

# EBARA Group CSR Report 2 0 1 0



# EBARA Group CSR Report

## Editorial Policy



### Purpose of Issuing the CSR Report

The EBARA Group aims to develop into a trusted company while communicating with stakeholders (various internal and external stakeholders involved in the EBARA Group).

This Report is issued to report to our stakeholders on how we are working on CSR, which are regarded as the EBARA Group's (corporation's) Corporate Social Responsibility (CSR).

In addition, we welcome comments and cooperation that may lead to further improvements.

### Information on EBARA Group's CSR Report 2010

Issued on: August 10, 2010

Produced by: the EBARA Group CSR Activities Planning Committee

Issued by: CSR Planning Department, CSR Division, EBARA Corporation

Period: April 1, 2009 - March 31, 2010

Information pertaining to other periods is listed in the footnotes.

Scope: Domestic consolidated EBARA Group companies

Other organizations are listed in the footnotes.

Content: EBARA Group's CSR activities

Next issue: August 2011

Company name representation

"EBARA" represents EBARA Corporation alone.

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

### CSR Issues Setting Process

- While we do not consider CSR activities to be exceptional, we have considered CSR issues from the perspective of how to achieve our business and operational goals, and perform daily operations in the context of our relationships with stakeholders and the trust that society has placed in us.

### Theme of the EBARA Group CSR Report 2010

- We have placed more emphasis on reporting the results of activities conducted by each Group company, in order to further clarify that the entire EBARA Group is committed to CSR activities.
- We regard our employees, customers, suppliers, and shareholders as our major stakeholders. We also place consideration to the community and environment and information security as important CSR themes.
- We have included URLs so that readers can refer to websites of the EBARA Group for more detailed information.

### In Response to the Opinions of Our Stakeholders

- We received 1,102 internal responses in total from executives and employees and also 18 external responses to our questionnaire on the CSR Report 2009. Furthermore, we held three sessions with our employees under the title "Dialogue on CSR Report," in which 46 people participated and considered the EBARA Group's CSR from the viewpoints of stakeholders. We have reflected the results in this 2010 edition, giving our employees' opinions about what the EBARA Group can specifically do for society, and how the entire Group engages in CSR activities.

- Students of Musashino University evaluated the EBARA Group's CSR activities from a job seeker's point of view, and we held a report meeting with our HR and CSR divisions. We exchanged comments from the perspective of whether or not they think EBARA is a company with an ideal working environment, and added data on how various programs such as childcare leave and nursing leave are used in the section: "With Employees."



Exchanges of opinions with Musashino University

- With regard to "Creating a Framework for CSR Activities," which was presented as third-party comments in FY 2009, led by the CSR Activities Planning Committee, we reviewed CSR activities in FY 2009 following on from FY 2008. We also started a CSR training sessions for all employees to help them think about business issues in terms of CSR. The number of employee questionnaire responses regarding the CSR Report reached 1,102 in FY 2009, up from 150 in FY 2008; we see this as evidence of the heightened interest in CSR.

### Information offered by the EBARA Group

Visit the EBARA website <http://www.ebara.co.jp/en/>

- EBARA Engineering Review... Provides the latest information on EBARA's technology and research and development. Access from Business and Products.
- Annual Report ..... Provides information for shareholders and investors. Access from Investor Relations.  
<http://www.ebara.co.jp/en/ir/>
- Business Report ..... Provides information for shareholders. Access at:  
<http://www.ebara.co.jp/ir/library/report/index.html>
- Group Company Information ... Access from the About EBARA.

## Photographs on each page

These are insects (including spiders) and plants that inhabit the biotope in the Fujisawa District of EBARA. Various insects (including spiders) and plants appear from season to season in a pond that was made by employees and a partner company, which resides in the office. We hold biotope observation meetings in order for employees and their families to learn about chains of interdependent species and biodiversity. An endangered species commonly called *Fujisawa medakas* also lives in this area.



## Give us Your Comments

We tried to provide information in layman's terms so that all readers, with their many different viewpoints, can understand it. If there is something you had difficulty in understand and you want to know more about it, please let us know.

Your comments are very important in helping the EBARA Group to improve our CSR activities and the CSR Report.

e-mail : [eco@ebara.com](mailto:eco@ebara.com) FAX. 81-3-5736-3103

## Privacy policy

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## How we handle your comments and inquiries

Please conform to the contents of  
<http://www.ebara.co.jp/en/terms/>

## Front cover

### Affluent society supported by monozukuri (manufacturing) and people's smiles

The EBARA Group's products and services, though not in the limelight, support society, industry and your life.

We consider it our mission to contribute behind the scenes to the building of an affluent and comfortable society in order to continue to push forward with business activities toward supporting the smiles of people living there. The cover design is an expression of this will of ours.

Photos: Risa Matsuda and Keita Matsuda; family members of Mr. Hiroshi Matsuda, an employee of Ebara Yoshikura Hydro-Tech Co., Ltd, the EBARA Group company.



## Colors and Designs of Diagrams

We have aimed to make this Report easy to read for those who have difficulty in perceiving color.

## All the information provided in this report

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## Message from the President

# Through our business, we are continuing to contribute to the international community

### Looking back on our CSR activities

In the midst of a severe business environment where the impacts of a once-in-a-century financial crisis still persist, the EBARA Group has weathered the worst period of its history, and its results in FY 2009 significantly improved from FY 2008. "Reconstruction of Business Foundation," which is the basic policy of our business plan E-Plan 2010<sup>\*1</sup>, is also bringing visible results. I appreciate the efforts of employees and the cooperation of all stakeholders. I emphasize that these good results were achieved while the all Group companies were engaged in CSR activities. It has been three years since we started issuing our "CSR Report" and during those three years, the EBARA Group has been adopting a more proactive stance toward the issue of improvement of the global environment, and at the same time has sincerely confronted the issues of compliance and corporate governance. With regard to improving the global environment, we tended to think that we should avail ourselves of opportunities to grow our business; however, we have come to consider "what the Company and each employee should do for the global environment," and have tackled more immediate problems. This has been manifested as our achievement of development and launch of new products that bring saving energy and conserving natural resources or as participation of employees and their families in immediate environmental preservation activities.

With regard to compliance, we consider that not accepting any activities that violate laws, company regulations, or social norms is the most important standard of our behavior. We have established two frameworks as an internal reporting system for early detection and settlement of misconduct, one is a compliance consultation function outside the Company, and the other is the Compliance Liaison System, where employees can consult with fellow employees who are appointed as liaison on compliance issues around them. In addition, we conduct the Compliance Questionnaire every year to help enhance employees' awareness of compliance. The EBARA Group is about to enter a stage where individuals voluntarily improve their sense of ethics so that they can practice compliance naturally.

With regard to corporate governance, we are required to secure a system to assure stakeholders that the entire

management of the Company is sound and supervised well. Therefore, we have pushed forward with the improving and operating an internal control system to ensure that our financial statements representing the Company's financial status are accurate. In addition, we have enhanced our risk management system to reliably grasp the risks involved in company management. Meanwhile, we have introduced an outside director system, which ensures transparency and fairness by incorporating external independent opinions when deciding crucial matters concerning business management. I believe that the environment of "internal control for sound management" required for corporate governance has improved significantly. As the next step, we will take up the challenge of streamlining our business and management through internal controls.

The EBARA Group will continue to work on improving the global environment, compliance, and corporate governance as the core of CSR. Further, we will address "attention for human rights and labor", and "contribution to society and communities" as prioritized themes.

### United Nations Global Compact (GC) and the EBARA Group

The EBARA Group considers that to maintain and advance mutual trustworthy relations with stakeholders inside and outside Japan are the definite conditions that EBARA Group continue to be accepted by society. GC prescribes fundamental principles on human rights, labor, environment, and preventing corruption, and participating companies everywhere around the world should comply with them. The EBARA Group's Code of Conduct and all company regulations are consistent with these fundamental principles. The EBARA Group represents that it accepts and endorses GC as a standard to be practiced by a company operating businesses globally.

The overseas business ratio of the EBARA Group including exports from Japan is over 40% in the fluid machinery & systems businesses and precision machinery businesses, respectively, and we assume the ratio will increase in the future. Because culture, business practice and laws and regulations differ from those in Japan, some customers and

<sup>\*1</sup> [E-Plan 2010] EBARA's Medium-Term Business Plan [http://www.ebara.co.jp/ir/library/plan/pdf/plan\\_200711a.pdf](http://www.ebara.co.jp/ir/library/plan/pdf/plan_200711a.pdf)



suppliers overseas are surely having respective business practices based on their own corporate cultures. We refer to GC as a universal standard when conducting business, and request not only the EBARA Group and its employees,

but also business partners to make improvements if there is any deviation from such standard.

## Expansion of social and community contribution activities

The EBARA Group contributes to society in five areas, namely technology and arts promotion, environmental preservation, sports promotion, social welfare, and interaction with the community. In the area of technology and the arts, we have long supported the Hatakeyama Memorial Museum of Fine Art<sup>\*2</sup>, which is dedicated to keeping up the spirit and beauty of “*Chano-yu*”, the Japanese tea ceremony, and taking it into the future, and the Hatakeyama Culture Foundation<sup>\*3</sup>, which supports the advancement of technology and culture. In addition, in the area of promoting sports, for many years we have been operating a women’s basketball team, the EBARA Vickies<sup>\*4</sup>, as well as the EBARA Shonan Sports Center<sup>\*5</sup>, which fosters world-class tennis players. Furthermore, the EBARA Shonan Sports Center has started supporting Shonan Bellmare, a soccer team of the J. League (Japan Professional Football League), which is also based in Shonan, Kanagawa Prefecture where it is located. Moreover, the EBARA Group actively supports various activities, such as local town cleanup activities in areas around our branch offices, participation in forest preservation activities<sup>\*7</sup> inside and outside Japan by Group employees, and Environmental Art Exhibitions<sup>\*8</sup>, which provide opportunities to children around the world to think about the global environment. In FY 2009, in the area of technology promotion in particular, the EBARA Hatakeyama Memorial Fund<sup>\*6</sup>, which was founded in accordance with the wishes of the late 5th President, celebrated its 20th anniversary. At the time when the Fund was started, social infrastructure in the Asia region required improvement. Then, we started to hold practical seminars that

make good use of EBARA’s technologies related to infrastructure development such as water and energy, hoping that the people in the countries in this region may create a better society by themselves, and we have continued these activities ever since. We believe that this Fund has fostered relations of trust with engineers in various countries, and at the same time has contributed to their technological progress, which has led to technological improvements, improvements to social infrastructure, more comfortable lives, and environmental conservation in their region.

Capitalizing on the EBARA Group’s expertise, we will expand the circle of social and community contribution activities in which EBARA Group companies and Group employees can participate with the same mindset.



### Natsunosuke Yago

President and Representative  
Director EBARA CORPORATION

<sup>\*2</sup> ~ <sup>\*4</sup>、<sup>\*6</sup> ~ <sup>\*8</sup> <http://www.ebara.co.jp/csr/>

<sup>\*5</sup> 【EBARA Shonan Sports Center】 <http://www.ebarassc.co.jp/>

# About EBARA Group

The EBARA Group consists of EBARA, 77 subsidiaries (including 51 consolidated companies) and 12 affiliate companies. The Fluid Machinery & Systems Company, the Environmental Engineering Company and the Precision Machinery Company are operating their businesses globally in their individual fields based on the in-house company system.

## Corporate and Group Profile (as of the end of March 2010)

◆ Corporate name	EBARA CORPORATION
◆ Common name	EBARA
◆ Date of foundation	November 1912 (Inokuchi Type Machinery Office)
◆ Date of establishment	May 1920 (EBARA CORPORATION)
◆ Paid-in capital	61.2 billion yen
◆ Representative	President and Representative Director, Natsunosuke Yago
◆ Head office	11-1, Haneda Asahi-cho, Ohta-ku, Tokyo, Japan
◆ Composition	EBARA, 77 subsidiaries (including 51 consolidated companies) and 12 affiliate companies, 90 companies in total

### Fluid Machinery & Systems Company

Consolidated subsidiaries	Domestic 11	Overseas 25
Other subsidiaries and affiliates	Domestic 4	Overseas 18

### Environmental Engineering Company

Consolidated subsidiaries	Domestic 1	Overseas 3
Other subsidiaries and affiliates	Domestic 7	Overseas 6

### Precision Machinery Company

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

### Corporate

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

## Outline of Business

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

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

## Key Products

### Fluid Machinery & Systems Business

(Fluid Machinery & Systems Company)

Pumps, fans, compressors, turbines, refrigeration equipment and systems, fluid machinery plants, and cooling and water supply systems for nuclear power plants

### Environmental Engineering Business

(Environmental Engineering Company)

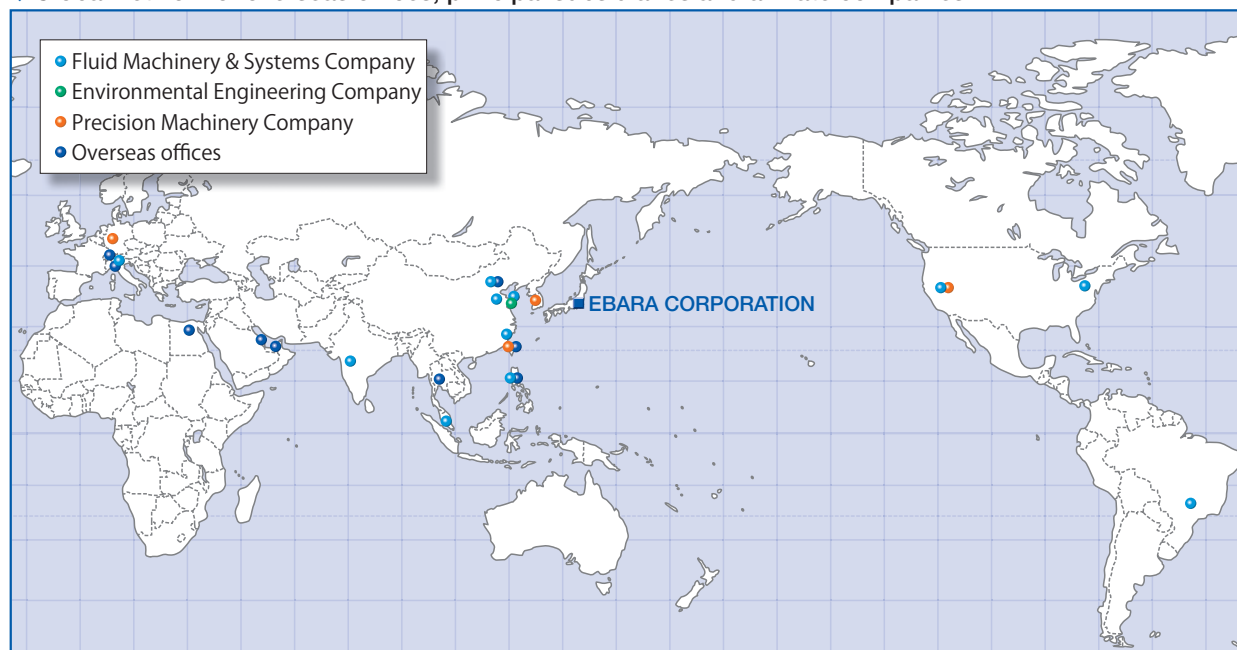
Municipal waste incineration facilities, industrial waste incineration facilities, energy-related plants, water treatment facilities, other plants and systems, and industrial chemicals

### Precision Machinery Business

(Precision Machinery Company)

Vacuum pumps, chemical mechanical polishing systems, plating systems, and systems and equipment for the semiconductor industry

## ◆ Global network of overseas offices, principal subsidiaries and affiliate companies



## Summary of Business Results (as of the end of March 2010; figures are on a consolidated basis and include overseas companies)

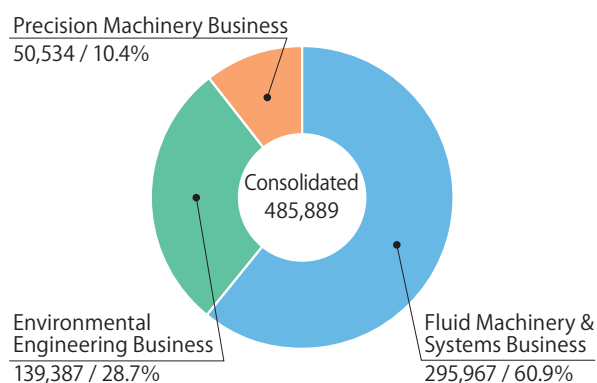
◆ Sales	485,889 million yen
◆ Operating income	18,953 million yen
◆ Net income	5,441 million yen
◆ Overseas sales	191,025 million yen
◆ Number of employees	13,800

For details, see our website

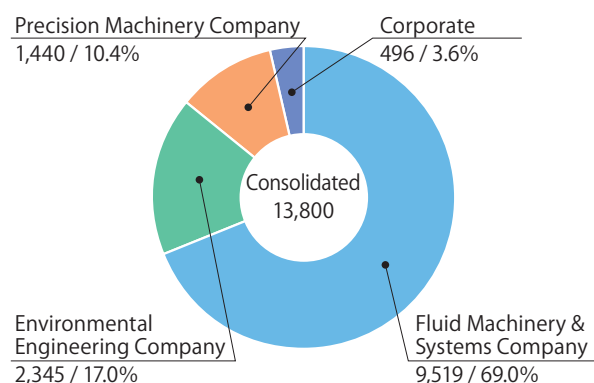
<http://www.ebara.co.jp/ir/library/financial/index.html>

### ◆ Composition of Sales

(Unit: Millions of yen)

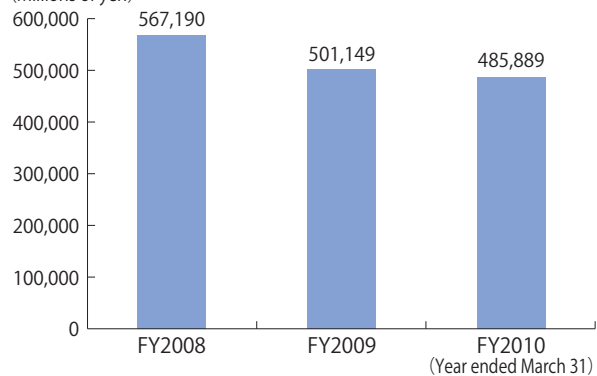


### ◆ Composition of EBARA Group's Employees



### ◆ Sales

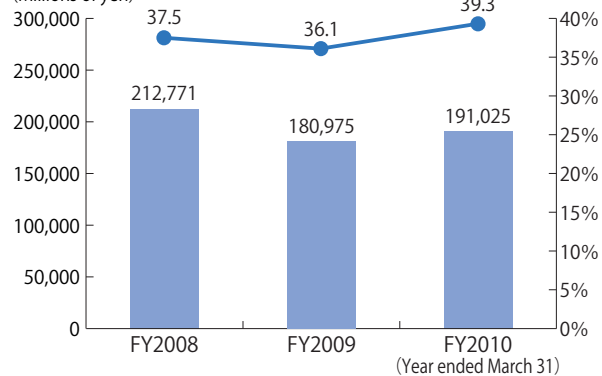
(Millions of yen)



### ◆ Overseas Sales

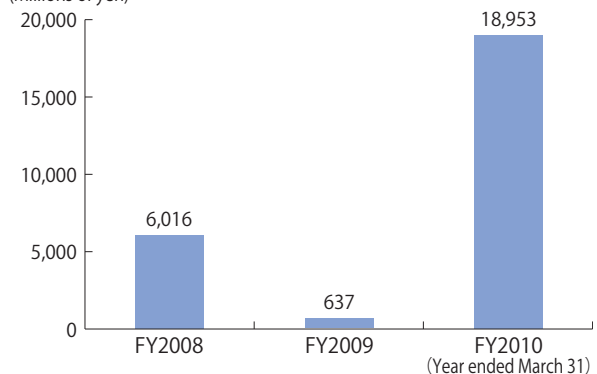
■ Overseas Sales    ● Composition of Overseas Sales

(Millions of yen)



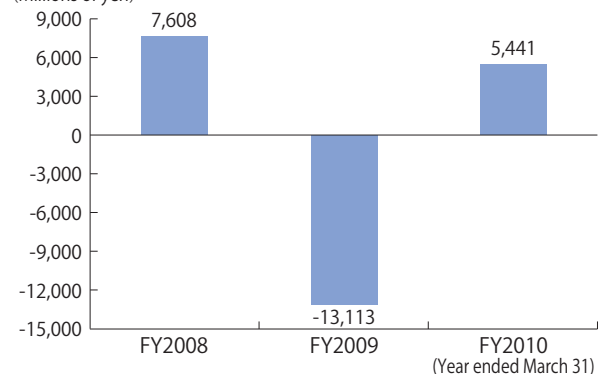
### ◆ Operating Income

(Millions of yen)



### ◆ Net Income

(Millions of yen)





# EBARA Group supporting our society, industry and living

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



Circulating water supply pump for electric power plants



Sludge treatment facilities



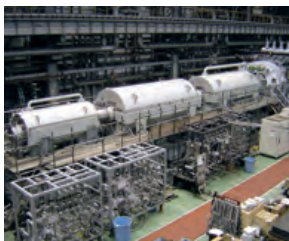
Garbage incineration facilities



Waste treatment facilities

## EBARA Group supporting OUR SOCIETY

You have few opportunities to see the EBARA Group's products, technologies and services in your daily lives, but they widely support the social infrastructure. Pumps and compressors play an important role in delivering electric power and city gas, which are indispensable for our lives, to households. Pumps, blowers, and water and sludge treatment system play an important role in the drinking water and sewage system. In heavy rains, pumps work outstandingly in facilities to protect our society from floods. Household and office solid waste treatment facilities use incineration technology, recycling and resource recovery technologies and bottom ash reduction technology and technology of power generation in waste incineration.



Compressor



CMP system



Industrial wastewater treatment facilities



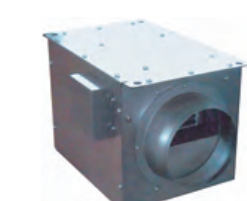
Dry vacuum pump

## EBARA Group supporting INDUSTRY

EBARA Group's products, technologies and services support various industries. In all industries such as steel, chemicals, petrochemistry, semiconductor, FPD \*1, machinery, metal, paper, food and beverage industries, many products and technologies are used such as pumps, compressors, turbines, chillers, water treatment equipment, semiconductor manufacturing equipment and vacuum equipment. We have also developed products and technologies to help take global warming countermeasures and achieve a recycling-based society. These include equipment to treat process gases such as PFC gas \*2, which is one of the global warming gases generated in the semiconductor manufacturing process, an internally circulating fluidized-bed gasifier to extract valuable gases from waste, and technology to recover methane from biomass resources such as organic waste.



