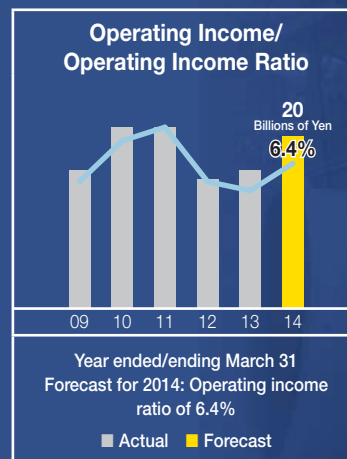
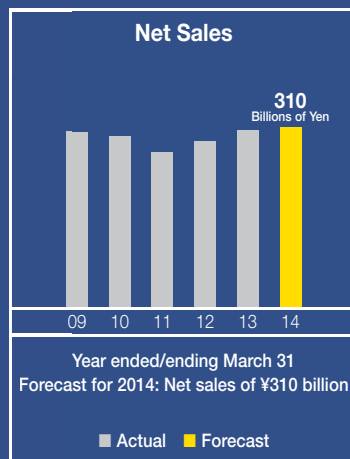


Fluid Machinery & Sy



Atsuo Ohi

Company President



Overview

In the FMS Company, in the pumps business, inquiries regarding electric power generation plant projects in the electric power market, mainly in the emerging countries, fertilizer plant projects in the chemical market, and oil refinery plant projects in the oil and gas market were active, and conditions overseas remained strong. In Japan also, portions of the private-sector market for building equipment recovered. In addition, although conditions in the public sector have not recovered to the level prevailing prior to the 2011 earthquake disaster, orders for large-scale projects held firm.

In the compressors and turbines business, backed by increases in energy demand and expansion in shale gas production, projects in the oil and gas market increased and remained firm in North America, the Middle East, and Asia, including China, India, and certain other markets.

In the chillers business, conditions were severe in the domestic market, but conditions in the Chinese market were favorable.

Sales in the FMS Company for the fiscal year amounted to ¥305,586 million (an increase of 6.8% year on year).

The segment income amounted to ¥15,942 million (an increase of 2.3% year on year).

In the domestic pumps business, to manage the Group's corporate resources more efficiently and increase profitability, three consolidated subsidiaries—namely, Ebara Techno-serve Co., Ltd., Ebara Yoshikura Hydro-Tech Co., Ltd., and Ebara Environmental Technologies Hokkaido Co., Ltd.—were merged with the Company on April 1, 2012.

Market Trends and Basic Strategies

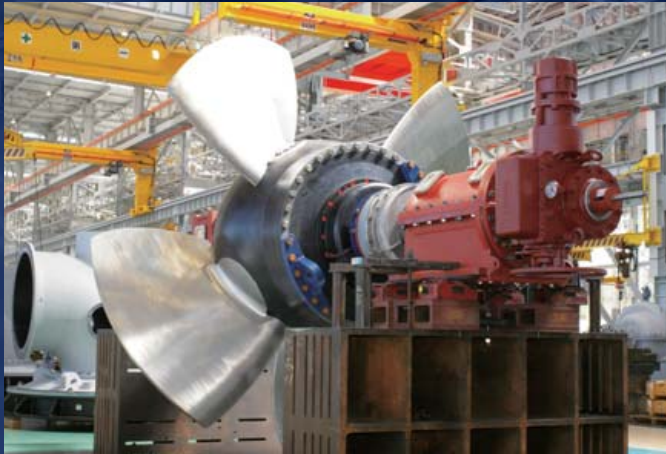
In the FMS Company, although conditions in China and some areas of Europe

are uncertain, demand is expected to show moderate recovery as a result of the expansion in worldwide demand for energy and other factors.

In the pumps business, the outlook is for continued active construction of large-scale thermal power generation plants and LNG combined cycle thermal power plants, principally in China, the Middle East, Southeast Asia, and India. In addition, demand in the markets for general machinery and building equipment is expected to continue to expand, especially in the emerging countries. In the LNG plants business, a number of projects have begun, and demand for cryogenic pumps and related equipment for use in liquefaction plants, LNG storage bases, and transport vessels is expected.

Also, demand is expected for pumps used in fertilizer plants, along with growth in the production of shale gas. In the compressors and turbines business, expansion in demand is anticipated for

stems Company



EBARA's largest size (4,200mm) tubular pump installed in a pumping station of the Hokuriku Regional Agricultural Administration, in Japan

compressors for use in LNG plants; ethylene plants, especially in North America, where shale gas is being used as a raw material; and for use in propane dehydrogenation (PDH) plants. In the chillers business, in addition to growth in demand for heat pumps in China, expansion in demand in the markets of Southeast Asia is also anticipated.

