



EBARA Group CSR Report 2 0 1 1



EBARA Group CSR Report 2011

Editorial Policy

Purpose of Issuing the CSR Report

The EBARA Group's objective is to grow as a trusted enterprise, while communicating with its stakeholders (various internal and external interested parties involved with the EBARA Group). This Report is issued to inform our stakeholders of how we are working on CSR*. We welcome your comments and cooperation, which will lead us to further improving the report. EBARA signed the United Nations Global Compact as a company, and submitted the CSR report as an annual report (Communication on Progress) to the United Nations.

*CSR = Corporate Social Responsibility

EBARA Group Information on EBARA Group's CSR Report 2011

EBARA has been publishing the CSR Report since FY 2008, covering the previous environmental reports issued up to 2007. The last three releases of the CSR Report were organized in line with the EBARA Group's Code of Conduct. The FY 2011 issue of the CSR Report not only presents the CSR activities conducted during FY 2010, but also offers an insight into the CSR activities that were carried out over the last three years according to the E-Plan 2010 mid-term management plan set forth in 2007. This was done to more clearly illustrate the concept of how CSR activities are supporting business continuity and growth.

Issued on: August 10, 2011.

Produced by: EBARA Group CSR Activities Planning Committee

Period: April 1, 2010 to March 31, 2011

Scope: Domestic consolidated EBARA Group companies

Other organizations are listed in the footnotes.

Content: EBARA Group's CSR activities

Next issue: August 2012

Company name representation:

"EBARA" represents only the EBARA Corporation.

"EBARA Group" represents EBARA, its subsidiaries, and affiliated companies.

Contact for comments and questions

e-mail : eco@ebaracorp.com

If there is something you had difficulty understanding and want to know more about, please let us know.

Privacy policy

<http://www.ebaracorp.com/en/privacy/>

How we handle the opinions and inquiries submitted by you

Please follow the terms in

<http://www.ebaracorp.com/en/terms/>

What We Would Like to Convey to the Reader

- We use case studies of our activities to offer you a better idea of what the EBARA Group does, and has been doing. Case studies from overseas Group companies are included to the extent possible.
- We regard our customers, investors, shareholders, suppliers, and employees as our major stakeholders. (see the illustration below)
We believe that maintaining and improving our relationship of mutual trust with our stakeholders is of fundamental importance to business continuity and growth. To this end, we would like to present our activities and their accomplishments. Detailed information for our shareholders and investors can be found in the Annual Report and the Business Report.
- This booklet briefly describes our efforts toward protecting the global environment. To find out more, please visit the EBARA website.
<http://www.ebaracorp.com/csr/>

EBARA Group and Stakeholders (Main pages)



Involvement with Our Stakeholders

The EBARA Group's Code of Conduct defines its involvement with our stakeholders as follows:

■ Customers

We will offer superior products and services conscious of quality and safety through fair business practices.

■ Shareholders and investors

We will pursue long-term enhancement of our corporate value, to live up to the expectations placed on us. Furthermore, we will promptly and impartially disclose accurate management information.

■ Suppliers

We will maintain proper purchasing practices by abiding with the principle of fairness.

■ Communities and society

We will act as a good corporate citizen to make a positive contribution to society.

■ Employees

We will endeavor to maintain and improve our workplace environment, which is safe and easy for any employee to work in, while respecting the employee's basic human rights, personality and life.

Common concepts of our involvement with any and all stakeholders are:

■ Protection of the global environment

We will make a continual effort to abate the environmental impact of our corporate activities and prevent environmental pollution.

■ Anti-corruption

We will not accept bribes in connection with any and all stakeholders.

■ Compliance

Concerning all aspects of our relationship with any and all stakeholders, and our corporate activities, we will act responsibly and with common sense, in full recognition of corporate ethics, by abiding with all relevant laws and regulations and observing social norms.

Colors and Designs of Diagrams

We tried to make this Report easy to read for those who have difficulty with color perception.

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Message from the President

Making Personal Growth a Cornerstone for Becoming a Genuinely Global Enterprise

I would first like to express my deepest sympathy to those who were devastated by the Great East Japan Earthquake and pray for a quick recovery in the quake-stricken regions before I present this CSR report.

The EBARA Group is making an all-out effort to support the earliest possible restoration and reconstruction of the social infrastructure and industrial facilities in the region, such as the water supply and sewage systems. As an enterprise whose products make up an important part of these facilities, we are concentrating our efforts on reestablishing facilities that are indispensable to the safety and peace of mind of those stricken by the quake, and to help in the recovery of the region's economy.

Looking Back Over the Three-Year Consolidation of Our Management Infrastructure

In 2012, EBARA will celebrate the 100th anniversary of our founding. EBARA has been supporting industrial growth and contributing to the realization of a safe and comfortable way of life since our beginnings as a pump manufacturer. We accomplished this by offering products and services that are tailored to the needs of the times. The EBARA Group must continue fulfilling the significant role given to us by society of offering products and services that help society advance, by leveraging our intrinsic strengths as a machinery manufacturer. And we intend on continuing to fulfill this role over the next 100 years. We have made positive progress in reorganizing and rebuilding our management infrastructure and consolidating the foundation needed to move forward and keep growing in step with society. We completely rebuilt our management infrastructure under the Medium-Term Management Plan "E-Plan 2010", which covered the period from FY 2008 to FY 2010. We pursued this plan with four concerns – a concern as a manufacturing enterprise, a concern for improving the environment, a concern for internal control systems and improvement in operating



Natsunosuke Yago

President and Representative Director
EBARA CORPORATION

efficiency, and a concern for our motto, "EBARA Walking with Its Customers." Using this plan, we have ensured a thorough implementation of compliance, enhanced our internal control systems, developed products with greater energy savings and lower environmental impact, built a high-productivity framework to quickly respond to customer needs, and much more.

Launching a New Challenge to Attain Positive Growth

I believe the EBARA Group must transform itself into a genuinely global enterprise, one that can precisely and promptly address the needs of the world, in order to remain a business that society needs. To this end, we must be able to sense and grasp the changes and needs of society

from a broad perspective, and quickly address these changes and needs. The EBARA Group will enhance this capability and capacity, while shifting our system of production from "simply manufacturing products domestically and exporting them abroad" to manufacturing products in locations that are optimal from a global perspective, taking into account logistics and the supply chain. Production, sales, and service bases will be located in strategically prioritized regions of the world, such as China, Southeast Asia and the Middle East, to implement the concept of "regional production for regional supply." Thereby, we can address the needs of customers of diverse cultures, customs, and environmental and regional characteristics, and thus help resolve issues that exist within particular regions. In addition, we will be deploying the productivity innovation initiative that we have been advancing in Japan, to our overseas bases to maximize profitability across the value chain.

The Ebara Group is committed to supporting and practicing the United Nations Global Compact (hereinafter called "GC"), which we signed in 2009, as we develop our business. To us, the 10 GC principles call for self-reflection on what we should do as human beings, whether our behavior is accountable to our families, and provide basic criteria for doing business. GC and the EBARA Group's Code of Conduct share common rules regarding human rights, labor practices, environmental protection and prevention of corruption. These criteria should serve as a useful guide as we navigate our business through diverse cultures and trade practices. We will ensure GC penetrates deeply throughout the Group, as a set of global common values, to continue practicing that which is taken for granted of a global enterprise.

The new medium-term management plan, E-Plan 2013, is due to start in FY 2011. E-Plan 2013 matches a strategy of growth that embraces "first steps toward tackling the new challenge of solid growth." It also carries on the goal established in the previous medium-term management plan – reinforcing the management infrastructure. We will pursue technologies that help customers



save energy, and thereby contribute to the growth of the industries and economies of emerging nations, and to the resolution of water, energy and resource issues around the world.

To support this spreading business globalization, we will reinforce existing systems of operation within the Group, to govern the entire EBARA Group. And, together with building a system of world-class corporate governance, we will develop and foster global human resources.

Communication, the Lifeblood of CSR Activities

My understanding of CSR is that it is a commitment to the continual growth of our core business. I also believe that communication underlies CSR activities. Therefore, I think it is essential that we enrich communication with our various stakeholders, such as communication among employees and Group companies, and between our company and our global customers, suppliers, and the local residents in the communities in which we operate. Doing this will help us become an enterprise that is worthy of greater trust, that enjoys a favorable evaluation from society, and that is capable of doing business all over the world. The founding spirit of the EBARA GROUP – the "enthusiasm and sincerity" with which we deal with others – exactly embodies this. I want to emphasize that the corporate value of the EBARA Group will increase if each individual employee upgrades his or her own value, by augmenting their skills for communicating with stakeholders and reviewing and simplifying their way of doing business. To this end, I have been actively conveying my thoughts to the Group, and at the same time creating regular opportunities for promoting direct communication with employees. I have also been directing efforts at awakening each employee to the significance of compliance, using easy-to-understand case studies. We compiled this report to offer you a glimpse of how the EBARA Group is moving forward as a genuinely global enterprise. We would be delighted to hear your thoughts on this report.

About the EBARA Group

The EBARA Group consists of 87 companies in total: EBARA, 76 subsidiaries (including 48 consolidated companies) and 11 affiliate companies. The Fluid Machinery & Systems Company, the Environmental Engineering Company and the Precision Machinery Company operate their businesses globally based on an in-house company system.

Corporate and Group Profile (as of end of March 2011)

◆ Corporate name	EBARA CORPORATION
◆ Common name	EBARA
◆ Date of foundation	November 1912 (Inokuchi Type Machinery Office)
◆ Date of establishment	May 1920 (EBARA CORPORATION)
◆ Paid-in capital	61.2 billion yen
◆ Representative	President and Representative Director, Natsunosuke Yago
◆ Head office	11-1, Haneda Asahi-cho, Ohta-ku, Tokyo, Japan
◆ Composition	EBARA, 76 subsidiaries (including 48 consolidated companies) and 11 affiliate companies, for a total of 87 companies

Fluid Machinery & Systems Company

Consolidated subsidiaries	Domestic 10	Overseas 25
Other subsidiaries and affiliates	Domestic 4	Overseas 18

Environmental Engineering Company

Consolidated subsidiaries	Domestic 1	Overseas 2
Other subsidiaries and affiliates	Domestic 8	Overseas 6

Precision Machinery Company

Consolidated subsidiaries	Domestic 1	Overseas 4
Other subsidiaries and affiliates		Overseas 1

Corporate

Consolidated subsidiaries	Domestic 4	Overseas 1
Other subsidiaries and affiliates	Domestic 2	

Outline of Business

EBARA, established in 1912, has grown to become one of the world's principal manufacturers of industrial machinery with fluid

machinery and systems such as pumps and compressors. And, EBARA has expanded into the environmental engineering business with incineration and gasification technology and water treatment technology at its core, and further into the precision machinery business handling semiconductor manufacturing equipment and other products. The EBARA Group is constantly thinking of what will be required in the future and is seeking to accurately grasp the current and future needs of its customers, while it continues to pursue the development of superior technologies and products in all its businesses. In the years to come, as in the past, the EBARA Group will continue to achieve further development and contribute to society by excelling in the development of technologies as well as the manufacturing and marketing of products, and by providing high-quality support and services.

Key Products

Fluid Machinery & Systems Business

(Fluid Machinery & Systems Company)
Pumps, fans, compressors, turbines, refrigeration equipment and systems, fluid machinery plants, and cooling and water supply systems for nuclear power plants

Environmental Engineering Business

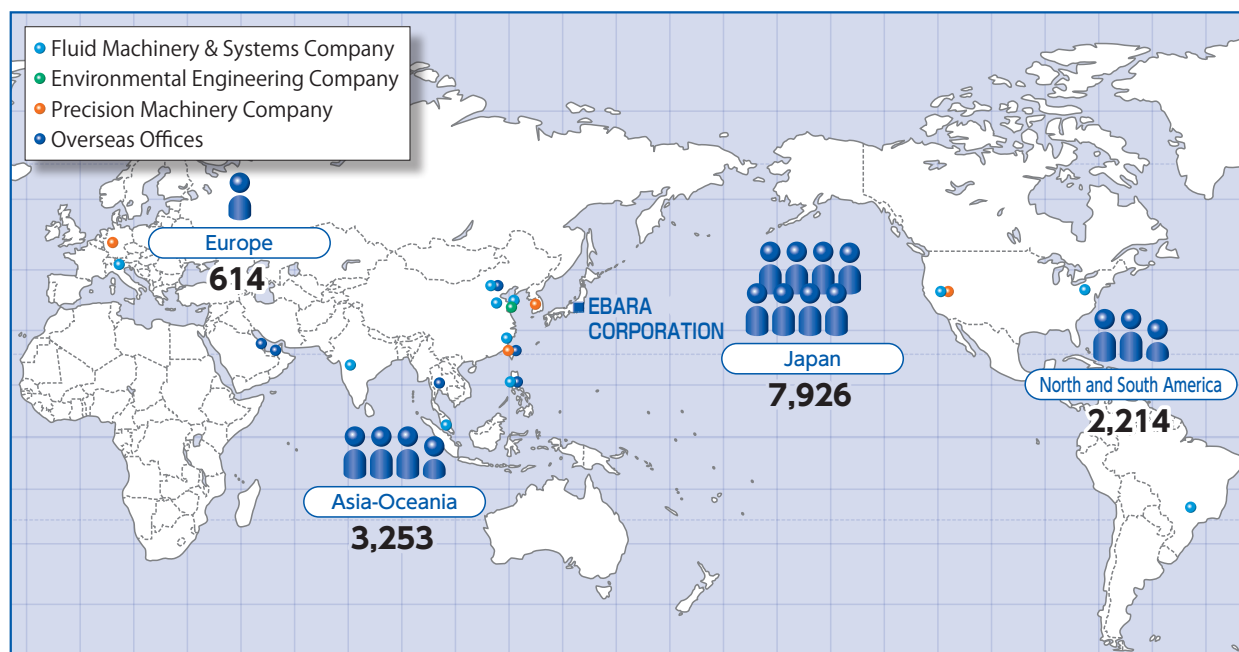
(Environmental Engineering Company)
Municipal waste incineration facilities, industrial waste incineration facilities, energy-related plants, water treatment facilities, other plants and systems, and industrial chemicals

Precision Machinery Business

(Precision Machinery Company)
Vacuum pumps, chemical mechanical polishing (CMP) systems, plating systems, and systems and equipment for the semiconductor industry

◆ Overseas offices, principal subsidiaries and affiliate companies, and composition of employees by region

(as of end of March 2011; numbers are consolidated and include overseas companies)



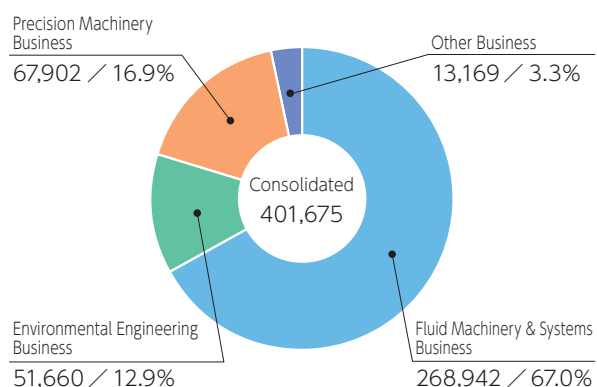
Summary of Business Results (as of end of March 2011; numbers are consolidated and include overseas companies)

◆ Sales	401,675 million yen
◆ Operating Income	31,541 million yen
◆ Net Income	28,191 million yen
◆ Overseas Sales	177,046 million yen
◆ Employees	14,007

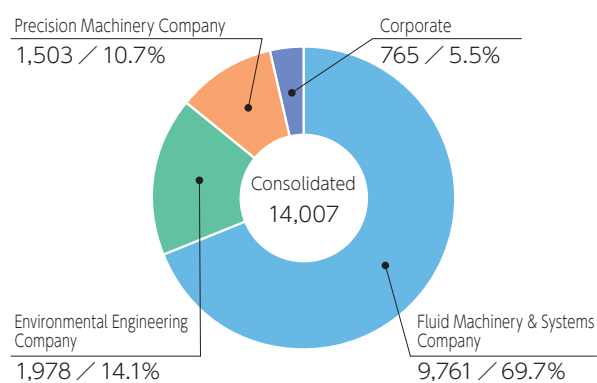
For details, see our website

<http://www.ebara.co.jp/ir/library/financial/index.html>

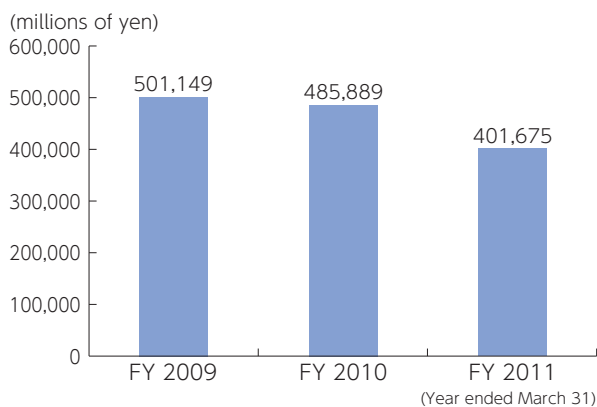
◆ Composition of Sales (millions of yen)



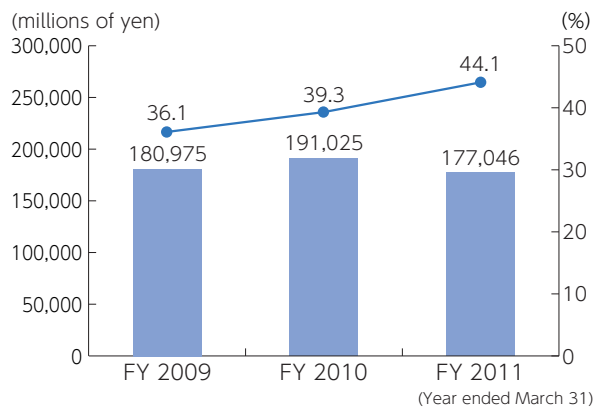
◆ Composition of EBARA Group Employees



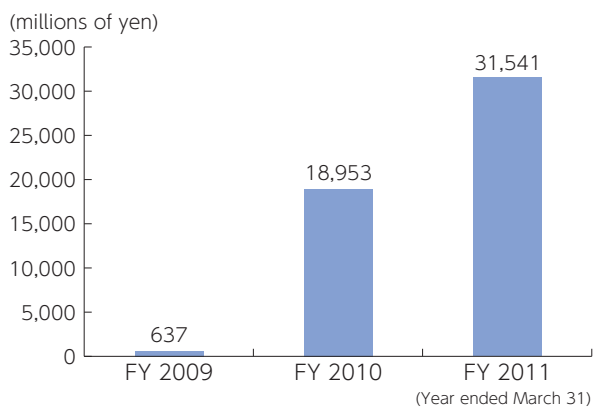
◆ Sales



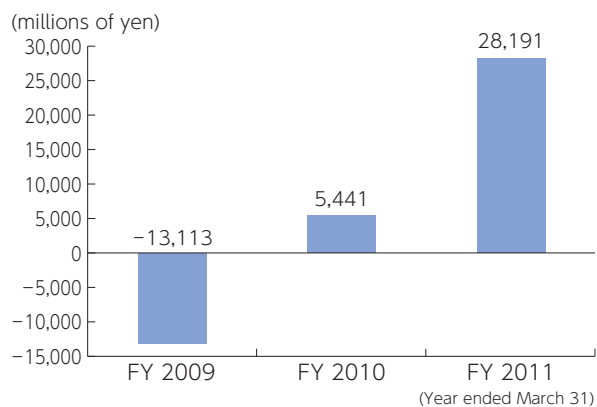
◆ Overseas Sales



◆ Operating Income



◆ Net Income



EBARA Group – Supporting society, industry and life

EBARA Group products, technologies and services support various aspects of society, industry, and our lives by playing a behind-the-scenes role.



Circulating water pump for electric power plants



Waste treatment plant



Water supply pump



Garbage incineration plant

EBARA Group supporting OUR SOCIETY

You may not have many opportunities to see or recognize EBARA Group products, technologies and services in your daily life, but these products play an important role in supporting our social infrastructure. Pumps and compressors are necessary for delivering two indispensable resources for our lives, electric power and natural gas, to our households. Pumps, blowers, and water and sludge treatment systems play a key role in the drinking water and sewage systems. Pumps work tirelessly in facilities that protect us from floods during heavy rains. Household and office solid waste treatment facilities use incineration technology, recycling and resource recovery technologies and bottom ash reduction technology, as well as technology for generating power from waste incineration.



Descaling pump



CMP systems



Axial-flow compressor



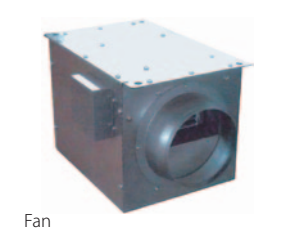
Dry vacuum pump

EBARA Group Supporting INDUSTRY

Industries such as steel, chemicals, petrochemicals, semiconductors, FPDs*1, machinery, metal, paper, and foods and beverages, use a variety of EBARA products and technologies, such as pumps, compressors, turbines, chillers, water treatment equipment, semiconductor manufacturing equipment and vacuum equipment. Our products and technologies also help in countermeasures against global warming and in achieving a recycling-based society. These include equipment for treating process gases, such as PFC*2, which is a greenhouse gas generated in the semiconductor manufacturing process; an internally circulating fluidized-bed gasifier for extracting valuable gases from waste; and technology for recovering methane from biomass resources, such as organic waste. EBARA Group products, technologies and services support a variety of industries.