Water supply unit for high-rise buildings



Fan



Turbo chiller



Cooling tower

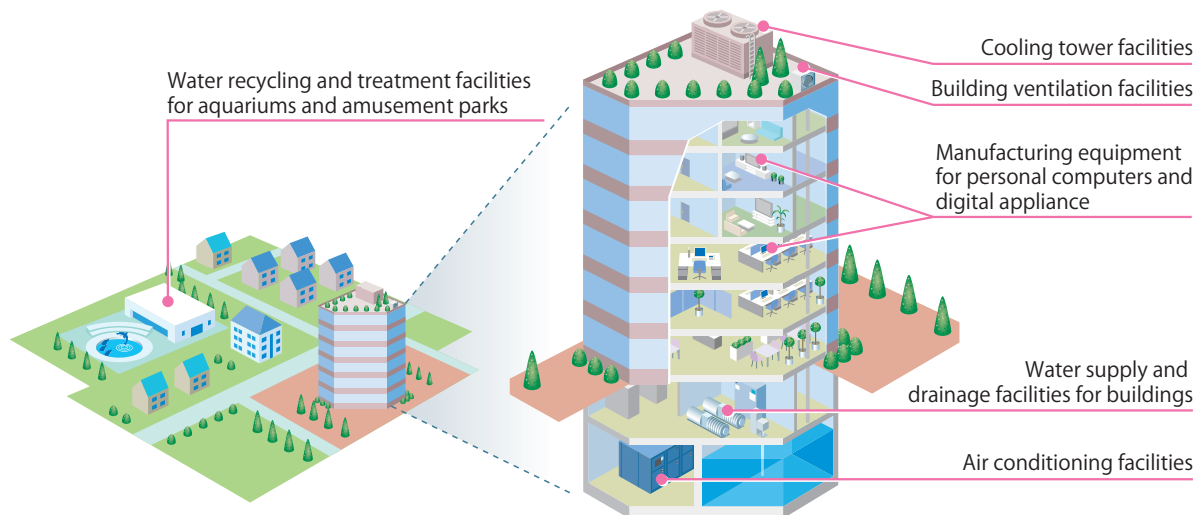
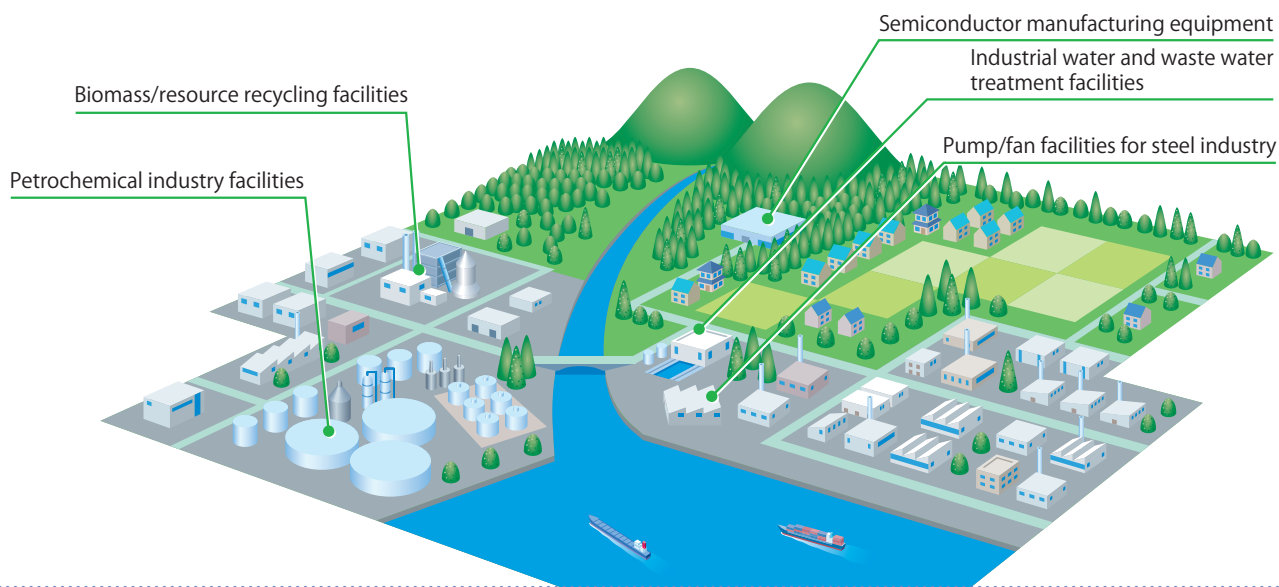
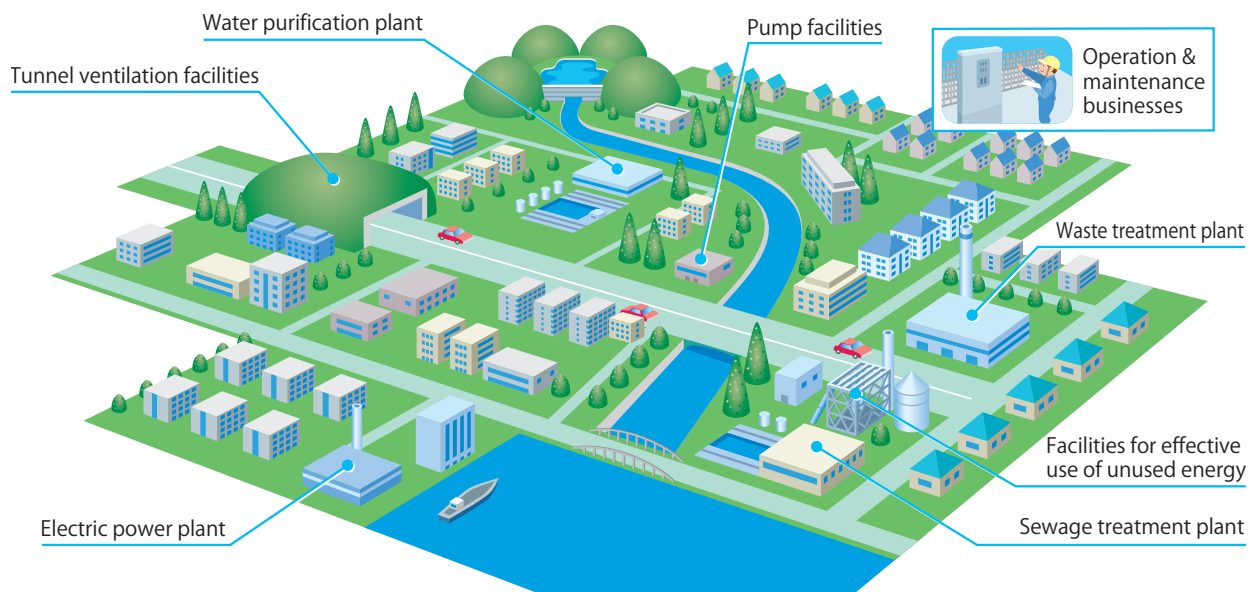
## EBARA Group supporting OUR LIVES

The EBARA Group's products, technologies and services usually also support various aspects of our comfortable living. We provide pump units to supply drinking water to the upper floors of buildings and apartment buildings, and fire pump units; chillers and water chillers/heaters that perform air conditioning of large buildings such as office buildings, public facilities and shopping centers; and fans to ventilate closed spaces such as high-rise buildings and underground malls. In addition, EBARA's products and technologies have a very close relationship with the products used in our daily lives including mobile phones and cars, and their components and materials.

\* 1[FPD] acronym of Flat Panel Display. It is a display with a flat surface is used in products such as liquid crystal displays and plasma TVs.

\* 2[PFC gas] Perfluoro compound. It is 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.





# 2009 CSR Topic 1

## Technologies to improve the efficiency of air conditioning

Our mission in the EBARA Group is to respond to various customer needs with our technologies and ideas. One of the greatest needs that customers have today is to reduce the amount of energy they consume for heating and air-conditioning buildings and plants, and to realize a low-carbon society. In FY 2009, the EBARA Group took up the challenge of maximizing the efficiency of the heat source of a HVAC system, and lived up to its expectations by achieving technological breakthroughs.

### Excellent environmental performance

EBARA and EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD. developed a super-high-efficiency centrifugal chiller, the RTVF series, in joint research with NEDO\*1, and were awarded the Director-General of the Agency of Natural Resources and Energy Award at the 30th (FY 2009) Excellent Environmental Equipment Award sponsored by the Japan Society of Industrial Machinery Manufacturers. The excellent environmental performance, which was highly evaluated, can cut annual CO<sub>2</sub> emissions from the entire system by 41% compared to EBARA products 10 years before and reduce electricity bills by 47%.

### Saving energy with HVAC systems

Since it developed Japan's first centrifugal chiller in 1930, the EBARA Group has delivered products for various applications

such as heating and air-conditioning, notably for district heating and cooling and industrial process cooling.

The chillers the EBARA Group produces are centralized air-conditioning systems, and they play the major role in HVAC systems for large facilities such as buildings and plants. A centrifugal chiller quickly chills water by driving the refrigeration cycle with an electrically operated centrifugal compressor. There is another type of chiller, the absorption chiller, which makes chilled water using gas or steam.

Nowadays, HVAC systems account for the largest proportion of energy consumption in office buildings and commercial facilities. With globally heightened interest in saving energy, owners as well as energy companies and construction companies urgently need higher energy efficiency from chillers, and developing more efficient centrifugal chillers had become a pressing issue for the EBARA Group.

However, the efficiency of centrifugal chillers was nearing its

#### VOICE

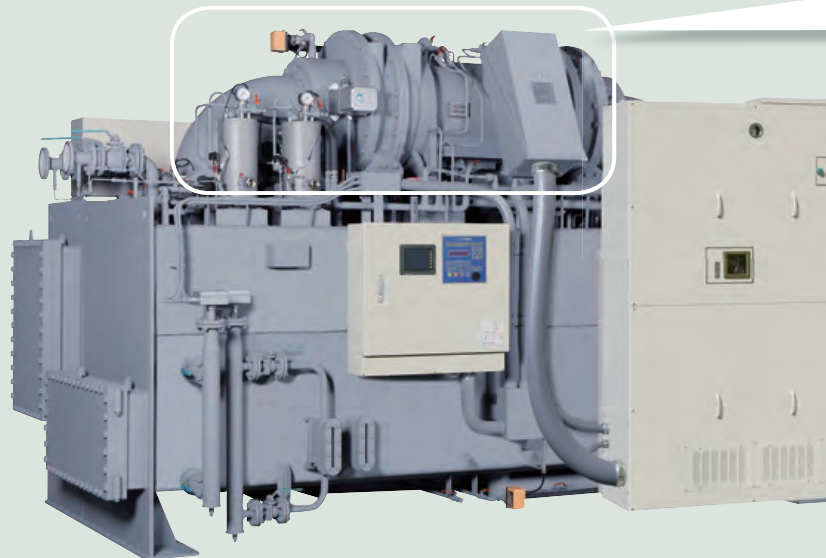
Customers' opinions that "We really feel we are saving energy" give developers satisfaction

Kiichi Irie  
Centrifugal Chiller Development Department  
EBARA Refrigeration Equipment & Systems Co., Ltd.



Heightened awareness of the environment led to calls for higher efficiency centrifugal chillers, so we developed the RTVF-type centrifugal chiller as one of EBARA's solutions. During its development process, not only development staff but also many plant staff cooperated in making each prototype, achieving a super high efficiency of COP 7.0, and we were able to put the RTVF type centrifugal chiller on the market with further help from various divisions.

We hear that the customers who are actually using the chiller really feel they are saving energy, and it gives us great satisfaction to see this development generating good results.



RTVF-type centrifugal chiller

## 2009 CSR Topic 1

## The birth of a super-high-efficiency centrifugal chiller

## and flexible proposal capability

limit with current technology, and a dramatic technological breakthrough was needed to achieve greater efficiency. The EBARA Group challenged the boundaries of technology.

## New generation centrifugal chiller with excellent environmental performance

The EBARA Group uses low-pressure refrigerant in its centrifugal chillers. The new-generation centrifugal chillers of the RTVF series, introduced to the market recently, all use the low-pressure refrigerant HFC245fa, which has zero ozone depletion potential, thus helping to preserve the Earth's environment.

A centrifugal chiller uses electric energy to power its electrical motor to drive a centrifugal compressor that compresses the refrigerant. Reducing the amount of electricity consumed by this motor results in energy savings. Therefore, the EBARA Group reduced the load on the motor by dividing the refrigeration cycle into two stages (high and low) that have different pressures on the refrigerant. This is our new technology — the dual refrigeration cycle.

Furthermore, we directly connected two small impellers at both ends of the motor so that a single motor can drive two centrifugal compressor systems, with the rotating speed adjusted by VVVF instead of a gear. This is another new technology — the VVVF-driven high-speed gearless compressor.

The efficiency of the RTVF series, which exceeds the limits of conventional centrifugal chillers, is COP 7.0 — the highest level

in the world. COP\*2 is an index showing how much energy is gained by a given amount of electricity, and 7.0 means that seven times more energy is gained than the electricity used. We can say that the resulting effects of significant energy-savings and reduced running costs respond to the demands of customers today.

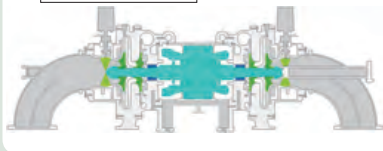
## Customer-oriented flexible system proposal

However, customers' demands are diverse. Depending on the arrangement of equipment or relations with other heat sources, in some cases it may be appropriate to introduce COP6.0 of the RTBF series, which was developed at the same time. In other cases, a combination of a centrifugal chiller and an absorption chiller may be the best solution.

The EBARA Group is one of the few manufacturers of both centrifugal and absorption chillers, and we can offer various proposals that respond to a customer's circumstances. It is a strength of the EBARA Group that we can offer customer-oriented proposals based on our extensive range of products and accumulated technological capabilities by analyzing in detail each HVAC condition at locations such as office buildings, commercial facilities, and plants, and simulating operations. We will further improve our proposal capabilities and offer high-dimensional solutions to the problems that customers face.

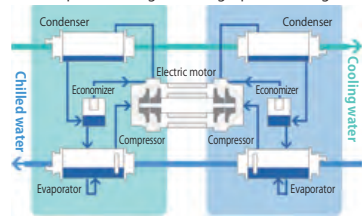
### ■ Conceptual illustration of high-speed gearless compressor

- Bearing
- Electric motor
- Impeller (2-stage)
- Suction vane



### ■ Conceptual illustration of dual refrigeration cycle

【Low-pressure stage】 【High-pressure stage】



- \*1 [NEDO] an Independent Administrative Agency, the New Energy and Industrial Technology Development Organization; develops new energy and energy-saving technologies.
- \*2 [COP] acronym of Coefficient of Performance; it is an index showing the energy efficiency of air conditioners and chillers, meaning the ratio of output energy versus input energy. A higher value means higher energy efficiency.

### VOICE Customers' opinions

I am satisfied with the convenient monitoring system and the energy-saving effects.

Mr. Kanehiro Miyata  
Environment and Facility Chief  
Department of General Affairs  
Toshiba Corporation Komukai Plant



Over 20 years have passed since we installed a centrifugal chiller in our plant. Recently, we have had supply and maintenance problems because its energy efficiency has fallen as it deteriorated with age. The centrifugal chiller we installed this time, which makes it easy to monitor the status of equipment using a LCD monitor, has made maintenance more efficient and helps us a great deal. It shows a high energy-saving effect, resulting in a reduction of energy consumption of approximately 40% compared to the existing model. And, because it adopts a new type of refrigerant, it significantly reduces our plant's environmental burden. We plan to renew our existing centrifugal chillers and introduce new ones in the future.



# New production bases respond more rapidly to

In order for us at EBARA to continue growing and contributing to the construction of a sustainable society in a rapidly changing business environment, we need to improve our competitiveness with an eye on the global market, and improve the quality and efficiency of our production.

Our Futtsu Plant started operation in January 2010, replacing the Haneda Plant which had long been the center of EBARA's production. The Futtsu Plant is a base from which EBARA can solidify its position around the world. With the new plant, which has enhanced our production system to give more consideration to efficiency and comfortable work surroundings, as well as the environment, EBARA will enter a new era.

## New Foundations from which to Respond to Demand for Clean Energy

The reason why we transferred operations from the Haneda Plant, which had been the center of production of EBARA's fluid machinery for about 70 years, and enhanced our production system is that we wanted to further improve the technology and quality of custom pumps in anticipation of global demand for clean energy.

In the face of increasing global warming, many nuclear power plants are to be built or updated in the future, especially in China and the United States where energy demand is expanding rapidly. Considering EBARA's important mission of making full use of its experience gained in pumps for domestic nuclear power plants, in response to global energy demand we are

pushing forward in cooperation with affiliate companies in China toward obtaining ASME N-Stamp Certification\*1, which is indispensable for entering the nuclear power business in the United States.

## Practical Facility Design that Considers Both Efficiency and the Environment

Unlike mass-produced standard pumps, custom pumps, the key products of EBARA's core fluid machinery & systems business, are produced to order using optimal designs for nuclear power plants, as well as petrochemical plants and liquefied natural gas plants around the world. Many are large products. For example, a seawater cooling pump in a petrochemical plant has a two-meter bore and is 15 meters long.

### VOICE

Contributing to the global community

Touichi Maeda  
Executive Officer  
Futtsu Plant Manager EBARA



During the 70-odd years since it was established, the Haneda Plant responded to the development of thermal and nuclear power technologies and larger generating capacities of plants, and produced many products such as the first and then largest feed-water pumps in Japan, as well as circulating water pumps. At the Futtsu Plant, we will advance technological development and production innovation further based on *monozukuri* skills and the challenging spirit cultivated since the Haneda era. We will also encourage the Futtsu Plant to evolve into a plant that can offer competitive and highly reliable products that respond to diverse demand in the global market. We will remain committed to supporting the safe and secure lives of people.



Manufacturing line

## 2009 CSR Topic 2

Futtsu Plant started operating on a full scale

## customer needs

Recently, we have been focusing our efforts on the nuclear power plant pump business as a key area, in addition to the oil & gas, and seawater desalination businesses. In FY 2009, we received orders for circulating water pumps for nuclear power plants in Shandong and Guangdong provinces in China.

To respond to these needs, production facilities of large-scale pumps and high-pressure pumps in Haneda were transferred to the Futtsu Plant, and a new production line for pumps used in nuclear power plants was built.

The layout of the plant building is compact and efficient to make it easier to streamline processes for all kinds of products from procurement and acceptance inspection to material processing and production, assembly, coating, testing, and shipping. With regard to logistics efficiency in particular, large-scale pumps were previously disassembled and moved to Daikoku Pier in Yokohama by trailer truck. At Futtsu, we can use port facilities about 200 meters from the plant, resulting in significantly improved efficiency.

In addition, an indoor booth for the painting process, which had been located outdoors in Haneda, has been set up in Futtsu.

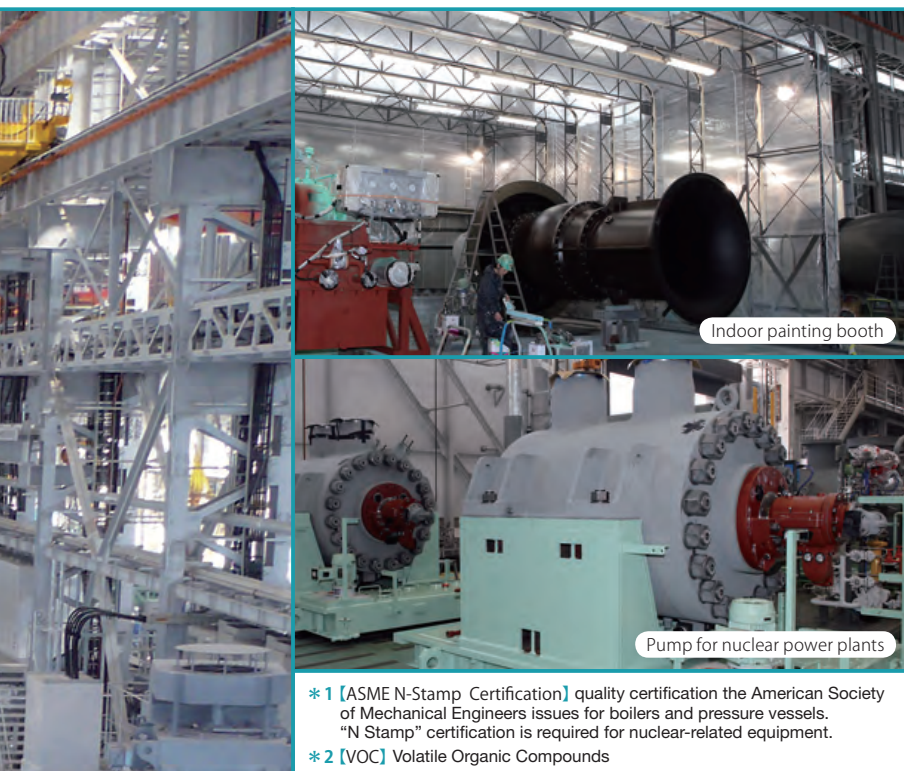
As a result, we can prevent emissions of VOC\*2. With regard to wastewater treatment in the liquid penetrant-testing process, we installed new organics decomposition equipment that uses ultraviolet rays and ozone, in addition to the existing coagulation-sedimentation method.

## Work Environment Draws Out and Increases the Abilities of Workers

The new plant provides a bright work environment with multistage windows and skylights on the roof, in addition to higher ceilings. This has improved the efficiency of assembling vertical large-scale pumps and the performance-testing process. Minimizing the impact of relocation on the commuting of employees and suppliers was also an important issue. We operate a commuting bus from Haneda, Yokohama, and Kawasaki to the plant and built a company dormitory for single employees at a location 10 minutes away on foot. To reduce the burden of transportation on suppliers, we built a delivery warehouse in Jonanjima, Ota-ku. About 10 suppliers located in the vicinity of Futtsu have been added, further expanding the network of partner companies.

In addition, our *monozukuri* (manufacturing) skill training facility, called Pump Dojo, was also relocated from Haneda in its entirety, enabling us to accept more trainees and enhance the system to pass on skills.

The Futtsu Plant has a facility layout that improves working efficiency, provides a better work environment, and considers the environment and community. EBARA's *monozukuri* is entering a new stage with the aim of improving quality and making further contributions to customers from a global point of view.



Indoor painting booth

Pump for nuclear power plants

## VOICE

Promoting Futtsu production innovation movement

Saho Kimura  
Production Planning Management Office  
EBARA Futtsu Plant



The Futtsu Plant has a layout that is optimal for the production process flow, and to take advantage of it, we promoted the Futtsu Production Innovation Movement (FIT) with all plant workers participating, and laid out rules for using space and the flow of materials in the plant. In addition, by centralizing information on production, we established a system to ensure we communicate such information to related departments on a timely basis, and eliminate waiting times and backtracking work. Each individual participates in the program as a member of the plant, not on the basis of his or her own division, and we will pass on the skills accumulated in the former Haneda Plant, while at the same time creating a new Futtsu culture aiming at a constantly evolving plant.