Amid these conditions, overseas, the Group is pursuing the development of products suited to the needs of individual regions, and the Group is moving forward with expanding the scope of its business activities by strengthening its global production and sales systems as well as its service and support capabilities.

Moreover, in Japan, the Group will continue to give highest priority to business related to recovery from the 2011 earthquake, as well as expand and upgrade its sales and service systems to meet customer needs.

Issues to Be Addressed

In the pumps business, the FMS Company is upgrading and expanding its sales and service network to fill demand for products and after-sales service. In parallel with this, activities are under way to strengthen cooperation among FMS Company production facilities located around the globe.

In the sales and service network area, the FMS Company is working to raise profitability and broaden sales activities for new products by responding to demand for after-sales service. To this end, the FMS Company is strengthening its service systems with close ties to local areas, principally in such priority regions as China, Southeast Asia, the Middle East, North America, and South America. Moreover, in Japan, the FMS Company is collaborating with its overseas production centers to expand offerings of products meeting customer needs and, thereby, respond to replacement demand. Also,

by realigning and optimizing sales and service systems, the FMS Company is planning to gain market share and increase profitability.

Through strengthening collaboration among production centers, the FMS Company is expanding its product supply capabilities by providing products from Group production centers to areas around the world based on systematic, strategic marketing activities led by the Head Office. Also, by developing products meeting the needs of various regions and applying productivity innovation to Group production facilities, the FMS Company is striving to increase the competitiveness of Group products as a whole.

In the compressors and turbines business, the FMS Company is taking measures to strengthen collaboration between the Elliott Group products business and its global service organization, and thereby make thoroughgoing efforts



High-efficiency turbo chiller (RTBF-type)

to capture all possible demand for products and services.

Among product businesses, the FMS Company is focusing on the North American market, where the number of projects using shale gas is increasing, and the Chinese market, where investments in coal chemical plants are rising, as well as on the Indian market, where petrochemical and oil refining projects are active. In undertaking these projects, the FMS Company is concentrating not only on pricing but also especially on making

value-added proposals for after-sales service, delivery timing, and other aspects.

In the global service business, the FMS Company is increasing its service facilities such as those in China, the Middle East, and India. Other initiatives include expansion into the engineered solution field aimed at not only our products but also those of other companies.

Also, to structure global supply chains, the FMS Company is developing relationships with new suppliers and working to

strengthen the management of quality and delivery for its supplier group.

Moreover, the FMS Company is upgrading its R&D functions and working to enhance its competitiveness in terms of technology and price.

In the chillers business, the FMS Company is working to coordinate the operation of its production facilities located in Japan and China as well as improve business growth and profitability in priority regions, such as Japan, China, and Southeast Asia.



Installation of world's largest class Elliott 110M propylene compressor

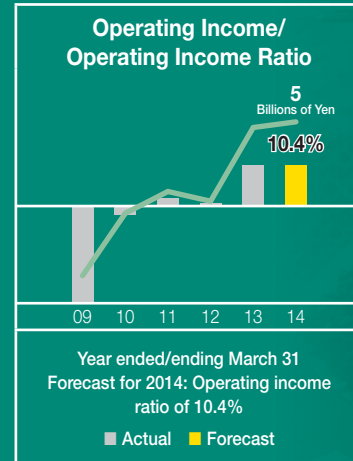
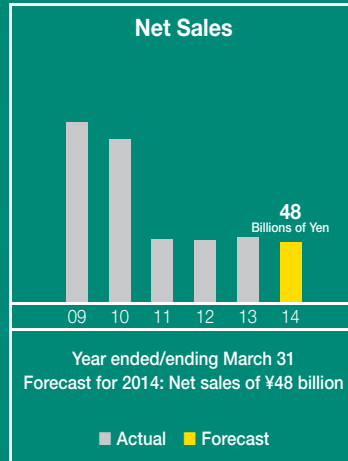
Also, the FMS Company is implementing measures to strengthen the competitiveness of its products by shortening lead times, lowering procurement costs, and reducing costs of design. Other measures being implemented include strengthening after-sales service business by raising the quality of maintenance technology and conducting marketing activities in close contact with customers and end users.

In this business, the FMS Company will increase capacity for the production of large-scale absorption chillers in China to respond to the expansion of the absorption heat pumps market in that country. Moreover, the FMS Company is focusing on expansion of sales of centrifugal chillers in China and Southeast Asia.

