Message from the Company’s President

Waste incineration facilities are an important part of social infrastructure that supports sanitary urban environments and are a crucial part of human life. The Environmental Engineering Company provides total solutions from design and construction of waste incineration facilities to their maintenance, management and operation. Through our business activities, we are helping people live safe and secure lives.

During FY2014 (the fiscal term ending March 2015), the company was able to achieve results that surpassed those of the previous year. In addition, we were able to achieve the targets set for the first year of the Medium-Term Management Plan (E-Plan2016), which started in April of last year, thanks to the support of our stakeholders. I would like to take this opportunity to express my sincere gratitude.

The E-Plan2016 describes the company we want to be in 2019; one which stands at a leading position in both the EPC*1 and O&M*2 markets in Japan. This does not refer simply to management indicators such as sales and operating income, but means becoming a dominant business entity in the solid waste incineration business in Japan with the highest levels of trust from satisfied clients.

To gain trust and meet expectations, we will fulfill our corporate responsibility and achieve growth in harmony with society by promoting continuous creative innovation and perseverance, in order to provide technologies, products and services that satisfy customers.

Akira Ichihara
Executive Officer
President
Environmental Engineering Company

*1: [EPC] Engineering, Procurement and Construction
*2: [O&M] Operation & Maintenance

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EEP Deliveries in Japan (facilities in operation)

Kyushu, Okinawa
Public: 7; Private 2

Chugoku, Shikoku
Public: 18; Private 11

Chubu
Public: 31; Private 11

Tohoku
Public: 10; Private 6

Kanto
Public: 27; Private 14

Kinki
Public: 10; Private 3

Hokkaido
Public: 10

Ebara Environmental Plant Website
Goals for FY2019

We seek to establish a leading position (become a top leader in terms of market share, profitability and efficiency) in the market of construction and operation of waste incineration facilities in Japan. To achieve this, the company will further reinforce its stable earnings structures and maintain and expand business opportunities and profitability in Japanese markets while increasing business efficiency to substantially raise productivity and profitability with a target operating income ratio of 11% or more. In addition, core technology in this business will be defined as repair, operation and facility operation know-how based on facility design and construction know-how that reflects knowledge from the O&M business as well as facility design concepts. By further integrating the O&M and EPC businesses, we will reinforce core technologies and distinguish our technologies from the competition.

Business Strategy under E-Plan2016

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Risks</th>
</tr>
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<tbody>
<tr>
<td>• Increasing demand for rehabilitation of existing facilities</td>
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<tr>
<td>• Increase in comprehensive operation package of existing facilities</td>
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<tr>
<td>• Delay or cancellation of construction projects for new waste incineration facilities</td>
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</tbody>
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Orders / Net Sales

E-Plan2016 Targets

Net Sales (FY2016) ................................................................. ¥65 billion
Operating Income (FY2016) ............................................................ ¥6.5 billion
Operating Income Ratio (FY2016) ........................................................ 10.0% or more

For further details, see the Integrated Report.
E-Plan2016 Basic Policies

(1) Build earnings structures that can secure stable sales and operating income in the EPC market in Japan.
(2) Expand business fields in the O&M market in Japan by raising customer satisfaction, customer focus, and customer confidence.
(3) Maximize synergy effects between the EPC business and O&M business in order to reinforce competitiveness of the whole business (cost, quality, business format).

Main Results in FY2014 and Future Plans

EPC
Order Received for Minami Shinshu Wide Area Union New Waste Treatment Facility Construction and Operating Project
During FY2014, an order for the Minami Shinshu Wide Area Union (provisional title) New Waste Treatment Facility Construction and Operating Project was received in the EPC business. This DBO*1 scheme format project provides for comprehensive package of design, construction, and 20 year operation and maintenance of the new incineration plant for the stable and efficient incineration of combustible waste from Iida City, three towns, and nine villages in Nagano Prefecture as well as generation of electricity from the thermal energy of the waste. The facility will have a treatment capacity of 93 tons per day and generating capacity of 1,280 kW. EBARA HPCC21 stoker-type incinerators will be used, achieving high-efficiency electric power generation and energy savings through low-air ratio combustion and fine gas recirculation in order to reduce carbon dioxide emissions and greatly lower environmental impact. Going forward, we will make efforts to reduce costs and bolster competitiveness by standardizing incinerator designs and creating design packages in order to establish stable earnings structures in the EPC business.

