

New Policies as President

Q1 You became president of EBARA on April 1, 2013. Could you please outline your plans for managing EBARA in the future?

The previous president of EBARA, Mr. Natsunosuke Yago, was successful in bringing a major increase in profitability. He accomplished this by adopting a policy of selection and concentration in the use of resources, especially by withdrawing from unprofitable businesses and finding solutions to pending issues related to one of our overseas projects.

Under the Medium-Term Management Plan “E-Plan 2013” (covering April 2011 to March 2014), which Mr. Yago began to implement in the fifth year after becoming president of EBARA, we moved steadily forward despite such setbacks as the appreciation of the yen and the natural disaster and addressed important issues forthrightly. These included adopting a policy of “regional production for regional supply,” strengthening EBARA’s profitable service and support business, and innovating in manufacturing processes. Most recently, in March 2013, EBARA raised the financial resources needed for its growth strategy by securing a total of ¥35 billion through a ¥15 billion public offering of new shares and a ¥20 billion issue of convertible bonds.

I have become president in the midst of the implementation of E-Plan2013. I intend to move forward with business activities based on the concepts of E-Plan2013, which embodies Mr. Yago’s management policies.

Professional Profile

Date of Birth: December 24, 1955

April 1981 Entered the Company

April 2007 Executive Officer
Deputy Division Executive, Custom Pump Division,
Fluid Machinery & Systems Company

May 2008 Executive General Manager, Haneda District

April 2009 Executive General Manager, Futttsu District

April 2010 Managing Executive Officer

April 2011 Head of Business Unit, Custom Pump Business Unit,
Fluid Machinery & Systems Company

June 2011 Member, Board of Directors

April 2012 President, Fluid Machinery & Systems Company

April 2013 President and Representative Director (to present)

E-Plan2013 Basic Groupwide Policies

1. Promoting “regional production for regional supply” in priority areas and establishing an optimally located production and supply system from a global perspective
2. Working to enter new markets by expanding core business domains
3. Aiming to optimize “*monozukuri*” (manufacturing) processes through scientific approaches
4. Expanding the functions of the corporate headquarters in keeping with the globalization of business domains

On the other hand, it will be necessary for EBARA to change the concepts of its business activities. Though our business is “manufacturing”, at the same time, I am clearly aware that our business is also “providing service” over the entire life cycles of our products, and that we must implement reforms in our business systems. Delivering products to our customers is the first event in their product life cycles. We need a renewed awareness that our business activities should extend until these products fulfill their missions. An urgent task for us is to make reforms and become a company that not only manufactures but also provides service. I also think that, as a manufacturer, we must continue to raise the level of our technology, which is our core competence, and I would like to lead EBARA to grow to be a top-tier industrial machinery manufacturer.



Toichi Maeda
President and Representative Director

The Current Business Environment

Q2 What are your views of the business environment?

Let me answer your question by business segment. First, our Fluid Machinery & Systems (FMS) Company is responsible for a major business domain accounting for about 70% of EBARA's total sales. Moreover, the FMS Company responds to the needs of several different industries. For example, the oil and gas sector accounts for about one-third of its sales and the building equipment for the construction industry for another one-third. The remainder is accounted for by the domestic public sector and other sectors. Of these various industries served by the FMS Company, the oil and gas industry is drawing attention because of the expansion in investment in nonconventional energy projects, such as the development of shale gas resources in the United States. At the same time, investment plans for conventional energy sources are coming under review, and we are at a turning point where, from a global perspective, the energy resources that are being supplied and the composition of energy demanded are changing. Responding to these changes, the key to future growth will be how quickly we can provide the necessary equipment for these various sectors.

In addition, worldwide demand for energy continues rising on an upward trend, particularly in emerging countries, and energy-related investments are expected to continue to expand. In Asia in particular, the implementation of investment plans is in progress, including projects related to LNG, refineries, petrochemicals, including

Questions Investors Ask Frequently

We have selected a few of the questions that investors ask us frequently and provided our responses.

About the Pumps Business

What kinds of pumps does EBARA manufacture?

Where are these used?

Since the time EBARA began operations in 1912 as a pumps manufacturer, it has provided the world with a wide range of pumps. Most of these have been so-called centrifugal pumps

ethylene, and other areas. As a consequence, we still foresee that these markets will continue to grow.

In the field of building equipment for construction projects, construction starts in Japan have shown only slight recovery, and the market is not expected to show major growth. For this reason, the main issue is how to improve profitability.

Turning next to our Environmental Engineering (EE) segment, most projects of EBARA's EE Company in Japan are commissioned by the public sector, and, during the fiscal year ended March 31, 2013, sales from this source accounted for about 20% of EBARA's total sales.

Views of demand from the public sector in Japan are becoming somewhat more optimistic as concrete progress is being made in implementing Japan's plans for "Building National Resilience" that have been introduced following the change of government administration. Specific activities expected to receive priority in budgetary allocations include measures to deal with major disasters as well as repairing and replacing Japan's aging social infrastructure.

EBARA's third business segment, the Precision Machinery (PM) Company, makes most of its sales to the semiconductor industry. Some sales are also made to the LED, FPD (flat panel display), and PV (photovoltaic) industries, but market conditions in these industries are lackluster. During the fiscal year ending March 31, 2014, capital investment by the semiconductor industry is not expected to show a major movement toward improvement in comparison with the previous year, but demand is viewed as likely to begin to recover in the latter half of the fiscal year.

that make use of centrifugal force to convey liquids and gases.

