

Corporate philosophy and CSR

The accomplishment of the corporate philosophy is the **Corporate Social Responsibility (CSR)** that the EBARA Group must fulfill.

To accomplish the corporate philosophy, each and every person's behavior leading up to an outcome, rather than just the pursuit of an outcome, is governed according to the EBARA Group's Code of Conduct.

The founding spirit "Enthusiasm and Sincerity" and corporate philosophy

Issey Hatakeyama, the founder and the first president of EBARA, expressed the spirit of building a relationship of trust by approaching things and contacting people with enthusiasm and sincerity as "Netsu To Makoto" (Japanese for "enthusiasm and sincerity") and sought to realize this idea in management. The EBARA Group aims to be a company trusted by stakeholders and capable of continuous growth along with society by following this founding spirit. At the core of the EBARA Group's corporate philosophy that stresses *extensive contribution to society by providing superior technologies and services related to water, air, and the environment*, the founding spirit of "Enthusiasm and Sincerity" is always present.

EBARA Group's Code of Conduct

The EBARA Group's Code of Conduct, the foundation of behavior for the accomplishment of the corporate philosophy, applies to all officers (directors and executive officers) and employees (those who are employed by the company including managers, regular employees, counselors, part-timers and accepted transfer employees) of the domestic EBARA Group companies and stipulates correct conduct in accordance with the Code. To accomplish all the policies in our business activities including the management, environment, quality, procurement and human resources policies, all employees follow the Code of Conduct as well.

All officers and employees keep an eye on their own behavior by the Five Basic Principles for Actions. These basic principles were formulated after the dioxin contamination incident*1 that occurred at our Fujisawa District in 2000. To renew the awareness of the lesson learned that "failure to take appropriate action leads to serious accidents," we have specified March 23, the day the incident was revealed, as the "Day for Reconfirming Basic Principles for Its Action" to provide an opportunity to consider corporate social responsibility. The President sends a message to all officers and employees as a reflection on the conduct in the past year.

On the "Day for Reconfirming Basic Principles for Action" in 2008, a specific explanation was given about the link between the Five Basic Principles for Actions and the improvement of the quality of operations.

CSR promotion system

Under the control of the CSR Division, departments are established for the purpose of: 1) Planning and promotion of CSR activities, 2) Compliance, 3) Human rights enlightenment, 4) Promotion of environmental conservation, 5) Management of matters involving trade rules and regulations, 6) Ensuring of appropriate transactions with suppliers and 7) Ensuring of the quality and safety of products. These departments are engaged in continuous improvement of the CSR management while working closely with relevant departments including the corporate strategy planning, internal control, and human resource departments, and individual companies (operating divisions) and group companies.

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

Corporate philosophy

Extensively contribute 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 globally provide excellent products and services relating to water, air and the environment.
- ◆ 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.

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



姜昊 (age: 11)

Extraction of CSR challenges and continuous improvement

In October 2007, the CSR Report Production Committee was launched with the director in charge of CSR as the chairman, which was followed by the issuance of the first CSR report in 2008. This Committee has a mission of recognizing the EBARA Group's CSR challenges and fostering an awareness of CSR in the Group while creating the CSR Report. In line with the seven chapters of the EBARA Group's Code of Conduct, nine working groups (hereafter referred as W.G.; see the figure on the right) have been set up under the Committee. The individual W.G. extract their own CSR challenges and set their own goals, report on the progress and results of the activities to the Committee and are making efforts for continuous improvement of the CSR activities.

CSR Report Production Committee

Overall Management/Internal Control/Compliance W.G.
Customers W.G.
Shareholders and investors W.G.
Suppliers W.G.
EBARA Group employee W.G.
Environment W.G.
Community/Society/Communication W.G.
Information security W.G.
CSR Report Editing W.G.

Code of Conduct and CSR activities

In 2008, CSR challenges were extracted and improvement activities were carried out based on the EBARA Group's Code of Conduct as the basic concept of CSR.

This report describes the respective chapters of the Code of Conduct and mentions the developments of activities.