Energy-saving pump (SSLD type)



Fan



Centrifugal chiller



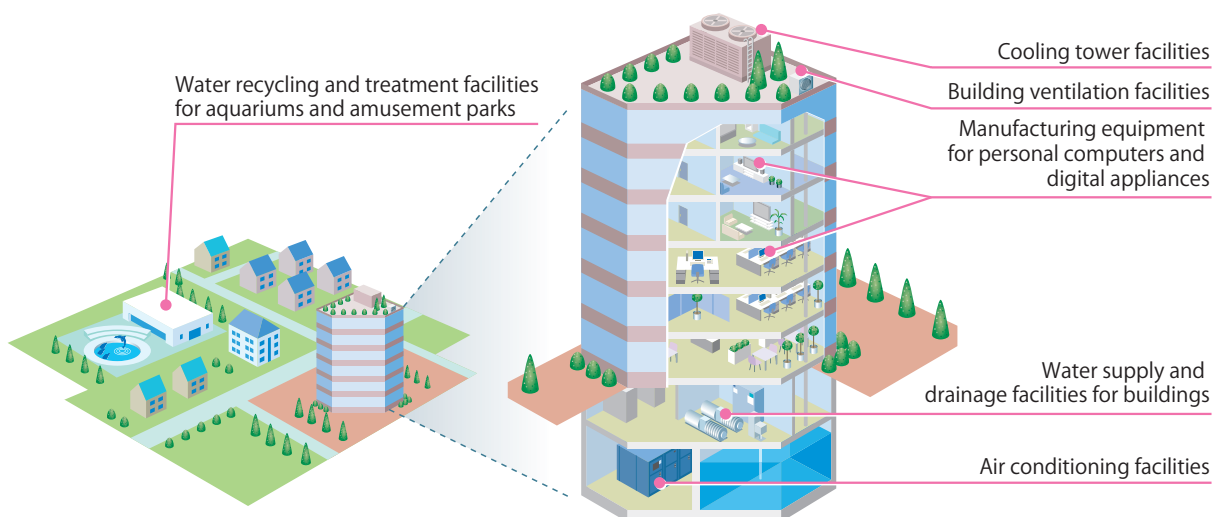
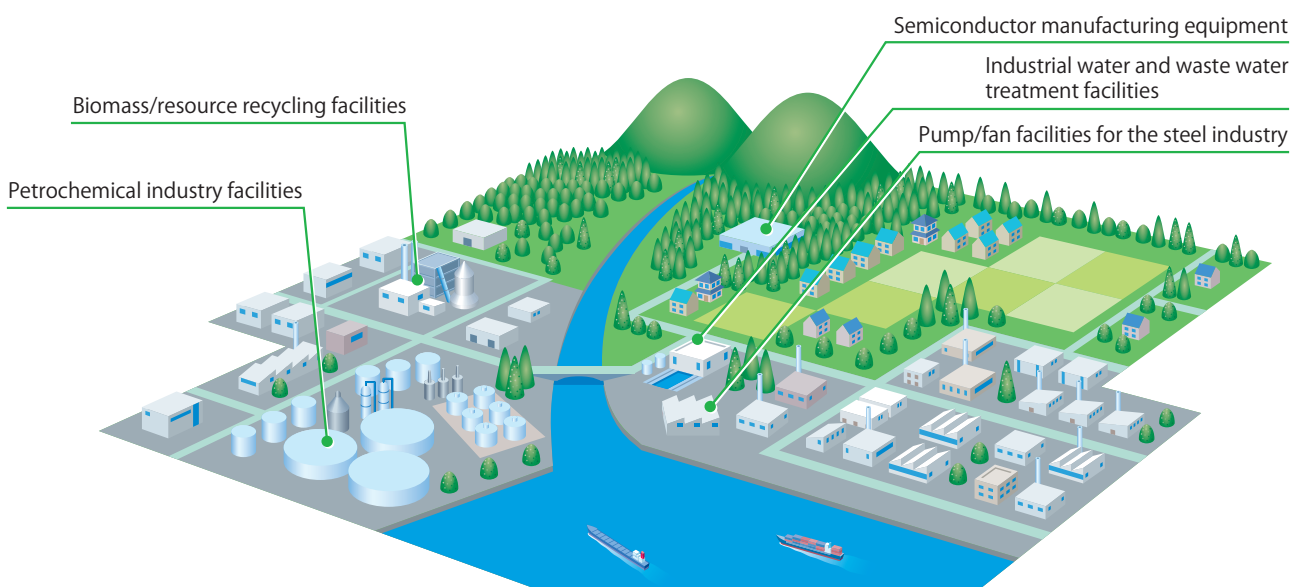
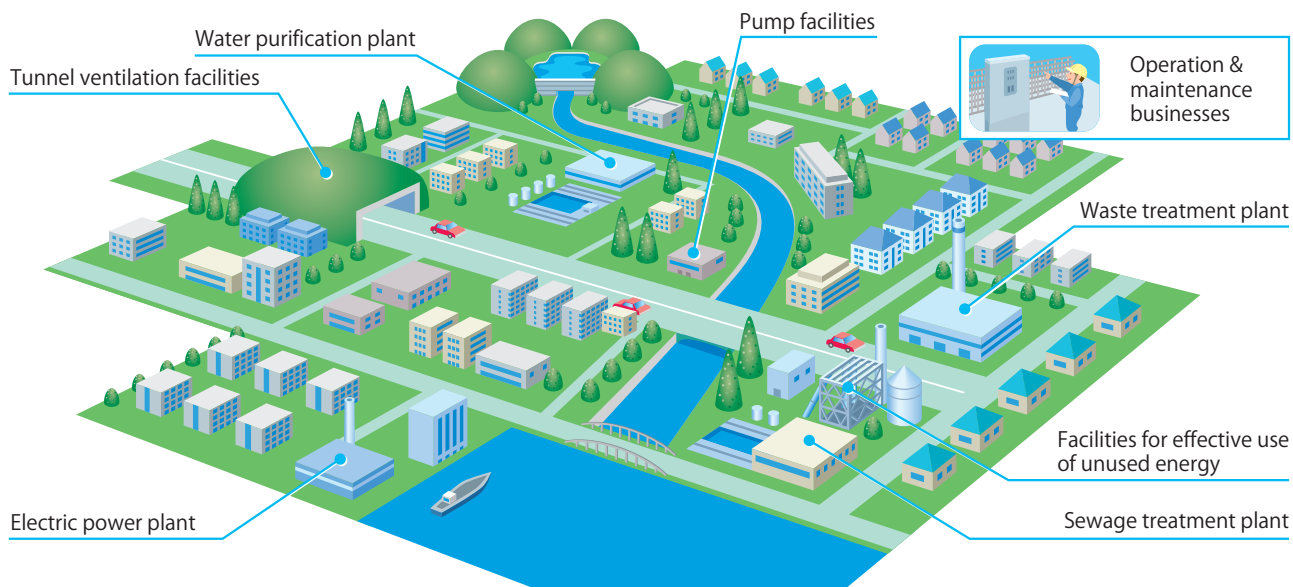
Cooling tower

EBARA Group supporting OUR LIFE

EBARA Group products, technologies and services support the comforts we take for granted in our daily lives, in a variety of settings. EBARA provides pump units that supply water to the upper floors of commercial and residential buildings; fire pump units; chillers and water chillers/heaters used in air conditioning of large buildings, such as office buildings, public facilities and shopping centers; and fans for ventilating closed spaces, such as high-rise buildings and underground malls. EBARA's products and technologies are closely related to the products we use in our daily lives, including mobile phones and automobiles, and their components and materials.

* 1 [FPD] Flat Panel Display. A display with a flat surface, such as a liquid crystal display or a plasma TV.

* 2 [PFC gas] Perfluoro compound. This gas is used as an alternative to CFCs, which are used for etching and scrubbing in the semiconductor manufacturing process. It is a greenhouse gas designated as a controlled substance by the Kyoto Protocol.



For more details, visit the EBARA website.

<http://www.ebara.com/> "Working Behind The Scene (in Japanese)" "Tell Me More! MIRUMIRU's Visiting The Factory (in Japanese)"

Restructuring the Group's Management Foundation

→ FY 2008 to 2010 Activities

The EBARA Group defines CSR activities as our efforts toward sustaining the continuity and growth of our business. The following summarizes the activities and accomplishments of the EBARA Group during the previous Medium-Term Management Plan (E-Plan 2010) (FY 2008 to FY 2010):

Previous Medium-Term Management Plan

E-Plan 2010

The three years from FY 2008 to FY 2010 were positioned as a period for restructuring group's management foundation. We reviewed our business promotion organization across the EBARA Group and solved any problems that were encountered. This was also a time for us to prepare our launch into the new challenges of the medium-term management plan for FY 2011 and beyond. During this period, we embarked on the implementation of plans for achieving our goals, with our "four chief concerns" in mind.

Four Chief Concerns in Implementing the Plan

1. The Group's Concern as a Manufacturing Enterprise

The Group is aware that manufacturing and marketing superior hardware and providing top-quality supporting services are the keys to business growth. The Group will further polish its capabilities in the areas where it is strong and will aim to be one of the world's leading manufacturers of industrial machinery.

2. Concern for Improving the Environment

By continuing to provide products and services that conserve energy and contribute to preserving the natural environment, the Group intends to contribute to improving the earth's environment and assist in passing this improved environment on to the next generations. At the same time, we will endeavor to improve our own work environment, which is the place where we work to achieve self-fulfillment.

3. Concern for Internal Control Systems and Improvement in Operating Efficiency

To create a culture that emphasizes compliance, we are continuing to work not only to enhance our internal control

systems and enhance management transparency but also to improve operating efficiency. All related personnel are working with the shared goal of "making today better than yesterday and tomorrow even better."

4. Concern for Our Motto, "EBARA Walking with Its Customers"

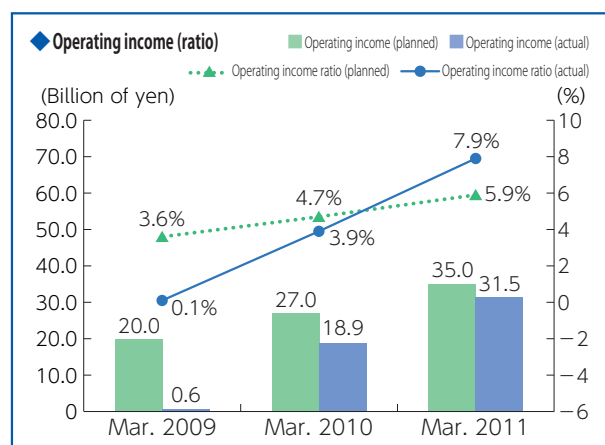
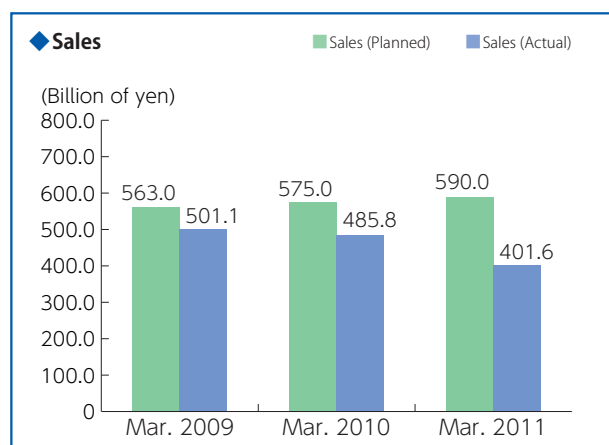
The conceptual origin of the Group's business activities is "meeting customer needs," and devoting our efforts to meet customer needs is the way we have grown. We will aim to accurately identify and anticipate customer needs, which change from one era to the next and, by responding to these needs, will work to enhance customer satisfaction and, at the same time, work toward the further development of the EBARA Group.

CSR Accomplishments in E-Plan 2010

A testimony to EBARA's success as a machinery manufacturer that could contribute to environmental conservation are our centrifugal chillers, which realize a COP of 7.0, among the world's highest energy efficiencies, and the "Save Energy Series" general-purpose land pumps, which are 56% more energy-efficient than our previous products and are expected to cut CO₂ emissions. We also reorganized the Environmental Engineering Company to more precisely address customer needs. The Production Innovation Movement and activities to improve operational efficiency driven by the Fluid Machinery & Systems Company and the Precision Machinery Company have also been carried out, to speed up our response to customer needs. Our four chief concerns have enabled us to fulfill our social responsibility as an industrial equipment manufacturer.

◆ Goal Indices in the Final Year of E-Plan 2010 (FY 2010)

	Actual results			Planned targets
	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2011
ROE	—	4.3%	20.0%	8.0% or more
Debt/equity ratio (end of period)	1.5	1.4	1.1	0.9 or less
Shareholders' equity ratio (end of period)	21.6%	24.8%	29.9%	30% or more

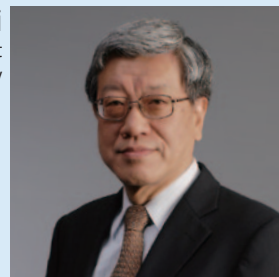


◆ E-plan 2010 Accomplishments by Individual Company

We have built up a wealth of expertise as an industrial equipment manufacturer for creating highly competitive products and contributing to the betterment of society. During the three-year period of E-Plan 2010, we relocated our plant to Futtsu, Chiba prefecture, upgraded the production facilities and implemented various efficiency improvement measures. Abroad, we reinforced our support system, to bring after-sales maintenance closer to customers. To this end, we merged the U.S. Elliot^{*1} Group with EBARA Elliot.

From the product perspective, we released a high-efficiency centrifugal chiller and a series of energy-saving pumps to realize our "concern for improving the environment." The high-efficiency centrifugal chillers manufactured by Ebara

Atsuo Suzuki
President
Fluid Machinery & Systems Company



Refrigeration Equipment & Systems Co., Ltd. have been chosen as the heat supply system (district heating and cooling) for Japan's new landmark, the TOKYO SKYTREE® District, because of the advantages they provide in terms of energy savings and reduced environmental burden.

One of our concerns is "Our Motto, EBARA Walking with Its Customers." In this spirit we took measures to consolidate two enterprises, one for waste treatment and one for water treatment. This was our way of precisely responding to the changing market climate and to our customers' changing needs.

We are seeing a growing number of orders in the waste treatment business that incorporate operation and management of the facility over long period with engineering and construction. We also see a transition to comprehensive contracts that include long-term facility operation and maintenance. To address this diversification of customer needs and change in the business climate, we have put a structure in place that enhances the quality of our service.

We have also built a framework that effectively combines our strengths with those of our partners. We have successfully

Masayoshi Hirose
President
Environmental Engineering Company



integrated our water treatment engineering expertise with the global network of Mitsubishi Corporation and the project management capabilities of JGC Corporation, to provide comprehensive solutions to customer needs.

And, we are committed to an ongoing pursuit of increased customer satisfaction.

The semiconductor industry is constantly undergoing drastic changes, due to the rapid pace of technological development in the industry. EBARA has worked shoulder to shoulder with its world-class customers in the semiconductor industry to offer products that incorporate the world's most advanced development technology, which is what our customers are expecting. EBARA has attained customer satisfaction by constantly leveraging our innate expertise as a machinery manufacturer, using eco-friendly design while drastically improving operational efficiency under internal controls, regardless of the circumstances. In particular, by implementing two major efficiency improvement activities, the Mindora Campaign and the M Zero Challenge^{*2}, coupled with the introduction of a high efficiency manufacturing system that maintains high performance and high reliability, we

Manabu Tsujimura
President
Precision Machinery Company



succeeded in achieving higher productivity, cutting lead times, and trimming in-process inventories. We shipped 1,500 units of our key product, the CMP, in 2010 and reached cumulative shipments of 100,000 units for our dry vacuum pumps in May 2011. I believe these figures attest to the success of our continued devotion to making customer satisfaction our number one priority.

* 1 [U.S. Elliott] A global leader in turbomachinery founded in 1910, and a wholly-owned subsidiary of EBARA Corporation.

* 2 [Mindora Campaign and the M Zero Challenge] See the notes on P31.

First Steps Toward Tackling the New Challenge of Solid Growth

Efforts Starting in FY 2011

The medium-term management plan (E-Plan 2013) was developed in May 2011.

With the 100th anniversary of its founding coming in 2012, the EBARA Group will take steps toward tackling the new challenge for the next 100 years to continue to be “an industrial equipment manufacturer that makes extensive contributions to society by providing superior technology and services.”

Medium-Term Management Plan E-Plan 2013

We have positioned the period of E-Plan2013 as a time to proceed with the implementation of measures, which were begun under the previous medium-term management plan, to strengthen our management foundation, and, with the theme of taking the “first steps toward tackling the new challenge of solid growth,” we will work to establish a more-solid more-stable business structure. Among our five core businesses (pumps business, compressors and turbines business, precision machinery business, environment business, and chillers business), we will position the first three as businesses that will pursue growth and the latter two as businesses that will aim for stability. We will have each of these businesses act as unified organization, without distinguishing between domestic and overseas, and work to strengthen global competitiveness and strive to maximize the value of each business.

In addition, to provide for corporate functions that will support business, we will strengthen the functions of the Group headquarters/Global headquarters. We will also secure the necessary resources for sustaining growth and the development of the Group as a whole, strengthen our governance systems, and create systems that can provide support, in human resource development and other areas, for the Group's global development.

EBARA Basic Groupwide Policies for E-Plan 2013

1. Promoting “regional production for regional supply” in priority areas and establishing optimally located production and supply system from a global perspective

– Moving with the Tides of Change –

EBARA will grasp the currents of change that is the motive power for growth of emerging countries and will introduce the measures to strengthen its competitiveness in the global economy. Specifically, we will shift from the previous approach we have taken to developing our overseas operations, which focused on manufacturing in Japan and subsequently exporting to other countries, to an approach under which we manufacture in the locations that are optimal from a global perspective, as we also take logistics capabilities into account. As part of this shift in approach, in the areas that we have selected as strategic priority regions, selected mainly from among the emerging countries and regions, we will establish and expand sales and service functions as well as production capabilities based on the characteristics of each region. We will also implement a local strategy based on the concept of “regional production for regional supply.”

2. Working to enter new markets by expanding core businesses domains – Aiming for Solid growth –

Among the Group's five core businesses, we will position three of these (namely, pumps business, compressors and turbines business, and precision machinery business), as

businesses that will pursue growth. We will implement all possible measures to increase the efficiency of the current business base and will expand into new business domains that we have not yet developed but are viewed as an extension of the current business domains.

3. Aiming to optimize “monozukuri” (manufacturing) processes through scientific approaches

– Internalizing Ceaseless Productivity Innovation into the Corporate/Organizational Culture –

The “monozukuri” (manufacturing) process includes marketing, development, sales, planning, procurement, manufacturing, inspection, and logistics. Within this process, we will work toward optimization by promoting a shift from implicit (unwritten) knowledge to formal (written and transferable) knowledge as well as by adopting logical scientific approaches to thoroughly review and improve all processes. We will put into place functions for productivity innovation throughout the Group, and, with key domestic bases as the core, we will implement a productivity innovation movement at all Group bases, including those located overseas.

4. Expanding the functions of the corporate headquarters in keeping with the globalization of business domains

– Restructuring Group Management through Strengthening Group Headquarters/Global Headquarters Functions –

As we expand our business operations to the global market through Group bases around the world, it will be necessary to establish Group operating systems appropriate for a global corporation. To take the initiative in making this a reality, we will strengthen our Group headquarters/Global headquarters (G&G headquarters) functions within the corporate headquarters.

E-Plan 2013 Targets we must achieve

The targets we must achieve by this management plan are as follows:

In the fiscal year of E-Plan 2013
(fiscal year ending March 31, 2014)

Return On Invested Capital (ROIC*): 8% or more

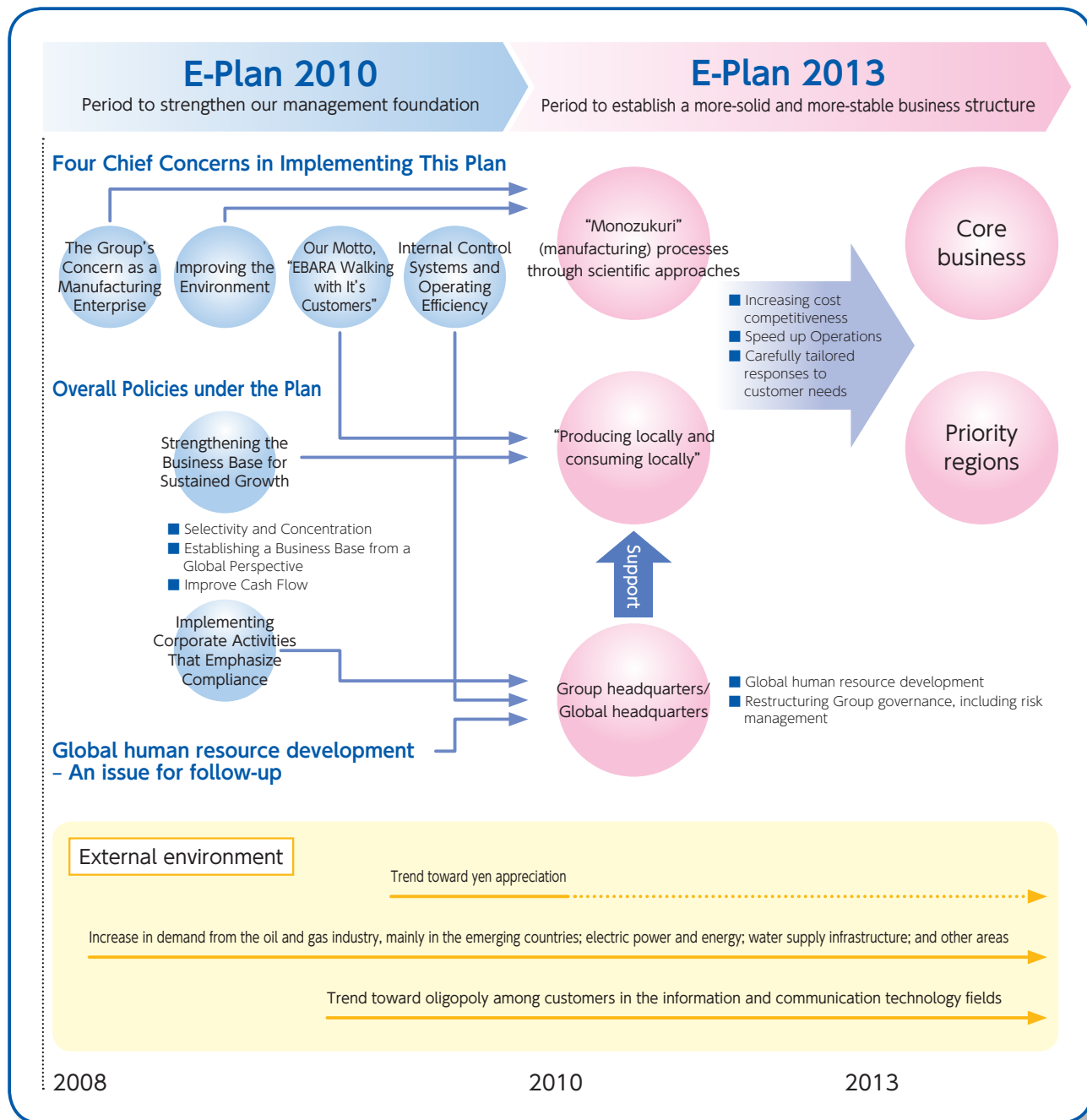
*ROIC: Net income/invested capital

To reach this target without an overemphasis on either ROE or D/E ratio.

In the fiscal year of E-Plan 2013
(fiscal year ending March 31, 2014)

Operating income ratio: 9% or more

◆ Linkage between the Previous Medium-Term Management Plan (E-Plan 2010) and the New Medium-Term Management Plan (E-Plan 2013)



CSR Challenges for E-Plan 2013

To succeed in the global deployment of our businesses and in the realization of the concept of regional production for regional supply in countries around the world, including emerging countries, the EBARA Group must act as one global presence, from country to country and from region to region. We must observe compliance; preserve the environment; communicate with a diverse group of stakeholders, including regional customers, suppliers, employers, and the general public, at our

manufacturing bases. And, together with this, we must foster a sense of unity with the EBARA Group, both at home and abroad. We are promoting CSR activities while following all the relevant guidelines and initiatives from around the world, starting with the United Nations Global Compact, for which the EBARA Group is a signatory, and including ISO26000 and the Charter of Corporate Behavior proclaimed by the Federation of Economic Organizations.

Corporate Philosophy and CSR

To continue realizing our corporate philosophy from a global perspective, we are making efforts to increase the penetration of CSR within the group as prescribed by international initiatives and guidelines, such as the United Nations Global Compact and ISO26000, as well as the EBARA Group's Code of Conduct.

The founding spirit,
"Netsu To Makoto"

(Note: "Netsu To Makoto" means enthusiasm and sincerity.)

Corporate Philosophy

Extensive contribution to society by providing superior technology and the best possible service related to water, air, and the environment.

Gist of the EBARA Group's Code of Conduct

- ◆ We will contribute to society through business by providing excellent products and services globally.
- ◆ We will be fully aware of corporate ethics, comply with laws and ordinances, and respect the principles of society.
- ◆ We will strive to conserve the global environment when proceeding with business activities.
- ◆ We will maintain fair and amicable relationships with stakeholders.
- ◆ Top management and employees will fulfill the responsibilities of their respective work.

*Overseas group companies have set up their own Code of Conduct, taking local laws, social norms, and customs into account.

Five Basic Principles for Actions

1. Realize that any action, no matter how trivial, can lead to serious consequences.
2. Confirm the objective and meaning of actions before carrying them out.
3. Follow fixed procedures and rules when carrying out actions.
4. Review actions, confirm them, and take responsibility for their results.
5. Adopt a wide perspective and consider areas outside one's own responsibility when carrying out actions.

