

EBARA CORPORATION

(6361)

E-Plan 2010

(Medium-Term Management Plan)



November 2007

Positioning of This Management Plan



Three-Year Management Plan Starting in April, 2008

The term of this plan has been positioned as “a period for restructuring the Group’s management foundation” in preparation for the next management plan, whose term will be “a period for taking up the challenge of business expansion.”

Chief Concerns in Implementing This Plan

1. The Group’s Concern as a Manufacturing Enterprise
2. Concern for Improving the Environment
3. Concern for Internal Control Systems and Operating Efficiency
4. Concern for Our Motto, “EBARA Walking with Its Customers”

Objectives of This Plan



1. By the end of the final year of the plan, we will work to attain a ratio of operating income to sales of 5% or more and reduce interest-bearing debt to ¥150 billion or less.

2. We will nurture two or more products to support new businesses.

- In preparation for the coming period of expansion, we will nurture two or more products that have the potential for attaining sales of ¥10 billion or more by the final year of the current plan and then ¥30 billion or more under the next management plan.

3. By the final year of this plan, we will work to attain the following targets:

- ROE of 8.0% or more
- Debt/equity ratio of 0.9 or less or a shareholders' equity ratio of 30% or more

1. Strengthening the Business Base for Sustained Growth

1-1. Selectivity and Concentration

1-2. Establishing a Business Base from a Global Perspective

1-3. Improve Cash Flow

2. Implementing Corporate Activities That Emphasize Compliance

1. Strengthening the Business Base for Sustained Growth

1-1. Selectivity and Concentration

- Regarding unprofitable businesses and businesses that require a long time for recovery of invested capital:
 - Withdraw, regardless of whether the businesses are in the parent company or subsidiaries
- For businesses that have the potential of attaining annual sales in excess of ¥100 billion and a ratio of operating income to sales of greater than 7% :
 - Allocate capital on a priority basis to increase sales and improve product profitability

1. Strengthening the Business Base for Sustained Growth

1-2. Establishing a Business Base from a Global Perspective

- For businesses and products that are marketable globally:
 - Improve and strengthen systems for international marketing and support
- For businesses and products lacking international marketability:
 - Withdraw from overseas markets and focus on the domestic market

1. Strengthening the Business Base for Sustained Growth

1-3. Improve Cash Flow

- **All companies are expected to generate positive free cash flow within two years**
(→With the exception of those new products and businesses where the Group is making development investments)

2. Implementing Corporate Activities that Emphasize Compliance

- Establish internal control systems and implement measures to enable a spirit that truly emphasizes compliance to take root
- Improve efficiency of business processes to maximize results from capital investment

Numerical Targets



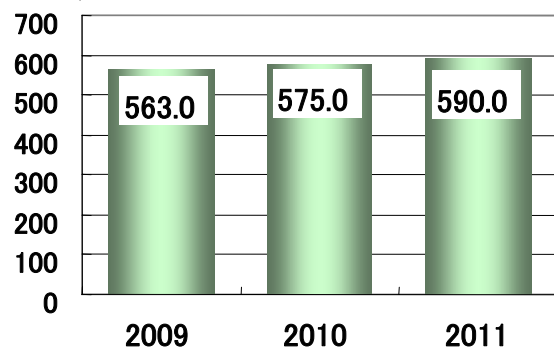
Numerical Targets (Consolidated)

(¥ billion)

Years ended March 31	2009	2010	2011
Net sales	563.0	575.0	590.0
Operating income	20.0	27.0	35.0
Net income	7.0	11.0	14.0

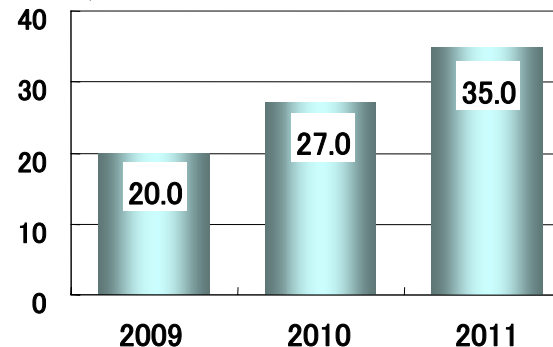
(¥ billion)

Net sales



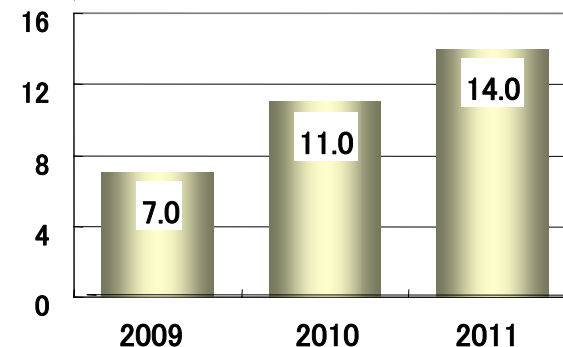
(¥ billion)

