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- 2) The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

## Corporate Governance Report

Last Update: August 31, 2020

EBARA CORPORATION

President, Representative Executive Officer

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<http://www.ebara.co.jp/en//index.html>

The corporate governance of EBARA CORPORATION (the “Company”) is described below.

### I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile, and Other Basic Information

#### 1. Basic Views

The Company has established the “EBARA Way,” composed of its “Founding Spirit,” “Corporate Philosophy” and the “EBARA Group CSR Policy” as the EBARA Group’s identity and set of values to be shared across the Group. Under the EBARA Way, EBARA upholds the enhancement of corporate value through sustainable business development and sharing the results with all stakeholders including shareholders as its most important management objectives. To achieve such objectives, the Company constantly seeks the best possible corporate governance and strives toward its further enhancement.

The EBARA Group has also established the “EBARA Corporate Governance Basic Policy,” and will endeavor to ensure the implementation of the basic policy and to further enhance its corporate governance.

→For further information about the “EBARA Way,” please see Appendix 1.

→For full disclosure on “EBARA Corporate Governance Basic Policy,” please see Appendix 2

#### Reasons for Non-compliance with the Principles of the Corporate Governance Code

The EBARA Group agrees with the intent of the Corporate Governance Code, and has adopted all of the principles therein.

#### Disclosure Based on the Principles of the Corporate Governance Code Updated

##### ◇Explanatory Notes

- |  |       |   |
|--|-------|---|
| • “The Company,” “EBARA,” “our,” “us” or “we”                            | ----- | Ebara Corporation   |
| • “The EBARA Group,” “the Group” or “our Group”                          | ----- | EBARA and its subsidiary and affiliated companies   |
| • “General Principle(s),” “Principle(s)” or “Supplementary Principle(s)” | ----- | The General Principle(s), Principle(s) or Supplementary Principle(s) of Japan’s Corporate Governance Code |
| • “EBARA’s Basic Policy”   | ----- | EBARA Corporate Governance Basic Policy (See Appendix 2)  |

• “Independent Directors”	-----	The Company’s Directors who satisfy EBARA’s Independence Standards (See Appendix 3), and are registered as independent directors with the Tokyo Stock Exchange
• “Non-executive Inside Directors”	-----	The Company’s inside Directors who do not concurrently serve as Executive Officers of the Company
• “Executive Directors”	-----	The Company’s Directors who concurrently serve as Executive Officers of the Company

#### ◇Appendixes

- Appendix 1-----EBARA Group Corporate Ethics Framework
- Appendix 2-----EBARA Corporate Governance Basic Policy
- Appendix 3-----Independence Standards of Independent Director of EBARA
- Appendix 4-----Corporate Governance Framework
- Appendix 5-----System for Ensuring Appropriate Operations and the State of Operation of the System
- Appendix 6-----Disclosure Process
- Appendix 7-----Flow Chart of Communication with Shareholders & Investors
- Appendix 8-----Calculation Method of Performance-linked Stock Compensation
- Appendix 9-----Attendance at Board of Directors meetings and Committee meetings, etc.

## 1. Management Philosophy *Principle 3.1 i)*

### ◆Corporate Philosophy

---Continuing the Spirit of the Founder---

“We contribute to society through high-quality technologies and services relating to water, air and the environment.” Since its establishment as a pump manufacturer in 1912, the EBARA Group has advanced by acquiring technological capabilities that meet society’s needs. In the fields of water, air, and the environment—and in recent years digital technology —our business activities help address issues facing society, such as using energy optimally, mitigating climate change, material recycling, and realizing a comfortable information society.

## 2. Business Strategies and Business Plan *Principle 3.1 i), 5-2*

### ◆ Long-term Vision “E-Vision2030” (Formulated Feb. 2020)

--- Roadmap to our 10-year vision ---

The EBARA Group aim to further our contributions toward the SDGs and improve ESG-focused management to contribute to the creation of a sustainable society, while simultaneously increasing the social/environmental and economic value we generate. We believe this will earn us greater corporate value and recognition as an excellent global company.

We have identified five material issues (EBARA’s materiality) with our key message for 2030 of:

“Technology. Passion. Support our Globe,” in mind. Specifically, we will contribute through our businesses to solutions and improvements on five material issues (Ebara’s materiality), achieving a high rate of “return on invested capital (ROIC)” as an indicator of the efficacy and efficiency of related activities. Building on these results, we shall increase the Ebara Group's presence and grow into a company admired by society and the world.

### 5 Material Issues (Materiality)

#### i) Contribute to the creation of a sustainable society

We will utilize our technologies to passionately support the creation of a sustainable, environmentally-friendly world with ample food and water, and safe and reliable social infrastructure.

#### ii) Elevate standards of living and support abundant lifestyles for all

We will utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles.

**iii) Conduct comprehensive environmental management**

We will promote the reduction of CO2 emissions from our business operations and maximizing our use of renewable energy to move toward a carbon-neutral world.

**iv) Promote working environments that encourage challenge**

We will promote a corporate group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.

**v) Enhance corporate governance**

We will lay out a vision for and pursue growth through offensive and defensive governance that supports high-level management capabilities.

→For more information on “Long-term Vision “E-Vision2030,” please see:

[https://www.ebara.co.jp/en/about/ir/releases/details/\\_\\_icsFiles/afieldfile/2020/02/14/news20200212a.pdf](https://www.ebara.co.jp/en/about/ir/releases/details/__icsFiles/afieldfile/2020/02/14/news20200212a.pdf)

[https://www.ebara.co.jp/en/about/ir/releases/details/\\_\\_icsFiles/afieldfile/2020/02/26/200226\\_Evision2030\\_Eplan2022\\_E.pdf](https://www.ebara.co.jp/en/about/ir/releases/details/__icsFiles/afieldfile/2020/02/26/200226_Evision2030_Eplan2022_E.pdf)

◆ **Mid-term Management Plan “E-plan2020”**

**--- Reconstruct the foundations of growth ---**

Back-casting the long-term vision “E-Vision2030” presenting directions in which we should take, this plan represents policies and strategies management should address in the next three years. We position this plan as a stage to “Reconstruct the foundations of growth” in the first three years of the 10-year-vision.

Tasks for the next three years:

- Increase profits by continuously reevaluating and optimizing our business portfolio
- Identify and match both internal and external technologies/know-how with market needs to create new businesses
- Improve management efficiency and speed by taking measures to improve global operations
- Conduct business operations in line with the ideals of stakeholder capitalism

Based on these we have defined the following basic policies:

**Basic Policies**

**- Strive for growth**

Create and cultivate new businesses and expand existing businesses further into the global market

**- Improve profitability of existing businesses**

Transform business structures to strengthen revenue base and increase S&S sales in all businesses

**- Refine management and business infrastructure**

Proactively implement digital transformation (DX) technologies to facilitate swifter management and further emphasize ROIC management

**- Enhance ESG-focused management**

Address evolving environmental issues, foster bonds with society, and enhance governance practices

**Targets to be Achieved in Fiscal Year 2022**

- a) ROIC ((Return on Invested Capital): 8.0% or more (Group-wide)
- b) Operating Income to Sales Ratio: 8.5% or more (Group-wide)

→For more information on Mid-term Management Plan “E-plan2020,” please see:

[https://www.ebara.co.jp/en/about/ir/releases/details/\\_\\_icsFiles/afieldfile/2020/02/14/news20200212a.pdf](https://www.ebara.co.jp/en/about/ir/releases/details/__icsFiles/afieldfile/2020/02/14/news20200212a.pdf)

[https://www.ebara.co.jp/en/about/ir/releases/details/\\_\\_icsFiles/afieldfile/2020/02/26/200226\\_Evision2030\\_Eplan2022\\_E.pdf](https://www.ebara.co.jp/en/about/ir/releases/details/__icsFiles/afieldfile/2020/02/26/200226_Evision2030_Eplan2022_E.pdf)

◆ **Optimization of Business Portfolio Based on Capital Cost**

EBARA formulates and publishes management policies/mid-term management plans including our Group business portfolio; and we verify progress statuses against mid/long-term targets periodically and as needed; we also review our policies when necessary.

In order to optimize our business portfolio, we clearly classify our businesses into “businesses that can be expected to grow in the future” and “businesses in a matured market or with issues in profitability”. We have a system in place to organize processes to periodically evaluate performances and growth of existing businesses and restructure business portfolio as needed.

### ◆Planned Investment/Financial Strategies

In the mid-term management plan “E-Plan2022” published in Feb. 2020, we set target values positioning ROIC as the most important management index to aim to construct a revenue base exceeding capital cost. Prioritizing capital investment for productivity improvement and growth investment such as M&A to accelerate global expansion, we will increase capital efficiency through focusing on balance sheet control such as compressing account receivables and inventories at respective businesses. Therefore, KPIs are set per Business and progress against plan is periodically checked, and action plans are reviewed when necessary so that the targets be achieved.

### 3. Policy on Shareholder Return

The EBARA Group regards returning profit to shareholders as one of the most important management policies. As for shareholder returns during the E-Plan2022 period, having the target of consolidated Dividend Payout ratio of 35% or over, we plan to payout while maintaining consolidated Dividend on Equity ratio (DOE) of 2.0% or over. We will be acquiring own equities expeditiously also.

### 4. Basic Policy for Cross-Shareholdings, etc. *Principle 1.4, Supplementary Principle 1.4.1, 1.4.2 (See Article 4 of Appendix 2)*

#### (1) Policy for Reduction of Cross-Shareholdings

In principle, the Company does not hold cross-shareholdings. However, it is possible that the Company will hold shares of other companies only in cases where it is determined that partnerships with investees through shareholding will contribute to the enhancement of the Group’s corporate value.

#### (2) Status of Reduction of Cross-Shareholdings

By June 2020, the Company had sold all cross-holding of listed shares (incl. listed shares contributed to the employee retirement benefit trust).

#### *[Number of Issues of Listed Shares Held by the Company Not for Purely Investment Purposes]*

	End of March 2016	End of March 2017	End of December 2017	End of December 2018	End of December 2019	End of June 2020
Number of issues of cross- shareholdings	29	14	9	9	2	0
Number of issues contributed to employee retirement benefit trust	8	8	8	5	1	0

#### (3) Standards for Voting Rights

The Company does not hold cross-shareholdings, so this section does not apply.

(4) Related to Cross-Shareholder

The Company does not hold cross-shareholdings, so this section does not apply.

**5. Basic Views on Corporate Governance** *Principle 3.1 ii) (See Article 1 of Appendix 2)*

The EBARA Group's basic views on corporate governance are as follows.

- (1) The Company respects shareholders' rights, and is engaged in establishing an environment which enables shareholders to appropriately and effectively exercise their rights and ensures equality among shareholders.
- (2) The Company strives to appropriately cooperate with various stakeholders, including customers, business partners, employees and local communities. The Company will also develop a corporate culture in which such stakeholders' rights and positions are respected and business is executed soundly.
- (3) The Company strives to ensure management transparency through appropriate disclosure of its corporate information.
- (4) The Company has developed a governance system in which Independent Directors play important roles, and that is centered on Independent Directors and Non-executive Inside Directors. The Company has adopted the organizational form of a "Company with Three Committees," with the Nomination Committee, the Compensation Committee and the Audit Committee as statutory committees under the Board of Directors, to achieve clear separation between supervision and business execution in management.
- (5) The Company engages in constructive dialogue with shareholders and investors on the basis of a separately established "IR Basic Policy," with a view to contributing to sustainable growth and the medium- to long-term enhancement of corporate value.

**6. Responsibilities of the Board, and Policies and Procedures for Appointment/Dismissal of the Directors and Executive Officers**

(1) Roles of the Board and Board Balance and Size *Supplementary Principle 4.11.1 (See Article 9 of Appendix 2)*

*(a) Roles and Responsibilities of the Board of Directors and Standards for Nominating Directors*

The Board of Directors must make its best effort to realize the mission it has been given by shareholders to "continuously improve corporate value" while giving the greatest consideration possible within reasonable extent to the positions of all stakeholders. In addition to the perspective of establishing an internal control environment for preventing downside risks of scandals, etc., (i.e., defensive leadership), the Board must also consider the perspective of establishing an environment enabling management to boldly face challenges to prevent upside risks in which business opportunities are missed (i.e., offensive leadership).

To be able to exhibit both defensive and offensive leadership, the Board of Directors must be a place enabling the best conclusion to be reached while avoiding closed discussion through the exchange of diverse opinions. To achieve this, the Board must be made up of personnel with sufficient knowledge and experience in areas important from the perspective of business management from inside and outside the Company. In addition to sufficient expert knowledge in their respective fields, Directors need to have extensive insight and ability of logical thinking enabling them to make decisions based on the opinions of other Board members with expert knowledge and information from within and outside the Company.

Furthermore, the Board of Directors must be able to clearly divide responsibilities of supervision and execution in order to be able to effectively supervise the execution of business and also be able to objectively assess and comment on the progress and results of execution of business by management from a position that is independent from the execution of business. As the organizational form to achieve this, the Company adopted "Company with Three Committees" to delegate the authority and responsibility of business execution to Executive Officers. In addition, the Company also established Nomination, Compensation and Audit Committees within the Board of Directors to form the essence of corporate governance. The number of Executive Directors has been kept to a minimum to the extent that is realistic,

while effectively utilizing Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers of the Company).

From this perspective, and in consideration of the balance of “Independent Directors,” “Non-executive Inside Directors” and “Executive Directors” in the composition of the Board of Directors, as of March 30, 2020 the Board of Directors is composed of seven (7) Independent Directors, including two (2) females, and two (2) Non-executive Inside Directors, and one (1) Executive Director who is *President and Representative Executive Officer*.

Furthermore, the Nomination, Compensation and Audit Committees established within the Board of Directors are made up of only Independent Directors and Non-executive Inside Directors to maintain their independence and objectivity, and a majority of each committee is made up of Independent Directors.

**(b) Policy for the Chairman of the Board of Directors (See Article 10 of Appendix 2)**

A Director who does not concurrently serve as Executive Officer serves in the position of the Chairman of the Board of Directors. Furthermore, to ensure the respective responsibilities of the Board of Directors, the Nomination Committee, the Audit Committee and the Compensation Committee to be appropriately fulfilled, the Chairman of the Board of Directors shall not concurrently serve as the Chairperson of each of the committees unless there are special circumstances.

The Chairman of the Board of Directors sets out the proposals to be deliberated and reported at Board of Directors’ meetings, and conducts the proceedings of the Board meetings to ensure that the best possible conclusion is reached efficiently, based on reasonable debate. The Chairman of the Board of Directors receives reports as appropriate from the Representative Executive Officer on whether the Board of Directors’ opinions are adequately reflected in business execution. The Chairman of the Board of Directors reports, as necessary, the status of such reports to the Board of Directors, and asks the Board to deliberate for possible correction of the general direction of business execution, etc.

In the event the Chairman of the Board of Directors is an Independent Director, the Board of Directors nominates the Chairman of the Company (one person from among the Non-executive Inside Directors if there is no Chairman of the Company) as a person to assist the Chairman of the Board of Directors.

According to the above policy, since adopting to the organizational form of a “Company with Three Committees” in June 2015, the Company has had a Non-executive Inside Director serve as the Chairman of the Board of Directors and separated the roles of Chairman of the Board of Directors and the Representative Executive Officer. From March 29, 2019, to enhance the transparency and fairness of the Board of Directors and further strengthen the supervisory functions of the Board, an Independent Director serves as Chairman of the Board.

**(c) Composition of the Board of Directors Principle 4-11 (See Article 9, 11, 12, 13 and 17 of Appendix 2)**

To ensure the Board of Directors effectively fulfills its roles and responsibilities, the Board of Directors shall have overall balance of personnel with sufficient knowledge, experience and skills inside and outside the Company in areas related to business management, and made up in a way that has both diversity including gender and international aspects and appropriate size.