Practicing the Corporate Philosophy and CSR

One of the basic policies of the EBARA Group E-Plan 2010 mid-term management plan, a plan that was launched in FY 2008 and scheduled for completion in FY 2010, was the commitment to forging a compliance-centric corporate climate. To continue contributing to society through corporate activities, it is of vital importance that there is a wide understanding in the company that CSR activities comprise practices that support the achievement of management goals. These practices include building a framework for preventing improper expenditures or breaches of the Anti-Monopoly Law, creating a harassment-free workplace in which human rights are respected, upgrading and handing down our skills as a machinery manufacturer from generation to generation, and boosting customer satisfaction. After a review of the CSR policy dating back to FY 2009, we have come to recognize that the EBARA Group has a social responsibility to "continue extensive contribution to society by providing superior technologies and the best possible services" as stated in our corporate philosophy. In FY 2010, our CSR activities were carried out with this recognition.

ISO26000*¹ United Nations Global Compact

"How to Take Advantage of ISO26000 in Our Management" has been chosen as one of the subjects for the FY 2010 CSR training course for EBARA Group

◆ Relationships between the 10 Principles of the United Nations Global Compact and the EBARA Group's Code of Conduct and Internal Rules

Global Compact		EBARA Group's Code of Conduct and internal rules	Page in this report
4 areas	10 principles		
Human rights	Principle 1. Businesses should support and respect the protection of internationally proclaimed human rights.	Code of Conduct, Chapter 6, "2. Rules of Conduct in the Workplace," (1) to (5)	Page 34
	Principle 2. Business should make sure that they are not complicit in human rights abuses.	We will strive to apply the rules not only to employees, but also to stakeholders that we come into contact with through business, such as suppliers, to whom we can have an influence.	
Labour	Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Labor Agreement, Chapter 9: Joint Labor-Management Conference Chapter 10: Collective Bargaining Chapter 11: Freedom of Union Activities (the labor agreement is not disclosed)	Page 35
	Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	Work Regulations, Chapter 3: Service	Work Regulations are confidential.
	Principle 5. Businesses should uphold the effective abolition of child labour.	•The Work Regulations prescribe that the Company employ people aged 15 or older. (Work Regulations are confidential.)	
	Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	Code of Conduct, Chapter 6, "2. Rules of Conduct in the Workplace," (1) to (5)	Page 17 Thoroughly raising awareness through educational programs Page 34
Environment	Principle 7. Business should support a precautionary approach to environmental challenges.	Code of Conduct, Chapter 3: Environmental Conservation and We in the EBARA Group	Page 40 to 43
	Principle 8. Undertake initiatives to promote greater environmental responsibility.		
	Principle 9. Encourage the development and diffusion of environmentally friendly technologies.		
Anti-corruption	Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.	Code of Conduct, Chapter 4: Society and We in the EBARA Group (Dissociation from donations, political contributions and antisocial groups) Code of Conduct, Chapter 5: Prohibition of Bribery	Page 21

management, to embody ISO26000 (published in November 2010) in our management practices.

The EBARA Group CSR Report 2010 was the first action report (Communication on Progress) submitted to United Nations Global Compact. Working through the Japanese network, we also participated in subcommittee meetings that concerned biodiversity, MDGs*2 and CSR reporting, to collect information on advanced activities from various industrial sources and related organizations and to exchange opinions.

Day for Reconfirming Basic Principles for Action

Since the dioxin contamination incident that occurred at our Fujisawa facility in 2000*3, we designated March 23 as the Day for Reconfirming Basic Principles for Action, to reflect upon corporate social responsibility to ensure that the incident is not forgotten. The FY 2010 Day for Reconfirming Basic Principles for Action began by offering a silent prayer of condolence by all EBARA Group companies to the victims of the Great East Japan Earthquake that occurred on March 11. A message from the President was broadcast nationwide on the intranet. In the message, the President spoke of the EBARA Group's mission, as a manufacturer of equipment and systems that make up the social infrastructure, to carry on its business and contribute to the restoration of the lives and economy of the quake-devastated regions. The message also declared the EBARA Group's commitment and concerted effort to fulfill our customers' desires for support of EBARA products used in our nation's nuclear power plants; commissioning power plants back into service that are now out of service; restoring oil refinery and petrochemical plants destroyed by fires and other accidents; and helping to restore the social infrastructure, including water supply

and drainage facilities, and waste treatment plants; together with providing support for our suppliers. He also stated that taking action consistent with the Five Basic Principles for Actions will lead to enhanced productivity and allow us to overcome hardships in the aftermath of the quake, such as electricity shortages. Our response to the Great East Japan Earthquake is summarized on pages 44 to 45.

CSR Lecture

We have been holding annual CSR lecture for the top management of the EBARA Group since FY 2005.

The FY 2010 CSR training session, for which 47 members of EBARA's Board of Directors and representatives of its domestic consolidated subsidiaries were eligible, was attended by a total of 67, including 40 out of those eligible and 28 applicants from among the Group companies' executive officers and managers in charge of CSR and internal controls. Speakers from outside the Group were invited to the session to present lectures on three subjects: how to take advantage of ISO26000 (published in November 2010) in our management practices; the concept of corporate risk relating to the procurement of metallic materials, including rare metals, starting at the mining stage; and blocking the formation of ties with antisocial groups. Sixty-one CSR lecturing sessions were held for general employees, with an attendance of 3,793. Subjects included case studies of practical CSR activities, compliance, human rights awareness, fraud prevention, blocking the formation of ties with antisocial groups, and copyright protection. A questionnaire to test comprehension where the respondents gave their name was conducted, to address questions on a case-by-case basis. CSR training is also available through e-learning to aid in reviews and follow-ups for employees who could not attend.

CSR Subjects and Results

The implementation of the EBARA Group E-Plan 2010 mid-term management plan from FY 2008 to FY 2010 yielded the following results in terms of CSR:

CSR subject	Major effects	Results for FY 2010
Governance, internal controls, compliance, and risk management	Appointment of outside directors, formulation of Board of Directors compliance action plans, Group management basic rules, establishment of an internal controls promotion system and a risk management system, etc.	Pages 16 to 21
Quality of products and services, safety, the environment, and customer relations	Marketing of products that address energy-saving needs, ongoing implementation and improvement of the high-efficiency production system, etc.	Pages 24 to 31
Information disclosure	Strengthening of the timely information disclosure system, etc.	Page 23
Supply chain management	CSR questionnaire survey, CSR activity promotion lectures, etc. carried out for suppliers.	Pages 32 to 33
Employment, human rights, safety and health	Ongoing implementation of human rights awareness activities, promotion of the concept of work-life balance, enhancement of the human resources development program, etc.	Pages 34 to 37
Environment	Ongoing implementation of an environmental management system based on ISO14001, reduction in VOC emissions, etc.	Pages 40 to 43
Community/society/communication	20th anniversary of the technical seminar centered on Southeast Asia (FY 2009), etc.	Pages 38 to 39
Information security	Five principles of information handling and the Information Security Handbook released (reported in the FY 2009 CSR Report), etc.	Page 22

* 1 [ISO26000] International guidance on the social responsibility of organizations

* 2 [MDGs] Millennium Development Goals. Eight goals that international society should achieve by 2015, such as the eradication of extreme poverty and hunger, and the realization of universal primary education.

* 3 [Dioxin contamination incident] See <http://www.ebara.co.jp/dioxin/>. (Japanese site only)

Corporate Governance

At EBARA, we think it is important to enhance corporate governance and to continue to improve it, so that we will be thought of as a reliable company by our stakeholders and can continue contributing to society.

Corporate Governance Structure

EBARA's Board of Directors supervises business operations and makes important managerial decisions, while the Board of Corporate Auditors oversees the Directors in their performance of duties. Also, to speed up the business decision-making process and to streamline operations, the Executive Officers administer business operations.

To ensure transparency and objectivity in management, the Board of Directors elects 4 Outside Directors (out of a total of 12 Directors), who have no special interests in EBARA. Also, the majority of the Board of Corporate Auditors (3 out of 5) are Outside Corporate Auditors.

Outside Directors enhance the propriety of our decision making, by giving advice and supervision from an independent standpoint at Board Meetings. In addition, they make up a majority of the Nominations Committee and the Compensation Committee, ensuring transparency and objectivity in the process for selecting Directors and Executive Officers, and in determining their compensation.

Important issues concerning company-wide management policy and management strategy are thoroughly discussed in the Management Meeting held before Board Meetings. In addition, we use the Executive Officer Meeting to effectively communicate decisions made at the Board Meeting throughout the Company.

The Corporate Audit Department, a division under the direct control of the President, conducts internal audits of business operations in each EBARA Group Company, checking and evaluating their effectiveness, and offering advice and recommendations on the appropriateness of business operations and how to improve their quality.

Board of Directors Compliance Action Plan

Compliance is an important policy for the EBARA Group. To make everyone in the Group fully aware of and committed to compliance, the Board of Directors drew up a Compliance Action Plan in 2007, and has been implementing systematic activities based on the plan throughout each year, on an annual basis. Principal activities for FY 2010 included the appraisal of the EBARA Group's status of compliance practice by the Board of Directors, with dissemination of the assessment results to employees on the in-house intranet, as well as the implementation of self-inspection and self-appraisal of the internal control activities for the department under the jurisdiction of each Director and for the Board of Directors. We also held 8 discussion meetings between the President and employees to facilitate communication between top management and employees. Over 80 employees took part in the meetings, and had active discussions on a wide range of topics, not only about compliance, but also about attitudes toward work and about EBARA's business policy.

Group Administration

In FY 2009, EBARA established the Group Administration Basic Rules, which provide the basic policy for Group administration, as described below. Under this basic policy, EBARA is working to improve administration of the Group.

1. Each company belonging to the EBARA Group shall, as an independent entity, operate its business through autonomous management under the Corporate Philosophy and the Code of Conduct of the EBARA Group. EBARA shall support each Group Company for such purpose.
2. EBARA shall be positioned as the entity for Group administration of the EBARA Group. EBARA provides the necessary advice, instructions and guidance for the management of each EBARA Group Company from the viewpoint of group-wide optimization.

Compensation of Directors

The policy regarding compensation for the Company's Directors is determined by a resolution of the Board of Directors, with reference to the results of discussions made by the Compensation Committee, whose majority consists of half of Outside Directors. The policy on compensation for Corporate Auditors is decided through discussions of the Board of Corporate Auditors.

The Company's remuneration system for Directors is designed to encourage the execution and supervision of operations in line with the Company's management philosophy and to strongly motivate them to achieve the medium- and long-term management targets. Such remuneration consists of "Basic Compensation," "Performance-Linked Annual Bonus" and "Long-Term Incentives." The remuneration for Directors with higher positions and therefore greater responsibility for the performance of the Company is more linked to the business results of the Company. Outside Directors who are in a position independent from the execution of operations do not qualify for any performance-linked compensation. Therefore, they are paid only the fixed-amount compensation. The amount of remuneration for each Corporate Auditor is determined through discussions among the Corporate Auditors according to whether the auditor serves full-time or part-time, what degree of auditing duties he/she is assigned and other factors.

◆ Amount of Compensation Paid to Directors and Corporate Auditors (FY 2010)

Position	Total Amount of Compensation, etc. (millions of yen)	Total Amount of Compensation, etc. by items (millions of yen)		
		Base pay	Bonus	Stock options
Directors (11)	363	183	63	116
Outside Directors (2)	24	24	—	—
Corporate Auditors (6)	80	72	7	—
Outside Corporate Auditors (3)	32	32	—	—

Outside Directors and Outside Corporate Auditors (as of June 24, 2011)

[Outside Directors (4)]

● Tetsuya Yamamoto

He harnesses his ample experience and a wide range of knowledge as a former manager at a listed company for the management of the company.

● Seiichi Ochiai

He harnesses his wide range of knowledge and high-level insight as an university professor specializing in juristic research.

● Akio Mikuni

He harnesses his wide range of knowledge and high-level insight as a specialist in the area of corporate rating and financial markets.

● Sakon Uda

He harnesses his wide range of knowledge and high-level insight as a specialist of business management, etc., and manager of a company.

[Outside Corporate Auditors (3)]

● Yoshihiro Machida

He harnesses his wide range of knowledge and high-level insight as an university professor specializing in the areas including audit and internal control.

● Fumio Takahashi

He harnesses his wide range of knowledge and high-level insight as a certified public accountant.

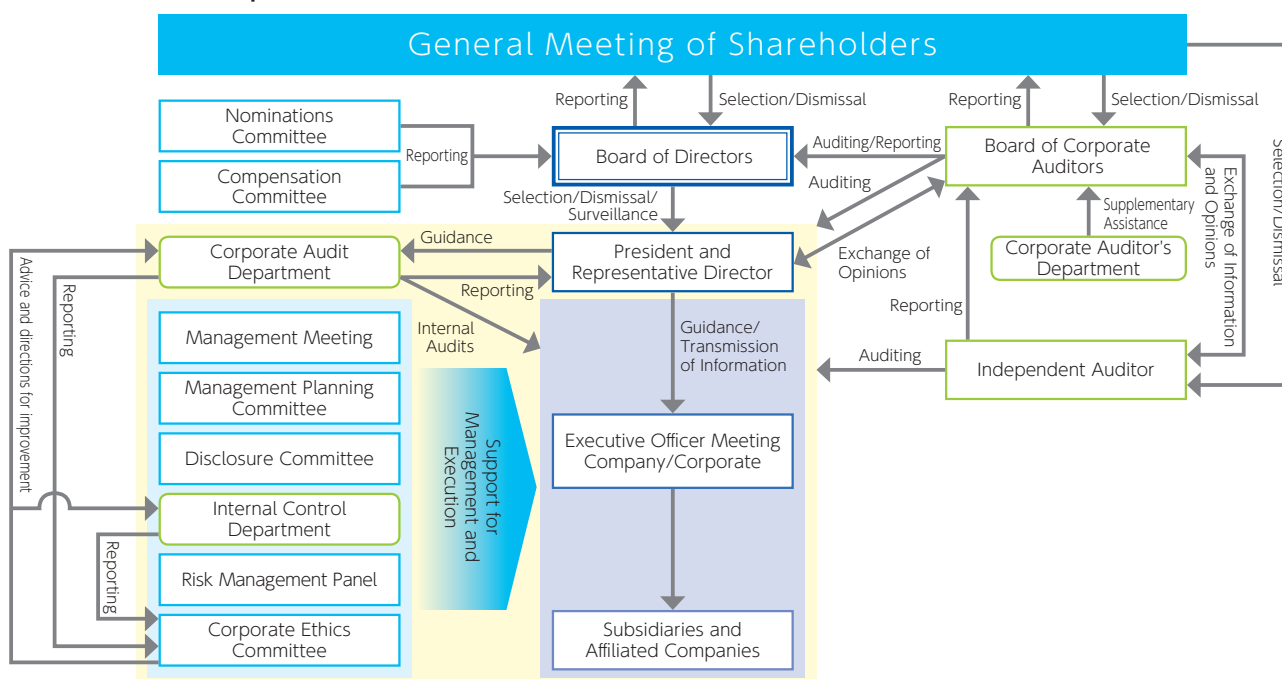
● Tadashi Urabe

He harnesses his wide range of knowledge and high-level insight as a lawyer.

The Company has filed a required notification to the Stock Exchange for appointing Tetsuya Yamamoto and Seiichi Ochiai as its independent directors/corporate auditors. In addition Akio Mikuni, Sakon Uda, Yoshihiro Machida, Fumio Takahashi and Tadashi Urabe satisfy the qualification for the independent directors/corporate auditors stipulated by the Stock Exchange.

◆ Outline of EBARA's Corporate Governance Framework

(As of June, 2011)



Internal Control and Risk Management

The EBARA Group has established and is assessing a system of internal control, to ensure proper operations under the intent of its policy to put compliance first, and aims at sustainable growth and higher corporate value.

Achieving the True Sense of Four Goals

In May 2007, one year before we inaugurated the Internal Control over Financial Reporting, we established a new dedicated support department. At that time, however, the concept of internal control had not yet become widespread within our corporation, such that we were not sure we would be ready for the system in time.

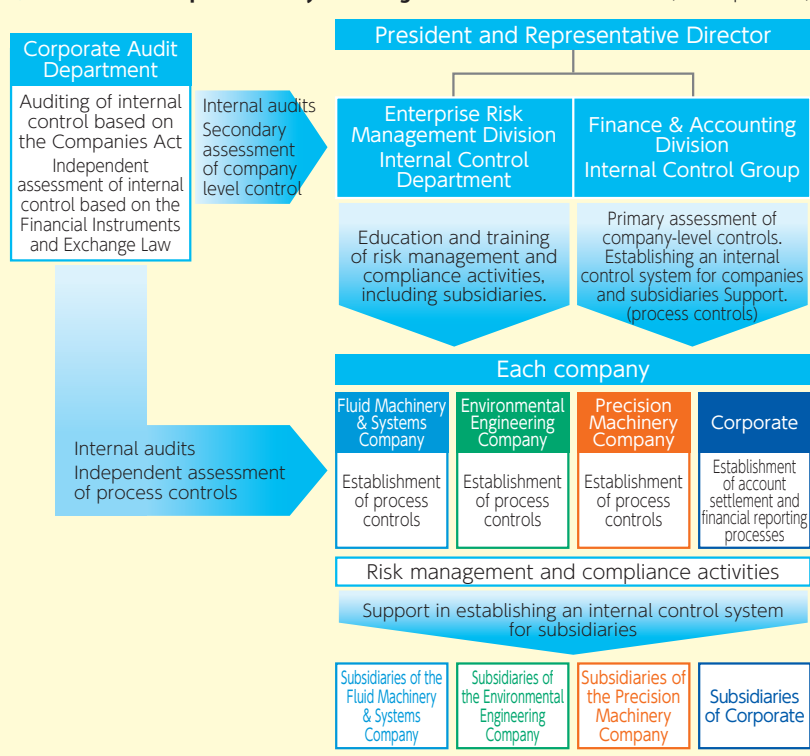
President Yago headed the internal control division (also acting as a Managing Executive Officer) and repeatedly advocated the importance of internal control, completely changing the sentiment in the workplace. Internal control implementation and evaluation activities were conducted uninterruptedly over the four years that followed, allowing the concept of internal control to spread and take hold in the workplace, contributing to the formation of a compliance-centric corporate climate in the EBARA Group. We believe this enhanced the reliability of financial reporting, fraud prevention, and the like. The effectiveness of internal control was also verified at the end of FY 2010. The new Mid-term Management Plan starting from FY 2011 will build on four objectives of internal controls (specifically, the effectiveness and efficiency of operations, reliability of financial reporting, compliance, and preservation of assets). In terms of institutional preparedness (reliability of financial reporting), relatively risky operational processes and offices have been identified through the activities carried out so far. The next task will be to pursue even more effective activities, with greater priority placed on achieving improvement of each operation. In the meantime, efforts will be concentrated on a broader range of challenges for internal controls, including compliance with laws and regulations that are closely connected to EBARA Group's operations, such as "Construction Business Act" and "Act against Delay in Payment of Subcontract Proceeds, ETC. to Subcontractors"; managing extensive corporate risk, such as disaster preparedness for, for example, earthquakes; and a review of the operational processes associated with a renewal of the core information system.



Tetsuji Fujimoto
Director of the Board
Managing Executive Officer
Division Executive
Group Management, Finance & Accounting, Internal Control

Internal Control Promotion System

◆ Internal control promotion system diagram (As of April 2011)



Since 2007, the Internal Control Improvement & Enhancement Division (renamed the Internal Control Division in FY 2009) has worked to implement a system for ensuring the propriety of our operations in accordance with the Companies Act (hereinafter called Internal Control obliged by the Companies Act), and the Internal control over reporting system (hereinafter called internal control in the Financial Instruments and Exchange Act) in accordance with the Financial Instruments and Exchange Act. Through the activities carried out to date, the concept of internal control has steadily spread throughout the EBARA Group organization, satisfying the original goals.

Activities Directed at Building a System of Internal control in Companies Act

■ Internal Control Basic Policy

Since the EBARA Board of Directors decided on the implementation of an internal control system as the Internal Control Basic

Policy at its May 2006 meeting following the enforcement of the Companies Act, all domestic consolidated subsidiaries completed the formulation of their own basic policies for implementation of their internal control system by FY 2007.

In 2010, the part of Internal Control Basic Policy was separated and set forth as Internal Control Regulations, to help expedite the process of ongoing improvement of the system.

The EBARA Group abides by the Internal Control Basic Policy and the Internal Control Regulations, to implement a system that ensures our operations and verifies the effectiveness of the system. The system will be often upgraded using PDCA cycles.

Risk Management

Risk Management System

EBARA understands risk management is at the core of internal control obliged by the Companies Act. That is why we established the Risk Management Panel, which is chaired by the President and has full-time directors taking part to supervise risk management activities in the EBARA Group. It also supervises the Risk Management Committee, which is a subordinate organization in each company and in Corporate that conducts risk countermeasure activities.

Our risk response activities are divided into two risk. One is a comprehensive risk, and the other is individual risk. Comprehensive risk includes compliance violation and business operational issues. Individual risk includes assessment of projects (based on the specified authority), and measures for the occurrence of earthquakes and other crises. Specific risk issues, such as Security trade control and environmental management are handled by separately inaugurating cross-sectional committees, as appropriate. As for comprehensive risk activities, we focused on compliance in 2009, and worked to deal with the Construction Business Act. In 2010 we also added activities to handle: "the Act against Delay in Payment of Subcontract Proceeds, ETC. to Subcontractors", "the Antimonopoly Act" and "Disguised contract labor". We assessed these four compliance correspondences to be an important risk of all EBARA Group, and focused on those business processes that relate to this important risk, for the purpose that each company and the subsidiary company is appropriate to manage those risks.

As part of its crisis preparedness, the EBARA Group prepared a business continuity plan for dealing with the influenza A (H1N1) pandemic in FY 2009. The Group has embarked on a program to prepare an earthquake BCP, having started in FY 2010.

Group Risk Management

The EBARA Group endeavors to build a framework that allows the sharing of information across the Group, including information about specific risk among Group companies, each company's inherent risk, and risk common to all companies.

EBARA Group Risk Management System



Responses to the Internal Control over Reporting System

We had started analysis and improvement of the business processes before one year of the enforcement of internal control over reporting system relevant to the Financial Instruments and Exchange Act (in FY 2008). From FY 2008, EBARA group has been executing maintenance, operation, and evaluation for four items according to the practice standard of the internal control over reporting system: "Company-level controls", "Financial Statement closing process", "Process-level controls", and "IT general controls". We set themes for the internal control activities to cultivate a deep understanding of internal control in everyone and improve operational quality.

Yearly Activity Themes

Fiscal year	Theme	Reason for theme selection	Implementation goal
2008	Introduction of a new system	To fulfill mandatory corporate social responsibility as a publicly listed company.	<ul style="list-style-type: none"> Visualization (documentation) of operations Defect-free (at the end of the term)
2009	Consolidation of the concept of internal controls in the workplace	To enhance understanding among business persons by implementing self-assessment and other programs.	<ul style="list-style-type: none"> Implementation of a self-assessment program Disclosure of defect cases Review of Group Governance
2010	Completion of the institutional preparedness work	To simplify the institutional preparedness workflow for the allocation of resources to improve operations.	<ul style="list-style-type: none"> Strengthening of the corporate structure Assurance of operational quality Promotion of an efficient assessment workflow

As a result of the execution of the there years activities of internal control over Financial Instruments and Exchange Law, we ensured the effectiveness of assessment of internal control activities and the reliability of financial reporting.

It is our commitment to continue the internal control. We are striving to improve the quality of internal control over the Financial Instruments and Exchange Act as a business improvement tool, focusing on financial account settlement operations. And, we are sure that a further enhancement of the risk management is absolutely necessary for internal control in Companies Act.

