



# EBARA Group CSR Report 2012





## 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. 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.

### EBARA Group Information on EBARA Group's CSR Report 2012

Through comprising past environmental reports, we began creating and publishing the CSR Report since FY2008. The FY2012 version was created by referring to the GRI Sustainability Reporting Guideline version 3.1. In addition, environmental performance data is available on our website. We feel that "CSR activities underpin the continuation and development of business," and in order to expand on this idea, we will report on activities from the company's mid-term administration plan "E-Plan 2013", established in 2011, from a CSR perspective.

Please also refer to our website while viewing these topics.

**Issue date:** October 10, 2012. (Previous issue date: August 10, 2011)

**Supervised by:**

EBARA Group CSR Activities Planning Committee

**Period:** April 1, 2011 to March 31, 2012

\* The term FY used in this CSR Report stands for EBARA's fiscal year, beginning in April 1 and ending March 31 of the next year.

**Scope:** Consolidated EBARA Group companies

\* Other organizations are listed in the footnotes.

**Content:** EBARA Group's CSR activities

**Next issue date:** August 2013

**Description of company names used in this report:**

"EBARA" represents only the EBARA Corporation.

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

**Reporting Reference Guideline:**

GRI Sustainability Reporting Guideline version 3.1

**Contact for comments and questions:**

[eco@ebaracorp.com](mailto:eco@ebaracorp.com)

**Privacy Policy**

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

### What We Would Like to Convey to the Reader

- In order to more fully understand the activities of the EBARA Group, we strive to listen to the voices of our stakeholders.
- The FY2012 version comprises reports on the activities of our overseas group companies.

- We regard our customers, shareholders, investors, suppliers, and employees as our major stakeholders (see the illustration below).

We believe that maintaining and improving the relationships with our stakeholders, based on mutual trust, is of fundamental importance to the continuity and growth of our business. To this end, we are presenting our activities and accomplishments.

Detailed information for our shareholders and investors can be found in the Annual Report and in the Business Report.

- This booklet briefly describes our efforts toward protecting the global environment. To find out more, please visit the EBARA website.

**Website for Environmental Activity Reports**

<http://www.ebaracorp.com/en/csr/env/>

### EBARA Group and Stakeholders

(Main pages)



**Front cover**

The monochromatic photo is a picture of the first factory during the initial years of EBARA's establishment. The color photo is a picture of when Futtsu Plant began operation in 2010. Building on our 100 years of history, we express EBARA's dedication to continue serving society as an industrial machinery manufacturer.

**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.

\* Employees: All personnel involved with the Company, such as Executives, regular employees, corporate advisors, part-time workers, and loaned employees.

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

**■ Compliance**

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.

**■ 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.

**How we handle your comments and inquiries**

Any personal information provided might be presented to other group companies in instances where various EBARA group companies cooperate in a business activity, or where it is required in order to carry out business activities. Furthermore, answers to inquiries might be handled by other group affiliates, rather than EBARA.

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# Enhancing individual capacities for a company



### Natsunosuke Yago

President and Representative Director  
EBARA CORPORATION

A handwritten signature in black ink, reading "N. Yago".

### Mission of reintegration after the 311 earthquake

More than a year has passed since the Great East Japan Earthquake, and the disaster's impact on our business activities is coming to a close. However, the end is still not in sight for disposal of the rubble and the effects of the nuclear catastrophe. The apprehension felt by people living in the devastated areas is undoubtedly still overwhelming. The EBARA Group will continue doing all it can to help these people get back to a normal life as soon as possible.

Immediately after the earthquake struck, we instituted setups for rehabilitation of infrastructure, dispatched technical experts to the affected districts, and embarked on the task of restoring pump stations and waste incineration facilities. Employees of the EBARA Group worked diligently for such tasks even while aftershocks were still being felt, and contributed to the earliest recovery. Surely I am not alone in the conviction that this was a demonstration of EBARA's real power of heritage that it has been supplying infrastructure-related products and remained involved in their maintenance for approximately 100 years since the start-up of business. Meanwhile, our main production sites managed to fulfill their responsibility to continue supplying products in spite of the need to reduce their power consumption, thanks to the alternate work shifts and working on holidays. It is recognized that we could fulfill the duties to the society as a corporate enterprise that supports the infrastructure even when disasters strike.

### Action by employees is the pillar of CSR activities

It was five years ago that we developed our Environmental Report into our CSR Report, out of the desire to accurately convey to our stakeholders our perspectives on and approaches to



# enabling contributions on a global scale

responsibilities to society which corporate enterprises must fulfill. Social interest in corporate CSR activities is rising even higher. In response, the contents of our CSR report has been changing, albeit gradually. Amid this change, one proposition has remained unchanged: What are the norms which our employees are to follow when taking action in line with CSR activities? Companies are composed of individuals, and in this sense CSR may be equated with the responsibility to be discharged to society by employees when engaged in their business activities. It goes without saying that the activities of each and every employee are the pillars of CSR activities.

Companies must make a contribution to society through such activities aimed at use of the finite resources of society to maximize their value. To this end, they must make a clear statement of what they intend to achieve through their business activities, including earning targets and the policy for repaying those profits to society, which is substantiated in the management plan. For their part, employees fulfill their responsibility to society through activities aimed at accomplishment of the management plan. As the principals of corporate activities, employees are at the same time always in the position of having to take action on emerging issues. As a standard of judgment before taking action, they must ask themselves whether or not the step is not against public order and standards of decency, and will be linked to increase in value for the society.

As guides to help their employees make correct judgments, companies consequently formulate corporate philosophies that set forth the target corporate orientation and standards of value, along with codes of conduct that set out standards of judgment in behavior based on corporate ethics. In the case of the EBARA Group, we have also determined the Five Basic Principles for Actions to serve as standards which employees apply personally to make judgments and verifications as to whether a given act is legitimate or not. These standards are defined by universal and

comprehensive expression to enable correct judgments even in complicated circumstances. Our Corporate Philosophy and Five Basic Principles for Actions function effectively as criteria for action by the employees of EBARA, which is doing business

around the world. In order to sharpen the sense of right actions at more global business scenes, I strongly urge all employees to deepen their understanding of the ten principles of the Global Compact (GC) in addition to the standards established by the EBARA Group.

## Striving for an industrial machinery producer vital for customers around the world over the next 100 years, too

The GC principles are neatly defined as human-centered standards of action to be held in common by all parties worldwide. Each principle leaves no room for doubt in the mind of any human being about following it. In other words, their substance is such that it is only natural for each and every individual to act in accordance with them. Many employees who are already working in other countries or are scheduled to do so surely must be taken aback by differences between Japan and their country of assignment in respect of culture. The times demand behavior based on proper judgments in the context of different cultures. If they make judgments by considering our Corporate Philosophy and Five Basic Principles for Actions together with the GC principles, which concisely set forth standards of behavior that may be considered world standards, our employees will presumably be able to take tight actions anywhere in the world so that the EBARA Group can fulfill its responsibilities to society. In our view, CSR activities are nothing other than the practice of proper action as human beings based on these norms by each and every one of our employees.

In 2012, we are celebrating the 100th anniversary in business. Over 100 years' history of business, we have always discharged the role of furnishing a cornerstone of society. The future holds the prospect of economic advancement led by newly emerging countries and population growth on a global scale. This, in turn, points to a further increase in activities on a worldwide stage in fields closely intertwined with the EBARA Group, such as the expansion of facilities related to the water treatment and energy supply. Through a concerted effort by our member companies and their employees around the world, we in the EBARA Group are determined to move forward as an industrial machinery producer making a substantial contribution to society as a whole by provision of excellent technologies and optimal services over the next 100 years as well.



# About the EBARA Group

The EBARA Group consists of 89 companies in total: EBARA, 77 subsidiaries (including 53 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 the end of March 2012)

● <b>Corporate name</b>	EBARA CORPORATION
● <b>Common name</b>	EBARA
● <b>Date of foundation</b>	November 1912 (Inokuchi Type Machinery Office)
● <b>Date of establishment</b>	May 1920 (EBARA CORPORATION)
● <b>Paid-in capital</b>	61.3 billion yen
● <b>Representative</b>	President and Representative Director, Natsunosuke Yago
● <b>Head office</b>	11-1, Haneda Asahi-cho, Ohta-ku, Tokyo, Japan
● <b>Composition</b>	EBARA, 77 subsidiaries (including 53 consolidated companies) and 11 affiliate companies, for a total of 89 companies

### Fluid Machinery & Systems Company

Consolidated subsidiaries	Domestic 11	Overseas 29
Other subsidiaries and affiliates	Domestic 4	Overseas 14

### Environmental Engineering Company

Consolidated subsidiaries	Domestic 1	Overseas 2
Other subsidiaries and affiliates	Domestic 9	Overseas 6

### Precision Machinery Company

Consolidated subsidiaries	Domestic 1	Overseas 5
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### Corporate

Consolidated subsidiaries	Domestic 3	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

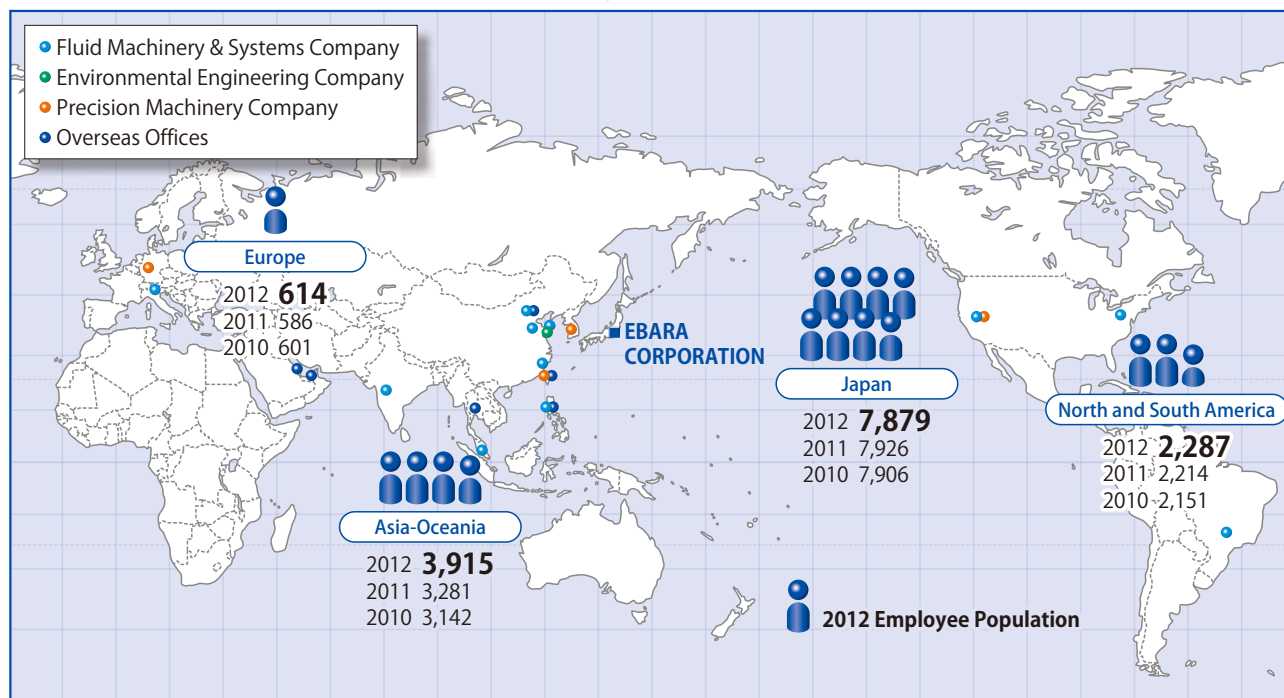
### ■ Precision Machinery Business

(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 March 31; numbers are consolidated and include overseas companies)



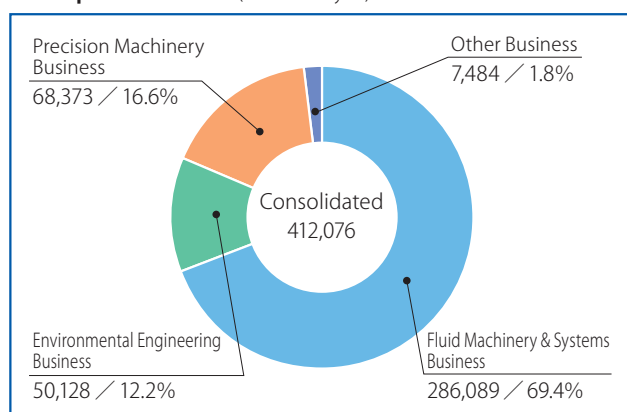
## Summary of Business Results (Year ended March 31, 2012; numbers are consolidated and include overseas companies)

● Sales	412,076 million yen
● Operating Income	23,266 million yen
● Net Income	2,889 million yen
● Overseas Sales	181,213 million yen
● Employees	14,695
(as of March 31, 2012)	

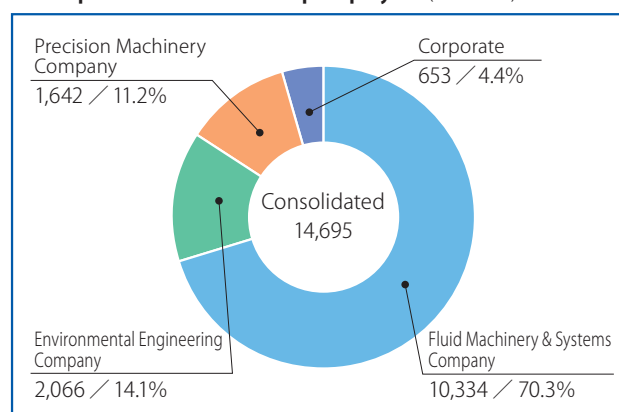
For details, see our website

<http://www.ebara.co.jp/en/ir/>

### ■ Composition of Sales (millions of yen)

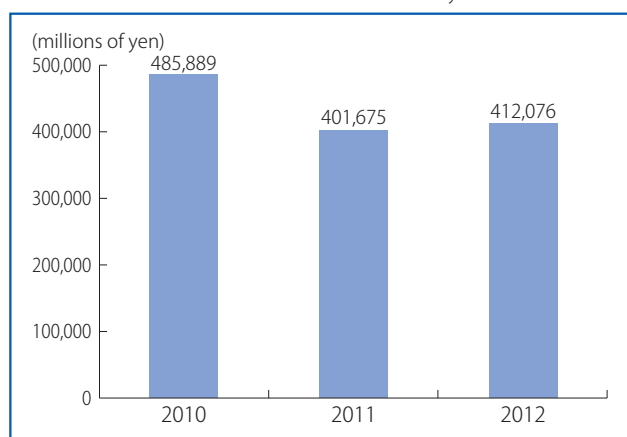


### ■ Composition of EBARA Group Employees (Numbers)



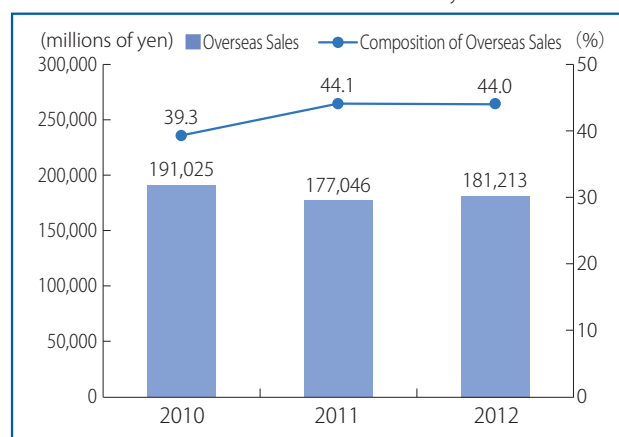
### ■ Sales

Fiscal years ended March 31



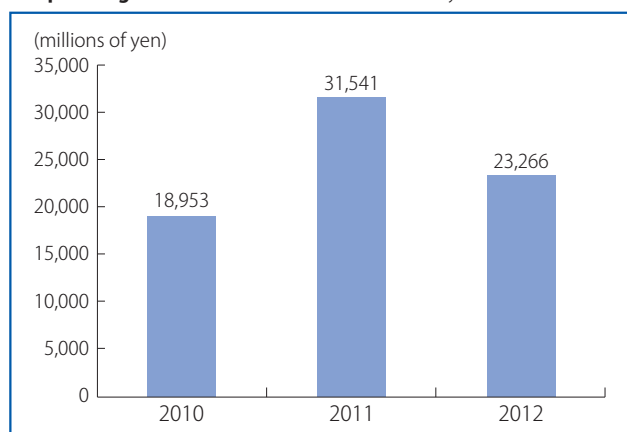
### ■ Overseas Sales

Fiscal years ended March 31



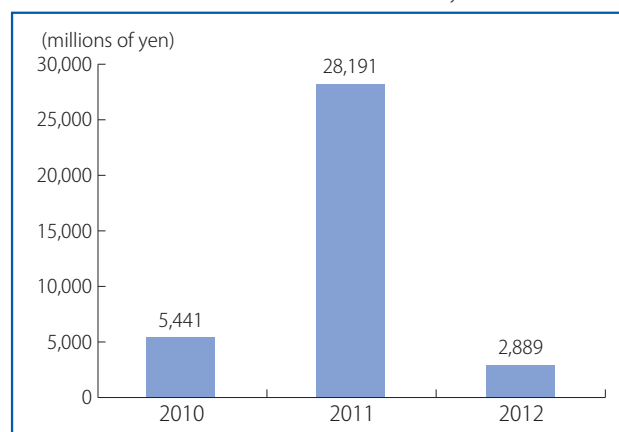
### ■ Operating Income

Fiscal years ended March 31



### ■ Net Income

Fiscal years ended March 31



# 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.



## 6 Steel Plants



High Pressure Pumps

## 2 Waste Treatment Facilities



Municipal Waste Incineration Plant

## 3 Power Plants



Boiler Feed Water Pumps

## 1 Water Infrastructure Facilities



Drainage Pumps

- 1 Various types of pumps are used in water-related infrastructure, such as water-supply and sewerage systems, agricultural systems, seawater desalination facilities, and drainage-pump stations that prevent flooding during heavy rains.
- 2 By utilizing incineration technologies, both stoker and fluid-bed furnaces and operation-management technologies, we are working to sustain the stable operation of facilities and achieve high efficiency power generation from waste disposal.

- 3 To support a stable energy supply, various types of pumps, including boiler feed-water pumps, are supplied to facilities.
- 4 Centrifugal chillers are widely deployed in large-scale facilities, such as district heating and cooling facilities, shopping centers, and factories.
- 5 Water supply and sewage drainage, using supply and drainage pumps for commercial and residential buildings, support our everyday lives.
- 6 In steel plants we provide pumps to remove iron powder, produced when rolling





metal, and air blowers to remove the large volumes of gases emitted in sintering facilities.

**7** EBARA provides compressors, turbines, and pumps for oil and gas facilities. We have also been recognized for many achievements in the production of pumps for transferring liquefied natural gases (-162°C).

**8** Beginning with the CMP system, which polishes wafers to a super-flat form, EBARA has focused on the development of new technologies and equipment by looking ahead to the next generation.

## EBARA Group Supporting OUR SOCIETY

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 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. 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.

## EBARA Group Supporting INDUSTRY

Industries such as steel, chemicals, petrochemicals, semiconductors, FPDs<sup>\*1</sup>, 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<sup>\*2</sup>, which is a greenhouse gas generated in the semiconductor manufacturing process; an internally circulating fluidizedbed gasifier for extracting valuable gases from waste; and pumps, chillers, and dry vacuum pumps designed to save energy. EBARA Group products, technologies and services support a variety of industries.

## 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.

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

<sup>\*2</sup>[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.

# Contributing to Society for 100 Years through Our Business Activities

## 1912 to 1940's

### Company Founding and a Commitment to Deliver Superior Pumps to the World

In 1912, the Inokuty type Machinery Office was founded to produce high-quality pumps built according to the volute pump theory developed by the internationally recognized inventor Dr. Inokuty.

### Domestically Produced Pumps for Waterworks

At the time, imported pumps dominated the waterworks pump market in Japan. EBARA's pumps proved to have capabilities surpassing those of foreign competitors and realized the domestic production of city water pumps.

### Domestically Produced Chillers for Cooling Buildings

Since the first centrifugal chiller was developed in 1930, use of chillers has spread to department stores, large buildings, theaters and other facilities.

### Sustaining Japan's Recovery after World War II

EBARA produced large quantities of pumps that were vital in boosting food production to alleviate post-war food shortages. Efforts were also made to manufacture salt production systems, meeting another vital human need, as well as equipment for key industries, such as coal, iron, and steel, which were urgently needed to help in Japan's recovery after the war.

## 1950 to 1970's



- 1961 Delivered the first model of a stoker-type refuse incinerator (marking our first step in the waste treatment facility business).
- 1964 Established a company for post-sales service
- 1965 Newly constructed the Fujisawa Plant and initiated production of standard pumps.
- 1976 Newly constructed the Sodegaura Plant as a fluid machinery plant, focusing on the manufacture of compressors and turbines.