\* 1 [ASME N-Stamp Certification] quality certification the American Society of Mechanical Engineers issues for boilers and pressure vessels. "N Stamp" certification is required for nuclear-related equipment.

\* 2 [VOC] Volatile Organic Compounds



# Providing consistent support for the development

It is also a responsibility of a company to consistently do what it can do for people, local communities, and the Earth's environment.

The EBARA Group continues to provide technological support mainly in Southeast Asian countries as a responsibility of a global corporation.

The "EBARA Hatakeyama Memorial Fund," which played the central role in such activities, has marked its 20th anniversary.

## Activities make use of EBARA's technologies and experience in Southeast Asian countries

The EBARA Hatakeyama Memorial Fund was established in 1989 at the wish of the late Seiji Hatakeyama, who was President of EBARA from 1976 to 1988, and said: "There is no monopoly on environmental conservation; EBARA is living with local communities." The purpose of the Fund is for local engineers who are familiar with the climate and culture of their own country to learn from the EBARA Group's technologies and experience, which are directly connected to the lives of people and industries, and make use of them to develop and improve infrastructure so that they can create and maintain a comfortable community. The activities are largely divided into two categories. The first category is "Support for the development of human resources," for which we use technologies and experience accumulated within

the EBARA Group and offer technology courses to universities, government, and private organizations. The second category is "Appropriate technological development cooperation," for which we think about technologies needed by a community with local people such as small hydropower, water resources development, and water treatment, and support their development. To provide "Support for developing human resources" at the request of individual countries, we have held a total of 211 seminars in 17 countries including Thailand, Vietnam, and Malaysia during the past 20 years. The total number of participants reached 9,765. Most of the participants are local engineers, and the contents of the seminars are broad-based, ranging from the principles of fluid machinery and their applications, and planning and designing of pump facilities to waste disposal treatment technology and water treatment technology.

### VOICE

#### Students' voices

Participant in seminar in Indonesia **Mr. Andri Rahman Priyambodo**



As I am in charge of facility management at my company, I was very satisfied with this seminar. If I have an opportunity to participate in another seminar, I would like to learn more about energy-saving chillers and compressors, which consume a lot of electricity.

Participant in the AIT seminar **Mr. Jonathan Orolfo Lora**

I obtained the latest information on technologies and equipment, as well as waste heat utilization methods, in my seminar. I think these will help people to coexist with the environment.



### Results

(as of the end of March 2010)

Number of countries : **17**

Number of seminars held : **211**

Total participants : **9,765**

#### Thailand

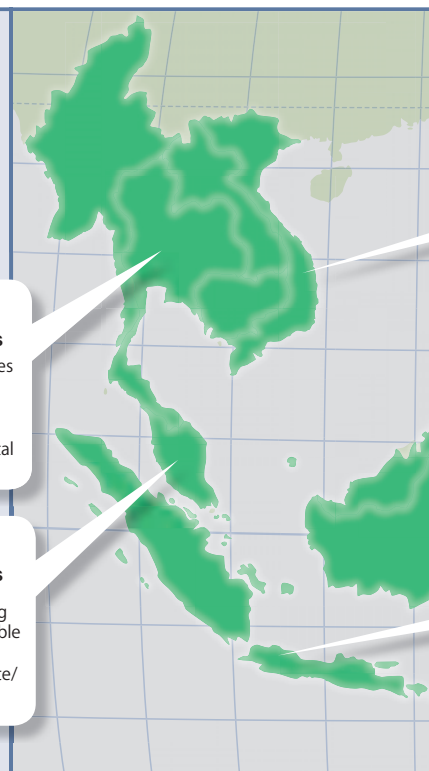
78 seminars 3,869 participants

Planning and designing pump facilities, principles of fluid machinery and their application, technology for industrial-use chillers, city waste/industrial waste treatment technology, wastewater treatment technology, environmental conservation, and effective use of energy

#### Malaysia

26 seminars 1,145 participants

Planning and designing pump facilities, planning and designing industrial pump facilities, renewable energy systems, city wastewater and industrial wastewater treatment technology, and city waste/industrial waste disposal technology





## 2009 CSR Topic 3

## 20th Anniversary of the EBARA Hatakeyama Memorial Fund

## of local communities

Recently, we have received many requests about topics such as energy-saving pumps and effective use of renewable energy, so we are focusing on offering up-to-date and more practical seminars that match such needs.

We want participants to understand that the knowledge they obtain from the seminars encompasses the technological capabilities and quality of the EBARA Group itself.

EBARA Group employees act as lecturers on a voluntary basis. Because they prepare study materials and give lectures in English, it helps them to enhance their knowledge and improve their presentation skills in an international setting. This plays an important part in the global human resources development program of the EBARA Group.

## Spreading the vision of EBARA is living with local communities

In another pillar of the activities of the Fund, Appropriate technological development cooperation, we have cooperated in various areas by dispatching instructors from our Company and using locally available materials to encourage the development of technology that is appropriate for local social environments and is operable at low cost. The areas in which we have cooperated include effective use of a small hydropower, portable

water purification system and aeration system. Since 2009, we have been supporting the development of variable-speed micro hydraulic turbine facilities at AIT\*1. We are confident that these activities, which we have been continuing for a long time, help to significantly improve the technological level of individual countries. Twenty years have passed since the Fund was established, and the technological capabilities of Southeast Asian countries have improved. So, we want to expand our horizons beyond Southeast Asia and to share the vision of the Fund of: EBARA is living with local Communities



Lecture scene

15

### Vietnam

27 seminars 1,183 participants

Using pumps in agriculture, planning and designing of pump facilities, using fluid machinery for developing water resources, industrial wastewater treatment technology, engineering of water and sewage, zero emission methods, and effectively using biomass resources

### Philippines

18 seminars 834 participants

Using pumps in agriculture and industries, planning and designing pump facilities, applied technology of industrial pumps and hydraulic turbines, energy systems for sustainable development and city waste/industrial waste disposal technology

### Indonesia

20 seminars 846 participants

Planning and designing pump facilities, using hydraulic machines for community development, technology for industrial-use fluid machinery, city waste/industrial waste disposal technology, effectively using renewable energy, and using biomass

\*1 [AIT] Asian Institute of Technology (Thailand). EBARA and AIT jointly sponsor international training courses, and people from all over Southeast Asia participate.

## VOICE

Teaching is a good opportunity to organize knowledge and experience

Hiroshi Nakamura  
Strategic Technologies, R&D  
Planning Department, EBARA



So far I have lectured 11 times. Among my experiences, the international seminar at AIT left me with the strongest impression. People with different backgrounds come from all around Southeast Asia, and the situations in their countries, ways of thinking, and even the English they speak are very distinct and different. I felt it was truly international.

It is very stimulating to spend two weeks with them, and I could develop personal relationships with all the participants. International exchanges among the participants begin at the seminars, so I always think that they are very meaningful gatherings. Being a lecturer is a great opportunity for both junior and senior employees to organize the knowledge and experience they have accumulated through their work. I hope many employees to experience being lecturers.

# Corporate philosophy and CSR

In FY 2009 we further pushed forward with the penetration and materialization of CSR with the launch of the CSR Activities Planning Committee, review of the CSR Policy, implementation of CSR education and signing the United Nations Global Compact.

## Launch of CSR Activities Planning Committee

In order to better clarify the purpose of the activities of the CSR Report Production Committee, launched in October 2007, we have renamed it the "CSR Activities Planning Committee" and made it a system to plan activities for the EBARA Group in order to keep contributing to the world through its business activities and to report the results in the CSR Report. In FY 2009, the committee reviewed the CSR activities in FY 2008, set goals, promoted activities and devised the EBARA Group CSR Policy. We could not finalize the CSR Policy during FY 2009. We will keep discussing it.

## Signing United Nations Global Compact

We signed the United Nations Global Compact \*1 ("GC") in June 2009 to promote the EBARA Group's CSR activities while utilizing advanced efforts and information by participating in the global initiative.

We have confirmed that the EBARA Group's Code of Conduct includes the GC 10 principles (see Table below), and recognized anew that activities in conformity with the Code of Conduct can be accepted from the global community.

After signing, we also joined the Global Compact Local Network Japan, participated in subcommittee meetings that study global warming prevention, biodiversity, MDGs \*2 and CSR report, gaining information from various industries and related organizations as well as exchanging opinions.

## The 10th Year of the Yearly Reconfirmation of Basic Principles for Action

Since the dioxin contamination incident that occurred at our Fujisawa District in 2000 \*3, we set March 23 as the "Day for Reconfirming Basic Principles for Action," reflecting on the corporate social responsibility to prevent the incident from being forgotten. In 2009, the 10th year in which reconfirmation took place, the President gave a message saying that the Five Basic Principles for Actions will relate to internal control, and that actions consistent with the Basic Principles for Actions will streamline and improve the quality of work of individuals as well as the Company.

## Holding CSR Training Sessions

We hold training sessions by job rank in order to improve management's and employees' awareness of CSR. We have held training with the topic of CSR once a year since 2005 for the top management of EBARA and the representatives of Group companies, and 56 out of 68 people participated in FY2009. In addition to a lecture on CSR management given by Mr. Toshio Arima, Chairman of the GC Board Japan, external speakers gave us up-to-date information about risk management and security trade management. The top management was satisfied, saying "it was a good opportunity to obtain the latest CSR information." Also, we started a general CSR education program for general employees in FY 2009. In the first year, we held 57 CSR sessions for hubs nationwide and Group companies

### ◆ The relationship between the 10 principles of the United Nations Global Compact and the EBARA Group's internal rules and Code of Conduct

United Nations Global Compact		Ebara Group's Code of Conduct, internal rules	Page in this report
4 areas	10 principles		
Human rights	① Promotion and respect of human rights protection	Code of Conduct, Chapter 6, "2. Rules of Conduct at Workplace," (1) - (5)	Page 38
	② Dissociating from human rights violation	We will strive to apply the rules to not only employees but also stakeholders that we come into contact with through business such as suppliers who can have an influence.	
Labor	③ Making union formation and collective bargaining rights effective	Labor Agreement, Chapter 9: Joint Labor-Management Conference, Chapter 10: Collective Bargaining, Chapter 11: Freedom of Union Activities	Page 36 Labor agreement is confidential.
	④ Precluding forced labor	Working Regulations, Chapter 3: Service	Working Regulations are confidential.
	⑤ Effectively precluding child labor	The Working Regulations prescribe that the Company employs people aged 15 or older.	
	⑥ Elimination of discrimination in employment and jobs	The Code of Conduct, Chapter 6, "2. Workplace, bans discrimination and harassment."	Page 16 Thoroughly raising awareness through education program
Environment	⑦ Preventive approach to environmental issues	Code of Conduct, Chapter 3: Environmental Conservation and We in the EBARA Group	Page 40~47
	⑧ Initiative to act responsibly for the environment		
	⑨ Development and dissemination of eco-friendly technologies		Page 10~15
Anti-corruption	⑩ Efforts to prevent corruption such as coercion and bribery	Code of Conduct, Chapter 4: Society and We in the EBARA Group (Dissociation from donation, political contribution and antisocial groups) Code of Conduct, Chapter 5: Prohibition of Bribery	Page 20・23

\* 1 [United Nations Global Compact] An initiative by the United Nations. Organizations such as corporations that sign it support and practice human rights, labor, the environment and anti-corruption.

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

\* 3 [Dioxin contamination incident] See <http://www.ebara.co.jp/dioxin/>.



Multicolored Asian Lady Beetle

on seven topics: introduction to CSR, compliance, human rights enlightenment (especially prevention of harassment), environmental conservation, observance of trade rules, ensuring of appropriate transactions and information security. 3,545 people participated. The training program can be taken through e-learning. Furthermore, we conducted a comprehension test questionnaire, covering all participants. In FY 2009, the comprehension level on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors was a little low, so we put more materials about transactions on the intranet. Since the comprehension levels on introduction to CSR, compliance, human rights, environment and information security were high, we will strive to further raise the levels in the future.

## Dialogue with Stakeholder

As an opportunity for employees to think and exchange opinions about CSR from the stakeholders' point of view,

we held the "Dialogue on CSR Report 2009" three times, and 46 people from 12 Group companies and the labor union participated. The program lasted for three hours each time, and each participant discussed what society expects from the EBARA Group and what we can improve from the stakeholders' point of view.

We received many positive comments about CSR such as: "I recognized anew how my work is related to stakeholders and CSR" and "I want to use the opinions at the Dialogue to send information in my company." In addition, we had an opportunity to have the EBARA Group CSR Report 2009 evaluated by four



Dialogue on CSR Report

Musashino University students who study CSR reports of corporations from a job seeker's point of view, and the human resources staff of EBARA and the students exchanged opinions.

## Extraction of CSR challenges and continuous improvement

Since 2008, we have been analyzing the current status of CSR and setting challenges. For each area of challenge setting (see the figure below), we have tackled the challenges from the perspective of how accomplishing them will lead to improved corporate value and profit and greater trust from stakeholders, based on management goals and the business goals of each division. And the results are announced in this report. In February 2010, we performed the third review and extracted challenges for FY 2010 and beyond.

The founding spirit, "Netsu To Makoto"  
(Note: "Netsu To Makoto" means enthusiasm and sincerity.)

### Corporate philosophy

Extensive contribution to society by providing superior technologies and best services 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 global environment when proceeding with business activities.
- ◆ We will maintain fair and excellent relationships with stakeholders.
- ◆ The top management and employees will fulfill their responsibilities for 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 trifling action may lead to serious consequences.
2. Confirm the objective and meaning of actions before doing them.
3. In conducting actions, follow fixed procedures and rules.
4. Review actions, confirm them, and be responsible for their results.
5. Adopt extensive views and take actions, while giving consideration to areas other than one's own responsibility.

### ◆ Areas in which CSR challenges are set

Governance, internal control, compliance, risk management

Quality of products and services, safety, the environment, customer relations

Information disclosure

Supply chain management

Employment, human rights, safety and health

Environment

Community/society/communication

Information security

Group Company



# Corporate Governance

To be a company reliable for stakeholders and perpetually contributable to society, EBARA considers it important to enhance corporate governance and continue to improve it.

## Corporate Governance Structure

In EBARA, the Board of Directors makes important decisions in management and supervises business operations, while the Board of Corporate Auditors supervises the Directors' performance of their duties. Also, to speed up the decision-making process regarding business and to streamline its operation, the Executive Officers take on business operations. From the perspective of the transparency and objectivity of management, the Board of Directors elects 2 Outside Directors (of a total of 11 Directors) with no special relationship interests with EBARA and the majority of the Board of Corporate Auditors (3 out of 5) are Outside Corporate Auditors.

Outside Directors enhance the appropriateness of our decision making by giving advice and supervising from their independent standpoint through the Board Meetings, in addition to which they occupy a majority of the Nominations Committee and the Compensation Committee and are involved in ensuring transparency and objectivity of the process of selecting Directors and Executive Officers and determining their compensation.

Furthermore, important issues concerning the company-wide management policy and management strategy, are thoroughly discussed in the Management Meeting before the Board Meeting. We effectively communicate decisions that are made through discussions at the Board Meeting throughout the Company using the Executive Officer Meeting.

In addition, the Corporate Audit Department, a division under the direct control of the President and Representative Director, conducts internal audits on business operations in each EBARA Group Company, checking and evaluating the effectiveness, and offers advice and recommendations for the appropriateness and quality improvement of business operations.

## Compliance Action Plan by Board Members

To make everyone fully aware of and committed to compliance, which is the EBARA Group's important policy, the Board of Directors has been drawing up a Compliance Action Plan by Board Members since 2007, and implements systematic activities based on that plan throughout the year.

As activities in FY 2009, we held nine discussion meetings between the President and Representative Director and employees to facilitate communication between the top management and employees.

A total of over 160 employees took part in the meetings, and had active discussions on a wide range of topics not only about compliance but also the attitude toward work and the EBARA's business policy.

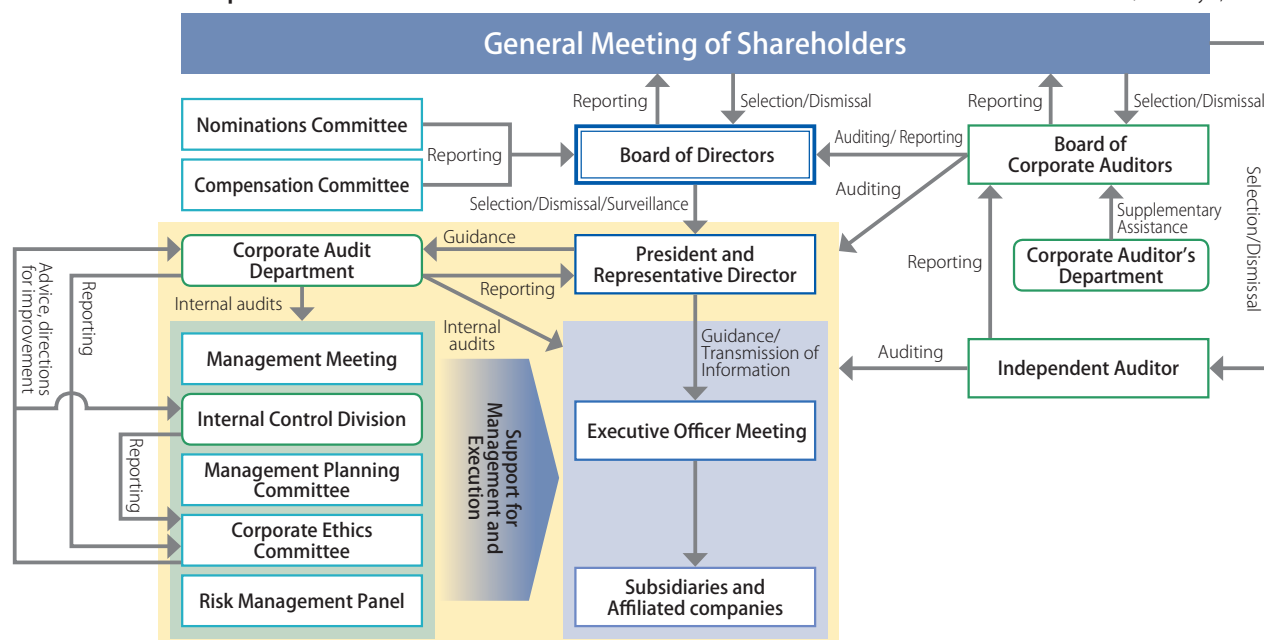
## Group Administration

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

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

### ◆ Outline of EBARA's Corporate Governance Framework

(As of July 1, 2010)



# Internal control and risk management

The EBARA Group establishes and assesses an internal control system to ensure proper operations under the policy intent of putting compliance foremost, and aims at sustainable development and improvement of corporate value.



Creeping water primrose

## Building and evaluating the internal control system and deploying it throughout the Group

### Internal control basic policy

The EBARA Group builds a system to ensure proper operations based on basic policies for internal control and monitors that the internal control system is effectively working.

We integrate these activities into the PDCA cycle to continuously improve the effectiveness and efficiency of operations.

### Internal control promotion system

In EBARA, the Internal Control Division is under the direct control of the President and Representative Director. It establishes an internal control system in accordance with the Company Law and the Financial Instruments and Exchange Law. The Division also assesses the effectiveness of the internal control system in cooperation with the Corporate Audit Department.

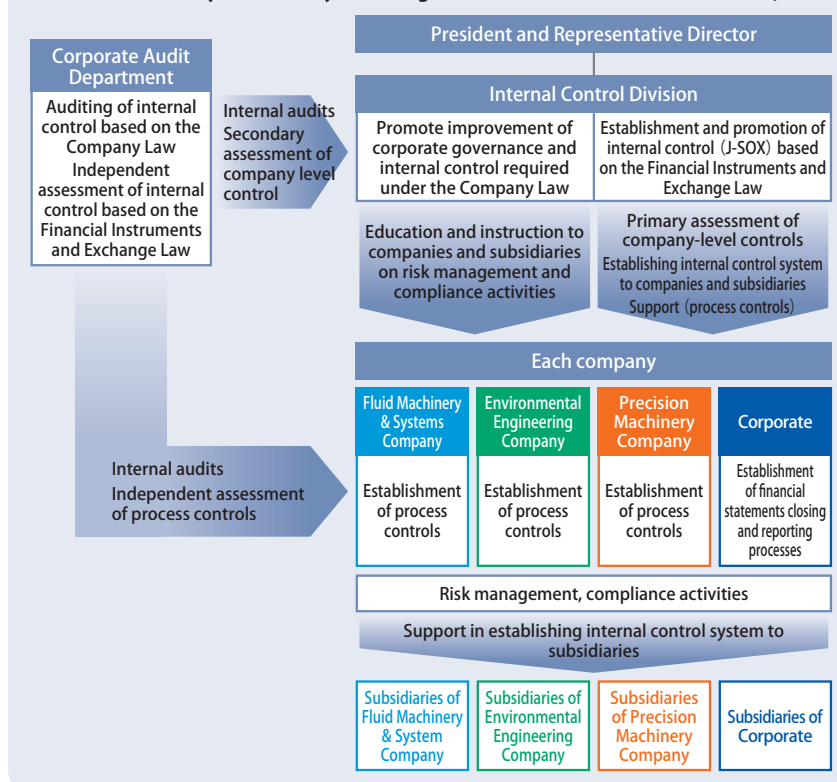
### Response to the internal control report system

Since FY 2008, EBARA has developed, operated, and assessed its internal control in the four areas of “company-level controls,” “financial statements closing and reporting processes,” “process-level controls,” and “IT general controls,” according to the internal control report system based on the Financial Instruments and Exchange Law. In FY 2009, we adopted the CSA\*1 approach for “the penetration of internal control to business person level.” The operational sections assessed their own internal control activities, and the assessment results were evaluated by independent assessors.

Regarding “company-level controls,” the management of domestic and overseas consolidated subsidiaries conducted the self-assessment of internal control on an assessment sheet that reflected the aspects of the internal control system as required by the Company Law. Then, the Internal Control Department independently assessed the results of their self-assessment. In relation to “financial statements closing and reporting processes at the company level,” an enhanced assessment was conducted by a specialized assessment team to ensure the improved reliability of financial reporting, compared with FY 2008. For “process-level controls” and “financial statements closing and reporting processes,” the assessment was conducted for the companies accounting for two-thirds of our consolidated sales (six domestic companies and one overseas company). Regarding “IT general controls,” the assessment was conducted for IT systems deemed important for the above operational processes (28 systems).

### Internal control promotion system diagram

(As of July 2010)



## VOICE

### Penetration of internal control to business person level

Sohei Tanakura  
Internal Control Division  
Ebara Yoshikura Hydro-Tech Co., Ltd



In FY 2009, the second year of the internal control report system, we reviewed processes with each section based on the results of the previous year to improve the effectiveness and operability of the processes. For processes implemented at each branch, we verified the status of operation and gave explanations of findings. In this way, we have striven to promote an understanding of internal controls at the business person level. Many aggressive suggestions have been made by working people, and the improvements have been greater than expected. It has been assessed that the internal control system is working effectively and flawlessly in FY 2009.

