

Message from the Management

I would like to express my profoundest thanks for supporting EBARA's business activities.

In the fiscal year ended March 31, 2014, the Japanese economy trended upward due to yen depreciation resulting from government financial and fiscal policies, continuing restoration demand, and rush demand prior to the consumption tax increase. Overseas, regions worldwide continued to experience a modest economic recovery. Although growth in certain emerging economies flattened, the U.S. and European economies picked up.

In these business conditions, the EBARA Group performed solidly. Higher demand from the oil and gas market and the electric power market drove an increase in orders centered on the Fluid Machinery & Systems Company. By meeting delivery dates, which were mainly in the second half of the fiscal year, we grew revenues and earnings year on year, posting net sales of ¥448.6 billion and operating income of ¥32.1 billion.

The fiscal year under review was the final year of the medium-term management plan "E-Plan2013." During the plan's term, we took an array of measures to establish a more solid and stable business structure. However, in response to significantly changing business conditions, the speed of measures and investment for growth were insufficient, and we did not harness industry and market growth adequately. As a result, growth in the overall business scale of the Group was below target. Furthermore, we only met some of the numerical targets set when preparing the plan.

On the other hand, based on regional growth strategies, we made steady progress toward building systems for regional production for regional supply by establishing 13 bases during the plan's term. In addition, we concentrated on launching initiatives to expand and improve corporate headquarters functions that reflect globalized business areas and to advance productivity innovation activities in Japan and overseas.

Thanks to these efforts, in the fiscal year we laid the foundations for advances going forward. Net sales, operating income, and the operating income ratio grew. Moreover, we achieved record operating income.

For the current fiscal year, ending March 31, 2015, the global economy is likely to keep recovering as developed and emerging economies continue picking up. Therefore, we expect increasing energy demand worldwide, particularly for the Fluid Machinery & Systems Company, will improve business conditions gradually.

In light of these business conditions, we have launched the medium-term management plan "E-Plan2016," which covers the term through March 2017. Under E-Plan2013, the Group improved its financial position and established solid foundations for business management. However, we did not grow our business scale sufficiently. With this in mind, E-Plan2016 sets out a vision of what we want to become in six years. Accordingly, while maintaining and improving profitability, we aim to become a global top-tier industrial machinery manufacturer by focusing on expanding the business scale and developing business activities. To this end, we see the new plan, covering the first half of the period through 2020, as a period when we will change course markedly from a stage of reinforcing

management foundations to one of growth. By the end of the new plan's term, we hope to have reached a position from which we can see the road toward the realization of the vision of what we want to become in six years.

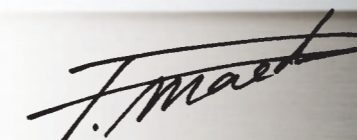
With a particular emphasis on "quantity," that is net sales, in overseas markets and "quality," or in other words operating income, in the Japanese market, we will mobilize resources in Japan and overseas rapidly and intensively to expedite change and accelerate growth. Through the concerted efforts of Group personnel worldwide, we intend to realize the goals of the new plan and maximize corporate value. (For details about E-Plan2016, please see the section beginning on page 10.)

In closing, the Group regards returning profits to shareholders as one of its most important business management policies. Previously, the basic dividend policy of the Group was to pay stable cash dividends. However, we have changed to a policy of paying cash dividends that reflect the business results of each fiscal year with a view to realizing an average consolidated dividend payout ratio of approximately 25% over the medium-to-long term.

As we accelerate efforts to achieve further growth, I would like you, our shareholders and investors, to anticipate the EBARA Group's future and continue your support.

August 2014

We will change course markedly from a stage of reinforcing management foundations to one of **GROWTH**.



Toichi Maeda
President and Representative Director

