

2. The EBARA Group innovates to supply technologies, products, and services that delight its customers.

Fluid Machinery & Systems Company

A Business to Address the World's Water and Energy Issues

Water infrastructures, such as water supply and sewerage systems and rainwater drainage facilities, are still underdeveloped in many countries and regions in the world. Floods presumably resulting from global climate changes also occur more frequently than before. About 97.5% of the water on the earth is seawater, against only 2.5% commanded by fresh water. Of this amount of fresh water, only about 0.01% is available to human beings. With the growth of the world's population, the problems of water shortages and worsening water quality have aggravated to urge solutions. The development of water infrastructures as a key element of a safe, reassuring and comfortable society is now sought around the world.

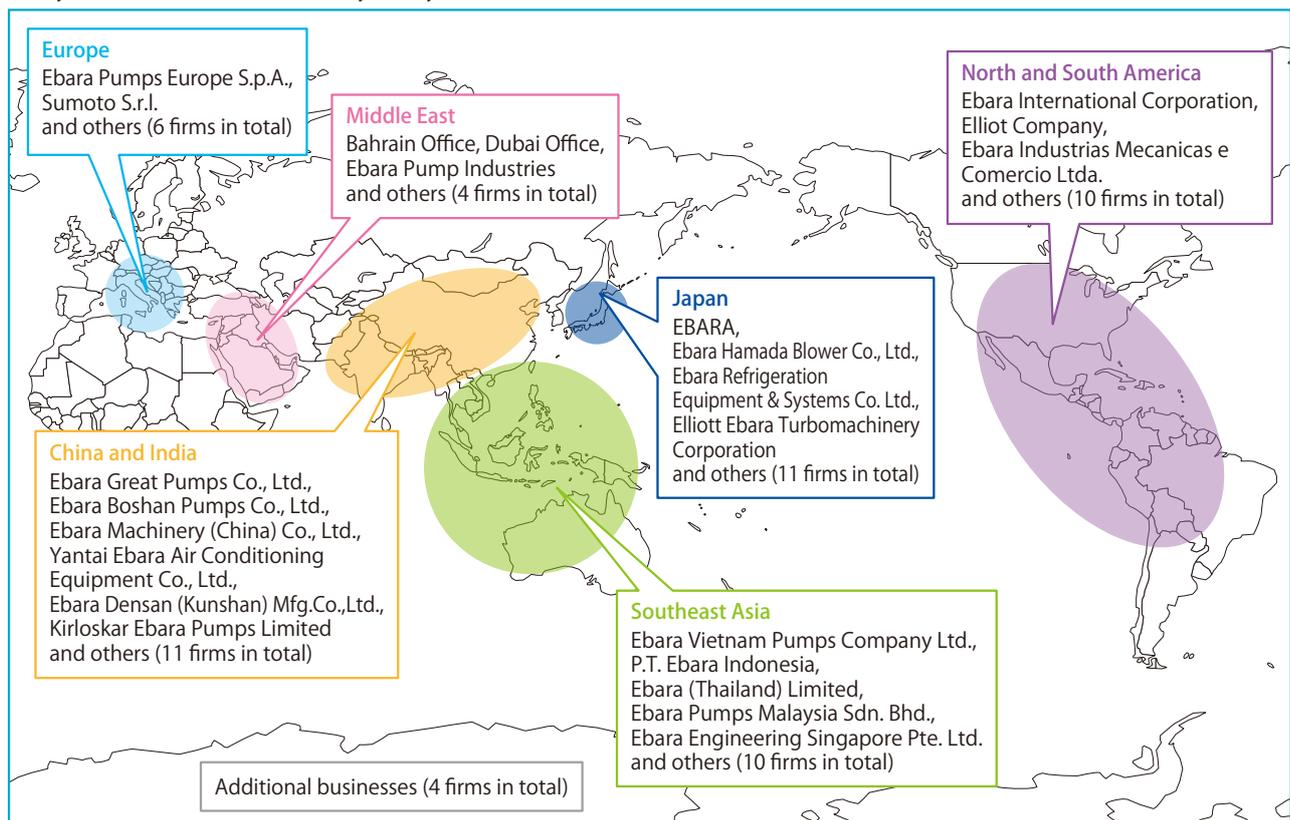
The growing global economy, particularly with rapid leaps in emerging nations, such as China, has boosting the world's energy demand each year. Keeping pace with national economic advances, the amounts of energies used in industries and

people's daily living continue to increase, requiring greater supplies of petroleum, gas, power and other sources of energies used around the world. The bulging energy demand has sparked the shale (gas) revolution, such that the world's energy climate could be transformed drastically.