### Economic Recovery Followed by a Period of Rapid Economic Growth

In line with the pace of Japan's industrial recovery, EBARA delivered a wide range of fluid machinery products, including power plant pumps, to various industries. As a period of rapid economic growth ensued, EBARA developed products and technologies to address the needs of growing heavy and chemical industries with increasingly sophisticated technical requirements. Furthermore, we broadened our business line by deploying technology such as compressors and turbines. Through these efforts, EBARA has supported Japan's rapid economic growth.

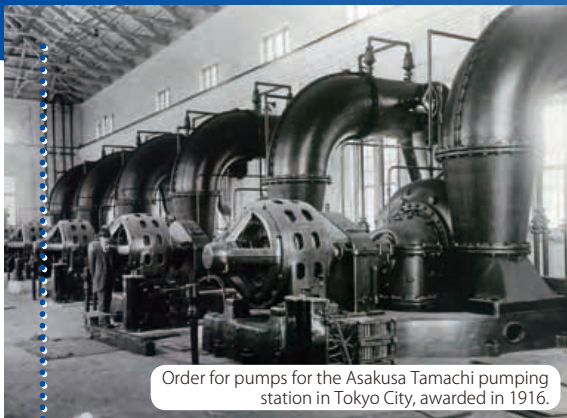
### Contributing to Social Infrastructure to build a society safe and comfortable

In keeping pace with economic growth, there was mounting demand for the construction of social infrastructure, including sewage and storm-water drainage works, to support improved living standards. EBARA manufactured countless pumps and other products for these facilities, and entered the waste treatment facility business in 1961 when we produced our first mechanical stoker-type refuse incinerator.

### The Dawn of Overseas Expansion

Since opening our Bangkok, Thailand, office in 1964, EBARA has embarked on an active policy of establishing overseas sites, incorporating the first overseas production site in Brazil in 1975.

*Founded*  
**1912**



- 1912 Founded as the Inokuty type Machinery Office.
- 1920 Incorporated as EBARA Corporation.
- 1921 Delivered the first blower.
- 1930 Manufactured the first centrifugal chiller in Japan.



In November 2012, EBARA will celebrate the 100th anniversary of its founding. As a manufacturer of industrial machinery over the past century, EBARA has continually played a role as a cornerstone of society. We will strive to continue to contribute to society by leveraging our outstanding technology and service.

## Looking forward to the coming century

### 1980 to 1990's



- 1984 Delivered the first twin interchanging fluidized bed incinerator.
- 1985 Launched a project to develop new businesses for the semiconductor manufacturing industry, marking the beginning of our precision machinery business.
- 1986 Started producing dry vacuum pumps to be used by the semiconductor industry.
- 1992 Delivered the first CMP system (followed by extensive production for global semiconductor manufacturers).

#### Technologies Underlying Our Highly Information-oriented Age

EBARA started marketing dry vacuum pumps, which are used to create a clean environment for the manufacture of semiconductors, and gas abatement systems, which is used to make flue gas emissions safer. Subsequently, EBARA developed a CMP system that was directly associated with the semiconductor manufacturing process, thus expanding into the arena of semiconductor manufacturing equipment. EBARA's precision machinery business has grown into the third key pillar of our business, helping to produce smaller, more advanced semiconductors.

#### Building a Sustainable Society

The Earth Summit held in 1992 reflected mounting public concern about environmental issues. We at EBARA were no exception, and have pursued the development of diverse environmental and energy-saving technologies, including inverter-controlled pump units and dry vacuum pumps that cut power consumption by as much as 60% compared to previous models.

Other technological developments by EBARA include:

- High efficiency thermal recycling for power generation and hot water production from municipal solid-waste incinerators
- Incinerated ash-melting and resource-recycling technologies
- Biomass power generation technology.

Recognizing waste as a resource, EBARA has delivered numerous waste treatment facilities that address the challenges of a recycling-oriented society with technologies such as these.

### 2000's and later

#### Building a Management Structure Geared toward the Global Market

In strategically important regions, such as China, Southeast Asia, and the Middle East, EBARA is working to build a business framework that offers its global customers a total suite of services, from equipment delivery to after-sale services. These services are based on the principles of "regional production for regional supply": locally rooted production, sales, and service, and through the organic cooperation of EBARA's bases.

#### Working to Support Society as an Industrial Machinery Manufacturer

Pumps and compressors - key components of facilities that address water and energy issues of global concern. Eco-friendly incinerators that efficiently recycle energy from waste. Dry vacuum pumps and CMP equipment that support semiconductor manufacturing - a key to the creation of a prosperous society. EBARA will meet the needs of its customers and society, and will continue to be a manufacturer of industrial machinery that will be trusted over the next 100 years as the unsung hero of affluent, safe, and secure communities.



CMP system that supports miniaturization and lamination of semiconductors

- 2002 Delivered the first model of a municipal solid-waste fluidized-bed type gasification and ash melting system (followed by extensive deliveries for municipal solid-waste treatment applications).
- 2007 The total number of compressors and turbines shipped out reach 6,000 units at the Sodegaura Plant.
- 2008 The number of standard pumps reaches a total of 15 million units at the Fujisawa Plant.
- 2010 The Futtsu Plant, to be the mother plant for global pump manufacturing sites, started operation.
- 2011 The total number of volume of Dry vacuum pumps shipped out reaches 100,000 units.
- 2012 100th anniversary of the company's founding

# Medium-Term Management Plan E-Plan 2013 and CSR

E-Plan 2013 is our medium-term management plan, covering the period of FY2011-2013. The plan addresses some of the new challenges we are facing as a manufacturer of industrial machinery, as we pursue our goal of providing superior technology and service, as well as contributing to society as best we can.

## Medium-Term Management Plan E-Plan2013

We have positioned the period of E-Plan2013, which began in fiscal year ended March 31, 2012, 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. Taking these objectives into account, among our five core businesses (businesses in pumps, compressors and turbines, precision machinery, environment, and chillers), we will position the first three as businesses that will pursue growth and the latter two to focus aiming for stability. We will have each of these businesses, both domestic and overseas, act as unified organization, and work to strengthen global competitiveness and vigorously pursue maximizing the value of each business. In addition, to provide for corporate functions that will support business activities from a standpoint for pursuing optimal state for the entire Group, we will strengthen the functions of the Group headquarters / Global headquarters. We will also secure the necessary resources for sustaining growth and development of the Group as a whole; strengthen our governance systems, in addition to further upgrading our management systems, and creating systems that can provide sufficient support, such as in human resource development and other areas, for globally active business divisions.

As we implement these activities, the second year of this medium-term management plan (fiscal year ending March 31, 2013), will mark the 100th year since EBARA's founding. We will look to the next 100 years, and, to continue to be "an industrial equipment manufacturer that makes extensive contributions to society by providing superior technology and services," we will take our "first steps toward tackling new challenges."

### The basic policies for the Group as a whole under the medium-term management plan

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** –
2. Working to enter new markets by expanding core businesses domains  
– **Aiming for Solid Growth** –
3. Aiming to optimize "monozukuri" (manufacturing) processes through scientific approaches  
– **Internalizing Ceaseless Productivity Innovation into the Corporate/Organizational Culture** –
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** –

## E-Plan 2013 Targets we are to achieve

The targets we are to 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/ (interest-bearing liabilities + shareholders' equity)

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**

## Our Response to the External Business Environment

The three trends described below are treated by E-Plan 2013 as part of our external business environment. Viewed from the point of view of CSR, EBARA will pursue measures to respond to these trends.

- ① A trend towards yen appreciation
- ② Increase in demand for oil and gas, electrical power and energy; and water-supply infrastructure, especially within emerging markets
- ③ A trend towards oligopoly within the ICT (Information and Communication Technology) fields

### The trend towards yen appreciation

We will shift from our previous approach towards overseas development that focused on exporting products manufactured in Japan to other countries, to where products are manufactured in locations that are optimal in terms of logistic capabilities. We have selected China, Southeast Asia, the Middle East, India, Brazil and the United States as strategic priority regions from among the emerging countries. In these regions we will establish and expand sales and service bases or production bases to fit the characteristics of each region and implement local strategies holding the concept, "regional production for regional supply" as basis. Through this, we will create a system to moderate the effects of foreign-exchange fluctuations, to secure a more stable income flow.

### Increase in demand for oil and gas, electrical power and energy; and water-supply infrastructure, especially within emerging markets

It is expected that the demand for energy resources, such as oil, natural gas, and electricity will increase dramatically in tandem with the remarkable economic growth within emerging markets. The EBARA group will respond to these rapidly increasing energy demands by providing machinery that contributes to improved energy efficiency, and safer transport



and energy conversion. In addition, we aim to simultaneously help create a comfortable environment and also curb global warming by providing energy-saving pumps and high-efficiency cooling equipment in urban areas, in manufacturing facilities, and as part of the social infrastructure. On other fronts, EBARA is also responding to various water-related issues, such as worsening water shortages and flooding due to climate change, by supplying fluid machinery, such as pumps, to seawater desalination plants and flood-control facilities.

### The trend towards oligopoly within the ICT (Information and Communication Technology) fields

We expect to see further progression towards oligopoly among our customers in the semiconductor market. When choosing a manufacturer for semiconductor production equipment, customers within the semiconductor industry seek not only high product quality, but also a "high-quality corporation" in terms of environmental protection, safety, contributions to society, corporate governance, and all aspects of CSR. The EBARA group will continue to strive to meet these expectations.

### CSR activities that support the continuation and development of business

Recognizing the principle that CSR activities support the continuation and development of business, the CSR Activities Planning Committee, with the aim of fostering adoption of a CSR mindset within the EBARA Group, undertook the following activities in fiscal year ended March 31, 2012.

- Promulgating the EBARA Group's Code of Conduct
- Undertaking activities to promote human rights
- Promoting CSR procurement
- Addressing issues of information security

#### Activities of the CSR Activities Planning Committee

According to audits and CSR procurement questionnaires, in recent years customers and other stakeholders are examining a company's adequacy of governance and contributions to the environment and society, in addition to examining the quality of its products and services. EBARA has used the results of these audits and CSR procurement questionnaires as a gauge of what customers expect from our group and what sort of improvements we can make. We examined the portions of the audit and questionnaire results that pointed to areas of inadequacy, and worked to improve those that we considered to be a high priority.

In the fields of environmental management and quality management (including product safety), our improvement efforts based on ISO 14001 and 9001 are underway, and have been favorably received. However, we have decided that there is further need for improvement in certain fields: fostering a global, group mindset of respect for human rights; the compliance of suppliers and their support in environmental conservation, labor health and safety while maintaining service and product quality; and building the trust of our stakeholders through the proper management of information.

### Results for fiscal year ended March 31, 2012.

#### Promulgating the EBARA Group's Code of Conduct

Group companies within various regions establish and practice codes of conduct that comply with local laws and customs. The basics of the EBARA Code of Conduct were posted on our website when it was revised. We will further promote a mindset to put the Code of Conduct into practice.

#### Undertaking activities to promote human rights

CSR training that took place, intended for group employees within Japan, aimed to deepen understanding of the meaning of human rights.

#### Promoting CSR procurement

We have established the "EBARA Group CSR Procurement Guideline." (Details on page 34)

#### Addressing issues of Information Security

We have revised our security framework and reorganized company rules relating to security. (Details on page 22)

### Making significant contributions to society over the next 100 years. Continuing in our role as a leading manufacturer of industrial machinery

With an eye towards helping to address the issues facing mankind concerning energy, water resources and climate change, EBARA is actively searching for the seeds of new technologies based on a long-term outlook, with the aim of commercializing new technologies and products and expanding our existing businesses.

With regard to the fundamental technologies that EBARA has developed over the years, we are cooperating and working together with universities and outside research institutions and actively embracing "open innovation methods." We expect to quickly reap results by applying science to technology, enhancing the competitiveness of our products. At the same time, we are working to develop human resources inside and outside the company, and we will pass this knowledge on to the next generation as part of EBARA's corporate DNA.

In the area of existing businesses, we will strive to optimize the scientific approach to "monozukuri" (manufacturing). In new fields of operation, we will conduct research and development in an effort to create new businesses with a competitive advantage, either as an extension of already existing businesses, or by creating new businesses with a different approach, while utilizing EBARA's current base technologies.

In order to expand our current business, we will promote research and development within each company, while taking the needs of our customers into consideration. We will concentrate research and development efforts in fields that will ultimately lead to a rise in net income through the rapid establishment of new businesses, commercialization of products, and enhancement of our competitive advantages in the market.

# Corporate Philosophy and CSR

To continue applying our corporate philosophy with a global perspective, we are making efforts to increase the adoption of international initiatives and guidelines, such as the United Nations Global Compact and ISO 26000, 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.

## EBARA Group's Code of Conduct

We have established, and practice, the "EBARA Group Code of Conduct" and rules of action for management and employees. The Code of Conduct was translated into English and Chinese and has also been distributed to all overseas group companies. We have taken the laws, social rules, and customs of various countries into account when establishing the code. Since the fulfillment of social responsibilities for the EBARA Group requires both management and employees to undertake activities complying with the Code of Conduct, we actively disseminate it through CSR training and compliance training.

## System for Promoting CSR

The CSR Committee and the CSR Activities Planning Committee were established as the authority to undertake implementation of CSR activities.

### CSR Committee

The committee consists of directors (including those from outside the company) and full-time corporate auditors, with the president acting as the chairman of the committee. This committee was established in September 2011 as a development of the Corporate Ethics Committee. Objectives include: debating topics of corporate ethics and compliance, making decisions on improvements and policies related to the EBARA Group CSR, and acting as the framework for further promotion of CSR activities, through a better appreciation of the status of activities taken from a broad perspective.

## 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) 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.	Page 14, 18, 34, 38
	Principle 2. Business should make sure that they are not complicit in human rights abuses.		
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 37
	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)	
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 42 to 45 CSR website
	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 3, 15 CSR website

### CSR Activities Planning Committee

The committee was established with the objective of fostering a CSR mindset within the group. Committee members include department heads of various companies, in departments such as management planning, human affairs, publicity, internal management, human rights compliance, environment, procurement, and planning.

### United Nations Global Compact

The EBARA group supports the UN Global Compact (GC), and signed onto it in 2009. In FY2011, working within the GC Japanese network, we also participated in subcommittee meetings that studied human rights, biodiversity, MDGs\*1, ISO 26000\*2 and the supply chain. In addition to collecting information on ongoing advanced activities, we also exchanged opinions. We concluded that it is vital to undertake these advanced activities, to respect human rights in accordance with the GC ten principles, and to pursue further activities in supply management and environmental conservation in order for EBARA to properly carry out its activities as a global corporation in the future.

### Day for Reconfirming Basic Principles for Action

Since the dioxin contamination incident that occurred at our Fujisawa district in 2000\*3, we designated March 23 as the Day for Reconfirming Basic Principles for Action. Every year on this day, the president delivers a message to all group employees to reflect upon corporate social responsibility, to ensure that the incident is not forgotten.

This year, the day overlapped with the one-year anniversary of the Great East Japan Earthquake, and our employees took this

opportunity to consider the most important responsibility of the EBARA Group, as a manufacturer supplying vital equipment, which is to swiftly restore the operation of social infrastructure and production facilities, even during times of disaster. In preparation for any large-scale disaster that may occur in the future, EBARA is working to ensure the complete operation of the BCMS\*4 so that we can quickly resume operations. To accomplish this, we recognize that the basis is for every individual to abide by the Five Basic Principles for Actions and actively participate in drills and exercises, to be prepared for such emergencies and disasters.

### CSR Lecture

The themes for the FY2011 Ebara group executive's CSR lecture were: "CSR desired by global administration" and the "business continuation plan." All EBARA executives and representatives from associated companies within Japan, a total of 66 individuals, participated in this training. We deepened our understanding of the thoughts behind respect for human rights on a global business scale, the need for the swift establishment of a BCMS, and trends in various countries regarding anticorruption laws.

In other events, around 4,400 individuals participated in 65 training sessions held in Japan for general employees. The themes for these training sessions included ISO 26000, the Global Compact, respect for human rights, and compliance.



Scene from the executive's CSR lecture

### Core ISO 26000 Themes and the EBARA Group's CSR Activities

Core ISO 26000 Themes	Report pages on this issue, other media reports	Key Activities and Results
Organization Governance	Page 04, 05, 12, 13, 16, 17 Governance report	EBARA established the Consolidated Management Promotion Office with the objective of strengthening group management.
Human Rights	Page 14, 15, 34, 38 CSR website	We conduct employee educational activities relating to the topic of human rights. We have established a consultation service and accept inquiries. We also call upon suppliers to respect human rights.
Labour Practice	Page 36 to 39	We conduct activities for thorough implementation of the no-overtime day, and to realize plans to stimulate the participation of male employees in raising children and establishing a better work-life balance.
Environment	Page 42 to 45 CSR website	We have set the environmental objectives for FY2020 and conduct activities in pursuit of those goals.
Practice of Fair Business	Page 03, 15 CSR website	The EBARA Group Code of Conduct strictly prohibits bribery under any circumstances.
Tasks Involving Consumers	Page 24 to 33	At EBARA, we see this as a task involving customers. We strive to provide products and services that reflect both the trust and the expectations of our customers.
Expansion and Participation in the Community	Page 40, 41	We undertake activities centering on the areas of: "Advancement in Technology and Art," "Environmental Conservation," "Promotion of Sports," "Social Welfare," and "Regional Commerce."

\*1 [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.

\*2 [ISO 26000] International guidance on the social responsibility of organizations

\*3 [Dioxin contamination incident] <http://www.ebara.co.jp/en/csr/ethics/5basic-action.html>

\*4 [BCMS] Business Continuity Management System

# 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

In accordance to the Companies Act established by Japanese government, EBARA's Board of Directors supervises business operations and makes important managerial decisions, while the Audit & Supervisory Board oversees the Directors in their performance of these 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 is composed of 12 members, and 4 of these are Outside Directors. Also, the majority of the Audit & Supervisory Board (3 out of 5) are Outside Audit & Supervisory Board Members. (all men)

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. The decisions by the Board Meeting are efficiently communicated to employees through the organization structure based on company system.

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. The content of this plan is disseminated through the in-house intranet to improve the awareness of the importance of compliance, not only for the Directors themselves, but also for all employees. Principal activities for FY2011 included the appraisal of the EBARA Group's status of compliance practice by the Board of Directors, with dissemination of assessment results to employees via the 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. In addition, we held ten discussion meetings between the

President and employees to facilitate communication between the top management and employees. Over 120 employees, mostly young, took part in the meetings, and had active discussions on a wide range of topics not only about compliance but also on the attitude toward work of each individual and the production innovation movement.

## Strengthening Group Management

In FY2009, we established the "Group administration Basic Rules" which provide the basic policy for Group administration and reestablish the structure underlying proper involvement of EBARA as a parent company in the management of global affiliate companies.

In FY2011, we established the Group Management Department in effort to strengthen group management. As a leader of group management, this department has expanded the functions of the corporate headquarters. With regard to the structure of our Group administration, we implemented improvements to increase effectiveness and efficiency, including a revision of the "Group administration Basic Rules" and extension of the rules throughout Group affiliate companies.

## Compensation of Directors

Policy regarding compensation for the Company's Directors is determined by a resolution of the Board of Directors, with reference to results of discussions by the Compensation Committee, a majority of which are Outside Directors. The policy concerning the compensation for Audit & Supervisory Board Members is decided through deliberation of the Audit & Supervisory Board.

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 medium- and long-term management targets. (This does not include Outside Directors.)

This remuneration consists of "Basic Compensation," "Performance-Linked Annual Bonuses" and "Long-Term Incentives." The compensation 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 that are independent of the execution of operations are paid a fixed-amount of compensation. The amount of remuneration for each Audit & Supervisory Board Member is determined through discussions among the Audit & Supervisory Board Members according to whether the Audit & Supervisory Board Member 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 Audit & Supervisory Board Members (FY Ended March 31, 2012)

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 (14 members)	293	233	—	59
Outside Directors (4 members)	42	42	—	—
Audit & Supervisory Board Members (8 members)	80	80	—	—
Outside Audit & Supervisory Board Members (5 members)	32	32	—	—

## Outside Directors and Outside Audit & Supervisory Board Members

(as of June 28, 2012)

### [Outside Directors (4 members)]

#### ● Akio Mikuni

He performs his duties as an Outside Director by harnessing his wide range of knowledge and high-level insight as a specialist in the area of corporate rating and financial markets.

#### ● Sakon Uda

He performs his duties as an Outside Director by harnessing his wide range of knowledge and high-level insight as a specialist of business management, etc., and a former manager of a company.

#### ● Masao Namiki

He performs his duties as an Outside Director for the management of the company by harnessing his ample experience and wide range of knowledge as a former manager of a listed company.

#### ● Shiro Kuniya

He performs his duties as an Outside Director by harnessing his professional knowledge and high-level of insight as an attorney.

