

1. The EBARA Group recognizes that it exists to support society, industry, and infrastructure.

ISO 26000
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Organizational governance

Human rights

Labour practices

The environment

Fair operating practices

Consumer issues

Community involvement and development

Medium-Term Management Plan E-Plan 2013

We have positioned the period of E-Plan2013, which began in fiscal year ended March 31, 2012, as a time to proceed with the implementation of measures, which were begun under the previous medium-term management plan, to strengthen our management foundation, and, with the theme of taking the “first steps toward tackling the new challenge of solid growth,” we will work to establish a more-solid, more-stable business structure.

Taking these objectives into account, among our five core businesses (businesses in pumps, compressors and turbines, precision machinery, environmental engineering, and chillers), we will position the first three as businesses that will pursue growth and the latter two to focus aiming for stability. We will have each of these businesses, both domestic and overseas, act as unified organization, and work to strengthen global competitiveness and vigorously pursue maximizing the value of each business.

In addition, to provide for corporate functions that will support business activities from a standpoint for pursuing optimal state for the entire Group, we will strengthen the functions of the Group headquarters / Global headquarters. We will also secure the necessary resources for sustaining growth and development of the Group as a whole; strengthen our governance systems, in addition to further upgrading our management systems, and creating systems that can provide sufficient support, such as in human resource development and other areas, for globally active business divisions.

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

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

- Promoting “regional production for regional supply” in priority areas and establishing optimally located production and supply system from a global perspective
— **Moving with the Tides of Change** —
- Working to enter new markets by expanding core businesses domains
— **Aiming for Solid Growth** —
- Aiming to optimize “monozukuri” (manufacturing) processes through scientific approaches
— **Internalizing Ceaseless Productivity Innovation into the Corporate/Organizational Culture** —
- Expanding the functions of the corporate headquarters in keeping with the globalization of business domains
— **Restructuring Group Management through Strengthening Group Headquarters/Global Headquarters Functions** —

E-Plan 2013 Targets we must achieve

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

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

※ ROIC: Net income / (interest-bearing liabilities + shareholders’ equity)
To reach this target without an overemphasis on either ROE or D/E ratio.

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

Operating income ratio: **9% or more**

Business issues and responses

In the external business environment, the prerequisite for implementing the E-Plan2013, we find the following two tasks as important business issues:

- ① Strengthening competitiveness in the global market
- ② Responding to the increasing demand for social and industrial infrastructures, focused in emerging nations.

Strengthen competitiveness in the global market

EBARA will grasp the currents of change that is the motive power for growth of emerging countries and will introduce the measures to strengthen its competitiveness in the global economy. Specifically, we will shift from the previous approach we have taken to developing our overseas operations, which focused on manufacturing in Japan and subsequently exporting to other countries, to an approach under which we manufacture in the locations that are optimal from a global perspective, as we also take logistics capabilities into account. As part of this shift in approach, in the areas that we have selected as strategic priority regions (China, Southeast Asia, the Middle East, India, Southeast Asia, the Middle East, Brazil, and the United States), selected mainly from among the emerging countries and regions, we will establish and expand sales and service functions as well as production capabilities based on the characteristics of each region. For example, in the Fluid Machinery & Systems business, we have taken local demand by establishing new sales and service facilities such as China, Korea and Middle East in past two years.

We will establish and expand sales and service bases or production bases to fit the characteristics of each region and implement local strategies holding the concept, “regional production for regional supply” as basis. Through this, we will create a system to moderate the effects of foreign-exchange fluctuations, to secure a more stable income flow.

Increase in demand for social and industrial infrastructure, particularly within emerging countries

It is expected that the demand for energy resources, such as oil, natural gas, and electricity will increase dramatically in tandem with the remarkable economic growth within emerging markets. The EBARA group will respond to these rapidly increasing energy demands by providing machinery that contributes to improved energy efficiency, and safer transport and energy conversion. In addition, we aim to simultaneously help create a comfortable environment and also curb global warming by providing energy-saving pumps and high-efficiency cooling equipment in urban areas, in manufacturing facilities, and as part of the social infrastructure. On other fronts, EBARA is also responding to various water-related issues, such as worsening water shortages and flooding due to climate change, by supplying fluid machinery, such as pumps, to seawater desalination plants and flood-control facilities.