In the meantime, increased fossil fuel usage could escalate carbon dioxide emissions, accelerating the pace of global warming. Problems, such as deforestation and desertification, worsen this concern, urging us to take responsive actions, such as saving energy consumption to cut back carbon dioxide emissions globally.

Our company builds upon three branches of business - pumps, compressors and turbines, and chillers - to address these challenges and needs. With our extensive lines of products and technologies, we would like to contribute to society, industry and living, particularly in response to the demands in China and India, both of which enjoy pronounced paces of economic growth, and in developing nations in Southeast Asia, Middle East and South America.

Key Global Sites of Fluid Machinery and Systems Business



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Building a Framework to Continue Business by Surviving Large-Scale Disasters

The Great East Japan Earthquake also afforded the EBARA Group an opportunity to have a renewed notion of the impact its own continuation of businesses might have upon the society. The EBARA Group has its manufacturing sites at home converged in the Kanto Plains. If a large-scale earthquake happens underneath the Japanese capital of Tokyo, it could hit the Group's key sites to disrupt the continuity of its businesses at least temporarily. If the social infrastructures to which our products are delivered are hit by earthquakes, urges to send in technicians to their sites might rush in. We are responsible for sending in our technicians to the earthquake-stricken sites without delay to have things back to normal. Further, even if an earthquake happens right under Tokyo, our products would still be in service as usual in the countries that have not been hit by the quake. To keep our products that have been delivered to global facilities and plants running successfully, uninterrupted spares backup is our responsibility. The implementation of a business continuity management system is underway in the fluid machinery and systems business sector of the EBARA Group to fulfill this and other obligations of us. A framework of collaboration among manufacturing sites located relatively close to Japan, such as those based in China and Southeast Asia, is being built to speed up the resumption of operations disrupted by the outbreak of disasters.

Production Innovation Movement That Relies on Originality and Ingenuity across Business Processes

The purpose of the production innovation movement is to build up the highest-efficiency production system in industry to minimize costs, inventories and lead times while filling customer requirements. A production innovation movement has been driven to improve work efficiency and maintain and even better product quality across the business processes (sales, design, procurement, production, logistics, delivery and operation) and to facilitate prompt delivery to our customers. In addition to activities in the pump manufacturing plants in Futtso, Fujisawa and Tochigi, a production innovation conference, plant patrols and a voluntary workshop*1 are held. The production innovation conference meets twice each year to present accomplishments of the actions taken at each plant. Plant site-based results are confirmed by officers. As the individual plants make the best use of their originality and ingenuity to work out better results than ever in time for this conference, they could help upgrade the

production innovation movement in the EBARA Group itself. Plant patrols are making cross-checks between plants on the status of their respective actions to find a clue to betterment of the actions. Members of the production innovation movement patrol each others' plants twice each month and hold active discussions. The voluntary workshop, organized into a study session, an inspection tour and an on-the-job training session, helps trainees develop an insight into the concepts of 5S activities,*2 material and information flow and other relevant issues and acquire new knowledge by taking inspection trips to companies so that what they have learned will be factored into our production activities. The voluntary workshop also serves an opportunity to help develop human resources connected with production. Since June 2012, Group companies in China also started a production innovation movement.



Production Innovation Movement Workshop in China

Developing Global Human Resources

A global human resources development program has been launched since 2011 to develop human resources that support global management. A flexible business sense that is not hampered by stereotypes of domestic practice to date and an ability to adapt to different cultures are seen among characteristics required of global human resources. Targeting more than half of the company staff of younger employees, the program involves them in an overseas assignment experience in capacities similar to their local counterparts. The program aims to help these employees develop smooth communication skills as work under local supervisors in principle. So far, about 20 have been assigned on loan to the U.S., Brazil, China, Korea, Italy, Thailand, Vietnam, Singapore, Bahrain and elsewhere.