Knowledge and experience expected to be important to the Company from the perspective of company management are defined as the areas of “legal affairs and risk management,” “personnel and human resource development,” “finance, accounting and capital policy,” “auditing,” “management of individual businesses (in the Ebara Group),” “corporate management and management strategy,” “research and development,” “the environment,” “social” and “internal control and governance.” In addition to having appropriate knowledge in all of these areas, the Company has appointed nominees for Director by specifying areas in which the Company particularly expects them to perform. Directors comprising the Audit Committee shall have adequate experience and ability, and the necessary knowledge of finance, accounting and law, and include two (2) or more members with sufficient knowledge of finance and accounting. Note that these areas shall be revised as appropriate based on the external environment and the condition of the Company.

As of March 30, 2020, seven (7) out of the ten (10) Directors (70% of the total), including two (2) females (20% of the total), are Independent Directors who have appropriate and diverse capabilities (for more information, see Section (3) below). Diversity of the Board of Directors has been paid due attention

regarding gender and nationality by including a female member and several members with adequate knowledge and experience of international transactions and global business, but the Company is considering the appointment of Directors of foreign nationality in the future from the standpoint of further diversity.

(2) Policies and Procedures for Appointment and Dismissal of Directors and Executive Officers **Principle 3.1 iv) (See Article 17 of Appendix 2)**

The policies and procedures related to the nomination and dismissal of directors and the election and dismissal of executive officers in the Company are determined by a Nomination Committee chaired by an Independent Director and comprising a majority of Independent Directors.

*(a) Nomination Process for Directors*

The Nomination Committee selects Candidates for Director from a strategic perspective based on management philosophy and management strategy, deliberates whether they have suitable qualities and capabilities as Directors based on the perspective in (1) above, and determine proposals related to the election and dismissal of Director Candidates for the purpose of sustainable growth of the Company and enhancement of medium- to long-term corporate value based on the Director election criteria and election procedures established by the Nomination Committee. The Candidates for Director are reported to the Board of Directors by the Nomination Committee and elected by resolution of the General Meeting of Shareholders.

*(b) Process for the Appointment and Dismissal of Executive Officers*

The Nomination Committee deliberates whether Candidates for Executive Officer selected by the President and Representative Executive Officer have suitable qualities and capabilities as Executive Officers, and present the results of deliberation to the Board of Directors based on the Executive Officer appointment criteria and appointment procedures established by the Nomination Committee. The Board of Directors makes a decision after receiving the deliberation results from the Nomination Committee.

Furthermore, in the event the performance does not meet the criteria specified in the Company's regulation when the Nomination Committee periodically checks the aptitude of each current Executive Officer, the Nomination Committee will propose to the Board of Directors not to re-appoint the current Executive Officer.

*(c) Process for Election and Dismissal of the President and Representative Executive Officer and Succession Planning* **Principle 3.1 iv), v), Supplementary Principle 4-1-3, 4-3-2, 4-3-3 (See Article 11 of Appendix 2)**

The Company has positioned the establishment and implementation of the criteria and policies for the appointment and dismissal of the President and Representative Executive Officer who serves in a particularly central role in top management as the most important strategic decision in the Company.

◆ **Process for the Appointment and Dismissal of the President and Representative Executive Officer**

The Nomination Committee proposes final candidates for the appointment of the President and Representative Executive Officer to the Board of Directors and the Board of Directors makes a decision based on the criteria and policies for the appointment and dismissal of the President and Representative Executive Officer established by the Nomination Committee.

The Nomination Committee checks that the current President and Representative Executive Officer meets the requirements concerning the qualities of the President and Representative Executive Officer specified in the succession plan periodically and as needed, and makes proposals to the Board of Directors on the successor for President and Representative Executive Officer based on the succession plan when the President and Representative Executive Officer steps down.

Furthermore, the Board of Directors has established an independent and objective process for discussion whether or not to dismiss the President and Representative Executive Officer when it is found that the President and Representative Executive Officer is not functioning adequately based on an

appropriate evaluation of the Company's performance, etc. Specifically, in the event the consolidated performance of a single fiscal year does not meet the criteria specified by the Nomination Committee for three consecutive years when the Nomination Committee periodically checks the aptitude of the current President and Representative Executive Officer, the Nomination Committee proposes to the Board of Directors not to re-appoint the current President and Representative Executive Officer unless there are special circumstances, and the Board of Directors conducts discussion on whether or not to dismiss the President and Representative Executive Officer.

◆ Succession Planning for the President and Representative Executive Officer

In order to appoint the next President and Representative Executive Officer the Nomination Committee establishes a succession plan for the President and Representative Executive Officer, establishes programs for the continued and deliberate development of candidates with the aptitude to serve in management, and works to ensure there is a system enabling the recommendation of appropriate personnel at any time.

The Nomination Committee identifies the abilities, qualities (potential), experience, knowledge and skills required of the President as the Ebara style of an "ideal manager" based on the succession plan, establishes the specific methods and criteria for determining these, selects candidates from a broad age group, develops them and actively checks the status of development.

(3) Explanations with respect to Individual Appointments and Nominations **Principle 3.1 v) (See Article 8 of Appendix 2)**

The reasons for nominating each candidate for Director and the areas in which the Company particularly expects them to perform as part of the explanation of the corresponding proposal in pages 4-5 of the Notice of the General Meeting of Shareholders.

→ For full disclosure on "the Notice of the 155th General Meeting of Shareholders," please see:

[https://www.ebara.co.jp/en/about/ir/stock/shareholdersmeeting/\\_icsFiles/afieldfile/2020/03/25/E6361\\_155r1.pdf](https://www.ebara.co.jp/en/about/ir/stock/shareholdersmeeting/_icsFiles/afieldfile/2020/03/25/E6361_155r1.pdf)

(4) Policy on Officers' compensations and procedure **Principle 3.1 iii), Principle 4.2, Supplementary Principle 4.2.1 (See Article 20 of Appendix 2)**

The restricted stock compensation plan and the performance shared unit compensation plan we introduced in 2018 are intended for EBARA's Directors, Executive Officers and managers at certain levels as well as some officers of our subsidiaries. They are meant to be incentives for efforts to continuously improve our corporate value as well as to promote further value sharing with our shareholders. Regarding Executive Officers, an execution system will be organized in the newly formulated long-term E-Vision2020 and mid-term E-Plan2022. As part of this effort, we have abolished any titles for Executive Officers (*Senior Managing Executive Officer* and *Managing Executive Officer*), except for the President, Representative Executive Officer title. And across the Group it will be ensured thoroughly that deployment and treatment will match abilities of personnel.

The following shows the outline of compensations for directors and executive directors.

(a) *Compensation for Directors*

Compensation levels and the compensation system for Directors reflect the roles, etc., in the Board of Directors and committees, etc., to encourage and supervise the execution of operations by the Executive Officers in line with the Company's management philosophy and strategies, for the purpose of sustained growth of the Company and the medium- to long-term enhancement of corporate value.

(b) *Compensation for Executive Officers*

The compensation system for Executive Officers is linked to short-term and medium- to long-term performance to encourage the execution of business in line with the management philosophy and management strategies, and to provide strong motivation for the achievement of management targets, and



provides an appropriate level of compensation when targets are met, for the purpose of sustained growth of the Company and medium- term enhancement of corporate value.

→Read more on Incentive Policies for Directors and/or Executive Officers, pages 27-28.

→Read more on Disclosure of Policy on Determining Compensation Amounts and Calculation Methods, pages 30-33

(5) Training for Directors **Principals 4-14, Supplementary Principals 4.14.2 (See Article 18 of Appendix 2)**

The Company offers opportunities for newly elected Directors to gain knowledge of, and insight into, the subjects necessary to perform their responsibilities as Directors, including finance, legal affairs and corporate governance prior to or immediately after their election. Furthermore, in an effort to promote understanding of the Group, the Company offers opportunities as appropriate for newly elected Independent Directors to gain knowledge of, and insight into important matters such as the Group's management strategies and financial position, through a briefing by Executive Officers, etc., in charge of respective areas, and inspection tours, etc., at the Group's business sites prior to or immediately after their election.

In addition, the Company provides Directors with opportunities for adequate training after their election as appropriate, including lectures by external experts.

**7. Separation between Supervision and Business Execution in Management** **Supplementary Principle 4.1.1 (See Article 9 of Appendix 2)**

---Scope of Delegation to the Management---

Based on the basic views of the role of the Board of Directors and clear separation between supervision and business execution as described in 6 (1) (a) "Roles and Responsibilities of the Board of Directors and Standards for Nominating Directors" on page 5, the Board of Directors establishes the Board of Directors' Rules, specifying the matters to be resolved and reported to the Board of Directors, and stipulates the scope of matters for which decision-making authority is delegated to Executive Officers.

The decision-making authority on matters concerning business execution is delegated to Executive Officers, except those categorized as the exclusive jurisdiction of the Board of Directors by laws and regulations as well as the Articles of Incorporation, including basic management policies (management philosophy, medium- to long-term management plan, and annual budget, etc.) and those that may have a significant impact on the management of the Group.

**8. Supervision by Independent Directors** **Principle 4.8 (See Article 9 of Appendix 2)**

---Effective Use of Independent Directors---

Based on the basic views of the role of the Board of Directors and clear separation between supervision and business execution as described in 6 (1) (a) "Roles and Responsibilities of the Board of Directors and Standards for Nominating Directors" on page 5, the Company has developed a governance system comprising mainly Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers of the Company).

(1) Roles of Independent Directors **(See Article 16 of Appendix 2)**

Independent Directors are mainly responsible, among their principal roles, for verifying and assessing as appropriate the business results of the Company and performance of Executive Officers in light of the management strategies or management plan set out by the Board of Directors, and determining and expressing opinions on whether it is appropriate to delegate management responsibilities to the incumbent Executive Officers from the perspective of the common interests of shareholders.

(2) Ratio of Independent Directors

To appropriately and effectively fulfill the roles of Independent Directors described above, the Company believes it needs to secure a certain number or more of Independent Directors. The Company therefore has the policy that more than one-third (1/3) of the Board members shall be Independent Directors.

As of March 30, 2020, the composition of the Board of Directors comprises ten (10) Directors, seven (7) of whom are Independent Directors, and all of them are registered as independent directors with the Tokyo Stock Exchange.

Furthermore, to enhance the transparency and fairness of the Board of Directors and further strengthen the supervisory functions of the Board, the number of Executive Directors has become one (1), President, Representative Executive Officer only, and an Independent Director is serving as Chairman of the Board. For the Compensation Committee, taking into account the status of the compensation system which has been established and operated diligently, the Compensation Committee's members have all been Independent Directors to further strengthen its objectivity and transparency since June 2017.

(3) Independence Standards and Qualification for Independent Directors **Principle 4.9 (See Article 17 of Appendix 2)**

Independent Directors shall be selected from those who have adequate specialized knowledge in areas important in company management and can also contribute to discussion on the essence of management from a position that is completely independent from the execution of business. The Company has established the Independence Standards of Independent Director of EBARA based on the independence standards specified by the Tokyo Stock Exchange. Only those who meet such standards shall be the Company's Independent Directors.

→For full disclosure on "the Independence Standards of Independent Director of EBARA," see Appendix 3

→For full disclosure on the reasons of appointment for Independent Directors, see pages 18-24.

(4) Independent Directors' Meetings **Supplementary Principle 4.8.1 (See Article 14 of Appendix 2)**

To fulfill their roles and responsibilities, meetings consisting solely of Independent Directors have been established as a venue to share sufficient information and awareness among Independent Directors from an independent and objective standpoint.

→For further information about the Supporting System for Independent Directors, see page 33.

(5) Election of Lead Independent Director **Supplementary Principle 4.8.2 (See Article 16 of Appendix 2)**

The Lead Independent Director is elected from among the Company's Independent Directors. The Lead Independent Director serves as the Chairperson of the Independent Directors' Meeting. In addition, the Lead Independent Director summarizes opinions of other Independent Directors as necessary, and reports to the Chairman of the Board of Directors or the President and Representative Executive Officer for further consultation.

## 9. Effectiveness of the Board of Directors

(1) Evaluation of the Effectiveness **Supplementary Principle 4.11.3 (See Article 19 of Appendix 2)**

The Company pursues the best possible corporate governance structure and strives for its further enhancement at all times. Each year the Board of Directors itself analyzes and assesses the overall effectiveness of the Board of Directors to review how the Board of Directors contributes to corporate governance functioning effectively, identify issues and make improvements. An overview of the results is then disclosed. Based on the importance of the Chairman at the meeting of the Board of Directors, the Board of Directors also evaluated the Chairman's performance.

### ◆Efforts to Resolve Issues Recognized in the Fiscal Year 2018 Evaluation of the Board of Directors

<Issues recognized in Fiscal Year 2018 Evaluation>

- Enhancement of discussion of long-term issues contributing to the improvement of corporate value, along with progress of and issues with the Medium-term Management Plan
- Strengthening of support aimed at ongoing monitoring and enhancement of the state of efforts and improvements after deliberation of important issues in the Board of Directors
- Periodic reviews of the size and composition of the Board of Directors
- Enhancement of discussion on succession plans for Independent Directors

<Actions to issues recognized in Fiscal Year 2018 Evaluation>

*(a) Enhancement of discussion of long-term issues and monitoring of progress of and issues with the Medium-term Management Plan.*

In fiscal year 2019, the formulation of the long-term vision and the next medium-term management plan were important matters for the Board of Directors to consider. Over the course of time, the Board thoroughly discussed the future direction of the Company a decade from now and the medium-term management policies and strategies that should be addressed in the next three years, including a review of the previous medium-term management plan “E-Plan2019”. The Board of Directors became more aware of the important mid- to long-term issues of the Company, and had more effective discussions.

*(b) Strengthening of support aimed at ongoing monitoring and enhancement of the state of efforts and improvements after deliberation of important issues in the Board of Directors*

As the final year of E-Plan 2019 the Board of Directors monitored its progress and future outlook, and also discussed how the issues recognized through the review of the plan were incorporated into the next medium-term management plan.

*(c) Periodic reviews of the size and composition of the Board of Directors*

With regard to the size and composition of the Board of Directors in Fiscal Year 2019, it was confirmed that the number of Internal Directors has decreased and the number of Executive Directors has become one, President, Representative Executive Officer only, making execution and supervisory functions more clear. With regard to Independent Directors, it was also found that; the current composition of Independent Directors centered around management experience and legal and accounting experts has been appropriate; open and vigorous discussions at meetings of Independent Directors greatly contribute to improving the quality of discussions at meetings of the Board of Directors; and the performance of the Chairman of Independent Director has been evaluated highly positive.

## ◆Fiscal Year2019 Evaluation of the Board of Directors

### Analysis and evaluation process

With the cooperation of an independent third-party, the Company prepared a questionnaire for each Director, conducted analysis of the responses, and then implemented individual interviews with all of the Directors to confirm the thoughts of each Director based on their responses to the questionnaire, and analyzed the results of the questionnaire and individual interviews. The Board of Directors discussed the effectiveness of the Board of Directors in the Board Meetings held in February and March 2020 based on the report from the independent third-party on the above analysis, and confirmed the evaluation and future action to be taken. Based on the importance of the Chairman at the meeting of the Board of Directors, the Board of Directors also evaluated the Chairman’s performance.

### Summary of the results of analysis and evaluation

As a result of the above analysis, it was found that Directors’ evaluations of the composition and status of operation of the Company’s Board of Directors and Committees were generally high and the effectiveness of the Board was sufficiently ensured. However, it was found that it is necessary to continuously engage in some issues.

### Action to be taken

The Company’s Board of Directors re-affirmed that it will further increase the effectiveness of the Board of Directors by continuously engaging in the following actions.

- Strengthening support for ongoing verification, follow-up, and implementation of measures to address long-term issues that contribute to the enhancement of corporate value and important issues in the medium-term management plan.
- Personnel placement and training to resolve such issues, and confirmation and verification of the status of internal structure.
- Enhancement of discussion on succession plans for Directors.
- Periodic reviews of the size and composition of the Board of Directors.

