

EBARA will evolve rapidly and accelerate its growth to continue creating value.

Looking back on the fiscal year ended March 31, 2015, the first year of the EBARA Group's E-Plan2016 medium-term management plan, I believe we can say that our business endeavors have been successful. In the fiscal year ending March 31, 2016, the Group will continue to evolve rapidly by strengthening its corporate governance systems through its transition to a Company with three Committees, etc., organizational structure in June 2015 (see page 37 for details). Under this new structure, the Board of Directors will strive to strengthen its oversight function over management. The Company has built the foundations to improve transparency and will also work to expand its business operation authority as it reinforces the competitiveness of the Company.

Furthermore, the Board of Directors established a new management policy (see next page) that sets forth the business directives the Group will pursue as it advances toward 2020. This policy is meant to guide business operations under the new corporate governance structure. Acting in accordance with this management policy, I will take charge in leading EBARA's management team as we continue to create value by steadily advancing measures geared toward accomplishing the goals of E-Plan2016.

In closing, the Group regards returning profits to shareholders as one of its most important management tasks. We plan to target a consolidated dividend payout ratio of approximately 25% over the medium-to-long term, and we will exercise a dividend policy of issuing returns that reflect performance in the respective fiscal year. I hope we can look forward to the ongoing support and understanding of shareholders and other investors.

November 2015



Toichi Maeda
President, Representative Executive Officer



Management Policy – Towards Year 2020 –

Based on its corporate philosophy, the EBARA Group (hereinafter “the Group”) regards providing industries with a series of products that consistently serve the interests of the public as the pillar of its business. This means that the Group strives to pursue continuous growth through providing industrial goods that are integral for customers to manufacture their end products, emphasizing safety, security and comfort, as well as offering service and support to maintain the most efficient functioning of the products.

Growth Objectives

- Since its founding in 1912, the Group has expanded its business domains from its mainstay rotating machinery such as pumps to environment-related plants and semiconductor manufacturing equipment. Now, it has grown to become a corporate group with consolidated sales of approximately 500 billion yen and an overseas sales ratio of over 50%. The Group's business domains encompass the effective use of water resources, the optimization of energy use, the prevention of global warming and the realization of a more comfortable information society. These business domains continue to have potential for future growth worldwide. However, we recognize that consolidated sales of 500 billion yen are among the lowest level for a manufacturer of industrial machinery to develop its business on a global basis and grow continuously. Looking ahead, amid the changing business environment, it is anticipated that the industry will see an ongoing trend of business alliances being forged as well as dissolved among competitors, which is likely to raise a critical mass (i.e., threshold) for survival. In light of this, the Group needs to pursue the expansion of business scale to cope with the changes, in addition to the improvement in profitability.

Growth Strategies

- Our growth strategies are focused on organic growth on the back of existing business resources and acquisition of businesses of a certain scale through mergers and acquisitions.
- Business acquisitions and mergers with other companies should be sought within or as an extension of the scope of existing business domains, with a view to achieving successful integration afterwards.
- The Group also boldly implements spinoffs or sales of existing businesses in order to secure funds for strategic acquisitions or to strategically restructure its business portfolio (with a concentration on specific businesses).
- The Group will achieve organic growth on the back of existing business resources by increasing its presence around the world and expanding stock-type businesses. To achieve this goal, the Group will work on the enhancement of its distribution network and service bases, either by deploying its own resources or through small-scale acquisitions.
- At the same time, the Group continues to invest in production facilities, new product development and the improvement in existing products to further improve its product competitiveness.
- The Group evaluates the return on equity (ROE) and return on invested capital of existing businesses and its affiliated companies. Any business that does not generate sufficient return on investment will be either thoroughly restructured or withdrawn.

Technological Development

- The Group strives to maintain the highest standard of technological development capabilities in each business domain, aiming at continuous improvement in product performance. The Group actively pursues fledgling technologies independent of its operations with the aim of incorporating such know-how in its products, and markets products with technical features that no other competitors have.
- Along with the deployment of new technologies, the Group will make flexible investments in areas where it can enhance productivity to achieve significant improvement in product competitiveness.

Securing and Developing Human Resources

- The Group recognizes that securing a diverse workforce is a prerequisite for its sustained growth in the global market. With this in mind, it places

- importance on securing multinational human resources and raising the percentage of female employees. The Group has abandoned the traditional notion that managerial posts should be filled by Japanese men and promotes more multinational and female employees to managerial posts. The Group is committed to providing a work environment that respects the best work-life balance for each one of its employees.
- Based on the recognition of generational differences in the pool of human resources, the Group implements a human resource development program that is designed to facilitate the effective use of human resources and proactively hire external personnel to achieve a balance in its workforce among the generational differences of its employees. In addition, the Group will improve its work environment so that each employee can perform to the best of his or her potential in the given situation and provide employees with skill development opportunities in order to raise the overall level of personnel.
- Management at affiliated companies is hired from among those who have superior abilities in their respective regions and industries. For that purpose, the Group lays out an incentive plan, incorporating a remuneration system that ensures objectivity and transparency.
- The Group implements a well-balanced personnel system, which highlights performance of both the company and individual employees, enabling employees with better capability to take on more responsible roles and highly rewarding the exercise of such responsibilities. With the support of such system, the Group will realize an effective business execution structure that places talented employees at its core, with an aim to establish a corporate culture that encourages competition and embraces challenges.

Addressing Environmental Issues

- The Group is strongly aware that its products contributing to the effective use of water resources or the mitigation of environmental pollution constitute the core elements of its business. From the standpoint of downsizing, higher efficiency and reusability, the Group will dedicate its efforts to the development of superior products, placing the utmost care on reducing its environmental load, as well as seek a way to minimize energy consumption and waste generation arising from manufacturing activities. Furthermore, the Group will encourage each of its sales offices to maximize the use of green energy as much as realistically possible.

Relationship with Society

- In recognizing its relationship with society, the Group is committed to making every effort to comply with all laws and regulations in all regions. Also, business operations shall be conducted based on high ethical standards through the practice of the Ebara Way. The Group pursues continuous improvement of employees' working conditions, aiming to raise them to an industry-leading level, subject to the achievement of corporate growth and improvement of corporate value. In addition, the Group engages in direct interaction with employees' families and local communities, recognizing the importance of such opportunities.

Strict Adherence to Corporate Governance

- Upon giving utmost consideration, within a reasonable range, to all stakeholders, the Group implements fair, transparent and boldly decisive management practices, with a view to continuously enhancing its corporate value. To this end, the Group establishes a corporate governance system under the leadership of the Board of Directors and strives to maintain and further develop the system.