### [Outside Audit & Supervisory Board Members (3)]

#### ● Yoshihiro Machida

He performs his duties as an Outside Audit & Supervisory Board Member by harnessing 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 performs his duties as an Outside Audit & Supervisory Board Member by harnessing his wide range of knowledge and high-level insight as a certified public accountant.

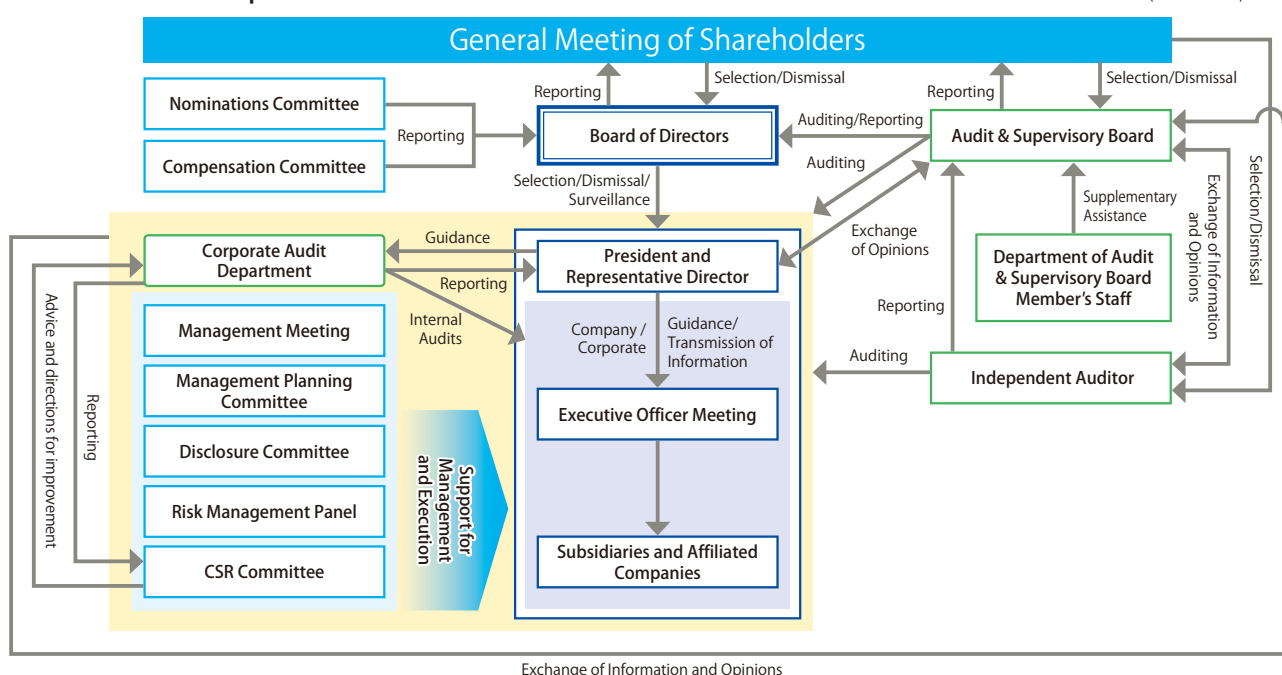
#### ● Tadashi Urabe

He performs his duties as an Outside Audit & Supervisory Board Member by harnessing his professional knowledge and high-level of insight as an attorney.

Four Directors, Akio Mikuni, Sakon Uda, Masao Namiki and Shiro Kuniya, and three Audit & Supervisory Board Members, Yoshihiro Machida, Fumio Takahashi and Tadashi Urabe, satisfy the qualification for the independent directors/corporate auditors stipulated by the Tokyo Stock Exchange and the Sapporo Securities Exchange. The Company has filed a required notification to both the exchanges for appointing Akio Mikuni, Sakon Uda, Masao Namiki and Shiro Kuniya as its independent directors/corporate auditors.

## ■ Outline of EBARA's Corporate Governance Framework

(As of June, 2012)



Exchange of Information and Opinions

# Internal Control and Risk Management

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

## EBARA's Internal Control

In May 2007, one year before the Internal Control over Financial Reporting was enacted; we established a new dedicated department. In order to create a corporate environment to focus on compliance, improve the reliability of financial reporting and prevent of fraud, EBARA conducted over five years of internal control assessment and improvement activities, so that internal control systems could take hold and spread within various workplaces. As a result of these activities, we achieved positive results for internal control over the financial reporting at the end of FY2011.

EBARA continues in its efforts for improvement through the Medium-Term Management Plan that started in FY2011, which is built on the four objectives of internal control: effectiveness and efficiency of business operations, reliability of financial reporting, compliance with applicable laws, and safeguarding of assets.

## Internal control enhancement system

Beginning in FY2011, EBARA reorganized the internal control enhancement system (see figure on the right). Reorganization efforts included: the establishment of an internal control group in Finance & Accounting Division in charge of streamlining, practicing, and improving internal control related to the Financial Instruments and Exchange Law, and the establishment of the Internal Control Office of the Enterprise Risk Management Division in charge of overall internal control, including risk management and crisis management. These reorganization efforts are aimed at the establishment and implementation of an internal control system, for further pragmatic risk management, and continuing improvement of our system.

## Reliability of Financial Reporting

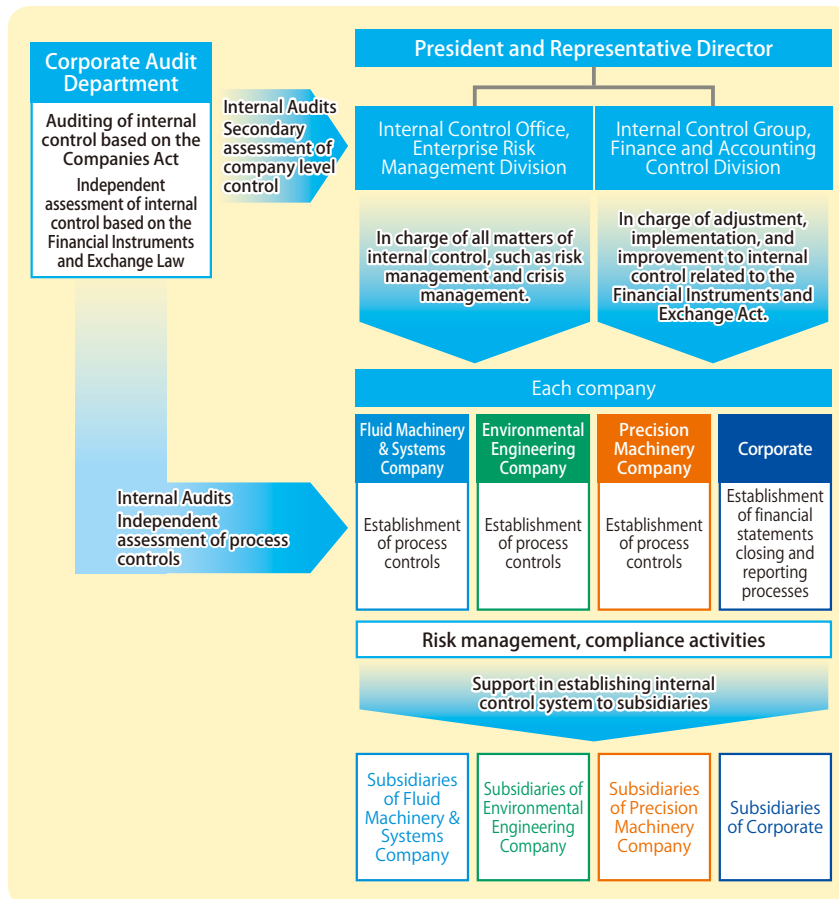
Continuing with past activities, EBARA is promoting highly effective action by selecting business processes and sites with comparatively high risk, and prioritizing quality improvement for those processes and sites.

## Risk Management System

At EBARA, we believe that risk management is at the core of the internal control system advocated by the Company Act. For this reason, EBARA established an organization called the Risk Management Panel to supervise risk management within the Group. The Panel consists of full-time directors and is chaired by the President. We also set up a Risk Management Committee as

Internal control enhancement system diagram

(As of April, 2012)



a subordinate organization of the Risk Management Panel in each company, and at the corporate level. Together, they carry out activities directed towards risk response. In addition, EBARA set up separate cross-sectional committees to deal with specific risks, such as the contravention of several laws including the Foreign Exchange and Foreign Trade Act, environmental management, and countermeasures against Anti-Social Forces. EBARA also established the new Enterprise Risk Management Division in FY2011. We established this division as a system for across-the-board monitoring and direction for all risk-related matters, including those related to the environment, human rights, compliance, construction operations, and security export control.

In FY2011, we identified and took action in five major areas applying to EBARA and Group companies, as the core of compliance-related tasks. On this occasion, we utilized a risk map to illustrate issues that are shared among related departments, and conducted thorough implementation of improvement activities. In the area of crisis preparedness, in FY2009 we established a BCP<sup>\*1</sup> to deal with pandemics of new types of influenza, and as a countermeasures against earthquakes, the BCMS<sup>\*2</sup> was established in FY2010 comprising three parts: the IMP<sup>\*3</sup>, the BCP and the BRP<sup>\*4</sup>.

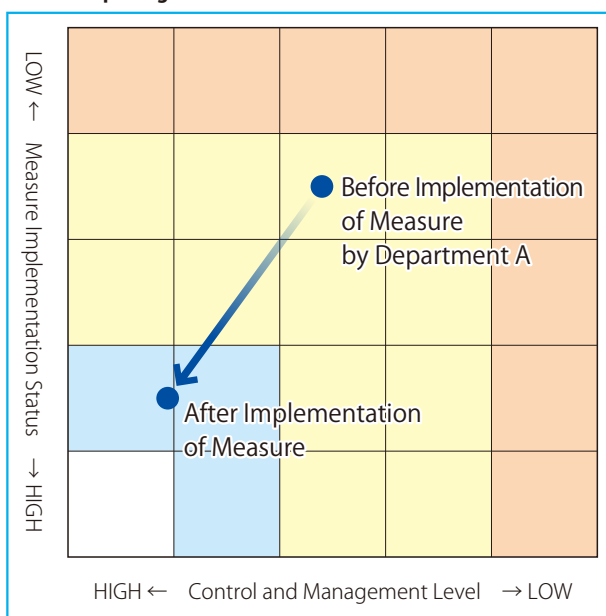
### EBARA Group risk management system



### Risk Management Measures and Status

Beginning in FY2010, we focused on five areas identified as major risks common throughout EBARA and its Group companies; the compliance with Construction Business Act; Act Against Delay in Payment to Subcontractors; Legal Transactions; Legal Contracting; and Environmental Management. EBARA implemented the dissemination of information from workplace representatives to top management utilizing a risk map, based on extensive research. As a result, we believe we have heightened consciousness about risks, and countermeasures have been effectively implemented throughout the company. EBARA's Risk Map visualizes high and low risk areas by using "Risk Management and Reduction Level" as the horizontal axis and "Risk Measure Implementation Status" as the vertical axis. By assessing both management system risks and the implementation status of risk measures, we are able to more strictly manage this area.

### Risk Map Image



### Business Continuity Management System

EBARA provides products and services to support a wide range of social and industrial infrastructure, including drinking water treatment plants, drainage-pump facilities, railways, power plants, hospitals, and so on. In the wake of a large-scale disaster due to an earthquake or other cause, EBARA's most important mission is to sustain and/or restore the function of this social and industrial infrastructure. In addition, operations for customers around the world to whom we supply precision-machinery-related equipments will continue regardless of whether EBARA is struck by disaster, so we must be able to maintain the supply consumable parts to these customers. To meet these demands, EBARA has formulated the Business Continuity Management System in preparation for earthquakes. The countermeasures presuppose specific disaster scenarios and we have devised three types of plan, to guide our response at various stages following a disaster.

#### (1) Incident Management Plan (IMP)

Evacuation, rescue, containment of widespread damage, and relief planning.

#### (2) Business Continuity Plan (BCP)

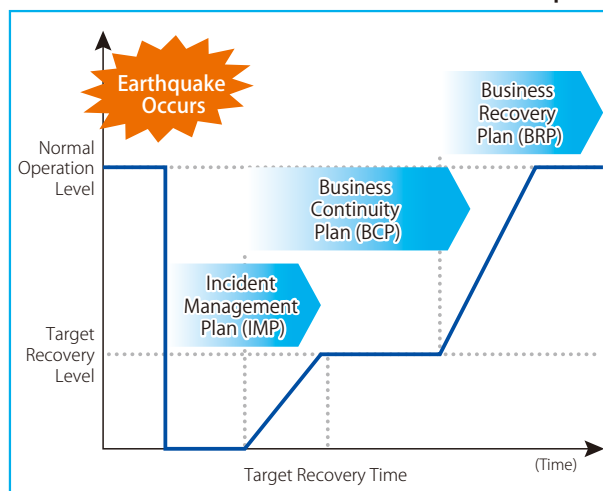
A plan for swift resumption of operations by setting target recovery levels and times to minimize suspension of business (products and services).

#### (3) Business Recovery Plan (BRP)

A plan for the complete recovery and normalization of all business operations.

EBARA will ensure the promulgation of these plans to all employees through education and training. In the meantime, we will implement the PDCA (plan-do-check-act) cycle, and continue to make improvements that reflect the latest information and observations made by employees during their training.

### Initiation of Countermeasures in the Event of an Earthquake



\* 1 [B C P] Business Continuity Plan  
 \* 2 [BCMS] Business Continuity Management System  
 \* 3 [I M P] Incident Management Plan  
 \* 4 [B R P] Business Recovery Plan

# Compliance

To be a good corporate citizen trusted by stakeholders, the EBARA Group defines compliance as not only complying with laws and regulations but also practicing internal regulations and other rules and sincerely acting in accordance with social norms, common sense and good sense.

## Compliance Promotion System

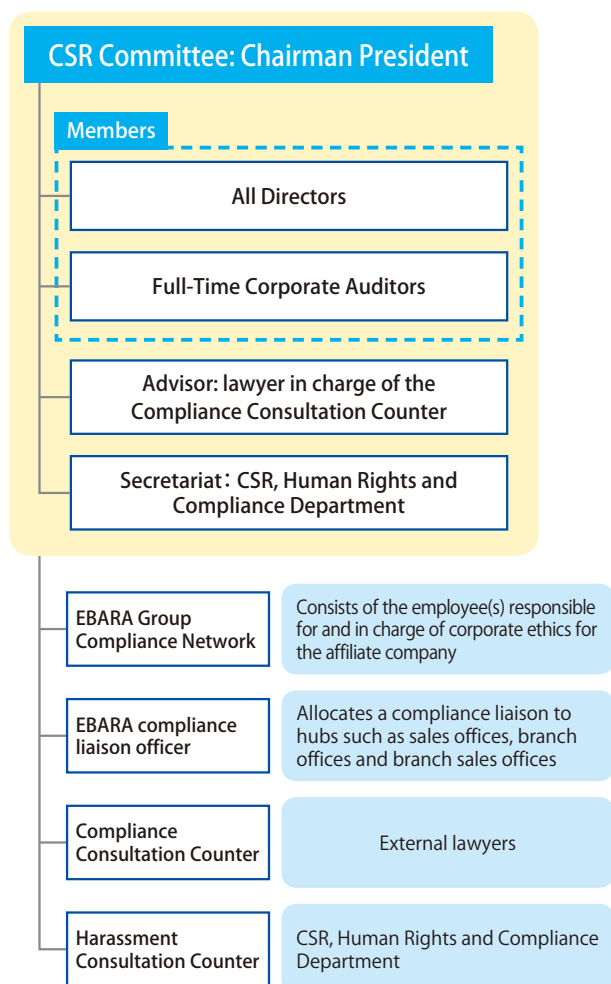
The Corporate Ethics Committee which objective was to enforce compliance up to now, was renamed the CSR Committee on September, 2011.

The CSR Committee, holding effective means of communication with stakeholders and widening its view over matters, convene once every 3 month to discuss how the EBARA Group can fulfill its social responsibilities as a corporation.

The schedule for the committee and the discussed topics are disclosed and disseminated to EBARA Group employees. In addition, head representatives of various group companies participate the committee every time it is held and report the current status of their CSR activities. Though past reporting and discussed topics at the Corporate Ethics Committee were centered around compliance, we are gradually transitioning topics to those that strive to raise the CSR mindset throughout the EBARA Group.

We also periodically hold the "EBARA Group Compliance Network" consisting of responsible controllers and coordinators in charge of corporate ethics from EBARA Group companies. At the conference, they report the discussion at the CSR Committee and compliance status of the various companies.

### CSR Committee and the Compliance System



## Compliance Liaison System

The compliance liaison system was implemented in FY2007 with the objective to develop a corporate culture that focuses on compliance. 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. In addition, the system holds the objective for liaison officers to pick up compliance risks in the business field that lurk within operation and are difficult to notice, furthermore, create a business environment that minds compliance in which can bring self improvement. The status and risks that liaison officers acquire are reported 4 times a year to the secretariat. A summary of these matters are then reported to the CSR Committee. In addition, EBARA holds training sessions twice year. In the session held during the second semester of FY2011, a dialog was held for liaison officers to exchange opinions on the promotion plan for achieving the objectives of liaison. By spreading the discussion results throughout various workplaces, we work to foster the compliance awareness of employees.



Compliance Liaison Dialog

## Compliance Consultation Counter System

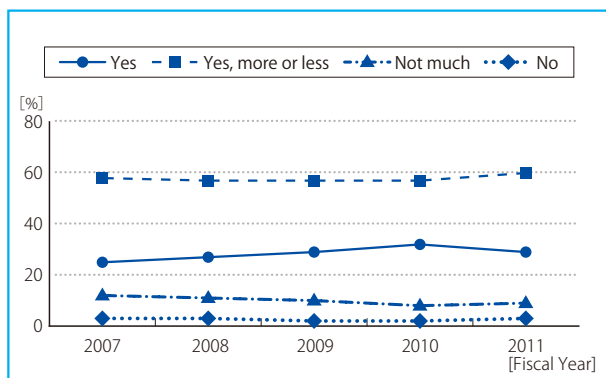
The EBARA Group set up the Compliance Consultation Counter in March 2003 as a whistle-blowing system to promptly recognize facts in cases of violation of laws and regulations and/or departure from internal rules by organizations or individuals and to facilitate early improvement and settlement. To protect the privacy of consulters and attain independence from the company, the consultation counter is staffed by external lawyers. In FY2011, there were approximately 20 consultation cases. We have received a total of over 250 cases since its establishment and we continue to attain appropriate correspondence. The details of and responses to some consultations are disclosed to employees after obtaining the consent of consulters in a bid to prevent recurrence of similar cases.

## Compliance Awareness Survey

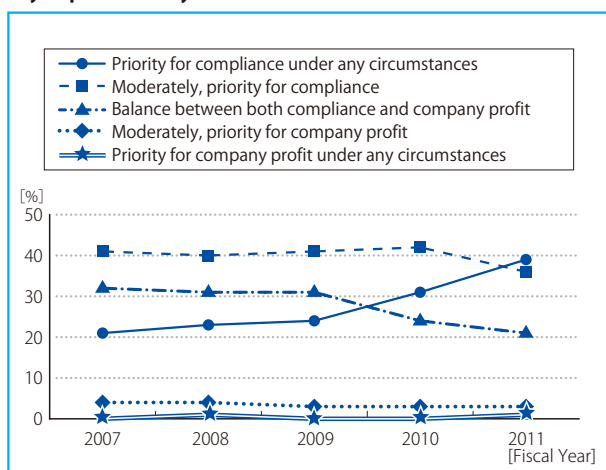
The results of the FY2011 questionnaire (conducted in January 2012) indicated a high level of "Code of Conduct Abidance Status" and "Awareness to Prioritize Compliance." Notably, as a result of top management and executives taking initiative to heighten compliance awareness, the awareness of all employees has increased.



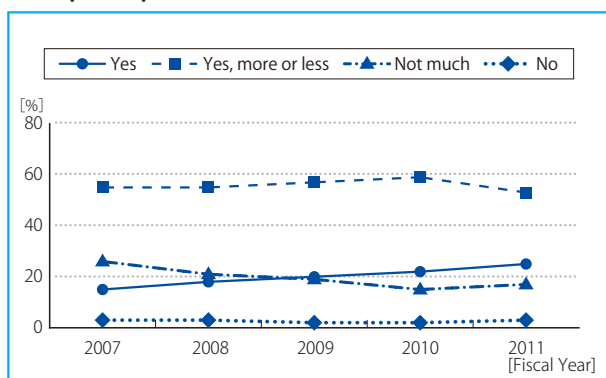
### ■ Do you think that actions in your workplace abide "EBARA's Code of Conduct"?