→For full disclosure on “Overview of the results of the fiscal year 2019 Evaluation about the Effectiveness of the Company’s Board of Directors,” please see:

[https://www.ebara.co.jp/en/about/ir/library/corporategovernance/\\_icsFiles/afieldfile/2020/03/11/en\\_board\\_evaluation\\_FY2019%20final\\_1.pdf](https://www.ebara.co.jp/en/about/ir/library/corporategovernance/_icsFiles/afieldfile/2020/03/11/en_board_evaluation_FY2019%20final_1.pdf)

(2) Concurrent Positions of Directors and Attendance Rate of the Board **Principals 4.11.2 (See Article 17 of Appendix 2)**

The Company’s Basic Policy has provided that if a Director of the Company is to concurrently serve as a director or a statutory auditor of other listed companies, such service shall not be demanding to the extent that it may impede the roles and functions expected of a Director of the Company, and the standard for the number of concurrent boards has been set. We also have set standards pertaining to attendance rates of the Board of Directors meetings to ensure the effectiveness.

We have determined that the current concurrent status of all Directors is within the extent of fulfilling the roles and functions expected of the Director of the Company. The status of concurrent posts of Directors is disclosed in the explanation of the proposal for election of Directors of the Notice of the General Meeting of Shareholders.

→For full disclosure on “the Notice of the 155th General Meeting of Shareholders,” please see:

[https://www.ebara.co.jp/en/about/ir/stock/shareholdersmeeting/\\_icsFiles/afieldfile/2020/03/25/E6361\\_155r1.pdf](https://www.ebara.co.jp/en/about/ir/stock/shareholdersmeeting/_icsFiles/afieldfile/2020/03/25/E6361_155r1.pdf)

**10. Related Party Transactions** **Principle 1.7 (See Article 5 of Appendix 2)**

The Company’s Basic Policy has provided that the Company’s Directors and Executive Officers shall obtain prior approval of the Board of Directors when they are to “carry out transactions that belong to the line of business of the Company (competitive transactions) for themselves or for a third party” or “carry out transactions with the Company, or transactions that involve conflicts of interest between themselves and the Company (transactions involving conflicts of interest), including transactions between the Company and a third party for which they receive a commission, etc.”

**11. CSR Implementation Structure**

The Sustainability Committee has been established to discuss policies on activities contributing to society/environment and Ebara Group’s sustainability as well as to verify and review outcomes. The former CSR Committee was renamed to the Sustainability Committee, with the aim of discussing sustainability from wider perspectives than the CSR, with a greater awareness of its relevance to management. It is recommended that Non-executive Directors attend in at Sustainability Committee meetings in order to properly supervise since the Board of Directors regards sustainability issues (incl. CSR, ESG, and SDGs) as important matters in management thus Non-executive Directors provide advice etc. as needed. The Sustainability Committee reports its deliberations to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information. For more detailed information on the Sustainability Committee, see page 37

**12. Risk Management** **Supplementary Principle 4.3.4**

**(1) Risk Management**

The Risk Management Panel (hereinafter referred to as “RMP”) is in place as a body responsible for coordinating risk management activities, while carrying out deliberation, guidance for improvement and support. The RMP is chaired by the President, Representative Executive Officer, and made up of all Executive Officers. Furthermore, Non-executive Directors attend the panel for exhibiting supervisory functions in risk management, and providing advice and the like as necessary. The RMP reports its deliberations to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information.

The EBARA Group must reinforce its Group governance and risk management measures in order to support the global expansion of its business. To strengthen Group governance, we are revising our regulations for Group administration and ensuring these regulations are observed. In addition, we have established the Risk Management Guidelines, which are meant to facilitate the development of risk management systems at Group companies based on shared targets, as well as the Internal Control

Guidelines aimed at enhancing internal controls. These and other frameworks were implemented at all Group companies. We will pursue ongoing improvements in our risk management system.

Further, to address the spread of COVID-19, the company-wide Task Force was set up with the President and Representative Executive Officer, taking charge as the Director. With securing safety of employees and their families as the highest priority, the Task Force implements infection prevention measures, addresses any infection cases, captures accurate information including supply chain so that we may minimize the impact on our businesses.

→For more detailed information on the RMP, see pages 36.

## (2) Compliance

We practice compliance based on the EBARA Group CSR Policy, which calls on us to conduct business with a strong sense of ethics and foster relationships of trust with such valued stakeholders as customers, suppliers, shareholders, investors, local communities, and employees. In addition to legal compliance, the Group makes conscientious efforts to conform to in-house regulations, social norms, and other rules in its business activities.

The Group is well aware of the fact that a scandal resulting from a failure to guarantee compliance would undoubtedly have a severe adverse impact on its management foundations. To ensure good compliance in the Group, we have established the Sustainability Committee, the Ebara Group Compliance Network, the compliance liaison system, and whistle-blowing hotlines.

## 13. Dialogue with Shareholders and Investors *Principles 5.1, Supplementary Principle 5-1-1, 5-1-2 (See Article 21 of Appendix 2)*

The Company recognizes the development of a long-term trusting relationship with shareholders and investors as one of the most important management matters. The Company provides appropriate corporate information necessary for shareholders and investors to make investment decisions, and strives to further strengthen the trusting relationship on a continuous basis by engaging in IR activities for enhancing its corporate value through constructive dialogue.

The Board of Directors practices appropriate oversight of the dialogue with shareholders and other investors, positioning it as an important management issue. To facilitate this oversight, the Board of Directors receives quarterly reports on IR activities by the division responsible for these activities, and Directors offer advice as necessary.

In the current framework, the President and Representative Executive Officer is the chief executive of IR activities of the Company, which are, in principle, carried out by the executive officer in charge of IR and the department in charge of IR.

In addition, Directors (including Independent Directors), Executive Officers and other senior executives arrange, as appropriate, opportunities for direct dialogue with shareholders and investors. The Company develops a framework for internally sharing information and knowledge gained through such dialogue with shareholders and investors, which shall be utilized for the management of the Company.

→For more detailed information on IR activities, see pages 39-41.

→For full disclosure on “IR Basic Policy,” please see:

[https://www.ebara.co.jp/en/about/ir/information/ir\\_basic\\_policy/index.html](https://www.ebara.co.jp/en/about/ir/information/ir_basic_policy/index.html)

→For more detailed information on “Flow Chart of Communication with Shareholders & Investors,” please see Appendix 7.

## 14. Functions as a Corporate Pension Asset Owner *Principle 2.6*

The Group has established a Pension Committee as an organization for ensuring pension benefits are provided to members in the future in the management of defined benefit pension assets of the Company and its major domestic subsidiaries. The Pension Committee has defined a “Basic Policy on Management of Pension Assets” to secure total earnings required in the long term within an acceptable range of risk, and is engaged in the management and administration of pension assets by determining strategic asset composition ratios from a medium- to long-term perspective.

The Pension Committee is made up of Executive Officers and employees from the Human Resources Division and the Finance and Accounting Division who have specialized knowledge in the areas of human resources systems, management of financial assets and accounting and taxes, and also hires external experts as advisors to receive the necessary advice on pension asset management and the establishment of systems, as well as to properly manage conflicts of interest between pension beneficiaries and the Company.

## 2. Capital Structure

Percentage of Foreign Shareholders	More than 30%
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### Status of Major Shareholders Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,951,300	11.49
ICHIGO TRUST PTE. LTD. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Department)	9,552,600	10.02
Japan Trustee Services Bank, Ltd. (Trust Account)	7,802,600	8.18
THE BANK OF NEW YORK MELLON 140042 (Standing proxy: Mizuho Bank Ltd., Settlement & Clearing Services Division)	4,059,122	4.26
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Department)	3,074,700	3.23
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,036,400	2.14
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,703,900	1.79
NORTHERN TRUST CO.(AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Department)	1,692,200	1.78
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank Ltd., Settlement & Clearing Services Division)	1,619,918	1.70
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,387,900	1.46

Controlling Shareholder (Except for Parent Company)	—
Parent Company	No

Supplementary Explanation Updated

- 1) Capital structure indicated here reflects the status as of June 30, 2020.
- 2) The Company owns 18,052 treasury shares, but has been eliminated from total number of shares issued in calculating the percentage above.
- 3) In a change report pertaining to a report of possession of large volume, available for public inspection as of April 21, 2020, it is stated that Nomura Securities Co., Ltd. and its two joint holders collectively held 7,127 thousand shares (equivalent to a 7.49% holding ratio of share certificates, etc.) as of April 15, 2020. However, the Company could not verify the number of shares substantially held by the aforementioned parties as of June 30, 2020. Thus, they are not included in the aforementioned status of major shareholders.
- 4) In a change report pertaining to a report of possession of large volume, available for public inspection as of March 23, 2020, it is stated that Silchester International Investors LLP held 6,865 thousand shares (equivalent to a 7.22% holding ratio of share certificates, etc.) as of March 19, 2020. However, the Company could not verify the number of shares substantially held by the aforementioned parties as of June 30, 2020. Thus, they are not included in the aforementioned status of major shareholders.
- 5) In a change report pertaining to a report of possession of large volume, available for public inspection as of April 20, 2020, it is stated that Mitsubishi UFJ Trust and Banking Corporation and its three joint holders collectively held 5,164 thousand shares (equivalent to a 5.43% holding ratio of share certificates, etc.) as of April 13, 2020. However, the Company could not verify the number of shares substantially held by the aforementioned parties as of June 30, 2020. Thus, they are not included in the aforementioned status of major shareholders.
- 6) In a change report pertaining to a report of possession of large volume, available for public inspection as of March 19, 2020, it is stated that Sumitomo Mitsui Trust Bank, Limited and its two joint holders collectively held 4,973 thousand shares (equivalent to a 5.23% holding ratio of share certificates, etc.) as of March 13, 2020. However, the Company could not verify the number of shares substantially held by the aforementioned parties as of June 30, 2020. Thus, they are not included in the aforementioned status of major shareholders.
- 7) In a change report pertaining to a report of possession of large volume, available for public inspection as of April 22, 2020, it is stated that Mizuho Bank, Ltd. and its two joint holders held 4,253 thousand shares (equivalent to a 4.47% holding ratio of share certificates, etc.) as of April 15, 2020. However, the Company could not verify the number of shares substantially held by the aforementioned party as of June 30, 2020. Thus, they are not included in the aforementioned status of major shareholders.
- 8) In a change report pertaining to a report of possession of large volume, available for public inspection as of October 3, 2019, it is stated that Newton Investment Management Limited and its five joint holders collectively held 4,224 thousand shares (equivalent to a 4.14% holding ratio of share certificates, etc.) as of September 30, 2019. However, the Company could not verify the number of shares substantially held by the aforementioned parties as June 30, 2020. Thus, they are not included in the aforementioned status of major shareholders.

### 3. Corporate Profile

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-end	December
Type of Business	Machinery
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	50 to less than 100

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

The Company does not have a parent company or listed subsidiaries; thus, there are no matters to report under this item.



## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision Making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Structure of Organization	Company with Three Committees (Nomination, Compensation and Audit)
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#### Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairman of the Board	Independent Director
Number of Directors	10

#### Outside Directors

Number of Outside Directors	7
Number of Independent Directors	7

#### Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Sakon Uda	From Other Company								△			
Hajime Sawabe	From Other Company								△			
Shozo Yamazaki	CPA											
Hiroshi Oeda	From Other Company											
Masahiro Hashimoto	From Other Company											
Junko Nishiyama	From Other Company											
Mie Fujimoto	Attorney											

\* Categories for "Relationship with the Company":

“○” When the director currently falls or has recently fallen under the category

“△” When the director fell under the category in the past

“●” When a close relative of the director currently falls or has recently fallen under the category

“▲” When a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company other than compensation as a director/audit & supervisory board member

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

- i. Executive of a company, between which and the Company outside directors/audit & supervisory board members are mutually appointed (the director himself/herself only)
- j. Executive of a company or an organization that receives a donation from the Company (the director himself/herself only)
- k. Others

#### Outside Directors' Relationship with the Company (2)

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Sakon Uda	○			○	Sakon Uda falls under the “h” relationship category with the Company because he had engaged in the execution of business at Japan Post Holdings Co., Ltd., as Executive Officer (“JP Holdings”), but he retired from JP Holdings in June 2008. Although the Group had business transactions including the sale of products and after-sale service with JP Holdings, the amount of these transactions was less than ¥60 million per year, or an amount that accounted for less than 0.1% of the consolidated net sales of the Company for the year ended December 31, 2019. He had also engaged in the execution of business at Japan Post Service Co., Ltd. (currently Japan Post Co., Ltd.; “JP”), but he retired from JP in June 2010. Although the Group had business transactions including the handling of mail, etc., with JP, the amount of payments by the Group to JP was less than ¥20 million per year, or an amount that accounted for less than 0.1% of the consolidated operating revenue of JP for the second quarter of the fiscal year ended March 31, 2020.	Sakon Uda has been involved in numerous companies as an expert in management strategy, etc., and as a company manager, and provides advice on management strategy and improvement of operations, etc. He actively comments from the perspective of general management in important meetings such as those of the Board of Directors as an Independent Director of the Company, in addition to endeavoring to lead and improve the quality of discussion in meetings of the Board of Directors as the Chairman of the Board of Directors. Furthermore, he has contributed to activities of the Nomination Committee, such as the selection of nominees for Director as a member of the Nomination Committee. We asked for him to be a nominee for Independent Director to continue reflecting his broad knowledge and high level of perception in the supervision of management, particularly in the areas of “personnel and human resource development,” and “corporate management and management strategy,” and because he is expected to continue to lead the Board of Directors as Chairman of the Board of Directors in order to further increase the effectiveness of the Board of

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>Directors by utilizing his past experience within the Company.</p> <p>Attribute information on his eligibility as an independent director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported him as an independent officer.</p>
Hajime Sawabe		○		○	<p>Hajime Sawabe falls under the “h” relationship category with the Company because he had engaged in the execution of business at TDK Corporation (“TDK”) until he assumed office as Executive Advisor to TDK in June 2012. Now he retired Executive Advisor in March 2019. Although the Group had business transactions including the sale of products and after-sale service with TDK, the amount of these transactions was less than ¥10 million per year, or an amount that accounted for less than 0.1% of the consolidated net sales of the Company for the year ended December 31, 2019. The Group also has purchased precision machinery parts from TDK, but the amount of payments by the Group to TDK was less than ¥100 million per year, or an amount that accounted for less than 0.1% of the consolidated net sales of TDK for the third quarter of the fiscal year ended March 31, 2020.</p>	<p>Hajime Sawabe has been involved in the management of a listed company representative of the electronic components industry for many years, and has abundant experience in general corporate management, in addition to being well versed in corporate planning, etc. Besides, he has abundant experience as an outside officer in listed companies and has a broad range of knowledge in a variety of industries, and also actively comments in important meetings such as those of the Board of Directors. Furthermore, based on such knowledge, he makes contributions in the consideration of the Company’s compensation system and discussion related to decisions on the compensation of Directors and Executive Officers as a member of the Compensation Committee. We asked for him to be a nominee for Independent Director to continue reflecting his abundant experience and high level of perception in the supervision of management, particularly in the areas of “personnel and human resource development,” “finance, accounting and capital policy” and “corporate management and</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>management strategy.”</p> <p>Attribute information on his eligibility as an independent director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported him as an independent officer.</p>
Shozo Yamazaki			○	○	<p>Shozo Yamazaki does not fall under any of these relationship categories.</p>	<p>Shozo Yamazaki has abundant knowledge of accounting as a certified public accountant. He also has international awareness such as having experience working in an overseas office and being involved in compliance with International Financial Reporting Standards (IFRS). In addition to actively commenting in important meetings such as those of the Board of Directors, he conducts a broad range of auditing activities from the specialized perspective of a certified public accountant in his capacity as a member of the Audit Committee. We asked for him to be a nominee for Independent Director as we determined that he will continue reflecting his specialized knowledge and high level of perception in the supervision of management, particularly in the areas of “finance, accounting and capital policy” and “auditing.” Although he has not been directly involved in corporate management, we have determined that he will be able to fulfill his duties as an Independent Director for the aforementioned reason.</p> <p>Attribute information on his eligibility as an independent</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported him as an independent officer.
Hiroshi Oeda	○			○	Hiroshi Oeda does not fall under any of these relationship categories.	<p>Hiroshi Oeda has been involved in the management of a listed company representative of the flour-milling and food industry, and has abundant experience in general corporate management, in addition to being well-versed in global business. He has also accomplished improving business performance in the position of top management in a manufacturer. Furthermore, he has exhibited leadership in activities of the Nomination Committee such as the selection of nominees for Director as the Chairperson of the Nomination Committee.</p> <p>We asked him to be a nominee for Independent Director to reflect his broad knowledge and high level of perception in the supervision of management, particularly in the areas of “personnel and human resource development,” “finance, accounting and capital policy” and “corporate management and management strategy.”</p> <p>Attribute information on his eligibility as an independent director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported him as an independent officer.</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Masahiro Hashimoto		○	○	○	<p>Masahiro Hashimoto does not fall under any of these relationship categories.</p>	<p>Masahiro Hashimoto has detailed knowledge of the international finance sector and abundant knowledge concerning finance, in addition to a high level of knowledge on management due to involvement in the top management in a listed company representative of the semiconductor manufacturing equipment industry for many years. Furthermore, he conducts a wide range of audits of the businesses of the Company and the Group as a member of the Audit Committee, and contributes to the activities of the Audit Committee. As a member of the Compensation Committee, he has also made contributions based on such knowledge in the consideration of the Company's compensation system and discussion related to decisions on the compensation of Directors and Executive Officers.</p> <p>We asked him to be a nominee for Independent Director to reflect his broad knowledge and high level of perception in the supervision of management, particularly in the areas of "finance, accounting and capital policy," "auditing" and "corporate management and management strategy."</p> <p>Attribute information on his eligibility as an independent director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported him as an independent officer.</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
Junko Nishiyama			○	○	Junko Nishiyama does not fall under any of these relationship categories.	Junko Nishiyama has been involved in the management of a listed company representative of the healthcare industry, has engaged in research and development, promotion of the environmental initiatives, and the like, has been involved in auditing of the entire company's business as a standing corporate auditor, and has abundant experience in general corporate management. Furthermore, she conducts a wide range of audits of the businesses of the Company and the Group as a member of the Audit Committee, and contributes to the activities of the Audit Committee. We asked her to be a nominee for Independent Director to reflect her abundant experience and high level of perception in the supervision of management, particularly in the areas of "auditing," "research and development" and "the environment." Attribute information on her eligibility as an independent director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported her as an independent officer.
Mie Fujimoto		○		○	Mie Fujimoto does not fall under any of these relationship categories.	Mie Fujimoto is an attorney at law well versed in corporate legal affairs centered on labor-related regulations, and also has abundant experience as an outside officer in listed companies. We asked her to be a nominee for Independent Director to reflect her abundant experience and high