With regard to the four orders received in FY2014, carbon dioxide emissions were cut by more than 50% in Ichihara City, more than 20% in Tokorozawa City and Izesaki City, and more than 3% in Kyosato-cho. In the future, we will continue deploying the latest technologies to efficiently use existing facilities and will undertake plant rehabilitation projects in order to substantially reduce carbon dioxide emissions. We will also work to increase orders for long-term comprehensive packages, management, and maintenance of existing facilities, as there has been an increase in these types of requests from local governments, which are major customers, in recent years.

Maximize Synergy Effects
Among new municipal waste incinerator projects, DBO schemes have become the favored project style of local governments. We will make proposals to customers based on our know-how gained in the EPC and O&M businesses as well as integrated business operation in all fields covering design, construction, maintenance, management, and operation as our strengths to receive new orders. We will also generate reconstruction demand through companywide sharing of regional plans to promote the formation of a recycling-based society from local governments and developing of potential projects that anticipate facility reconstruction by proposing without delay the latest EPC technologies and services tailored to customer needs.

O&M
In the O&M business, one order was received for a long-term comprehensive project (Iwamizawa City) and four orders were received for plant rehabilitation projects (Ichihara City, Tokorozawa City, Izesaki City, and Kyosato-cho) in FY2014. Plant rehabilitation projects restore functionality, extend the life span of the facilities and reduce carbon dioxide emissions by upgrading equipment, installing energy-saving equipment and improving combustion control.

*1: [DBO] Design, Build, Operate. A scheme whereby a public agency procures funds and outsources design, construction, and operation to a private company.
Stoker Incineration Facilities Installed in Iwamizawa City

Construction of Iwamizawa City’s Intermediate Treatment Facility was completed in March 2015. For this project, the latest EBARA HPCC21 stoker-type incinerator was installed, enabling the facility to clear environmental emissions regulations stricter than the national standards and generate electricity using waste heat produced during the waste incineration process. The electricity generated is consumed as power within the facility, and the excess is supplied to a leachate treatment facility at the final landfill. In addition, a recycling facility effectively turns bottles, cans, plastic bottles, plastic packaging, and other materials into resources. The city entrusted the company with a package long-term comprehensive management and operation project for this facility and the final landfill site for 20 years, starting April 1. We will continue making use of the technologies and extensive service experience that we have accumulated over many years and strive to conduct safe facility operations that provide a sense of comfort to local residents.

Environmental Education

Through our interactions with local communities and environmental education initiatives, we are creating opportunities for people to think about the environment including waste and energy issues by presenting information on our recycling-based society programs through waste treatment.

Local Production for Local Electricity Consumption generated by waste

In response to changes in circumstances relating to electric power supplies since the Great East Japan Earthquake, systems for fixed-price purchase of renewable energy have been implemented and there are moves towards deregulation. Waste incineration plants with electric power generating facilities are attracting attention as regional distributed electric power sources. Against this backdrop, Ebara Environmental Plant Co., Ltd. has been purchasing electric power as a new power producer and supplier (PPS) and conducting electric power management through EBARA Green PPS. It is also purchasing power generated by waste incineration facilities and supplying it back to local communities and taking measures regarding local production of power for local supply by using waste to generate electricity.

Since the start of operation of the first model unit for local production of electric power for local consumption scheme at the Warabi Toda Eisei Center in Saitama Prefecture in 2012, the initiative has been expanded to the Hirosaki Area Environmental Maintenance Association, Saga City Waste Incineration Plant, and Fukushima City Arakawa Clean Center.

Purchased electric power generated at the Saga City Waste Incineration Plant, which began local production for local consumption initiatives in 2014, is supplied to 51 elementary and junior high schools in the city. Measures have been taken to facilitate visualization of the power by enabling real-time confirmation of total power supplied by the incineration plant as well as graphing distributed power and power consumption. Content in the form of posters, stickers and quizzes has been prepared to create opportunities for students to consider these issues on their own, aiding in environmental education.