### ■ Between compliance and company profit, which do you think you prioritize in your actions?



### ■ Do you think the company is seriously committed to compliance practice?



## Exclusion of Antisocial Forces from the EBARA Group

The EBARA Group has established basic policies that are rooted in fundamental internal control policies to block the formation of any ties with antisocial forces throughout the entire Group. In accordance with these policies, we established the Antisocial Forces Countermeasure Headquarters in close cooperation with relevant public agencies as a countermeasure towards antisocial forces. In addition, training and other sessions for Headquarter officials are being actively conducted.

In FY2011, EBARA held a lecture session for employees involved in construction, procurement, marketing, general affairs and the like that have the possibility of coming into contact with antisocial forces. The total of 279 participants from 14 EBARA Group companies attended in the 6 sessions held with Antisocial Forces Countermeasure Officials as instructors (also being legal advisors and former police officers).

## Compliance Activities of Group Companies in Various Countries

All overseas subsidiaries have compiled codes of conduct that abide "EBARA's Code of Conduct" and also adhere to the laws of their country.

In FY2011, EBARA made a compliance manual to suite Chinese subsidiaries as a supplement to the Code of Conduct. Thereafter, we began training sessions relating the code of conduct after debating with business owners of various Chinese companies. The Elliott Group has commissioned Global Compliance Corporate Officers and educates compliance to all Elliott Group Companies all over the world.

## VOICE

### Excellence Built Upon Personal Integrity and Responsibility

Carol Gatewood  
Chief Global Compliance Officer  
Elliott Group



I am in charge of overseeing that all employees abide by the "Elliott Group's Code of Conduct" in their business operations. This Code applies to many fields of business such as safety, fair transaction with sales representatives and Group affiliates, export control, anticorruption, conflict of interests, marketing and environmental conservation. All of our employees are educated to take ethical action. Furthermore, we request sales representatives to also abide our Code of Conduct and have them certify their compliance every year. If any issues are affirmed after investigating possible Code violations, we administer remediation for the situation upon reporting it to the CEO and two outside directors. I firmly believe that foundation for successful business is the honest and ethical actions of each individual person.

# Information Security

As there is great concern for the possibility of earthquake under the capital of Japan in addition to the present threat of cyber attacks to information assets, the need for information security is becoming increasingly important to continue business. The EBARA Group is working to reinforce information security on a medium to long term viewpoint.

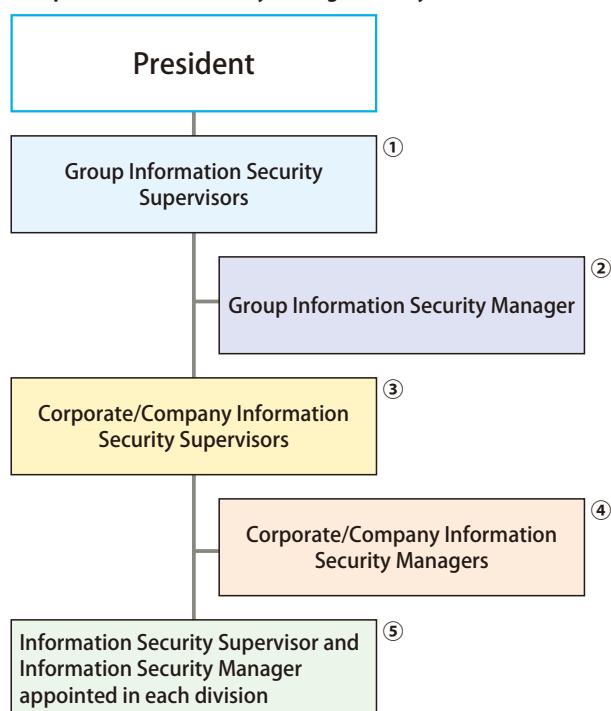
## Information Security Management System

### Formulation and operation of the system

Recently information leaks have had an immense impact on businesses. Under these circumstances, companies must undertake information security for all the organization-wide. 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 have established the Group Information Security Management System, as illustrated below. This system allows 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.

In addition, to thoroughly implement information security, EBARA has revised the internal rules and handling rules on information equipment. In other efforts, EBARA continues in conducting the education and edification related to information security through methods such as "E-Learning."

### Group Information Security Management System



- ① : Group Information security supervisor for the entire EBARA Group
- ② : Conduct affairs necessary for the operation of information security system of the entire EBARA Group
- ③ : Security supervisor of Corporate and each company
- ④ : Conduct affairs necessary for the operation of information security system for Corporate and each company
- ⑤ : Establish and maintain the information security management system in each division

## Information Security Policies

### Disclosure of information security policies on the website

We have posted the "EBARA Group 5 Principles on Handling Important Information" on the EBARA's CSR website as our policies for information security. Based on these policies, we are conducting various enforcement measures towards information security.

### Keeping Information Available in Times of Natural Disaster or Emergency

#### The promotion of IT-BCP

During times of disaster, initial methods of communication within and outside of companies rise as the top priority. For these reasons, we have transferred the communication services for EBARA Group, such as internet connections, websites, and electronic mail, to an external data center with high disaster resistance. In doing so, EBARA has implemented a higher standard for measures to protect information together with acquiring a method of communication in times of disaster, not only between employees, but also with customers. In addition, EBARA is forwarding the formulation of an environment where we can continually provide necessary IT services to businesses. We strive to do so by implementing in-house power generators that can withstand continuous operation and maintenance for supplying their fuel, establishing earthquake measures for equipment, and others such as the acquirement of spare parts for important equipment at our data center that manages and operates the business system. The company-wide BCMS\*1 is based on the premise that IT services are the first to function. The IT-BCP is placed as the top priority task that we must undertake.

## Globally Expanding Information Security

### The enhancement of measures within the Group

Each company of the EBARA Group utilizes IT services from the same IT base and shares the information security environment. As for overseas Group companies, upon conducting business suiting each region, they constructed their own unique IT environments and their security environment were individually segmented.

We now strive to enhance information security and generalize IT around the globe in accordance with the medium term management plan, "E-Pan2013."

As a first step, beginning with the generalization of User ID/ Password management, equipment management and the thorough implementation of virus countermeasures, we proceed to consolidate the IT environment for safe information sharing around the global Group.

\* 1 [BCMS] Business Continuity Management System

# 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 Act" 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 to help people understand the Group through various ways, such as news releases, websites and exhibitions.

## Renewal of EBARA's Website

In August of 2011, we started the renewal project of EBARA's website and have posted it online in April of 2012. It is based on design for easy usage and dissemination of information that stakeholders seek. We also improved methods for searching EBARA's products and services in addition working to enhance information on the CSR.

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

Customers	<ul style="list-style-type: none"> <li>Product and service information</li> </ul>	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	<ul style="list-style-type: none"> <li>Management, business and financial information</li> </ul>	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	<ul style="list-style-type: none"> <li>Business status</li> <li>Policies and goals regarding procurement, environment, product quality and safety</li> </ul>	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)	<ul style="list-style-type: none"> <li>Environmental impact of corporate activities on the community</li> <li>R&amp;D information</li> </ul>	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	<ul style="list-style-type: none"> <li>Management policy and goals</li> </ul>	We use our group magazine (informational magazine intended for employees) and intranet to permeate the EBARA Group's management policy and related concepts among employees. 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

Published Copies: FY Ended March 31, 2012

Information Disclosure Tool	Frequency	Published Copies	
Annual Report	Once every fiscal year	English 2,500 copies	Reports annually on operating information, mainly for shareholders and investors. Japanese: <a href="http://www.ebara.co.jp/ir/library/annual-report.html">http://www.ebara.co.jp/ir/library/annual-report.html</a> English: <a href="http://www.ebara.co.jp/en/ir/library/annual-report.html">http://www.ebara.co.jp/en/ir/library/annual-report.html</a>
Business Report	Once every half term	Japanese 49,000 copies	Reports on business highlights. Booklets of business reports are forwarded to shareholders and the contents are published on the website as well. Japanese: <a href="http://www.ebara.co.jp/ir/library/report.html">http://www.ebara.co.jp/ir/library/report.html</a>
CSR Report	Once every fiscal year	Japanese 5,000 copies	Reports on the accomplishments of the EBARA Group's CSR activities and future goals. Japanese: <a href="http://www.ebara.co.jp/csr/report/">http://www.ebara.co.jp/csr/report/</a> English: <a href="http://www.ebara.co.jp/en/csr/report/">http://www.ebara.co.jp/en/csr/report/</a>
EBARA Engineering Review	Four times a year	Japanese 5,500 copies	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: <a href="http://www.ebara.co.jp/company/rd/jihou/">http://www.ebara.co.jp/company/rd/jihou/</a>
Various Corporate Brochures, Business Guides	Sequential Updates		Presents a broad, comprehensive insight into the EBARA Group.

# 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.

## Fluid Machinery & Systems Company

### President Message

In our mid-term management plan, E-Plan 2013, we have defined a market strategy of growth in tandem with growing energy, water, and industrial infrastructure around the globe. As an example, our pumps business is focused on water-related infrastructure, used, for example, for water supply and sewage, irrigation, and drainage systems, mainly in China and Southeast Asia. Elliott Group's compressors and turbines business focuses on natural gas, which promises to grow as a clean energy source. The chillers business driven by Ebara Refrigeration Equipment & Systems Co., Ltd. focuses on heat pumps as energy-saving products in China. At the same time, our company is pursuing a plan of global human-resource rotation, which involves many employees from across the company gaining hands-on experience with overseas services, to add to the success of our global business. This effort has led to vibrant exchanges with employees of our overseas affiliates.



Toichi Maeda

President  
Fluid Machinery & Systems Company

### Three-Business Structure to Address Social Challenges and Needs

The Fluid Machinery & Systems Company addresses three key businesses in E-Plan 2013. The pumps business offers standard and custom pumps used to convey and compress fluids - liquid, air, and steam. The compressors and turbines business offers compressors and steam turbines to efficiently convert resources, such as natural gas and especially shale gas, which have attracted attention as clean energy sources, into energy. The chillers business provides products designed to leverage untapped energy sources, such as geothermal, hot-spring water, and sewage water, as well as providing refrigerators used to air-condition plants and other buildings.

Notably in China, due to growth in economy and industry, emerging nations demand for the refurbishment of water infrastructures such as water sewage supply systems and those for industrial and drinking water, and also large-sized, high pressure pumps and high energy efficiency systems for power generation facilities to support the growing energy demands. With our cutting-edge technology and expertise in solving the challenges of water and energy use, we are offering products that support communities, industries, and people's lives.

### Delivering More Integrated Services than Ever

We have been reviewing our business structure and operational processes so we can deliver more targeted services to quickly answer customer needs in all facets of our business. For EBARA's operations in the pump market of Japan, we have drastically overhauled our business organization to build a system that allows us to respond appropriately and in a timely manner throughout the lifecycle of our pump products, from delivery through maintenance and parts replacement to replacement of the main unit, including piping and auxiliary equipment. Specifically, three companies were merged with EBARA Corporation in April 2012 - Ebara Techno-serve Co., Ltd., which carries out sales and after-sales service of wind-power and water-power machinery, chillers, and air-conditioning

equipment; Ebara Yoshikura Hydro-Tech Co., Ltd., which manufactures and markets industrial pumps, installs industrial machinery, and carries out plant construction projects; and Ebara Environmental Technologies Hokkaido Co., Ltd., which provides design engineering for various plants and pieces of equipment. This organizational restructuring allows us to realize a fully integrated service workflow, from product development, design and production to sales and maintenance, offering speedier solutions to customer needs than was previously possible.

### Supporting Social Infrastructure as a Company

As an operating division committed to supporting water- and energy-related social infrastructure, another key responsibility of our company is to aid in the reconstruction of facilities and equipment following natural disasters. Following the Great East Japan Earthquake in March 2011, the entire EBARA Group, including our company, not only helped to restore public water supplies, sewage-water and storm-water treatment facilities, and building and plant pumps and chillers, but also undertook a concerted effort to help our customers continue to operate their businesses - a vital element for local growth.

Soon after the quake, we assembled a disaster-recovery support team to inspect 85 drainage pump stations under the control of the Tohoku Branch, at which time we found that more than ten of them had been damaged and restored eight of them to emergency operating condition. In addition, we inspected and serviced approximately 50 of the 100 drainage pump vehicles used in paddy fields along the coastline in response to a request from the Ministry of Land, Infrastructure and Transport. The work was difficult in many ways, but we felt that it was our responsibility as a pump manufacturer to help protect the local water infrastructure. These actions



Shallow-well Pumps Designed to Support Earthquake Disaster Reconstruction



were recognized within our company's internal system of official commendations as "Corporate Activity Contributing to Society." When flooding occurred in Thailand in July 2011, we participated in an emergency free-aid project launched by the Japanese government, and delivered 56 agricultural pumps in collaboration with EBARA Corporation, P.T. Ebara Indonesia and Ebara (Thailand), Ltd.

## Realizing the Qualities Sought by Our Customers

Because the products and services offered by our company are used in the facilities of corporate, government, and other institutional customers, the customers' voices themselves are helpful in maintaining and improving the quality of our products and services. We believe that "quality is built through insight into our customers' needs at all stages of work, including at the manufacturing site." To this end, the EBARA Corporation has launched an ISO 9001-compliant quality management system in each of its operating divisions, to integrate the customer's voice into our products and services, as part of our ongoing policy of continual quality improvement, effectively bringing the qualities sought by our customers into reality. In June 2011, EBARA acquired N-stamp certification, an exacting quality standard of the American Society of Mechanical Engineers (ASME), which is binding on manufacturers of pumps and other equipment for nuclear power plants. We look upon this as a great accomplishment, reflecting our many years of activities in pursuit of quality improvement.

## For Greater Customer Satisfaction (Productivity)

In order to offer timely solutions to customers' needs and to grow with the market, an unrelenting pursuit of ever-higher productivity is essential. In FY2010, the Futtsu Plant, a site

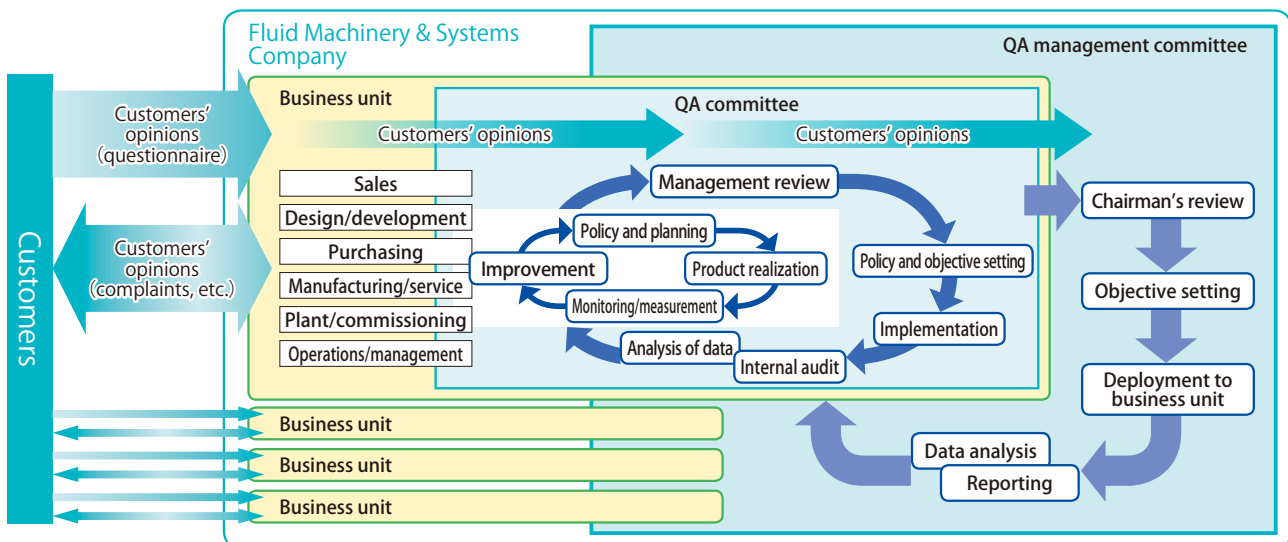
dedicated to manufacturing large custom pumps, embarked on a program of production innovation to double its production capacity and to cut lead times and work-in-process goods by one-half. These activities were extended from July 2011 to the manufacture of custom pumps and standard pumps at the respective plants in Fujisawa.

Both plants aim to reduce the lead time \*1 by one-half or more. In manufacturing standard pumps, for example, we are working to drastically cut the lead time, from taking the order for deep-well submersible pumps to shipping them, from the previously required two-week period to just two days. These and other activities are steadily taking effect as the associated departments make a unified effort to optimize the manufacturing process. Our company will continue to pursue higher levels of refinement, to address the increasingly diversified and sophisticated needs of our customers.

## Developing Human Resources to Encourage "Regional Production for Regional Supply"

E-Plan 2013 was launched in 2011 as a mid-term management plan, with the aim of addressing local needs by setting up production in the most suitable locations world-wide using a global perspective, while adhering to the principle of encouraging "regional production for regional supply". Globalization of human resources is a vital element in attaining this goal. As part of this effort, our company is assigning engineers with approximately ten years of service to positions at overseas group companies in Italy, China, Thailand, Singapore and Vietnam. We expect that, by taking jobs with actual responsibility and authority rather than simply taking part in training sessions, these employees can develop into employees with global capabilities. To this end, we are pursuing a policy of training and assigning the right people to the right posts, across borders.

### Quality improvement activities promotion system



\* 1 [Lead Time] The time required for manufacturing a product, from commencement to completion.

## Expansion of Business to a Global Market

In order to remain one of the world's top industrial machinery manufacturers in the coming century while we continue to contribute to society, the EBARA Corporation has committed itself to strengthening its global competitiveness. Our well-organized, strategic approach to marketing allows us to deploy businesses in line with our regional and product strategies, while revitalizing our network of after-service sites.

### The Pumps Business

Targeting China, Southeast Asia, the Middle East, and the US as priority regions, the Company is building a system that delivers products geared to the needs of the global market from the Group's production sites, while reviewing our functionalities and product lines, and associated production capacities. In addition, we are pursuing marketing methods appropriate to each region, to reinforce site-unique sales structures. In the after-service business, the Company is revitalizing our network of after-service sites to encompass a broader scope of business potential, by shifting emphasis from parts sales to more extensive service and support.

To achieve greater impact in emerging regions, such as China, the Middle East, and India, with their constantly growing body of oil, gas, electric, and water-related infrastructure and other operations, we are reviewing our product marketing strategies and tailoring them to our customers' needs and the competitive environment. We will then reformulate our suite of new products to reflect procurement and production conditions, to strengthen product competitiveness (cost, performance and functionality), as well as improve upon and modify our existing line of key products.

### The Compressor and Turbine Business

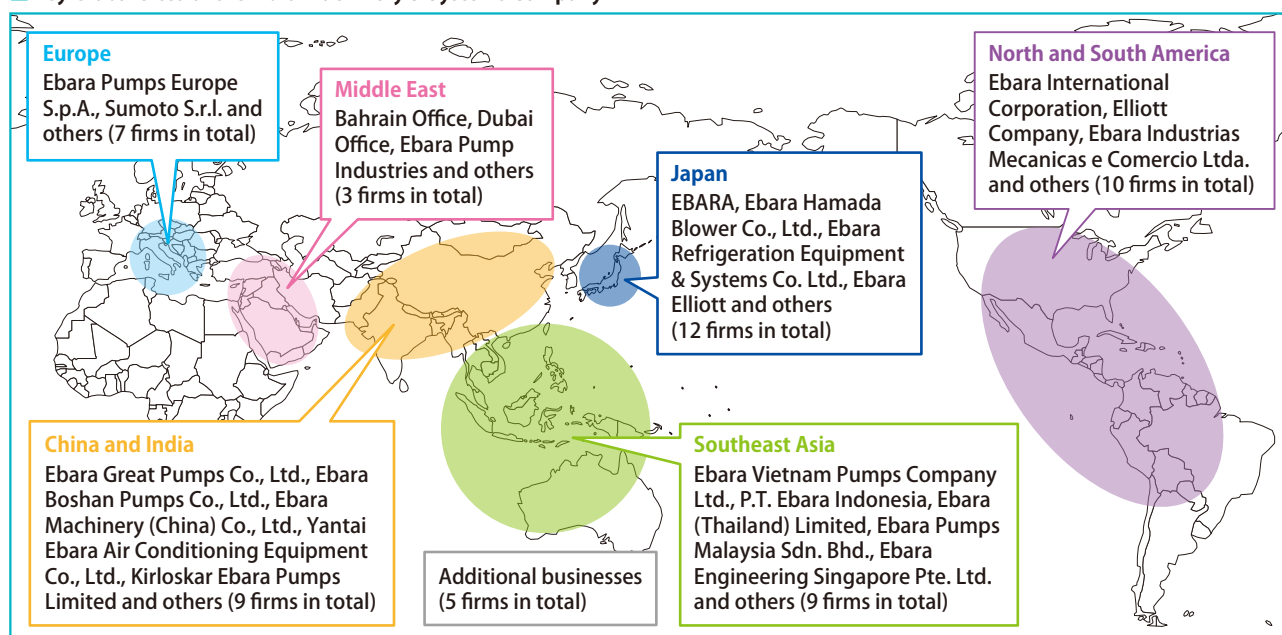
The Compressor and Turbine Business will reinforce both the Engineered Products and the Global Service project, to further drive the business merger with Elliott Group, pursuing a single global management policy and further market penetration for the Elliott brand. In China and India in particular, we will continue to exploit new suppliers by leveraging our revitalized network of sites. In South America and elsewhere, our existing global network of sales and service sites will be refurbished and enhanced. In addition, the Company will expand our line of products for the petrochemical and oil-refinery industries and enhance our core expertise in high-pressure compressors for oil and gas applications.

