 2020. From 2021, rural cities are to follow it.

Two-step environmental regulation

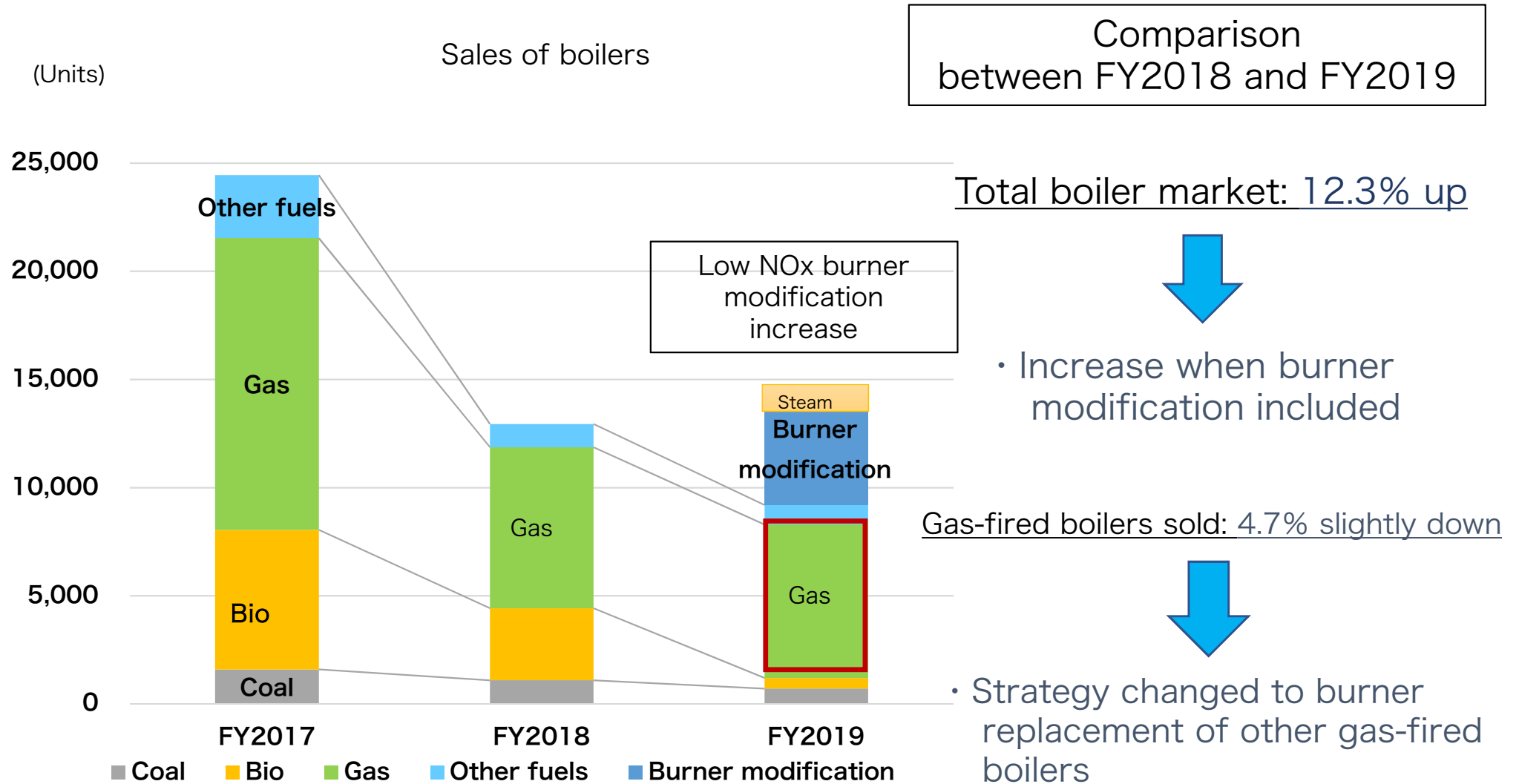
Gas pipe line from Russia
→ Construction partially postponed due to COVID-19