Chapters of the Code of Conduct We/us means the officers and employees of Ebara Group	Objective of each chapter	The reference pages for the achievement information in this report	Main W.G. involved in the promotion of activities*
Chapter 1: Corporate activities and We in the EBARA Group	We will announce our basic stance on corporate activities by the EBARA Group, and we also declare that we will act in accordance with that stance.	Pages 16/17 Pages 18/19	All W.G. A
Chapter 2: Compliance with Laws/ Ordinances/Principle of Society and We in the Ebara Group	We will observe laws and regulations, social norms and in-house rules and constantly keep an eye on our behavior.	Pages 20-23	A
Chapter 3: Environmental Conservation and We in the Ebara Group	We will conserve global environment through daily activities, products and services.	Pages 40-47	F
Chapter 4: Society and We in the Ebara Group	We will set rules about the Group's relationship with society and act accordingly.	Pages 24/25	G I: Provision of information by CSR Report
Chapter 5: Customers/Shareholders and We in the Ebara Group	We will set ways for guiding our relationship with, and actions toward, our stakeholders including customers, suppliers, shareholders, investors and competitors.	Pages 26-31 Pages 32/33 Pages 34	B D C
Chapter 6: The EBARA Group and We Employees	The management will fulfill the leadership responsibilities and the officers and employees will fulfill functional responsibilities at our worksites. The officers and employees will protect corporate assets.	Pages 35 Pages 36-39	H E
Chapter 7: Operational Setup	We will provide for a system for operating the Code of Conduct described thus far, in order to make it really effective.	Pages 16 Pages 21-23	All W.G. A

* A: Overall Management/Internal Control/Compliance W.G. B: Customers W.G. C: Shareholders and investors W.G. D: Suppliers W.G.
E: EBARA Group employee W.G. F: Environment W.G. G: Community/Society/Communication W.G. H: Information security W.G. I: CSR Report Editing W.G.

Corporate governance

To be a company reliable for stakeholders and recognized by 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 and supervises business operations, while we have established a board of corporate auditors that supervises the directors' performance of their duties.

From the perspective of the transparency and objectivity of management, the board of directors elects 2 independent 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 auditors.

Independent directors enhance the appropriateness of our decision making from their objective 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 appropriateness and transparency of the process of selecting directors and executive compensation determination.

To speed up the decision-making process regarding business and to streamline its operation, we introduced the executive officer system in 2002 and then shifted to an in-house company system in 2005.

Furthermore, to respond to important issues in drawing up the company-wide management policy and management strategy or policies related to management, we have set up the Management Meeting, and we have thorough deliberations in it. We try to effectively communicate decisions that are made through discussions at the board meeting throughout the Company using the Executive Officer Meeting.

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.

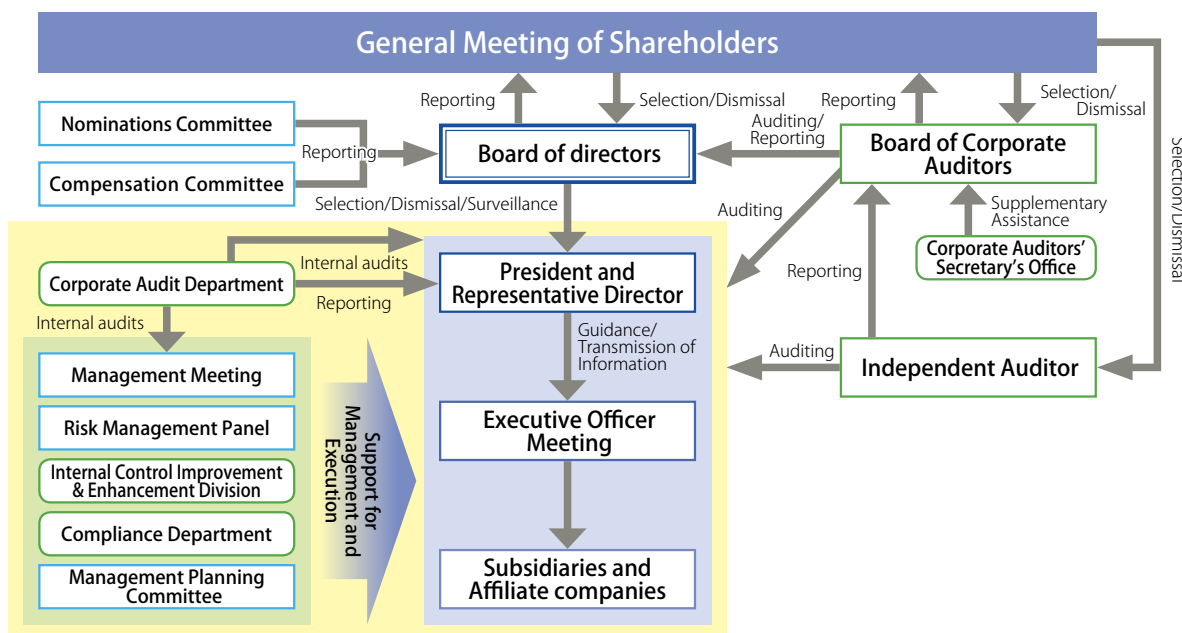
The activities carried out in 2008 include the communication of a message by the President and Representative Director to officers and employees of the EBARA Group to re-recognize the need to break off relations with any antisocial forces, implementation of measures to prevent bribery to foreign public officials and training given by the board of directors for directors and employees, especially those who are involved in public sales, concerning the prevention of scandals.