Operating income



(¥ billion)

Net income



By the final year of the Plan (the year ended March 31, 2011)

ROE: 8.0%

Debt/equity ratio: 0.9 or less or shareholders' equity of 30% or more

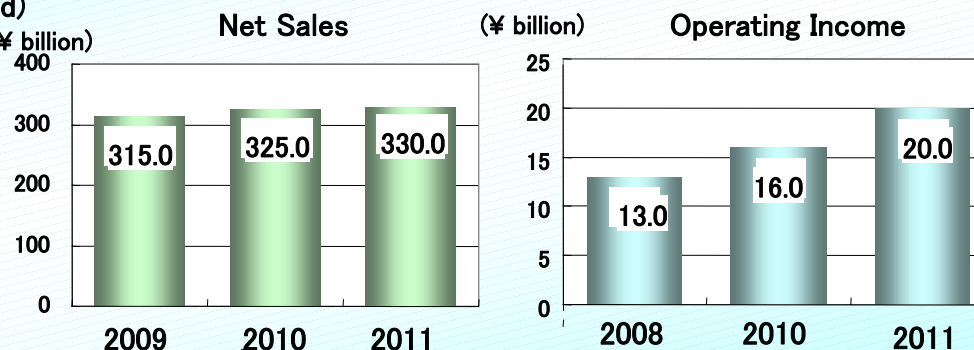
Basic Policies by Segment ① Fluid Machinery & Systems (FMS) Business



Numerical Targets

Numerical Targets for the FMS business(Consolidated)
(¥ billion) (¥ billion)

Years ended March 31	2009	2010	2011
Net sales	315.0	325.0	330.0
Operating income	13.0	16.0	20.0
Ratio of operating Income to net sales	4.1%	4.9%	6.1%



Business Policies

The FMS business will aim “to realize sustained growth in its businesses in global markets and enhance profitability.” and consolidate its position as a world leader.

Business Environment

- Continued strong demand is expected (1) for medium- to large-size FMS equipment for the oil and gas industries as well as electric power industries and (2) for smaller FMS equipment for construction, especially in China and Southeast Asia.
- Although the domestic public works market will continue to shrink, demand for improvement and replacement investments will remain firm.

Principal Measures

① Standard Pump Business

- Optimizing from an overall perspective, the Company will make investments as needed in important regions, including China, Europe, and elsewhere, and expand its sales and profits in global markets.

② Custom Pump Business

- Put priority on expanding sales to oil and gas producers, electric power companies (including nuclear power), and seawater desalination plants
- Increase profitability through effective use of the horizontal division of work across production centers
(Japan: Bring new plant onstream; China, etc.: Strengthen production)

③ Compressor Business

- Accelerate integration of the Elliott Group to increase profitability in sales of apparatus and in after-sales service

④ Social Infrastructure Systems Business

- Implement thoroughgoing measures to increase profitability (including reorganization of operations)

**Attain an operating income to sales ratio of 6% or more
by the final year of the medium-term plan**

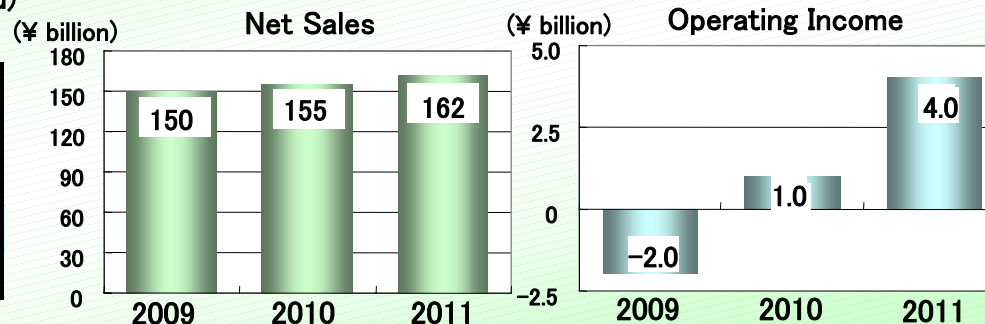
Basic Policies by Segment ① Environmental Engineering (EE) Business



Numerical Targets

Numerical Targets for the EE business(Consolidated)

Years ended March 31	2009	2010	2011
	(¥ billion)		
Net sales	150.0	155.0	162.0
Operating income	-2.0	1.0	4.0
Ratio of operating Income to net sales	-1.3%	0.6%	2.5%



Business Policies

The three years under the medium-term plan have been positioned as a time for business restructuring of the EE business. Some measures will be implemented to speed up the restructuring of the revenue and income bases. Accordingly, the EE business will be revitalized as a business unit with an autonomous business base.