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						level of perception in the supervision of management, particularly in the areas of “legal affairs” and “risk management.” Although she has not been directly involved in corporate management, we have determined that she will be able to fulfill her duties as an Independent Director for the aforementioned reason. Attribute information on her eligibility as an independent director and outside director is as shown on the left, and as we determined that there were no special conflicts of interest with general shareholders, we have reported her as an independent officer.

## Committees

### Committee’s Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	3	1	1	2	Independent Director
Compensation Committee	3	0	0	3	Independent Director
Audit Committee	4	1	1	3	Inside Director

## Executive Officers

Number of Executive Officers	14
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### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Masao Asami	Yes	Yes	No	No	No



Nobuharu Noji	No	No	No	No	No
Yoshiaki Okiyama	No	No	No	No	No
Hideki Yamada	No	No	No	No	No
Akihiro Kida	No	No	No	No	No
Michael Lordi	No	No	No	No	No
Atsuo Ohi	No	No	No	No	No
Tetsuji Togawa	No	No	No	No	No
Seiji Katsuoka	No	No	No	No	No
Shu Nagata	No	No	No	No	No
Toru Nakayama	No	No	No	No	No
Akihiko Nagamine	No	No	No	No	No
Hiroyuki Kowase	No	No	No	No	No
Hiroshi Sobukawa	No	No	No	No	No

### Auditing Structure

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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#### Matters Related to the Independence of Such Directors and/or Staff from Executive Officers

The Audit Committee has established the following in the “Audit Committee Audit Standards” and “Basic Policy on Internal Controls” and implements these to ensure the independence of persons who assist the duties of the Audit Committee (hereinafter referred to as “Assistants to the Audit Committee”).

- (1) Assistants to the Audit Committee shall not concurrently engage in any work involved in the execution of duties by Executive Officers of the Company, thereby ensuring the independence of Assistants to the Audit Committee from Executive Officers.
- (2) Assistants to the Audit Committee shall act under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee.
- (3) The personnel transfer and evaluation of Assistants to the Audit Committee shall be determined with the consent of the Audit Committee.

→For full disclosure on “Basic Policy for Internal Controls and Overview of Operation,” see Appendix 5.

#### Cooperation Among Audit Committee, Independent Auditors, and Internal Audit Division Updated

The Audit Committee is engaged in coordination with the Independent Auditor and the Corporate Audit Department as follows to ensure its audits are conducted effectively and efficiently based on the Audit Committee Rules, Audit Committee Audit Standards and Basic Policy on Internal Controls.

##### 1. Coordination with the Independent Auditor

The Audit Committee coordinates with the Independent Auditor and confirms that the Accounting Auditor maintains a position of independence and conducts audits appropriately, and also receives reports from the Independent Auditor on a regular and as-needed basis on the status execution of its duties. Furthermore, the Audit Committee conducts efficient audits by holding meetings with the Independent Auditor regularly and as needed for the mutual exchange of information and opinions.

◆ Policies regarding the dismissal or refusal of reappointment of the Independent Auditor

(1) Dismissal policy

In the event that the Independent Auditor is found to fall under any of the items under Article 340, Paragraph 1 of the Companies Act, the Audit Committee shall dismiss the Independent Auditor with the unanimous consent of the Audit Committee members.

(2) Policy on refusal of reappointment

In the event that it is determined that an audit is clearly inadequate in light of the eligibility, independence or overall capabilities of the Independent Auditor based on the results of the assessment whether or not to reappoint the Independent Auditor conducted each fiscal year, the Audit Committee shall propose the refusal of reappointment of the Independent Auditor to the General Meeting of Shareholders.

As a restriction on reappointment of the Independent Auditor, if the Independent Auditor serves for ten years in succession, the Audit Committee conducts a tender to appoint the candidates for the next Independent Auditor regardless of the assessment of the Independent Auditor (hereinafter referred to as “Reappointed Independent Auditor”) conducted every year. The Reappointed Independent Auditor is not prohibited from participating in the tender, but if the Reappointed Independent Auditor serves for a further five years in succession, another tender shall be conducted.

However, the same Independent Auditor may only serve for a period of twenty years in succession. In Fiscal Year 2020, it will be the 13th fiscal year since Ernst & Young ShinNihon LLC was appointed as the Independent Auditor of the Company.

(3) Process for the reappointment of Independent Auditors

The Audit Committee decided to reappoint Ernst & Young ShinNihon LLC as the Independent Auditors in fiscal year 2020 based on the results of the assessment whether or not to reappoint the Independent Auditor conducted pursuant to “2) Nonrenewal policy.”

2. Coordination with the section responsible for internal audits, etc.

The Audit Committee coordinates with Internal Audit Division, division responsible for internal control, compliance and risk management and auditors of Group companies, etc. as follows.

- (1) Implementation of mutual exchange of information on the internal audit plan formulated by the Internal Audit Division, on a regular basis and as needed.
- (2) Attendance of General Managers of the Internal Audit Division and other divisions responsible for internal control, compliance and risk management at meetings between the Audit Committee and the President and Representative Executive Officer.
- (3) Attendance of Full-time Audit Committee members, General Managers of the Corporate Audit Department and other divisions responsible for internal control, compliance and risk management and General Manager of the Finance and Accounting Division at Group Auditor Conferences which are attended by auditors of subsidiaries.
- (4) Audit Committee members observing audits conducted by the Internal Audit Division, as necessary.

## Independent Directors

Number of Independent Directors	7
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### Matters Relating to Independent Directors

The Company has established its own independence standards for selection of candidates for Independent Director based on the independence standards specified by the Tokyo Stock Exchange.

→For full disclosure on “the Independence Standards of Independent Director of EBARA, see Appendix 3 【Minor Standards】

In relation to “a company with a material business relationship with the EBARA Group” in the “Independence Standards of Independent Director of EBARA,” those for which both the following

amounts and percentages for each fiscal year are less than 5 million yen and less than 0.1% have been omitted from the descriptions of these business relationships for the relevant fiscal year.

- (1) The transaction amount pertaining to the provision of products or services by the EBARA Group to a business partner, and the percentage of the transaction amount in relation to consolidated net sales of the EBARA Group.
- (2) The transaction amount pertaining to the provision of products or services by a business partner to the EBARA Group, and the percentage of the transaction amount in relation to consolidated net sales of the business partner.

## Incentives

Incentive Policies for Directors and/or Executive Officers	Performance-linked Compensation
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### Supplementary Explanation

#### 【Introduction of a Restricted Stock Compensation Plan and a Performance-linked Stock Compensation Plan】

The Compensation Committee reviewed the compensation standard for Directors, and decided to introduce a restricted stock compensation plan and a performance-linked stock compensation plan (collectively hereinafter referred to as “Compensation Plan”) to Directors, Executive Officers and certain employees of the Company and certain executives of its subsidiaries (collectively hereinafter referred to as “Directors, etc.”). Also, in order to further increase the value sharing with shareholders, from Fiscal Year 2020 the transfer restriction period of the restricted shares compensation plan has changed from the period in the mid-term management plan to the time when he/she retires from his/her executive position.

#### 1. Purpose of the introduction of the Compensation Plan

The Compensation Plan is introduced in order to further promote shared value with shareholders and provide an incentive for the Company and its subsidiaries’ Directors, etc., to sustainably increase the Company’s corporate value.

#### 2. Overview of the Compensation Plan

Under the Compensation Plan, the restricted stocks to be provided consist of “tenure-based restricted stock” which requires continuous service for a certain period as Directors, etc., of the Company or its subsidiaries, and “performance-linked stock,” which requires the attainment of the Company’s mid- to long-term business performance targets.

##### (1) Restricted Stock Compensation

As a principle, certain numbers of restricted shares will be given to Directors, etc. of EBARA and subsidiaries corresponding to their roles per year. Because the objectives are to promote shareholding by Directors, etc., and increase value sharing with shareholders, the transfer restricted period is from the share giving date to the day of retirement thus the transfer restriction will be released when he/she retires from the position of Directors, etc. of EBARA or its subsidiary company. To ensure compliance with the transfer restriction rules during the transfer restriction period, the allotted shares shall be managed in a dedicated account opened by Directors, etc., at a certain security company.

##### (2) Performance-linked Stock Compensation

###### (a) *Performance Indicator*

The Company has set return on invested capital (ROIC) as its performance Indicator for Performance-linked Stock Compensation. Under the performance-linked stock compensation plan, the Company delivers its common shares to Directors, etc., in accordance with the extent to which consolidated ROIC targets have been achieved in the final fiscal year of the mid-term management plan. In addition, the Company will make monetary payment to the respective Directors, etc., of an amount corresponding to 40% of the above allotted shares, considering income taxes and other such obligations

incurred by the Directors, etc. As for the index of the performance-linked stock compensation plan, the ROIC of the Company for the year ended December 31, 2022, the last Fiscal Year of the mid-term management plan “E-Plan 2022”, will be adopted.

*(b) Reason for setting ROIC as performance indicator*

Although the main purpose of the performance-linked stock compensation plan is to be an incentive to Executive Officers towards the Company’s performance targets on the mid-term management plan, the Company will introduce the performance-linked stock compensation plan for, in addition to the Executive Officers, its non-executive Directors (excluding Independent Directors), and certain employees of the Company and certain executives of its subsidiaries, considering the impacts on the business performance by quality of supervision of non-executive Directors.

Furthermore, with regard to the sale of shares, the Company has established guidelines encouraging the holding of a given number of the Company’s shares, thereby promoting management that is conscious of shareholder value.

*(c) Calculation Method of Performance-linked Stock Compensation*

The number of common shares of the Company and monetary sums to be delivered and paid to respective eligible officers will be determined based on the calculation methods described in Appendix 8.

Recipients of Stock Options	N/A
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Supplementary Explanation
N/A

## Compensation for Directors and Executive Officers

Disclosure of Individual Directors’ Compensation	No Individual Disclosure
Disclosure of Individual Executive Officers’ Compensation	Selected Disclosure

Supplementary Explanation
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### 【Disclosure of Individual Executive Officers’ Compensation】

Amount by type of compensation of executive officers who received a total amount of 100 million yen or more in compensation, etc., disclosed in the securities report based on the Financial Instruments and Exchange Act in Fiscal Year 2019 (2019.1.1–2019.12.31) is as follows.

(Millions of yen)

Name	Total Amount of Compensation, etc.	Total Amount of Compensation, etc. by types				
		Basic pay	Short-term performance-based compensation	Long-term Incentives		
				Stock options	Restricted share-based compensation	Performance-linked share-based compensation
Masao Asami President, Representative Executive Officers	103	46	30	2	12	11

Notes:

- Short-term performance-based compensation shown are the total amount paid in March 2020 for Fiscal Year 2019.

2. No new stock options were granted in Fiscal Year 2019, but the amount of those granted in the previous fiscal years recorded as an expense in Fiscal Year 2019 is shown.
3. Restricted share-based compensation shown is the restricted share-based compensation paid in Fiscal Year 2019 and the amount of restricted share-based compensation paid in the previous fiscal years recorded as an expense in Fiscal Year 2019.
4. Performance-linked share-based compensation shown is the amount paid in May 2020 of performance-linked share-based compensation recorded as an expense in Fiscal Year 2019.

【Compensation for Directors and Executive Officers】

Total amount of compensation by position and type of compensation, as well as the number of recipients in fiscal year 2019 (2019.1.1–2019.12.31),

(Millions of yen)

Name	Total Amount of Compensation, etc.	Total Amount of Compensation, etc. by types					Number of Persons
		Basic pay	Short-term performance-based compensation	Long-term Incentives			
				Stock options	Restricted share-based compensation	Performance-linked	
Non-executive Inside Directors	208	114	26	16	45	5	4
Executive Officers	749	349	220	30	76	72	16
Independent Directors *1	108	99	—	1	7	-	8
Total	1065	563	246	48	129	77	28

Notes:

1. The above shows the compensation paid to Directors and Executive Officers as of December 31, 2019 according to their term of office for Fiscal Year 2019, and the compensation paid to two Non-executive Directors out of four Directors who retired at the conclusion of the 154th Ordinary General Meeting of Shareholders held on March 28, 2019 and two Executive Officers who retired at the conclusion of the meeting of the Board of Directors held on the same day, from January 2019 to the time of their retirement.
2. Compensation paid to Executive Officers concurrently serving as Directors is shown in the column for Executive Officers.
3. Amount of compensation paid to Executive Officers includes ¥103 million as compensation that subsidiaries paid to Executive Officers who served concurrently as the Corporate Officers of the subsidiaries.
4. Short-term performance-based compensation of Non-executive Directors (excluding Independent Directors) and bonuses of Executive Officers are calculated based on the performance of the EBARA Group, the performance of the relevant division and an evaluation of the individual's performance in the fiscal year under review, and amounts are determined individually after deliberation in the Compensation Committee.
5. Short-term performance-based compensation shown are the total amount of Short-term performance-based compensation paid to Executive Officers in office as of December 31, 2019 for Fiscal Year 2019.
6. The stock option system was abolished in the fiscal year ended December 31, 2017, and a restricted share-based compensation system and a performance-linked share-based compensation system were introduced from the fiscal year ended December 31, 2018.
7. No new stock options were granted in Fiscal Year 2019, but the amount of those granted in the previous fiscal years recorded as an expense in Fiscal Year 2019 is shown.