Group management

The EBARA Group respects each company's independence and autonomy and promotes linkage of management infrastructures that is indispensable for the Group's optimal management such as preparation of internal control, compliance training, risk management and environmental management. With respect to business operations, we put affiliate companies under the control of each company and try to enhance group management by comprehensively managing various management plans.

Outline of EBARA's Corporate Governance Framework

(As of July 1, 2009)



Internal control and risk management

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

Spain



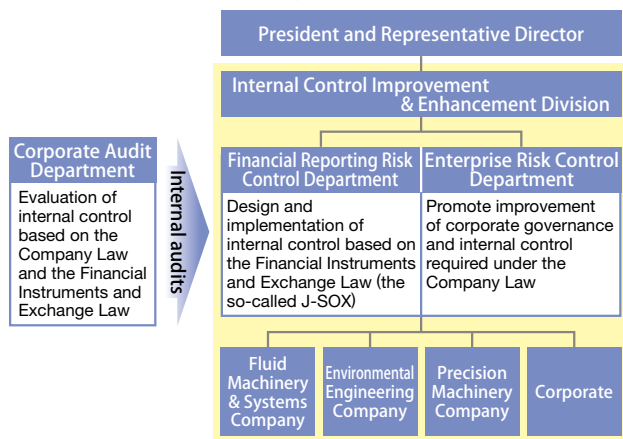
Diaz Garcia Pablo (age: 14)

Build and evaluate the internal control system and deploy it throughout the Group

Internal control promotion system

In EBARA, the Internal Control Improvement & Enhancement Division establishes and assesses an internal control system based on the Company Law and the Financial Instruments and Exchange Law.

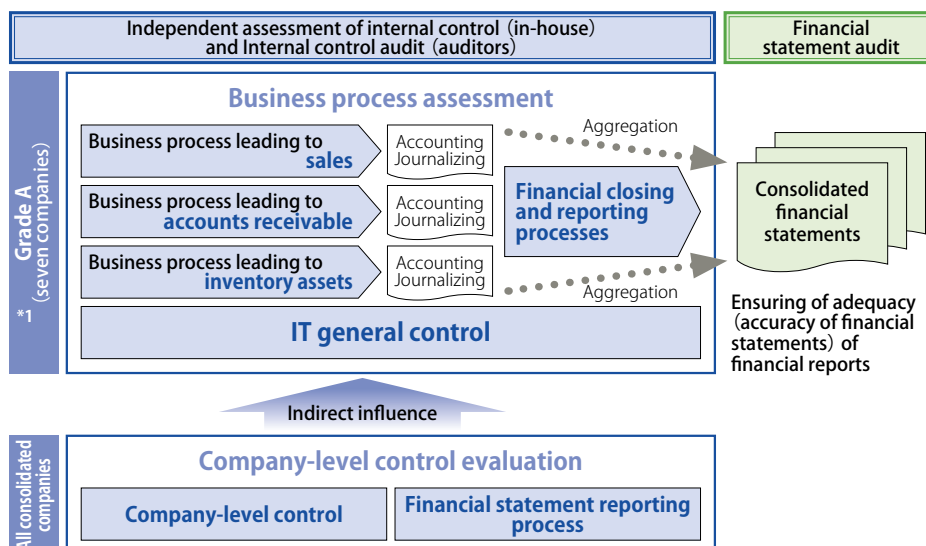
◆ Internal control promotion system diagram (As of July 1, 2009)