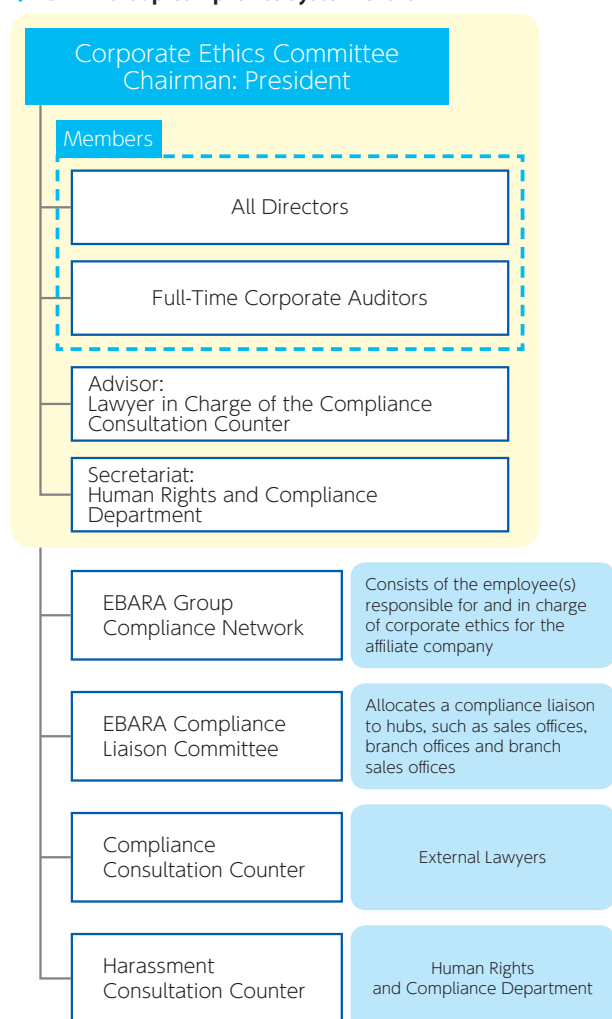
Compliance

The EBARA Group defines compliance as not only complying with laws and regulations, but also following internal regulations and other rules, and sincerely acting in accordance with social norms, common sense, and good sense, to be a good corporate citizen that is evaluated and trusted by our stakeholders.

Corporate Ethics Committee

The Corporate Ethics Committee was established in May 2005 to promote compliance management that conforms to the EBARA Group's Code of Conduct. The committee holds four meetings a year. The Committee is made up of the entire Board of Directors and the Full-time Corporate Auditors, and is chaired by the President. The committee members discuss issues related to Group corporate ethics and compliance, and give instructions and commands for improvement, as required. Since the September 2008 session, the Committee meetings and their discussions have been briefed to employees to increase their awareness of the Committee's work. Beginning with the December 2009 meeting, representatives of EBARA Group companies have taken turns attending meetings to report on their respective principles of pursuing compliance management and the status of their activities, thereby raising the compliance consciousness of the EBARA Group.

◆ EBARA Group Compliance System Chart



EBARA Group Compliance Network

The EBARA Group Compliance Network was launched to drive compliance management for the EBARA Group. Its membership consists of corporate ethics controllers and coordinators from EBARA Group companies. The Network issues regular reports four times a year and meets twice a year. The reports are presented at the meetings and are reported to the Corporate Ethics Committee.

The FY 2010 Network confirmed that the goal of compliance should not be approached as a regulatory or prohibitive activity, but as a way of maintaining better working environment and improving the value of the EBARA Group.

Compliance Liaison System

We introduced the compliance liaison system in 2007 to create a corporate culture that keeps attention to compliance and has self-enhancement. This system allocates liaison officers at the head office and at hubs nationwide, and offers a familiar consultation counter for problems relating to compliance that occur in daily work. The inauguration of this system, as an addition to the Compliance Consultation Counter already in place, is intended to support liaison officers recognize local compliance risks in their respective workplaces and thus maintain a compliance-conscious environment that self-enhancement itself.

Four times a year, the liaison officers report information such as the status of their respective workplaces and any risks that have been identified. An overview of their reports is conveyed to the Corporate Ethics Committee. In addition, two training sessions are held each year and the results are passed down to the workplace to help foster a sense of compliance.

The FY 2010 training session featured an explanation of the minutes of the Corporate Ethics Committee, action reports from liaison officers, and group debates using the World Café Method^{*1}.



World Café Method

Compliance Consultation Counter and Consultation Results

The EBARA Group set up the Compliance Consultation Counter in March 2003, staffing it with lawyers from outside the Group. It

is intended as a whistleblowing system, to promptly determine the facts in cases where laws and regulations may have been violated and/or where internal rules have been breached by organizations or individuals and to facilitate early amelioration and resolution. In FY 2010, the Compliance Consultation Counter consulted on 30 cases. Since it was established, the Counter has accepted and successfully handled approximately 230 cases. Details of some consultations and the responses to them are released to all employees after obtaining consent from those concerned, in order to prevent similar cases from occurring.

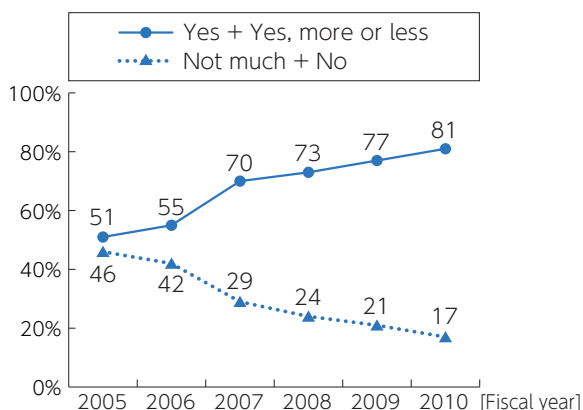
Exclusion of antisocial forces from the EBARA Group

The EBARA Group has established basic policies that are rooted in fundamental internal control policies that block any formation of ties between the Group and antisocial forces and prevent any damage from these forces. In accordance with these policies, we established the Antisocial Forces Countermeasure Headquarters, to implement compliance in closer cooperation with relevant international bodies. In addition, training and other sessions for Headquarters officials are being actively conducted.

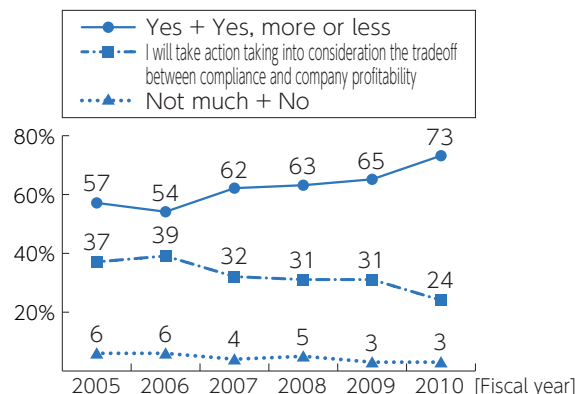
Compliance Awareness Survey (Questionnaire)

The results of the FY 2010 questionnaire (conducted in January 2011) indicate that employee understanding of the Code of Conduct and awareness of the need to give priority to compliance have improved, as was seen in 2009. It also indicated that the atmosphere in the workplace is steadily improving toward an environment where one feels one can speak freely. It was also confirmed that company leaders and executives have taken the lead in promoting their own sense of compliance, which has in turn enhanced the sense of compliance among employees.

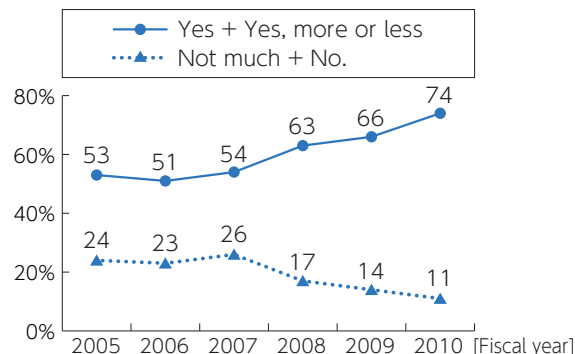
◆ Do you think the company is seriously committed to compliance practices?



◆ Do you think you would give priority to compliance if compliance is likely to reduce company profits?



◆ Are Top executives (Chairman, President, Directors, Executive Officers, etc.) taking the initiative to set a good example of compliance with the Code of Conduct with their leadership?



Global Compliance Readiness

All of EBARA Group's overseas subsidiaries have formulated their own version of the Code of Conduct, customized to comply with local laws and regulations. To further promote compliance efforts with the individual Codes of Conduct, the EBARA Group has, on its own initiative, been working to enhance the operational aspects of Code of Conduct practices.

In October 2010, compliance briefing meetings were held for Chinese subsidiaries. The meeting explained the current status of Chinese legislation, and described the bribery cases that have been occurring frequently as a consequence, through presentation of those examples. The meeting helped the Chinese subsidiary better recognize the importance of compliance in China.

In FY 2011 and going forward, EBARA and the Chinese subsidiary will team up to drive compliance promotion activities in China, by using a Code of Action Reference Guide that was compiled to match Chinese legislation and the present situation in the country.

* 1 [World Café Method] A method for hosting dialog.

Information Security

Through our responses to the Great East Japan Earthquake, we confirmed that the information security was inevitable even for the IT-BCP in times of natural disaster or emergency.

We are ready to offer information security for a variety of environments, not only domestically, but also abroad.

Keeping Information Available in Times of Natural Disaster or Emergency

Responses to the IT-BCP

Our Group Data Center (DC) was not directly damaged by the Great East Japan Earthquake, but the Center was forced to periodically stop operations due to planned power outages. As a result, we refurbished our contingency framework, thereby making the power supply more independent by inspecting our UPSs (uninterruptible power supplies) and improving our power generators, and by maintaining documented operating routines and conducting training sessions. Beginning with FY 2011, we will explore the feasibility of using external DCs, from the viewpoint of redundancy and costing. In addition, energy reduction and saving measures will be put into action for the existing DC.

Reinforcement of Information Security Management

Recently information leaks have had an immense impact on businesses. This gives rise to the need for having information security built into the corporate structure. Customers and clients urge tougher information security management.

With this as the backdrop, we are presently working on the Group Information Security Management System, as illustrated below. When completed, the system will allow us to control and administer information security management on a day-to-day basis, and also direct and implement responses to information

leaks if they should occur.

To ensure a thorough implementation of information security, we formulated the Five Principles of Information Handling, and to educate and promote general awareness of the concept of information security we provide the e-learning and the company newsletter.

Implementation of Operations Management at Affiliates

The information security practices of our affiliates are properly managed according to the Rules on Group Administration Procedures.

During FY 2011, we plan to direct our major overseas Group companies to investigate the status of the implementation of their information security measures, and to conduct education on security.

To support business expansion into overseas markets, we will also survey the status of information security and encourage communication to help identify problem areas.

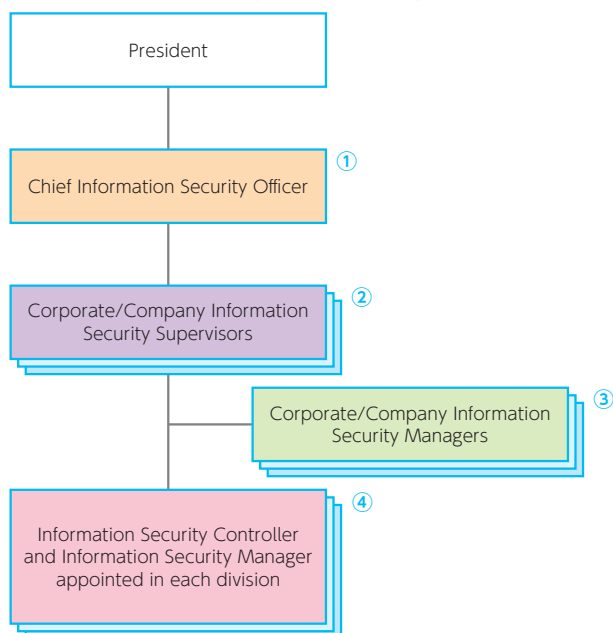
Responses to Diverse IT Environments

So far we have implemented information security measures that are mainly designed to manage the network and in-house system elements of our IT environment. We introduced an authenticated LAN function^{*1} and system access control through integrated ID management.

At the present pace of IT technology development, one can picture oneself working remotely in an environment outside the company, using devices such as smart phones and tablet devices. We are ready to explore information security measures that are compatible with such diverse IT environments.

We are also working on implementing thin clients^{*2} that do not leave information on a mobile PC, not only because they can offer effective protection against information leaks, but because they are also effective in lightening existing workloads, such as mobile PC encryption and information carry-out control.

◆ Group Information Security Management System



① : Chief Information security Officer for the entire EBARA Group

② : Information security supervisor of Corporate and each company

③ : Perform the operations needed to administer the information security management system

④ : Establish and maintain the information security management system in each division.

* 1 [Authenticated LAN] A facility that grants access to an intra-network only to authenticated PCs.

* 2 [Thin client] A system on which data are managed on a server, rather than being kept on user PCs.

Information Disclosure and Communication

The EBARA Group discloses information and promotes communication through various media and tools, in order to become a corporate citizen that acquires broad acceptance from, and grows together with, society.

Policy on Information Disclosure and Communication

The EBARA Group believes that promoting mutual understanding with stakeholders and earning their trust is an integral part of sustainable corporate growth. Therefore, we pursue a policy of disclosing information actively to encourage a deeper insight into the Group.

The Group discloses sensitive management information and corporate information in a fair, appropriate, and timely manner in

accordance with relevant various governing laws and regulations, such as the "Financial Instruments and Exchange Law" and the "Rules on Timely Disclosure of Corporate Information by Issuer of Listed Security and the Like" stipulated by the Tokyo Stock Exchange. Even information that is not subject to laws or regulations for timely disclosure, the Group discloses information aggressively to help people understand the Group through various ways, such as news releases, websites and exhibitions. The Group also takes advantage of direct and indirect communication opportunities to release information proactively.

◆ Information Disclosed by the EBARA Group to Key Stakeholders and Opportunities for Communication

Customers	● Product and service information	The EBARA Group makes much of communication with customers in our day-to-day marketing activities. Product and service information is offered through catalogs and websites.
Shareholders and investors	● Management, business and financial information	The EBARA Group discloses management, business and financial information in a fair, appropriate, and timely manner. In addition to direct communication, such as at analyst meetings and general shareholder meetings, the Annual Report and the Business Report are published in print and on our website.
Suppliers	● Business status ● Policies and goals regarding procurement, environment, product quality and safety	The EBARA Group's business highlights, policies, top priority tasks for the current year and other information are presented through the "Partner Companies Association" which is an organization of suppliers involved in the implementation of the Group's businesses. The Group holds training sessions together with the Environment Health and Safety Partner Association to help maintain a safe and healthy work environment.
Society and community (including administrative agencies and academic institutions)	● Environmental impact of corporate activities on the community ● R&D information	We invite residents in our districts to factory-tour and summer evening gatherings, to promote friendship and communication between the residents and the EBARA group and to maintain mutual trust. Data on environmental impact, such as waste water and gas emissions from our major production bases, and environmental data, such as energy consumption and waste discharge, are periodically published and updated on our website. We also organize factory tours and basketball clinics, in response to requests from schools in the community. And, we publish the R&D accomplishments of the EBARA Group in our quarterly magazine, the EBARA Engineering Review (booklet and website), to promote cooperation between government, industry and academia.
Employees	● Management policy and goals	We use our group magazine and intranet to promote general awareness of the EBARA Group's management policy and related concepts. With the goal of creating a better workplace environment across the group, we hold a Joint Labor-Management Conference with the labor union periodically and when needed, working together to solve problems and share information.

◆ Tools for Communication Between the EBARA Group and Stakeholders

Circulation: FY 2010

Information Disclosure Tool	Frequency	Circulation and media	
Annual Report	Once a year	English: Booklet (2,500 copies) and website Japanese: Website	Reports annually on operating information, mainly for shareholders and investors. A Japanese edition of the Annual Report has been available on the website since FY 2008. English http://www.ebara.co.jp/en/ir/library/annual/index.html Japanese http://www.ebara.co.jp/ir/library/annual/index.html
Business Report (for shareholders)	Once every half term	Japanese: Booklet (50,000 copies) and website	Reports on business highlights. Booklets of business reports are forwarded to shareholders and the contents are published on the website as well. Japanese http://www.ebara.co.jp/ir/library/report/index.html
CSR Report	Once every fiscal year	Japanese: Booklet (5,500 copies) and website English: Website	Reports on the accomplishments of the EBARA Group's CSR activities and future goals. Japanese http://www.ebara.co.jp/csr/csr/index.html English http://www.ebara.co.jp/en/csr/csr/index.html
EBARA Engineering Review	Four times a year	Japanese: Booklet (5,400 copies) and website	Presents the EBARA Group's latest R&D results, new product development and delivery information. The EBARA Engineering Reviews are distributed to research institutions, academic institutions, libraries and other institutions. Japanese http://www.ebara.co.jp/business/tech/abstract
Various Corporate Brochures Business Guides	Updated sequentially	Booklet and website	Presents a broad, comprehensive insight into the EBARA Group. A new business guide was released in 2010 to promote better understanding of the EBARA Group's fluid machinery & systems business among students and the general public.

For providing superior products, technologies and services

The Fluid Machinery & Systems Company produces a variety of equipment and facilities related to water and air, such as pumps, fans, compressors, and chillers that support the social and industrial infrastructure and people's lives in general. The Company is working to upgrade and expand overseas production, sales and service locations, to support our customers around the globe.

Addressing the Need for Water and Energy and its Challenges

The Fluid Machinery & Systems Company supplies products that convey or compress fluid such as liquid, air and steam, including pumps, blowers, turbines, compressors and chillers for handling cold and heat. Pumps are an integral part of water supply and sewerage systems, building water supply and drainage systems, and power plants. Compressors play a vital role in oil refining, petrochemical, LNG and other kinds of processing plants and chillers are essential in air-conditioning facilities for buildings and plants. In many countries and regions around the world, the pace of economic and industrial growth is dictating the speed at which they must develop their water-related infrastructure, including industrial and drinking water supply systems, water and sewage works and rainwater drainage facilities. Among the various equipment and technologies used at power plants in countries and regions with mounting energy demand, the dominant need is for high-pressure pumps that feed water to high-pressure boilers, and large scale pumps that feed equipment requiring large amounts of cooling water. Attention is also focusing on high efficiency heat-source systems for turning waste heat and underwater and underground heat into thermal energy. It is our company's responsibility to meet the global challenges for water and energy with our complement of cutting-edge expertise, experience and know-how, and continue producing products that underpin the community, industry, and life in general.



Large Horizontally Split Type Compressor

Accomplishments and Initiatives of Our Concern for Being an Industrial Equipment Manufacturer

Since its founding in 1912, EBARA has been offering a variety of fluid machinery that has kept pace with the changing times, including pumps, blowers and compressors. For example, the number of standard pumps produced in FY 2008 rose to the 15-million-unit level, with shipments of cryogenic pumps*¹ reaching 5,000 units in FY2009. The production of duplex stainless steel pumps designed for use in desalination and power plants topped 160 units by the end of FY 2010. These achievements prove the trustworthiness of our technologies, which have been consistently developed to address evolving

social needs for the nearly 100 years that EBARA has been in business. After marketing a centrifugal chiller in FY 2009 that has one of the world's highest energy efficiencies, Ebara Refrigeration Equipment & Systems Co., Ltd. merged with EBARA Shinwa in November 2010 to lay a framework for offering refrigeration equipment and systems in an integrated workflow. In January 2011, the company launched a merger with Elliott Company in the U.S., to offer global solutions to customer needs



Cryogenic Pumps for Liquefied Natural Gas

in various industrial sectors, including petroleum and gas. The merger supports the growth of the EBARA Group while addressing social challenges, remaining firmly rooted in our "concern for being an industrial equipment manufacturer," which is set forth in our mid-term management plan, E-Plan2010.

To Contribute Even More From a Global Perspective

We are committed to manufacturing products designed from the perspective of our global customers, outsourcing from global sources, and providing services globally. To achieve this goal, it is essential that we increase production efficiency, enhance engineering capabilities at our bases in each country, strengthen support for products delivered to global customers, more strictly conserve energy to help combat global warming and develop more efficient products. To help keep our Company's products running stably for extended periods, we will promote prompt supply of spare parts for maintenance work and ongoing training for our maintenance engineers. In addition to improving product quality, safety, reliability and durability, we will also upgrade the environmentally friendly characteristics of our products, such as energy and space savings, so that we can offer world-class solutions to the challenges of building top-level water infrastructures, flood control, and supplying energy.



Supervision of the assembly of a duplex stainless steel seawater pump (Saudi Arabia)

Globalization Policies of the Fluid Machinery & Systems Company

The Company owns 15 firms (including EBARA) in Japan and 43 (consolidated and non-consolidated) in various parts of the world. In preparation for the 100th anniversary of its founding in the next fiscal year, the EBARA Group realized that in order to make a broad social contribution as one of the world's leading industrial equipment manufacturers over the next 100 years, there is a need to boost the global competitiveness of each of the Group's businesses, whether it is based in Japan or overseas. The Group will be transitioning from the previous Japan-based export scheme to a full-fledged localized scheme, under which production, sales and services are distributed locally, and will also be tying together its bases into an efficiently coordinated network. The aim is to shape a business structure that enables the Group to offer products and services sought by its global customers at competitive prices and with competitive lead times.

China and India

Ebara Boshan Pumps Co., Ltd. manufactures, sells and services products, such as large pumps for use in power generation and pumps for large-scale water infrastructure facilities, to meet the demand from the petrochemical, power generation and construction equipment industries. Ebara Great Pumps Co., Ltd. mainly manufactures, sells and services pumps designed for the petrochemical industry. Ebara Machinery (China) Co., Ltd. manufactures, sells and services standard pumps, while the Yantai Ebara Air Conditioner Co., Ltd. manufactures, sells and services chillers and cooling towers, to serve the construction equipment industry and private industry. Indian demand for

industrial pumps is fulfilled by Kirloskar Ebara Limited. The company also manufactures and sells medium-size and small-size steam turbines for waste heat-based privately owned power generation plants, to meet the demand from the petrochemical industry and from general industry in China and India.

Southeast Asia and the Middle East

With the prospect of further growth in industrial infrastructures in Southeast Asia, mainly in the power and petrochemical industries, EBARA is manufacturing and selling standard and large scale pump products tailored to local needs. With an extensive record of deliveries in Southeast Asia and the Middle East so far, the Company is reinforcing its after-sales service structure, in particular, boosting after-sales service promotional campaigns in Saudi Arabia, where we have the largest delivery record for the region.

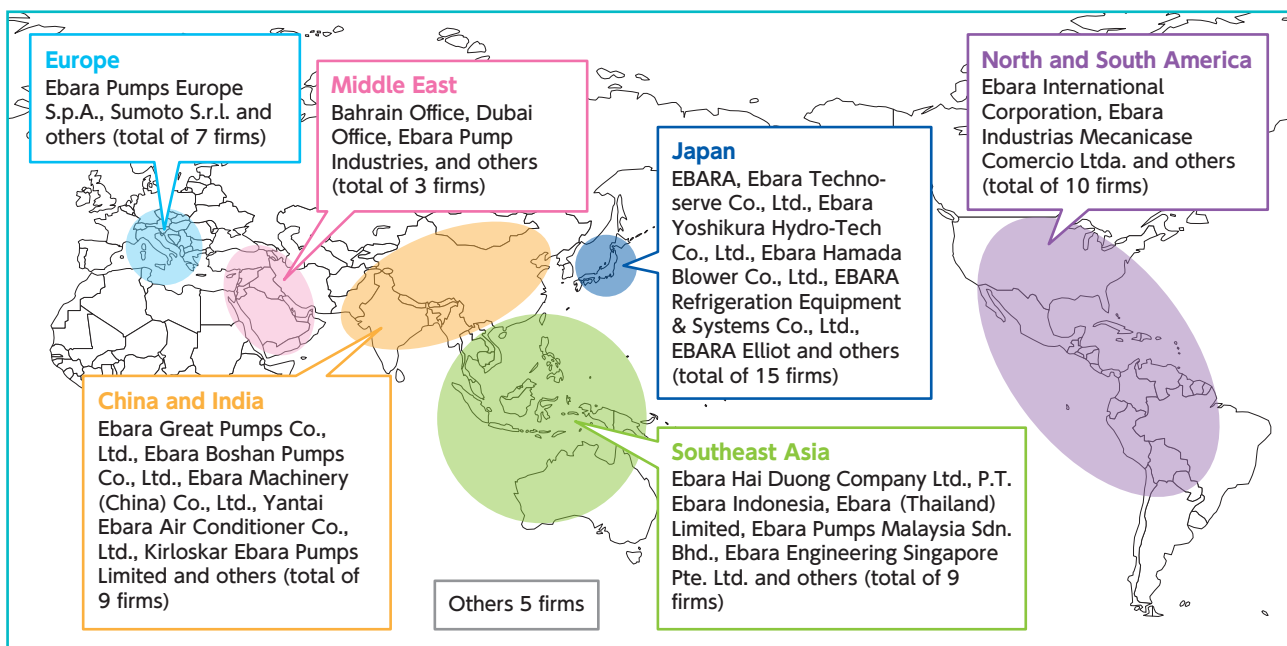
North and South America, and Europe

In addition to manufacturing original Ebara products, such as LNG cryogenic pumps and submersible motors, our companies in these regions work as North and South American sales and service centers for EBARA Group products manufactured in other locations. For compressors and turbines, in addition to development and manufacturing, EBARA provides active after-sales service, including periodic inspections, repairs and overhauls of products already in the field, through a worldwide technical support network.