8. Restricted share-based compensation shown is the restricted share-based compensation paid in Fiscal Year 2019 and the amount of restricted share-based compensation paid in the previous fiscal year recorded as an expense in Fiscal Year 2019.
9. Performance-linked share-based compensation shown is the amount paid in May 2020 of performance-linked share-based compensation recorded as an expense in Fiscal Year 2019.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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## Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

### 1. Procedures regarding the determination of compensation, etc.

#### (1) Task and roles of the Compensation Committee

The compensation, etc., of Directors and Executive Officers are determined by the Compensation Committee. The primary task of the Compensation Committee is to supervise the compensation systems for Directors, Executive Officers and other officers from a strategic viewpoint. Specifically, the Compensation Committee is in charge of examining and determining the compensation systems prepared in line with the management policy of the Company, and also deliberates not only compensation for the Company's Directors and Executive Officers but also the compensation systems for officers of Group companies, and provides its opinions to the Board of Directors. To engage in such activities, the Committee holds regular meetings, as well as extraordinary meetings as the need arises.

#### (2) Composition and selection standards of the Compensation Committee members

All three (3) members of the Compensation Committee are Independent Directors with a further emphasis on an objective viewpoint and transparency. The current Compensation Committee members are an expert on management strategy, an individual with management experience in terms of managers' compensation and an expert on corporate legal affairs, who were selected from among the Independent Directors.

#### (3) Communications with the committee members and their relationships with management

Explanations are given to newly appointed Compensation Committee members on the relevant rules stipulated by the Compensation Committee (Basic Policy on Officers' Compensation), in addition to the business performance of the Company and the background and history of the Company's compensation systems. Furthermore, a permanent committee secretariat is established to provide incumbent members with necessary information such as applicable laws, regulations, controls and standards, and to support appropriate operation of the Committee.

The results of deliberations by the Compensation Committee are reported to the Board of Directors by the Committee chairperson.

#### (4) Use of external experts

The Compensation Committee may ask for the external views of specialists such as compensation consultants with the consensus of its members, if it is deemed necessary for the activities of the Committee. When selecting such consultants, their independence is considered and confirmed.

### 2. Policy regarding the determination of compensation, etc.

#### (1) Basic policy on compensation, etc.

##### (I) Compensation for Directors

##### (a) Purpose of and basic policy on the compensation system

Compensation levels and the compensation system for Directors reflect the roles, etc., in the Board of Directors and committees, etc., to encourage and supervise the execution of operations by the Executive Officers in line with the Company's management philosophy and strategies, for the purpose of sustained growth of the Company and the medium- to long-term enhancement of corporate value.

*(b) Compensation system*

Compensation for Directors is determined by the Compensation Committee and consists of basic compensation and stock compensation to sustainably increase the Company's corporate value and enable the further promotion of shared value with shareholders. Regarding stock compensation, restricted stocks to be provided consist of "tenure-based restricted stock" which requires continuous service for a certain period as a Director of the Company, and "performance-linked stock" (not applicable to Independent Directors) which requires the attainment of the Company's medium- to long-term business performance targets.

Furthermore, an additional allowance is paid to the Chairman of the Board of Directors, the Lead Independent Director and the Chairperson of each committee, in consideration of the scope of their roles and responsibilities, as well as the additional working hours required for executing their duties.

(i) Compensation system for Independent Directors

The compensation for Independent Directors, who account for more than half of the Directors and are expected to fulfill their roles and responsibilities completely independent of the business execution of the Company, comprises basic compensation and restricted stock compensation that is not linked to the Company's performance.

(ii) Non-executive Inside Directors

Non-executive Inside Directors are appointed from among the officers and employees of the Company, who are capable of actively collecting information on the internal status of the Company based on their experience and knowledge. They are expected to engage in the monitoring of business execution essential for the Board of Directors to fulfill its supervisory function, while appropriately supervising the execution of important matters based on their own insights, and thereby providing advice as part of such supervision to ensure lawful and efficient business execution to the extent that they do not take part in executive decision-making.

In light of the impact of the quality of supervision of business execution based on these roles and responsibilities on the yearly business results, their compensation comprises basic compensation, short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation.

As for the company-wide index of the short-term performance-linked compensation, the ROIC and consolidated operating income, which are consistent with the management goal of profitability improvement will be adopted. Also, as for the index of the performance-linked stock compensation, the ROIC of the Company for the year ended December 31, 2022, the last Fiscal Year of the mid-term management plan "E-plan2022," will be adopted.

(iii) Executive Directors

The Company pays compensation as Executive Officers to Executive Directors concurrently serving as Executive Officers, and does not pay them compensation as Directors.

*(c) Combination of different types of compensation*

The combination of different types of compensation for Directors shall be as follows.

[Ratio of Compensation of Director]

\*Compensation marked with an asterisk indicate that they are linked to performance.

Monetary pay	Share based Compensation (Long-term incentives)
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	Basic pay	Short-term Performance-linked Compensation*	Restricted stock compensation	Performance-linked stock compensation*
Independent Directors	1	--	0.1	--
Non-executive Inside Directors	1	0.25	0.44	0.06

Note: 1. The above figures show the ratio of compensation of Director, not the amount actually paid to each Director.

## (II) Compensation for Executive Officers

### (a) Purpose of and basic policy on the compensation system

The compensation system for Executive Officers is linked to short-term and medium- to long-term performance to encourage the execution of business in line with the management philosophy and management strategies, and to provide strong motivation for the achievement of management targets. This system also provides an appropriate level of compensation when targets are met, for the purpose of sustained growth of the Company and medium- to long-term enhancement of corporate value.

### (b) Compensation system

The compensation for Executive Officers comprises basic compensation according to the role of President and Representative Executive Officer or each Executive Officer, a short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation, and is determined by the Compensation Committee. As the Executive Officers are expected to play key roles in the achievement of numerical targets in their business execution, the compensation system is designed that the portion of the short-term performance-linked compensation may be larger than the portion of the basic compensation if performance targets are achieved. With respect to Mr. Michael Lordi's compensation, it will comprise his basic compensation, short-term performance-linked compensation, long-term incentive and pension contribution.

As for the company-wide index of the short-term performance-linked compensation, the ROIC and consolidated operating income, which are consistent with the management goal of profitability improvement will be adopted. For Executive Officers except for President and Representative Executive Officer, in addition to the Group-wide business results, individual targets are set and the achievement rate against the target will be evaluate and through discussion at the Compensation Committee the pay rate will be determined.

Also, as for the index of the performance-linked stock compensation, the ROIC of the Company for the year ended December 31, 2022, the last Fiscal Year of the mid-term management plan "E-plan 2022," will be adopted.

### (c) Combination of different types of compensation

The combination of different types of compensation for Executive Officers shall be as follows.

[Ratio of Compensation of Executive Officers]

\*Compensation marked with an asterisk indicate that they are linked to performance.

	Monetary pay		Share based Compensation (Long-term incentives)	
	Base pay	Short-term Performance-linked Compensation*	Restricted stock compensation	Performance-linked stock compensation*
President and Representative Executive Officer	1	0.6	0.3	0.3
Executive Officers	1	0.6	0.2~0.25	0.2~0.25

Note: 1. The above figures show the ratio of compensation of Executive Officers, not the amount actually paid to each Executive Officer.

2. The composition of Mr. Michael Lordi's compensation is that Base pay is "1," Short-term Performance-linked Compensation "0.6," Long-term incentives "0.5," and Pension contribution "0.1".



## (2) Compensation levels

The basic compensation is aimed at a level that is comparable with competing companies assumed to have similar businesses and human resources (hereinafter referred to as “Peers”). The compensation levels of domestic Peers’ shall be regularly checked and, at the same time, compensation levels according to the roles of each Executive Officer shall be adjusted and determined with attention also given to employees’ compensation levels (such as disparity with officers, deviation from publicly accepted levels).

By implementing these measures, the level of total compensation (the sum of the basic compensation, short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation) for Executive Officers of the Company shall be designed to be higher than the level of domestic Peers if the targets of strategies and business performance have been successfully achieved and be lower than the compensation level of officers of domestic Peers if such performance targets fail to be achieved. With respect to Mr. Michael Lordi’s compensation, setting standard taking into account competitive companies of businesses and human resources, it will comprise his basic compensation, short-term performance-linked compensation, long-term incentive and pension contribution.

## (3) Payment items

### (a) Short-term performance-linked compensation

The mechanism of the short-term performance-linked compensation focuses on incentives for achieving the medium-term management plan, directly determining compensations according to the performance of the Company and to the degree achievement of targets by individuals. However, in cases such as profit attributable to owners of parent being extremely low or no dividends being paid, the Compensation Committee shall decide on measures such as reducing the short-term performance-linked compensation.

### (b) Share-based compensation (restricted stock compensation and performance-linked stock compensation)

→For information on “Incentive Policies for Directors and/or Executive Officers,” see pages 27-28.

## Supporting System for Independent Directors

To support gathering sufficient information by Independent Directors, the secretariat of the Board of Directors, which is under the Corporate Strategy Planning & Governance Enhancement Department, distributes materials for deliberation prior to each meeting of the Board of Directors and provides explanations on content of the respective agenda items to Independent Directors to ensure active discussions at and the smooth operation of the Board of Directors meeting.

In addition, The Independent Directors’ Meeting can hire independent advisors specializing in areas including legal affairs, accounting and finance at the cost of the Company without prior approval of the Board of Directors and Executive Officers, if it is deemed necessary for its activities.

Meanwhile, a permanent committee secretariat for each Committee has established, and supported, the activities of Independent Directors serving as a member of the Committee to enable each Committee to exhibit its functions efficiently and appropriately.

## Status of Retired Presidents, CEOs, etc.

Name of Advisors (“sodanyaku,” “komon,” etc.) who are retired Presidents, CEOs, etc.

Name	Title/position	Activity Description	Working arrangement/conditions (full-time/part-time, paid/unpaid, etc.)	Date of retirement	Tenure
—	—	—	—	—	—

Total number of Advisors (“sodanyaku,” “komon,” etc.) who are retired Presidents, CEOs, etc.	0
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### Other Information

The Company has not had any advisors (“sodanyaku,” “komon,” etc.) who are retired Presidents or Directors, Chairman (collectively hereinafter referred to as “Retired Presidents or Chairmen”).

The Company may, as necessary, entrust Retired Presidents or Chairmen to supervise or advise the Ebara Group's social contribution initiatives in the areas of culture, academia, and the arts.

## 2. Matters on Functions of Business Execution, Auditing, Supervision, and Nomination and Compensation Decisions (Overview of Current Corporate Governance System) **Updated**

Under EBARA's Basic Policy the Company has adopted the organization form of a "Company with Three Committees," to make clear the division of roles and responsibilities between the Board of Directors and executive organizations, and delegates the authority over an extensive range of business execution to the executive organizations, thereby promoting flexible and swift business management, strengthening competitiveness and allowing an appropriate level of risk to be taken in the execution of business.

As of March 30, 2020, the Company's framework for the corporate governance and activities of the Board of Directors meetings and its committee meetings during the fiscal year is as described below.

→ See also the Corporate Governance Framework as of March 30, 2020 in Appendix 4.

→ See also Attendance at Board of Directors meetings and Committee meetings in Appendix 9.

### Supervision

#### 1) Board of Directors

The Board of Directors recognizes three tasks as its principal roles and responsibilities: 1) indicating the general direction of the Company such as corporate strategies, etc.; 2) developing an environment that can support adequate risk-taking in business execution; and 3) carrying out highly effective supervision of business execution from an independent and objective standpoint.

Furthermore, the Board of Directors exercises its leadership in developing an environment in which the management can take bold action to prevent the loss of upside opportunities, in addition to developing an environment that incorporates controls for preventing downside risks, including the risk of scandals.

The Board of Directors is made up of at least one third Independent Directors, and a majority of Directors who are Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers of the Company) to clearly separate supervision and execution of business. Furthermore, a Director who does not concurrently serve as Executive Officers is appointed as chairman of the Board of Directors, separate from the President and Representative Officer. The Company is considering the appointment of Directors of foreign nationality in the future from the standpoint of diversity.

As of March 30, 2020, the Board of Directors comprises ten (10) Directors, seven (7) of whom are Independent Directors (including two (2) woman), two (2) Non-executive Inside Directors, and one (1) Executive Director. *Sakon Uda*, an Independent Director, serves as Chairman of the Board of Directors. Fourteen (14) meetings were held in fiscal year 2019.

#### 2) Nomination Committee

The Nomination Committee is mainly responsible for deciding on the proposals submitted to the General Meeting of Shareholders concerning the election and dismissal of Directors, recommendations to the Board of Directors concerning the election and dismissal of Executive Officers, and recommendations to the Board of Directors concerning the appointment and dismissal of Directors with special titles and Executive Officers with special titles, in addition to the formulation of succession plans for the President, Representative Executive Officer. The Nomination Committee is made up of Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers of the Company) and a majority of the committee is made up of Independent Directors.

As of March 30, 2020, the Nomination Committee comprises three (3) Directors, two (2) of whom are Independent Directors (*Hiroshi Oeda* and *Sakon Uda*) and one (1) of whom is a Non-executive Inside Director (*Toichi Maeda*). *Hiroshi Oeda*, an Independent Director, acts as chairperson of the Nomination Committee. Sixteen (16) meetings were held in fiscal year 2019.

3) Compensation Committee

The Compensation Committee decides on the policy on individual compensation, etc., for Directors and Executive Officers along with the individual compensation, etc., for Directors and Executive Officers, in addition to making recommendations to the Board of Directors concerning the officers' compensation system including that for affiliates. The Compensation Committee is made up of only Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers of the Company), and a majority of the committee is made up of Independent Directors.

As of March 30, 2020, the Compensation Committee comprises three (3) Directors, all of whom are Independent Directors (*Hajime Sawabe*, *Masahiro Hashimoto*, *Mie Fujimoto*). *Hajime Sawabe*, an Independent Director, acts as chairperson of the Compensation Committee. Ten (10) meetings were held in fiscal year 2019.

4) Audit Committee

The Audit Committee is responsible for conducting audits to assess whether or not Directors, Executive Officers, and employees of the Company and its subsidiaries are in compliance with legal obligations and internal regulations. In addition, the Committee endeavors to monitor Executive Officers and verify whether they execute their duties in a sound, fair, appropriate and efficient manner in accordance with the basic policies for management such as Long-term Vision "E-Vision2030" and the medium- and long-term management plans such as Mid-term Management Plan "E-plan2020," which are established by the Board of Directors. The Audit Committee is made up of only Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers of the Company), and a majority of the committee is made up of Independent Directors.

As of March 30, 2020, the Audit Committee comprises four (4) Directors, three (3) of whom are Independent Directors and one (1) of whom is Non-executive Inside Director. Members of the Audit Committee include, *Tetsuji Fujimoto*, who has held the position of Division Executive of Finance & Corporate Accounting Division of the Company, *Shozo Yamazaki*, a certified public accountant, and *Masahiro Hashimoto*, who has held the position of Division Executive of Finance of another company, and *Junko Nishiyama*, who has experience in auditing consolidated financial statements under International Financial Reporting Standards (IFRS) as a full-time auditor of another company. All four individuals have considerable knowledge of finance and accounting. *Tetsuji Fujimoto*, a Non-executive Inside Director, acts as chairperson of the Audit Committee with the expectation that he will be able to maintain an up-to-date and accurate understanding of the circumstances within the Company and quickly reflect changes in the operating environment in the audit activities of the Company in order to heighten their effectiveness. Fourteen (14) meetings were held in fiscal year 2019.

5) Independent Directors' Meeting

The Independent Directors' Meeting, comprising only Independent Directors, has been established as a venue for Independent Directors to freely discuss matters necessary to fulfill their responsibilities. The Lead Independent Director, who is elected by mutual voting, serves as Chairperson of the meeting.

As of March 30, 2020, *Hiroshi Oeda*, an Independent Director, acts as the Lead Independent Director. Eleven (14) meetings were held in fiscal year 2019.