Internal control basic policy

In the EBARA Group, EBARA and all domestic consolidated subsidiaries have respectively passed a board resolution of the basic policy for establishing the internal control. The EBARA Group builds a system to ensure proper operations based on those basic policies, monitors if the internal control system is effectively working and continuously improves the system by thoroughly conducting the PDCA cycle.

Framework of internal control assessment



Response to the internal control report system

Based on the Financial Instruments and Exchange Law, beginning in April 2008, the system for reporting on internal controls related to financial statements reporting was applied to all listed companies in Japan. The Company has also created and assessed its internal controls in four specified areas, namely: "company level controls," "financial statements closing and reporting processes," "process control," and "IT general controls."

Regarding the "company level controls," consolidated Group companies have been assessed in a multilateral way in terms of the six basic components (control environment, risk assessment and response, control activities, information and communication, monitoring and response to IT).

In relation to "financial statements closing and reporting processes," "process control," and "IT general controls," the following points were documented (visualized) for the major companies (six domestic and one overseas companies) that account for two-thirds of our consolidated sales in terms of work content and workflow:

- ◆ Process control for closing.
- ◆ Process control relevant to sales, accounts receivables, inventories assets, etc.
- ◆ IT general controls (access control, control of system development and maintenance, etc.)

Based on those, risks in financial statements reporting (misstatements and errors) were identified and tables for comparison with the required controls were created for evaluation. Furthermore, to verify whether actual controls were implemented, key controls were subjected to operational evaluation (matching with audit trails, etc.) by evaluation members.

For any deficiencies found in the process of evaluation, the person in charge was urged to make improvements for correction each time.

As a result, material weaknesses were not found in the consolidated financial statements reports for 2008 and a certain level of reliability in financial reporting was ensured, which was made into the Internal Control Report dated June 26 for submission. The audit opinion by an audit firm is also expressed as an unqualified opinion in the Internal Control Audit Report.

*1 [Grade A (seven companies)]
The seven major companies that account for two-thirds of our consolidated sales

Internal control and risk management

Exclusion of antisocial forces from the EBARA Group

The EBARA Group clearly states in the EBARA Group's Code of Conduct that it will not provide antisocial forces with any funds or any social foundations for their activities and has established a company-wide system to reject having any relationship with antisocial forces, in accordance with the internal control basic policy.

In 2008, the President and Representative Director declared the "Basic Policies on Exclusion of Antisocial Forces" and expressed the EBARA Group's commitment not to have any relations with antisocial forces. And the EBARA Group has established the Antisocial Forces Countermeasure Headquarters consisting of an External Review Committee with lawyers as committee members, in-house departments in charge and regional countermeasure departments in the Group for taking a firm attitude as an organization against antisocial forces.

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 carried out the following as comprehensive risk management activities:

- ◆ To identify and visualize potential risks and
- ◆ To analyze and assess each risk for prioritization of risks to address
- ◆ To develop policies for risk prevention and countermeasures and appoint departments in charge
- ◆ To implement risk prevention and countermeasures and subsequent monitoring
- ◆ To foster a sense of risk through sharing of risk information