Japan

Japan serves as EBARA's mother factory, delivering to global locations the expertise in production, manufacturing and quality that has been fostered through our adherence to monozukuri (manufacturing).

Main affiliates and business offices of the Fluid Machinery & Systems Company around the world



* 1 [Cryogenic pump] A pump used in the transport and storage of very low temperature gases, such as ultra low temperature liquefied natural gas.

Building a Support Framework for Desalination Plants and the Petrochemical and Gas Industries

We have delivered a large number of pump products for use in desalination plants and in petroleum and natural gas plants in the Middle East.

As a region dominated by desert, the Middle East relies heavily on seawater desalination and supply of fresh water to sustain the lives of its people and industries. Products substantiated by our advanced technical capabilities play a significant role in resolving water issues in the Middle East. We also support the energy industry in maintaining a stable supply of resources and energy, as one of the few global manufacturers of special pumps that convey petroleum and liquefied gases.. Customer trust acquired in these industries has enabled us to deliver more than 10,000 custom-made pumps, including large pumps and high-pressure pumps, to six GCC nations in the Middle East*¹ up to FY 2010.

In our previous practice of post-delivery service, the needs voiced by our local customers were collected and handled in Japan. As a result, we had difficulties gaining a precise insight into the status of individual customers. This sometimes caused delays in costing or technical solutions, or resulted in responses that did not meet local processes or schedules. In other words, we fell short of full customer satisfaction. To rectify this, we built a base in Bahrain on the Arabian Peninsula in 2010 to offer improved after-sales service. We are now hard at work building a long-term relationship of mutual trust with our customers, to keep the pumps that we deliver to them in top condition at all times. And our efforts will continue to develop our framework of after-sales service and keep it close to our customers, as another expression of our "concern for walking with our customers."

VOICE.....→

Respecting Customer Culture and Customs as a Key to Business Success

Hideki Kanno
Middle East Region Marketing & Sales Office,
Bahrain



Since taking my post in Bahrain in 2010, I have worked on launching after-sales businesses for our customers. Through my work in this Islamic region, I have come to keenly understand that respecting and addressing customer culture and customs with flexibility and with the same feeling that the customers have, is a vital key to building ties of mutual trust. I would like everyone in our Group to understand that to win customer satisfaction for our products and services in countries and regions that cherish a diversity of cultures and customs, it is not only important to offer high product quality, fast delivery times, competitive pricing and environmental performance. It is also very important to promote a deeper understanding of all aspects of the customer relationship.

Promoting Increased Energy Savings for Standard Pumps

An example of how we implemented our "concern for being an industrial equipment manufacturer" and our "concern for improving the environment," both set forth in E-Plan 2010, is seen in our SSLD model of Non-submersible pump (picture shown on page 6). Released in April 2010, the pump is part of the Save Energy Series of standard land pumps, designed for higher energy savings. With amendments to the Law Concerning Rational Use of Energy going into effect and Tokyo and other municipalities starting to regulate total CO₂ emissions, the task of making building equipment and facilities more energy-efficient is becoming ever-more important for the Company. In large buildings and plants, feed water pumps are used to deliver air-conditioning, drinking, and industrial water to everywhere in the building. If these pumps are made more energy-efficient, they will in turn make the buildings or plants more energy-efficient, helping to reduce CO₂ emissions. If SSLD model pumps are operated in auto run mode in these applications using a pump controller, it is estimated they will provide 56% more energy savings and CO₂ reduction than our conventional products designed for similar applications, while offering equivalent performance. To pursue the concept of the "Concern for being an industrial equipment manufacturer", we have also succeeded in improving total efficiency of pump/motor by up to 10 points over previous models, by taking advantage of the "inverse solution analysis" process and EBARA's exclusive flow analysis technology. At the same time, we were able to achieve drastic cuts in power consumption using high-efficiency permanent magnet synchronous motors. In October 2010, the Save Energy Series was expanded, offering additional proactive solutions to customer needs for energy conservation.

VOICE.....→

Making Standard Pumps Save More Energy to Reduce CO₂ Emissions

Masahito Kawai
Standard Products Development Department



In developing the SSLD model, we completely rethought the components of the pump, including the motors and controls, from the standpoint of eco-friendliness, pursuing the highest possible energy savings. Each standard pump has relatively low power consumption on its own. However, when larger numbers of standard pumps are used together the energy consumption is quite high. We believe that making standard pumps more energy-efficient and deploying these pumps into standard applications will offer an effective way of reducing CO₂ emissions. And we are committed to continuing our contribution to environmental protection through the development energy-saving products.

* 1 [Six GCC nations in the Middle East] United Arab Emirates, Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia

The “FIT” Total Participation Production Innovation Movement

A production innovation movement called “FIT” (Futtsu Innovational Total productivity), which involves participation from all employees of a plant, was launched at the Futtsu Plant, which went into operation in January 2010 to replace the Haneda Plant.

This movement comprises a number of concepts: growing into a plant that has world-class product development, engineering and manufacturing capabilities; continually transforming and evolving in the spirit of *monozukuri* (manufacturing) as an industrial equipment manufacturer; creating a flagship plant within a production network in the global market; and remaining a key base for the custom pump business and for large and high-pressure pumps. To realize these concepts, the movement has set objectives to double production capacity with the existing workforce and production facilities and reduce lead times and work-in-progress by one-half. Ongoing efforts toward this include trimming design lead times through standardization, modularization, 3D/CAD implementations and other methods; migrating from experience-based production planning to logic-based and leveled production planning; upgrading to a Just in Time^{*2} production management system for materials and equipment that minimizes work-in-progress without rework and waste; and improving net operation rate through work study aided by video and other media. General guidelines have been compiled into a portable “FIT Production Innovation Notebook” to help analyze achievements against defined indicators, identify problems, and upgrade approaches for achieving the indicators. Moreover, the Pump Skill Training Hall is used to improve individual worker skills.

VOICE

Refining and Passing Down the Expertise of “*Monozukuri*” (Manufacturing), the Key for Improving Productivity

Sachio Yamamoto
Employee Relations Department,
Ebara Futtsu Plant



The Pump Training School is a training center at the Futtsu Plant that helps trainees acquire the fundamentals of “*Monozukuri*” (manufacturing, pump manufacturing) and upgrade their skills. At the Pump Training School, they practiced skill training for about 50 locally hired workers to reinforcement, in preparation for operating the plant. They practice training for manufacturing experts, who will play a key role of plant administration in the future. They also train new workers recruited for manufacturing of custom pumps. At the Pump Training School, skills are passed down from senior staff to the younger worker, in step with the activity of “FIT” (Futtsu innovative total activity).

Harnessing Untapped Energy – From Japan to the Global

The area surrounding the world's tallest free-standing broadcasting tower, TOKYO SKYTREE®, is being built as a place where Japan's cutting-edge technologies can converge to construct a community that represents Japan's commitment to the environment. EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD., with its extensive delivery record of air-conditioning systems and related equipment, was selected as the manufacturer for the water source heat pumps used for air-conditioning in the area. The water source heat pumps make use of unused energy, such as waste heat from seawater and river water, and are being used in the geothermal heat utilization systems for area-wide air conditioning.

Other equipment has also been used, including turbo chillers, which offer one of the world's highest efficiencies and help reduce CO₂ emissions. Waste heat generated from our daily lives and from production activities are a source of heat island circulation and global warming. The EBARA Group's chillers business is committed to making efficient use of underground and underwater heat, to support industry, and to help maintain a comfortable lifestyle for us all. The management merger between EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD. and EBARA SHINWA LTD. in 2010 has prepared us for offering self-contained solutions for chillers and cooling towers, both of which are key components of air-conditioning and heat source systems. Working in conjunction with its bases in Yantai and Qingdao, China, the Company is proposing the utilization of unused energy sources, such as waste heat, and the building of high-efficiency communities in countries and regions around the world, to forge a rich and comfortable social system, while preserving the global environment.

VOICE

Customers' opinions

Expecting Some of the Highest Energy Saving Performance in the World

TOBU ENERGY MANAGEMENT CO., LTD.



Japan's new landmark, TOKYO SKYTREE TOWN® is seeking the highest levels possible for global environmental protection, for amenity and for every other aspect of the Town. Our choice of EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD. was primarily motivated by their potential for creating an environment that is the friendliest both to the earth and to human beings, with year-round high energy savings even when both cooling and heating are required, such as in spring and autumn. We hope many people will visit the TOKYO SKYTREE TOWN®, which is an environmentally-friendly place for people from all over the world to gather and create a new culture.

* 2[Just in Time] A production scheme where materials required for downstream processes are supplied just when they are required and in just the right quantities.

To provide superior products, technologies and services

The Environmental Engineering Company is committed to keep offering total solutions for creating a safe and secure recycling-based society, both domestically and abroad, in a framework geared at constructing, maintaining, and managing and operating waste treatment facilities within a fully integrated workflow.

The Principle of Creating a Sustainable Society

Modern society is confronted with numerous challenges, such as the global depletion of resources and global warming caused by massive consumption of fossil fuels. The Environmental Engineering Company is working on resolving these challenges by offering advanced technologies and services in the environmental and energy business fields for infrastructure facilities, such as solid waste treatment facilities. Attention is being focused on our waste incineration and gasification technologies, for their abilities to efficiently convert heat from waste incineration into electric power, to help to prevent global warming. However, with the widespread practice of 3R*¹ and falling population caused by dwindling birth rate and an aging population, the quantity of wastes has been decreasing to such an extent that waste treatment facilities built to incinerate large amounts of waste in the past are now forced to seek new ways to run more efficiently. Moreover, due to the financial austerity, municipalities are getting to extend the service life of existing waste treatment facilities to periods of 40 to 50 years by replacing part of the equipment instead of constructing new ones. The Company offers technologies and services that help prevention of global warming, including proposals for building new facilities or modifying existing facilities to cut CO₂ emissions through high-efficiency waste power generation and energy savings, and operational measures to improve power generation efficiency. The experience and achievements accumulated by the EBARA Group in consistent technologies and experiences of constructing, operating, and managing and maintaining waste treatment facilities are linked to the expectations and trust of our customers responsible for waste treatment, which include municipalities.



Ichihara City Fukumasu Clean Center
Second Waste Incineration Plant

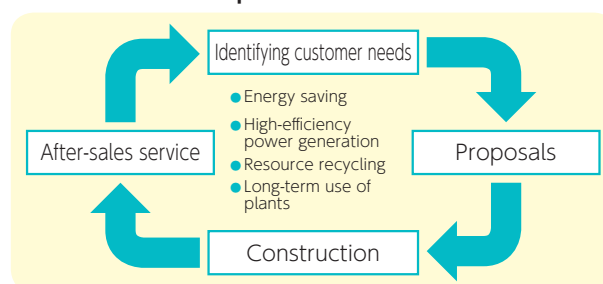
Integrated Businesses to Fulfill Customer Needs

In FY 2009, the Company drastically restructured the business structure, to integrate the engineering, procurement, and construction (EPC) business and the operation and maintenance (O&M) business for waste treatment facilities, which had previously been carried out by some different companies in the EBARA Group. This consolidation resulted in the formation of Ebara Environmental Plant Co., Ltd. (EEP). This business reorganization came amid a growing trend of orders where all plant administration tasks, from construction, through operation, to maintenance, inspection and renovation of facilities, were being outsourced to a single private

enterprise. The orders are also increasing for extending the service life of existing plants or outsourcing the tasks of operating, maintaining and managing existing plants in multi-year contracts. A goal of our business reorganization was to build a framework to address such changing customer needs, both quickly and efficiently.

In FY 2010, in the wake of our business reorganization, the Company concentrated on consolidating its business foundation, in an effort to provide total solutions that take advantage of the integration of EPC and O&M. The Company believes it is important to listen to and understand customers demands, particularly, about what they need, and share this in-house at the plants where the Company performs O&M under contract. We also believe it is important to build a cycle that allows the respective capabilities of EPC and O&M to mutually demonstrate their utility. In FY 2010, the Company embarked on a project to build and operate a database system for prompt sharing of nonconformity information collected at plants under O&M contracts. Subsequently, we began holding regular meetings to speed up the horizontal dissemination of this nonconformity information and its incorporation into design standards. Through these activities, the Company is helping to prevent nonconformances, as it continues to offer technologies and services that implement a secure and safe method of waste treatment. The Company is also building an environment in which experiential knowledge*² that has been accumulated by employees involved in O&M for many years is accumulated in-house as formal knowledge*³, to pass on skills from generation to generation.

◆ Cycle in which the concept of “walking shoulder to shoulder with customers” is implemented



Enhancing Field Capabilities to Improve Service Quality

Field capabilities are the capabilities of our employees that work at customer facilities in the O&M or EPC business. We believe that enhancing our field capabilities helps improve the quality of our service, leading to increased customer satisfaction and customer support, which should help us gain a more precise customers' needs. Employee education for enhancing field capabilities had previously been conducted by a team of training experts from the head office, making a “caravan” tour of 70 or more Operation and Maintenance Offices located nationwide. Completing a round of this many Operation and

Maintenance Offices, however, took four years. As a result, employees who were transferred during this four-year period were sometimes unable to take this training. Therefore, after FY 2010, plant engineering and electrical instructors have been assigned to each Operation and Maintenance Office, to educate and train constantly, with the objective of continually improving and enhancing the basic capabilities of the employees working at the Office. In the first phase, an instructor training course was held in August 2010, and 30 instructors were appointed. The course curriculum and teaching materials were developed by the Technical Service Department of the Operation and Maintenance Division at Ebara Environmental Plant Co., Ltd. Candidates were called from Operation and Maintenance Offices nationwide and participated in 40 hours of classroom lectures and skill training, conducted for six days at the head office. A written test and a skill test were conducted on the last day of the course, and only the trainees that attained the required level were accredited as instructors.

Instructors at the Operation and Maintenance Offices in Sakura, Ichihara and Gonoike trained employees from September to November 2010. The employees who participated in this course were given a test at the end of the course to rate their abilities. These ratings are reflected in the competency assessment of the quality management system and move with the employees to new assignments, as personal data. Employees in the design department are rotated to build up their experience with both the EPC and O&M businesses, to boost their technical skills, and to develop their abilities.

For Safer and More Secure Waste Treatment

Currently, the number of the waste treatment facilities under our O&M contracts exceeds 70, with which the company maintains the leading position in the domestic market. Demand for rebuilding existing plants is expected to increase in the future. When it comes to rebuilding plants under O&M contract, our strength is proposal ability that leverages the know-how acquired from our O&M business. Because of this, we believe the Company receives an overall favorable assessment from our customers.

Demand for building waste treatment facilities in overseas markets, particularly, China, is predicted to increase. Ebara Environmental Plant Co., Ltd. and Ebara Qingdao Co., Ltd. have received four contracts so far for the engineering of waste treatment facilities in China and for the fabrication and procurement of their key components. We would like to take full advantage of the experience and achievements we have accumulated in Japan so far, including incinerator technologies and maintenance and management know-how, in a recycling-based society in the Asian countries.

VOICE.....> Customers' opinions

Fostering safety and health practices, and evolving maintenance and management technologies, with expectations for associated plants

Mr. Toshiyuki Shimizu
 Assistant Manager, Facility Management Department,
 Ichihara City Fukushima Clean Center



Constant upgrades are needed to the management technologies used for maintenance of municipal waste incineration facilities, to lessen as much as possible the environmental impact of dioxins and other emissions from these facilities and to comply with relevant emissions standards. We, as the outsourcer, require that safety and health are thoroughly controlled when facility maintenance is performed. Our incineration facilities, which have been in service for 17 years, have survived a variety of changes in circumstances, such as tougher emissions standards and many baby-boomer generation employees retiring. Your company's implementation of fully integrated management techniques, including internal and external training, promoting acquisition of qualifications, and the implementation of ISO, facilitated the smooth succession of skills and the creating of a workplace environment that is staffed by dynamic employees. We look forward to an ongoing evolution of maintenance and management technologies and further upgrades.

VOICE.....>

Boosting Field Capabilities by Training Office Staff with Enthusiasm

Kosaku Tanaka
 Administration Office Manager of Ichihara
 Operation and Maintenance Office,
 Ebara Environmental Plant Co., Ltd.



Four employees from the Ichihara Operation and Maintenance Office of EEP were appointed instructors at the 2010 instructor training session and conducted a training course in autumn for clerks at the Office and neighboring sections. The introduction of this program helped us improve technical and teaching documentation on incineration facilities, upgrade the instructors' technical capabilities, forge a teaching environment in which questions are easier to ask, and facilitate collaboration between Operation and Management Offices. Upgrading the instructors' knowledge and technical capabilities is essential to leveraging and developing the merits of this program. To this end, the enthusiasm with which the Directors of the Operation and Maintenance Offices provide education and with which the head office staff improves technical documentation and upgrades the teaching methodology is very important. I would also like to make my best effort toward boosting field capabilities.

* 1 [3R] Reuse, Reduce and Recycle

* 2 [Experiential knowledge] Knowledge based on experience.

* 3 [Formal knowledge] Knowledge that can be explained or represented in the form of text, charts or mathematical expressions.

To provide superior products, technologies and services

The Precision Machinery Company is committed to its mission of providing the world with manufacturing and related equipment in the rapidly evolving semiconductor industry, thereby supporting the growth of the electronic equipment industry and enriching the lives of people all over the world.

Cutting-Edge Technologies Support Evolving Semiconductor Devices

Digital consumer appliances, such as PCs, cellular phones and flat-screen TVs, and information and communications technologies supporting various industries – all of these technologies rely on semiconductor devices. The main customers of the Precision Machinery Company are the manufacturers of semiconductor devices, liquid crystals, solar cells and other components that are at the core of the products and technologies that make our lives more convenient and comfortable. The Company fulfils the needs of these customers by developing and manufacturing industrial semiconductor manufacturing equipment and facilities and vacuum equipment. Today, smartphones, tablet computers and other new devices are debuting on the market in rapid succession, offering more advanced performance than ever before at an astonishing pace. The Company is keen to provide manufacturing equipment and facilities that can realize the product functionality that its customers seek, while continuing its policy of enhancing its product development, production and support capabilities.

Leveraging High Reliability to Expand World Share

CMP systems, the Company's flagship product line, are installed in clean rooms to polish semiconductor devices.

As electronic equipment continues to shrink in size, the need for more advanced and more energy-efficient semiconductor devices is demanding a higher scale of integration than ever before. In addition, increasing layers of interconnections demands a silicon wafer ever flatter than before. Equipment produced by the Company uses cutting-edge chemical and mechanical polishing technologies to realize flatness on the nanometer (1/1,000,000,000 meter) scale, providing a solution to the demands of the times. The Company was also quick to introduce the Dry-In/Dry-Out processing method^{*1}, to develop a global market for its product reliability, achieving a total of 1,500 units shipped in July 2010.

Because semiconductors are manufactured in a vacuum environment, pumps that create a vacuum are required. The Company's ongoing efforts to produce dry vacuum pumps with higher energy efficiency and lower weight has captured a large share of the global market, with a total of 100,000 units shipped in May 2011. These results attest to the trust placed in the Company's products by its customers around the world. Our products are able to meet increasingly sophisticated customer needs at a higher level of refinement. The results also confirm the high regard that is accorded to the Company's product quality and service structure.

The demand for evolving semiconductor devices fluctuates rapidly. This calls for prompt decision making and responsiveness to change by the Company's management. The Company continues to offer new technological solutions to the global market, while expanding its global network of suppliers



1,500th CMP system shipment

and always being ready to accommodate changes in the business environment.

Strict Quality Control to Fulfill Increasingly Sophisticated Needs

CMP systems and dry vacuum pumps must operate stably 24 hours a day, 365 days a year. To this end, a supply of reliable products backed up by thorough quality control needs to be maintained. The Company believes that eliminating market nonconformities leads to greater customer satisfaction. In step with this, the company uses the nonconformity service ratio (ratio against its sales), as an index for reducing the post-delivery defect rate.

Specifically, FMEA^{*2} has been implemented in the new product design and production stages and developed into a work standard to prevent nonconformities. For the claims from the market, the PDCA cycle^{*3} with 5 Whys analysis^{*4} and FTA^{*5} is used to maintain an ongoing program of quality improvement. As a result, the defect rate in FY 2010 dropped more than 50% compared to the previous year. The company is committed to ongoing efforts to improve quality.

Representatives of our supplier inspection department visit global suppliers on-site to verify their product inspection practices and their inspection activity plans to build a quality control framework among overseas group companies. Domestic suppliers are sharing quality information among themselves, and have held the Quality Liaison Conference ever since 2009, for presenting their respective versions of the zero nonconformity drive. Their objective is to produce conforming articles through a concerted effort across the entire supply chain.

Promoting Awareness for Product Quality Improvement

Promoting the awareness of each individual employee, together with cost cutting through improved production efficiency, are essential for maintaining and improving product quality and sustaining a successful business in a changing climate. The dry vacuum pump division has been conducting the Mindora Campaign^{*6} since July 2009, in which the design,

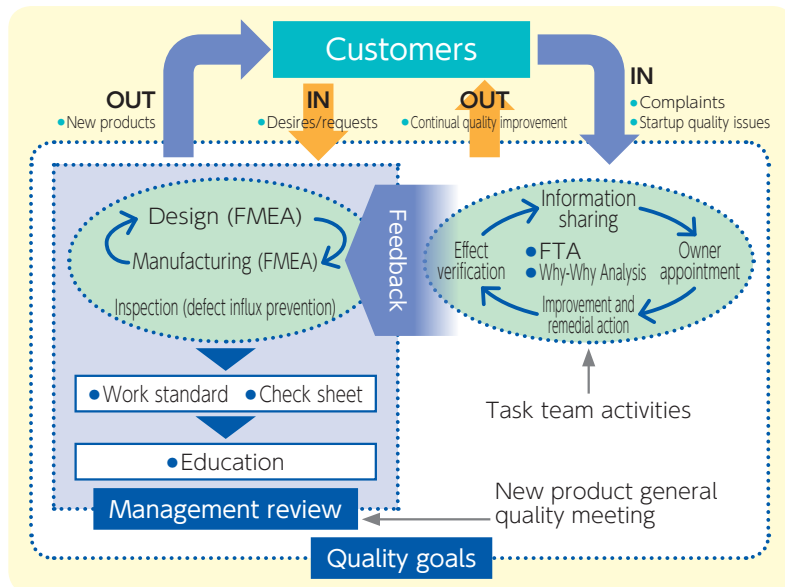
manufacturing and sales departments work in concert to discover new production innovations. The objective of this activity is to thoroughly review the efficiency of the assembly line, in-plant logistics and the processing line and introduce an efficient production method. The objective is to reduce the lead time, from order taking to shipping, and to achieve the in-process inventories by one-half, while doubling productivity.