6) External Independent Auditor

The Company has entered into an audit agreement with Ernst & Young ShinNihon LLC, which conducts the Company's accounting audits with respect to audits required by the Companies Act and the Financial Instruments and Exchange Act. The continuous period of performing the Company's accounting audits by Ernst & Young ShinNihon LLC is twelve (12) years, and names of its engagement partners and their respective periods of performing the Company's accounting audits are as follows:

*Mineo Kanbayashi* (2 years), *Kiomi Horikoshi* (6 years) and *Takayuki Ando* (3 years).

There are twenty-three (23) certified public accountants and twenty-three (23) others who assist to the Company's accounting audits work.

## **Execution of Business**

### **1) Executive Officers**

Executive Officers are elected by a resolution of the Board of Directors. Executive Officers determine the execution of duties as delegated by the Board of Directors and perform such duties in line with the overall direction of management philosophy and strategies such as Long-term Vision “E-Vision2030” and Mid-term Management Plan “E-plan2020” as determined by the Board of Directors. Although all fourteen (14) of the Executive Officers are males (including one (1) Executive Officers of foreign nationality), the Company is considering the appointment of female Executive Officers in the future from the standpoint of diversity.

### **2) Internal Audit System**

The Corporate Audit Department conducts internal audits, the results of which are reported to the President and Representative Executive Officer. The role of internal audits is, in accordance with the Internal Audit Rules, to develop and strengthen the corporate governance system, compliance, risk management and internal controls of each business execution division of the Company and its subsidiaries, and the Corporate Audit Department checks, assesses and evaluates whether business is being executed appropriately in line with management policy and rules and regulations, and gives advice and recommendations toward improvement.

### **3) Meeting Bodies for Business Execution**

#### **(1) Management Meeting**

The Management Meeting made up of all Executive Officers is in place as a business execution meeting structure for deliberation necessary for facilitating decision making by the President and Representative Executive Officer about important matters concerning the execution of business in management. Each Executive Officer actively expresses their opinions and discusses not only their own scope of duties delegated by the Board of Directors, but also all other matters for deliberation in the Management Meeting from the perspective of optimization for the EBARA Group as a whole, based on their own experience and knowledge. The Management Meeting is held every month. Twelve (12) meetings were held in fiscal year 2019.

#### **(2) Management Planning Committee**

In order to specifically implement the Medium-term Management Plan each year, a Management Planning Committee chaired by the President and Representative Executive Officer and made up of all Executive Officers has been established as a business execution meeting structure for deliberating, determining and following up on the budgets and management issue action plans of each organization every year. After phased deliberation for each business unit, the Management Planning Committee determines the budgets and management issue action plans to clarify the responsibility of divisions and promote management efficiency. The Management Planning Committee reviews the progress of the annual consolidated management plans on a quarterly basis. Four (4) meetings were held in fiscal year 2019.

#### **(3) Risk Management Panel**

The Risk Management Panel (hereinafter referred to as “RMP”) is in place as a body responsible for coordinating risk management activities, while carrying out deliberation, guidance for improvement and support. The RMP is chaired by the President and Representative Executive Officer, and made up of all Executive Officers.

Furthermore, Non-executive Inside Directors attend the panel as observers for exhibiting supervisory functions in risk management, and providing advice and the like as necessary. The RMP reports its deliberations to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information. In addition to four (4) periodic meetings every year, RMP meetings are held as required. A total of seven (7) meetings were held in fiscal year 2019.

(4) Sustainability Committee

The CSR Committee was renamed to Sustainability Committee in April 2020. This Committee's objectives are to discuss policies of businesses and supporting activities, and decide on KPIs and targets, as well as verify outcomes so that Ebara Group may contribute to building sustainable society/environment through business activities and continue to raise its corporate value.

The Sustainability Committee is chaired by the President and Representative Executive Officer, Executive Officers serve as members, and the outside experts in sustainability management participate in the committee meetings as advisors. Furthermore, Independent Directors and Non-executive Inside Directors are encouraged to attend meetings of the committee as observers for exhibiting supervisory functions contributing to the objectives of the Sustainability Committee, and providing advice and the like as necessary. The Sustainability Committee reports its deliberations to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information. The Sustainability Committee holds meetings quarterly, and four (4) meetings were held in fiscal year 2019.

(5) Disclosure Committee

The Disclosure Committee has been established as a companywide organization to provide fair, timely and appropriate disclosure of corporate information such as the occurrence of incidents, decisions and financial information pertaining to the EBARA Group as a whole. The Disclosure Committee collects without omission corporate information subject to determining whether or not to be disclosed and discusses whether to disclose the information, disclosed contents thereof and the timing of the disclosure, and reports to the President and Representative Executive Officer. Furthermore, it carries out disclosure procedures after completion of internal authorization procedures. Six (6) meetings were held in fiscal year 2019.

→For further information on of the Disclosure Committee, see pages 46-47.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company, in the interest of enhancing its corporate governance system, established the Nomination Committee and the Compensation Committee as voluntary committees while adding two (2) Independent Directors in 2008, and further increased the number of Independent Directors to four (4) in 2011, which accounts for one-third (1/3) of the maximum number of Directors set forth in the Company's Articles of Incorporation.

In June 2015, the Company adopted the new organizational form of a "Company with Three Committees," which has the Nomination Committee, the Compensation Committee and the Audit Committee as statutory committees to enhance its corporate governance from the aspects (1) through (3) described below. As a key vehicle for ensuring corporate governance, the new organizational form ensures the well-balanced assignment of roles and responsibilities among the Committees and a clear division of functions between the supervision of corporate management and the execution of business operations, with each Committee being made up of a majority of Independent Directors.

(1) *Reinforce supervisory functions and enhance transparency in corporate management by the Board of Directors.*

With the Board of Directors consisting mainly of Non-executive Inside Directors and Independent Directors, we intend to reinforce the Board's function to supervise corporate management from the perspective of enhancing its independence, objectivity and transparency.

(2) *Expand authority of the executive organizations and enhance competitiveness regarding business execution.*

We intend to promote flexible and swift business management and establish an environment that will support the reinforcement of competitiveness and appropriate risk-taking in business execution by ensuring the clear division of roles and responsibilities between the Board of Directors and the

organizations of business execution, and by delegating authority to the executive organization over an extensive range of business execution.

- (3) *Establish a corporate governance framework that can be easily understood by global stakeholders.*

With a rise in the percentage of overseas sales and efforts by foreign shareholders to encourage a corporate governance framework that is more comprehensive from a global perspective, we intend to improve our corporate governance system, which separates supervisory and executive functions, so that it becomes more clearly understandable to global stakeholders.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Revitalize the General Meeting of Shareholders and Facilitate the Smooth Exercise of Voting Rights **Updated**

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	For the 155th Ordinary General Meeting of Shareholders (the fiscal year ended December 31, 2019), the notice was distributed on Wednesday, March 11, 2020, 15 days prior to the date of the meeting. The Company disclosed the notice of convocations on its website before the date of mailing in light of earliest possible information service (Japanese: on March 4, English translation: on March 10.)
Scheduling Ordinary General Meeting of shareholders to Avoid the Peak Period	The Company is making efforts to hold the meeting earlier. The 155th Annual General Meeting of Shareholders was held on March 27 (Friday).
Allowing the Electronic Exercise of Voting Rights	The exercise of voting rights via the Internet has been adopted.
Participation in Electronic Voting Platform and Other Initiatives to Enhance the Voting Environment for Institutional Investors	The Company has been participating in the electronic voting platform operated by ICJ.
Providing Convocation Notice in English	For facilitating foreign shareholders' exercise of voting rights, an English version of the notice of convocation of the General Meeting of Shareholders is prepared and posted on the websites of the Tokyo Stock Exchange and the Company, along with the original Japanese version.
Other	The Company started to organize events such as the introduction of its business and the exhibition of its product line before or after the commencement of the General Meeting of Shareholders, as part of an initiative to promote shareholders' understanding of its businesses. Also, for the benefit of shareholders who could not attend the General Meeting of Shareholders because of the COVID-19 infection prevention measures, we posted the business report video, which was shown at the Meeting, on EBARA website promptly after the Meeting. Furthermore, the voting status of the shareholders present at the Meeting was monitored by a questionnaire, distributed on the spot as a reference, to be added to the voting results up to the day prior to the Meeting, and disclosed in the extraordinary report.

#### 2. IR Activities **Updated**

	Supplementary Explanations	Explanation by the Representative
Preparation and Publication of Disclosure Policy	Stated in "V. Other, 2. Other Matters Concerning the Corporate Governance System." In addition, the Company prepares the "IR Basic Policy" as policies for executing IR activities for enhancing its corporate value through constructive dialogue with shareholders and investors and disclose it EBARA's website.	N/A
Regular Investor Briefings for	The Company has hold company information sessions for individual investors in venues such as branches of securities firms, in order to give	No

	Supplementary Explanations	Explanation by the Representative
Individual Investors	<p>information on our operation, performance and future growth of our business. Seven (7) sessions were held in fiscal year 2019.</p> <p>Furthermore, regular tours and company information sessions for individual shareholders are held a few times per year, and the executive responsible for IR and the executives responsible for each business segment give presentations on the content of business, role of our products at each site. Tours and company information sessions were held twice, respectively, during fiscal year 2019. Due to the impact of the spread of COVID-19, company information sessions for individual shareholders were cancelled. And company information sessions for individual investors are also being put off.</p>	
Regular Investor Briefings for Analysts and Institutional Investors	<p>As principal, presentation meetings are held after the release of the annual and second-quarter financial results, where the President and Representative Executive Officer and executives responsible for each business segment give presentations on the Company's business performance and management strategies. In addition, presentation meetings in the form of teleconferences are held after the release of the first-quarter and third-quarter financial results. ESG information session, Factory tours and presentations on business activities for each business segment are also held as appropriate.</p> <p>Furthermore, Factory tours and extraordinary briefing session were held once, respectively, during fiscal year 2019.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The Company participates in domestic and overseas conferences organized by securities companies. The President and Representative Executive Officer and the executive responsible for IR also visit each overseas institutional investor individually, mainly those in Europe and the United States, gives presentations on the Company's performance and management strategies on a regular basis, and engages in constructive dialogue. Due to the impact of the spread of COVID-19, since May in 2020, individual visits have been put off and virtual meetings are conducted via web conference-calls and telephone con-calls.</p>	Yes
Posting of IR Materials on Website	<p>The Company's website (<a href="https://www.ebara.co.jp/en/about/ir/index.html">https://www.ebara.co.jp/en/about/ir/index.html</a>) publishes the Company's timely disclosure materials, including financial results, presentation materials and medium-term management plans, as well as reports for shareholders and annual securities reports, integrated reports and financial data, among others. We strive to proactively disclose important information that contributes to an investment decisions by investors.</p> <p>→Read more, please see:  <a href="https://www.ebara.co.jp/en/about/ir/index.html">https://www.ebara.co.jp/en/about/ir/index.html</a></p>	N/A
Establishment of Department and/or Appointment of Manager in Charge of IR	<p>Executive responsible for IR: Executive Officer and Division Executive, Corporate Strategic Planning and Human Resources Division</p> <p>Department responsible for IR: Investor Relations and Public Relations Section</p>	N/A



	Supplementary Explanations	Explanation by the Representative
Other	Latest news releases are distributed by e-mail in a timely manner to investors registered.	N/A

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	In the EBARA Group CSR Policy and the EBARA Group Code of Conduct, the Company, in order to maintain fair and appropriate relationships with its various stakeholders, articulates its respect for the position of each stakeholder including shareholders, investors, customers, suppliers, local communities, and employees.
Implementation of Environmental Activities, CSR Activities, etc.	<p>The EBARA Group CSR Policy and the EBARA Group Code of Conduct serve as the Group's corporate ethics standards. In addition, we are a signatory of the United Nations Global Compact, practicing its 10 principles covering the areas of human rights, labor, the environment and anti-corruption.</p> <p>To run businesses with a structure unified with formulated basic policies of management and the medium-and-long-term management plans, Corporate Strategic Division has functions to formulate business strategies to build sustainable society/environment including CSR. On the other hand, Risk Management Division has been set up dedicated to risk management. Risk Management Division tackles various aspects of risk management including human rights and the environment. This Division reports activity details related to our sustainability including CSR and information about our environment, society and governance in the Integrated Report and discloses such information via medium like our website.</p> <p>The Sustainability Committee has been set up to: discuss sustention/development and issues related to the EBARA Group CSR Policy; discuss policies addressing businesses and their supporting activities (environmental security in production activity, labor practices, supply chain management, control and disclosure of information, human rights protection, diversity promotion, etc.); decide on KPIs and targets as well as verify outcomes, so that EBARA Group may contribute to building sustainable society/environment through EBARA Group business activities and continuously raise our corporate value. The Independent Directors and Non-executive Inside Directors actively attend the Sustainability Committee as observers. The deliberations of the Sustainability committee are reported to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory function by accurately grasping information. The Sustainability Committee holds regular meetings four times a year.</p> <p>As a result of due appreciation of the aforementioned activities, the Company has been selected as a constituent company of the Environment, Social and Corporate Governance (ESG) investment, the "FTSE 4 Good Index," "FTSE Blossom Japan Index," "MSCI Japan ESG Select Leaders Index," "MSCI Japan Empowering Women Index (nickname: WIN)," "S&amp;P/JPX Carbon Efficient Index" and the "UN Global Compact 100 Index Constituents."</p> <p>In Fiscal Year 2019, we signed the FSB Task Force on Climate-related Financial Disclosures (TCFD). Also we formulated and published the</p>

	Supplementary Explanations
	EBARA Group Human Rights Policy. E-Vision 2030, which was formulated in 2020, clearly states that we will contribute to social and environmental issues such as the SDGs through our business activities.
Development of Policies on Information Provision to Stakeholders	<p>Under the EBARA Group CSR Policy and the EBARA Group Code of Conduct, the Company provides for the timely and appropriate disclosure of information to stakeholders based on transparency.</p> <p>Additionally, the Company has in place a cross-sectional Disclosure Committee with specific administrative rules to provide a framework to enable the fair, timely and appropriate disclosure of corporate information.</p>
Other	<p><b>&lt;Initiatives Toward Work Style Reforms,&gt;</b></p> <p>In order that the EBARA Group may continue to grow and adopt to society going forward, while organizing and promoting environments for each and every employee so he/she can perform at one's best, we shall make efforts to reform the way we work taking aim at increasing business efficiency and productivity of all Businesses and departments of the EBARA Group. In April, 2018, the Company established a Work-style Reform Committee is chaired by the President and the Company has worked on (1) Productivity improvement by operational reform and awareness reform, (2) Support for growth in personal ability and independence, and (3) Improvement of work environment and consideration of diversified work styles.</p> <p><u>Implementing Remote-Work-from-Home amid COVID-19 Pandemic</u></p> <p>At EBARA, we had previously introduced the Work-from-Home system aiming at supporting employees to combine work and parenting/caregiving. But with the government's State of Emergency declaration in place, we expanded the scope to office employees. During this period, about 70 % of employees worked from home, rapidly accelerating the telework which was promoted gradually in the past. Base on this experience, going forward, we shall proceed with addressing the new work style with the assumption that we will be coping "With the Coronavirus".</p> <p><u>Conference management improvement</u></p> <p>In our efforts to make our meetings as they should be, we are enhancing facilitation skills and improving meeting facilities environments. By defining meeting rules and promoting skills improvement, as well as setting Web meeting systems/monitors in all meeting rooms across the country, we are trying to make meetings more efficient. Also, with various types of briefing corners being set up, shorter meeting are now realized, promoting better communication.</p> <p><u>Seminars on Caregiving</u></p> <p>We invite external lecturers and conduct periodical seminars with themes to keep balance between work and caregiving. We are also organizing internal systems related to caregiving and publicizing usage status and examples of those.</p> <p><b>&lt;Initiatives Toward Diversity&gt;</b></p> <p>Under the EBARA Group CSR Policy, which declares, "We respect human rights and diversity above all else," and "We sustain a safe workplace and strive for a stimulating work environment," the Company aims to develop a work environment in which employees of diverse backgrounds, in terms of</p>

## Supplementary Explanations

gender, nationality or physical ability, can respect each other's individuality and maximize their potential to the fullest.