### The Chillers Business

The Company's chillers business continues its policy of consolidated management built around the Yantai Ebara Air Conditioning Equipment Co. Ltd. In so doing, we are pursuing business growth and increased profitability in China and the Middle East, as well as in Japan, based on integrated decision-making on development, production, and sales activities. The Company will be trimming the lead times on chillers, saving procurement and design costs, to strengthen our product competitiveness. We will also restructure our after-service business model. In addition, we will aim to expand sales of both consumer and industrial cooling towers, foster solution businesses and launch overseas expansion, and develop China-oriented products jointly with Yantai Ebara. Yantai Ebara is ready to boost production of power-plant absorption heat pumps to ensure profitability, and is also promoting sales and cost reductions for a series of centrifugal chillers.

For the general fluid machinery and systems business, the Company will accelerate the pace of production innovation

### Key Global Sites of the Fluid Machinery & Systems Company



activities at its domestic plants. At the same time, we will strengthen business at key overseas sites, such as those in China, to reinforce partnership among our global sites (with the Japanese plants acting as parent facilities) within the global production network. To expand our global after-service business, the service structure will be strengthened in various ways, including the refurbishing of dedicated service facilities.

### Strengthening Competitive Power of Elliott Group through Integrated Management of Japan and the US

In our compressors and turbines business operation, the Elliott Company in the US, with over 100 years of history, integrated management in 2011 with Ebara Elliott in Japan to create the "Elliott Group." Based on the Group Consolidation Strategy, this restructure of organization was aimed at stimulating the efficient growth of global business within the ever expanding worldwide oil and gas market. In light of the "E-Plan2013," our compressors and turbines business operation also continues to improve the after-service system from a global perspective. Holding its key production sites in Jeannette, Pennsylvania, USA and Sodegaura, Chiba, Japan, the Elliott Group has deployed marketing and after-service sites at 35 different locations in 17 countries, all over the world. In the days to come we aim to grow business by taking a step ahead in customer needs throughout the world and contribute to the utilization of shale gas which has been gathering attention within oil and gas market in the past decades. Through this, we will take full advantage of the merits in integrated management and be a contributor to solving the global energy crisis.

### Customer Support and Pursuing Global Product Quality

We, Elliott Group, based on company policies towards valuing health, safety, the environment, and product quality, provide the highest quality products and services to customers worldwide. Through activities such as conducting online customer satisfaction surveys on the website customer satisfaction and receiving feedback, the Elliott Group constantly takes in opinions and applies them to quality improvement.

### Elliott's Commitment Health, Safety, Environment, & Quality Policy

The world turns to Elliott for rotating machinery and service.

- ◆ We will do our job safely, to our personal satisfaction and our customers' delight.
- ◆ We will be good citizens, obeying all laws and preserving the environment for future generations.
- ◆ We will strive each day to become a little better.

This production system is based on the mindset of "Bench Mark Sodegaura," also deployed in the Jeannette Plant, of excellent Japanese manufacturing technology and management techniques. The Sodegaura Plant and the Jeannette Plant, reciprocally rotate employees from both plants to make a system that assuredly consolidate the collective know-how as an asset to the Elliott Group.

### Developing Human Resources Suitable to the World

The Elliott Group's employees of over 2,100 individuals are comprised of people originating from various countries around the world. With this, in addition to implementing the human resource rotation from 2009 to stimulate communication between the different cultures of Japan, US, and Europe, the Elliott Group is also focusing its efforts in cultivating human resources with various unified programs such as the "Elliott Leader Development Program" for training manager class employees.

We believe that the spearhead who supports the Elliott Group in the coming years is the human resource who can accept the diversity of race, nationality, gender, religion, culture, and customs, gain experience while absorbing such differences and can work enthusiastically in any location of the world.

### VOICE

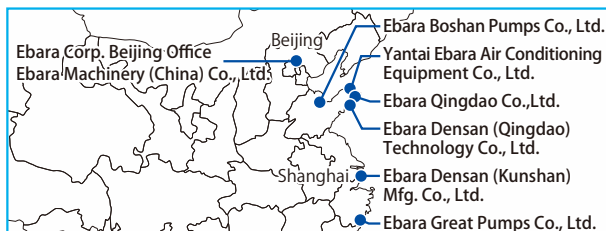
#### Striving to be a Corporate Group that Contributes to Solving the Global Energy Crisis

Uruma Yasuyuki  
CEO  
Elliott Group



The Elliott Group is a Global Business Corporation holding production, marketing, and after-service sites at 35 locations in 17 different countries. The products and services we provide have a deep association with the ever expanding energy market. Because the products we provide are some of the most important equipment in plants related to oil and gas, customers from all over the world constantly seek products with high reliability and efficiency in addition to swift, high quality services. In 2011, the initial fiscal year of starting the Group management, we prepared a system for enforcing several measures and policies concerning safety, environmental conservation, compliance and the supply chain to accommodate as being a group conducting global business. In addition to striving for continuous growth within the energy market, the Elliott Group will continue to be an entity which fulfills its responsibilities as a good international citizen.

## Promotion of the Principle of Regional Production for Regional Consumption in China



E-Plan 2013 positions China as a top-priority region for strengthening global competitiveness. While EBARA has manufactured products in various forms in China since the 1990s, it is now faced with the task of resolving three key issues associated with China's 21st-century economic growth – related to water, energy, and global warming.

Our company wishes to continue contributing to resolving these issues in addition to concentrating to expand the business rooted regionally in accordance with our principle “Regional Production for Regional Consumption” which means that we complete a series of services from production, sales up to after-service of main products such as energy saving pumps, high efficiency chillers and towers within China.

We will take the following actions to answer the market needs of Chinese Society:

- 1) Development and production of energy-saving, direct booster pump units for buildings that meet the requirements of various local regulations
- 2) Development and production of large pumps to handle river water for the national “South-North Water Transfer Project<sup>\*1</sup>.”

In the area of refrigeration equipment and systems, we have developed and manufactured large absorption heat pumps that meet the demand for district heating, which is being pursued as state policy. In China we adhere to the spirit of the code of conduct that places customer satisfaction before all other things. We maintain eighteen after-service sites for standard pumps nationwide, and establish a supply chain for spare components that's ready to respond quickly to customer needs.

### Localizing the Group's Code of Conduct

To facilitate the global development of business, it is important that the norms and values that have been pursued by EBARA are adapted on a local level. In FY2011, we prepared a guide to the Chinese edition of the EBARA Group's Code of Conduct and distributed it to seven group companies in China. The group companies are now working on reviewing and revising their respective codes of conduct based on this guide.

For example, Ebara Machinery (China) Co., Ltd. (EMC), which operates a pumps business in an integrated manufacture-sales effort, has made efforts to promulgate the concepts of the EMC code of conduct among its 536 members. In addition, its procurement department has prepared a checklist pursuant to the EMC code of conduct for its suppliers. The Company audits the suppliers with respect to the ban on child labor, forced labor

and bribery; ensuring occupational safety and health, and protection of the environment.

### Making Sure that Safety and the Environment are Taken into Consideration

The Company also works to follow the EBARA norms in our practices related to occupational safety and environmental protection, with Chinese group companies working to obtain certification under ISO 9001 and ISO 14001. In May 2011, EMC obtained OHSAS 18001<sup>\*2</sup> certification in recognition of its continuing commitment to strengthening occupational safety and health. The plant conducts weekly safety inspections and monthly fire drills.

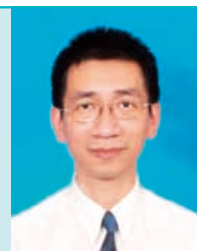
### People-to-People Exchanges

The development of human resources is vital to the delivery of Japanese-developed quality to our Chinese customers, in order to win their trust in the high-priority China region. At present, two manager candidates with around ten years of experience with the company have been transferred from EBARA's marketing and sales promotion department and our plant department to positions at EMC, where they will be in charge of practical operations tailored to the local business climate. Plans are underway to involve EMC staff in a training session in Japan to learn the philosophy of manufacturing at EBARA.

## VOICE

Responding Quickly to China's Needs in accordance with the Principle of Regional Production for Regional consumption.

Haifeng Sun  
Vice President  
Ebara Machinery (China) Co., Ltd



The flagship EBARA standard pump models, FS and CN, have been modified to meet the needs of the Chinese market. We are also working to forge better, safer, and more eco-friendly products with Japanese assistance, by modifying, developing, and refurbishing feed-water equipment and horizontal stainless-steel pumps, to address local regulations and needs. Our products and our service have been evaluated very positively by our customers. We follow EBARA's corporate philosophy of making contributions to society through our cutting-edge technology and service. As a corporate citizen, we collaborate with the Chinese Red Cross Society and with environmental-protection groups. We also take an active part in volunteer and environmental-protection activities. As we look forward to the one-hundredth anniversary of the founding of the EBARA Corporation, we are making the continual implementation of positive social actions part of our corporate strategy, to help boost public awareness of the EBARA brand.

<sup>\*1</sup> [South-North Water Transfer Project] A project designed to transfer water from southern China to the northern part of the country, to alleviate persistent water shortages.  
<sup>\*2</sup> [OHSAS18001] Occupational safety and health management system



# For providing 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.

Precision Machinery Company

## President Message

We are committed to offering superior technologies and services in the fields of water (wet), air (vacuum), and an environment (clean) that are tailored to the manufacturing processes of our customers.

Since our founding in 1985, we have evolved according to these guiding principles, starting with ① clean vacuum systems (starting with air), and continuing with ② clean wet systems (to environmental processing), followed by ③ the wet revolution and ④ going from revolution to evolution. We are now in a phase ⑤ – enabling solutions. Creating customer satisfaction depends heavily on sympathetic guidance from our customers, the untiring efforts of our employees, and the support of our suppliers. Your continued assistance and guidance is of great value to us.



Manabu Tsujimura

President  
Precision Machinery Company

## Sustaining the Evolution of Semiconductors

From digital home appliances, such as PCs, cell phones, and flat-screen TVs, to information and communication technologies supporting diverse industries. The primary customers of the Precision Machinery Company are manufacturers of semiconductors, liquid crystals, solar cells and other core products and technologies that make daily life more convenient and comfortable. Our company's mission is to develop and manufacture industrial equipment and facilities for the semiconductor industry, as well as vacuum devices that meet the industry's needs.

Currently new versions of smartphones, tablet computers, and other devices are entering the market in rapid succession, with performance levels that continue to evolve at a phenomenal pace. Our Company is committed to taking the lead in providing manufacturing equipment and facilities that address the functional needs of our customers, supporting the evolution of the products that they develop and produce, while keeping pace with ever-increasing device capabilities.

semiconductor manufacturer's sites. Since the shipment of the first model in 1986, sales of our vacuum pumps have grown to reach a substantial share of the global market, with cumulative shipments from the Fujisawa Plant reaching 100,000 units in May 2011.

As requirements for semiconductor performance grew ever more critical in the 1980's, oil pumps used to create a vacuum began to adversely affect the yields of semiconductor production because of the oily environment they created and the limited service life of the oil used in the pumps. The dry vacuum pumps developed by EBARA were highly praised by customers, because they did not use oil at all, creating a cleaner vacuum, with decreased power and space requirements compared with their

## VOICE

Customers' Opinions

### Anticipating Product Development Geared to the Needs of the Times

Dr. Kei Hattori

Senior Manager, Process & Manufacturing & Engineering Department, Oita Operations  
Toshiba Corporation Semiconductor & Storage Products Company

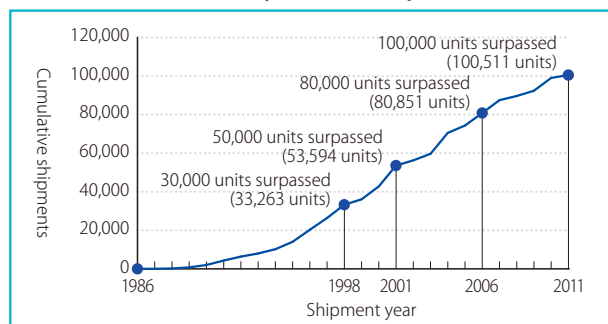


We would like to congratulate you on surpassing the 100,000-unit mark in the total sales of your dry pumps. In the latter half of the 1980s, oil back diffusion from the oil-sealed rotary pumps that were used in semiconductor manufacturing equipment was found to cause the degradation of device performance. That is when you made a breakthrough by developing completely oil-free dry pumps. Toshiba was one of the earliest companies to evaluate and adopt the new pumps. Subsequently, you have continued to develop timely product solutions to constantly changing needs, addressing issues of conservation of energy and space, quiet performance, corrosion resistance, increased capacities, byproduct (powder) readiness, and broadband readiness. It is our hope that you will continue with your policy of timely product development and further growth.

## Results Based on Customers' Voices

A key part of the Company's product line, dry vacuum pumps, is used to create a vacuum environment in clean rooms at

### Dramatic Increases in Dry Vacuum Pump Deliveries



predecessors. Initially, dry vacuum pumps were made to order. At the start of the 1990s, however, we began planned production of standardized models to achieve better quality and lower costs, winning EBARA a steadily growing market share. Also contributing to this growth was EBARA's advanced expertise in energy conservation and miniaturization, and our systems to make periodic overhauls easier. Reaching the cumulative shipment level of 100,000 units attests to EBARA's devotion to manufacturing products that customers trust and use with confidence. EBARA is eager to reinforce its development capabilities and service structure to pursue potential customers in non-semiconductor markets as well, while achieving cumulative shipments of 200,000 units within the next twenty years.

## Ready to Respond Promptly to Increasingly Critical Needs

Our Company has built and maintained a strict system of management in every process, from design to procurement, production, and maintenance, to fulfill even the most critical of customer needs. On April 12, 2011, the Company was given the Preferred Quality Supplier (PQS) award by Intel Corporation in recognition of its performance. The PQS award is part of Intel's Supplier Continuous Quality



Plaque Commemorating the Winning of the PQS Award

Improvement Program that it runs to encourage suppliers in their efforts to achieve continual, meaningful improvements. To receive the PQS award, suppliers must achieve at least 80% of their goals in the areas of cost, quality, delivery, technology, the environment, social matters, and governance. Suppliers must also implement consistent quality and business systems in response to a challenging improvement plan (cited from the EBARA April 12, 2012 News Release, In Detail - <http://www.ebara.co.jp/en/news/2012/20120412.html>).

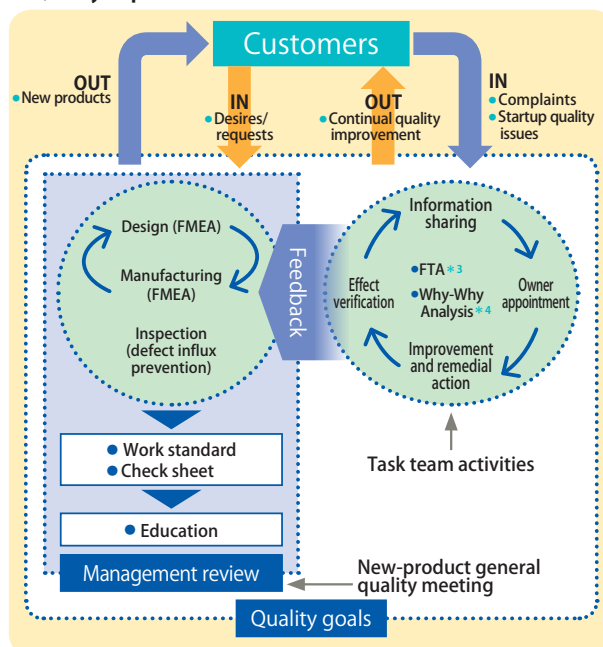
## A New Approach to Improving Quality

Because CMP systems\*<sup>1</sup> and dry vacuum pumps are expected to provide 24-hour uninterrupted operation every day, all year around, the reliability of products needs to be maintained through rigorous quality control at the production site. The Company implements FMEA\*<sup>2</sup> and other techniques in new-product design and production stages, to prevent defects from making their way into the market. In FY2011, cross-checks were introduced as a new approach to quality improvement. Cross-checks are a technique whereby a team of inspectors makes reciprocal checks on the manufacturing processes between the Company's production sites at the Fujisawa Plant and the Kumamoto Plant. The manufacturing process at each plant is checked from an objective viewpoint, that of the customer, to pursue product-quality improvements at both

plants.

Cross-checks not only encourage better product quality, but also motivate soul-searching by plant technicians with regard to their attitudes toward manufacturing and their awareness of problems. Recognizing problems that are obscured by preconceptions and finding case studies that can serve as a useful reference should open the way to new improvements. Plans are also underway to factor the cross-check concept into the process flow, to seek better in-process quality and higher work efficiency. There is no end to our pursuit of product quality to win greater customer satisfaction. The Company is making a united effort to work toward this goal.

### Quality improvement activities



## Raising Awareness for Quality and Productivity Improvement

The semiconductor industry is a unique environment characterized by the rapid pace of technological innovation and market change based on consumer purchasing trends. To keep up with business demands and grow in this industry, the Company is continually implementing department-specific programs to raise the awareness of each individual employee with regard to the goal of higher productivity. In the dry pump manufacturing department, the "Mindora Campaign" (which means "Dry Pump Activities for All" in Japanese) has been underway since July 2009, with the entire staff of the department continually working to innovate production methods. In the CMP system manufacturing department, the "M Zero Challenge" promotion has been underway since March 2010, and it is committed to eliminating the three Ms (Muri is Japanese for unreasonableness, Muda means waste, and Mura is inconsistency). The Mindora Campaign works toward the implementation of various ideas to create a production system with an awareness of the value of "total integration," for example, by converting the assembly line from bulk

manufacture to piece-by-piece manufacture to trim the lead time from order taking to delivery, and reducing the level of stock in process. We are also partnering with the sales and design department and with the information systems department that supports the production areas, to continue with further department-specific improvements. Our entire organization is geared toward streamlining the manufacturing process and making continual productivity innovation part of our organizational culture.

## Reaffirming Bonds with Our Customers and Our Own Mission

The job of supporting the Company's customers is undertaken by our global sites and Ebara Field Tech. Corporation (EFT). EFT emphasizes the importance of contact with customers, and endeavors on a day-to-day basis to maintain and enhance their trust, as it sells and installs products at customers' plants and then tests, tunes, and maintains those products. The Great East Japan Earthquake that occurred in March 2011 dealt a blow to Renesas Electronics Corporation's Naka Factory, one of the customers of our products. It was feared that the effects of quake-caused damage could spread to various industries, as the customer commands a global market share of microprocessors, the lifeblood of many products, including PCs, cell phones, automobiles, and automated teller machines (ATMs). After being urged by administrative authorities and trade groups, nearly 2,500 workers a day sent from major construction, plant-engineering, and other companies worked together to restore the plant. EFT also participated, mobilizing 35 technicians from its nationwide sites to work on the restoration of the customer's facilities. Amid lingering aftershocks, we worked with the customer to overcome a variety of difficulties and helped the customer resume production earlier than scheduled. The customer gave us a letter of commendation for our restoration support, and a commemorative gift of a semiconductor chip that is inscribed with the Chinese character meaning bonding. The Company will continue to pursue improvement in our customer support, to fulfill our duty as an equipment maker that serves the semiconductor industry.

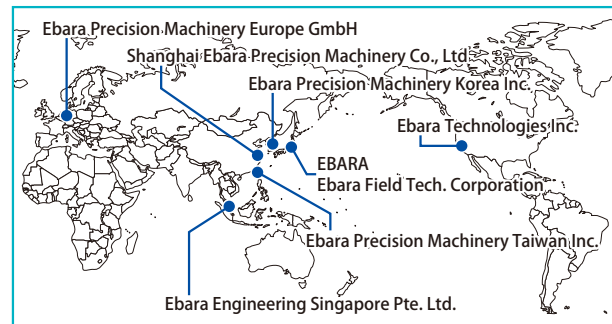


"Bonding" chip given by Renesas Electronics Corporation

## Toward an Enhanced System of Global Support

About 80% of the Company's sales are derived from the semiconductor market, with overseas sales making up 70% or more. For this reason, EBARA has Group companies located in South Korea, Taiwan, North America, Europe, China, and Singapore, in addition to Japan. This enables prompt response to our customers' needs, while pursuing an enhanced system of global support. The Company is now building an optimized system of product and service delivery by concentrating and building up its sites in line with the global strategy set forth by E-Plan 2013. The development and allocation of human resources will also be improved from a global perspective.