Our pumps are used in a wide variety of applications. For example, our compact pumps are used in such applications as the supplying and discharging of water in buildings and condominiums as well as in firefighting situations. Our

high-pressure customized pumps find application in electric power, petrochemical, and other industrial plants, while large-scale customized pumps are used in pumping stations to provide water for irrigation purposes.

Medium- to Long-Term Management Strategy

Q3 We understand that you will be making strategic investments to strengthen the profitability of the pumps business. Could you describe the measures you will be taking to increase profits and your views of the future of the pumps business?

As I previously mentioned, in March 2013, we raised a total of ¥35 billion in funds to finance our growth strategies and strengthen our financial position through a ¥15 billion public offering and a ¥20 billion issue of convertible bonds. These funds will be used for strategic investments that include the rapid expansion of our sales network and service shops to capture demand for service and support in the pumps business.

The issues we are addressing in our pumps business are “excessive dependence on domestic sales” and “a low ratio of sales generated from service and support activities.” At present, the driving force for growth in the FMS Company is the compressors and turbines business, and we have achieved growth and stabilized profitability through “globalization” and “capturing demand for service and support business.” The background for these measures in the compressors and turbines business is that, as part of our business strategy, we have built a service and support network that properly covers important regions. Among service and support bases, looking at repair shops alone, we have about 20 bases around the world.

On the other hand, in the pumps business, overseas sales account for about 30% of the total, while the ratio of revenues from service and support is only about 20%. Also, we have only several global bases for providing service and support. Therefore, service coverage for pumps is not up to the level of coverage for the compressors and turbines business.

As these comments suggest, to improve profitability in the pumps business, we must strengthen our service and support capability overseas and bring it up to the same level as the compressors and turbines business. To realize this, over the coming one to two years, we will set up service and support bases in regions where we have already delivered a significant number of pumps. For example, in Asia and the Middle East, where the cumulative number of custom pumps we have delivered is high, we

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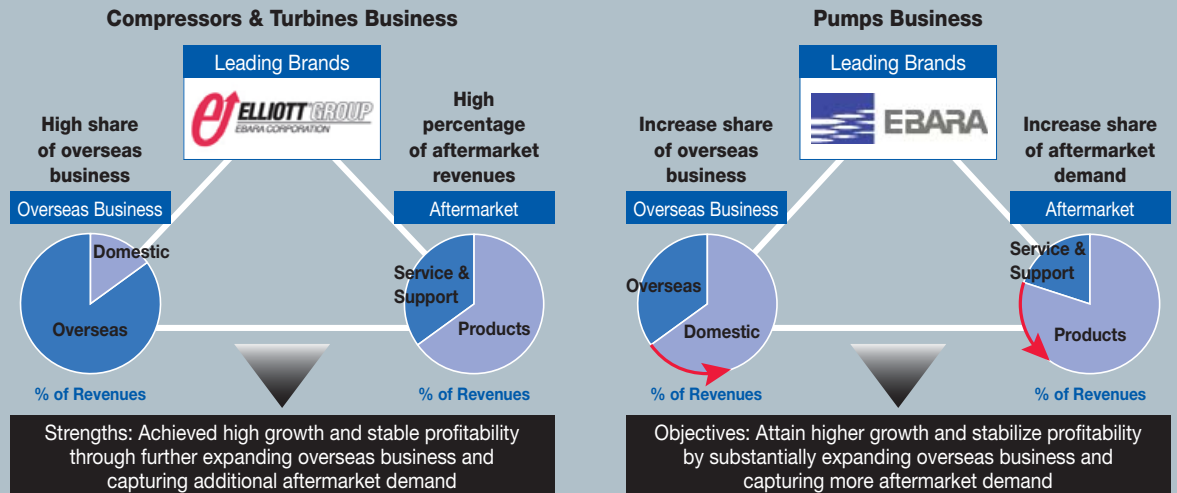
About the Compressors Business

Could you describe the development of the compressors and turbines business?

To make a full-scale entry into the market for equipment of the oil & gas industry, EBARA concluded a technical alliance with Elliott Company, a compressors manufacturer based in the

will put service and support capabilities in place. When we establish service and support bases, we will consider a number of options appropriate for various regions, ranging from setting up new facilities to making use of existing production facilities for this purpose, and acquiring local manufacturers and service companies.

Difference between Pumps Business and Compressors & Turbines Business



Returns to Shareholders

Q4 What will be your policy for providing a return to shareholders?

We position providing a return to our shareholders as one of our most-important management priorities. Our basic policy is to provide returns on a continuous and stable basis, taking our performance into account. For the fiscal year ended March 31, 2013, we paid a dividend of ¥2.5 per share for the interim period and ¥5 per share for the full fiscal year.

United States, and began manufacturing compressors and turbines. Thereafter, as this business grew, EBARA made step-by-step investments in Elliott, and that company became a wholly owned subsidiary of EBARA in 2000. Subsequently, the compressors business of EBARA was split off to become Elliott Ebara Turbomachinery Corporation, and, currently, we are operating

two compressor manufacturing facilities, one in Japan and the other in the United States. Operations of these two companies were integrated in 2011 under a holding company structure.

Our Group has a major presence in the market for equipment used in oil and gas applications, especially downstream in refineries and further downstream in petrochemical plants.