In May 2018, the Company received "L-boshi (third level)" certification under the "Act on Promotion of Women's Participation and Advancement in the Workplace" by the Minister of Health, Labor and Welfare.

### 【Status of Female Managers (in Ebara Corporation)】

As of December 31, 2019, the total number of female managers is 97, and the composition ratio to all managers is 6.7%. As of December 31, 2019, the composition ratio of female in managerial post is 5.5%.

Managerial Post	Number (%)
Division Executive	1 (5.3%)
General Manager	4 (4.6%)
Section Manager	18 (5.5%)

### 【Supporting the Career Development of Female Employees】

The Company divides female employees into three stages (young employees, pre-management, and managers), and conducts targeted programs for career development and acceleration according to the needs of each stage.

#### ■ Major Initiatives

##### a) Lectures by management level lecturers

We target pre-manager level people and provide them with opportunities for awareness and awareness building in terms of mid-to-long term careers.

##### b) Periodical Publishing of Career Introduction articles by lady managers

Through work experience, on how to balance work and family and how to overcome difficult situations and others, it delivers tips and pointers for career formation.

##### c) Dispatch to External Training

The Company has actively dispatched female employees for external training with the intent to promote female career development and acceleration.

### 【Status of Non-Japanese Employees (in Ebara Corporation)】

- The Company has been actively recruiting non-Japanese fresh graduates since 2011. As of April 2019, a total of 127 non-Japanese graduates have been hired, of which 92 are currently employed.
- The total number of employees in Ebara Corporation is 4,016 people, 125 people of whom are non-Japanese employees (which includes fresh graduate hires as well as mid-career hires). This makes the total ratio compared to all employees 3.1%. They are playing active roles in various departments.
- The Company provides non-Japanese employees support in the following areas:

#### a) Lifestyle

	Supplementary Explanations
	<ul style="list-style-type: none"> <li>• Support for daily-life in Japan</li> </ul> <p>b) <u>Work-related</u></p> <ul style="list-style-type: none"> <li>• Fresh graduates intern at their assigned departments before officially entering the Company</li> <li>• Japanese language learning assistance</li> </ul> <p>c) <u>For Receiving Department</u></p> <ul style="list-style-type: none"> <li>• Guidance regarding management of non-Japanese employees and promoting understanding of different cultures</li> </ul> <p><b>【Employment of persons with special needs】</b></p> <p>We have established EBARA Ernest, a special subsidiary, to promote hiring the disabled and create opportunities for them to be professionally independent and participate in society. Going forward, we shall further contribute to expanding the opportunities for the disabled to perform their best and contribute locally and socially.</p> <p><b>【Utilization of elderly employees】</b></p> <p>The Company encourages the utilization of elderly employees through a system to re-hire those who have special skills, abilities, qualifications or knowledge as well as those who have highly mature, practical expertise even after retirement age. The engagement of elderly employees is effective for passing down skills and abilities obtained over many years to younger employees.</p> <p>→Read more, please see:  <a href="https://www.ebara.co.jp/en/about/csr/social/human_rights/1209152_3116.html">https://www.ebara.co.jp/en/about/csr/social/human_rights/1209152_3116.html</a></p>

## **IV. Matters Related to the Internal Control System**

### **1. Basic Views on Internal Control System and the Progress of System Development**

The Company sets out the Basic Policy for Internal Control and strives to realize the content resolved by the Board of Directors of the Company as a system for ensuring appropriate operations.

→Read more on the Basic Policy for Internal Control and Overview of Operation, see Appendix 5.

Every year, Executive Officers perform self-evaluations on the development and operation status of internal controls, and the areas that should be improved are reflected in the next year's plan based on the results in this fashion the Company will continue making improvements. These self-evaluations by Executive Officers are reported to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information.

### **2. Basic Views on Eliminating Anti-social Forces**

The Company establishes, develops and operates systems for preventing the Company and its subsidiaries from engaging in any activities that may provide profits to anti-social forces for whatever reason.

- (1) The Anti-social Forces Countermeasure Headquarters has been established to centralize the management and acquisition of information concerning anti-social forces in cooperation with external specialist agencies, etc., while supporting initiatives towards eliminating any relationships with anti-social forces.
- (2) Regulations for eliminating relationships with anti-social forces are formulated, whereby a system for eliminating relationships with anti-social forces at the Company and its subsidiaries is established, developed and operated.

## V. Other

### 1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures	Not Adopted
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Supplementary Explanation	<b>Updated</b>
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To maximize corporate and shareholder value, the Group has established its “Long-term Vision” and “Medium-Term Management Plan,” and has been earnestly taking actions in line with this plan. Accordingly, the Company believes that takeover defense measures are not separate from the Medium-Term Management Plan but are a part of a comprehensive set of initiatives aimed to maintain and enhance corporate value and the common interests of shareholders.

### 2. Other Matters Concerning Corporate Governance System

The status of the Company’s internal system relating to the timely disclosure of corporate information is as follows.

#### (1) Basic Policy for Timely Disclosure

The Company recognizes that the disclosure of information in compliance with the laws and regulations regarding financial information, including the Company’s financial position and business performance, management strategies and management issues, and regarding non-financial information, including risk and governance, as well as the proactive provision of information which is not in compliance with laws and regulations, to its stakeholders including shareholders and investors in a fair, appropriate and timely manner, is both fundamental and crucial in order for the Group to gain society’s trust as a listed company and to continue as a going concern.

The Company has established the Disclosure Committee as a body that exhaustively gathers corporate information subject to the decision of disclosure, deliberates whether such information should be disclosed, and determines the details of the corporate information to be disclosed and the timing for such disclosure. The Company has also set forth the Disclosure Committee Operating Rules regarding the procedures for implementing the disclosure of information.

#### (2) Internal system relating to timely disclosures

##### (a) *Disclosure Committee*

The Company has established the Disclosure Committee as a cross-sectional body to handle disclosures of corporate information including events that involve the entire Group and matters that have been decided, as well as financial closing information, in a fair, timely and appropriate manner.

The Disclosure Committee collects without omission corporate information subject to determining whether or not to be disclosed and discusses whether to disclose the information, disclosed contents thereof and the timing of the disclosure, and requests the President and Representative Executive Officer to make a decision on such disclosure. The Committee, upon completing the necessary internal approval procedures, undertakes the actual disclosure procedures.

##### (b) *Internal system relating to the implementation of timely disclosures*

In order to conduct disclosures in a fair, timely and appropriate manner, the Company has set forth the Disclosure Committee Operating Rules, and has developed and operated an internal system for the implementation of timely disclosures as follows. The Company conducts appropriate and timely disclosure and going forward intends to make every effort to maintain this internal system.

→ For an overview of the internal system relating to the implementation of timely disclosures, please see Appendix 6.

◆ Gathering information subject to disclosure

The Corporate Strategy Planning & Governance Enhancement Department, HR Department, the General Affairs Department, the Legal Department, the Risk Management Department, the Accounting Department, the Finance Department, and the administration departments of each internal company (collectively as information gathering divisions) have been assigned the task of gathering information, and together they make up the system that exhaustively gathers and consolidates information within the Group relating to timely disclosure. Under this system, information that has been gathered and consolidated by the information gathering divisions is reported to the secretariat of the Disclosure Committee.

The information gathering divisions utilize tools including the guidebook on timely disclosure of corporate information and a list of disclosure criteria (threshold amounts) when gathering information relating to timely disclosure.

◆ Deliberation of whether to be disclosed

The secretariat of the Disclosure Committee requests the Disclosure Committee to decide whether disclosure is necessary each and every time it receives information from the information gathering divisions; and prepares and deliberates disclosure drafts regarding information, which has been determined to be disclosed.

◆ Implementation of timely disclosure

The Accounting Department, upon approval by the President and Representative Executive Officer and the resolution of the Board of Directors, depending on the contents of the information, promptly conducts timely disclosure of information that has been determined by the Disclosure Committee.

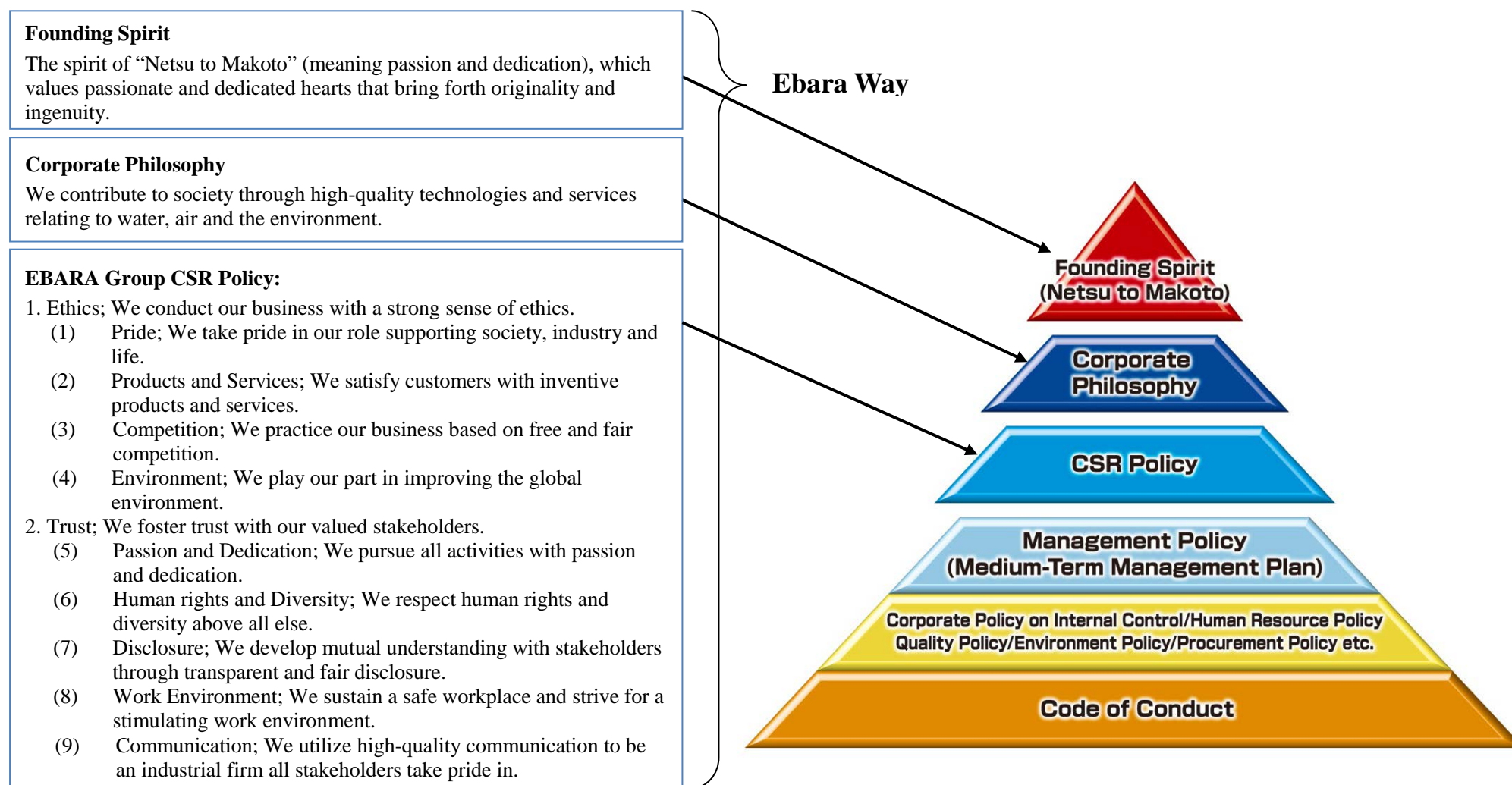
As for disclosures to parties other than the stock exchanges, notification to the Kanto Finance Bureau is the responsibility of the Accounting Department; disclosures related to the Companies Act, including those for the Ordinary General Meeting of Shareholders, are the responsibility of the Corporate Strategy Planning & Governance Enhancement Department; and postings on the Company's website are the responsibility of the General Affairs Department.

## ◇ *Appendixes*

- 1 EBARA Group Corporate Ethics Framework
- 2 EBARA Corporate Governance Basic Policy
- 3 Independence Standards of Independent Director of EBARA
- 4 Corporate Governance Framework
- 5 System for Ensuring Appropriate Operations and the State of Operation of the System
- 6 Disclosure Process
- 7 Flow Chart of Communication with Shareholders & Investors
- 8 Calculation Method of Performance-linked Stock Compensation
- 9 FY2019 Attendance at Board of Directors meetings and Committee meetings, etc.



# “EBARA Group Corporate Ethics Framework”



## Notes:

- 1) This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.
- 2) The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

**EBARA Corporate Governance****Basic Policy****Preface**

This basic policy is set to establish the basic approach on the corporate governance of EBARA CORPORATION (hereinafter “**the Company**”), with the aim of contributing to the sustainable growth and medium- to long-term enhancement of the corporate value of the Company and the EBARA Group (hereinafter “**the Group**”).

**Chapter 1 General rules**

## Basic approaches on corporate governance

## Article 1

1. The Company has established the “EBARA Way,” composed of its “Founding Spirit,” “Corporate Philosophy” and the “EBARA Group CSR Policy” as the EBARA Group’s identity and set of values to be shared across the Group. Under the EBARA Way, the Company upholds the enhancement of corporate value and shareholder return through sustainable business development as its most important management objectives. To achieve such objectives, the Company constantly seeks the best possible corporate governance and strives towards its further enhancement.

## EBARA Way

## - Founding Spirit

The spirit of “Netsu to Makoto” (meaning “passion and dedication”), which values passionate and dedicated hearts that bring forth originality and ingenuity

## - Corporate Philosophy

We contribute to society through high-quality technologies and services relating to water, air and the environment.

## - EBARA Group CSR Policy

The Company’s basic stance for the purpose of clarifying and practicing the Group’s social responsibility

- (1) Ethics; We conduct our business with a strong sense of ethics.
  - 1) Pride; We take pride in our role supporting society, industry and life.
  - 2) Products and Services; We satisfy customers with inventive products and services.
  - 3) Competition; We practice our business based on free and fair competition.
  - 4) Environment; We play our part in improving the global environment.
- (2) Trust; We foster trust with our valued stakeholders.

- 5) Passion and Dedication; We pursue all activities with passion and dedication.
  - 6) Human Rights and Diversity; We respect human rights and diversity above all else.
  - 7) Disclosure; We develop mutual understanding with stakeholders through transparent and fair disclosure.
  - 8) Work Environment; We sustain a safe workplace and strive for a stimulating work environment.
  - 9) Communication; We utilize high-quality communication to be an industrial firm all stakeholders take pride in.
2. The Company is committed to enhancing corporate governance based on the following basic views:
- (1) The Company respects shareholders' rights and is engaged in establishing an environment which enables shareholders to appropriately and effectively exercise their rights and ensures equality among shareholders.
  - (2) The Company strives to appropriately cooperate with various stakeholders, including customers, business partners, employees and local communities. The Company will also develop a corporate culture in which such stakeholders' rights and positions are respected and business is executed soundly.
  - (3) The Company strives to ensure management transparency through appropriate disclosure of its corporate information.
  - (4) The Company has developed a governance system in which Independent Directors play important roles, and that is centered on Independent Directors and non-executive inside Directors who do not concurrently serve as Executive Officers (hereinafter "**Non-executive Inside Directors**"). The Company has adopted the organizational form of a "Company with Three Committees," with the Nomination Committee, the Compensation Committee and the Audit Committee as statutory committees under the Board of Directors, to achieve clear separation between supervision and business execution in management.
  - (5) The Company engages in constructive dialogue with shareholders and investors on the basis of a separately established "IR Basic Policy," with a view to contributing to sustainable growth and the medium- to long-term enhancement of corporate value.