### Key Business Sites of the Precision Machinery Company



Cutting-edge semiconductor technologies still evolve in the US and are deployed across Asia. Our Company is actively evaluating dry pumps and other components at US semiconductor equipment manufacturer sites to reinforce our abilities to collect information about these technologies. The Company is also working to create an environment in which Japanese staff and their counterparts at overseas sites can grow together, while reinforcing supply chains, for example, by promoting overseas procurement, deploying domestically rooted productivity improvement drives to overseas factories for overhaul, and other methods.

The Company will continue to build a framework of total customer support, by offering superior products, technologies, and services of consistent EBARA quality everywhere in the world.

\* 1 [CMP systems] Chemical Mechanical Polishing systems. CMP systems are used to flatten wafer surfaces.

\* 2 [FMEA] Failure Mode and Effect Analysis. A technique for identifying and preventing defects in a product before they develop.

\* 3 [F T A] Fault Tree Analysis. A technique for determining the causes of defects.

\* 4 [Why-Why Analysis] A method for looking for the actual underlying cause of a problem.

# For providing 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, in a framework geared at constructing, maintaining, and managing and operating waste treatment facilities within a fully integrated workflow.

Environmental Engineering Company

## President Message

Waste disposal is an integral part of our lives. The corporate activity of the Environmental Engineering Company can be thought of as a social contribution in itself, as the Company provides, operates and maintains facilities used to hygienically treat collected waste for recycling. There is increasing demand for the generation of power from the heat produced by incinerating waste, calling for an approach that supports a low-carbon society. In our quest for high-efficiency power generation and energy conservation, we provide eco-friendly facilities for the protection of the global environment. In addition, we are devising and implementing plans to cut peak power consumption and reduce the use of fossil fuels, not only by adding energy-efficiency features to existing facilities, but also by improving their operating methods.



Akihiro Ushitora

President  
Environmental Engineering Company

## Building a Sustainable Society

The guiding principle of the Environmental Engineering Company is to contribute to the realization of a sustainable society through the development of environmental and energy-related infrastructure, such as solid-waste treatment plants and biomass power plants, along with related services. Treating solid waste resulting from the Great Eastern Japan Earthquake that occurred last year and responding to power shortages have become urgent issues for the Company. EBARA has helped its customers to accommodate debris delivered to their facilities. EBARA is also carrying out a program to recycle energy resources from waste to produce electricity efficiently and economize on energy in waste-treatment facilities, to further the goal of creating a low-carbon society. In recent years it has become a widespread practice to make arrangements to outsource to the private sector the entire job of administering facilities, from construction, through operation, to inspection, maintenance and renewal. Outsourcing operation and maintenance of existing facilities in multi-year deals is also increasingly being practiced. Another trend is extending the service lives of existing facilities. With these circumstances in mind, E-Plan 2013 has incorporated a basic policy of pursuing engineering, procurement, and construction (EPC) businesses and operation and maintenance (O&M) businesses for waste-treatment plants under integrated management. In FY2011, we succeeded in taking orders for facility life-extension projects and concluded long-term comprehensive contracts.



Nagareyama City Clean Center Facilities

## Promoting Waste Power Generation to Address Power Shortages

The waste power generation process, whereby heat produced during waste incineration is used to generate steam for turbine power generation at domestic waste incineration plants, is currently attracting attention. This attention is driven by fears of extended periods of power shortages and Feed-in Tariffs (FIT) for renewable energy sources scheduled to take effect starting 2012 summer. Waste power generation implemented at waste incineration plants makes it possible to generate power over and above the power required to run the plant (station service power), so the surplus power can be sold. Waste is positioned as a renewable energy source, and the electricity derived from biomass in the waste, except for plastics, is CO<sub>2</sub>-neutral. High-efficiency waste power generation can contribute to the reduction of CO<sub>2</sub> emissions.

## Enhancing Field Capabilities to Improve Service Quality

The Company's field capabilities are delivered by employees working at our customers' facilities (at administrative offices and construction sites) as part of our O&M and EPC businesses. Enhancing our field capabilities provides greater customer satisfaction, which wins greater customer trust. Greater customer satisfaction should in turn allow us to achieve more precise insights into customer needs. Plant and electrical engineering instructors are assigned at each administrative office to educate employees working at the office on ways to efficiently improve field capabilities. The Company maintains a staff of 96 instructors in total, 47 plant engineering instructors and 49 electrical engineering instructors, who work at their respective offices to augment staff skills.

We started issuing "O&M Net," an in-house journal, periodically in FY2011. It is meant to reinforce the nationwide network of administrative offices and encourage the ingenuity of our field staff by familiarizing them with case studies from other offices. In addition to the one-way transmission of information from the head office, communication between administrative office staff via O&M Net is expected to mutually stimulate them and enhance their field capabilities.



## For Enhanced Engineering Capabilities

EBARA established the Incinerator Engineering Center and has promoted standardization of design since FY2011. The purpose was to establish design standards that result in cost reductions over the lifecycle of a product. Standardization of design for one model was virtually complete in FY2011, and it is still underway for other models. Promotion of design standardization is also expected to offer performance improvement and cost reduction, as well as fewer design mistakes. EBARA also administers an action program in which empirical knowledge acquired by employees through many years of design activities is collected in-house as explicit knowledge, in order to hand down technical expertise from generation to generation.

## An Operator That Supports Social Infrastructure

The 7 incineration plants that had been managed under contract by Ebara Environmental Plant Co., Ltd. (EEP) were hit by the Great East Japan Earthquake that took place in March 2011. One of the plants, the Arakawa Clean Center in Fukushima, had its chimney and cooling tower damaged by the earthquake, but it resumed operation as early as March 19 as a result of extensive efforts to repair the damage discovered following a full inspection, with assistance from administrative offices nationwide. All facilities struck by the earthquake resumed operation around one week after the earthquake. We have administered these facilities to fill local and social needs in close coordination with the customers, for example endeavoring to trade surplus power while economizing on power requirements. We received excellent evaluations from our customers for the restoration of the facilities in such a short period.

North of the Kanto Plain, we are working to check the dispersion of radioactive substances as a result of the nuclear power plant accident. A safety standard and a work manual have been formulated to prescribe how to handle waste and other materials containing radioactive substances, and how to operate in an environment with high levels of radioactivity. Our Company carries on its work while working to safeguard the health and safety of employees working at the Arakawa Clean Center in Fukushima and other facilities feared to have been contaminated by radioactive substances.

As a result of the earthquake, the Company has reaffirmed our belief that our waste treatment business supports the social infrastructure and is an essential part of our safety and security. While waste treatment facilities are widely used in Japan, there are many nations and regions in the world in which waste treatment infrastructure has yet to be developed. The Company wishes to contribute to the protection of the global environment through delivery of equipment to such nations and regions, including China.

### VOICE

#### Communicating with Customers for Safe, Secure Waste Treatment

Toshio Iguchi

Office Manager, Nagareyama Administrative Office,  
Operation and Maintenance Department  
O&M Business Division, Ebara Environmental Plant Co., Ltd.



The Nagareyama City Clean Center treats non-industrial waste from Nagareyama City, Chiba Prefecture. Since the nuclear power plant accident triggered by the Great East Japan Earthquake, the radioactivity level of the waste has risen, dictating safety management measures. As we work, we take great efforts to ensure staff safety, pursuant to guidelines formulated by national and local governments and following the radioactivity handling manual that we developed. We also maintain close communication with our customers to exchange information and handle the various tasks necessary to realize safe, secure waste treatment.

### VOICE

#### Contributing Solutions to China's Waste Problems

Kazushige Kurosawa,

Project Construction Department  
Plant Construction Business Division, Ebara  
Environmental Plant Co., Ltd.



We are supplying furnace equipments for three incineration plants currently under construction in China in cooperation with Ebara Qingdao Co., Ltd. (EQC). As China plans to build 262 waste incineration plants by 2015, we believe that our expertise can be of service. Ebara Environmental Plant Co., Ltd. is a licensor of stoker-type incinerator technology to EQC, its subsidiary, and has helped to enhance EQC's technical capabilities through mutual exchanges of technicians. Partnership between the two companies will be strengthened further to help resolve China's waste problems.

# Fulfilling CSR Together with Suppliers

We are communicating with our suppliers to work together on sustaining and improving quality, cost, delivery, environment, and 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 ISO 9001. 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.

## EBARA Group CSR Procurement Guidelines

### 1. Compliance

We request suppliers to comply with the laws, regulations and social norms of the countries related to the transaction.

### 2. Consideration to human rights, health and safety

We request suppliers to prohibit unreasonable labor, such as child labor, forced labor etc., to also respect fundamental human rights and to ensure a healthy and safe working environment.

### 3. Environmental conservation

We request suppliers to continuously promote activities that reduce the impact on the global environment. Please refer to the EBARA Group Green Procurement Guidelines for further details.

### 4. Ensuring proper quality, price, delivery and safety of products and services

In order to supply satisfactory products and services to our customers, we request suppliers to provide us products and services which are based on safe and superior quality, competitive price, reliable delivery and a stable supply system.

### 5. Improvement of technical capabilities

We request suppliers to continuously improve their technical capabilities.

### 6. Information disclosure

We request suppliers to provide and disclose information positively.

### 7. Information security

We request suppliers to establish a system to properly manage and protect personal and confidential information, and to prevent obtaining, using, disclosing and leaking such information illegally or unreasonably.

### 8. Protection of intellectual property

We request suppliers to respect intellectual property and not to infringe intellectual property of others.

### 9. Dissociation from antisocial forces

We request suppliers to block any relationship with antisocial forces.

## Promoting CSR Procurement

We would like our suppliers to realize that CSR steers us toward the goal of achieving both enhanced, sustainable corporate value (mainly financial value) and socially significant value, so that the Ebara Group and its suppliers can grow together, by incorporating CSR activities into their corporate activities. Since 2008, EBARA has prepared CSR reports and published them on its website to announce the status of our CSR procurement, as declared in the procurement policy. The EBARA Group established EBARA Group CSR Procurement Guidelines in February 2012 in an effort to draw understanding and cooperation from its suppliers. The EBARA Group expects to inquire into the status of CSR procurement implementation in the suppliers' businesses through each procurement department of the Group in FY2012 and after.

**VOICE**

**Suppliers' Voices**

**Working on CSR Activities Together with EBARA**

Mr. Garry Hartridge  
Quality Manager  
Baric Systems Limited



Part of the Colfax Corporation, Baric Systems Limited is a UK based solutions provider to the Oil & Gas / Power Generation industries specializing in the design and manufacture of API614 Lube Oil Systems, Seal Systems and General Packaged Units. As a long time partner supplier to Ebara Corporation we share and endorse their commitment to Corporate Social Responsibility and are proud to provide a working environment that is safe and without significant risk to health. We accept our responsibility for Health, Safety, Environment and Welfare of others, and are committed to continual improvement.

## Promoting Safety Together with Suppliers

Cooperation from suppliers, called "subcontractors," is essential to executing construction, installation, repair and other works at customers' sites, including pumping stations and drainage pump stations. At the construction sites, subcontractors organize themselves into a Health and Safety Partner Association to ensure safety at work. At the Tohoku District Safety Convention held in July 2011, EBARA delivered a safety lecture on fulfilling tasks in a radiation environment in connection with the implementation of restoration projects after the Great East Japan Earthquake. After subcontractors reported their status at the time the earthquake had occurred, talks focused on how cooperation should be in times of major disasters. Then, the subcontractors that have contributed to the safety of construction works were commended.

## Suppliers' Cooperation a Key to Business Success

Dry pump shipment from Ebara reached 100,000 units in May 2011, a record that could not have been achieved without support from suppliers. Suppliers from many industries worked very hard to ensure backup spares were available in spite of months of hardship following the Great East Japan Earthquake, allowing us to minimize the impact of the quake upon shipments.

**VOICE**

**Suppliers' Voices**

**Safety Assurance in Contributing to Early Recovery of the Tohoku District**

Mr. Takeo Ohashi  
President  
Ohashi Iron Works, Ltd. (recognized as an excellent contractor at the FY2011 Safety Convention)



Breathtaking sights still linger in the earthquake-struck coastal zones, with no traces of living at all. Fortunately, we were not hit by the earthquake and were able to handle emergency work. The most difficult point was to secure fuel supply. In some plants, equipment immersed in a pool of water left after heavy rains was elevated by mounting it on a rack. The fact that we managed to stay accident-free as we worked for one year in many restoration sites on loose grounds should be the outcome of our employees' awareness augmented by the official recognition of our company at the Safety Convention. We, in cooperation with EBARA, will get prepared to execute works that help facilitate early recovery of the Tohoku District, with top priority given to safety assurance.

**VOICE**

**Suppliers' Voices**

**Overcoming the Great East Japan Earthquake**

Mr. Shinkichi Suzuki  
President  
Tokushu Metal Co., Ltd.



We are a supplier of dry vacuum pump castings, based in Soma City, Fukushima. We were hit by an earthquake, scaling a lower 6 in seismic intensity. Tsunamis and the nuclear accident caused employees to evacuate the plant temporarily. Fuel shortage prevented us from calling even restoration aid workers, but we managed somehow to put machinery and equipment back into service in a short period of 20 days. Such speedy resumption of operations is a tribute to the extensive assistance rendered to us by Ebara and its subcontractors. We are resolved to continue providing quality products under Ebara's supervision so we can live up to its expectations.

# 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.

## Working to Develop Human Resources for the Coming Century

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

Masaru Shibuya



- The EBARA Group's management environment is characterized by rapid globalization as our overseas businesses further expand.
- Our new medium-term management plan recognizes that Japan is part of the global market, and to reflect this, we are striving to nurture employees who are able to meet the challenge of global business proactively, and act on a global scale by drawing on their own ingenuity and original ideas.
- There is a saying that people are improved by people, and this philosophy has become part of the EBARA Group tradition over the course of its hundred years of history. To achieve further progress during the coming century, we are committed to remaking our personnel policies from a global perspective.

## Human Resource Policies in E-Plan 2013

Our guiding human resource policy is based on the development of a workplace environment that makes possible; acquiring and developing diverse human resources who can draw on their ingenuity and original ideas with the goal of advancing the EBARA Group on the path to growth with the spirit of challenge. To that end we will endeavor to implement the following principles:

- 1 Introduce a globally uniform personnel system for the top management of key overseas EBARA affiliates. This will help us build a framework within which to acquire and retain the high-level managers that are needed to promote the global deployment of each of our businesses.
- 2 Recruit human resources from strategically prioritized regions to work at the Group's head office, and develop them as the core for the deployment of our businesses in those regions.
- 3 Create and implement a system of personnel rotation within the Group, including member firms, and encourage mutual personnel exchange and partnership among employees in the Group, while striving to assign the right personnel to the right places.
- 4 Introduce a program to give young employees recruited in Japan hands-on experience with overseas service, so that they can have the opportunity to cultivate their fundamental qualities in support of the global deployment of our businesses. More than half the employees in Japan should experience overseas assignments before their length of service reaches ten years.
- 5 Establish a work environment that enables each individual employee to engage his or her abilities to the maximum extent, regardless of gender or other individual differences.
- 6 Create and implement a human resource development system from the perspective of the Group as a whole, while encompassing the principles listed above.

## Creating a Workplace Environment Where All Employees Can Work Comfortably

### Human Rights Training That Addresses All Employees

Each year, the CSR training program, which was launched in FY2009 and which targets all employees in the EBARA Group (including contract employees, part-timers, temporary employees and contractors), addresses the topic of human rights. The program for FY2011 drew a total of around 4,400 participants, and it familiarized them with the definition of the term "human rights" and discussed ways to prevent power harassment and rules for combating power harassment. In addition, we administered a training course directed towards the top management of the Group's member firms, in order to create a workplace environment free of power harassment across the EBARA Group. According to a FY2011 compliance

awareness survey, a decreasing proportion of respondents "witnessed a case of power harassment around them during the previous year," which we consider evidence that our efforts to prevent power harassment are steadily having an effect. We are committed to continuing training programs to foster human rights enlightenment.

### Harassment Consultation Counter

EBARA's Harassment Consultation Counter has handled approximately twenty human rights issues each year for the past few years, in collaboration with consultation counters at Group companies. Harassment cases that have been handled at the consultation counters at Group companies are reported to the CSR Committee (see page 20) to share information that helps in preventing harassment and reinforces support from the



consultation counters. To create a workplace environment where all employees can work comfortably, we continually carry out human rights enlightenment activities, to make the Harassment Consultation Counter more dependable and reassuring.

## Developing Human Resources across the EBARA Group

Human resource development programs, which had been pursued separately by the Group's individual companies in the past, have now been consolidated across the EBARA Group. A total of 903 employees from the EBARA Group have now attended the EBARA Group Training Program, which was launched in April 2011. This is an Off-JT <sup>\*1</sup> program designed to enhance the abilities of young and mid-career employees, among others, as businesspersons. The program was planned and reviewed by the EBARA Group Human Resource Development Committee, which is composed of members chosen from EBARA and the Group's nine member companies. Each training course in the program is designed to enable trainees to take what they learn today and put it to profitable use in their routine work in the future. In addition, the survey that had previously been conducted immediately after completion of each training course has been shifted to one month later; to allow us to verify how trainees have utilized the knowledge they learned from their training in their routine work.

EBARA has also changed to a system whereby a single department is entrusted with the responsibility of planning the recruitment and development of human resources, so that the path of growth for each individual employee to grow as a businessperson, from recruitment and initiation through assignment and OJT <sup>\*2</sup>, can be conceived and planned in a fully integrated sequence. We hope that the program of human resource development activities across the EBARA Group will continue to evolve to an even more refined level.

## A Personnel System Supporting Global Business Deployment

As overseas businesses of the EBARA Group grow more important each year, the percentage of overseas sales and percentage of overseas employees are both approaching 50%. To make effective use of human resources based in Japan and overseas in this business environment, in April 2011 we established a new department to take charge of overseas personnel affairs. A globally uniform personnel system was implemented as a framework for acquiring and retaining top-level human resources. The system is scheduled to be deployed sequentially among the Group's member companies starting in FY2013.

In addition, we have launched a program to encourage hands-on overseas experience for employees who were recruited in Japan and who have ten years or less of service. Under this program, nine employees were assigned to overseas posts during FY2011.

The program will be expanded to allow more than half the employees employed in Japan to experience an overseas assignment before their length of service reaches ten years.

## Labor-Management Communication

The management and the labor union at EBARA hold joint labor-management consultation meetings periodically or as needed based on a union shop system in an effort to maintain and improve their relations of trust, while moderating tensions. Talks with the labor union are held on a District or Company basis as well. Each member company of the EBARA Group is committed to having talks with its employees, whether or not a labor union has been formed, in order to develop better working conditions and a better labor environment. Once a year, the management of each member company of the EBARA Group and representatives of its employees get together in a labor-management conference to share information across the Group. In FY2011, large-volume users of electrical power were urged by the Japanese government to take actions to work around anticipated summertime power shortages caused by the nuclear power plant accident caused by the Great East Japan Earthquake. While responding to these requests through measures, such as rotation of plant operations and the introduction of a daylight saving time plan and night shifts, labor and management discussed and took measures to accommodate those employees who needed to care for their children or others who required nursing care.

### VOICE

**Aiming to Become a Company That's Worth Working for**

Kiko Uchiyama  
Chairman  
EBARA Joint Labor Union



EBARA's line of business is that of a manufacturer of industrial machinery, and its job is to "manufacture." The expertise and skills that support this company come from the commitment of its employees, and the power to bring this commitment to fruition is the result of good, transparent labor-management relations. As the company prepares to celebrate the hundredth anniversary of its founding, we find ourselves immersed in a globally competitive business environment. To rise above the waves of this competition, each of our members needs to be aware of their role as a stakeholder and embrace the concept of a high-quality labor movement. Within the framework of a long tradition of labor-management relations, where views are exchanged in a straightforward manner, we will continue in our efforts to make EBARA a company worth working for, while sharing in the social responsibilities borne by the company.

<sup>\*1</sup> [Off-JT] Abbreviation for Off-the-Job Training. Training employees in sessions held outside the company.

<sup>\*2</sup> [OJT] Abbreviation for On-the-Job Training. Training employees via daily routines in their respective workplaces.

## Work-Life Balance\* 1

Effective from September 2010, every Wednesday has been designated as a "New No-Overtime Day." As supporters of the "Kaeru! (Going Home!) Japan" Project, which aims at reforming working habits to realize the "Work-Life Balance" initiative advocated by the Cabinet Office, we put up posters and also broadcast a message and play music at closing time every Wednesday, to alert employees that it's time to leave the office. We have also inaugurated a "Spousal Maternity and Childcare Leave" program, to encourage male employees to play an active role in childcare, increasing the number of days for each leave and extending the time period. The daylight saving time plan implemented at the Haneda office to alleviate anticipated summertime power shortages shifts regular working hours from 8:45-17:15 to 8:00-16:30, with provisions for staggered arrival times between 7 and 8 AM. Consequently, ending time may range from 15:30 to 16:30. Thinking about how to spend the hours after work can give employees a new perspective on traditional work habit concepts. A variety of measures will be put into action to help employees achieve a better work-life balance.