As a result of this activity, the tact time, which is the number of working hours per day divided by output, has improved drastically, allowing us to achieve more output with fewer processes. In addition, we embarked on the company-wide M Zero Challenge promotion*7 in March 2010 to eliminate "Unreasonableness, Inconsistency and Waste," to further develop the CMP business. In October 2010, EBARA merged with Ebara Kyushu Co., Ltd., launched the new enterprise, the Precision Machinery Company's Kumamoto Plant. Positioned as a mother factory for providing mass-production technologies for equipment, the Kumamoto Plant has since carried on efficiency improvement efforts with the support of a quick in-house decision-making process and flexible exchange of employees. The new Precision Machinery Company Kumamoto Plant has inherited and is further developing the M Zero Challenge promotion. In parallel with such production innovations, the Skill Training Hall was opened in FY 2010 in the Fujisawa business facility to improve personnel training and make the handing down of skills and know-how from generation to generation more assured. The Company expects to expand these efforts to its overseas locations, to achieve similar goals on a global scale.

Sales, Installation and Maintenance Business Improvement Activities

In September 2010, Ebara Field Tech. Corporation, which is in charge of sales, installation and maintenance of the Precision Machinery Company's products, equipment and facilities, formed 36 in-house teams to embark on the M Zero Challenge promotion in a company-wide improvement drive, with total departmental participation from sales, management, services and dry vacuum pump overhaul shops. The teams set up their own action goals and worked in their own ingenious ways in a concerted effort to identify various kinds of "waste" inherent in our daily routines. These efforts lead to an optimization of the workflow. We would like to take advantage of these achievements, to pursue greater customer satisfaction and make a better contribution to our stakeholders.

◆ Quality improvement activities



VOICE

Looking Back on Our Activities in the M Zero Challenge Promotion

Jun Aoki
Support 1 Section,
Chubu Region Sales & After Sales Service Division
Ebara Field Tech. Corporation



We participated in the M Zero Challenge promotion as the EFT33 team. The action goal we chose was to explore ways to fulfill customer needs in both existing and newly built customer production plants using our limited human resources, viewed from the perspective of the service personnel that provide technical support to the plants. We were successful in eliminating "unreasonableness" and "waste" by giving a quantitative evaluation of the skills and experience of our employees and partner companies and defining their share of responsibility, in order to optimize staff assignments at both existing and newly built plants. In looking back on our activities, we did not devote a lot of time specifically to their implementation. Rather, I think the factor of our success is that we chose our daily routines as the theme of our action. We were fortunate to win the in-house best evaluation for our work. We would like to continue our activities going forward.

*1 [Dry-In /Dry-Out processing method] A method where wafers are polished, cleaned and dried inside the same machine.

*2 [FMEA] Failure Mode and Effect Analysis. Failure mode and analytical method for its effect.

*3 [PDCA Cycle] A method for facilitating the flow of production management and management routines by iterating the four-step sequence of Plan→Do→Check→Action.

*4 [5 Whys analysis] A method for looking for the real underlying cause of a problem.

*5 [FTA] Fault Tree Analysis. Fault and trouble analytical method.

*6 [Mindora Campaign] An in-house nickname for a production innovation campaign for an activity targeting dry pumps.

*7 [M Zero Challenge] An in-house nickname for a promotion aimed at eliminating "Unreasonableness, Inconsistency and Waste."

For fair transaction

We are partnering with our suppliers and keeping communication channels open, to consider the best mix of quality, cost and delivery (here under QCD), enhance environmental conservation, and increase safety. Our objective for the future is to grow together with our suppliers, while seeking understanding and cooperation from the CSR procurement perspective over an even greater sphere.

Procurement policy

EBARA Group builds a partnership with suppliers (of products, materials, and services) and engages in fair trade practices under the following procurement policy, which is intended to be mutually beneficial:

■ Provide fair and equitable opportunities

We provide open and fair opportunities to all suppliers, based on ISO9001. To start a business relationship with a supplier, we conduct a technological and commercial assessment using our certification system, which is based on ISO. Then a basic agreement or a basic work agreement is concluded, before starting to do business.

■ Economic rationality in selecting suppliers

In selecting suppliers, we adequately assess the quality of materials, reliability, delivery time, price, technological development capability, proposal capability and financial soundness of the supplier. Assessment criteria may differ depending on the product or on the conditions of the agreement with the customer.

■ Confidentiality

We do not disclose to third parties any confidential information that we have learned through our business dealings with suppliers without obtaining their approval.

■ Mutual trust

We aim for mutual growth, and for building a relationship of trust and partnership with suppliers. All of the procurement section members are aware that they must always maintain a good relationship with the internal and external sections concerned, and that they and the sections concerned cooperate with each other and are creative. We make efforts to allow all the operations to function smoothly and effectively.

■ Social trust

We promote CSR procurement, while paying close attention to compliance with Japanese and overseas laws, human rights, safety of products and services, quality guarantees, occupational health and safety, and corporate ethics. Furthermore, we are always thinking first of contributing to the sound development of society.

■ Green procurement

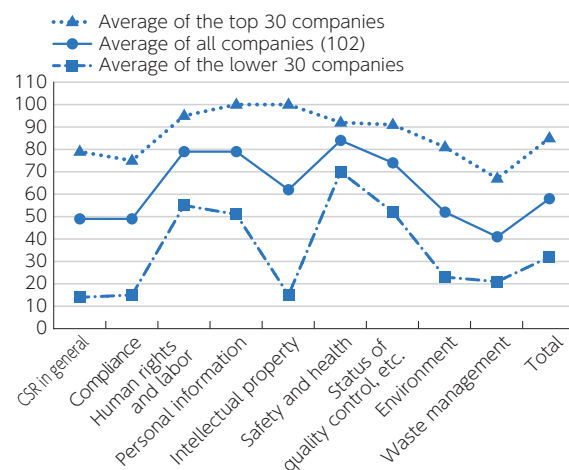
We promote environmental conservation activities in cooperation with suppliers, to pursue effective product manufacturing that takes conservation of the global environment into consideration.

If you have any inquiries, please visit the introduction section for each of our companies on our website:
(<http://www.ebara.co.jp/en/contact/>)

Promoting CSR Procurement

During FY 2010, we investigated the status of our efforts toward key CSR issues, together with the level of awareness of the concept of CSR among suppliers. In addition to the evaluation of QCD, we are going to evaluate compliance, human rights, protection of personal information and intellectual property, safety and health, environmental protection, waste management, and more into the terms and conditions of our business, to aid in the supplier assessment process of our quality management system. We will invite suppliers that had low ratings for some items in the survey to work together with us to improve those items. Efforts will also be directed at making the EBARA Group's procurement policy known among overseas suppliers.

◆ Comparisons by Score



Compliance with Laws and Regulations

As one of procurement policies, EBARA is committed to build a good partnership with suppliers. The starting point of this commitment is in the basic terms of our construction contract agreements. These agreements are prepared and executed according to standard construction contract terms that have been deliberated and formulated by the Central Council on Construction Contracting Business, Ministry of Land, Infrastructure and Transport, to avoid giving a one-sided advantage to either party of the contract. Furthermore, not only Corporate but also Head Quarter is continuously monitoring the status of the compliance with Laws and Regulations.

Building Up Product Quality with Our Suppliers

Our Haneda Plant in Ota Ward, Tokyo, a long-time head office plant, was relocated to Futtsu, Chiba prefecture in 2009 and started anew as the Futtsu Plant. As the list of suppliers expands, with new additions and substitutions, the handing down of skills and know-how has become an issue of common concern. To

address this issue, personnel at the Futtsu Plant, mainly skilled inspection engineers from the Quality Control Department, hold technology exchange meetings with machining suppliers to exchange views and disclosing our inspection skills and know-how, thereby promoting mutual recognition and improved product quality, in an effort to provide technical support for our partnership.



Disclosing our inspection skills and know-how



Dialogue views with suppliers

Information security

The EBARA Group considers complete information security as a key issue for CSR. Advances in information technology have made our lives more convenient, but have also multiplied the risk of information leaks. This forces us to exercise much greater care when transferring information to and from our suppliers. In the EBARA Group, responsible department for information security take the initiative to meet with suppliers and present information on security practices currently in use around the world, security breach cases, EBARA's responses to these cases, general precautions, and so on, to promote the suppliers' understanding of specific methods and schemes used in information security assurance.



A lecture given to about 100 suppliers at a new year party

Safety, Quality and Environmental Efforts with Local Partner Companies

A variety of operations, such as product assembly, processing, painting, packaging and shipping, maintenance of manufacturing facilities, and collection and transportation of waste, are carried out by suppliers that are located inside EBARA Group company offices. They are instructed to abide by EBARA Group's guidelines for safety, product quality and environmental preservation and improvement, and are involved in joint education and training sessions on safety, product quality and the environment. Local partner companies are also invited to present their views and suggest improvements, to

help us enhance safety, product quality and environmental protection.

VOICE... Supplier's Opinion

Working Together To Solve Problems

Mr. Masakazu Takaya
Executive Vice President
ABB K.K.
(No. 1 company on the FY 2010 CSR procurement survey)



We are proud to be a leading company in the area of power and automation technologies. We leverage our global network to deliver products tailored to our customers' project needs, propose optimal solutions, and provide quick response. Our aim is to support more efficient customer operations and be more competitive at a time where lowering carbon emissions has become a necessity. We mainly supply motors and drives to the EBARA Corporation. We are committed to supporting EBARA Corporation's growth as a trustworthy partner that can deliver products and propose solutions that help resolve our customers' problems.

VOICE... Supplier's Opinion

Working Together to Achieve Environmental Goals

Mr. Masaaki Ichinose
President
Ichinose Metals Limited Company



We are stationed in the Fujisawa district, and are mainly engaged in daily waste collection and transport to waste treatment contractors. There are many and diverse types of waste produced by the complex operations that take place in the Fujisawa facility. To achieve the Fujisawa facility's environmental goals of enhancing the material recycling rate and reducing the final waste landfill rate, we resort waste and try to increase waste shipping efficiency, while taking CO₂ emissions regulations into account. We are helping the EBARA Group achieve its environmental goals by suggesting ways to sort waste that take into account the waste handling method at the treatment or disposal site. We also fully cooperate with the implementation of the policies put in place by the Fujisawa facility.

Approaches to the Work Environment

Human resources provide an important source of support for the sustainable development of a business. We are committed to maintaining a safe and pleasant work environment and to continue improving, so that each employee is motivated to work. At the same time we will continue to improve various human resources systems, through dialog between labor and management.

Improving the Work Environment

One of the passions set forth in the mid-term management plan (E-Plan 2010) was the passion for improving the environment. This passion also involves improving the work environment, which is a field of self-realization for employees. During the term of the plan, the head office was relocated from Haneda old building to a new building, completely upgrading the workplace environment. The dining area on the top floor (11th floor) of the new building, which offers a panoramic view of Haneda Airport, has a lounge that is open at night as a place for communication. The relocation from the aging Haneda Plant to the cutting-edge Futtsu Plant has resulted in a totally refurbished workplace environment, in addition to offering a new dormitory for bachelor's, and for individual employees.

In the institutional area, the child-care and family-care leave systems have been enhanced to assist employees in balancing work and family, with Regulations for Employees Returning to Work on Rehabilitation and Citizen Judge System Handling Regulations being newly instituted to facilitate the reinstatement of employees after sick leave and to reflect ongoing changes in society.

In addition, our Power Harassment Prevention Regulations provide clear definitions and rules for dealing with power harassment, and help raise awareness, with the objective of preventing harassment from starting.

Furthermore, the implementation of the New No-overtime Day (part of the KAERU (Going Home)! Japan project) for Wednesdays has decreased overtime, by changing awareness, and is gradually improving the workplace environment.

Flexible responses to corporate activities and changes in society are needed to improve the workplace environment. In recognition of this need, we are fully dedicated to creating a workplace environment that is easier to work in.



Masaru Shibuya
Managing Executive Officer
(Division Manager, Human Resources,
Legal & Public Relations Division)

◆ Human Resource Principles and Strategies Up to FY 2010

Human resource principle

For the EBARA Group's lasting development, acquire human resources that have a spirit of challenge and exercise ingenuity and originality; retain them; motivate them; and provide an environment in which they can demonstrate their abilities to the utmost.

Human resource strategy

1. Provide various systems to match management issues and individual behavioral goals.
2. Revise the seniority system and thoroughly implement assessment and treatment based on roles and performance.
3. Provide various systems to make people aware of their responsibilities and enhance individual autonomy.
4. Provide various systems that take the entire group into account, while taking each company's situation into consideration.
5. Ensure a transparent and easy-to-understand system.

* Starting FY 2011, the Personnel and Human Resources Development Policy was adopted in accordance with E-Plan 2013.

Creating a Workplace That is Easier to Work in

■ Human rights training for all employees

Beginning FY 2009, we launched the CSR Training Program, targeting all employees in the EBARA Group (including contract employees, part-timers, temporary staff, and subcontractor employees). The program for FY 2010 featured training in connection with human rights, using case studies on how to prevent and deal with harassment. The training stressed the importance of reflecting on one's behavior and respecting others' human rights by soul-searching for any questionable conduct that, for example, might make others uncomfortable. We will continue offering human rights awareness training programs aimed at enhancing the power of communication, self-expression and related skills, which are of foremost importance in realizing a truly open workplace environment.

■ Harassment Consultation Counter

The Harassment Consultation Counter, since its opening in 1999 in-house, has handled over 200 cases relating to human rights, in conjunction with the local consultation counters at Group companies. In light of the growing number of consultations concerning power harassment in the last few years, EBARA's own Power Harassment Prevention Regulations have been put into effect. In addition, cases of harassment that have been addressed by the local consultation counters at Group companies are reported to the Corporate Ethics Committee, so that information on how to prevent their recurrence and to enhance the functionality of the counter system can be shared. The Harassment Consultation Counter will continue promoting the awareness of, and awakening people to, the value of creating a harassment-free workplace in which anybody can work comfortably, with the goal of become a more reassuring and more dependable consultation counter.

Collaboration of the Group's Personnel and Labor Departments

To support the diverse schemes of personnel and people-to-people exchanges found within the EBARA Group, it is essential that the personnel and labor departments of the Group companies collaborate. We hold the EBARA Group Relevant Companies HR Meeting once each year to share various personnel and labor issues among EBARA Group companies. The FY 2010 meeting was attended by about 70 persons. While these EBARA Group companies make a practice of collaborating with one another to deal with specific issues as needed, some kinds of information do not come to light until representatives of the personnel departments of the Group companies get together. This is how the meeting serves as a new forum for information exchange. Furthermore, as labor laws and regulations are established to reflect the evolving needs of the times, these laws and regulations can rarely be fulfilled by the work of a single company making amendments to its own in-house regulations, and require a concerted response from the Group as a whole. As Group companies are dissolved or merged, they collaborate with one another regarding the personnel and labor issues that face them. Further collaboration among the personnel and labor departments of the Group's companies will be encouraged, pursuing the goal of creating a workplace environment that is easier to work in, while taking into consideration the specific situations, businesses, and regional characteristics of the individual companies, and respecting the diversity of their employees.

Maintaining and Improving the Relationship of Trust between Labor and Management

At EBARA, the labor union and management use the union shop system to hold labor-management meetings periodically and as needed, to maintain and improve our relationship of mutual trust, while maintaining a moderate degree of tension. The meetings give an opportunity for the labor union to understand corporate management and check on management's soundness, as well as giving management an important opportunity to listen to the opinions of employees. Labor-management talks are held at each business facility or Company. In FY 2010, or the first year of the relocation of the Haneda Plant to the Futtsu district in Chiba, repeated sessions of labor-management talks were held concerning performance and results, to explore a labor environment that is suited to the Futtsu district. Each EBARA Group company values the merits of having labor-management dialog and works on upgrading labor conditions and work environments in the course of its own labor-management relations. A labor-management conference attended by representatives of labor and management from all Group companies is held once a year to share relevant information across the EBARA Group. The FY 2010 labor-management conference presented the typical labor-management organizations in place at some EBARA Group companies, and

otherwise helped confirm the corporate labor-management relationship across the Group. This effort will be ongoing.

Improving Work-Life Balance

With the amendments to the Labor Standards Law taking effect in April 2010, managers from EBARA and its 10 domestic affiliates have been briefed on the Summary of the Amendments to the Labor Standards Law, and Operational Workflow Made Simpler by Cutting Long Working Hours and Overtime. From April to June, a total of 20 briefings were conducted at business facilities, branches, and offices, with a total attendance of 847 persons. The briefings not only reconfirmed the Labor Standards Law and explained the amendments to it, it also highlighted the possibilities of upgrading work-life balance by promoting a simpler operational workflow and giving greater consideration to health by cutting long working hours. This would help managers to more deeply understand this "working style" and put it into practice. One of the upcoming measures presented at these briefings was a review of the "No-overtime Day" system, designed to help decrease long working hours. Starting from September 1 (Wednesday), Wednesdays have been designated as "New No-overtime Days." On these days, we join in the "KAERU (Going Home)! Japan" project, designed to change the working style. We put up posters, broadcast a message or play a tune at the close of the work day, to encourage employees to go home. The introduction of the "New No-overtime Day" system has reduced the overtime worked on Wednesdays in the Haneda Office to one third of its previous level. More measures are being put into place and improvements are being implemented to achieve a better work-life balance.

◆ Status of Programs Related to Work-Life Balance at Key Group Companies

Company name	EBR	ET	EYH	EBH	ERS	EETC	EEP	EFT	EA
Total number of employees	2,707	1,002	442	145	743	314	1,769	219	177
Average length of service in years	18.3	11.5	15.1	13.6	14.0	17.1	11.4	9.0	17.5
Paid holiday acquisition rate(%)	69.7	46.9	59.0	64.0	60.0	77.6	65.0	29.0	51.0
Number of child-care leaves taken	32	12	2	1	6	2	2	1	0
Number of family-care leaves taken	3	0	1	0	0	0	0	0	6

EBR: EBARA Corporation

EYH: Ebara Yoshikura Hydro-Tech Co., Ltd.

ERS: Ebara Refrigeration Equipment & Systems Co., Ltd.

EEP: Ebara Environmental Plant Co., Ltd.

EA: Ebara Agency Co., Ltd.

ET: Ebara Techno-serve Co., Ltd.

EBH: Ebara Hamada Blower Co., Ltd.

EETC: EBARA Elliot

EFT: Ebara Field Tech. Corporation

Diversity and Human Resource Development

Our existing efforts for human resource development have been to nurture individuals that leverage their own originality and ingenuity with a spirit of challenge, to promote the lasting development of the EBARA Group. For FY 2010, we added to this by planning and implementing a new suite of training programs, aimed at developing human resources that support global management. The global human resources development programs launched in FY 2010 are designed to foster human resources capable of collaborating with employees of various nationalities and producing results by working

out their differences. The programs are organized into two levels: basic and business. Both levels are open to interested individuals, as well as employees that are expecting an overseas assignment. Basic-level training programs (training on intercultural understanding) were conducted using familiar situations to facilitate a broad insight into people- and country-specific differences in culture, values, education, religion, and communication style, and to promote mutual respect.

Business-level training programs (country-specific training, global management training, and preparatory training for overseas assignments) are larger in number than the basic-level training programs. In addition to the courses covered by the basic-level training programs, business level programs offer a choice of courses tailored to politics, economics, and country-specific business climates and jobs or positions.


Training courses for foreign employees on Japanese culture and life, on how to build relationships with people around him/her, and on business culture will also be enhanced.

The FY 2010 Workplace Rejuvenation Promotion Program (formerly the Female Activity Promotion Program), in its curriculum aimed at understanding the concept of diversity, invited Mr. Tsuneo Sasakai, Special Advisor to Toray Corporate Business Research, Inc., to lecture on "Efficient Job Tactics That Support Work-Life Management," which explains how to proceed with work efficiently by maintaining good communication with your subordinates and coworkers, each of which have a different living environment with respect to such things as child care, illness and nursing care. Eighty-four employees (including 34 males) from the EBARA Group and 16 officers, including Directors, joined in the program. This pan-industry social event was attended by individuals from various enterprises, including trading firms, IT firms, manufacturers and ad agencies. They worked on the subjects of self-leadership and career development. The program promoted an understanding of the differences in corporate climate and common beliefs that exist between the participants' firms. Starting FY 2011, the EBARA Group will launch a human resources

training program with the primary objective of enhancing the competency of EBARA Group employees as businesspersons and building a network of EBARA Group company employees.

VOICE

Intercultural Understanding Is More Than Just Understanding Foreign Cultures



Shunsuke Takigawa
Manufacturing Technology Department,
 Ebara Production Process Innovation Division

During the training, I learned the notion of low context (Japanese and experiential) and high context (Overseas and systematic) ways of thinking. I have realized the importance of visualizing (transitioning from low to high context) the experience and know-how that EBARA has built up with its knowledge and courage, and seeking further evolution. The term "intercultural" should not just imply a location overseas, it should also mean somewhere close by. The training session has offered me an excellent opportunity to reflect on my own working style.

◆ Diversity Data on Principal Group Companies

Company name	EBR	ET	EYH	EHB	ERS	EETC	EEP	EFT	EA
Total number of employees	2,707	1,002	442	145	743	314	1,769	219	177
Number of female employees	486	297	63	20	153	32	122	26	76
Number of female managers	30	3	1	1	5	4	2	0	1
Actual disabled person hiring rate (%)	1.67	1.38	1.73	—*	1.03	0.66	1.43	0.47	—*
Number of non-Japanese hired	12	1	0	1	5	6	0	0	0
Number of retired employees hired	152	34	74	8	51	25	40	2	0

EBR: EBARA Corporation
 EYH: Ebara Yoshikura Hydro-Tech Co., Ltd.
 ERS: Ebara Refrigeration Equipment & Systems Co., Ltd.
 EEP: Ebara Environmental Plant Co., Ltd.
 EA: Ebara Agency Co., Ltd.
 ET: Ebara Techno-serve Co., Ltd.
 EHB: Ebara Hamada Blower Co., Ltd.
 EETC: EBARA Elliot
 EFT: Ebara Field Tech. Corporation

* "—" denotes an exemption from the Law on Employment Promotion etc. of Persons with Disabilities/Statutory disabled person employment rate: 1.8%.

◆ Career path and training program

Theme Title	Personnel system (career path)	Training by job class (mandatory)	Business and management training	Global human resources development program	Self-development/ languages
Directors, executive officers, and administrative officers	<div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Strategic personnel transfer (Domestic and overseas)</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Promotion exam for administrative positions (Action evaluation, papers, manager aptitude test, English, assigned reading, and interviews)</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Promotion exam for relevant job class</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Public recruitment/self-declaration</div> <div style="border: 1px solid blue; padding: 5px;">Job rotation</div>	<div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Senior business leader training</div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Training for new 2nd grade deputy counselors</div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Manager preliminary training</div> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Training for new chiefs</div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Training for new chief engineers</div> </div> <div style="display: flex; justify-content: space-between;"> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Training for the new M grade*</div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Refresher training for non-career-track employees</div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Training for skilled employees</div> </div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Training for new mid-hire employees</div> <div style="border: 1px solid pink; padding: 5px; margin-bottom: 5px;">Follow-up training for newly hired employees</div> <div style="border: 1px solid pink; padding: 5px;">Training for newly hired employees</div>	<div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Training for managerial staff</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">EBARA Group companies' manager training</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Business leader B training</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Business leader A training</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">G-one technique training</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Training on legal affairs</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">Training on finance</div> <div style="border: 1px solid blue; padding: 5px;">Training on intellectual assets, etc.</div>	<div style="border: 1px solid green; padding: 5px; margin-bottom: 5px;">Global management training B</div> <div style="border: 1px solid green; padding: 5px; margin-bottom: 5px;">Training on intercultural understanding</div> <div style="border: 1px solid green; padding: 5px; margin-bottom: 5px;">Country-specific training</div> <div style="border: 1px solid green; padding: 5px; margin-bottom: 5px;">Preparatory training for overseas assignments</div> <div style="border: 1px solid green; padding: 5px;">Language courses</div>	<div style="border: 1px solid yellow; padding: 5px; margin-bottom: 5px;">Global management training A</div> <div style="border: 1px solid yellow; padding: 5px; margin-bottom: 5px;">Workplace activation program</div> <div style="border: 1px solid yellow; padding: 5px; margin-bottom: 5px;">Correspondence education</div> <div style="border: 1px solid yellow; padding: 5px; margin-bottom: 5px;">TOEIC®** TEST</div> <div style="border: 1px solid yellow; padding: 5px;">Language courses</div>
Managers Counselor/Deputy Counselor					
Career-track employees (sougoushoku)					
Non-career-track employees (ippanshoku)					
Manufacturing engineering employees					
Skilled employees					
Newly hired employees					

* Training for the new M grade: Mid-career position for career-track employees
 ** TOEIC is a registered trademark of Educational Testing Service (ETS).
 This publication/ website is not endorsed or approved by ETS.