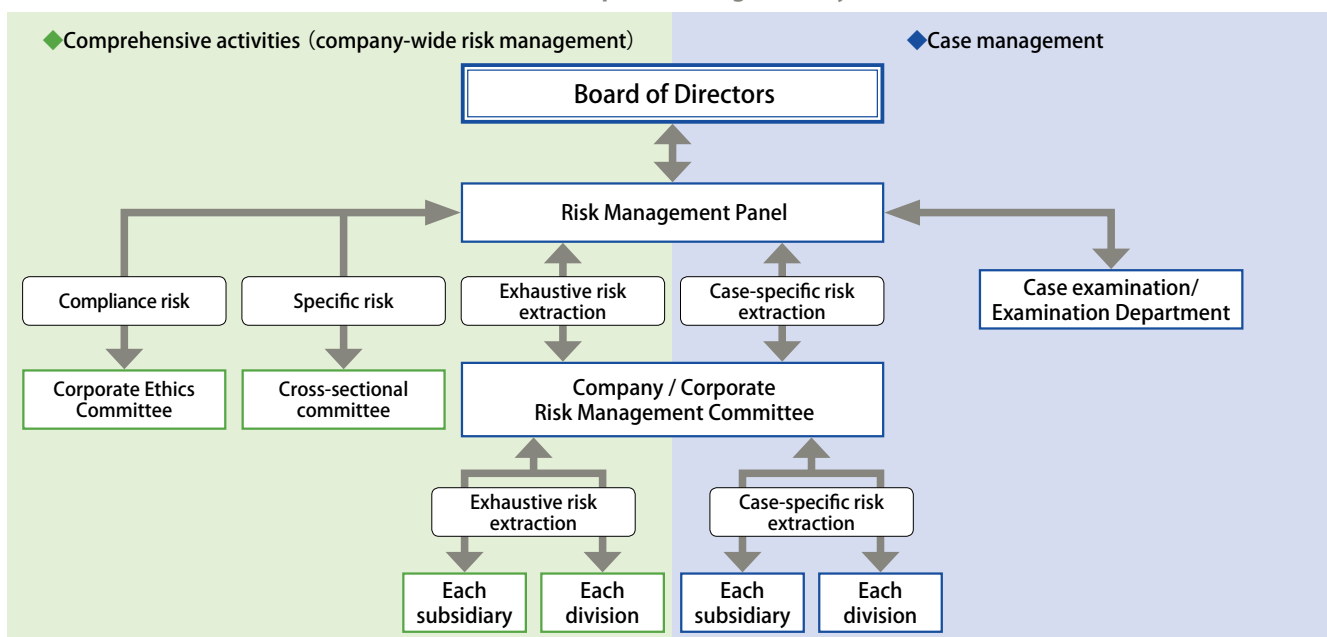
As individual risk management activities, risk assessments are made for individual transactions and supervision for action to respond to the occurrence of crises is made. One theme of crisis response taken up is the new strain of influenza, for which an action plan has been drawn up for an appropriate response in the worst-case scenario.

We also respond to specific risk themes such as export control management and environmental management by forming cross-sectional committees.

Group risk management

In the EBARA Group, we try to enhance the group risk management system by sharing information regarding specific risks, each company's inherent risks, common risks and group-wide risks to be addressed.

EBARA Group risk management system



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.

South Korea

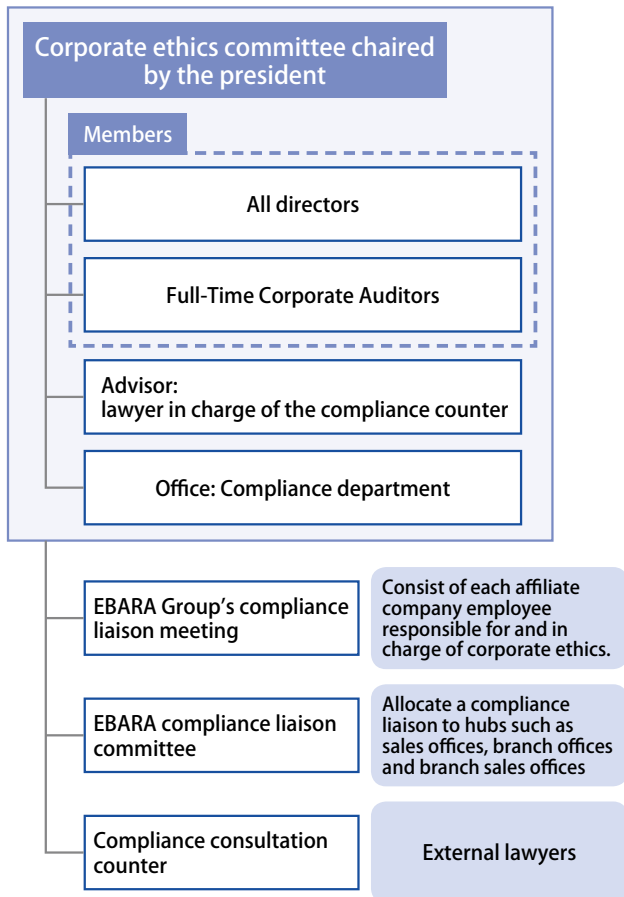


Lee Yeon Jung (age: 7)