* 1 [Voluntary workshop] A plan of activity consisting of voluntary researches and voluntary training aimed at speeding the pace of production innovation.
 * 2 [5S] 5S's (seiri, seiton, seiso, seiketsu, and shitsuke in Japanese, meaning sorting, set in order, systematic cleaning, standardizing and sustaining).

2. The EBARA Group innovates to supply technologies, products, and services that delight its customers.

ISO 26000
INDEX

Organizational
governance

Human rights

Labour practices

The environment

Fair operating
practices

Consumer issues

Community involvement
and development

CSR Activities for the Pump Business

The CSR of the pump business is to provide production solutions to help resolve the global issues of water, energies and global warming.

◆ Developing Product Solutions to Energy Saving in Buildings and Industrial Installations

Stainless-steel vertical-shaft multistage pumps and stainless-steel direct-acting centrifugal pumps mounted with a premium-efficiency (IE3, the highest efficiency in the International Electrotechnical Commission (IEC)) motor responsive to the motor efficiency regulations, etc., scheduled to be enforced in 2013, have been developed. These pumps save energy requirements 6 to 8% when compared with existing models



Energy Saving Pumps

providing similar performance, a CO₂ emissions equivalent of 0.3 to 0.4 ton*¹. The pumps are designed to offer greater safety with the addition of such features as a contact guard and tougher environmental resistance thanks to its reinforced corrosion-resistant coating to suit outdoor applications.

◆ Supplying Fresh Water to Desert Areas

Pumps with a canned corrosion-resistant duplex stainless-steel volute casing are delivered to plants that desalinate seawater in a desert area where fresh water is hardly obtainable from a river or rainwater.



One of the world's largest hybrid desalination plants, for Saudi Arabia (water making capacity: 1,025,000 m³/day).

◆ Filling the Demand for Water Infrastructures in Southeast Asia

The construction of a new plant started at Ebara Vietnam Pump Co., Ltd. (EVPC) in our prioritized and promising market place of Southeast Asia. EVPC is a manufacturer and distributor of large pumps and other products that support water infrastructure markets, such as agriculture and urban development, in Vietnam and the neighboring Southeast Asian nations. The company will



EVPC New Plant Groundbreaking Ceremony

continue setting up, upgrading and expanding its networks of locally oriented production, sales and service sites in pursuit of high performance, high quality, inexpensiveness and more, in its bid to build up a global framework of product delivery.

CSR Activities at Ebara Densan (Kunshan) Mfg. Co., Ltd.

Backs up social infrastructures and environmental protection.



Zheng Peng

Deputy General Manager, Production Division
Ebara Densan (Kunshan) Mfg. Co., Ltd. (EDKM)

Supports Waste Water and Sewage Treatment

EDKM produces submersible pumps and motors used to drain buildings and plant facilities and to convey and discharge waste water and sewage containing fibrous, solid or other foreign matter, contributing to the advancement of waste water and sewage treatment, a social infrastructure of a nation.

Product shipments grow year after year, topping the 40,000-unit mark in 2012 with primary impetus from Southeast Asian nations on a continuing orbit of rapid economic growth.

Production Innovation Activities to Respond to Diversified Needs Swiftly

As the market grows larger to keep pace with a sprawling urban sphere, needs for existing applications as well as industrial waste water treatment systems, for example, continue to get diversified amid mounting awareness of environmental protection. The production innovation movement, a program aimed at improving upon day-to-day production processes, has been driven to address such broad needs while retaining a high level of product quality.

We have taken certain measures in our bid to deliver consistently high-quality products to our customers regardless of their volume, large or small. These measures included leveling of the process-specific work loads in the pump assembly line and optimizing the tooling layout. As a result, productivity has been boosted by over 11% against its FY2011 level. The better work efficiency has also helped save energy requirements for the assembly line, reduced the power consumption by about 10%.

Work efficiency in the motor assembly line as well has been elevated as a result of taking such measures as trimming the travel distances of workers and materials, with the result of productivity having been increased more than 10% over the FY2011 level.