Fair Evaluation System

The evaluation system forms a backbone for the corporate personnel system. It not only appropriately assesses an individual employee's job performance and their contribution to their achievements, and links the assessment to their treatment; it also coordinates their organizational goals to boost their achievement. It also tries to develop human resources by assessing the employee against a standard derived from the human resource requirements of the company. To make this evaluation system a fairer system, the evaluation program for management was amended in FY 2010, and a total of 26 explanatory meetings were held nationwide. At these meetings, management was briefed on the amendments, as well as the following points:

(1) Explanation of the evaluation processes

Management was briefed on the sequence of processes, from evaluation to decision making, so that they will gain a deeper insight into the evaluation system, to increase its fairness and transparency.

(2) Review of ability-based grading standards

Ability-based grading standards were reviewed in consideration of their relationship with the evaluation system, to make the qualification-level-specific standards clearer at evaluation time.

(3) Simplification of the evaluation items, definitions, and points to watch

Evaluation items, the definition for each item and points to watch (actions to be taken at evaluation time according to the qualifications or evaluation item) were reviewed, to make the system simpler and easier to understand, and thus make the assessor's standpoint easier to coordinate.

The evaluation system for career-track employees and non-career-track employees is scheduled to be revised in FY 2011. We are committed to making the evaluation system fairer than it has ever been.

Creating a Safer Workplace

We enforce thorough compliance with the relevant Industrial Safety and Health Laws and in-house safety and health management regulations in the implementation of our safety and health activities. As expressed by our FY 2010 nationwide safety week slogan "Let's Move Ahead with Risk Assessment; Aim at Workplace Safety and Security," it is of vital importance to eliminate potential hazards associated with machinery and equipment, and job tasks, to ensure worker safety, by investigating the risks or hazards at the workplace (risk assessment) and conduct safety education at every stage of our professional life. Each division controller in the EBARA Group has also set forth a safety and health management policy designed to create a safe and comfortable workplace and has formulated a management plan consistent with that policy. In addition

to risk management, the management plan includes the so-called Hiyari Hatto activities*1, 5S activities*2, hazard prediction (KY) activities and other voluntary safety assurance exercises, including "pointing and calling" and thorough safety and health education, to pursue a higher level of safety and health. Assuring physical health and maintaining and promoting mental health through positive health activities, including medical checkups, are also high on the agenda of our safety and health activities.

For added safety assurance, safety patrols accompanied by occupational physicians are carried out each month. Problems and challenges uncovered by the patrols are communicated to all the workplaces to encourage improvement, so that each employee abides by the rules and work routines with a firm recognition of the seriousness of physical injuries and the preciousness of life.

◆ Occurrence of Occupational Accidents in Major Group Companies

Occupational accident status	FY	EBR	ET	EYH	EHB	ERS	EETC	EEP	EFT	EA
Frequency (%)	2008	0.00	3.89	0.00	8.6	0	0	1.33	0	0
	2009	1.06	0.48	0.76	4.3	0	0	0.75	0	0.14
	2010	0.00	1.46	0.85	13.8	0	0	1.12	0	0
Number of occurrences of occupational accidents	2008	14	8	0	8	0	6	—**	0	0
	2009	24	1	1	3	0	2	33*	0	4
	2010	9	3	1	3	0	4	25*	0	1

EBR: EBARA Corporation

EYH: Ebara Yoshikura Hydro-Tech Co., Ltd.

ERS: Ebara Refrigeration Equipment & Systems Co., Ltd.

EEP: Ebara Environmental Plant Co., Ltd.

EA: Ebara Agency Co., Ltd.

ET: Ebara Techno-serve Co., Ltd.

EHB: Ebara Hamada Blower Co., Ltd.

EETC: EBARA Elliot

EFT: Ebara Field Tech. Corporation

* Including minor accidents

** No precise figures are available due to organizational restructuring.

VOICE

Living a Safer and Healthier Life

Tetsuya Masuda
Occupational Physician, Health care Group,
Ebara HR Department



There is a concept called "obligation of safety" in the world of industrial safety and health. Fulfilling this obligation calls upon employees to make positive steps to achieving safety and health on their own, instead of relying entirely on their employer for one-sided care. Performing one's work with greater safety by perceiving and avoiding risks that exist at one's worksite, while staying healthy by having medical checkups can not only help maintain one's health, but can lead to higher corporate productivity and a more valuable social contribution.

Let us keep the EBARA Group's safety and health system in shape, to live a safer and healthier life.

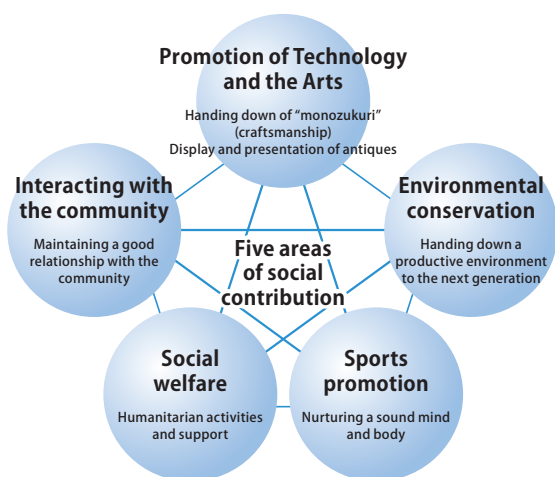
*1 [Hiyari Hatto activities] Activities to prevent potentially serious errors from the occurrence of Hiyari (frightened moments) or Hatto (startled moments).
*2 [5S activities] "5S" stands for seiri (sort), seiton (straighten), seiso (sweep), seiketsu (sanitize) and shitsuke (school) in Japanese.

For Communities and society

The EBARA Group is fulfilling its social responsibilities through business, and is proactively committed to social contribution activities through interaction with the community, environmental conservation, sports, and welfare, in addition to promotion of technology and the arts as a good citizen in society.

Five areas of social contribution activities

The EBARA Group contributes to society in five areas: promotion of technology and the arts, interaction with the community, environmental conservation, sports promotion, and social welfare. The Group is also involved in the spontaneously organized activities of the EBARA Group member companies, and cooperative activities with local governments, academic institutions, NGOs and NPOs. As we carry out these activities continuously, we are not only refining them to a higher level, but are also launching new programs and projects.



Activities that will continue over the long term

An important characteristic of the social contribution activities of the EBARA Group is the participation of its employees and their families, which ensures that the activities continue over the long term.

■ EBARA Hatakeyama Memorial Fund International Seminar Attracts Over 10,000 Participants

An international seminar organized by the EBARA Hatakeyama Memorial Fund dating back to 1989 had its 21st anniversary in FY 2010, with the number of participants topping 10,000, to reach 10,027 people. A total of 218 seminars have been held so far, in 17 countries, mainly focusing on Southeast Asia. In FY 2010, the seminars were held in six countries - Cambodia, Laos, Thailand, Indonesia, Sri Lanka and Myanmar. The themes of the seminars included basic concepts and application of fluid machinery, mainly pumps; energy saving for fluid machinery and chillers; the operation and maintenance of pump facilities; and effective usages of unused energies.

The seminar attracts a high level of interest, with the participants urging that it be held yearly or that more practical seminars be held that use examples and case studies. We are intent on filling these needs by holding the seminar in a way that is better suited to local needs and also expanding the seminar to cover countries other than those in Southeast Asia, with an effort in promotion of technology even further.

■ The Hatakeyama Culture Foundation with Its 50 Years of Support

The EBARA Group has been supporting the Hatakeyama Culture Foundation since it was established in 1960. The Foundation was initiated by Issei Hatakeyama, the founder of EBARA Corporation. The Hatakeyama Culture Foundation celebrated the 50th anniversary of its founding in 2010. The Foundation subsidizes the research, dissemination and promotion of science and technology, and scholarship programs to develop education and academics. Through these activities, the Foundation promotes industrial prosperity and broad cultural progress. Through the support of the Foundation, we are contributing to the advancement of research in fluid machinery and fluid engineering, which are strongly related to Ebara's business, and to science and technology, education of top-caliber researchers, school class support, and so on.

■ Visiting class and clinic, with more than 2,000 participants a year

The women's basketball team, the EBARA Vickies has hosted a clinic since 2000 and a visiting class since 2003 in support of school education. A total of 2,331 persons joined in this program in FY 2010. The visiting class is designed to familiarize children and students with the joy of playing basketball and the clinic to instruct advanced techniques to school basketball clubs. These activities also aim at promoting interaction with the community, including communities in Tokyo, Kanagawa and Chiba, where the EBARA Group's business facilities are located.

■ Cleanup activities

The EBARA Group is extending active support to local cleanup activities in areas around our offices, in an effort to beautify the areas.

EBARA Haneda Office	Conducted jointly with the Haneda Asahi-cho Town Council on the second Friday of each month. Support for the Ota Sports GOMI (trash) Collection Rally
Ebara Chubu Branch (Nagoya) and eight Group companies	Participation in the Citizen and Entrepreneur Eco Campaign (spring)
Ebara Yoshikura Hydro-Tech Co., Ltd.	Participation in a cleanup campaign in the Haneda area and the Tamagawa Riverbed Cleanup Campaign, organized by Ota ward.

■ Other ongoing activities

Promotion of technology and the arts:

Support of the Hatakeyama Memorial Museum of Fine Art

Environmental conservation:

EBARA Environment Fund, EBARA Green Fund, EBARA Group

Worldwide Kid's Environmental Art Exhibition, Tokyo Greenship Action

Sports promotion:

Support of the Shonan Bellmare, a soccer team in the J. League (Japan Professional Football League) by EBARA Shonnan Sports Center. Inc

Social welfare:

Sending clothing to refugee camps, and supporting disabled persons (Environmental Art Exhibitions and clothing sending activities entrusted to businesses)

Interacting with the community:
Summer festival and Fujisawa District factory-tour
For details, see: <http://www.ebara.co.jp/csr/>

New Efforts for FY 2010

The new efforts that were launched during FY 2010 are introduced below.

School Education Support

We accept requests from schools for plant visits and workplace experience tours. During FY 2010, requests from four schools were accepted. Programs were conducted to meet the schools' educational purposes, including an experiment designed to familiarize the visitors with the concept of centrifugal force as a principle of pumps, a plant tour, and a workplace experience. This program is designed to give children a hands-on experience at the site of a manufacturing job, to gain an insight into the importance and significance of monozukuri (craftsmanship).



Students at the Tokyo Metropolitan Minami-Tama Secondary School

Green Curtain

At the Fujisawa District set up a "Green Curtain" of morning glories on the wall of the plant building from May to November 2010, in part using the Fujisawa City Building Greening Subsidy and the EBARA Green Fund to finance the installation. Flowerbeds have been built and managed by volunteers in-house. These activities have won a Gold Prize in the "Wall



Green Curtain provides shade from direct sunlight

Surface Greening Category of the Green and Flowery Town Creation Contest" for its (1) energy savings, (2) environmental conservation and (3) corporate environmental contribution to society.

Support for the Disabled

A disabled person was received at our head office building for three days as part of "the Disabled Persons Internship program" administered by the Bureau of Social Welfare and Public Health, Tokyo Metropolitan Government, as part of the Tokyo Metropolitan Disabled Persons Workplace Training Step-up Model Project. The person was given tasks of creating documents and spreadsheets on a PC, giving the person hands-on experience with the kind of work our employees carry out.

EBARA Group Companies from Around the World Supporting Japan

Immediately after the Great East Japan Earthquake, EBARA Group companies worldwide and their employees started contributing relief money to their respective regional fund-raising bodies, with an intention to encourage the victims. Ebara Espana Bombas S.A. (Spain) has contributed relief money as a matching donation, in which an employee donates one day's wages, which is matched by an equivalent donation from the company.

At the end of May, nine of our overseas Group companies submitted an equivalent of 12.55 million yen to the accounts of aid organizations for victims of the earthquake, such as the Red Cross and the Salvation Army. This was in addition to the relief money submitted by the EBARA Group Earthquake Victims Fund (see page 45).

The EBARA Group around the world is supporting Japan's recovery from the Great East Japan Earthquake.



Gathering at Ebara Great Pumps Co., Ltd. (China) to raise relief money for the Great East Japan Earthquake

Donations to the regional Red Cross, etc. (surveyed on May 31)

Elliott Company (U.S.), Ebara Pumps Europe S.p.A (Italy), Ebara Engineering Singapore Pte. Ltd. (Singapore), Ebara Benguet, Inc. (including Philippine Ebara Real Estate Corp.), Yantai Ebara Air Conditioner Co., Ltd. (China), Ebara Great Pumps Co., Ltd. (China), Ebara Espana Bombas S.A. (Spain), Ebara Thailand (Thailand), Ebara Hai Duong (Viet Nam), Ebara Qingdao Co., Ltd. (China), Ebara Precision Machinery Europe GmbH (Germany), and Ebara Technologies Inc. (U.S.)

Environmental Initiatives

Various efforts have been directed at putting into practice the concept of “Environmental Conservation and Us”, as set forth in the EBARA Group’s Code of Conduct. Here is an overview of the achievements for the last fiscal year and the ongoing efforts toward EBARA Group’s Environmental vision and objectives for the next term (FY 2020).

Driving Activities Toward the Environmental Vision (FY 2020).

In FY 2010, the EBARA Group Environmental Vision “What We Should Be” set forth in March 2005 was reviewed and a vision and objectives for the next fiscal year (FY 2020) was formulated. Most of the FY 2010 environmental target set forth in accordance with EBARA Group’s Code of Conduct have been achieved. In particular, the successful achievement of the target values for waste and chemical substances should attest to the devotion to environmental activities that all employees showed in their daily work, as well as to the efforts of the environmental managing staffs. However, the various measures that were tried to reduce greenhouse gas emissions have fallen somewhat short of their targets. Therefore, we decided to donate the amount equivalent to purchasing the emissions credits for our excess CO₂ emissions to a tree planting program, as a contribution to society. Efforts for environmental conservation as part of our corporate activities include the formulation of design standards for environment and the EBARA Group Green Procurement Guidelines. Efforts for environmental management include maintaining the ISO 14001 certification body and holding periodic environmental education sessions, where management also participates. Environmental objectives for FY 2020 are essentially to refurbish or maintain the FY 2010 targets. In addition, the EBARA Group further enhances the efforts for environmental conservation, with the new biodiversity-aware approaches to help forge a sustainable society.



Hisashi Iijima
Director
Deputy Division Executive
Enterprise Risk Management Division

Vision

EBARA Group's activity standards (2010)

Aiming at becoming a leading company in the environmental field contributing to realize a sustainable society.

Ebara Group's Code of Conduct	EBARA Group environmental target (FY2010)
1. Environmental Conservation Activities in Our Daily Business: In our corporate office and business activities, we will give consideration to co-existence with the environmental management system.	
(1) We will observe laws/ordinances related to environmental conservation, agreements, matters of accord with public agencies, principles other than regulations, and self-restraint rules of the Corporation.	<ul style="list-style-type: none"> Establish self-imposed standards for the individual districts and carry out environmental conservation and pollution-preventing activities.
(2) We will endeavor for the curtailment and recycling of waste in our offices and operational facilities, as well as for resources/energy saving.	<ul style="list-style-type: none"> Prioritize material recycling over thermal recycling. Achieve a final waste landfill rate of less than 3% Achieve a waste material recycling rate of at least 95%. Reduce greenhouse gas emissions by 10% from the 2000 level on a CO₂ emissions conversion basis. Reduce CO₂ emissions during product transportation Increase low-emission cars at a rate of 90% or higher Reduce the amount of drinking water, industrial water, and groundwater consumption by 10% from the 2000 level.
(3) With regard to product manufacturing/remodeling plans and new business programs, we will sufficiently assess their effects on the environment from a viewpoint of preventing environment pollution and adopt technological measures for the prevention of contamination.	<ul style="list-style-type: none"> Reduce emissions of chemicals subject to the PRTR Law by 20% from the 2000 level. Reduce emissions of VOC, such as toluene, by 30%, from the 2000 level. Introduce and implement environmental audits of construction work systems at individual Group companies.
2. Contribution to Environment Conservation in Business Activities	
In an effort to develop technology and products to contribute toward the conservation of the global environment and formation of recycling-based society through business activities, we will propose total solutions to realize such development and provide excellent environmental protection technologies to society. Further, we will strive for the reduction of environmental loads resulting from our products/plants, as well as for resources/energy saving.	<ul style="list-style-type: none"> Set design standards for environment and works on their achievement. Set standards for substances to be prohibited, reduced, and managed that are contained in products, and work on their achievement. Set green procurement standards and work on their achievement
3. Efforts for Environmental Management: Realizing that enforcement of environmental conservation activities through appropriate operation of an environment	
(1) We will relate the environmental management system to all other management systems within the company and develop corporate management of the type in which consideration is given to environmental conservation.	<ul style="list-style-type: none"> Standardize the operation of the environmental management system across the EBARA Group. Build an environmental information system shared across the EBARA Group. Collect and consolidate environmental data across the EBARA Group. Hold regular EBARA Group environmental meetings.
(2) To our officers and employees, we will extend environmental education, while providing the society at large with information designed to promote environmental conservation.	<ul style="list-style-type: none"> Hold managerial level environmental education sessions for the Group companies. Disseminate EBARA Group environmental information through the CSR Report and website. Hold stakeholder meetings

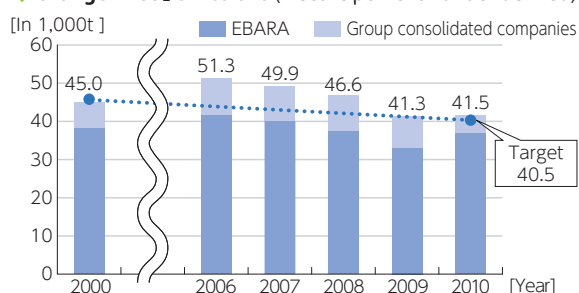
* 1 Contribution to the doubling of roadside trees in the “Basic Policies for the 10-Year Project for Green Tokyo.”

Activity Results for EBARA Group Targets (FY 2010) and EBARA Group Environmental Vision and Objectives for the Next Term (FY 2020).

FY 2010 was the last year where the EBARA Group targets (FY 2010) were reached. Over the last few years, the EBARA Group has made efforts to reduce CO₂ emissions by applying insulating paint coatings and replacing existing equipment with more energy-efficient equipment, including lighting, boilers, and other equipment. The actual reduction, however, remained at 7.8% in excess of approximately 1,000 t-CO₂ emissions, whereas the FY2010 target was a 10% reduction compared to FY2000. As a voluntary penalty, we donated the amount equivalent to purchasing the emissions credits for our excess CO₂ emissions to a tree planting program^{*1}, in our bid to contribute to CO₂ emissions control and forestation. In terms of waste reduction, a material recycling rate of 95% has been attained since FY 2007 and the target final waste landfill rate of less than 3% was achieved in FY 2010. This was a result of our efforts to enforce thorough breakdown, sorting and separation of waste and exploit new applications for recycled resources. We also successfully reduced chemical substance emissions by installing volatile organic compounds (VOC) removal equipment using activated carbon to reduce VOC emissions in the painting processes and working on controlling the sources of waste^{*2}.

The EBARA Group Environmental Vision and environmental objectives for the next fiscal year (FY 2020) have been formulated in accordance with EBARA Group's Code of Conduct, in our bid to help conserve the global environment through our corporate technology, product, and service activities. We are driving these and other activities forward toward 2020.

◆ Change in CO₂ emissions (Electric power and fuel-derived)



■ Since we set our target back in FY 2000, we have been using an emission coefficient of 0.357 kg/kWh, in compliance with the enforcement order regarding the Law Concerning the Promotion of Measures to Cope with Global Warming, which came into effect in 2000.

EBARA Group Environmental Vision (2020)

1. The EBARA Group is striving to create a society in which nature and technology are in harmony.
2. The EBARA Group endeavors to conserve the global environment through its technology, product and service supplying.

Achievements up to FY 2010	EBARA Group environmental objectives (FY2020)
the local community and strive to prevent environmental contamination and	continually improve environmental conservation activities through operation of
Activities for pollution prevention have been carried out, and all voluntary standard values have been achieved.	● Keep voluntary standard values for observance of environmental laws and regulations.
Target achieved with a material recycling rate of 96.7%. ^{*2} Target achieved with a final landfill rate of 2.6%. ^{*2}	● Continuously reduce the amount of waste output. Observe legal terms in contracts of waste treatment. Maintain a waste material recycling rate of 95% or higher. Maintain a final waste landfill rate of less than 3%. Utilize recognition system about reliable industrial waste disposers.
Target unachieved with a reduction of 7.8%.	● Continuously reduce CO ₂ emissions
CO ₂ emissions have been reduced since FY 2007, achieving a 23% reduction. Target almost achieved with an introduction ratio of 88%.	
Target achieved with a reduction of 22%.	● Reduce water usage by 30% from the FY 2000 level.
PRTR : Target achieved with a reduction of 34%. ^{*2} VOC : Target achieved with a reduction of 43%. ^{*2}	● Continuously reduce emissions of PRTR Law controlled substances. Reduce VOC emissions by 30% from their FY 2000 level.
Environmental audit system already introduced at Ebara Hamada Blower Co., Ltd. Companies with less need for environmental audits fulfill this requirement by thorough implementation of environmental impact assessments.	● Identify and minimize environmental risk involved in R&D planning and in the planning, installation and operation of facilities.
Continuous marketing of products designed for higher efficiency, greater energy saving and space saving.	● Set and implement policies and goals for achieving the industry's leading environmental performance.
Amendment of the paint standards, utilization of paint without prohibited substances and management of substances to be discontinued.	● Build and run a framework for managing information about the chemical substances found in procured components and communicating information about the chemical substances found in finished products for customers.
EBARA Group Green Procurement Guidelines currently in practice. http://www.ebara.co.jp/csr/management/green_procure.html	● Continuously review our technical standards from the viewpoint of reduction of the environmental impact of products. Set and promote standards for environmentally sensitive items in CSR procurement.
	● Enhance the availability of products designed for use in the global warming prevention field. (a) Dry vacuum pumps for solar cell manufacturing (b) Desalination pumps and equipment (c) Nuclear power plant pumps (d) Energy-saving standard pumps driven by high-efficiency motors (e) High-efficiency chillers (f) Biomass utilization operations
management system is our own responsibility, we will execute such activities within the range of individual employees' own work.	
The corporate environmental audit is implemented according to ISO14001. (See page 42.) An environmental information collection and data aggregation system has been in operation since FY2006.	● Standardize the operation of the environmental management systems within Ebara group company. Link environmental management systems to the other management systems such as quality management system.
Held periodically	● Thoroughly manage environmental risk by continuous implementation of corporate environmental audits.
Held as part of CSR education. (See page 42.) EBARA Group's CSR report is published and environmental information is disclosed on the company's website. ^{*2}	● Establish an enhanced sense of ecology through biodiversity-aware environmental contribution activities.
Held the "Dialog on the CSR Report" with employees.	● Disclose environmental information associated with business activities. Enhance disclosure of environmental information about products. Increase sales of environmental label certified products.
	● Promotion of social action programs capitalized on specialized knowledge of EBARA Group.