For the cooling towers business, the FMS Company will strengthen sales activities for large-scale cooling towers

for industrial use in Japan. In addition, in those regions where expansion in demand is expected, sales systems will be enhanced in China, and sales organizations will be established in Southeast Asia.

Environmental Engin



Overview

In the EE Company, in domestic public works projects, the Group secured roughly the same level of orders for operation and maintenance (“O&M”) business for waste incineration facilities, while in the engineering, procurement, and construction (“EPC”) and other fields, demand for the replacement of facilities is increasing.

In such a situation, the Group received orders for the construction and operation of temporary waste incineration facilities to deal with the disaster waste left behind by the Great East Japan Earthquake, the construction of a general waste incineration facility for a local authority, and design, build, and operate (“DBO”) projects, including those covering services ranging from the construction of facilities to operation and business management services.

Sales in the EE Company for the fiscal year amounted to ¥52,496 million (an increase of 4.7% year on year). The segment income amounted to ¥5,177 million (an increase of 1,506.4% year on year).

Market Trends and Basic Strategies

In the market for general waste processing facilities in Japan, as in the previous year, the number of new plant construction projects, especially those involving all stages, from construction through operational management and operation, is increasing. In addition, demand for service and support is expected to rise; specifically, this will include expansion in the scope of O&M projects, construction for the replacement and renovation of existing facilities, and work related to the improvement of core facilities. Also, accompanying the introduction of a system for purchasing electric power generated from renewable energy at fixed

rates, the market for biomass power generating plants is expanding.

Amid this business environment, the EE Company worked to develop business with new customers, obtained additional orders for O&M services for plants delivered previously by EBARA, and worked to secure stable income flows based on the provision of service and support. Moreover, the EE Company is endeavoring to strengthen its technological capabilities and its abilities for providing comprehensive proposals for reducing costs over the full life cycle of facilities.

Issues to Be Addressed

Amid this business environment, the EE Company focused on its most-significant issues of securing orders for EPC projects and profitability in its O&M projects. To address these issues, the EE Company is implementing the following policies.

Engineering Company



The EBARA Group received an order for the DBO project of this waste incinerating plant to be built in Funabashi City, Japan. (architect's drawing of the completed facility)

1. In the O&M business, the EE Company is working to expand O&M orders and sales, including maintenance and management as well as overhaul work for existing waste incineration facilities in Japan. Efforts are also being directed toward lowering expenses, reducing fixed costs, and other activities to substantially raise profitability.
2. In recent years, municipal governments, which are the principal customers for environmental engineering projects, have increasingly requested comprehensive services for the operation and management of existing incineration facilities. Accordingly, the EE Company is working to expand orders for these comprehensive services. In parallel, efforts are being made to increase the profitability of these projects by drawing on the know-how accumulated thus far and make these activities one of the EE Company's mainstay sources of earnings.
3. To secure increased profitability in the O&M business, the EE Company continues to present proposals, based on plans for lengthening the useful lifetimes of facilities to increase the efficiency of their use, for

plant renewal work, and for improvement in core plant functions to substantially reduce CO₂ emissions by applying the latest EPC technology to the O&M business.

4. In the EPC business, to enhance profitability, the EE Company is substantially strengthening its project management functions for municipal waste incineration facility projects that are currently under construction. In addition, the EE Company is striving to prevent the incidence of additional costs arising from issues related to contract fulfillment. In addition, the EE Company is endeavoring to identify potential plant rebuilding projects by sharing its plans for lengthening useful lifetimes of facilities in its O&M business with other divisions of EBARA. When certain facilities are expected to be rebuilt, the EE Company presents timely proposals based on the latest EPC technology at customer request.
5. In the market for newly constructed municipal waste incineration facility projects, municipal government agencies increasingly tend to request such projects on a DBO basis. To win orders for these projects, the

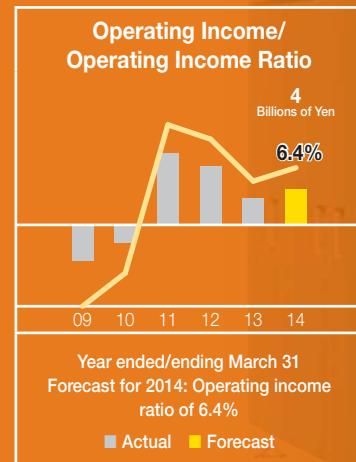
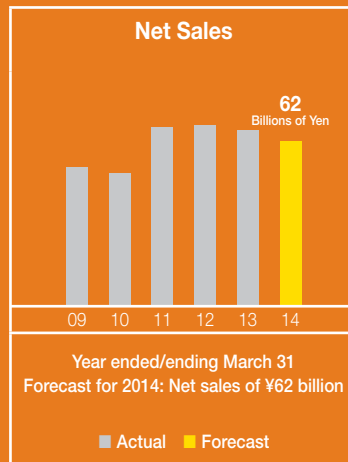
EE Company is, therefore, offering customers proposals that best meet their needs based on the know-how accumulated thus far in the EPC and O&M businesses. To facilitate these activities, the EE Company is coordinating its O&M and EPC businesses more closely, including the sharing of information on facilities management available in the O&M business with the EPC-related divisions. This makes it possible to differentiate the EE Company's proposals from those of competitors by promoting plans for greenhouse gas emissions reductions through increasing the amount of electric power generated and the promotion of energy conservation and by major reductions in the life-cycle cost of plants.