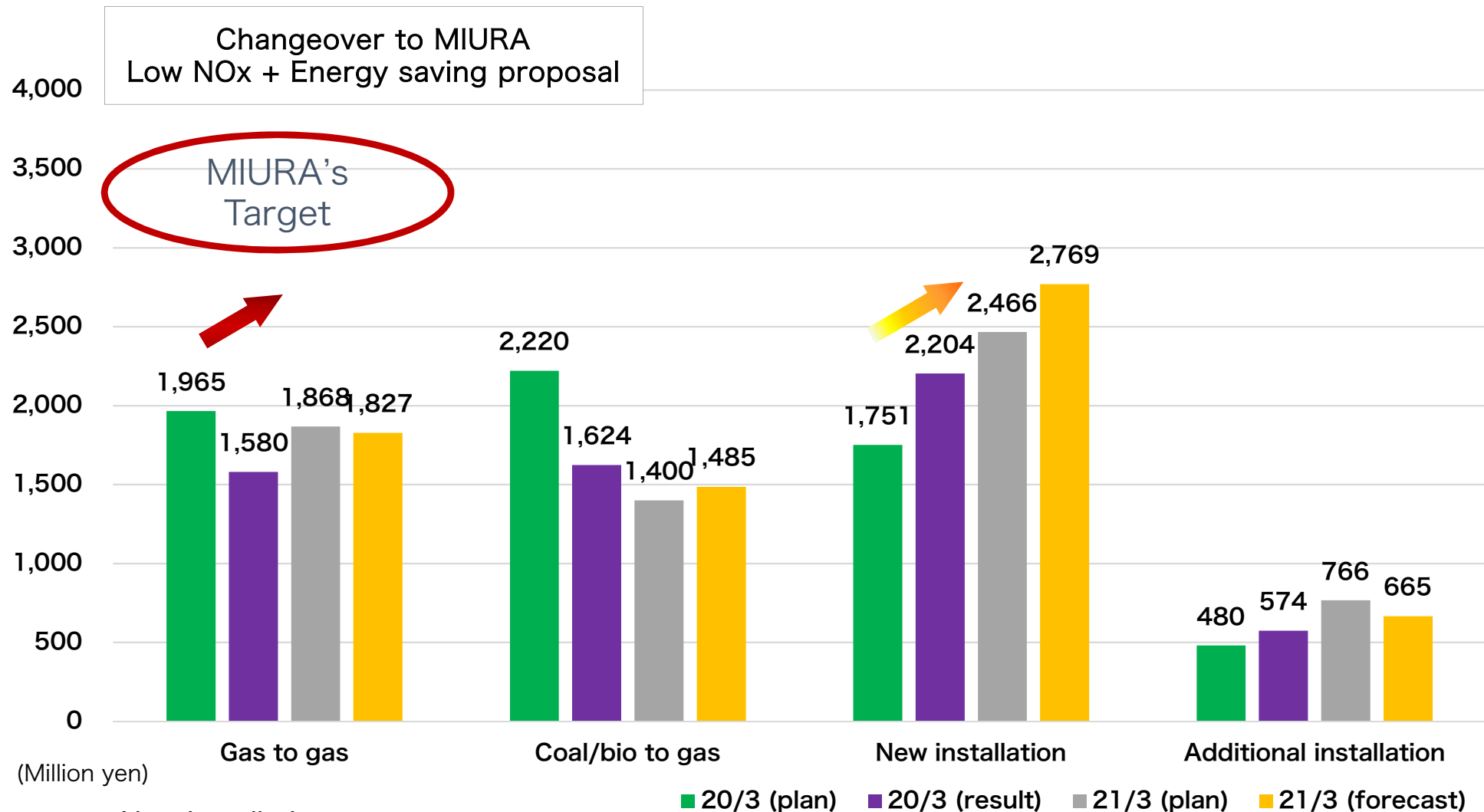
Main strategy
Gas boiler replacement in booming industries

- Maintenance: Low NOx burner modification is booming.
→ A profitability-increasing factor
- Sale: Replacement of other company's gas-fired boilers by MIURA's gas-fired boilers
→ Energy-saving diagnosis to boost replacement demands by analyzing boiler diaries and loads

Boiler market change in China (January to December)