Each instance of improvement implemented uncovers another area of improvement required - in an endless chain. But we are committed to continuing with the production innovation movement in our concerted effort to produce and deliver products that satisfy the needs of our customers.

* 1 Value calculated for running a 5.5 kW model at its rated output capacity. The CO₂ emissions equivalent is a calculated value for running the same at its rated output capacity for 8 hours a day for 250 days a year.

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CSR Activities on Compressor and Turbine Business

◆ Reinforced Governance Structure

Elliott Group, the compressor and turbine business sector of the EBARA Group, maintains a global network of 35 sites spanning 17 countries. We recognize that the establishment and implementation of a corporate governance structure is an essential component of an effective and robust global management system and will result in consistency in management policies throughout the global network. In August 2012, the corporate governance structure of Elliott Group was introduced anew. A global compliance department, an internal control department, and the internal audit department were formed and these critical functions report directly to Elliott Group's CEO, thereby ensuring that uniformity in management and standards are achieved throughout all of Elliott Group's global network.

◆ Approaches to Compliance

Elliott Group is committed to providing transparency in all its dealings and strictly prohibits conduct which may be deemed to be corrupt, unfair, illegal or unethical competition. Evidencing Elliott Group's requirement of ethical and legal compliance, its Chief Executive Officer recently issued an anticorruption declaration to all Elliott Group employees. Elliott Group has adopted a comprehensive Code of Conduct addressing legal and ethical obligations and standards that must be attained. The Code of Conduct is available in nine different languages and is available to the public at large on the world wide web. Elliott Group's Chief Global Compliance Officer has effectuated a web-based training program for all Elliott Group employees world-wide. Accordingly, the training is available in at least seven different languages (English, Japanese, Chinese, German, Italian, Portuguese, and Spanish). Additionally, in-person, interactive compliance training sessions are provided to Elliott Group's employees in all countries and the compliance office engages in conducting audits and investigations when it is appropriate to do so.



Elliott Advanced Leader Development Program(ALDP)

CSR Activities at Elliott Group

Maintenance and Betterment of Safety and Quality

Eiji Miyamoto
Executive Officer
Elliott Ebara Turbomachinery Corporation



Elliott Group develops its activities globally by establishing an HSE&Q department in the head office to supervise safety and health, environmental and quality matters and appointing a safety supervisor at each site.

We recognize that employee's safety is of paramount importance and instances of safety improvement practices are released to safety supervisors in each location timely to allow sharing safety information with a view to achieving enhanced safety.

In benchmark activities, The Pull-up Method Based on a Test Plan, which has proven performance in Sodegaura Plant, has been introduced into Jeannette Plant. In addition, the same model as an impeller blade machining five-axis machine already in service at Sodegaura Plant with high productivity has been installed at Jeannette Plant. Preparatory to its installation, Jeannette Plant engineers and workers were trained to practice NC program and machine operation at Sodegaura. To facilitate the launch of the five-axis machine in a short time, the tooling set used at Jeannette was equalized with that used at Sodegaura. In regards to a manufacturing process of each set of parts, detailed procedures and methods used at the two plants are also continually compared and verified and we strive to share manufacturing know-how between them and to provide high-quality products with high customer satisfaction.

Developing Globally Competitive Human Resources

In order to develop human resources that undertake the responsibility for being a "good global citizen" with a high standard of ethics, a unified training is being conducted regardless of country, culture, customs and so on.

In our successor training plan, our efforts are concentrated on fostering global human resources such as promoting a system of personnel rotation, so that person who was appointed a next manager acquires cross-cultural communication in a short time. In Elliott Leader Development Program, which aims at fostering managers for FY2012, 30 employees were selected from around the world and involved in a two-week session of an education program. In addition, Elliott Advanced Leader Development Program (ALDP), which is designed to foster future executives, has been launched since FY2012 to provide two-week education for 14 prospective executives selected from the world. Group workshops will be carried on to bolster the development of human resources capable of demonstrating their abilities at any sites in the world.