^{*2} Environmental performance data: <http://www.ebara.co.jp/csr/management/data/>

Environmental Risk Management

The Environmental Management System of the EBARA Group is structured with the director in charge of enterprise risk management and CSR as the chief executive, and the Environment Control Committee at the top. Environmental management is organized around environmental conservation of business hubs, such as offices and districts, and their surrounding areas (horizontal axis) and product and services-related environmental conservation (vertical axis)*¹. The EBARA Group has promoted the acquisition of international standard ISO 14001 certification for ongoing improvement of the Environmental Management System. As of April 2011, 21 EBARA Group organizations including five overseas companies have obtained certification*².

Environmental Audit of Construction Work

Construction of new production or welfare facilities, or restoration or removal of such facilities may impact the environment in a number of ways, such as with waste, vibration, and noise. At EBARA, we proceed with construction by performing a threefold check at the construction planning stage of facilities, in relation to assessment of environmental impact at the stages of installation and operation and legal compliance with environmental laws and the Industrial Safety and Health Law*¹. In FY 2010, 277 environmental audits were conducted to preempt any environmental risk.



Environmental audits of the management systems

In addition to internal environmental audits and examination by an external certification body, the EBARA Group has had corporate environmental audits performed on its individual offices and districts by the Corporate Environmental Management Department*¹.

In FY 2010, corporate environmental audits were conducted on 14 EBARA Group companies, to confirm the status of the implementation of measures to prevent environmental pollution and environmental management activities that aid in corporate management. The audits focused on verifying compliance with the requirements of the Waste Disposal and Public Cleansing Law and offered suggestions for appropriate improvements for nonconformity cases, as they were found. Because continuing amendments to the governing environmental laws and regulations, including the Amended

Waste Disposal and Public Cleansing Law enacted in April, 2011, dictate more appropriate responses than ever, we would like to continue with our verification process, which will lead to improvements.

Conservation of Biodiversity

EBARA Group established biodiversity guidelines in FY 2010*³. Considering the significance of biodiversity and benefit from nature, EBARA Group seeks to get to know more about the relationship between its corporate activities and biodiversity. Under the above effort, EBARA Group promotes further educational activities for employees and conservation activities.

EBARA Group Biodiversity Guidelines

EBARA Group believes that the conservation of biodiversity is one of our social responsibilities. As a result, we have formulated Biodiversity Guidelines and are driving the implementation of these guidelines.

1. We consider the conservation of biodiversity an important management issue and make an effort toward conservation.
2. We promote employee awareness of the importance of biodiversity conservation through opportunities such as environmental education and experiencing nature.
3. We seek to gain a better insight into the relationship between corporate activities and biodiversity and reflect this insight in the Group's drive to conserve biodiversity.
4. We contribute to the conservation of biodiversity through corporate activities that are guided by the principles of resource conservation, energy conservation and biodiversity-aware outsourcing.

Environmental Education

We have environmental education programs in place for management and for all employees, according to their function*¹. In the FY 2010 session of the CSR workshop conducted for EBARA Group management, professional lecturers from outside the company were invited to speak about the business risks associated with procurement of metallic materials, including rare metals, starting at the mining stage. We have held 61 sessions of company-wide general environmental education for all employees at the Ebara offices and districts. The sessions called employee attention to our policy and framework for addressing the Amended Law Concerning Rational Use of Energy, and the amendments to the Waste Disposal and Public Cleansing Law. Employees who are not able to participate can take an e-learning course with the same content.

Environmental Accounting

Because recovery of soil contamination in the Haneda district were carried out from FY 2009 to FY 2010, the amount for the "Cost incidental to other environmental conservation" was 758 million yen. The "Cost of global environmental conservation" stood at 119 million yen, financing the renewal of aging heating boilers in the plant department, and other activities*¹.

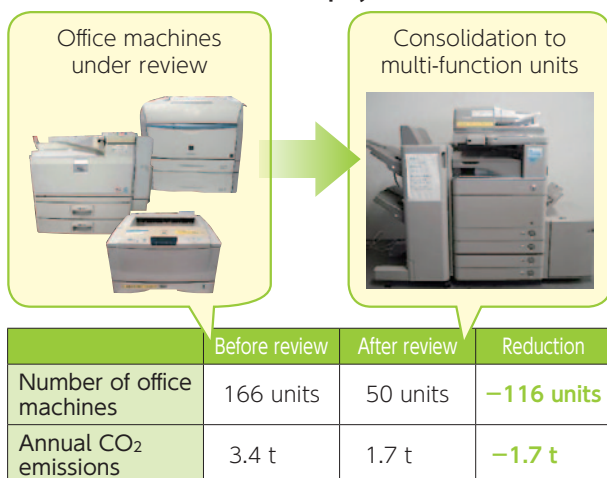
Global Environmental Conservation Measures

The EBARA Group endeavors to conserve the global environment through its products, technologies, and services, and is reducing CO₂ emissions by taking various measures, such as facility renewal. In addition, the emissions of chemical substances controlled by the PRTR Law and VOC (volatile organic compounds) have been reduced in FY 2010 by 33% and 43%, respectively, against their FY 2010 goals (20% and 30% reduction compared to FY 2000), as a result of our installation of new VOC removal facilities and efforts to control the sources of these emissions.

■ Reducing CO₂ emissions by reducing the number of office machines

The Precision Machinery Company has been pursuing a program to reduce the number of office machines, such as printers, to save electric power at the Fujisawa district. In kicking off this program, the Company was concerned about how to decrease the number of units without affecting user convenience. As a solution, the Company decided to consolidate to multi-function units that cover the capabilities of existing models (scanner, fax, compatibility with Company-specific production systems) and still offer better power-saving capabilities. Calculations of the optimal number of units to be deployed from an availability standpoint suggested that 135 office machines could be consolidated to 19 multi-function units. Therefore, we replaced the existing machines with multi-function units, placing them into service starting in March 2011. As a result, the total number of installed units has been reduced by 116, from 166 to 50. The corresponding reduction in CO₂ emissions is predicted to be 1.7t-CO₂/year or 51% reduction.

◆ Effects of the office machine deployment review



■ Reducing CO₂ emissions by keeping compressors optimally deployed

Starting operation in 1965, the Fujisawa district has a large number of plant buildings on a site of approximately 375,000 m². Compressed air used in these plant buildings is centrally supplied through buried pipes from an energy center on the site. The compressors were installed 36 years ago and the pipes were laid 46 years ago, so both have deteriorated, causing leaks and a corresponding loss of energy. As a solution, the central supply of compressed air was discontinued and compressors with high energy efficiency were successively introduced into each plant building. Also, the operation management scheme (working pressure, amount of air used, and usage time slot) was optimized. As a result, CO₂ emissions were reduced by 47t-CO₂/year in FY 2010. Further savings are expected once the remainder of the construction work is completed.



Compressors installed in a plant building in the Fujisawa district

■ Measures to Reduce Emissions of Chemical Substances

The Futtsu district is working on reducing emissions of volatile organic compounds (VOC), which are a cause of photochemical smog. These chemicals are found in paints and cleaning solvents, used when painting products.

A VOC reduction working group was formed in April 2010 to reduce VOC emissions 30% compared to the previous year in FY 2010. The group experiments with paint and cleaning solvents control measures to ascertain their effectiveness. One of the cleaning solvents control measures in place is to use volatile corrosion inhibitor treated films on the parts procured from overseas to make the parts rust-preventive, thereby removing the need for rust-preventive agents in cleaning solvents. The group has successfully reduced the use of rust-preventive agents by 55% compared to the previous year.

◆ Example of a VOC Emission Control Measure in the Futtsu district



Before action
(cleaning work using rust-preventive agent)



After action
(volatile corrosion inhibitor treated films applied)

* 1 Environmental management activities <http://www.ebara.co.jp/csr/management/>

* 2 ISO14001 registration <http://www.ebara.co.jp/csr/management/iso.html>

* 3 Efforts for biodiversity http://www.ebara.co.jp/csr/communication/biological_diversity.html

Responding to the Great East Japan Earthquake

Please accept our heartfelt sympathy for those who have been shattered by the Earthquake, which occurred on March 11, 2011. We would also like to express our deepest condolences on those who have fallen victim to the quake. This is to brief on the activities carried out by the EBARA Group by the end of May in response to the Earthquake.

Recovering from the Quake

In recognition of the paramount importance of responding to quake-stricken customers and employees and of business continuity, we set up the Emergency Countermeasure Headquarters, headed by the President, pursuant to Ebara Crisis Management Regulations.

Responding to Employees

The safety of all Group employees in Japan was confirmed immediately after the earthquake through workplace-specific communication networks and other means. Sadly, the loss of one employee in Fukushima Prefecture was confirmed in May. By March 31, a relief aid force assembled from nationwide branches, offices, Group companies and suppliers (portage) was formed to procure and ship food, water, daily necessities, batteries and the like to heavily damaged branches and Group companies in the Tohoku region.

Supporting the Information Infrastructure

We immediately performed maintenance work on the data center power system, to ensure operation of the information infrastructure, one of the keys to business continuity (see page 22).

Responding to Customers

The EBARA Group feels it is responsible to its customers for restoring public water supply, sewerage facilities, rainwater treatment facilities, and securing sanitary conditions by restoring waste disposal treatment facilities. The Group is also devoted to quickly restoring the Ebara Group's products which have already been delivered to customers but damaged by the Earthquake to help secure their business continuity.

■ Supporting pumping stations for public sewer, water works, drainage and related systems

The Field Task Force set up in the Tohoku Office formed a mixed team of aid technicians and construction workers from Ebara Yoshikura Hydro-Tech Co., Ltd., Ebara Densan Ltd. and Ebara Techno-serve Co., Ltd. to inspect the quake-stricken pumping stations, prepare and submit a report, and implement temporary fixes. The inspection and report writing have been completed. The team has started restoring the battered pumping stations, with the aid of temporary facilities for customers that require drainage, before the coming of the flood-prone rainy or typhoon season. In addition, an inspection patrol has been checking the drain pump vehicles that have been in constant operation, used by customers for submerged drainage. We are making concentrated efforts to speed up the restoration of lifelines,

including inspecting water supply and sewage facilities, pumping water from fields that have survived quake damage, draining flooded sites and repairing destroyed water purification centers.



Hanagasa Second Drainage Pumping Station



Agawanuma Drainage Pumping Station

Tsunami-stricken drainage pumping stations

■ Supporting equipment in buildings, such as pumps, blowers and refrigerators

Ebara Techno-serve Co., Ltd. maintains, inspects, repairs and replaces EBARA Group products, such as feed water pumps and blowers used in buildings and housing complexes, and water pumps in factories. The Remote Monitoring Center is handling inquiries on quake-damaged products, both from customers with 24-hour/365-day maintenance contracts and from customers that do not have such contracts.

Ebara Refrigeration Equipment & Systems Co., Ltd. investigated the level of damage to customer refrigeration equipment caused by the quake immediately after the disaster through interviews and site visits. Approximately 40 heat source units had been hit by the quake and tsunami. The Tohoku Office of Ebara Refrigeration Equipment & Systems Co., Ltd. was also struck by the quake, but resumed normal operation on March 28, and immediately started inspections, repairs and restoration of damaged customer facilities.

■ Supporting waste treatment facilities

A customer support desk was opened at the Ebara Environmental Plant Co., Ltd. to address the need for inspection, repair and restoration of quake-devastated waste treatment facilities.

Damage to facilities that we supplied in Iwate, Miyagi, Fukushima, Chiba and other prefectures included partial destruction of buildings or equipment, and water outages. Support technicians were sent from the Ebara Environmental Plant Co., Ltd. head office and other locations to expedite the recovery of the affected facilities. Technicians are still working on facilities that require permanent protection against quakes. Realizing that every installation that is equipped with a power generating facility can be used as a local power plant, power from the facility is being supplied to outside users, under customer supervision.

■ Responding to private-sector business customers in the oil and gas industries and other industries

EBARA and EBARA Elliot are inspecting, repairing and replacing turbines, compressors and other equipment they have supplied to customer installations in the oil and gas, and chemical industries, as well as in other industries, to help them continue doing business.

We extended emergency support to quake-stricken device makers in the semiconductor manufacturing and electrical and electronics industries, upon their request. They are EBARA's customers, but EBARA is also a user of their products. EBARA is deeply concerned about having its supply chain disrupted. Under EBARA's supervision, the Ebara Field Tech. Corporation provided full, round-the-clock support to our customers and EBARA has heard a word of thanks from them.

■ Responding to customers in the power generation industry

Large numbers of EBARA Group products are delivered to nuclear and thermal power plants in Japan through the makers of these plants. We are working to restore quake-stricken nuclear power plants and thermal power plants that are out of service under direct request from the power companies or on request from plant makers, in an effort to ensure the availability of power during the coming summer months. Dedicated support desks have been set up at Ebara's Futtsu and Fujisawa Plants to address inquiries from power plants where damage has become obvious, to fill their needs for parts backup, repair, supervision, and so on.

Responding to Power Shortages

Checking for lights-out on leaving offices and company buildings, conscientious setting of air-conditioning temperatures and using the energy-saver mode on PCs are all being practiced. Other measures in practice aimed at saving power include making effective use of blinds, thinning out the illumination in passageways and elevator halls, cutting back on the number of elevators in service and turning off lights that do not need to be always on. In addition, operators of production lines, in anticipation of power shortages in the summer, are contemplating the implementation of power demand leveling measures, including shifting part of the spring holidays, commonly known as "Golden Week," to the summer holiday season and rotating operation of the lines (Fujisawa facility), as well as conducting tests of large scale pumps and the like at night (Futtsu and Sodegaura districts).

The IPP*1 (gas-fired) power plant at the Fujisawa district is expected to operate at full capacity (rated operation) throughout the summer to deliver a stable supply of 720 MWh/day to power companies.

Donations

We have opened a bank account under the name of "EBARA Group Earthquake Victims Fund" to collect donations from officers and employees, and EBARA Group companies. In addition, EBARA Group companies abroad donated to the charitable organizations, such as regional affiliates of the Red Cross.

■ EBARA Group Earthquake Victims Fund (the Fund)

We started fund-raising immediately after the earthquake and set up the Fund. In addition to encouraging donations from EBARA Group companies and employees, domestically and abroad, EBARA Corporation itself is making donations as a corporate entity. We set 200 million yen as the target of total amount of donations. Donations collected by the end of May reached 149.36 million yen, including 12.1 million yen from employees (including Ebara Alumni Association, Ebara Corp. Workers' Union, contributions from work sites, and contributions to the donation box), 60.1 million yen from 17 domestic Group companies as corporate entities, 7.16 million yen from two group companies abroad and 70 million yen from Ebara Corp. Considering the level of damages from the earthquake and tsunami, the first instalment of 140 million yen was remitted to Iwate, Miyagi and Fukushima prefectures. The second round of remittance is scheduled for early July.



Right: Mr. Atsushi Okabe, Director, Social Welfare Division of Miyagi Prefectural Government
Left: Mr. Takano, Executive Officer, Ebara Corp.



Fund-raising by EBARA Vickers

Donations to the Fund (as of May 31)

212 employees from the EBARA Group, Ebara Corp. Workers' Union, Ebara Alumni Association and others

Ebara Corporation

Ebara Densan Ltd., Ebara Techno-serve Co., Ltd., Ebara Material Co., Ltd., Ebara Yoshikura Hydro-Tech Co., Ltd., Ebara Environmental Technologies Hokkaido Co., Ltd., Ebara Hamada Blower Co., Ltd., Ebara-Byron Jackson, Ltd., EBARA Elliot, Ebara Refrigeration Equipment & Systems Co., Ltd., E-Square Co., Ltd., Ebara Environmental Plant Co., Ltd., Ebara Field Tech. Corporation, Ebara Agency Co., Ltd., Ebara Shohnan Sports Center Inc., Ebara Meister Co., Ltd., Ebara Clean Environment Co., Ltd., Oiwa Machinery Corporation, Ebara Pumps Europe S.p.A., Ebara-Elliott Service (Taiwan) Co., Ltd.

* 1 [IPP] Independent Power Producer

Third-party comments



Yoshika Yamamoto
Associate Professor,
Faculty of Business
Administration
Setsunan University

Specializes in environmental policy and environmental management. Probes the roles and effects of voluntary organizational environmental approaches on communities and societies. Also involved in an upcoming revision of ISO14001 as an ISO/TC207/SC1 expert.

This report is released in the wake of the devastation caused by the Great East Japan Earthquake. The book entitled "Netsu To Makoto" (Note: "Netsu To Makoto" means enthusiasm and sincerity.) authored by Issey Hatakeyama, founder of EBARA Corporation, mentions that, prior to the occurrence of the Great Kanto Earthquake, the company had been aware of the vulnerabilities of the water supply and water channels, and had voluntarily installed backup pumping facilities, which significantly sped up the restoration of heavily damaged water supply facilities after the quake. The Message from the President at the beginning of the report declares EBARA Group's commitment and all-out effort to support the recovery from the quake. Field work that is quickly progressing is reviewed on pages 44 and 45. The EBARA Group appears to have inherited the founding spirit handed down from the EBARA Corporation for fulfilling its social responsibility by practicing its core business.

As E-Plan 2013 enters a phase of taking a first step toward a new challenge to attain positive growth, efforts are underway to transform EBARA into a true global enterprise. From this point on, it will be important to identify the challenges of CSR through the practice of the company's core business with Global Compact and relevant international guidelines and initiatives taken into account, and to document the progress and results of PDCA cycles. This report targets a broad range of stakeholders, including employees, as its primary readers. Views expressed on VOICE and elsewhere, tell us that a more open form of CSR would be greatly appreciated.

And how its frameworks for governance, internal controls, compliance, risk management and information security are leveraged should be open to future questioning.

The EBARA Group's environmental efforts have proven to be remarkably successful, worthy of being the last stage of the "What We Should Be for FY 2010" initiative. Although reductions in CO₂ emissions fell somewhat short of their goals, many objectives were accomplished, including

targets for the material recycling rate, final waste landfill rate and water conservation requirements. In addition, when the manufacturing plant in Haneda was relocated to Futtsu, the painting booth was set up indoors, to drastically reduce emissions of chemicals controlled by the PRTR Law and VOCs, well beyond the goals. A challenge for the EBARA Group's Environmental Vision for FY 2020 should be how to translate these goals into specific yearly activities.

I had a chance to visit the Futtsu and Fujisawa business district in April 2010. In the Futtsu district, the "FIT" production innovation movement was in progress, offering me an insight into what the field staff were doing, which would normally be difficult to grasp from statistics alone. As I observed a training session for newly hired employees at the manufacturing skill training facility, called the Pump Training School, I realized that business continuity is critically dependent on the passing down of core technologies. Also, training courses for technicians at overseas bases, which have been carried on for 20 years at the Technical Training Center in the Fujisawa facility, attest to the fact that a consolidated framework for improving and inheriting skills is in place to help the EBARA Group grow into a true global enterprise. Witnessing the craftsmanship that is backed by the high degree of expertise and experience of the employees attending the courses reaffirmed the significance of skill inheritance at the EBARA Group.

I also observed how waste water treatment and waste treatment are thoroughly implemented in the environmental management field. I noticed that the environment in the community is being well cared for through activities, such as the raising of locally endemic species of Japanese rice fish in the Fujisawa facility biotope pond.

Reading through this report, I see that a firm framework for CSR has been established. We can now expect the EBARA Corporation to build a framework for CSR that is backed by its technologies and corporate culture, in a form that is closer to its core business, so that the Corporation can realize what no other company has attained.



Visiting the Futtsu Facility
Right: Yoshika Yamamoto, Associate Professor
Left: Teragaki, Executive General Manager, Futtsu Plant

External Assessment

EBARA's CSR activity has been assessed by outside organizations.



EBARA has been added to two world-leading Social Responsibility Indexes (SRIs), the FTSE4 Good Index Series and Dow Jones Sustainability Indexes. Furthermore, the Development Bank of Japan accredited EBARA in an eco rating in 2010, for our exceptionally advanced approaches to environmental consciousness.

EBARA Group's CSR challenges



Akira Itoh

Director / Managing Executive Officer
Corporate risk management,
administrative affairs, CSR
EBARA

Looking Back Over the Past Three Years of CSR Activities

This is the fourth release of the CSR Report. In the past, our approach to CSR activities was such that the preparation for the release of the CSR Report gave us an opportunity to reflect on what the EBARA Group's CSR is, identifying issues and showing the solutions that we implemented. The current report offers a retrospective insight into the CSR activities carried out for the last three years, highlighting the achievements and issues from a CSR perspective. This has helped us deliberate on what we should be doing into the future, to grow into a higher-value-added enterprise in today's world.

Achievements and Emerging Issues

When we embarked on the production and publication of our first CSR Report in 2008, we decided to first sort out our CSR issues. As a result, the management issues that we had been focusing on – to reinforce corporate governance, to carry out thorough compliance, to enhance the function of internal controls, and to promote environmental conservation – were taken up as CSR issues for the entire EBARA Group. The underlying idea was to install a built-in system of safeguards, to preclude breaches of compliance with new laws and regulations, such as the Corporation Law and the Financial Instruments and Exchange Law, by ensuring broad dissemination of, and strict adherence to, the EBARA Group's Code of Conduct and in-house rules. These safeguards would also prevent the recurrence of past mistakes, by assuring compliance with the Anti-monopoly Law, and by helping to prevent environmental pollution. The results of compliance surveys suggest that, year by year, our employees are making progress in raising awareness of the importance of compliance.

This sense of compliance, which is the foundation of our corporate activities, is more consolidated than it was three years ago. The EBARA Group CSR Activities Planning Committee has been taking part in deliberations on stipulating CSR policy. The Committee is considering positioning a declaration of the Group's corporate philosophy – "extensive contribution to society by providing superior technology and the best possible service" – as a CSR policy. I believe that the EBARA Group has an obligation to grasp the changes occurring in society, in our business sphere, and in stakeholder issues of interest, as swiftly as possible, and to upgrade the quality of our "superior technology and best possible services" to reflect these changes. At the EBARA Group, we will continue our efforts to transform into a "genuinely global enterprise". We are committed to taking the next step forward, not only by practicing the 10 Principles of the United Nations Global Compact as a signatory to the Compact, but also by identifying new challenges for the Group concerning the subjects of social responsibility that have concretely manifested themselves in the form of ISO26000.

Reflecting on Third-Party Comments

In April of this year, we received Setsunan University Associate Professor Yamamoto on a two-day tour of Ebara Corporation's Head Office and the Futtsu and Fujisawa districts. The tour offered Assoc. Prof. Yamamoto hands-on experience with the "FIT" production innovation movement that is underway in the Futtsu district; the training sessions at the manufacturing skill training facility, called the Pump Training School; as well as the Technical Training Center in the Fujisawa district, where the skills of monozukuri (manufacturing) are upgraded and handed down from generation to generation. We are very encouraged by her recognition of the commitment of the EBARA Group as an industrial machinery manufacturer, as we set out on our path of growth for the next 100 years. As suggested by Assoc. Prof. Yamamoto, we will use our CSR report and other media to publicize our accomplishments regarding our group management structure, embodied in the activities connected with the various initiatives we have embarked on in the last few years. These include internal controls, compliance, and information security. We will also continue our efforts to clearly demonstrate the results of the continuous improvements we have achieved in our environmental activities.



EBARA CORPORATION

11-1, Haneda Asahi-cho, Ohta-ku, Tokyo
144-8510, Japan
Phone: 81-3-3743-6111 (switchboard)
Fax: 81-3-5736-3121
E-mail eco@ebara.com
U R L <http://www.ebara.co.jp>

**Please direct inquiries to:
CSR Promotion Department**