Through the implementation of these policies, the EE Company will strengthen its competitiveness based on its footprint as well as product and service capabilities and work to improve its ability to provide solutions to customers.

Precision Machinery



Manabu Tsujimura
Company President



Overview

In the PM Company, in the semiconductor market, although the market for smartphones and tablet-type portable terminals drove the market as a whole, growth in the personal computers and servers markets weakened as in the previous year, and conditions remained lackluster overall through the fiscal year. Thus, with the exception of some leading foundries, capital investments by most semiconductor manufacturers continued to be postponed, and major differences were seen among semiconductor manufacturers in their stances toward making capital investments.

Further, demand from relevant markets other than semiconductors, such as the flat panel display, photovoltaic cell, and LED markets, continued to remain sluggish.

Sales in the PM Company for the fiscal year amounted to ¥66,504 million (a decrease of 2.7% year on year). The

segment income amounted to ¥3,306 million (a decrease of 49.9% year on year).

Market Trends and Basic Strategies

In the semiconductor business, the PM Company will work to ensure that its market share in the “foundry” sector, which is expected to make capital investments during the fiscal year ending March 31, 2014, is solid. In the photovoltaic cell, LED, and its other markets, the PM Company will endeavor to expand its market share by identifying accurately the timing of the resumption of capital investments. Also, to secure stable earnings, the PM Company will work to shorten lead times, further optimize its manufacturing processes with the aim of lowering costs, and take measures to further strengthen its service and support business.

In the components business, the PM Company will also make its best efforts to

maintain and strengthen its base as a major supplier to companies in the semiconductor industry, which is its core customer industry. The PM Company is making preparations to accurately identify the timing of the resumption of capital investment in the photovoltaic cell, LED, and other industries as well as expand into the markets for vacuum process equipment among other industries.

In the chemical mechanical polishing (CMP) business, the PM Company is pursuing development together with its customer companies to meet even more-active launching and extension of applications of new processes, including those for miniaturization and larger wafer diameter as well as 3D integrations and the introduction of new materials.

The PM Company has taken full measures to deal with risks, including the maintaining of its plants in Kumamoto and Fujisawa. Going forward, the PM Company is also aiming to expand its

Company



CMP systems

market share and increase profitability by establishing a global supply chain, shortening lead times, and innovating in production activities to reduce costs and attain other related objectives.

New product development is proceeding smoothly, including the development of processing equipment for 3D integrations and equipment for improving process yields. The goal is to have these businesses take their place along with components and the CMP business as major supports of the PM Company's performance.

The PM Company is seeking to lower costs by reducing lead times through its production innovation activities and by taking further steps to manufacture and procure overseas. Through these activities and the strengthening of its customer service and support systems, the PM Company is aiming to create a stable earnings structure. In addition, with the aim of further increasing market share,

the PM Company will continue its development activities to respond to customer needs, including further miniaturization, new devices, 3D integration, and larger wafer diameter.

Issues to Be Addressed

In the PM Company, the semiconductor market is believed likely to remain stagnant for the time being. However, viewed in the medium-to-long term, demand will grow going forward, and our assumption is that capital investment to respond to this future demand will emerge gradually in the latter half of the current fiscal year. In addition, we anticipate that the markets for flat panel displays, solar batteries, LEDs, and other products will begin to recover step by step from 2014 onward.

Amid these conditions, the Group will work to stabilize its earnings structure through lowering its manufacturing costs by shortening lead times through reforms

in production and procuring more from overseas sources. In parallel with this, the Group will also adopt measures to build stronger service and support systems that have close ties with customers. Also, the Group will endeavor to expand its business activities by continuing its development activities to respond to customer needs, such as further miniaturization, the launching of new devices, 3D integration, and larger wafer diameter.



Plug and run compact air-cooled dry pumps