\*1 [CSA] Acronym of Control Self Assessment.

The following results are obtained through the internal control assessment:

- ◆ Regarding “company-level controls,” we have reaffirmed that the governance structure focusing on the Group companies, including those overseas, should be reinforced.
- ◆ The implementation of self-assessments in the “process-level controls” assessment provided the personnel in charge of operations with a better understanding of internal control. Thanks to the implementation, possible deficiencies in the “process-level controls” have been limited fairly well.

As a result, material weaknesses were not found in the consolidated financial statements reports for FY 2009 and a certain level of reliability in financial reporting was ensured.

#### ■ Exclusion of antisocial forces from the EBARA Group

The EBARA Group will not provide antisocial forces such as criminal syndicates with any funds or any social foundations for their activities. We have established the Antisocial Forces Countermeasure Headquarters consisting of an External Review Committee with lawyers as committee members, in-house departments in charge of investigating and responding to such forces, and regional countermeasure departments in the Group and have established rules for responding to such forces, firmly excluding antisocial forces company-wide as an organization.

### Risk management

#### ■ Risk management system

Ebara has an organization to supervise risk management of the Group called the “Risk Management Panel” which consists of all full-time directors and is chaired by the President and Representative Director. We also set up the “Risk Management Committee,” as a subordinate organization of the Risk Management Panel in each in-house company and corporate body.

Under this risk management system, we have selected significant risks from the Company-wide and in-house-company-wide perspectives and designated them as enterprise risk management activities, prioritized them, and addressed them accordingly. In regard to individual risk management activities, risk assessments are made of individual transactions and supervisory actions responding to the occurrence of crises are undertaken.

#### ◆ EBARA Group risk management system



In enterprise risk management activities in FY 2009, three themes were determined as company level significant risks, including “crisis management (disasters, influenza A (H1N1), IT system failures, information leakage)”. We have monitored the risks and continuously improved the countermeasures against them. As part of its crisis management activities, the Company has prepared a business continuity plan (BCP) for the pandemic of influenza A (H1N1) that is applicable to each Group company. In addition, to cope with the risk of disasters, the Company has begun to investigate business continuity plans assuming large earthquakes.

#### ■ Security trade management

EBARA has established the Security Trade Management Department, which supervises security trade management, under the CSR Division as part of international efforts to implement “nonproliferation export controls.”

We have also organized the EBARA Security Trade Management Committee, which covers domestic subsidiaries and affiliates, to enhance such controls.

#### ■ Group risk management

In FY 2009, individual domestic and overseas subsidiaries in the EBARA Group selected significant risks and planned risk management activities. Through these risk management activities at each company, we strive to enhance the risk management system across the Group by identifying common risks and Group-wide risks and sharing information within the Group.

### VOICE

Internal control is a chance to improve business operations!

Mamoru Jimbo  
Internal Control Department  
Ebara Refrigeration Equipment & Systems Co., Ltd.



People tend to conceive of internal controls as troublesome. What is truly important, however, is organizing sectional operations and individual tasks, clarifying the segregation of duties between related sections, and documenting operational rules in a manner understandable by anybody (third parties). It is also important to strictly observe the documented rules. These activities provide good opportunities for identifying inefficiency in operations and reaffirming proper confirmation and approval processes, thereby improving business operations. To create work environments in which everyone recognizes this fact, we strive to promote awareness of internal controls.



# 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.



Argus rings

## Thorough implementation of compliance

We have systematically built the EBARA Group's compliance structure with the Corporate Ethics Committee at the top. Under the Corporate Ethics Committee, we set up the Group Compliance Network, consisting of the EBARA Group, and deploy various measures concerning compliance in the EBARA Group.

We also strive to identify compliance risks in each workplace at an early stage by allocating compliance liaison officers nationwide.

In addition to this network, we have set up the Compliance Consultation Counter, which responds to individual issues, outside the Company and work in cooperation with lawyers in charge of the Compliance Consultation Counter to prevent misdeeds and recurrence of incidents by operating that counter. The Compliance Department is in charge of the office for both the system and the counter, and tries to consolidate information and activities.

Furthermore, we manage the sexual Harassment Consultation Counter, established in FY 1999, as the Harassment Consultation Counter, which handles human rights issues in general, since FY 2007 in an effort to improve the workplace environment.

## Corporate Ethics Committee

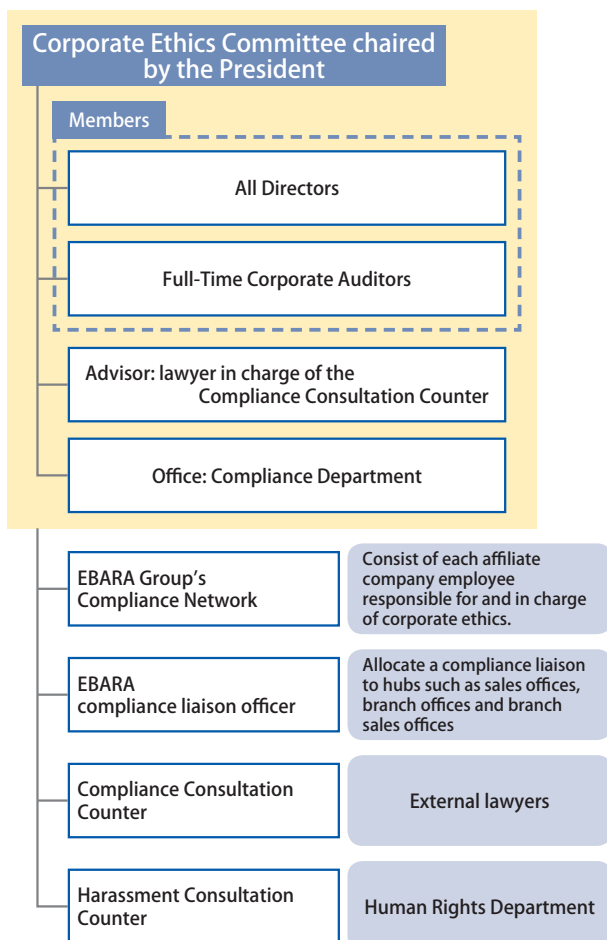
The Corporate Ethics Committee, which was established in May 2005, is designed to make compliance that conforms with the EBARA Group's Code of Conduct penetrate throughout the company and promote compliance management. The committee members share information on issues related to the EBARA Group's corporate ethics and compliance, discuss these issues and give necessary improvement instructions. The committee holds four meetings a year. Starting with the committee meeting in September 2008, an overview of the meeting and the summary of discussions are made public to Group employees to make them known to everyone. Starting with the committee meeting in December 2009, representatives of EBARA Group's companies attend the meeting in turn to promote and strengthen compliance management of each company.

## EBARA Group's Compliance Network

The EBARA Group has formed the EBARA Group Compliance Network, aiming to promote compliance management in the entire Group through the interaction of divisions in charge of corporate ethics of the EBARA Group's companies. Regular reports are made four times a year and meetings are held twice a year.

The details of regular reports are reported to the Corporate Ethics Committee to promote information sharing. At the meetings, the office reports the summary of discussions at the Corporate Ethics Committee and the aggregate results of regular reports made by Group companies, while Group companies report their compliance activities. Through these reports, attendants exchange information and make the most of the information in compliance activities of each company. At the fourth meeting held in October 2009, we explained EBARA Group's participation in Global Compact, and each company could gain a better understanding of Global Compact. At the fifth meeting held in March 2010, we showed a video of a lecture on the prevention of misdeeds, which was given at the EBARA Group Management CSR Training Session held in December 2009, and studied causes of misdeeds.

### ◆ EBARA Group's compliance system chart



## Compliance liaison system

We introduced the compliance liaison system in 2007 to create a corporate culture paying attention to compliance and enhance self-purification.

This system allocates liaison officers in the head office and hubs nationwide and offers a familiar consultation counter for problems relating to compliance that occur in the daily work. The liaison officers periodically reports the status of their respective workplaces, risks and others four times a year, and an overview of their reports is reported to the Corporate Ethics Committee. In addition, we hold workshops twice a year, and each liaison officer brings back the results of the workshops to his or her workplace and applies them, playing a role of

nurturing compliance awareness.

In the workshop in June 2009, a lawyer in charge of the Compliance Consultation Counter gave a lecture on whistleblowing, and liaison officers studied the roles of the consultation counter. The Human Rights Department gave a lecture on harassment, enhancing attendees' awareness about harassment. In addition, we had group discussions on compliance issues that are likely to occur in everyday situations, through which we could realize the necessity to look at issues from various perspectives.

In the session in January 2010, the Enterprise Risk Control Department gave a lecture and showed a video on the prevention of misdeeds. We also had group discussions on the causes of occurrence of misdeeds about some cases of illegality and learned some points to detect misdeeds.

Furthermore, we encourage liaison officers to take the Certified Business Ethics Expert Course, given by the Association of Certified Business Ethics Expert, a non-profit organization, as a means of self-enlightenment. Five liaison officers have become Certified Business Ethics Expert since 2008.

## Compliance Consultation Counter

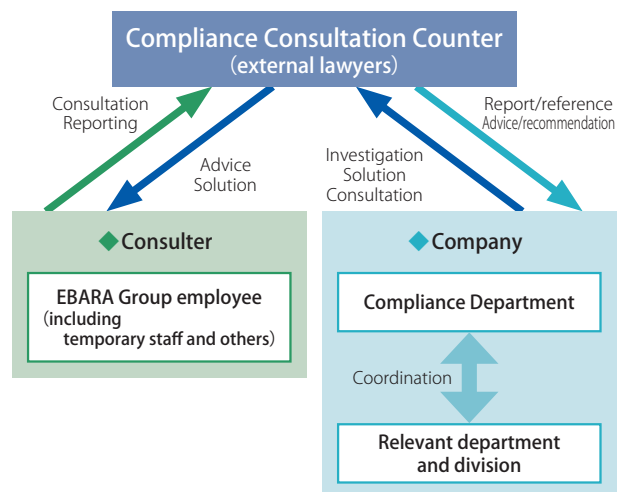
The EBARA Group set up the Compliance Consultation Counter, staffed by external lawyers, in March 2003 as a whistleblowing

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. As of late March 2010, the counter conducted about 200 consultations and has appropriately responded to consultation requests.

The number of consultations was increasing from the launch of the counter to 2007, but has been decreasing after that. We think the decline may be attributable to our various efforts for compliance.

The details of and responses to some consultations are made public to employees after obtaining the consent of consulters in a bid to prevent recurrence of similar cases.

### ◆ Compliance Consultation Counter workflow



## Harassment Consultation Counter

In EBARA, certified industrial counselors and others in the company serve as the consultation counter. They receive consultations and provide cooperation and advice for the solution of problems.

As of late March 2010, the counter conducted about 180 consultations since the launch of its predecessor, the Sexual Harassment Consultation Counter, was launched in 1999 and appropriately responded to consultation requests. In the last few years we have had many consultations about power harassment. Since problems involving harassment are issues between people, we strive to resolve them with great care, verifying the opinions of both parties concerned and people around them.

And, on a group-wide basis, we established the Harassment Consultation Counter, which specializes in human rights issues such as harassment, in each company, and endeavor to enhance the function of the counter by establishing the Group Company Network to facilitate information exchange.

## VOICE

Aiming to be a company that can contribute to society better

Jun Nakamura  
Administration Headquarters  
Ebara Field Tech. Corporation



EBARA Field Tech. focuses on compliance education to establish a corporate culture that attaches importance to compliance.

In FY 2009, domestic sales of the Precision Machinery Company were incorporated into our company, and we have more things to comply with in transactions with customers.

Against this backdrop, each employee must deeply understand the need to conduct corporate activities in compliance with rules.

In the belief that the basis of fulfilling social responsibility is compliance, we want to aim for a company that can contribute to society better by deepening awareness about compliance through proactive promotion of education on laws and regulations we should observe, rules in business and human rights.

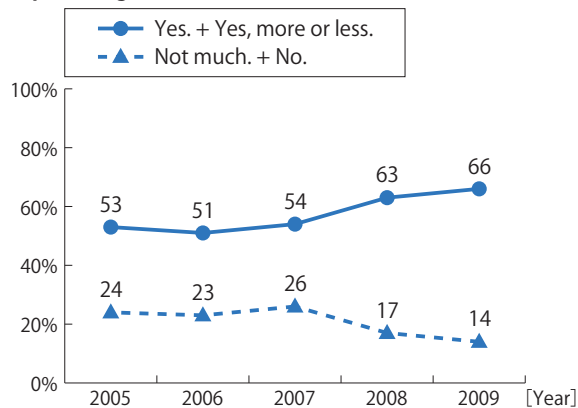


Lamium purpureum

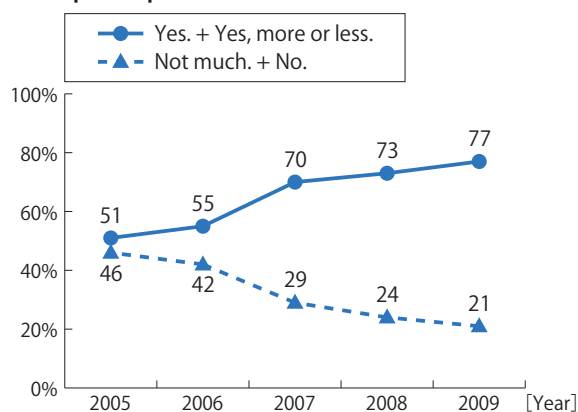
## Compliance awareness survey (questionnaire)

The results of the FY 2009 questionnaire (conducted in January 2010) indicate that employees' "understanding of the Code of Conduct" and "awareness of the need to give priority to compliance" have been improved and that the atmosphere in workplaces tends to steadily improve toward a "workplace environment where one can speak up freely." The results also showed that employees' recognition that "the top management is taking the initiative in practicing the Code of Conduct" has grown, while employees recognize at first hand "the company's approach to compliance practice" through the messages from the management and official announcement of the names of offenders.

### ◆ Do you think the top management (President, Directors, Executive Officers, etc.) is taking the initiative in practicing the Code of Conduct?



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



However, the increasing trend in the response rate of the questionnaire stopped, and the response rate stood at 48% on a group-wide basis, down from 52% in FY 2008. "Responding to the questionnaire" is aimed at always being aware of and practicing compliance. As part of activities to further raise awareness about compliance, we plan to transmit ideas from Directors to managers and from managers to all Group employees and to increase the number of opportunities for education.

### ◆ Response rate of the compliance questionnaire [Entire Group]



## Measures for overseas subsidiaries

Following the signing of the United Nations Global Compact, we have been focusing on prevention of bribery and human rights enlightenment activities overseas since 2009. Specifically, each overseas subsidiary studied the laws on bribery in its own country and educated its employees. This activity is carried out in 31 companies in 18 countries, including overseas subsidiaries and their branch offices. Also, we started education programs on "charges of bribing foreign public servants", "corporate globalization and human rights" and "security trade control" for employees newly assigned to overseas offices of EBARA.

### VOICE

#### From zero risks to zero disasters

Yoshihide Hanada  
General Affairs Division  
Ebara Techno-serve Co., Ltd.



Our company strives to enhance its "safety and health management system" as part of its compliance activities.

On October 22, 2009, we presented our research on "risk assessment that supports duties of supervisors" at the 68th National Industrial Health Convention 2009 in Saitama, held under the auspices of the Japan Industrial Safety and Health Association. Our company continues "on-site practice" in the firm belief that "on-site practice leads to improvement in the administrative ability of supervisors and measures to reduce risks for workers and that it is an important and epoch-making disaster prevention measure." Everyone, the first step to zero disasters is to ensure zero small risks.



# For communities and society

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

## Five areas of the social contribution activities

The EBARA Group contributes to society in five areas, namely technology and arts promotion, interaction with the community, environmental conservation, sports promotion, and social welfare, and it is engaging in voluntary activities as the EBARA Group member companies, divisions and departments or cooperative activities with local governments, academic institutions, NGOs and NPOs.

We continue to perform these activities, assess the outcomes and try to enhance and develop the content.



## Participatory activities have been continued consistently over a long period

The EBARA Group's corporate citizen activities are characterized by a commitment to long-term activities by its employees and their family members as well as donations of goods and funds. The major ongoing activities are as follows.

**Technology and arts promotion:** EBARA Hatakeyama Memorial Fund, supporting the Hatakeyama Memorial Museum of Fine Art

**Environmental conservation:** EBARA Environment Fund, EBARA Green Fund, EBARA Group Worldwide Kid's Environmental Art Exhibition

**Sports promotion:** Basketball clinics by EBARA Vickies

**Social welfare activities:** Sending clothing to refugee camps

For details, see: <http://www.ebara.co.jp/csr/>

### Technology promotion: Becoming familiar with EBARA products

At the Fujisawa District tour in 2009, based on the concept that "the work of which you can be proud to your family is the work of which you can be proud to any stakeholders," we invited people from the local community as well as employee's families. To become familiar with pumps, which are EBARA's main products, visitors had a chance to understand how a centrifugal pump delivers water using centrifugal force through hands-on experience with a model of a pump.



Catching a ball spinning out under centrifugal force

### Environmental conservation: Group companies participate in the EBARA Green Fund

Starting FY 2009, 11 EBARA Group companies have joined the EBARA Green Fund, operated since June 5, 1995 (Environment Day), to save paper resources, preserve forests, and carry out green activities.

### Sports promotion: Cooperation in Ota Sports Trash Picking Rally

In March 2010, we co-sponsored "the Sports Trash Picking Rally," which was first held in Ota-ku, Tokyo. It is a new sports-like activity originating in Japan that combines picking up trash with a sports theme under the slogan: "Cleaning up the Town with Sports." Each team, consisting of five to eight persons, competes against each other for points calculated according to the quality and quantity of trash picked up in a designated area within a time limit. A total of 15 teams and 98 persons participated in this rally, collecting about 158 kilograms of trash within one hour. The women's basketball team EBARA Vickies and the EBARA rugby team also participated in the rally.



EBARA Vickies participate in Sports Trash Picking

### Sports promotion: Racket Design Contest

The EBARA Shonan Sports Center, which operates a tennis school and has a tennis player development project, has been sponsoring "the Racket Design Contest" since FY 2008. From children to adults, not only club and school members, but also people from the general public participate in this contest. The aim of the contest is to further attract people to tennis by developing a sense of attachment to tennis rackets. Drawings



Patanga japonica

submitted are displayed at the entrance and around the tennis courts so that visitors can see them. Bridgestone Corp., the Japanese tire manufacturer, is also involved in selecting the best works.

In FY 2009, we are grateful to receive a total of 204 drawings.

<http://www.ebarassc.co.jp/>

## VOICE

A prize winners' comment

"I want a racket with which I can enjoy playing tennis!"

Mikako Kobayashi



I designed this racket in the hope of one that a beginner could enjoy using. There are so many interesting designs and I enjoyed looking at them with my friends. I really wanted to have many of the rackets that had been designed.

## ■ Social welfare: Support for people with disabilities

Resources-separating work at a recycling facility, which the Hokkaido Branch of Ebara Engineering Service operates and manages in its Nishi-Iburi Management Office, is outsourced to the "Fumidasu" Disabled People's Welfare Service as multifunctional business office. We received an award for this program as a "Cooperative Company of National Social Employment Center" in FY 2009. We have outsourced the work to "Fumidasu" since 2003, and we have appreciated their careful work and courteous attitude. We are delighted to contribute to conserving the global environment and to social involvement through recycling work.



Award ceremony:  
right: Kenji Kashimoto, Hokkaido Branch Manager of Ebara Engineering Service Co., Ltd.

## ■ Social welfare: Delivering picture books to Asian children

Under the slogan: "Let's deliver picture books to kids in Cambodia and Laos," we supported "The Campaign to Deliver Picture Books" in which the Shanti Volunteer Association has been engaged since 1999. Through this program, we sold eco plastic folders on which drawings delivered to the "Ebara Group World Kid's Environment Art Exhibition" were printed, and then donated the sale proceeds. We sent a total of 150 picture books in 2009, 15 of each of 10 titles. We called for volunteers from among Group employees who would be willing to help us attach local language translation stickers onto the picture books. An employee who participated in the volunteer work with his family gave us the heart-warming comment: "My child said he also wanted to send his books."



Eisuke Matsui, a family member of an employee, helped to attach translation stickers

## ■ Interaction with the communities & social welfare: Labor union's Eisa Team

About 30 EBARA Labor Union members formed the EBARA Eisa Team. They perform at local events and deepen exchanges with communities in Ota-ku, Tokyo as a base of activities where the Head Office of Ebara Corp. is located. In addition, they visit and entertain several welfare facilities where they have been warmly welcomed. Eisa is an Okinawan traditional performing art in which drummers perform energetically and dancers dance elegantly with a light tempo to the accompaniment of music played on an instrument called a *sanshin*.



EBARA Eisa Team



# For providing superior products, technologies and services

## Fluid Machinery & Systems Company

The Fluid Machinery & Systems Company supports people's lives and social and industrial infrastructure by producing various equipment and facilities related to water and air such as pumps, fans, compressors, and chillers. With its business expanding globally, the company is making contributions to the growth and stability of individual countries, while expanding production and sales bases overseas.

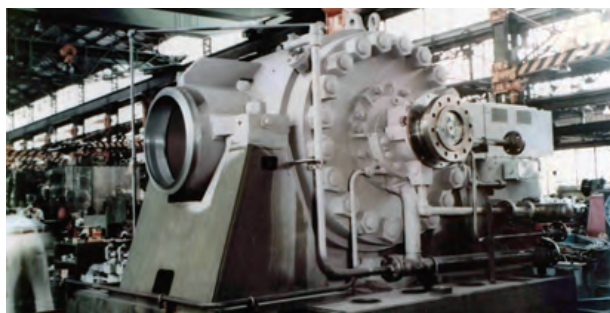
### Roles of Fluid Machinery & Systems Company

The Fluid Machinery & Systems Company has responded to social needs by producing a wide range of facilities that form living and industrial infrastructures such as custom pumps used for water and sewage, electric power plants and industrial facilities, standard pumps used for building and condominium water supply and drainage systems, heating, ventilation, and air conditioning (HVAC) and firefighting equipment, and chillers for air conditioning large facilities.

Nowadays, as demand for clean energy such as natural gas and nuclear power is increasing worldwide, we have transferred our production base for custom pumps from Haneda to Futtsu, Chiba Prefecture, and boosted production of natural gas transfer pumps and pumps for nuclear power plants (see CSR Topic Vol. 2 on page 12).

On the other hand, demand for water supplies is emerging in the Middle East, where fresh water needs to be made from seawater, and in China and other emerging countries where urban development is advancing. An important role of the Fluid Machinery & Systems Company is to respond to global needs related to water by taking advantage of our accumulated technologies.

There is also a need to improve the efficiency of large facilities such as buildings and plants, which have to reduce greenhouse gas emissions, and the Fluid Machinery & Systems Company is continuing to offer new proposals in this area as well (see CSR Topic Vol. 1 on page 10).