### VOICE

#### Awareness-raising with the Daylight Saving Time Plan

Yoichi Kato

System Development Department, Information & Communication System Division  
EBARA Corporation



When the daylight saving time plan was introduced to alleviate anticipated power shortages, we were a bit nervous about our resolve to get up earlier, but we worked hard each day in consideration of the suffering that the people in Japan's disaster-stricken regions were experiencing. As we look back on that time, I think the introduction of the daylight saving time plan changed our concept of time management. We have become more aware of the effective utilization of time when at work, thinking about how to get tasks done quickly and efficiently, and how to work with stakeholders to achieve timely results. In addition, as we return home earlier than usual, we can have more meaningful free time, eating dinner and spending time with our families. We would like to carry on with these ideas and approaches that were triggered by the introduction of the daylight saving time plan.

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

Company name	EBR	Former ET	Former EYH	EBH	ERS	EETC	EEP	EFT	EA
Total number of employees	2,713	985	426	152	763	369	1,904	218	135
Paid holiday acquisition rate (%)	72.7	53.8	66	57	44	72	60.5	75	52.7
Number of child-care leaves taken	29	13	6	0	7	3	4	1	5
Number of family-care leaves taken	0	0	1	0	0	0	0	0	1
Average length of service in years	18.4	12.1	14.4	13.5	14.0	14.6	11.1	11.7	17.0

EBR: EBARA Corporation

Former ET: Ebara Techno-serve Co., Ltd. (EBARA Corporation since April 2012)

Former EYH: Ebara Yoshikura Hydro-Tech Co., Ltd. (EBARA Corporation since April 2012)

EBH: Ebara Hamada Blower Co., Ltd.

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

EETC: Ebara Elliott

EEP: Ebara Environmental Plant Co., Ltd.

EFT: Ebara Field Tech. Corporation

EA: Ebara Agency Co., Ltd.

## Measures Taken for Diversity

### Recruitment of Foreign National Employees

As we seek human resources that will enable us to respond to the challenges of a globalized business, EBARA is concentrating on recruiting foreign national employees. While EBARA had hired foreign students attending Japanese universities as new recruits in the past, it has now begun recruiting foreign students registered with non-Japanese universities under terms that are equal to those applicable to Japanese nationals. In April 2012, three newly graduated Chinese engineers and four Chinese and Korean students joined EBARA. We would like these foreign-national employees to not only serve as key personnel in our globalized business, but also to stimulate the globalization of their respective workplaces in Japan. While many of them are expected to work at overseas sites in the near future, we will continue the further globalization of our domestic sites, in order to reduce their psychological distance from overseas sites. To this end, we would like to start by accepting foreign national employees, who have a different way of thinking, into each workplace. Devising measures to support these foreign-national employees is now an evolving task.

## Diversity Data for Principal Group Companies

Company name	EBR	Former ET	Former EYH	EBH	ERS	EETC	EEP	EFT	EA
Total number of employees	2,713	985	426	152	763	369	1,904	218	135
Number of female employees	487	297	63	19	151	40	122	26	66
Number of female managers	32	4	2	1	5	6	3	0	1
Actual disabled person hiring rate (%)	1.62	1.57	2.12	—*	1.23	0.54	1.1	0.92	—*
Number of non-Japanese hired	20	1	0	1	3	7	0	1	0
Number of retired employees hired	180	30	59	10	62	36	38	5	14

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\* "-" denotes an exemption from the Law on Employment Promotion etc. of Persons with Disabilities

## Industrial Health and Safety

We enforce thorough compliance with laws and regulations that govern industrial health and safety, and with in-house safety and health management rules. In workplaces where chemicals

are handled, work procedures reflect the hazards and potential health effects of these substances. In addition, safety education and training programs are administered to ensure that safety is a principal goal.

At each member company of the EBARA Group, the industrial safety and health administrator formulates a management plan to create a safe and comfortable workplace environment. Industrial safety and health guidelines that have been worked out to reflect risk assessment results are set forth in the management plan to guide actions taken for the defined goals. The plan calls for full enforcement of "Hiyari-Hatto" activities<sup>\*2</sup>, "5S" activities<sup>\*3</sup>, hazard prediction activities, pointing and calling practices, and other voluntary safety activities, as well as health and safety education. All the stakeholders work to carry out this plan. To assure employee safety, we tell each of our employees to be aware of the aftermath of possible physical injury while at work, and to "respect human life because it is irreplaceable." In addition, the industrial health and safety administrator and promoters conduct safety patrols every month, while accompanied by an industrial physician, and inform each workplace of any problems found by the patrols, to work out solutions for these problems.

#### ■ Occurrence of Occupational Accidents in Key Group Companies

Occupational accident status	FY	EBR	Former ET	Former EYH	EHB	ERS	EETC	EEP	EFT	EA
Total number of employees	2011	2,713	985	426	152	763	369	1,904	218	135
Frequency (%)	2009	1.06	0.48	0.76	4.3	0	0	0.75	0	11.82
	2010	0	1.46	0.85	13.8	0	0	1.12	0	3.14
	2011	0.38	1.5	0	4.6	0	0	0.79	0	6.52
Number of occurrences of occupational accidents	2009	24	1	1	3	0	2	33*	0	4
	2010	10	3	1	3	0	4	25*	0	1
	2011	10	3	0	1	0	8	31*	0	2

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\* Including minor accidents that are not serious enough to cause industrial accidents.

#### ■ Better-Living-for-Employees Program

A walking program has been administered to help reduce abnormal test results during periodic employee health checkups, and to prevent and alleviate lifestyle-related diseases. Program participants are each furnished with a pedometer that lets them check the number of steps they have walked in a day and log the number on a dedicated website. Participants are often heard asking each other "how many steps did you walk yesterday?" or boasting that "I've beaten you by xx steps." Participants may join in the program individually or in voluntary groups or workplace groups. The program also helps to stimulate communication among employees. In FY2009, fewer than 200 participated in the program. But as the concept of the program, namely, "simply walk and nothing more," has grown in popularity because of its simplicity, the number of

participants rose to around 400 in FY2010, and to over 500 in FY2011. Employees who show improvement in their medical data, such as body weight, blood pressure, and blood sugar level, from their periodic health checkups at the completion of the eight-month program are awarded prizes in recognition of their efforts. Comments, such as "I have trimmed 10 kg or more off my body weight" and "I have no more abnormal test results," not only show that the employee is happy, the program is leading to a healthier workforce, which is an asset for the company. We would like to fully support our employees in their efforts to maintain good health while they work.

#### ■ Mental Health Measures

We are taking measures to support both the physical and mental health of our employees, and to help them carry out their day-to-day work without problems. A specialized mental health consultation desk has been opened to provide early response and treatment, offering clinical examinations by a mental health physician (psychiatrist) at the EBARA head office. In light of the importance of the words and deeds of supervisors, 29 sessions of a Mental Health Workshop were held during FY2011 for line managers of the Group's member firms at domestic branches and offices as a workplace-specific mental health measure, with a total attendance of 902 line managers. In addition, a "Mental Health Manual" was formulated in October, which presents a clear, organized description of approaches taken by EBARA to enhance mental health. It also includes relevant rules defined in EBARA's Rules of Employment and elsewhere, such as a back-to-work program, which are designed to help maintain mental health in the workplace.

#### VOICE

##### Building Mental Health through Workplace Communication

Masaru Mimura  
Mental Health Physician



Because we spend a great portion of our daily lives in a workplace environment, human relations can be a source of mental stress. Realizing the symptoms of mental stress by ourselves is important, of course, but if a line manager can readily notice signs of a departure from the optimal, and can listen to what employees have to say, this can potentially lead to early treatment of mental health issues. Maintaining smooth day-to-day communication in the workplace is essential to this end. We must have a proactive stance on mental health measures by partnering with human resource and labor departments, while exercising discretion in handling personal information.

\* 1 [Work-Life Balance] Maintaining harmony between one's job and one's private life

\* 2 [Hiyari Hatto activities] "Activities to prevent potentially serious errors from the occurrence of Hiyari (frightened moments) or Hatto (startled moments).

\* 3 [5S activities] "5S" stands for seiri (sort), seiton (straighten), seiso (sweep), seiketsu (sanitize) and shitsuke (school) in Japanese.



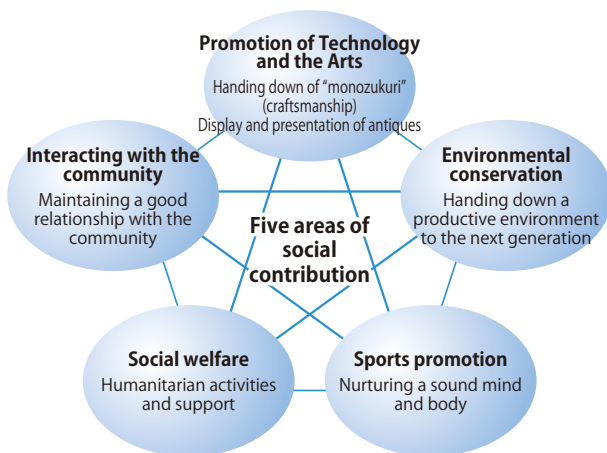
# For Communities and Society

The EBARA Group is fulfilling its social responsibilities through business, and is proactively committed to social contribution activities as a good citizen in society in the following five areas.

## 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, EBARA does not merely provide supplies and funds, but also involves employees and their families for steady continuation.



## Technology Promotion

### EBARA Hatakeyama Memorial Fund

The International Seminars are supported by the EBARA Hatakeyama Memorial Fund, and has become a core technology promotion activity. In FY2011, it was held in six locations, including the Asian Institute of Technology in Thailand and Hanoi University of Industry in Vietnam, with a total attendance of 348 persons. To answer the local community's needs, the seminar focused on such subjects as technological implementations of pumps in irrigation plants and drainage pumping stations and operation control and maintenance of pumps and chillers.

### Internship

Elliott Company (U.S.) accepts 10 to 20 students as interns every summer. These students major in a broad range of fields, from engineering, through chemistry, safety, accounting, corporate management and personnel management, to supply chain management. The students are encouraged to come up with new concepts of machinery manufacture and practice problem-solving activities. They get even paid for their activities carried out during the internship period.

EBARA's Precision Machinery Company accepts technical college students as interns at Ebara Technologies Incorporated (ETI) in the U.S., in cooperation with the Institute of National Colleges of Technology, Japan. In FY2011, three Japanese students were dispatched to ETI to learn fabrication technologies for semiconductor manufacturing equipment. Starting FY2012, EBARA expects to accept Korean and Japanese students for summer-time on-the-job training in Japan.



Students participating in the Elliott Company (U.S.) internship program

## School Education Assistance

Pupils and students from the elementary and junior high schools in the neighborhood of the each District visit us for familiarization or for a hands-on job experience, learning the value and significance of manufacturing.



Junior high-school students try metalworking to gain hands-on job experience

Further, four junior high-school students were accepted at EBARA Shohnan Sports Center Inc. Chigasaki School in FY2011 to gain a job experience at a tennis school. They gained insight into what customers want and how to respond to them accordingly as they performed their duties of cleaning the club, welcoming visitors, assisting in tennis lessons, and writing lesson reports.

## Environmental Conservation

### Hibiya Park Nature Observation Walk and Painting Program

During the 14th EBARA Group Worldwide Kid's Environmental Art Exhibition last year, the "Nature Observation in Hibiya Park and Painting Program" was held as a new event. In addition to employees' family members, 19 children were invited from outside the company to join. At the nature observation walk, instructors from the Nature Conservation Society of Tokyo explained about the plants, insects and other living organisms inhabiting the Hibiya Park and taught the children on how to identify the species of cicadas from their cast-off skins. Following the nature observation walk, the party moved on to the Ginza Art Hall \*1 to draw pictures of the animals and plants impressive to them. The way the children drew lively pictures across the drawing paper was evident of their impressions they felt about the nature.





Nature Observation in Hibiya Park

## Social Welfare (Disaster Relief Support)

### Supporting the Areas Stricken by the Great East Japan Earthquake

Immediately after the occurrence of the Great East Japan Earthquake, the EBARA Group set up the “Ebara Group Earthquake Victims Fund” and carried on fund-raising activities until the end of March, 2012. A total sum of 203,387,225 yen was raised from 18 Japanese group companies, four overseas group companies, and officers and employees (Ebara Alumni Association, Ebara Corp. Workers’ Union, and Donation boxes in workplaces) and was remitted to the Prefectural governments of the Miyagi, Iwate, and Fukushima respectively, and Ibaraki Prefectural Communities of Chest.

In addition, monetary donations were sent by 12 overseas group companies to the sufferers through their respective national support organs.

### Volunteer Activities

A total of 27 employees from the EBARA Group took part in the volunteer activities administered by Ota Ward, Tokyo in Higashi Matsushima City, Miyagi, removing debris, cleaning up the tsunami-shattered houses and parks, scraping sludge off the rainwater gutters, getting rid of weeds, preparing luncheon parties and so on.

### EBARA Green Fund Supporting the Earthquake-Stricken Areas

The EBARA Green Fund, which is supporting greening activities in and outside of the company, backed up “Green Fund” administered by the National Land Afforestation Promotion Organization, a public-interest corporation, in order to dedicate to recover from the Great East Japan Earthquake, and also the work of the Association for Nature Restoration and Conservation, an accredited NPO, which works to set up green curtains to shelter elementary schools and temporary dwellings from summer heat.

## VOICE

### Wanted to be of Any Help to Disaster-Stricken Areas

Shoji Aoki  
EBARA Corp.  
(temporary transferred to ECE Co., Ltd.)



What has prompted me to work as an aid volunteer for the earthquake-stricken areas was my very desire to be of any help to the local people that I had witnessed their distress for myself. So far, I have taken part in volunteer activities a total of four times over a total period of 13 days, including weekends. Support from Ota Ward, Tokyo to Higashi Matsushima City, which started right after the occurrence of the quake, still continues, forging ties of mutual trust with the local people. Locals would recognize the “bondage” bib we wore at work and call us, sometimes with words of gratitude. As volunteers are still needed over there, I would like to continue taking part in volunteer activities.

### Recovery Aid for Thai Flooding

Ebara (Thailand) Ltd. donated 135 drain and other pumps manufactured by Ebara Machinery (China) Co., Ltd. to the Bangkok Metropolitan

Administration as recovery did for the flooding. EBARA also remitted a sum of one million yen to the Asian Institute of Technology to help restore its research facilities and building that had been damaged immensely by the flooding.



Ceremony of Pump Presentation to the Bangkok Governor (right) (Nakano from Ebara (Thailand) Limited, left)

### Cooperation in Receiving Evacuees from Typhoon No. 12

Because the level of water in Tonda River flowing through Shirahama Town, Wakayama Prefecture topped an evacuation decision limit, the Shirahama Town Clean Center, which is operated and managed by Ebara Environmental Plant Co., Ltd. under contract, served as a shelter for about 300 local residents. We extended full-scale support in the work of receiving the evacuees.

## Other Continuing Activities

Other continuing activities can be found at the EBARA Website (<http://www.ebara.co.jp/en/csr/community/>).

\* 1 [Ginza Art Hal] An art gallery supporting the EBARA Group Worldwide Kid’s Environmental Art Exhibition.

# Environmental Initiatives

We have established “EBARA Group Environmental Vision” and environmental objectives to achieve in FY2020 and various efforts have been directed at putting into the concept of “Environmental Conservation and Us”, as set forth in the EBARA Group’s Code of Conduct.

## EBARA Group Environmental Vision

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.

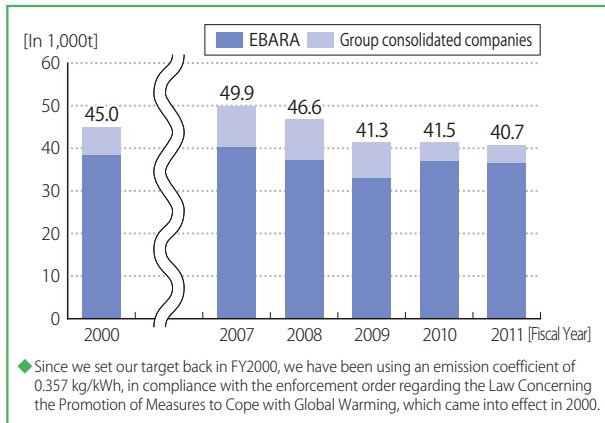
EBARA Group environmental objectives (FY2020)	Achievements in FY2011
<b>1. Environmental Conservation Activities in Our Daily Business</b>	
① Keep voluntary standard values for environmental laws and regulations such as water pollution prevention, air pollution prevention and the like.	Activities for pollution prevention have been carried out, and all voluntary standard values have been achieved.
② Continuously reduce the amount of waste output produced from each office and business site. Maintain a waste material recycling rate of 95% or higher. Maintain a final waste landfill rate of less than 3%. Completely comply with the legal terms stipulated in the Construction Waste Disposal Consignment Contract. Utilize recognition system about reliable industrial waste disposers.	Target achieved with a material recycling rate of 98.6%. <sup>*1</sup> Target achieved with a final landfill rate of 1.2%. <sup>*1</sup> We have begun application of the Certification System for Prime Waste Disposal Contractors.
③ Continuously reduce CO <sub>2</sub> emissions	Attained 1.9% reduction compared to compared to last year by rotational operation in the Fujisawa business facility during the summer and measures by other offices and business sites. (page 44,45)
④ Reduce water usage by 30% from the FY2000 level.	Target achieved with a reduction of 22.3% from the FY2000 level. <sup>*1</sup>
⑤ Continuously reduce emissions of PRTR Law controlled substances. Reduce VOC emissions by 30% from the FY2000 level.	Target achieved with a reduction of 41.7% from the FY2000 level. <sup>*1</sup>
⑥ Identify and minimize environmental risk involved in R&D planning and in the planning, installation and operation of facilities at all offices and business sites.	Conducted second-party audits and environmental inspections at business sites. (Page 44)
<b>2. Contribution to Environment Conservation in Business Activities</b>	
⑦ Set and implement policies and goals for achieving the industry's leading environmental performance per each product.	The company's internal standards have been formulated and are being enforced.
⑧ 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.	We have begun to acquire information from JAMP (Joint Article Management Promotion-consortium).
⑨ Reduce the environmental load through a products lifecycle by continuous reanalysis of technological standards of paints, ingredient materials, etc. from a LCA standpoint. Establish and implement standards for topics of environmental concern in the CSR procurement.	The technology stipulation UB1101 was formulated on the basis of design guidelines for the environment, and are being enforced.
⑩ 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	We have begun the provision of the 6 products listed on the left that were held as objectives.
<b>3. Efforts for Environmental Management</b>	
⑪ Run the environmental management system across the EBARA Group and continuously apply revisions to standardize the system rules in operation. Link environmental management systems to the other management systems such as systems of energy management, occupational safety and health, and quality management.	All offices and business sites have sustained certification of the ISO 14001. Major business sites have begun deliberation of the cooperation schemes listed on the left.
⑫ Thoroughly manage environmental risk by continuous implementation of second-party audits throughout major business sites of the EBARA Group in Japan and overseas.	A total of 15 organizations conducted second-party audits and have evaluated respective environmental risks.
⑬ Establish an enhanced sense of ecology among all employees in the EBARA Group through promoting education concerning biodiversity, and environmental contribution activities.	Lectured the Company Standardized Environmental Training (STEP10) and conducted by e-learning.
⑭ Continuously disclose environmental information associated with business activity by the CSR Report, especially the enhancement of environmental assessment information on products. Continuously increase sales of environmental label certified products.	Published the EBARA Group CSR Report 2011. Initiated systematic reviews, considering changes to product specifications and manufacturing processes.
⑮ Make contributions to society, such as environmental technology seminars, by utilizing technical knowledge developed through the EBARA Group's business activity and environmental activities.	Conducted technological seminars <sup>*2</sup> in Southeast Asia and tree-planting campaigns sponsored by EBARA Hatakeyama Memorial Fund.