Business Environment

- Domestic public works: Full-scale adoption of all-inclusive contracts and comprehensive evaluations
- Rising demand for alternative fuels, including waste product, as fossil fuel prices rise

Principal Measures

① Realign Water-Treatment and Waste-Incineration into Two Separate Companies

To concentrate management resources and respond flexibly to market changes, we will realign water-treatment and waste-incineration into separate companies integrated with their engineering, procurement, and construction (EPC) functions as well as operation and maintenance functions, and will work to revitalize their activities.

② Expand After-Sales Service Business

Based on the advantages of its accumulated differentiated products, the abundance of delivery records in both EPC and O&M, and the nationwide O&M services network, we will expand its activities in the after-sales service market and strengthen its revenue base by responding appropriately to market changes, increasing activities for renewal and life extension of the existing plants, and responding to demand for private consignment from the public sector.

③ Improve Price Competitiveness

- Make improvements in its differentiated products, equipment, and materials as well as strengthen development capabilities
- Standardize technology (design)/create product and services packages

④ Withdrawal from Waste-Incineration Business in Overseas Markets

Concentrate on the fulfillment of existing orders and will not receive new EPC orders.

Attain an operating income to sales ratio of 2.5% or more
by the final year of the medium-term plan

Basic Policies by Segment

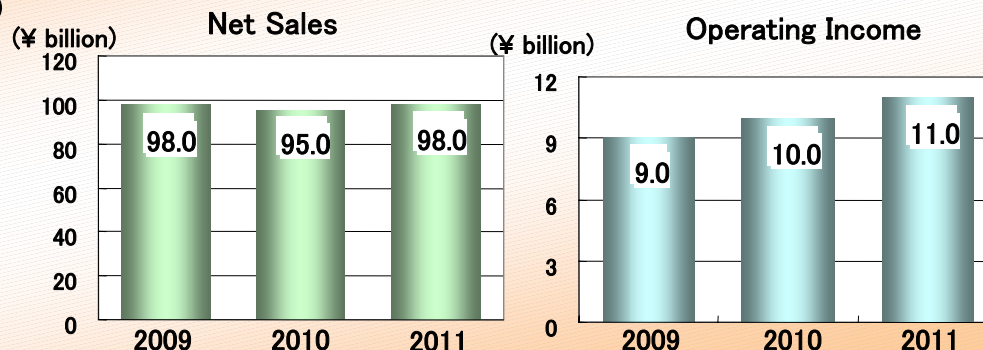
① Precision Machinery (PM) Business



Numerical Targets

Numerical Targets for the FMS business(Consolidated)

Years ended March 31	2009	2010	2011
Net Sales	98.0	95.0	98.0
Operating Income	9.0	10.0	11.0
Ratio of operating income to net sales	9.2%	10.5%	11.2%



Business Policies

The business operations of the PM business are aimed at the technology-driven business, which quickly provides high-performance and highly reliable products and services on the global basis, and which also contributes to realizing maximum productivity for customers.

Business Environment

- During the term of the plan, the semiconductor device market is forecast to remain virtually level.
- Competition among device manufacturers will become more intense.
- The trend from 45-nano generation to 32-nano circuitry will accelerate.

Principal Measures

① Improving Profitability of Core Business

- Raise profit margins through cost reductions, focusing on dry pumps and new CMP models

② Expanding Market Share

- Improve market share in dry pumps by 10% through improvements in reliability and introduction of differentiated technology
- Differentiate products through incorporation of abatement systems based on PFC gas treatment technology
- Capture 40% share worldwide in CMP equipment (expansion in copper processes)

③ Minimizing Market Fluctuation Risk

- Reduce lead time for CMP equipment to four months (from order to start-up)
- Measures will be implemented to make improvements in logistics aimed at the precisely controlled parts and materials supply chain system.

④ The Challenge of Next-Generation Equipment

- Plating equipment: Develop activities in 3-D mounting and FPD areas
- Testing equipment: Explore opportunities in special applications using electron beam technology

⑤ Post-Sales Business Activities

- Strengthen the earnings base of service locations (Target: 25% of sales)

Attain an operating income to sales ratio of 11% or more
by the final year of the medium-term plan

This release contains forward-looking statements which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which are valid only as of the date thereof. Ebara undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.