Reactor feed pump for nuclear power plants

### Improving the balance between the needs of society and supplies of water

Whether we can use water stably or not is a basic issue for society. EBARA has evolved its pump technologies and related technologies in response to social needs over a long history dating back to 1912.

#### ■ Booster pump for delivering water to upper floors

Water is essential in our daily lives.

Various pumps are needed to ensure stable supplies of water. Since the first unit was delivered, more than 15 million units of EBARA's standard pumps have been produced, enabling stable supplies of water.

As the number of high-rise buildings increases in Japan, the requirements of standard pumps have become more advanced. For low-rise buildings, a direct connecting pump system using

the pressure of water delivered from water supply plants is adopted. On the other hand, for buildings of three stories or higher, the reservoir method is adopted by which water stored in a reservoir is delivered to a tank located on the rooftop, and then water is supplied to each floor. However, the reservoir method has limits such as the need for sanitation control and maintenance of reservoirs and tanks. In addition, with the recent trend of high-rise development, the need to supply water stably to upper floors has increased. To respond to that need, the Tokyo Metropolitan government revised the "Work Instruction for Designated Contractors" in 2009 to improve water supplies for high-rise buildings and added the booster pump method (serially cascaded type), by which a booster unit is installed on the ground and medium-rise floors in a serial cascade. The EBARA booster pump system released in January 2010 supports this method, enabling stable water supplies in high-rise buildings. Moreover, this system saves space and is maintenance-friendly because a separate pressure tank is not necessary.

As can be seen in emerging countries where economic growth is significant and buildings are becoming higher, the need to supply water to higher floors is increasing all around the world. EBARA will continue responding flexibly to changes in water demand, offering products that can contribute making the lives of people around the world more comfortable.



The Bureau of Waterworks, Tokyo Metropolitan Government EBARA booster pump for the booster pump method

#### ■ Pumps used in desalination plants

Some areas surrounded by deserts or downstream areas that suffer from water shortages due to water being extracted upstream, need to make fresh water from seawater. In the Near and Middle East, for example, fresh water is made from seawater taken from the Arabian Sea and the Red Sea.

However, there has been a problem in that because the seawater temperature is generally high in areas where water desalination is needed, using conventional cast iron pumps for desalination plants would result in rapid corrosion due to higher levels of salinity. To address this issue, EBARA has conducted a seawater immersion test on various stainless steel materials in the Near and Middle East and in Tokyo Bay over a long period so that we can choose the best materials. In addition, we have conquered the problem of the vulnerability of welded plates to corrosion using the fabrication and welding technologies that we had developed over a number of years. EBARA's seawater pumps, which are capable of withstanding a severe natural environment and delivering stable performance for a long period, will continue to respond to a wide range of water supply needs on country-wide and regional-wide levels.





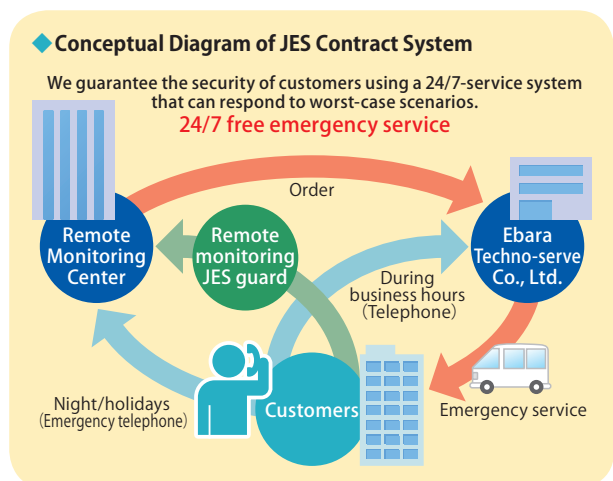
Sisyrinchium atlanticum



Seawater intake pump for seawater desalination plants

## Establishing a system to respond quickly to customers

Water is directly connected to our lives and to industries, and trouble with pumps and reservoirs can sometimes lead to a serious problem such as water being cut off. To address this issue, Ebara Techno-Serve Co., Ltd. is shortening the time water and other lifelines are cut off by performing regular maintenance based on data management for each contracted customer, following the JES\*1 Contract System (see the diagram below). In the worst case, the Remote Monitoring Center, which is operating on a 24/7 basis, and engineers provide customers with appropriate support. It is also one of the missions of the Fluid Machinery & Systems Company to check and maintain facilities, and respond to emergencies at drainage pumping stations and floodgate facilities. In urban areas where roads are mostly paved with asphalt, floods tend to occur frequently following heavy rains, typhoons, and sudden downpours that have become more frequent in recent years. To minimize damage, EBARA takes charge of designing, Ebara Yoshikura Hydro-Tech Co., Ltd. takes charge of installation, and Ebara Techno-serve Co., Ltd. takes charge of maintenance and management, and they have jointly developed a system that enables us to promptly take Group-wide action in the event of a disaster. We also try to prevent disasters and minimize damage by checking and maintaining systems with customers on a daily basis to ensure proper operation of drainage pumps.



\* 1 [JES] Just Emergency System.

\* 2 [Service] Ebara Service, the former name of Ebara Techno-Serve. The current name was introduced in April 2000.

## VOICE

### Customers' opinions

## EBARA's JES System makes us feel secure

Mr. Tatsuho Kobayashi  
Chief of Management Section  
Ginyusha Co., Ltd.



We maintain buildings in Ginza. Because the buildings are deteriorating, we work on maintenance and management with an eye on lifelines (electricity, gas, and water).

We have a business relationship with Ebara Service\*2, having concluded maintenance contracts for lifting pumps and sewage pumps. Our company, which provides building management services around the clock, can never accept water being cut off. JES System is a reliable contract that ensures services for some lifelines. EBARA offers 24/7 services including pump inspections in case of accidents, and ensures better reliability than any other manufacturers.

We hope to continue to be one of the EBARA's partners in the future.

## VOICE

## We try to serve customers promptly and considerately.

All employees of the Remote Monitoring Center,  
Ebara Techno-serve Co., Ltd.

JES System plays an important role in providing water, which is the most vital lifeline in people's lives, on a 24/7 basis.

We work with the JES System under constant stress and sometimes have to face two or more emergency cases at any one time. However, succeeding in such challenging conditions gives us great job satisfaction. Comments from our customers include: "We can reach EBARA even at night and on holidays" and "With the JES System, EBARA's service is considerate and prompt."

It often happens that we receive thank you notes from customers on the day following an emergency service. Every single employee at the Remote Monitoring Center makes continuous efforts to provide prompt and considerate services to attract more loyal EBARA customers.



# For providing superior products, technologies and services

## Environmental Engineering Company

The Environmental Engineering Company offers the EPC\*<sup>1</sup> (engineering, procurement, and construction) and O&M\*<sup>2</sup> (operation and maintenance) for waste and water treatment facilities. In FY 2009, the company underwent a major reorganization so that we could integrate EPC and O&M operations in our businesses, and restarted as a business structure positioned close to customers that can respond to today's diversifying demands.

### Roles of Environmental Engineering Company

Waste incineration and recycling facilities and public and industrial water treatment facilities such as water supply and sewage systems are indispensable to people's lives and to industries.

The Environmental Engineering Company takes advantage of its extensive expertise and accumulated experience to deliver various technological and business solutions for the future global environment, such as for reducing CO<sub>2</sub> emissions, saving energy, and applying biomass by offering a total service bringing together engineering, construction, and operation and maintenance of infrastructure facilities related to the environment and energy.



Arakawa Clean Center\*<sup>3</sup>



Central Control Room of the Waste Incineration Facility

### Organizational restructuring aligned with society's needs

In FY 2009, the Environmental Engineering Company carried out a significant reorganization, and accomplished a complete transition to a new system. Formerly, under EPC and O&M operations, each of the waste and water treatment businesses was managed by three EBARA Group companies separately; we made a two-company system so that we can integrate EPC and O&M operations within the businesses.

On April 1, 2009, we launched a more economical and efficient business system with Ebara Environmental Plant Co., Ltd.

(hereafter, "EEP") to handle comprehensive waste treatment, and Ebara Engineering Service Co., Ltd. (hereafter, "EES") as a company engaged in water-related businesses. Moreover, EEP took over EBARA's waste treatment EPC business following a corporate split on October 1 and completed the reorganization process.

Looking at our business environment, we are facing rapid changes because projects involving the operation and management of facilities over long periods of more than 15 years, and bringing together with engineering and construction (DBO\*<sup>4</sup>), are increasing. There is also a need to take into account the needs of renewal and preventing the deterioration of existing facilities.

The purpose of the business reorganization is to improve the quality of our services by responding to these changes in the business environment.

Because EPC and O&M are integrated in each business, we are now able to offer better proposals by accurately understanding customer needs under a more solid, cooperative organization, taking advantage of expertise and experience in both EPC and O&M areas.

### Raising awareness at the front line is the key to customer satisfaction

The major customers of the Environmental Engineering Company are government offices, municipalities, and private enterprises operating manufacturing plants. To operate and maintain waste or water treatment facilities without trouble, we consider it to be essential to acquire basic concepts and skills for the business and to precisely grasp proposals at the front line and reflect them in services.

#### Activities in waste-treatment business

EEP's O&M business division holds Directors Meetings targeted at directors of operation and maintenance offices around the country, and engages in the horizontal sharing and development of technological

information and training programs such as on compliance. We also hold Support Meetings on a regular basis to share front-line information from directors with the engineering division of the head office, and to create solutions for problems at operation sites.

We will continue to take advantage of the expertise accumulated in each of the EPC and O&M divisions to improve the quality of services and to meet customers' expectations.

#### Activities in water-treatment business

There are about 300 water-treatment facilities nationwide for which EES provides operation and maintenance services. We have familiarized the managers of each office with the company's policies through the intranet, and the directors communicate them to those who perform actual operations. We conduct various improvement activities and technological development



Directors Meeting targeted at directors of operation and maintenance offices around the country

Ischnura senegalensis

based on requests from customers in the course of daily work and the results of construction assessment surveys customers give us after construction. To improve awareness at the front line, we conduct compliance training for employees at all offices, safety patrols, and technical guidance. We will work to improve customer satisfaction by focusing more on enhancing the awareness of directors who are to fill an important role as those responsible in each office, and improving operators' skills with clear skill criteria.

## Responding further to social needs

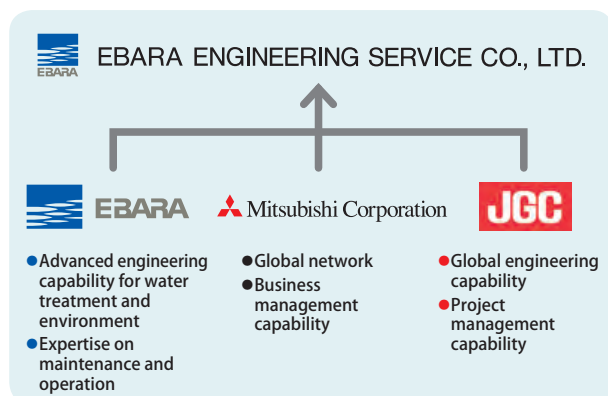
### ■ Our challenges in the waste-treatment business

EEP has the corporate philosophy that we will contribute to the construction of a sustainable society by offering excellent technologies and services for treating solid waste. Under this philosophy, we contribute to the effective use of resources and energy and environmental conservation through the provision of integrated services from construction to maintenance and operation of environment and energy-related facilities, taking advantage of our differentiated incineration technologies and extensive expertise on maintenance and operation.

### ■ Our challenges in the water-treatment business

To expand businesses that contribute to resolving global water problems such as water and sewage infrastructure development and operations in emerging countries, in addition to the operation and maintenance of water treatment facilities in Japan, we entered into an agreement to jointly manage ESS with Mitsubishi Corporation and JGC Corporation in February 2010.

The aim is to form a comprehensive water business company that has a competitive advantage in the global market by concentrating the strengths of each company, such as ESS's water treatment engineering capability, Mitsubishi Corporation's global network, and JGC's project management capability. The business was launched in April 2010.



## VOICE

### Customers' opinions

**We expect technological improvements for safe and secure facility management**

**Mr. Satoshi Ejiri**  
Assistant Director Arakawa Clean Center  
Environment Department Fukushima City



The City has decided to carry out a renewal project for a waste incineration plant using the DBO method for the first time, and the EBARA Group won the contract. The EBARA Group made various proposals and held discussions, taking into account the condition of the worksite and regional situation, and responded promptly and flexibly during the engineering and construction periods starting in FY 2005 and approximately two years of the operation period from September 2008. We believe that it is necessary for both employees of the City and the company related to the incineration plant to work to improve safety and reliable technological capabilities by appropriately maintaining facility equipment, thus keeping the facility safe and secure for residents during the 18 years of operation from now.

## VOICE

**We will continue clean operations and maintenance by practicing natural methods**

**Shinji Oobayashi**, Director  
Fukushima Arakawa Operation and Maintenance Office  
Ebara Environmental Plant Co., Ltd.



The Fukushima Arakawa Operation and Maintenance Office is the first to apply the DBO method in the EBARA Group with the Group solely engaged in engineering and construction (4 years) and operation (20 years) of a waste treatment facility. Waste treatment itself is an operation undertaken by the City, and the City is ultimately responsible to its residents. Therefore, we are highly aware of our great responsibility in operating the waste treatment facility, which is one of the important social infrastructures of the City. Every day all employees do their work while taking to heart the two natural principles of "not hiding" even something that seems trivial, and "not lying" to ensure appropriate operation and maintenance of the facility.

\* 1 [EPC] Engineering, Procurement and Construction. Engineering, procurement, and construction of plants.

\* 2 [O&M] Operation and Maintenance. Operation and maintenance of plants.

\* 3 [Arakawa Clean Center] A waste treatment facility that began operation in September 2008. EEP is operating under a 20-year contract until 2028.

\* 4 [DBO] Design Build Operate. One of the methods of ordering public works. A method to order EPC and long-term O&M for 15 or 20 years, for example, as a package.



# For providing superior products, technologies and services

## Precision Machinery Company

The Precision Machinery Company produces various equipment used by the global semiconductor industry and FPD\*<sup>1</sup> and PV\*<sup>2</sup> manufacturers. It responds to customer expectations not only in terms of quality, but also after-sales services in cooperation with domestic and overseas Group companies, and supports the evolution of the semiconductor and electronics industries.

### Roles of Precision Machinery Company

Electronics such as mobile phones, flat panel TVs, and PCs are indispensable to our daily lives. These electronics use many semiconductor products and FPDs. The Precision Machinery Company engages in the design, development, manufacturing, and after-sales services for equipment and devices related to the production of these semiconductor products, FPDs, and PVs. A variety of products supporting the production of today's hi-tech equipment have advanced in parallel with the evolution of semiconductor products and electronics. They include CMP\*<sup>3</sup> equipment that polish the surfaces of silicon wafers chemically and mechanically, gas-abatement systems that detoxify and decompose toxic gas or greenhouse gas generated in the semiconductor manufacturing process, and dry vacuum pumps that create the vacuum necessary for equipment used to produce semiconductors, FPDs, and PVs.



Manufacturing line of CMP

### Business structure for customers

The Precision Machinery Company develops businesses in close cooperation with other companies with EBARA at the center. Such companies include Ebara Kyushu Co., Ltd., which produces CMP equipment, Ebara Field Tech. Corporation (EFT), which launches and maintains products, and overseas Group companies.

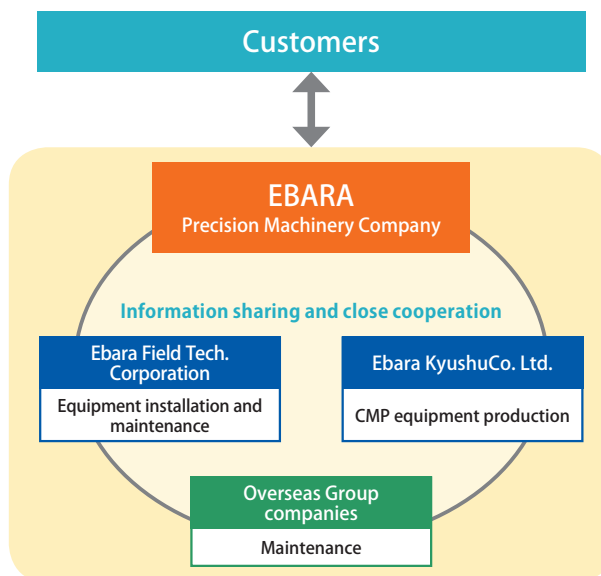
In Japan, EFT established a new Marketing & Sales Division in April 2009 to get closer to customers. It has a customer-oriented business structure, which enables it to provide fine-tuned services over the long term after delivering a product by directly listening to customers' requests and sharing information closely between sales and technology people.

Overseas EBARA Group company under the Precision Machinery Company also develops customer services.

\*Ebara Kyushu Co., Ltd. is scheduled to be acquired by EBARA on October 1, 2010.  
For details, see : <http://www.ebara.co.jp/ir/2010/pdf/news20100712.pdf>

### Business structure of Precision Machinery Company

(as of June, 2010)



### Working together to improve quality across the EBARA Group

Quality is of course of paramount importance for the Precision Machinery Company as a manufacturer. To maintain and improve quality, it is essential to raise the awareness of each individual at worksites. Accordingly, the Company studies and incorporates advanced production methods.

We have also introduced procedural manuals and check sheets to facilitate reliable work without mistakes, and have had expert technicians create instructional videos, while making arrangements so that workers can learn about detailed work tips not covered by manuals at domestic and overseas bases. Starting in FY 2009 at the dry vacuum pump division, the Mindora Campaign\*<sup>4</sup> is being implemented in which design, manufacturing, and marketing personnel work together to make improvements. This is an activity in which each employee works voluntarily to make improvements by setting aside time for improvement activities including attending lectures once a week to improve awareness, and in this way EBARA is not just trying to



Employees working on Mindora Campaign



Fujisawa Killifish

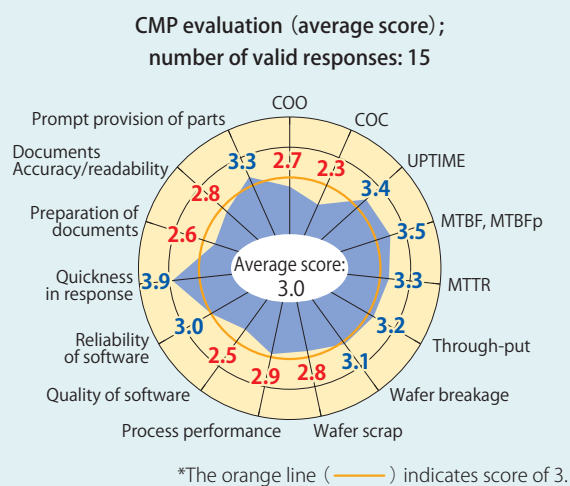
reduce costs through the improvement of business practices. In addition, since March 2010, we started the “M Zero Challenge” promotion to eliminate “Unreasonableness, Inconsistency and Waste” as a company-wide activity for the further development of the CMP business.

Furthermore, when delivering new equipment, we build projects for quality verification and conduct management review made by managerial personnel to ensure responsible quality assurance. In Group companies, we are also advancing efforts to improve the quality of individual services by holding workshops regularly and thoroughly understanding manuals.

## Mechanism to listen carefully to customers’ opinions

We conduct the CMP User Satisfaction Survey on CMP equipment targeted at major customers around the world to reflect customers’ requests for quality improvement. It is an effort to accurately understand and use customers’ requests by asking for comprehensive evaluations of software quality and reliability and level of our support services, as well as hardware, including CMP’s availability.

### ◆ Results of customer questionnaire (FY 2009)



COO : CMP cost of ownership per wafer  
(CMP purchase, maintenance  
and consumables costs)

COC : CMP cost of consumables per wafer

UPTIME : CMP availability

MTBF : Mean time between failures (in hours)

MTBFp : Mean time between failures within  
product processing time (in hours)

MTTR : Mean time to repair

Through-put : Number of wafers processed per hour

The second survey, which was conducted in October 2009, showed the same average score as the first survey, yet indicated continuous improvements for items that had been pointed out by customers in the first survey. Also, we are increasingly making use of the CR Desk\*5, which allows engineers around the world to directly post information on trouble and technology on the Web, and to share replies and advice sent from other bases. Currently, a total of about 2,000 threads have been put into a database, and are being used as a forum for sharing information on all areas of design and development, manufacturing and maintenance.

## VOICE

We want to remain  
our customers’  
best partner

Peng Fu-Tang  
Equipment Business Department  
Ebara Precision Machinery Taiwan Incorporated



In the two consecutive years of 2008 and 2009, EBARA was awarded the “Best Supplier Award” by Taiwan Semiconductor Manufacturing Company (TSMC). This award is a result of efforts across the EBARA CMP Group and proves our commitment to achieving customer satisfaction.

In the first quarter of 2009, semiconductor sales fell significantly due to the effects of the Lehman Shock, but our customer TSMC’s production quickly recovered in the third quarter, requiring us to increase production capacity in a short time. We have been responding to customers’ requests in short periods of time through company-wide efforts towards the manufacturing of equipment, the shortening of installation periods at worksites and the provision of technical support from plants. TSMC has established itself as the largest commissioned manufacturer of semiconductors because it has a sufficient production capacity, excellent technological capabilities and high manufacturing yield.

We will tackle all challenges every day to maintain our position as the best partner, keeping up with the cutting-edge technological development of TSMC.



Plaque of Best Supplier Award

\* 1 [FPD] Flat Panel Display. Display with a flat surface such as liquid crystal displays and plasma TVs.

\* 2 [PV] Photovoltaic. Photovoltaic cell.

\* 3 [CMP] Chemical Mechanical Polishing. Polishing semiconductor wafers chemically and mechanically.

\* 4 [Mindora Campaign] Everybody’s dry pump campaign. A campaign aiming to reduce costs by halving delivery times and in-process inventory through reviews of all processes relating to dry pumps.

\* 5 [CR] Customer Response.

# With Suppliers

EBARA Group builds a partnership with suppliers (of products, materials, and services) and practices fair trade under the following procurement policy aimed at providing mutual benefits:

## Procurement policy

### ■ Deal with fair and equitable opportunities

We widely provide open and impartial opportunities to all suppliers based on ISO9001. To start a business relationship, we conduct technological and commercial assessment in accordance with our certification system based on ISO. Then the basic agreement or the work basic agreement is concluded before starting the business.

### ■ Selection of Supplier

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

### ■ Confidentiality

We do not disclose to third parties any confidential matters we have learned through our business without the approval of our suppliers.

### ■ Mutual trust

We aim for mutual growth as well as building a relationship of trust and partnership with suppliers.

All of the procurement section members keep in mind that they must always keep good relationships with the internal and external sections concerned, and they and the sections concerned are mutually cooperative and are involved in creative activities. We make efforts to allow all the operations to function smoothly and effectively.