\* 1 Environmental Data : [http://www.ebara.co.jp/en/csr/env/data/group\\_data.html](http://www.ebara.co.jp/en/csr/env/data/group_data.html)

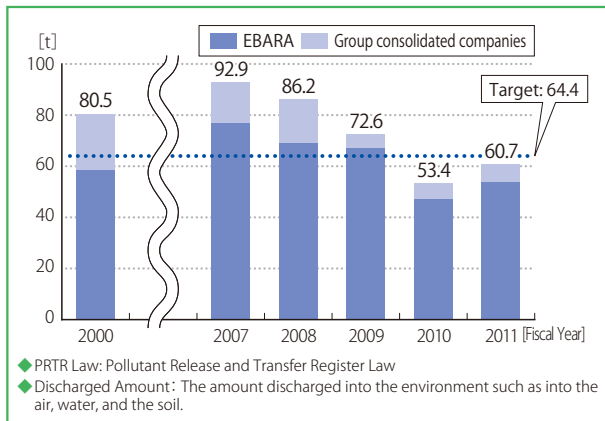
\* 2 Seminar Results : <http://www.ebara.co.jp/en/csr/community/arts-technology/contribution/seminarlist.html>

## Major Environmental Performance Data

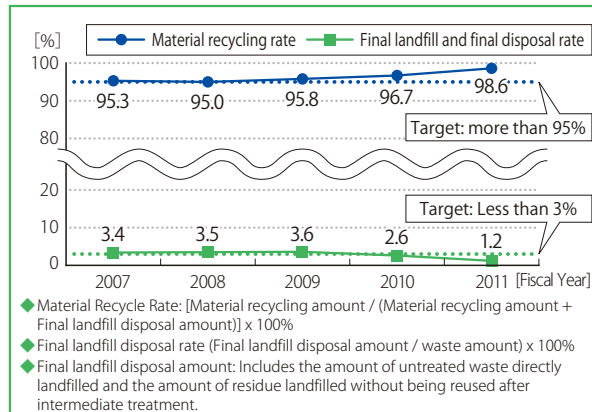
### Change in CO<sub>2</sub> emissions (Electric power and fuel-derived)



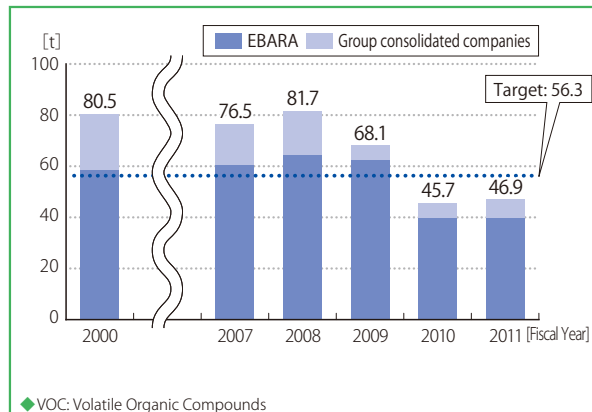
### Change in emissions of substances controlled by the PRTR Law



### Change in material recycling rate and the final landfill disposal rate



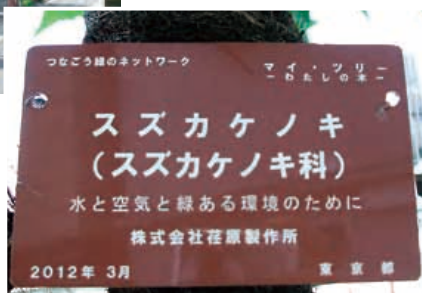
### Change in emissions of VOC out of substances controlled by the PRTR Law



The CO<sub>2</sub> emissions in FY2010 exceeded the target (less than 40500t of CO<sub>2</sub>) by 1000t. The emission trade credits for the exceeded amount were donated to the roadside greenery consolidation project "My Tree" established by the Tokyo Metropolitan Government. EBARA has decided to sponsor the increase of roadside greenery and CO<sub>2</sub> fixation. The donations were applied to planting 33 tall trees such as oriental planetrees around the Heiwajima Station, Loop Route no.7 and Roppongi, Loop Route no.3.



Roadside greenery planted with the donations from EBARA



### About the Update to the Environmental Data Management System

The EBARA Group collects various types environmental performance data from each office, business site, branch firms and affiliate companies, and has established the Environmental Data Management System, an IT infrastructure to utilize the data acquired. In FY2011, this system was renovated into a cloud-based system on the internet from the original in-house server structure. Through this innovation, many improvements and characteristics (listed below) over environmental management have been attained.

- ① The record adapted to the characteristics of energy and waste data can be utilized flexibly, making data analysis easier.
- ② The streamlining for business operation associated with gathering information has been implemented.
- ③ It has become easier to extract data coupled by adapted to various conditions of separate regions and business domains, and conduct comparative analysis.

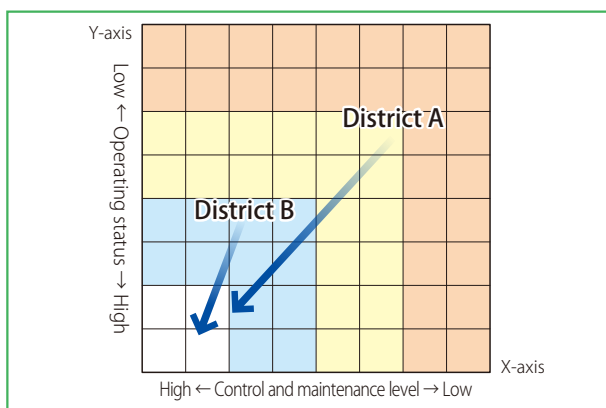
EBARA works to connect the utilization of the Environmental Data Management System to further reduction of energy usage and emission of chemical substances.

## Visualizing Environmental Risks and Responses to Environmental Accidents

### Visualizing Environment Risks with an Environmental Risk Map

While the EBARA Group's record of environmental activity had previously been reported at end-of-term meetings of the general environmental committee, beginning in FY2011 we have adopted a new method to intelligently share information with top management about the EBARA Group's efforts to reduce environmental risks. With this new method, a two-dimensional risk map is plotted, providing a ready visual indicator of whether or not environmental risks are decreasing. In this risk map, the X-axis (control and maintenance level) and Y-axis (operating status) are rated based on the results of corporate audits for FY2010 and FY2011, and their total scores are plotted.

#### Risk Map (image)



### Biodiversity Survey of the Green Space at the Fujisawa District

The living organisms that inhabit the green space at the Fujisawa facility were surveyed, with the goal of exploring biodiversity-conscious methods of green space management, pursuant to the EBARA Group Biodiversity Guidelines formulated in FY2010. Green space, normally not open to employees, is located on both sides of the approach to the front entrance of the Fujisawa District. Vegetation and ecological surveys of this green space were conducted in the summer, autumn and winter of 2011.

In the vegetation survey, ginkgo trees were found facing the approach to the front entrance, with cherry trees, commonly known in Japan as "someiyoshino," visible from the public road, and Japanese stone oak trees (*Lithocarpus edulis*) and plum trees in the middle of the green space. These are part of a total of 258 plant species in 81 families.

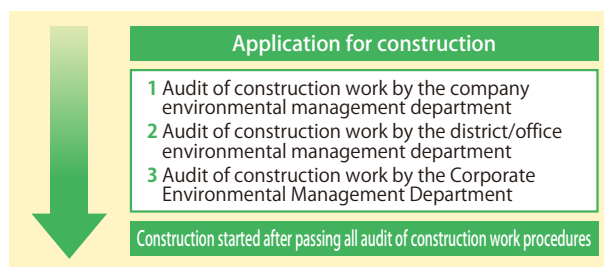
In addition, 195 species of insects in 75 families and ten classifications, including dragonflies and butterflies, were confirmed. Within the bird population, 17 species in 13 families and 4 classifications, including titmice and kites, were identified. Also confirmed were *Accipiter gularis* in the *Accipitridae* family, listed as a vulnerable species in the Kanagawa Prefecture Red Data Book, *Hirundo rustica* in the *Hirundinidae* family, listed as a diminishing species, and *Gonista bicolor* in the *Acrididae* family, listed as a sensitive species. We are exploring ways to use and maintain green

space based on these survey findings, as well as educating employees about the importance of conserving biodiversity.

## Scheme for Environmental Risk Management

### Environmental Audits of Construction Work

The construction, modification, or removal of production facilities, employee-welfare facilities, and the like can result in various environmental effects, such as generating solid and liquid waste, noise, and dust. At EBARA, we do a triple check – first at the facility planning stage, then again at the installation and commissioning stages. We check with regard to environmental assessments and legal compliance with environmental control legislation and the Industrial Safety and Health Law. Construction work is not started until all relevant reviews are complete and have been cleared. In FY2011, 441 environmental reviews were conducted to avoid risk to the environment.



### Environmental Audits of the Management System

In addition to internal environmental audits and examination by an external certification body, the EBARA Group has had second-party audits performed on its individual offices and districts by the Corporate Environmental Management Department. The second-party audits for FY2011 was conducted on ten member firms of the EBARA Group, to verify the implementation of measures designed to prevent environmental pollution, compliance with environmental legislation, and the use of environmental management activities to drive corporate management. A prioritized check on compliance with the Wastes Disposal and Public Cleansing Act that had started earlier was carried on into FY2011, directing remedial actions to correct noncompliant conditions as they were found.

With the Amendment to Water Quality Pollution Control Act taking effect in June 2012 and with the scheduled integration of around 1,400 employees from group firms affiliated with EBARA into the EBARA Environmental Management System as of April 1, 2012, the verification process continues, in order to help reduce environmental risk.

## Approaches to Saving Power in the Summer of 2011

Because nuclear power plants in Japan were shut down after the Great East Japan Earthquake, EBARA was urged by the Japanese government to save power under the Electricity Business Act. To avoid planned blackouts and emergency blackouts caused by unbalanced supply and demand, the EBARA Group set up the



following voluntary goals to drive its power-saving program at its five Districts in the service areas of Tokyo Electric Power Co., Tohoku Electric Power Co., Inc. and Kansai Electric Power Co., Ltd. and at 108 other locations, including the Haneda head office building, branches, and offices:

#### ■ EBARA and Group firms' power-saving goals

##### ◆ Contract demand of 500 kW or more

(Futtsu District, Fujisawa District, Sodegaura District, Ebara Yoshikura Hydro-Tech Co., Ltd.'s Fujioka Plant, Ebara Material Co., Ltd., and the Haneda head office building)

Peak usage to be cut back by 25% and total power usage by 15%

##### ◆ Contract demand of less than 500 kW

(Other Districts and offices in the service areas of Tokyo Electric Power Co., Tohoku Electric Power Co. and Kansai Electric Power Co.)

Peak usage to be cut back by 20% and total power usage by 15%

Approaches taken to achieve the goals were as follows:

#### 1. Districts with contract demand of 500 kW or more

- Shifting performance testing that consumes a large amount of power to nighttime and weekend hours
- Installing private power generators (backup power supplies)
- Using rotating shifts in two groups (Fujisawa)
- Shifting precision machinery production to the Kumamoto Plant (Fujisawa)
- Shifting electric furnace operation to nighttime and weekend hours (EMA EYH Fujioka Plant)

#### 2. Haneda head office building

- Introducing daylight saving time (July 1 through September 30)
- Rotating summer holidays

#### 3. Offices with contract demand of less than 500 kW

- Monitoring power usage and implementing power conservation patrols
- Limiting the number of elevators in service
- Enforcing on-time arrival and departure of employees
- Conserving power usage for OA equipment

At all sites with contract demand of 500 kW or more, the in-house peak cutback goal of 25% was virtually attained. Offices with contract demand of less than 500 kW generally achieved a peak cutback goal of 20% and a total power usage reduction goal of 15%, as a whole.

## Case Studies of EBARA Product Implementations of Environmental Actions

### ① LCA results for high-efficiency motor pumps

An energy-saving pump (Model SSLD) carrying a PM motor using a permanent magnet in its rotor, on the market since May 2010, was subjected to a lifecycle assessment (LCA) with regard to its lifecycle, from manufacture to disposal. This was compared with the preceding model (Model LPD), to evaluate the Model SSLD's environmental load abatement.

It was found that the Model SSLD has CO<sub>2</sub> emissions in its manufacturing stage that are approximately 5% more than

Model LDP. This is attributable to the environmental load from the manufacture of the electronic control portion of the pump. Yet the Model SSLD, weighing 38.9 kg, is 17% lighter than the Model LPD, thus offering benefits of environmental load abatement in the successive stages of manufacturing, shipping, and disposal. If a pump is used for ten years, the environmental load in its operating stage would account for a greater proportion of its lifecycle environmental load. Hence, the lifecycle CO<sub>2</sub> emissions of the Model SSLD can be held down to 44% of those for the Model LPD.



SSLD pump

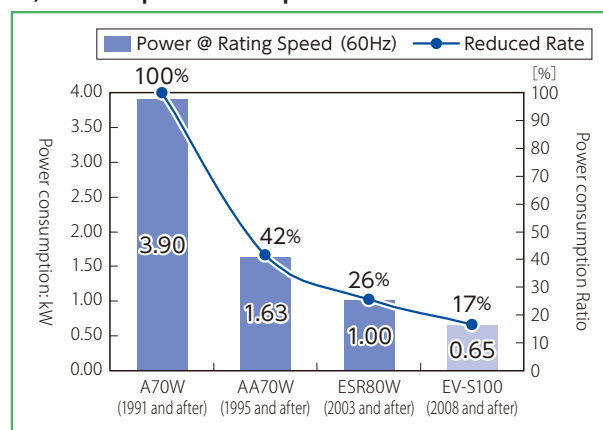


LPD pump

### ② Measures implemented for dry vacuum pumps to reduce environmental load

A case study of environmentally compatible design of dry vacuum pumps rated at a pumping speed of approx. 10,000 L/min. is introduced below. Dry vacuum pumps are used extensively in semiconductor manufacturing and other processes.

#### ■ Our dry vacuum pumps rated at a pumping speed of approx. 10,000L/min. power consumption



The latest Model EVS100 pump, when compared with the Model A70W, which was first put on the market in 1991, requires 37% less installation space and weighs 32% less, and reduces power consumption by up to 17%. With its energy-saving, space-saving, and lightweight features, this new pump helps to abate environmental load at customer sites.

# Third-party Comments



Koji Shimada

Professor, Ritsumeikan  
University College of Economics

The fifth issue of this CSR Report evolving from an environment report marks the

memorable 100th anniversary of Ebara's founding. A quick retrospective of the history of the EBARA Group, which started out with the delivery of Inokuchi-type pumps in 1912, indicates that the company has been expanding its sphere of business at a steady tempo to address the needs of the times, embarking on the manufacture of blowers and chillers from 1920 to 1930, refuse incinerators, and compressors and turbines from 1960 to the 1970's and semiconductor manufacturing equipment early in the 1990's. The report is suggestive of the powerful posture of a college-originated venture business to contribute to a global community with technical capabilities and empirical knowledge acquired over its 100 years of existence since it succeeded in domestic production in the arena of service water pumps dominated by foreign manufactures at the time of its inauguration.

Prior to writing this article, I visited Futtsu District and Ebara Elliott in April 2012. At Futtsu District, I witnessed a proactive solution to energy and environmental issues – introducing exhaust gases from privately owned micro gas turbines directly into a heater chiller for air conditioning the plant. I also learned about the Group's concerted commitment to restoring the water supply and sewerage infrastructures shattered by the earthquake. I realized the significance of social infrastructural facilities functioning to do what is taken for granted when I had a chance to see the site where pumps, the critical components of these facilities, were manufactured. Knowing the fact that 60 to 70% of the shipments from Futtsu District were bound for overseas markets, with after-sales services being deployed in about 50 countries around the world, I have renewed my notion of the power of the pump department in the global market.

I also learned about the way Ebara Elliott, which has its management integrated with U.S. Elliott Company since 2011, has developed its business as a global organization in the turbine and compressor field. While U.S. Elliott Company motivates its Japanese counterpart with a business style of keeping up long-term profitability out of its operations, including after-sales care, the Japanese principle of manufacturing that pursues process improvements on a bottom-up basis from the point of manufacture seems to influence U.S. Elliott Company in turn. One thing I found impressive as an instance of ingenuity implemented at the point of manufacture was the way better productivity was being pursued there by introducing motor-driven implementations of test runs and installing more efficient machine tools to cut energy consumption and waste output. If the process of motivating each other while acknowledging each other's value between different cultures should pervade the entire

Mr. Koji Shimada majors in environmental systems analyses and environmental policy assessment. He develops research, education and social contribution activities to help resolve environmental and community issues by proving into human and corporate mechanisms of preference and actions.

organization of the EBARA Group, this management integration could have an immense impact on CSR as well. I hope that the surpassing expertise of the EBARA Group will help in evolving fields of industry, such as CO<sub>2</sub> injection into oil and gas fields and shale gas development from now on.

While this is the fourth time that I note my impressions of the EBARA Group CSR Report, it can be safely said that steady progress has been made and come to stay in attaining the prioritized tasks that have been pursued over the past five years – reinforced corporate governance, thorough legal compliance, toughened internal controls and environmental conservation. For example, in response to the question asking which should weigh more to you, legal compliance or corporate profitability, the percentage of responses answering "legal compliance at any time" has edged up from 20% in 2007 to reach 40% in FY2011 (page 21). Further, from a viewpoint of making environmental contributions through better product efficiencies, the fact that the power consumption of dry vacuum pumps has been gradually declining since their initial marketing (1991) to down 83% with the 2008 models and after (page 45) should be noteworthy. In addition, while Japanese enterprises have been confronted with the evolving challenges of a business strategy that addresses both CSR and disaster crisis management after the Great East Japan Earthquake, the fact that Ebara acted promptly to implement a business continuity management system in-house operable in times of earthquakes should be commendable (page 19).

As the EBARA Group seeks to grow into a true global business, I believe, that the various approaches to fulfilling CSR expressed in this report may not be spectacular but can be a most vital backbone of the effort. I hope that Ebara will stay a global enterprise in 2112 that has a profound insight into and practices CSR to allow our descendants to live on this earth with an ease of mind.



On a Trip to Ebara Elliott: Prof. Shimada, right, Ebara Elliott Executing Managing Director Takamura, left

# 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 Asia Pacific Indexes. Furthermore, EBARA has also been chosen as a Morningstar Socially Responsible Investment Index share, chosen from among the listed Japanese firms, as of January 4, 2012.

## EBARA Group's CSR Challenges



Akira Itoh

Managing Executive Officer,  
Division Manager, Enterprise Risk  
Management  
EBARA Corporation

### Looking Back Upon the First Year of E-Plan 2013

The Great East Japan Earthquake had occurred just before the EBARA Group's new management initiative E-Plan 2013 launched in FY2011. While the EBARA Group worked with all its concerted effort to rehabilitate the social infrastructures, such as water and sewerage systems and waste disposal plants, and various industrial facilities damaged by the earthquake, it made us realize that we must renew our recognition of the CSR. EBARA also realized the need to consolidate its business continuity management system (BCMS), so as to prepare for earthquakes predicted to occur right under the Tokyo Metropolitan Area and other natural disasters. In anticipation for the growing number of opportunities to do business with people from various countries and regions with different cultures or customs, human rights was added for the first year to the CSR lecture topics for management and employees to support achieving the goals of E-Plan 2013. Additionally, the CSR Procurement Guidelines has been formulated and publicized to encourage our suppliers to drive their pursuit of environmental conservation, human rights protection, information security, safety and health, information provision and so they will fulfill their social responsibility in all processes of our business.

### Challenges from FY2012 Afterwards

President Yago exclaimed in the last issue of the CSR Report: "The backbone of the CSR lies in its communication, which

resonates by itself with our founding spirits of "enthusiasm and sincerity." The short phrase of "enthusiasm and sincerity" means more than simply doing what you have been assigned to do, but also tackling your assignment with the zeal of originality and ingenuity of your own and carrying it through with sincerity, or approaching any person on any issue with zeal and sincerity would never end up failing to move that person. The evolving task of CSR is to keep close ties of communication with our global network of sites, so this meaning will be shared by all of employees across the global EBARA Group, and at the same time enhance the quality of communication with our stakeholders, sustaining sociability, business fairness and transparency throughout the EBARA Group organization.

### Reflecting Upon Third-Party Comments

This is the fourth time we asked Prof. Shimada (Ritsumeikan University) to prepare comments for our CSR Report (2012). Since Prof. Shimada had already visited the Haneda Plant before its relocation in 2009, we were delighted to have him survey the Futtsu Plant, and receive comments about our achievements in improving productivity and the effectiveness of environmental conservation measures that we have taken. Efforts chasing after higher productivity and better environmental conservation measures will continue in other sites in the EBARA Group, as well as the Futtsu Plant.

After taking a tour of the Elliott Group's Sodegaura Plant pioneering in global management within the EBARA Group, Prof. Shimada provided a valuable suggestion, saying that the mutual recognition of values between different cultures, i.e., Japanese by Ebara and American by Elliott Company, and stimulation to each other can have a great impact on CSR as well. We are committed to developing measures that allow the global sites in the EBARA Group, including those based in China and Southeast Asia, to understand each other's strengths and share information about exceptional activities.

In Japan, our achievements are taking shape in areas of compliance awareness, environmental product compatibility and so on. We will be working to better manifest ourselves as a true global business as envisioned by Prof. Shimada.



## 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](mailto:eco@ebara.com)  
U R L <http://www.ebara.co.jp/>

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**Please direct inquiries to:**  
**CSR, Human Rights and Compliance Department**