2. The EBARA Group innovates to supply technologies, products, and services that delight its customers.

ISO 26000
INDEX

Organizational
governance

Human rights

Labour practices

The environment

Fair operating
practices

Consumer issues

Community involvement
and development

CSR Activities on Chillers Business

Since Japan's first centrifugal chiller was rolled off the mill in 1930, a wide array of models has been developed to fill the needs of Japan's era of rapid economic growth. The chillers business sector of the EBARA Group, including high-efficiency refrigerators and cooling towers, is presently undertaken by Ebara Refrigeration Equipment & Systems Co. Ltd. (ERS) and Yantai Ebara Air Conditioner Co., Ltd. in China. The two companies continue to address the urges of a recycling-ready society, such as leveraging untapped energy sources from the sewage treatment, power generation so on and diversifying energy sources, in countries around the world, including Japan and China.

◇ Responding to Environmental and Energy-Saving Issues in China

As China follows a continuing trail of urbanization and industrial growth, its 12th five-year program, a national endeavor launched since 2011, cites, among other things, renewing facilities to save energy requirements and volume-producing and applying energy-saver products as part of its national package of energy-saving and environmental protection measures. Responsive to this demand, Yantai Ebara Air Conditioner Co., Ltd. has deployed its production process innovation activities to cut costs, trim lead times and pursue higher efficiency and delivered large absorption heat pumps, which serve as core facilities in district heating installations operating on exhaust heat released from large power plants in China. The heat pumps retrieve heat from previously untapped low-temperature waste water to contribute regional energy conservation.

◇ Developing Products to Leverage Untapped Energy Sources

ERS and Tokyo Gas Co., Ltd. and Miura Co., Ltd. have jointly developed an unused hot water process vaporization system (brand-named "Steam Link"®). The system vaporizes hot water discharged from various processes in a plant at around 90°C and generates steam at 160°C and under 0.5 MPa or so for recycling in many manufacturing processes in the plant, such as heating and sterilization. It was awarded a Progress Award (technology division) by the Japan Institute of Energy and a FY2012 Technology Award by the Japan Gas Association in February 2013 in recognition of its potentials to cut carbon dioxide emissions drastically by saving energy requirements.

» Steam link



※ "Steam Link" is a registered trademark of Tokyo Gas Co., Ltd.

CSR Activities at Yantai Ebara

Better product quality and environmental protection are valued to lead to greater customer satisfaction.



Yu Dehu

Executive Vice President
Yantai Ebara Air Conditioner Co., Ltd.

Quality Management and Environmental Management

Yantai Ebara Air Conditioner Co., Ltd. was certified under ISO9001 in April 2000. The company has consistently spent the following 13 years to infuse its employees with its quality policy that "our everlasting goal is to win customer satisfaction by carrying on continuing efforts to achieve sustainable improvement" to help them develop a better notion of quality consciousness. Periodic implementations of objective management and process management allow us to keep up with sustainable improvement and win greater customer satisfaction.

In 2012, a visiting questionnaire survey was conducted among our customers in the industrial process field with regard to service timeliness, service work efficiency, servicepersons' skills and so on. As much as 94% of the customers surveyed were satisfied with our products and services.

In 2004, we set up an environmental management system and established an environmental policy that reads: "Compliance, environmental pollution control, energy saving, continual improvements on these - all that does good to the earth starts from EBARA." We abide by environmental legislations and keep our employees keenly aware of the value of environmental protection. We also take responsibility to cut environmental burdens by saving in-house energy needs and pursuing zero contaminant emissions. The environmental policy is realizing by developing energy-saving products and manufacturing environmentally sound products by utilizing waste heat.

Workshop Held to Pursue Better Manufacturing Skills

A workshop focusing on the issues of quality control in the production processes is held once each month in an effort to enhance the field workers' skills and quality consciousness. After repeated sessions of the workshop, the number of single unit rejections have been continually held to within 0.25, with the number of single unit being reduced to 6.83 or less, thereby achieving better product quality and enhanced customer satisfaction.

Brewing CSR Awareness Further

The company will carry on its efforts further to enhance its own awareness of being a business contributor to solving energy and other issues, as well as compliance, while reinforcing its framework of internal control.