### ■ Social trust

We promote CSR procurement while paying attention to compliance with Japanese and overseas laws, human rights, safety of products and services, quality guarantees, occupational health and safety, and corporate ethics. Further, we always think primarily of contributing to the sound growth of society.

### ■ Green procurement

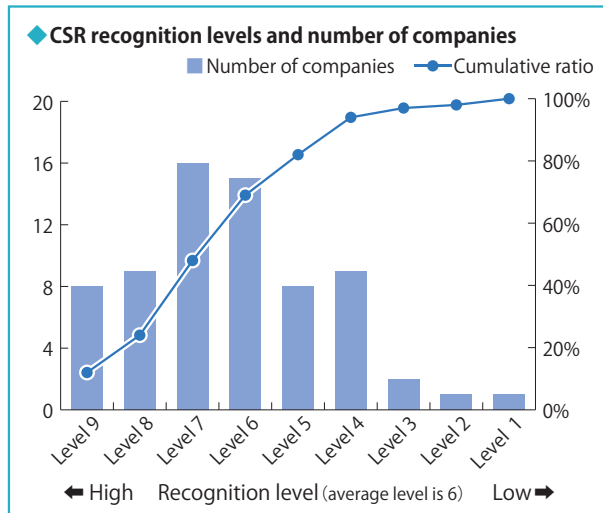
We promote environmental conservation activities in cooperation with suppliers to pursue effective product manufacturing, considering the conservation of the global environment.

If you have any inquiries, please go to each company's section on our website: (<http://www.ebara.co.jp/en/contact/>)

## Promoting CSR procurement

EBARA conducted a questionnaire survey of suppliers capitalized at over 50 million yen from FY 2008 to FY 2009 to learn about the current level of their recognition of CSR and to ask them to cooperate further in our CSR activities in the future. The survey questions covered all areas of CSR such as compliance (including law observance, labor rights, and human rights), health and safety, quality control, environment, and waste management. The response rate to the questionnaire was 69%, showing the high level of recognition of suppliers. The survey was multiple-choice, and we aggregated scores and analyzed current trends under each topic by classifying the current level of recognition into several levels.

The graph below shows total scores as an example. The scores determined by the responding companies were divided into nine levels and were also classified into high, medium, and low levels. As a result, the ratio of medium and high accounted for approximately 94% of the total, and the ratio of high accounted for 47%, indicating a high recognition level. We will increase the level of recognition further through CSR education and providing information, while analyzing trends for each topic. We hope such activities will help suppliers improve their CSR activities in view of systems, frameworks, and activities relating to the environment and safety.



## Compliance with laws and regulations

While the EBARA Group has procurement divisions for each business, the Integrated Procurement Department set up in the corporate body, which functions as the headquarters, manages group-wide procurement activities. Each procurement division conducts daily operations while bearing in mind compliance with the law. For example, with regard to the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, we make efforts to continue to engage in fair and equal trade with suppliers through daily checks of the so-called four duties and eleven prohibited acts applicable to companies contracting out a business. As part of such activities, we focus on internal





Vicia angustifolia

and external training and education, such as external seminars on the related Act targeted at procurement staff. When a liaison meeting is held with partner companies, the division explains the key points of the Act to suppliers and asks for their cooperation.

### Improving health and safety with suppliers

Work at the EBARA Group's plants and construction sites and various services such as installation at customers' sites and after-sales services are often consigned to suppliers with which we have signed contracts (hereafter, partner companies). We communicate the environmental and quality policies of each group company to partner companies, requesting them to attend health and safety education programs with employees of group companies to ensure safety. Ebara Techno-serve Co., Ltd., which oversees installation of products and equipment at customers' sites and inspections and repair services after delivery, often consigns services to partner companies. Working with partner companies, we have organized the Environment Health and Safety Partner Association, through which we offer a health and safety education program every year. Thus, we not only ensure the safety of our customers, but also make them aware of the critical importance of workers' safety. Ebara Yoshikura Hydro-tech Co., Ltd., which is engaged in installation work at pump facilities and other sites, also manages the Health and Safety Partner Association together with subcontracting partner companies to ensure safety. It also grants an outstanding work award to partner companies that have achieved excellent results in terms of quality and customer satisfaction.

### Improving technological development with suppliers

Each company and business unit individually conducts procurement activities that are appropriate for the business to establish a system to ensure stable supplies of materials, improve quality, and reduce costs, with the aim of producing and developing products that satisfy customers. In the process, they build partnerships with suppliers intended to achieve mutual development based on a spirit of "Netsu to Makoto" (see page 17). The Precision Machinery Company engages in product development to meet customer needs by developing technologies together with suppliers in the semiconductor manufacturing industry which has a short technological innovation cycle. Under the production innovation campaign for major products started in FY 2009, we try to improve IE's \*1 productivity in cooperation with suppliers, and forward to shorten the lead-time \*2 and eradicate losses by sharing and linking of product information.

#### VOICE Suppliers' opinions

**We would like to work together from development to mass-production**

Mr. Kengo Tomonari  
Representative Director  
AEC Corporation



We are a manufacturer of non-contacting displacement measuring systems called gap-sensors. The product is an eddy current sensor, which can measure the displacement, vibration, and rotation of an object that moves at high speeds. Because it can measure very precisely to the micron level, has corrosive environmental resistance, and is easy to miniaturize, it is adopted in various industries for experiments and research and development. EBARA has used our products in research and development on pumps, and in recent years has been mounting our applied products on CMPs, contributing to improved microscopic machining performance. We would like to continue offering better products under EBARA's guidance and with its cooperation.

#### VOICE Suppliers' opinions

**To achieve dependable manufacturing**

Mr. Seiji Arai  
Representative Director  
Grow-Seimitsu Co., Ltd.



Our company mainly offers parts for dry vacuum pumps as a supplier of the Precision Machinery Company. To respond promptly to rapidly changing industry needs, we are currently in the process of enhancing our efforts to shorten lead-times and apply a just-in-time \*3 system under the guidance of EBARA. Thinking that it will not only help to enhance the convenience of customers but also strengthen our company's production system as a *Monozukuri* (manufacturing) company, we are making effort to improve productivity every day. We hope to remain a company that satisfies customers by helping to produce better products as a reliable partner.

\* 1 [IE] Industrial Engineering. A field of study that aims to improve productivity in companies and plants.

\* 2 [Lead-time] In a production plan, the time required from receiving a production order until completion of production is referred to as the lead-time required for production.

\* 3 [Just-in-time] A production method to produce only the quantity of products needed, when they are needed, by eliminating waste in production.

# For shareholders and investors

The EBARA Group makes efforts to improve the corporate value in the long term and meet shareholders' expectations by being widely accepted in society, contributing to social development, and growing with society.

## Basic policy of our IR activities

EBARA recognizes that, for the EBARA Group to sustain itself based on social trust as a listed company, it is essential and important to disclose information about the management, business, and finance of the company to stakeholders, including shareholders and investors in a fair, appropriate, and timely manner. We also enhance management transparency by clearly disclosing our corporate philosophy and management policy along with quickly, fairly and equally disclosing accurate management information.

## Point of view on information disclosure

We disclose corporate information as required by the "timely disclosure rules of the Tokyo Stock Exchange," on "TDnet" (the timely disclosed information communication system run by the Tokyo Stock Exchange) and quickly disclose the same information on EBARA's website.

Information that is not subject to the timely disclosure rule is made available accurately and fairly through press releases or website postings for shareholders and investors.

## For Dividends

The EBARA Group regards returning a portion of its income to its shareholders as one of its most important management tasks. In setting its dividends, the Company takes into account its consolidated performance and financial position for the current and future fiscal periods, while aiming to pay stable cash dividends.

We also use retained earnings effectively to invest in the development of new businesses, improve competitiveness, and streamline management from a medium- to long-term point of view.

## Approach to IR activities

We are making efforts to provide adequate IR information using the EBARA website. On the EBARA website, we post medium-term management plan documents, annual reports, and analyst meeting materials, besides the timely disclosure information and stock-related information, and link to the Financial Services Agency's site to browse financial statement reports on "EDINET" (the Electronic Disclosure for Investors' NETWORK).

To communicate with analysts and institutional investors, in addition to semi-annual results briefings, we have individual meetings. The President himself visits institutional investors individually and explains the results, mainly in the EU and the US. Furthermore, we bring back comments we have received at these briefing sessions or individual meetings to our company and reflect them in the management.



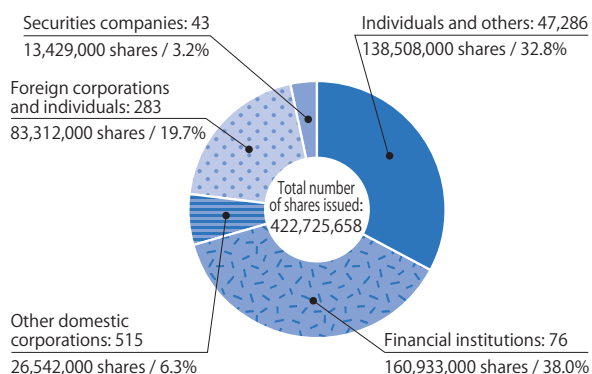
Results briefing

### ◆ Listed in the SRI\*1 index

We have been continually listed in the FTSE4Good Index series, which is the world's leading socially responsible investment (SRI) index, as a result of our corporate activities meeting its standards for corporate social responsibility (CSR).



### ◆ Stock information



\* 1 [SRI] Social Responsible Investment: Investment based on stock selection criteria of whether or not a company fulfills its social responsibilities from the perspective of business activities in consideration of society, ethics, environment, and occupational safety.

# Approach to information security

The EBARA Group companies regard information security as an important management issue and work on it constantly. We have established a mindset for employees engaged in those efforts that takes the form of five principles. We also try to improve the security consciousness of employees using a variety of media.



Lycaena phlaeas

## Education and dissemination of security consciousness

### ■ Establishing the EBARA Group's Five Principles with Information Security for Handling Information

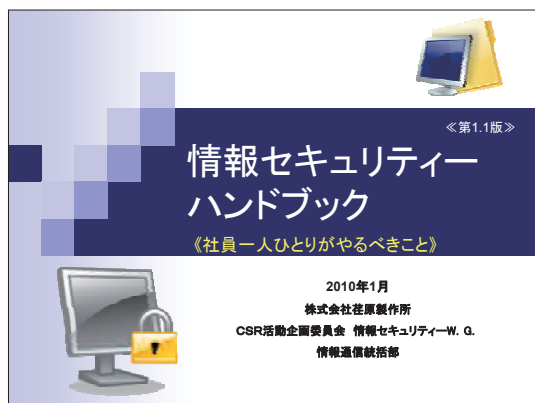
We have established the EBARA Group's Five Principles for Handling Information as the basic principles executives and employees of the EBARA Group should always keep in mind when handling information. The EBARA Group develops rules, manuals, and communication systems, as well as providing education, capital investment, and auditing services to practice these Five Principles.

#### ◆ The EBARA Group's Five Principles with Information Security for Handling Information (excerpt)

- 1 Fully understand the impacts of information leaks and recognize the need to protect against such leaks.
- 2 Do not take important information out of the Company. If necessary for business, obtain permission.
- 3 Take suitable measures to prepare for accidents or carelessness.
- 4 Control and maintain information so that you can identify and restrict information at the time a leak occurs.
- 5 If an information leak occurs, immediately inform the relevant departments of the facts and take the necessary measures.

### ■ Issuance of Information Security Handbook

We have issued the Information Security Handbook, which helps EBARA Group employees recognize the importance of information security and preventing leaks of information. It covers basic topics on information security that must be understood.



Information Security Handbook

### ■ Issuing Guidelines for Preventing Information Leaks by Situation

To prevent information leaks in various daily work situations where important business information and personal information are handled, we have issued Guidelines for Preventing Information Leaks by Situation.

It explains procedures to be followed when employees intend to take computers or USB flash drives from the workplace and send e-mails. It also lists appropriate measures and contact information that are useful in case an information leak occurs.



Guidelines for Preventing Information Leaks by Situation

(The Handbook and Guidelines above may be revised as needed, according to the progress of efforts for information security within the Group.)

### ■ Distribution of encrypted USB flash drives

While USB flash drives are convenient because they allow a large amount of electronic data to be carried around, the possibility of electronic data leaks resulting from their theft or loss and the risk of viruses infecting the Company's computer network via personal USB flash drives are becoming extremely high. When taking data out of the office in a USB flash drive, we ensure that employees use drives with a security function provided by the Company. These flash drives support stored data encryption and pervasion and prevention of computer virus. The maximum amount of data that can be taken outside the company is limited to 1 GB.

We do not simply provide the drives but assign a control number to each USB flash drive, manage all drives with a ledger, and execute an inventory count on a regular basis. This measure is already being implemented by five Group companies including EBARA, and will be further developed in the future.

### ■ Ebara Agency granted privacy-mark

Ebara Agency Co., Ltd., (EA), a shared service provider, handles the personal information of customers as an agent for automobile insurance and travel packages for both active and retired employees of Group companies and their family members, and the payroll accounting of Group company employees. To ensure security for our customers, EA has established the personal information protection management system, which meets the requirements of JISQ 15001: 2006 (Japanese Industrial Standards). As a result, it has been licensed to use the Privacy-Mark since August 2008. EA is working to increase customer satisfaction by implementing facilities and information technologies to provide security against information leakages, training all employees to understand the overall system, and making continuous improvements through a management cycle of internal audits to ensure there are no defects.



# With employees

Human resources provide the important source of support for sustainable development of a business. We are committed to maintaining a safe and better work environment and keep improving so each employee is motivated to work, while at the same time improving various human resources systems through dialogues between labor and management.

## Human resource principle

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

## Human resource strategy

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

## Inter-group sharing of personnel and labor issues

To share various personnel and labor issues among EBARA Group companies, we annually hold the EBARA Group Relevant Companies HR Meeting with about 70 persons attending every year. As personnel exchanges are currently active within the EBARA Group, it has become increasingly important to develop employee-friendly labor conditions through collaborations among Group companies, taking into consideration business profile, local characteristics, and other features that distinguish each company. Furthermore, when we need to revise work rules due to a revision of labor laws or other reasons or when we implement or revise various human resource systems, we hold a briefing for the human resource divisions of Group companies as needed to share information.

## Maintain and improve relationships of trust through dialogue between labor and management

At EBARA, based on the union shop system, the labor union and management hold labor-management meetings periodically and as needed to maintain and improve relationships of mutual trust, while keeping a moderate degree of tension. The meetings, which allow understanding of corporate management from the labor union's point of view and check on the management's soundness, play an important role for the management to listen to the employees' opinions. In FY 2009, we experienced a variety of labor-related events such as the relocation of the Haneda Plant to Futsu City in Chiba, various emergency measures including a temporary shutdown at the Precision Machinery Company, a split and business partnership in the water business at the Environmental Engineering Company, and withdrawal from the fuel cell business. We successfully dealt with these events without failing to ensure sincere communications between management and labor. We will work to maintain a positive relationship while keeping a moderate degree of tension. We will also develop the working conditions and environment in EBARA Group companies through dialogues between labor and management.

## Being an employee-friendly company

In April 2010, the Labor Standards Law was revised to curtail long working hours and ensure workers' health, while achieving a society where work and life are well balanced.

To incorporate the intent of the revised law, EBARA established the Labor and Management Special Committee with the labor union in November 2009 ahead of the revision with the aim to being an employee-friendly company.

The Committee held an informal meeting at the Haneda, Futsu, and Fujisawa districts targeting the human resources division and employees of the plants, in order to better reflect opinions at workplaces after several discussions by committee members. At this meeting, attendees talked about how to reduce long working hours and non-emergency overtime through reviews of their daily work. They proposed various measures such as promoting a disciplined style of work by reviewing the No-overtime Day system and prior discussions on overtime and detailed work between supervisors and subordinates. We will implement these measures in the future to make EBARA a more efficient and better workplace for labor and management.

## Revision of work rules

Under the concept of developing an employee-friendly and disciplined workplace, we revised the work rules in October 2009.

### 1 We make continuous efforts to develop an employee-friendly environment.

- ◆ Improving maternity and childcare systems
- ◆ Establishing work and rehabilitation system upon reinstatement from sick leave

### 2 We will develop the foundations for the human resource strategy (provide various systems to make people aware of their responsibilities and enhance individual autonomy).

- ◆ Thorough implementation of No work, no pay
- ◆ Review of service regulations and other related rules

Further, the Japanese law relating to childcare and family care leave will be revised in June 2010. Understanding the purpose of the law, EBARA is developing an employee-friendly environment through a revision of our childcare and family care



Iris sanguinea

leave system in April 2010 ahead of revision of the law. We will work continuously to establish a comfortable work environment for our employees in response to the revision of the law.

## Improving the work-life balance

Work-life balance refers to harmony between work and life, which is generally described as the development of work and social environments that allow us to fulfill both the needs of a career and a personal life.

Because Japan is facing a declining population and falling birthrate, the term is often used in the sense of juggling work and childcare or providing flexible working arrangements for the workforce of the next generation. Taking this background into account, EBARA is improving various systems related to childcare and family care, showing steady results.

### ◆ Number of employees who took childcare leave, family care leave, or used the working hours reduction program

Unit: Persons (EBARA alone)

Year	Number of employees	Number of employees who took childcare leave	Number of employees who took family care leave	Number of employees who used the working hours reduction program
2005	3,848	26	2	21
2006	3,223	31	0	21
2007	2,644	42	2	34
2008	2,818	34	3	40
2009	2,907	30	2	65

## Promoting the health of employees

To keep working, it is essential to be both mentally and physically healthy. This is because health is the foundation on which we make full use of our motivation and skills. Although individual health is of course important, EBARA finds it extremely valuable to maintain the good health of its employees in general. In FY 2009, the EBARA Group hosted a variety of sports events such as long-distance relay race, volleyball, badminton, softball, skiing, tennis, and bowling events to promote the health of employees, and increase exchanges between employees and their families. A total of 1,400 employees and their family members participated in these events.

Keeping the keywords of physical and mental health in mind, we will continue to promote the health of our employees through various activities.

### ■ Ekiden (long-distance relay) race

The *ekiden* race is one of our longest-running events, and has been held every year since 1971. In 2008, we canceled the event at the last minute due to restrictions in the area around the Imperial Palace, which is the venue of the race. Many runners among our employees looked forward to the resumption of the event in 2009. In FY 2009, with the full cooperation of the EBARA

Fujisawa District and co-sponsorship of the labor union, we held this event in February, setting up a 2.5 km circuit track in the vast site. In spite of sleet and rain, all 123 runners of 24 teams completed the race. In particular, a team with an average age of over 60 made a good showing, finishing in 11th place.



Ekiden race held in the Fujisawa District

## Improving labor health and safety system

### ■ Mental health

To manage health, EBARA focuses on the importance of mental health. We have a dedicated doctor specialized in mental health. A weekly consultation service is available for EBARA Group employees at the clinic of the EBARA Haneda District for the early detection and treatment of mental illness. Moreover, our employees in any positions and functions attend workshops held periodically at branches in Japan. We encourage prevention and early detection through communication at workplaces and mutual identification by employees to prevent mental illnesses.

### ■ Health and safety

The manufacturing sites of the EBARA Group include some workplaces and tasks that are potentially dangerous if safety and health management are neglected, such as work at elevated sites and work in which heavy objects and chemical substances are handled. Plant workers include not only EBARA Group employees but also persons of various employment designations and from various organizations, such as part-time workers, temporary workers, and subcontractors' employees. The EBARA Fujisawa District Health and Safety Committee meetings are held once a month particularly for the EBARA's Fujisawa District where employees of Group companies and persons of various employment designations work. At these meetings, participants including Group companies present opinions from the perspective of their companies to improve health and safety. The matters determined at the committee meetings are conveyed to each workplace by the health and safety division of each company, and are even notified to subcontractors to prevent accidents and disasters. We also provide a mandatory orientation training program to all persons who are newly engaged in duties in the Fujisawa District, including EBARA Group employees, contract workers, part-time workers, temporary workers, and subcontractors' employees. The main subjects of this training include traffic

safety, first aid, handling organic solvents, and promoting safety. We work to maintain and improve an accident-free and safe work environment through these efforts.

### Providing education on of human rights

EBARA traditionally offers a human rights training session once every three years for all employees (including contract workers, part-time employees, temporary employees, and subcontractors' employees). In FY 2009, we provided training on the theme of harassment as part of the CSR education program implemented for all employees. We plan to offer this program again in FY 2010 to establish a comfortable workplace for every worker of the EBARA Group. Our aim is to raise the awareness of all employees of human rights using e-learning in addition to the training program.

### ■ Operation of Harassment Consultation Counter

The EBARA Group has set up a consultation counter for any kind of harassment in Group companies. We also train counselors to make the counter a place that is accessible and can be trusted.

### ■ Training and education to make known international standards on human rights and labor practices

To make known internationally agreed standards including United Nations Universal Declaration of Human Rights and the ILO Core Labor Standards, in FY 2009 we started human rights education for employees who would be assigned overseas. We plan to continue activities for enhancing the awareness of employees of overseas Group companies in FY 2010.

### HR development program

The environment surrounding employees is rapidly changing with changes in the social and work environments and personal values, as well as the trend of business globalization. To keep up with these trends, companies are increasingly required to develop human resources that can respond to such changes. EBARA's employees make active use of our human resources development program to adjust to these changes. In FY 2009, about 1,380 out of 11,000 EBARA Group employees participated in this program. EBARA provides opportunities and places for human resources development by bearing 50 to 100% of the cost to acquire human resources who have a challenging spirit and exercise ingenuity and originality for the EBARA Group's continued development.

Group companies also try to develop an environment where employees can work comfortably with motivation.

At Ebara Agency Co., Ltd., where female employees account for 45% of the total, which is the highest among Group companies, the active use of a female workforce is an immediate issue. To address this issue, the company has launched the female success promotion project ("HYP"), which supports women who are willing to work to continue working with motivation over a long period. This project focuses on developing a system to support childcare and provide information on a work-life balance.

### ◆ Career path and training program

Theme Title	Personnel system (career path)	Training by job class (mandatory)		HR development for executives	Special skill development	Active employees' training	Self- enlightenment/ languages
Directors, executive officers, administration officers	Strategic personnel transfer (domestic and overseas)			Training for managerial staff  Training for management executives of the Group companies			
Managers (Counselor/ Deputy Counselor)		Training for new 2nd grade deputy counselor		Training for next-generation business leaders  Studying at a university (in Japan)  Management skills training  Training on sales Training on legal affairs Training on finance Training on intellectual assets Coaching skill improvement Intercultural communication etc.	Business leader training		Correspondence education/TOEIC/language courses
Career-track employees ( <i>sougoushoku</i> )	Promotion exam for administrative positions	Training for new chiefs	Training for new chief engineers		Female success promotion program		
Non-career- track employees ( <i>ippanshoku</i> )	Promotion exam for relevant job class						
Manufacturing engineering workers	Public recruitment/ self-declaration	Training for new M grade*	Brush-up training for non-career- track employees			Training for skilled workers	
Skilled workers	Job rotation	Training for new mid-hire employees					
Newly-hired employees		Training for newly-hired employees					

\* Mid-career position of career-track employees





Propylea japonica

## VOICE

**The poor singer  
grapples with tones  
every day!**

Participant in Chinese course

**Tadashi Urata**  
EBARA



"Rhythm is the most important thing in languages, as it is in singing," says my boss who speaks English very well. Tones are certainly important in Chinese and if you get them wrong, meanings change completely. Struggling with tones but fortunately encouraged by classmates with high motivation and an excellent teacher, I could complete this one-year course toward my goal of passing the certification exam. All the examinees passed the certification exam held at the end of March, which was a great accomplishment. I will continue to work toward higher goals, aiming to reach a level where I can contribute to expanding our Chinese business with my classmates.