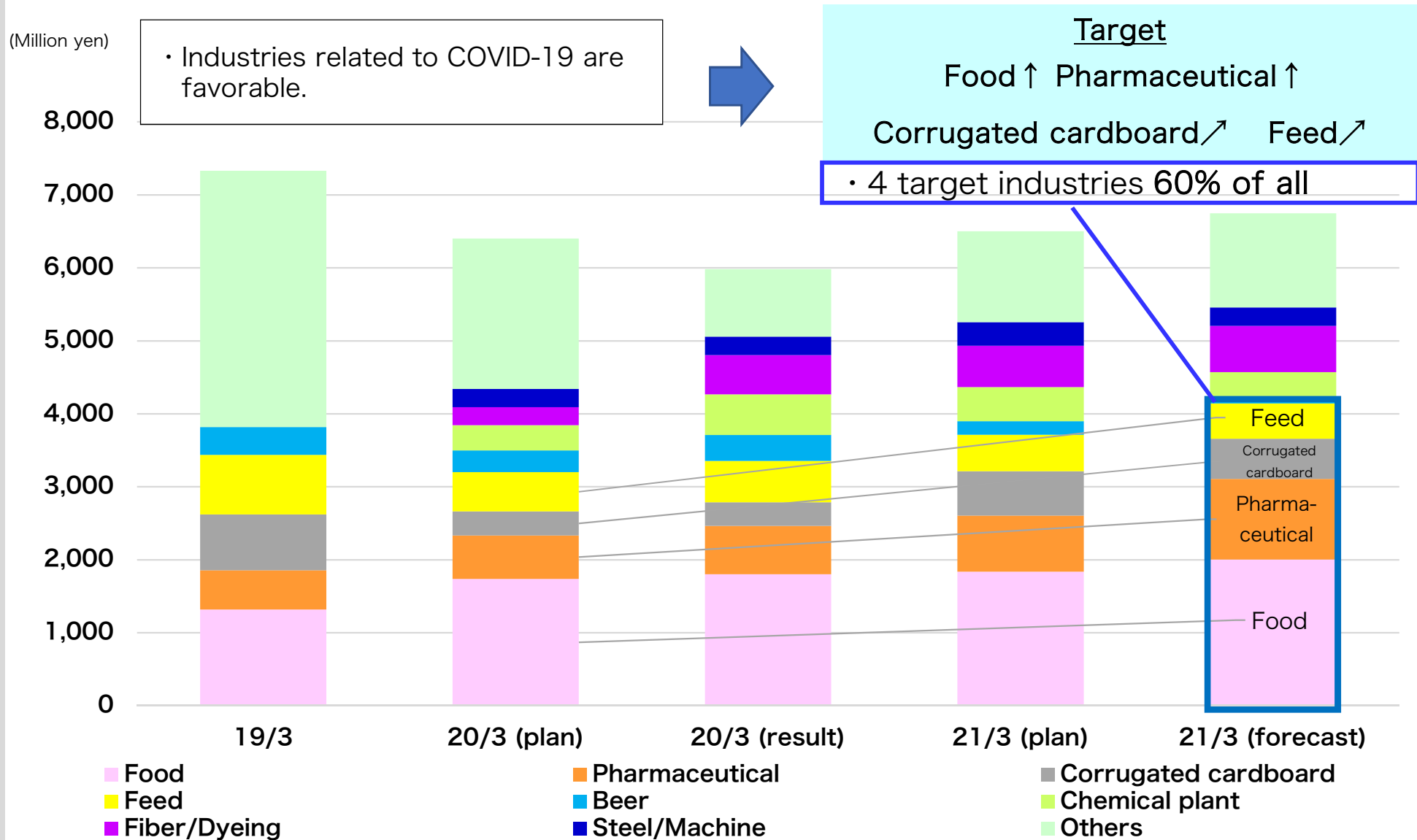
Analysis on MIURA boiler installation category



New installation cases

- New plant construction of large companies
- Plant relocation increase due to environmental regulations (e.g. drainage regulation and chemical plant regulation)

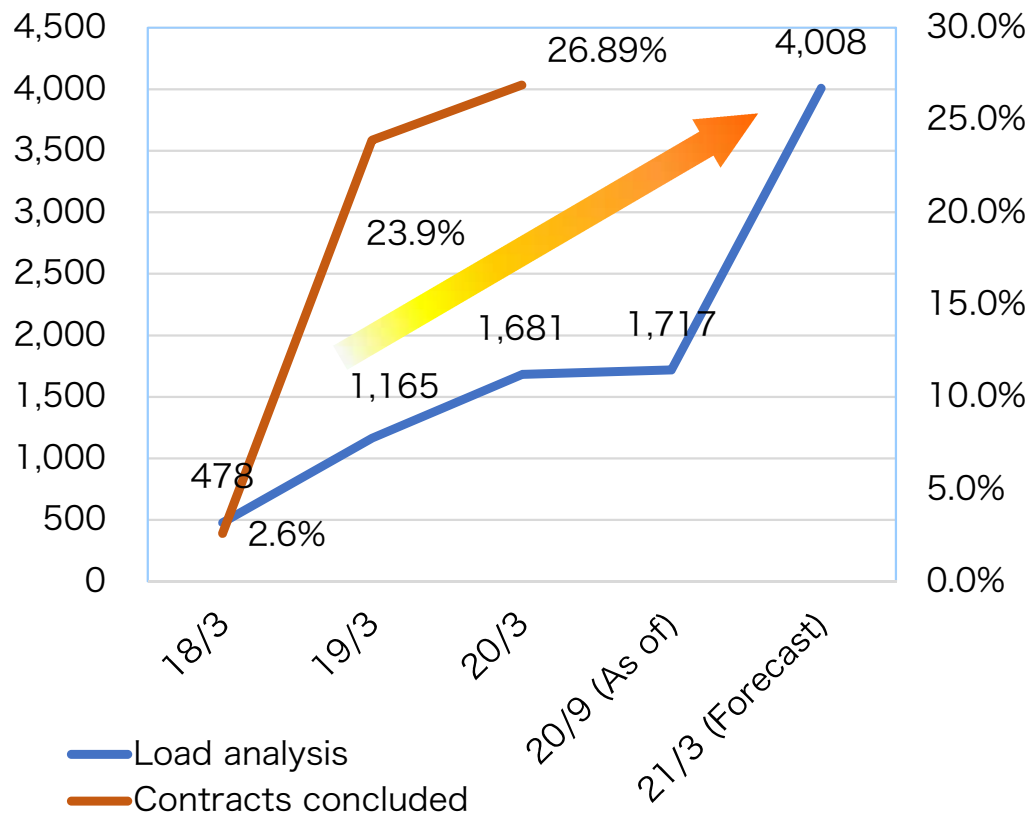
Boiler market in China (industry analysis)