Thorough implementation of compliance

We have systematically built the EBARA Group's compliance structure with the corporate ethics committee at the top. To ensure thorough implementation and deployment of various measures decided by the corporate ethics committee in the entire group, we set up the group compliance liaison meeting, consisting of affiliate companies in 2007. We have also introduced a compliance liaison system for the early identification of compliance risks in each workplace. In addition to this network, we have set up the compliance counter, which responds to individual issues, and exchange information 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.

EBARA Group's compliance system chart



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 receives reports about issues related to the EBARA Group's corporate ethics and compliance. Then, the committee members share information, discuss issues and give necessary improvement instructions. If improvement instructions are given, the relevant department needs to respond to the issue and make a report by the next committee meeting. The committee holds four meetings a year in principle and the chairman calls an extraordinary meeting as needed. Starting with the corporate ethics committee meeting in September 2008, an overview of the meeting is posted on the intranet to communicate information including the result of internal audit on appropriate transactions showing proper performance and the effective functioning of internal reporting system (compliance counter and so on) leading to the reduction of compliance risks.

EBARA Group's compliance liaison meeting

The EBARA Group has formed the EBARA Group compliance meeting, 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. The third meeting was held in February 2009 with the participation of all representatives and staff responsible for corporate ethics of domestic affiliate companies.



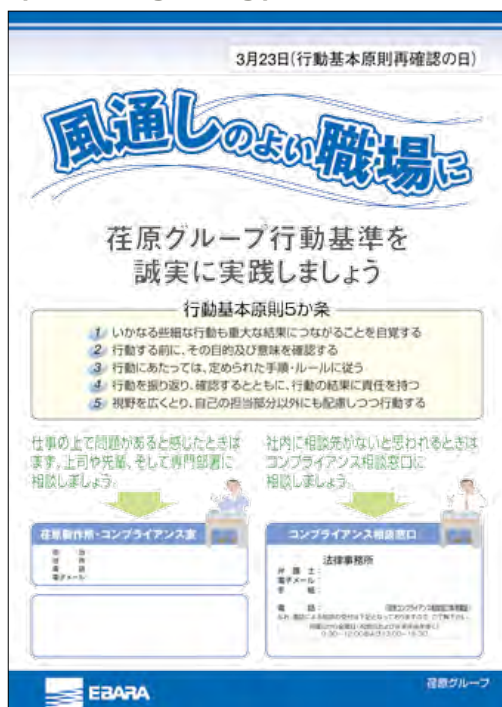
Group compliance meeting

Compliance liaison system

We introduced the compliance liaison*1 system in 2007 to create a corporate culture paying attention to compliance and enhance self-purification for compliance risks.

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. In the liaison officer training session held in January 2009, the President gave encouragement, saying that “considering the extremely high possibility of corporations and individuals infringing on laws and social norms in today’s world, the liaison officers should be the preachers of the internal reporting system to save the company from scandals.” In the future we will extend its activity to affiliate companies.