## VOICE

**I want to develop a workplace  
where people who are  
motivated to work  
can continue working  
for a long time!**

Participated in HYP

**Saori Nakajima**  
Ebara Agency



I am in my third term as a HYP member. During the previous terms, I developed the ability to recognize issues faced by individuals and companies from the broader viewpoint. Before I participated in HYP, I thought I would be a full-time housewife after I got married. But, after listening to senior workers who juggle their work and families, and learning about the decreasing labor population and the lack of social involvement of Japanese women, I changed my mind and decided to keep working for both the company and myself. Through hardworking and active efforts such as delivering HYP news and holding seminars, I want to develop my workplace into one where not only women but also all employees can work comfortably.

## VOICE

**We can aim for a  
clear goal together  
by sharing the same  
objective**

Participant in coaching skills improvement seminar

**Takeshi Abe**  
EBARA



I am in charge of production management. To produce, finish, and deliver pumps, cooperation is needed from a variety of divisions. I participated in this seminar to gain skills on sharing goals with many working divisions. I realized that we should assign roles to everyone and involve them in the work through lectures and simulation meetings to make meetings more meaningful. My consciousness in holding or participating in a meeting has also changed. This seminar helped improve my motivation because I was studying with highly motivated classmates who shared the same objective.

## Training to achieve a fair evaluation system

To achieve a fair evaluation system, we offer training for assessors (supervisors who make evaluations). In FY 2009, we held training targeting 58 heads of organizations (of those, 50 persons attended) in a total of three sessions. The human resources staff of Group companies also attended the training, and the contents were then communicated to each company of the Group.

### 1 Reconfirming principles for evaluation:

Verifying whether or not evaluation work is done in accordance with the system

### 2 Evaluation bias test:

A test to check habits and biases in evaluations

### 3 Group discussion:

Reviewing and sharing important and successful factors in the course of evaluations

After this training we received comments such as: "I was able to reconfirm the purpose and importance of personnel evaluation" and "This training was very informative as I could listen to various opinions about the evaluation system through the group discussion." We will continue to improve the evaluation system by deepening understanding of it and enhancing the reasonableness of evaluations through the continued provision of training by job class.

# EBARA Group's environment targets and

To implement the "Environmental Conservation and Us" laid down in the EBARA Group's Code of Conduct, the individual companies and districts of the EBARA Group set targets and have been working for the accomplishment of the EBARA Group targets (2010).

## EBARA Group's activity standards

Aiming to become a top contender in environmental engineering and contributing to realizing a sustainable society

EBARA Group targets (2010)	Results of activities achieved in 2009 (related pages in this report)
<b>■ Environmental conservation activities in daily work</b>	
<ul style="list-style-type: none"> <li>Establish self-induced standards regarding the prevention of issues such as water pollution and air pollution for the individual districts and carry out environmental conservation and pollution-preventing activities.</li> </ul>	Pollution prevention activities implemented at the respective districts and all standards satisfied.
<ul style="list-style-type: none"> <li>Prioritize material recycling over thermal recycling.</li> <li>Achieve a waste material recycling rate of at least 95 percent.</li> <li>Achieve less than 3 percent of the final landfill disposal rate of waste.</li> </ul>	Target achieved with a material recycling rate of 95.8 percent. Target unachieved with a final landfill disposal rate of waste of 3.6 percent. (page 41, 47)
<ul style="list-style-type: none"> <li>Reduce greenhouse gas emissions by 10 percent from the 2000 level on a CO<sub>2</sub> emissions conversion basis.</li> <li>Set the basic unit target at offices/districts for reduction.</li> </ul>	Target unachieved with a reduction of 11.4 percent from 2008, but a decrease of 8.2 percent from the 2000 level. (page 41, 46)
<ul style="list-style-type: none"> <li>Reduce the CO<sub>2</sub> emissions from product transportation by means of modal shift, etc.</li> <li>Increase the percentage of low-emission cars used as company vehicles of the Group (including billboard vehicles) to at least 90 percent.</li> </ul>	Reduction of 27 percent from the 2008 level. Target almost achieved with the percentage of low-emission cars used increased to 84 percent.
<ul style="list-style-type: none"> <li>Reduce the amount of drinking water, industrial water, and groundwater consumption by 10 percent from the 2000 level.</li> </ul>	Target achieved with a reduction of 13.1 percent from the 2000 level.
<ul style="list-style-type: none"> <li>Introduce and implement an environmental audit of construction work system at the individual Group companies.</li> </ul>	Has been introduced at Ebara Hamada Blower Co., Ltd.
<ul style="list-style-type: none"> <li>Reduce the emissions of chemicals subject to the PRTR Law by 20 percent from the 2000 level.</li> </ul>	Target unachieved with a reduction of 9.8 percent from the 2000 level. (page 41)
<ul style="list-style-type: none"> <li>Reduce the emissions of chemicals such as toluene, xylene, and dichloromethane by 30 percent from the 2000 level.</li> </ul>	Target unachieved with a reduction of 15.4 percent from the 2000 level. (page 41, 47)
<b>■ Contribution to environmental conservation in business activities</b>	
<ul style="list-style-type: none"> <li>Set standards for substances to be prohibited, reduced, and managed that are contained in products, and work on their achievement.</li> </ul>	The company's internal standards were formulated and are being enforced.
<ul style="list-style-type: none"> <li>Set design standards for the environment and work on their achievement.</li> </ul>	The company's internal standards are formulated on the basis of design guidelines for the environment, and are being enforced.
<ul style="list-style-type: none"> <li>Set green procurement standards and work on their achievement.</li> </ul>	The EBARA Group Green Procurement Guideline was formulated and is being enforced. <a href="http://www.ebara.co.jp/csr/management/green_procure.html">http://www.ebara.co.jp/csr/management/green_procure.html</a>
<b>■ Approach to environmental management</b>	
<ul style="list-style-type: none"> <li>Standardize the operation of the environmental management system across the EBARA Group.</li> </ul>	Corporate environmental audit is implemented according to ISO14001. (page 44)
<ul style="list-style-type: none"> <li>Build an environmental information system shared across the EBARA Group.</li> <li>Collect and consolidate environmental data across the EBARA Group.</li> </ul>	An environmental information collection and data aggregation system was introduced in 2006.
<ul style="list-style-type: none"> <li>Hold regular EBARA Group environmental meetings.</li> </ul>	Held on January 8, 2010.
<ul style="list-style-type: none"> <li>EBARA must hold managerial level environmental education sessions for the Group companies.</li> </ul>	To be held bi-yearly as part of the CSR education. (Next session is scheduled for 2010)
<ul style="list-style-type: none"> <li>Disseminate the EBARA Group environmental information outside via the EBARA Group CSR report and website.</li> </ul>	EBARA Group's CSR Report 2009 issued. The EBARA Group environmental information is disclosed on the company's website. <a href="http://www.ebara.co.jp/csr/">http://www.ebara.co.jp/csr/</a>
<ul style="list-style-type: none"> <li>Hold stakeholder meetings.</li> </ul>	Under consideration (not held in 2009)

# results of activities in 2009

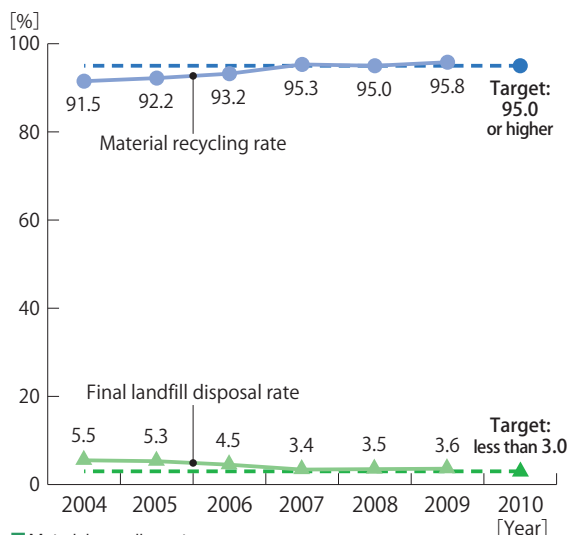


Scarlet skimmer

## Environmental data

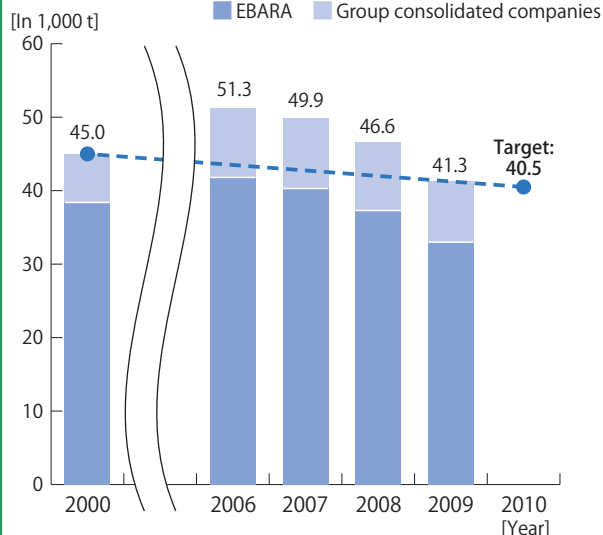
Organization subject to achievement of the EBARA Group Targets and the environmental data is set to be EBARA and domestic EBARA Group consolidated companies.\*1

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



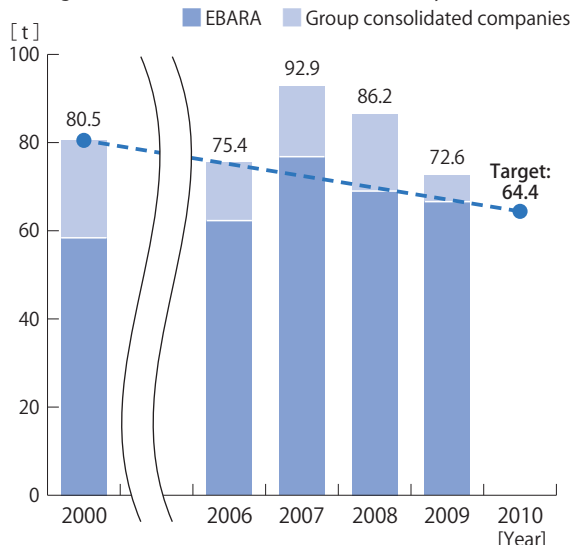
- Material recycling rate:  $\frac{\text{Material recycling amount}}{(\text{Material recycling amount} + \text{Final landfill disposal amount})} \times 100\%$
- Final landfill rate:  $\frac{\text{Final landfill disposal amount}}{\text{waste amount}} \times 100\%$
- Final landfill disposal amount: Includes the amount of untreated waste directly landfilled and the amount of residue landfilled without being reused after intermediate treatment.

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



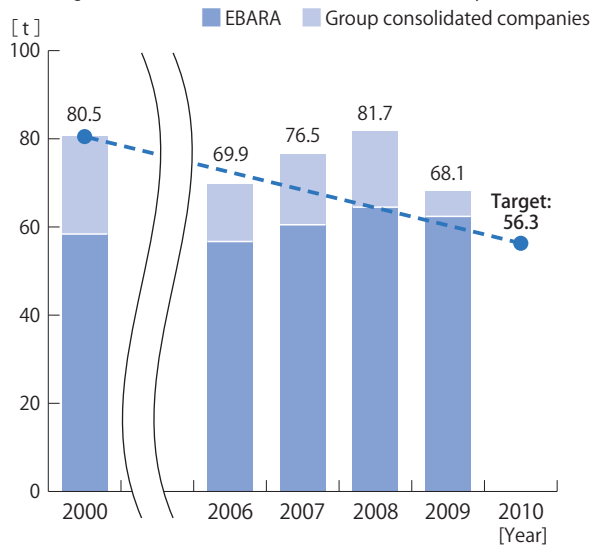
- Since we set the target back in 2000, we use an emission coefficient of 0.357 kg/kWh in compliance with the enforcement order regarding the Law Concerning the Promotion of Measures to Cope with Global Warming, which was effective in 2000.

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



- PRTR Law: A law to promote improvement in determining and managing the amount of specific chemical substances discharged into the environment.
- Discharge amount: The amount discharged into the environment such as into the air, water, and the soil.
- The figures for 2007 and 2008 were changed after a data review.

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



- VOC: Volatile Organic Compounds
- The figures for 2007 and 2008 were changed after a data review.

\*1 [EBARA and group consolidated companies] Twenty organizations including organization Nos. 1 to 14 in the "List of EBARA Group ISO14001 registered organizations" on <http://www.ebara.co.jp/csr/management/iso.html>; EBARA-Byron Jackson, Ltd.; Ebara Engineering Service Co., Ltd.; Ebara Industrial Cleaning Co., Ltd.; Nisetsu Co., Ltd.; Ebara Agency Co., Ltd.; and EBARA Shonan Sports Center Inc.



# EBARA Group business activities and environmental impact

We determine the environmental impact deriving from our business activities, and work on reducing such impact in our offices and districts.

## INPUT

### EBARA \*1

#### Materials

Metals (steels and nonferrous metals), plastic, rubber, wood, etc.

Electric energy ..... 68,064 MWh

Fuel (in crude oil equivalent) ..... 4,222 kℓ

Chemical substances  
(controlled by the PRTR law) ..... 100 t

Drinking water, industrial water, and groundwater ..... 455 km<sup>3</sup>

### EBARA Group business activities

R & D

Design

Procurement

Manufacturing

Sales

Services

Transportation

Products,  
Technologies,  
and Services

## OUTPUT

### EBARA \*1

#### Waste

Total discharged amount ..... 8,490 t

Recycled material amount ..... 7,251 t  
(Amount that we commissioned external companies for resource recovery and reuse)

Final landfill disposal amount ..... 191 t

#### CO<sub>2</sub>

Electric power and fuel-derived ..... 33,037 t-CO<sub>2</sub>

Product transportation ..... 2,133 t-CO<sub>2</sub>

#### Chemical substances

(controlled by the PRTR law)

Release and transfer amount \*3 ..... 74 t

Product shipment amount ..... 23 t

Discharged water ..... 321 km<sup>3</sup>

The difference in amount from the INPUT figure is due to evaporation from cooling towers used for air conditioning, etc.

### Group consolidated companies \*2

#### Materials

Metals (steels and nonferrous metals), plastic, rubber, wood, etc.

Electric energy ..... 15,740 MWh

Fuel (in crude oil equivalent) ..... 1,154 kℓ

Chemical substances  
(controlled by the PRTR law) ..... 203 t

Drinking water, industrial water, and groundwater ..... 187 km<sup>3</sup>

### Group consolidated companies \*2

#### Waste

Total discharged amount ..... 2,007 t

Recycled material amount ..... 1,305 t  
(Amount that we commissioned external companies for resource recovery and reuse)

Final landfill disposal amount ..... 187 t

#### CO<sub>2</sub>

Electric power and fuel-derived ..... 8,277 t-CO<sub>2</sub>

#### Chemical substances

(controlled by the PRTR law)

Release and transfer amount \*3 ..... 7 t

Product shipment amount ..... 171 t

Discharged water ..... 172 km<sup>3</sup>

The difference in amount from the INPUT figure is because of evaporation from blast furnace cooling towers, etc.

\*1 [EBARA] Nos. 1-5 in the "List of EBARA Group ISO14001 registered organizations" on <http://www.ebara.co.jp/csr/management/iso.html>

\*2 [Group consolidated companies] Nos. 6-14 companies in the "List of EBARA Group ISO14001 registered organizations" on <http://www.ebara.co.jp/csr/management/iso.html>, EBARA-BYRON JACKSON, LTD.; Ebara Engineering Service Co., Ltd.; Ebara Industrial Cleaning Co., Ltd.; Nisetsu Co., Ltd.; Ebara Agency Co., Ltd. and EBARA Shonan Sports Center Inc.

\*3 [Release and transfer] Release amount: Amount released into the environment such as the air, water, and soil.  
Transfer amount: Amount moved out of districts as industrial waste

# Environmental management

We operate the environmental management systems based on ISO14001.



Black-footed bush cricket

## Environmental management organization

The environmental management system of the EBARA Group is structured with the director in charge of CSR as the chief executive and the Environmental Control Committee at the top. The Environmental Control Committee decides the policy for environmental control activities and environmental conservation activities of the EBARA Group. To promote smooth and efficient activities, the Corporate Environmental Management Department serves as the secretariat and operates in cooperation with other offices, districts, and companies. The Environmental Management Promotion System is structured with environmental conservation of business hubs such as offices and districts and their surrounding areas (horizontal axis) and product and services-related environmental conservation (vertical axis).

The Environmental Manager Meeting serves as a venue to lay down specific policies and make activity plans for the entire EBARA Group, and to discuss issues and measures related to Environmental Management System while sharing information between the two axes. It is convened every other month with environmental managers at branch offices, districts, and companies as members, and the results of discussions are

reflected in the environmental management activities of each organization.

For overseas Group companies, the Corporate Environmental Management Department keeps track of environmental management activities in each company and collects performance data.

The Environmental Conservation Promotion Committee (NOA) consists of members selected from within the EBARA Group. Its purpose is to organize environmental contribution activities and to improve the environmental awareness of employees and their families. It also plans and practices various activities such as holding meetings to monitor the biotope pond (see page 45) and creating environmental calendars.

## ISO14001

The EBARA Group has promoted the acquisition of the international standard ISO 14001 certification for the continual improvement of the Environmental Management System. As of June 2010, 22 EBARA Group organizations including five overseas companies had obtained certification.

In 2009, we promoted continuous activities while reviewing the Environmental Management System by acquiring and renewing ISO 14001 certification in response to various changes, such as reorganization through several business withdrawals and splits, and the relocation of the Haneda Plant to Futsu. The environmental policy of each of EBARA's branch office and plant is posted on our website.

<http://www.ebara.co.jp/csr/policy/>

## EBARA Group's ISO 14001 registration status (as of June 1, 2010)

Registered organization	Number of Organizations
EBARA (Offices and Districts)	5
Domestic Group consolidated companies	9
Domestic Group nonconsolidated companies	3
Overseas Group consolidated companies	5
Total	22

List of ISO14001 registered organizations:

<http://www.ebara.co.jp/csr/management/iso.html>

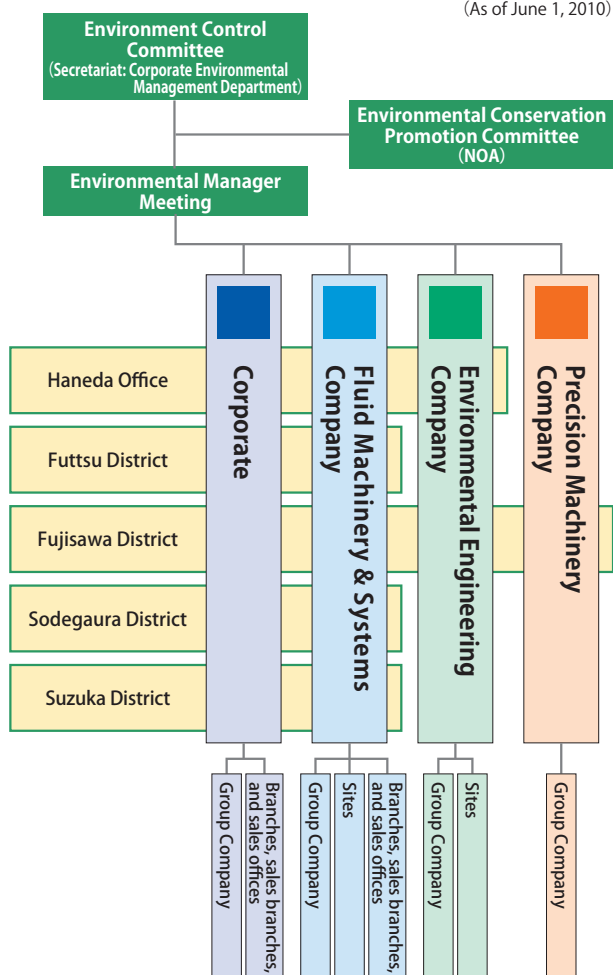
## Establishing the next environmental vision and environmental targets

The EBARA group is in the process of establishing the next environmental vision and environmental targets for 2011 and beyond, while engaging in various activities to achieve environmental targets (2010).

The next environmental vision is set as: (1) The EBARA Group aims to operate its business and create a society where nature and technology coexist, and (2) The EBARA Group will endeavor to conserve the global environment by providing technologies, products, and services. We are in the process of setting more specific and sustainable environmental targets (for 2020).

## Environmental Management Promotion System

(As of June 1, 2010)

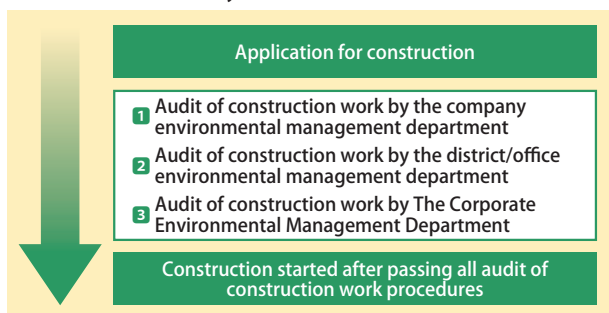


# Environmental risk management

The EBARA Group has introduced a framework of environmental screening and audits for the reduction of environmental risks including environmental pollution incidents.

## Environmental audit of construction work

Construction of new production or welfare facilities or restoration or removal of such facilities may cause various environmental impacts such as waste, vibration, and noise. At EBARA, we proceed with construction by performing a three-fold check at the construction planning stage of facilities: We assess environmental impact at the stages of installation and operation, and check legal compliance with environmental laws and the Industrial Safety and Health Law.



We conducted 144 environmental audits in 2009. The number of audits of construction work increased from 2008, mainly because we demolished old buildings, took measures to prevent soil contamination, and relocated various machinery and equipment associated with relocating the Haneda Plant to Futtsu. Through the environmental audit, we have avoided environmental risks associated with various constructions by disseminating the need to reduce environmental impact, comply with laws and regulations, and take into account work safety.