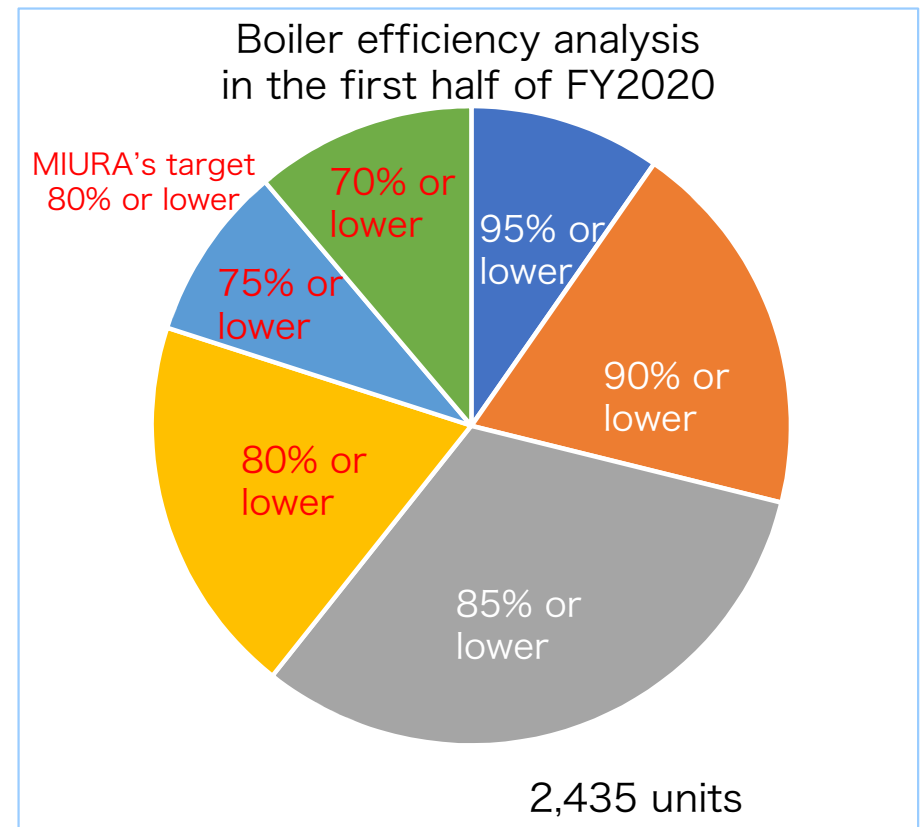
Gas-to-gas replacement in depth

Analyzing loads and boiler reports of other companies' boilers to propose more efficient systems

(Cases)



Note: Cases whose analysis and contract conclusion took place in different years are included above.



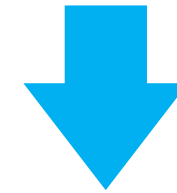
Reference: The average efficiency of other manufacturers' boilers is 73%. (the mean value of the worst 10 companies)

New factory completion for gas-fired boiler production

The additional factory, which is approximately 6.5 km away from the existing factory, is to improve our production capacity. With various features such as its laboratory for new product development, online center, and training facilities for our employees, the factory is the largest among MIURA's overseas factories.



Production started
in August 2020



Aiming at 5,000 unit
production p.a.



Gas-to-gas replacement
sales strategy

New factory completed
in Suzhou

【Construction overview】

Gross area: 50,000 m²

Total floor area: 29,000 m²

One-storied RC factory + three-storied RC office

Exchange rate

Exchange rate (Average)	19/9	20/9	Increase rate	21/3 Plan
USD	108.06	106.93	△1.67	108.00
CAD	81.73	78.72	△3.01	76.50
CNY	15.68	15.26	△0.42	15.00
WON (100W)	9.22	8.89	△0.33	8.90
IDR (100Rp)	0.77	0.73	△0.04	0.70
NTD	3.49	3.61	0.12	3.60
BRL	27.56	19.91	△7.65	21.00
MXN	5.64	4.72	△0.92	—
THB	3.49	3.38	△0.11	3.30

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MIURA

Contact

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MIURA CO.,LTD.**

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