Compliance enlightening poster



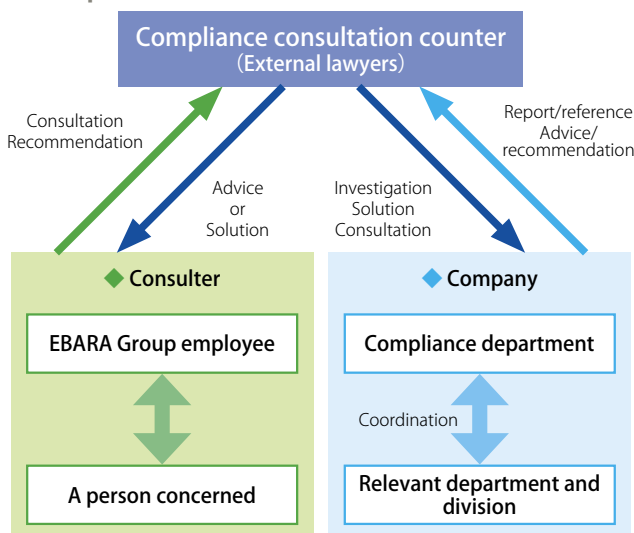
Compliance consultation counter

If organizations or individuals do illegal acts, it is necessary to recognize that fact as soon as possible, improve matters and promptly resolve the issue. If you suspect there may be something that deviates from compliance, you should talk to your boss in principle, but in some cases you may hesitate to talk about it inside the company for various reasons. The EBARA Group has set up a compliance consultation counter outside the company, and operates it while considering Whistleblower Protection Act (enforced in April 2006). The compliance consultation counter has put up a compliance enlightening poster in each workplace to thoroughly raise awareness about compliance.

When the counter receives a consultation, there are two ways of handling the situation: the problem is solved between the consuler and the counter; or the problem is solved among the consuler, the counter and the company. In the latter case, information which can identify the consuler is not provided to the company. This is a system to protect the privacy of the consuler.

As of late March 2009, the counter conducted about 180 consultations since it was launched in March 2003 and has appropriately responded to consultation requests.

Compliance consultation counter workflow



*1 [Liaison] “Liaison” in French, has the meaning of a bridge.



Le Ha Linh (age: 8)

Compliance awareness survey (questionnaire)

The EBARA Group has conducted a questionnaire once a year since 2004 to find out and assess how much employees recognize and practice compliance. The objectives are as follows:

- ◆ Determine the employees' level of understanding of compliance (including recognition of compliance consultation counter) and extract problems and challenges in practicing compliance.
- ◆ Assess validity and effectiveness of the compliance promotion activities through regular surveys and improve the activities based on the analytical results.
- ◆ Make people notice ethical behavior and improve their compliance mindset.

Between January and February 2009, the fifth questionnaire was conducted on approximately 13,000 people including the management and employees of the EBARA Group. The response rate is increasing every year and the company's approach to compliance practice is increasingly highly rated. What was characteristic of this questionnaire was that, among the questions, the number of affirmative answers to the question of whether "the top management is taking the initiative in practicing the Code of Conduct" has increased.

The questionnaire has a free comment column. In 2008, there were many comments on compliance awareness and harassment. We sort out and reflect them in our future compliance activities.

◆ Major comments in free comment column [Entire Group]

	Comment categories
1	Compliance awareness
2	Compliance education/training/enlightenment
3	Questionnaire
4	Sexual harassment/power harassment
5	Workplace
6	Antisocial forces
7	Boss/manager
8	Communication
9	Remuneration
10	Top management

Voice!

To be approachable for consultation

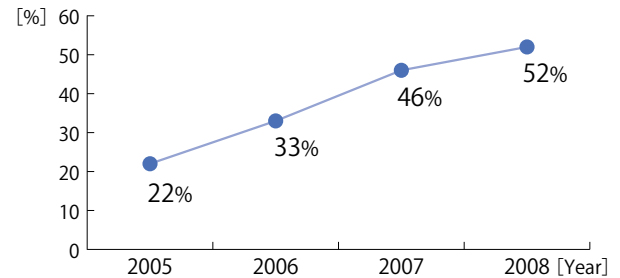
Masahiro Hatakeyama
Compliance liaison
EBARA



Violation of rules can pose serious risks in corporate management, which makes compliance all the more important. At EBARA, the compliance liaison system has been introduced as a function to extract initial risk information for the purpose of effective reduction of and prompt response to risks.

In addition to systems like this, it is important to raise the awareness of employees and those who are working together with us. I would like to fulfill the role of a compliance liaison to contribute to improved awareness of watching what is taking place in daily activities and serve as an approachable consultant.

◆ Response rate of the compliance questionnaire



◆ Do you think the top management (chairman, president, directors, executive officers, etc.) is taking the initiative in practicing the Code of Conduct?