## Demolition of buildings and prevention of soil contamination in Haneda District

In the Haneda District, we have been voluntarily involved in the research and recovery of soil contamination since 2000, and have pumped out contaminated underground water and cleaned it in a decomposition process using microbes. When demolishing the old office building in connection with the relocation of the Haneda Plant to Futtsu and completion of the Haneda Office, we conducted a soil contamination investigation on the whole office site again in accordance with a Tokyo Metropolitan ordinance.

The investigation found soil contamination in approximately 39 percent of the area. The pollutants were volatile organic compounds and heavy metals such as lead and hexavalent chromium, which could have been derived from organic



Demolition of buildings and soil remediation in the Haneda District.

solvents and paints used in the past.

We submitted the investigation report and a plan for soil remediation to the Tokyo Metropolitan government and they were accepted. In December 2009, we started demolition work and soil remediation mainly by removing it. This work is underway with due consideration being given to the impacts of noise, vibration, and dust on the neighborhood. The removed contaminated soil is recycled as raw material for cement or as cover soil for the final landfill area.

## Environmental audits of the management systems

Environmental auditors perform a three-fold environmental audit to check compliance with environmental laws and regulations, implementation status of preventive measures against environmental pollution, and progress of promotion of environmental management activities.

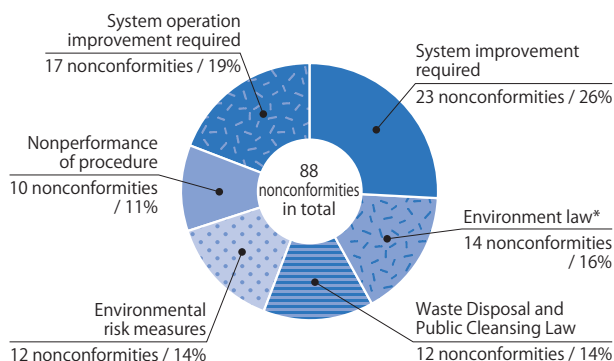
### ◆ Three-fold environmental audit of the management systems

Type of audit	Contents
Internal environmental audit (first-party audit)	Independent audit conducted by the company, office, or district
Corporate environmental audit of the management systems (second-party audit)	Audit of each site and company of the EBARA Group by the Corporate Environmental Management Department
Examination by an external certification body (third-party audit)	Environmental audit of the management systems by an external certification body

### ■ Corporate environmental audit in 2009

The corporate environmental audit in 2009 aimed at ensuring environmental risk management and thorough compliance with laws and regulations and promotion of environmental management activities that would be useful for the company's management. It was conducted on 17 companies by 28 environmental auditors registered with CEAR\*1 (including six EMS lead auditors). The number of points requiring improvement related to the Waste Disposal and Public Cleansing Law, of which there were many in 2008, decreased to 12 from 29, confirming the effectiveness of the three-stage environmental audit and environmental education.

### ◆ Breakdown of nonconformities pointed out by the corporate environmental audit in 2009



\*Mostly infringements of provisions of consignment contract and voluntary standards on water discharge

\*1 [CEAR] Center of Environmental Auditors Registration



# Environmental education, biodiversity conservation, and environmental accounting

We provide environmental education to reduce the EBARA Group's environmental risks and raise each and every employee's awareness on environmental issues and direct their concern and keep them alert about such issues while at work. In 2009, we covered conservation of biodiversity in the company-wide general environmental education as well. In addition, we have introduced an environmental accounting system to grasp the investments effectiveness of environmental activities.

## Environmental education

We have in place environmental education programs for management and all employees according to their functions. Environmental education consists of environmental education for the management (conducted every other year as part of CSR education), company-wide general environmental education for all employees at branch offices and districts, and special environmental education for each division.

Company-wide general environmental education, which is carried out every year, is reviewed and produced by the Environmental Education Committee each year, and was held 57 times in total in offices and districts in 2009. It introduces and shows the effects of EBARA's preventative measures for global warming, and environmental conservation measures in the Futtsu District, and also talks about biodiversity. After the education, we conduct a questionnaire, collecting requests from participants, and reflect them in the next year's education. Employees who cannot participate can take an e-learning course with the same content.

In 2009, to ensure thorough compliance when commissioning waste disposal treatment, we offered waste disposal risk management training for employees in charge of the environment in Group companies.



Fujisawa District biotope pond and fauna and flora

## Conservation of biodiversity

The Environmental Conservation Promotion Committee (NOA) created a small biotope pond in 2007 on a lot in Fujisawa District, and continues activities such as holding meetings to observe life in the pond and distributing observation data over the EBARA Group's intranet. *Fujisawa medaka* (killifish) and other fauna and flora that change from season to season live in the pond and make up part of nature's food chain, providing a place for employees and their families to learn about the importance of conserving biodiversity.

## Environmental accounting in 2009

The increases of other costs compared to 2008 are mainly due to taking measures to handle soil contamination at the Haneda District. Pollution control costs also increased because we installed VOC removal equipment in the Sodegaura District and installed facilities such as indoor painting booths in the Futtsu District.

Period : April 1, 2009 - March 31, 2010

Organizations : EBARA alone (Haneda Office, Haneda District, Futtsu District, Fujisawa District, Sodegaura District, Suzuka District)

Unit: Million yen, Figures in parentheses are data for 2008.

Environmental conservation costs	Capital investment	Daily expenses*	Major investment and expenses	Major effects
Pollution prevention cost	135 ( 0)	102 (178)	<ul style="list-style-type: none"> <li>Facilities such as VOC removal equipment and indoor painting booths</li> <li>Costs for transporting and storing transformers containing PCB</li> </ul>	<ul style="list-style-type: none"> <li>Comply with laws, agreements, and voluntary standards</li> </ul>
Global environment conservation cost	42 (428)	3 ( 0)	<ul style="list-style-type: none"> <li>Renewal of compressed air pipes</li> <li>Introduction of energy-monitoring system, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce amount of electricity consumption</li> </ul>
Waste treatment and resource recovery cost	2 ( 7)	231 (240)	<ul style="list-style-type: none"> <li>Waste treatment and resource recovery cost</li> </ul>	<ul style="list-style-type: none"> <li>Reduce the amount of landfilled waste</li> </ul>
Environment-related management activity cost	2 ( 2)	240 (249)	<ul style="list-style-type: none"> <li>ISO14001 holding evaluation and renewal evaluation cost</li> <li>Environmental auditor personnel expenses</li> </ul>	<ul style="list-style-type: none"> <li>Sustain and improve the environmental management system</li> <li>Avoid managerial risks</li> </ul>
Cost on social approach to minimizing environmental impacts	0 ( 0)	27 ( 41)	<ul style="list-style-type: none"> <li>Greening activities by the EBARA Green Fund</li> <li>CSR report preparation cost, and environmental ad and publicity cost</li> </ul>	<ul style="list-style-type: none"> <li>Promote greening, heighten the employees' awareness of environmental conservation</li> <li>Communication with stakeholders</li> </ul>
Other costs	409 ( 0)	392 (344)	<ul style="list-style-type: none"> <li>Soil environmental investigation and restoration cost</li> <li>Demolition and removal works of testing facilities</li> </ul>	<ul style="list-style-type: none"> <li>Restoration of contaminated soil</li> <li>Avoid environmental risks, etc.</li> </ul>
<b>Total</b>	<b>590 (437)</b>	<b>995 (1,052)</b>		

\*Depreciation is not included.

**Environmental conservation-related research and development cost** (tabulated separately from environmental accounting system)

In 2009 approx. 29 percent of the total research and development cost as a budget base was devoted to developing environmental conservation and improvement technologies and energy-saving technologies.

# Global environment conservation measures

The EBARA Group endeavors to conserve the global environment by providing products, technologies, and services, and is involved in reducing CO<sub>2</sub> emissions to help prevent global warming and reducing waste and emissions of chemical substances by renewing facilities and taking various measures.

## Global warming prevention measures

In 2009, greenhouse gas emissions decreased by 8.2% in CO<sub>2</sub> emission equivalent compared to 2000, whereas the 2010 goal is a 10% reduction compared to 2000. This is due to facility renewal and improved work efficiency resulting from daily energy-saving activities and decreased production caused by the global recession.

The EBARA Group is involved in a variety of measures to reduce CO<sub>2</sub> emissions in the future recovery phase of production activities to accomplish the EBARA Group's goals.

### ■ Measures to reduce CO<sub>2</sub> emissions at Futtsu District

When the Futtsu District was constructed, we reviewed the energy-saving performance of equipment and facilities with high energy consumption in the Haneda District, and devised a variety of CO<sub>2</sub>-reduction measures.

To reduce air-conditioning load, we insulated the plant building and office and welfare building. We adopted energy-saving equipment and facilities such as transformers, HVACs, lights, and circulating pumps, which are used in the plant for a long period. Furthermore, we have a system by which the compressors used in various parts of the plant are installed and operated separately according to their uses and areas, and are operated optimally by controlling the number of revolutions and the number of units operated with an inverter.

HVAC systems and lights in the office and welfare building can be zone-adjusted, and we saved energy using natural light to reduce the lighting load.

In the Haneda District, we reviewed CO<sub>2</sub>-reduction measures by installing an electricity-monitoring system and measuring electricity usage. We relocated and expanded this system in the Futtsu District, continuously verifying the effect of energy-saving activities there.



Reduction of lighting load using natural light

### ■ Measures for reducing CO<sub>2</sub> emissions at Fujisawa District

In the Fujisawa District, CO<sub>2</sub> emissions (derived from electric power and fuel) of the Precision Machinery Company account for about 60 percent of the total District, about 80 percent of which is derived from electricity and about 20 percent is derived from city gas.

As a CO<sub>2</sub>-reduction measure, we have applied an insulation paint coating on the roofs (about 38,000 m<sup>2</sup> in total) of all six buildings of the Precision Machinery Company from August to December 2008 in advance of other plant buildings in the District. At the same time, we also upgraded 542 light fixtures in the plants to high-efficiency lamps.

As a result, CO<sub>2</sub> emissions (derived from electric power and fuel) of the Precision Machinery Company in 2009 decreased by 15 percent from 2008, and by 31 percent compared to 2000 to about 9,800 t-CO<sub>2</sub>/year. City gas usage for HVAC has decreased by 20 percent compared to 2008, and electricity usage for lights has decreased by 30 percent compared to 2008, showing the effects of CO<sub>2</sub>-reduction measures implemented in the second half of 2008.

We will continue with energy saving activities, such as properly controlling the HVAC systems in the plant and turning off lights when nobody is working in each area, while effectively using the electricity consumption monitoring systems in major areas in the plant which began full operations in 2009, to maximize this effect in 2010 as well.



Roof of plant building after applying insulation paint

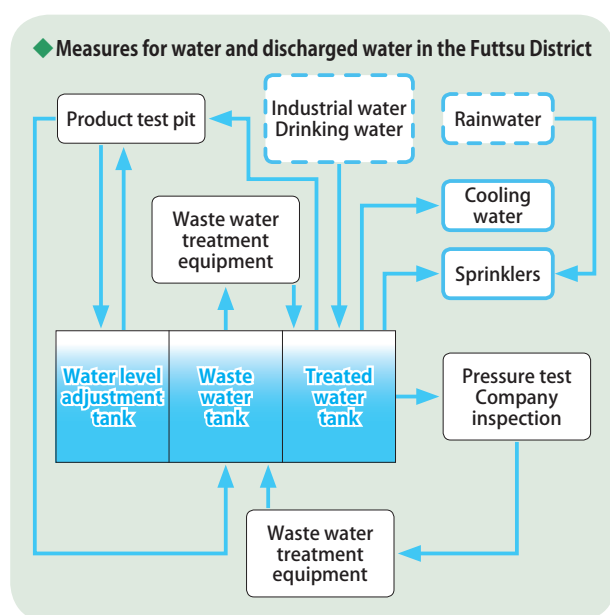
### Measures for water and discharged water

In the Futtsu District, we conduct test operations of large pumps and high-pressure pumps on order. For that purpose, we store 5,000 m<sup>3</sup> of test water in pit and tank at all times. Industrial water is mainly used for this test water, and now we can also use treated water from industrial waste water in addition to drinking water.



Ohio spiderwort (*Tradescantia ohiensis*)

During test operation of a large pump, the water level in the pit is lowered temporarily. The excess water in the pit was discharged in the past, but we have made it possible to adjust water levels by moving excess water to the tank (water level adjustment tank). We reduce water usage by moving water from the water level adjustment tank when raising the water level. We also use rainwater collected from part of the roof for sprinklers on green areas in the District. The Futtsu District reduces the usage of drinking water and industrial water through these measures.

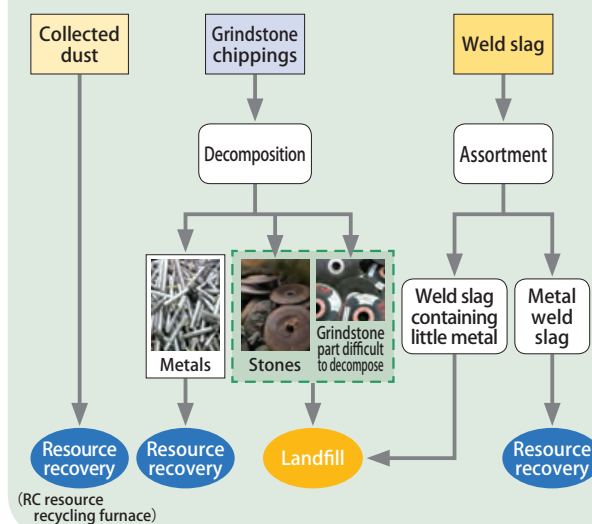


## Measures to reduce waste landfill

In the Futtsu District, grindstones are used in the process of polishing the surfaces of parts to improve pump performance and in the process of preparing the surface of a part before painting it. The collected dust and grindstone chippings generated during these processes had been disposed of in a landfill together with welding slag.

To reduce waste landfill, we now perform resource recovery on collected dust using the Perfect Recycle System of Kashima Senko Co., Ltd. Reduced iron is created by a RC resource-recycling furnace (a rotary kiln type of reducing furnace), and is used as a material for manufacturing iron. Grindstone chippings and weld slag are decomposed and assorted, and metal parts such as the shafts of grindstones can be recovered as a resource. Besides these measures in the Futtsu District, the EBARA Group aims to achieve a final landfill rate of less than 3 percent, the medium- and long-term goal, by 2010 through reviews of the design, procurement and manufacturing processes and sorting to reduce waste.

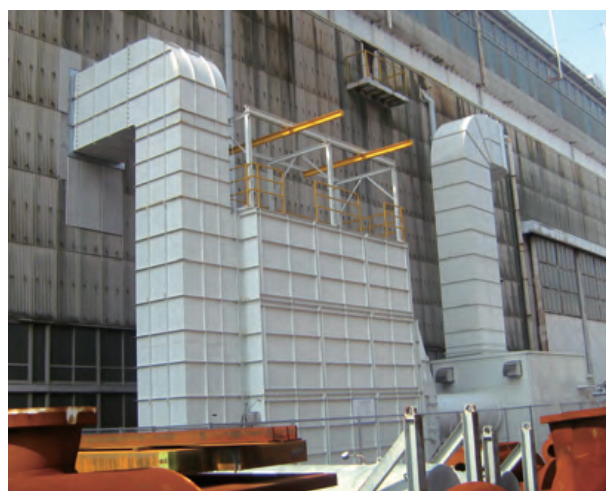
## ◆ Waste disposal flow of collected dust, grindstone chippings, and weld slag in the Futtsu District



## Measures to reduce emissions of chemical substances

The Sodegaura District works to reduce emissions of volatile organic compounds (VOC) that are emitted from paints used for painting products and can cause photochemical smog. We have the goal of reducing VOC emissions by 30 percent compared to 2004 by 2010. To accomplish this, VOC removal equipment was installed in the painting facility in December 2009, and is in operation.

This facility absorbs VOC with activated carbon and prevents its emission into the atmosphere. We have verified that it can eliminate approximately 85 percent or more of VOC emissions. With the introduction of this facility, we expect to significantly exceed the reduction goal of VOC emissions in 2010.



VOC removal equipment installed in the Sodegaura District



# Third-party comments



**Koji Shimada Ph.D.**  
Professor,  
Faculty of Economics  
Ritsumeikan University

Professor Shimada specializes in environmental system analysis and environmental policy evaluation. He is engaged in research, education, and social contribution activities to help solve environmental and regional issues through defining people's and corporations' preferences and mechanisms of action.

This is the third time I have commented on this report. Since 2008 when the Environmental Report was renewed as the CSR Report, I have been paying attention to CSR management in the EBARA Group. I can see from this report that the organization and systems embodying the management policy emphasizing corporate governance, internal control, and compliance have been developed. In addition, I note that they have continued to be disseminated among employees during this period (for example, the survey result showing the penetration of compliance awareness on page 23). I am sure that I am not the only person who felt through the CSR Reports over these years the sense of EBARA's management that in order to fulfill its responsibilities to the society, it has to make those who work within the company understand them first.

In addition to annual CSR training for the management, CSR training sessions for general employees was started in 2009, and a total of 3,545 persons participated in 57 workshops and deepened their understanding and awareness. This seems to be a steady but extremely meaningful effort. I can see the effort made to disseminate the importance of CSR using various opportunities such as holding Dialogue on CSR Report 2009 three times, where employees read reports from the stakeholders' point of view, and a meeting to exchange opinions with college students. There are ongoing efforts to communicate the EBARA Group's policy on CSR with suppliers through procurement, and it is also noteworthy that the response rate of the survey and CSR awareness of suppliers are improving each year (page 32). I hope EBARA will continue its promotion and education activities both inside and outside the company.

I had an opportunity to tour the manufacturing floors of the Haneda Plant in September 2009. I was reminded that high-performance large-scale pumps and other products, in which the results of technological development over a long time have been crystallized, are shipped from there, supporting society, industries and peoples' lives. I was

deeply moved to see that the long history of the plant, spanning about 70 years, was nearly at an end. There is a Japanese proverb that refers to birds cleaning their nests prior to leaving, and page 44 of the Report describes how work to restore contaminated soil at the site where the Haneda District stood is underway. I hope the site will eventually be reused for other purposes without any problems.

On the other hand, another big change in the EBARA Group's history is that the Futtsu District, the new location of the Haneda District, started operations in January 2010 with state-of-the-art production facilities. Measures for CO<sub>2</sub> emissions in the Futtsu District include installing thermal insulation in buildings, introducing energy-saving equipment and facilities, installing inverter-controlled compressors, and reducing the lighting load with natural light (page 46). I expect next year's Report will mention that the EBARA Group reached its goal of reducing CO<sub>2</sub> emissions for 2010 (10 percent reduction compared to 2000). In addition, it is also remarkable that the District has begun environmentally-friendly capital investments such as those to limit VOC emissions in the painting process by installing dedicated indoor booths, recycling collected dust and grindstone chippings, which used to be disposed of by landfill in the past, and treating organic compounds in wastewater by advanced oxidation process using ultraviolet radiation. While many of the environmental goals for 2010 are being achieved, I hope that the next environmental goals targeted at 2020 will be more challenging ones.

Finally, the EBARA Group will mark its 100th anniversary in 2012.

Many time-honored Japanese companies have practiced CSR management in accordance with their family and company precepts inherited from long before the foreign principle of CSR was introduced, as typified by *Sanpo-yoshi* of *Omi* merchants (the notion of three-way satisfaction, where benefits should ultimately also be conferred on partners and society at large). These old companies are known to have a commonality in that they waded through crises that emerged one after another such as natural disasters, depressions, and wars, while adhering to their core competence, maintaining and building trust, and having an enterprising spirit. The management of these companies can be said to have a sustainable relationship with the market, the community, and society. I expect the EBARA Group will continue supporting industries, society and life as sustainable companies in the future.

# EBARA Group's CSR challenges



**Akira Itoh**  
Director  
Managing Executive Officer  
EBARA

## Challenges in the EBARA Group CSR activities

The CSR Report Publishing Committee launched in October 2007 changed its name to the CSR Activities Planning Committee last year and made a fresh start with activities to expand its role in promoting CSR. I report on the progress of activities of the new Committee with the challenges enumerated in the CSR Report 2009.

### 1 Stipulation of CSR Policy that can be shared across the EBARA Group

We have considered drafting a written CSR Policy, but we could not reach a conclusion during 2009. We had several discussions while positioning the CSR Policy as something that clearly connects "Corporate Philosophy", which shows what the EBARA Group should be, and the "Code of Conduct", which indicates how each employee of the EBARA Group should behave. We thought the first thing to do in our CSR activities was to make employees recognize the corporate philosophy that "we contribute to society as a whole by providing superior technologies and excellent services," and behave in daily activities in accordance with the "Code of Conduct," as the norm embodying the corporate philosophy. Laying the groundwork for those top-priority activities, we continue to discuss a written CSR Policy that can be accepted by various stakeholders outside the Group.

### 2 Dissemination of the term "CSR" and its meaning

We received more than 1,000 responses from employees to the questionnaire related to the "CSR Report 2009." Although this is less than 10% of all the employees, I understand that employees now have an increasing interest in CSR compared with the 150 responses for the 2008 edition.

To turn such "interest" into "practice," we are committed to further education on CSR by such means as holding CSR education seminars for management and employees, using the intranet and company newsletter, and setting up CSR Report reading circles.

### 3 Raising awareness and promoting CSR activities within the entire EBARA Group

CSR education conducted in 2009 targeted employees of Group companies as well as EBARA Corporation. I would like

many employees to deepen their understanding of CSR using e-learning, too. To establish zero tolerance for harassment and eliminate all risks in business transactions, we will continue to improve our education program so that it sharpens the sensitivity of employees to facilitating early awareness of potential problems and their early resolution. We conducted a CSR questionnaire as we did in 2008 for domestic and overseas Group companies in 2009. We include the survey results in this CSR Report so that readers of the CSR Report will be well informed. We will promote CSR activities across the whole Group by reporting as many activities at each company as possible.

## On the third party comments

Professor Shimada of Ritsumeikan University was asked for his opinion on the CSR Report again this year. Since we started issuing the CSR Report, we have been working to establish compliance, governance, and internal controls, and put them into practice as the base of our CSR. From now on, we will enhance activities that contribute to various stakeholders through our business.

We relocated our manufacturing plant for large pumps from Haneda (Tokyo) to Futtsu (Chiba prefecture). We adopted various measures to establish a clean environment that is in harmony with the surrounding nature.

We will ensure our social responsibilities are fulfilled as a *monozukuri* (manufacturing) company by promptly responding to the wishes of customers who expect low prices and high quality. On the other hand, it is indispensable for group companies, as well as Ebara, to make efforts to reduce CO<sub>2</sub> emissions. We will continue to make steady efforts to get closer to achieving this goal.

We learned through the opinions and comments obtained during CSR education and from Dialogue on CSR Report that many employees are proud of their own jobs as well as EBARA Group's products, technologies, and services. We also received various suggestions about how we can make our company better. Now, the Company is about to mark its centennial anniversary. We will preserve the traditions we have cultivated in the past and also flexibly respond to the demands and changes of the times. At the same time, we will continue our efforts so that we may remain a company needed by society.



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