## **Chapter 2 Respect for shareholders' rights and ensuring equality among shareholders**

### General Meeting of Shareholders

#### Article 2

1. The Company, in convening the Ordinary General Meeting of Shareholders, distributes the notice of convocation approximately three weeks prior to the date of the meeting, in order for shareholders to appropriately and effectively exercise their voting rights based on a sufficient period of time for reviewing the proposals for the meeting. Meanwhile, the notice of convocation is posted on the Company's website following a resolution by the Board of Directors on the convocation of the General Meeting of Shareholders, and preceding the distribution date of the notice. In addition, for the purpose of convenience for non-Japanese shareholders, an English version of the notice of convocation is prepared and posted on the Company's website.
2. The Company strives to create an environment (including efforts to schedule the General Meeting of Shareholders on a different date from that of other companies) in which all shareholders, including those who cannot attend the General Meeting of Shareholders in person, can appropriately and effectively exercise their voting rights, through the use of such means as an electronic voting platform.

#### Ensuring equality among shareholders

##### Article 3

The Company treats all shareholders fairly, according to their respective shareholding. In addition, the Company discloses its corporate information in a timely and sufficient manner, in an effort to eliminate any potential information gap among shareholders.

#### Basic policy for cross-shareholdings, etc.

##### Article 4

1. In principle, the Company does not hold cross-shareholdings. However, it is possible that the Company will hold shares of other companies only in cases where it is determined that partnerships with investees through shareholding will contribute to the enhancement of the Group's corporate value. The rationale for cross-shareholding relationships is subject to regular examination by the Board of Directors based on the following items, and shareholdings deemed by the Board of Directors to no longer be feasible shall be dissolved when appropriate by disposal or other means.  
[Matters checked in examination of shareholding rationale]  
(1) The partnership with the investee is important and the relationship must be continued.  
(2) The return and risk associated with the shareholding are commensurate with the capital cost.
2. The Company exercises its voting rights in cross-shareholdings, determining whether to vote for or against each individual agenda item after consideration of whether it

contributes to the medium- to long-term enhancement of the corporate value of the Group and investees, and particularly emphasizes the following matters, and conducts dialogue with investees on the content, etc. of agenda items as required.

- Changes to articles of incorporation
- Election of directors
- Anti-takeover measures
- Appropriation of surplus, etc.

3. If a company holding the Company's shares as a cross-shareholding (hereinafter "**cross-shareholder**") indicates the intention of the sale, etc. of the shares, the Company shall unconditionally authorize this, and ask the cross-shareholder to perform the sale, etc. in a way that limits the impact on share price as much as possible. Furthermore, in such cases, when the Company holds shares in the company that is the cross-shareholder as cross-shareholdings, it shall promptly proceed to sell these. In addition, the Company shall not continue the transactions with cross-shareholders without carefully examining the underlying economic rationale.

### **Chapter 3 Respect for the interest of stakeholders and appropriate cooperation with them**

Ethical standards and restrictions on competitive transactions and transactions involving conflicts of interest

#### Article 5

1. The Company separately establishes and discloses ethical standards (the "EBARA Group CSR Policy" and the "EBARA Group Code of Conduct") by the Board of Directors to ensure that the Company's Directors, Executive Officers and employees, etc., act ethically at all times.
2. The Company's Directors and Executive Officers shall obtain prior approval of the Board of Directors when they are to "carry out transactions that belong to the line of business of the Company (competitive transactions) for themselves or for a third party" or "carry out transactions with the Company, or transactions that involve conflicts of interest between themselves and the Company (transactions involving conflicts of interest), including transactions between the Company and a third party for which they receive a commission, etc."

#### Relationship with stakeholders

#### Article 6

1. The Company respects the rights, viewpoints and interests of all stakeholders, including customers, business partners, creditors, employees and local communities, as well as

shareholders, and appropriately cooperates with them for the sustainable growth and medium- to long-term enhancement of the corporate value of the Group.

2. The Company respects diversity in terms of its relationship with various stakeholders including employees. The Company is also committed to implementing a policy for promoting diversity that includes the encouragement of female employees to play active roles, based on the recognition that respect for diversity contributes to the medium- to long-term enhancement of the corporate value of the Group.

#### Whistle-blowing

##### Article 7

The Company has established a system that enables employees, etc., of the Group to directly report questionable issues to the department in charge of compliance or the Audit Committee, along with a system for directly reporting to an external attorney's office. Whistle-blowers shall not be subject to any disadvantageous treatment by the Company and the Group, because of using these whistle-blowing systems, which are clearly stated in the employment regulations and other relevant internal rules.

### **Chapter 4 Ensuring adequate disclosure and transparency**

#### Basic policy concerning disclosure

##### Article 8

1. The Company implements timely and adequate disclosure of both financial and non-financial information, as required by laws and regulations including the Companies Act as well as rules of financial instruments exchanges and other laws, regulations and systems. Furthermore, the Company strives to actively disclose any information deemed to be useful to stakeholders including shareholders and investors, through various media such as the Company's website and integrated reports, whether or not required by laws, regulations and systems.
2. The Company, in accordance with the Companies Act and other laws and regulations, develops at Board of Directors' meetings the policies concerning risk management, internal control systems and legal compliance, etc., of the Company and the Group, and discloses the information in a timely and sufficient manner.
3. The Company, in principle, discloses its major information in more than two languages, including Japanese and English.

## Chapter 5 Responsibilities of the Board of Directors, etc.

### Board of Directors

#### Article 9

1. The number of Directors comprising the members of the Board of Directors shall not exceed fifteen (15), while more than one-third (1/3) of the Board members shall be Independent Directors. Additionally, in consideration of the balance between 1) Independent Directors, 2) Non-executive Inside Directors and 3) Executive Directors who concurrently serve as Executive Officers (hereinafter “**Executive Directors**”), the total number of 1) Independent Directors and 2) Non-executive Inside Directors shall be the majority of the number of all Directors.
2. The Board of Directors recognizes three tasks as its principal roles and responsibilities: 1) indicating the general direction of the Company such as corporate strategies, etc.; 2) developing an environment that can support adequate risk-taking in business execution; and 3) carrying out highly effective supervision of business execution from an independent and objective standpoint. The Board of Directors is committed to realizing efficient and effective corporate governance, with an aim to achieve the mission entrusted by shareholders—the “continuous enhancement of corporate value”—while fully recognizing the viewpoints of all stakeholders to a reasonable extent.
3. The Board of Directors exercises its leadership in developing an environment in which the management can take bold action to prevent the loss of upside opportunities, in addition to developing an environment that incorporates controls for preventing downside risks, including the risk of scandals.
4. The Board of Directors establishes the Board of Directors’ Rules, specifying the matters to be resolved and reported to the Board of Directors, and stipulates the scope of matters for which decision-making authority is delegated to Executive Officers. The decision-making authority on matters concerning business execution is delegated to Executive Officers, except those categorized as the exclusive jurisdiction of the Board of Directors by laws and regulations as well as the Articles of Incorporation, including basic management policies (management philosophy, medium- to long-term management plan, and annual budget, etc.) and those that may have a significant impact on the management of the Group.
5. Agendas and proposals of the Board of Directors’ meetings and related materials shall be distributed, in principle, prior to each Board meeting, to ensure active debate at the meeting.
6. The Company establishes a secretariat of the Board of Directors with adequate staff and budget to enable the Board to appropriately fulfill its roles and functions.

## Chairman of the Board of Directors

### Article 10

1. A Director who does not concurrently serve as Executive Officers serves in the position of the Chairman of the Board of Directors. Furthermore, to ensure the respective responsibilities of the Board of Directors, the Chairperson of the Nomination Committee, the Audit Committee and the Compensation Committee to be appropriately fulfilled, the Chairman of the Board of Directors shall not concurrently serve as the Chairperson of each of the committees unless there are special circumstances.
2. The Chairman of the Board of Directors sets out the proposals to be deliberated and reported at Board of Directors' meetings, and conducts the proceedings of the Board meetings to ensure that the best possible conclusion is reached efficiently, based on reasonable debate.
3. The Chairman of the Board of Directors sets out the proposals and frequency of the Board of Directors' meetings, to ensure enough time for deliberation of each agenda item.
4. The Chairman of the Board of Directors sets out the annual plan, including the Board of Directors' meeting schedule and expected agendas, and carries out the Board meetings based thereon.
5. The Chairman of the Board of Directors receives reports as appropriate from the Representative Executive Officer on whether the Board of Directors' opinions are adequately reflected in business execution. The Chairman of the Board of Directors reports, as necessary, the status of such reports to the Board of Directors, and asks the Board to deliberate for possible correction of the general direction of business execution, etc.
6. The Chairman of the Board of Directors may attend or view the minutes of meetings on the executive side such as the Management Meeting as necessary to fulfill his/her role.
7. The Chairman of the Board of Directors, in the event where deliberation in permanent committees is deemed insufficient, takes the initiative to fulfill his/her roles such as making proposals to the Board of Directors, including the formation of an ad-hoc committee comprising the members selected from among the Directors.
8. In the event the Chairman of the Board of Directors is an Independent Director, the Board of Directors shall nominate the Chairman of the Company (one person from among the Non-executive Inside Directors if there is no Chairman of the Company) as a person to assist the Chairman of the Board of Directors.

## Nomination Committee

### Article 11

1. The Nomination Committee comprises three (3) or more Independent Directors and



Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers), the majority thereof being Independent Directors.

2. The Nomination Committee sets out basic policies and regulations, etc., necessary for executing its duties.
3. The Nomination Committee is mainly responsible for deciding on the proposals concerning the election and dismissal of Directors, recommendations to the Board of Directors concerning the election and dismissal of Executive Officers, and recommendations to the Board of Directors concerning the appointment and dismissal of Directors with special titles and Executive Officers with special titles.
4. The Nomination Committee establishes a succession plan for the President and Representative Executive Officer. The succession plan specifies requirements for qualifications of the President and Representative Executive Officer based on the management strategies of the Company and is used to gradually develop and select personnel suitable to serve as the President and Representative Executive Officer systematically. Furthermore, the Nomination Committee shall periodically and as needed, check that the incumbent President and Representative Executive Officer conforms with the requirements, and makes recommendations to the Board of Directors with respect to the successor of the President and Representative Executive Officer based on the succession plan when the incumbent President and Representative Executive Officer retires pursuant to the succession plan. If single year consolidated performance fails to meet the criteria specified by the Nomination Committee for three successive fiscal years in the periodic checks of the qualifications of the incumbent President and Representative Executive Officer, the Nomination Committee submits a proposal to the Board of Directors to not recommend the reappointment of the incumbent President and Representative Executive Officer.
5. Members of the Nomination Committee work closely together to handle matters to be resolved by the committee, as a body possessing knowledge of corporate management, human resource development, personnel affairs/welfare and labor management, as well as matters to be recommended to the Board of Directors or the Representative Executive Officer.
6. The Chairperson of the Nomination Committee demonstrates his/her leadership in the committee's activities, including the chairing of Nomination Committee meetings. The Chairperson is also responsible for exercising his/her leadership in gathering objective information on persons with management abilities from both inside and outside the Company. In addition, the Chairperson conducts interviews, etc., with the persons concerned to regularly update information on those with management abilities within the

Company, and takes responsibility to regularly update effective information on human resources for the committee.

7. The Nomination Committee shall utilize external experts as appropriate such as implementing external evaluation of the President and Representative Executive Officer in the succession plan to ensure objectivity and fairness. Including in such cases, the Nomination Committee can hire external experts at the cost of the Company without prior approval of the Board of Directors and Executive Officers, if it is deemed necessary for the activities of the committee.
8. The Company establishes a secretariat of the Nomination Committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions.

#### Audit Committee

##### Article 12

1. The Audit Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers), the majority thereof being Independent Directors. Directors comprising the Audit Committee shall have adequate experience and ability, and the necessary knowledge of finance, accounting and law, and particularly include two (2) or more members with sufficient knowledge of finance and accounting.
2. The Audit Committee sets out the basic policies and regulations, etc., necessary for executing its duties.
3. The Audit Committee carries out audits to verify whether Executive Officers, Directors and employees, etc., of the Company or its subsidiaries (hereinafter “**Executive Officers, etc.**”) are in compliance with legal obligations and internal rules, and reports the progress and results of the audits to the Board of Directors. The Audit Committee also provides advice and recommendations to Executive Officers, etc., as appropriate.
4. The Audit Committee sets out basic policies and plans of audits based on progress in the development of internal control systems, in an effort to carry out efficient and effective audits in close coordination with the Internal Audit Division.
5. The Audit Committee sets out the “policy for the appointment and assessment of the External Independent Auditor,” and appropriately appoints the candidates for the position. The Audit Committee conducts an adequate assessment of the External Independent Auditor and verifies his/her independence and expertise required in each fiscal year.
6. The Audit Committee establishes a system for direct reporting to the Audit Committee as defined under Article 7, in order to facilitate the reporting of issues concerning a breach of compliance with laws and regulations, and other business-related ethical issues at the

Company and its subsidiaries.

7. Members of the Audit Committee ensure the effectiveness of audits conducted by the Audit Committee as a body possessing knowledge of finance, accounting and law, as well as auditing.
8. The Chairperson of the Audit Committee demonstrates his/her leadership in the committee's activities, including the chairing of Audit Committee meetings.
9. The Audit Committee, if necessary, can hire external experts such as attorneys, certified public accountants or consultants at the cost of the Company without prior approval of the Board of Directors and Executive Officers.
10. The Company establishes the Audit Committee Office as a secretariat that assists the committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions.

#### Compensation Committee

##### Article 13

1. The Compensation Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors (directors who do not concurrently serve as Executive Officers), the majority thereof being Independent Directors.
2. The Compensation Committee sets out basic policies and regulations, etc., necessary for executing its duties.
3. The Compensation Committee is mainly responsible for deciding on the individual compensation, etc., for Directors and Executive Officers, and making recommendations to the Board of Directors concerning the officers' compensation system of the Company as well as Group companies.
4. Members of the Compensation Committee work closely together to handle matters to be resolved by the committee as well as matters to be recommended to the Board of Directors, as a body possessing knowledge of corporate management and personnel affairs.
5. The Chairperson of the Compensation Committee demonstrates his/her leadership in the committee's activities, including the chairing of Compensation Committee meetings. The Chairperson of the Compensation Committee coordinates with the Chairperson of the Nomination Committee in the yearly assessment of the individual contribution by Executive Officers as the basis for determining the amounts of their performance-linked annual bonuses, as defined under Article 20, Paragraph 4, to ensure that the results of the assessments by the two committees are in agreement.
6. The Compensation Committee can hire external experts such as compensation consultants at the cost of the Company without prior approval of the Board of Directors and Executive

Officers, if it is deemed necessary for the activities of the committee.

7. The Company establishes a secretariat of the Compensation Committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions.

#### Independent Directors' Meeting

##### Article 14

1. The Independent Directors' Meeting, a meeting structure comprising all Independent Directors (and Independent Directors only), is established as a forum for Independent Directors to freely discuss matters required to fulfill their responsibilities.
2. The Independent Directors' Meeting holds a meeting to review the performance of Chairman of the Board of Directors at least once a year without his/her presence.
3. The Independent Directors' Meeting can hire independent advisors specializing in areas including legal affairs, accounting and finance at the cost of the Company without prior approval of the Board of Directors and Executive Officers, if it is deemed necessary for its activities.
4. The Company establishes a secretariat with adequate staff and budget to support the activities of the Independent Directors' Meeting.

#### Directors

##### Article 15

1. Directors gather sufficient information for executing their duties, and actively express their opinions at the Board of Directors' meetings so as to ensure exhaustive discussions.
2. Directors are entitled to request explanations or reports, or the submission of internal materials from other Directors, Executive Officers and employees, whenever it is deemed necessary or appropriate.
3. Directors successfully execute their duties by spending sufficient time involved in Company and Group matters.
4. Directors fully appreciate their responsibilities based on the understanding of the relevant laws and regulations, Articles of Incorporation of the Company, the Board of Directors' Rules and other internal rules.
5. The Chairman of the Company shall have responsibilities as a Director set forth in the preceding paragraphs, in addition to exhibiting leadership in the processes required for change and proposing changes to the Board of Directors in cases where changes to corporate governance system including the Board of Directors are found to be necessary. If there is no Chairman of the Company, a Director to serve in this role shall be elected from among Non-executive Inside Directors.

## Independent Directors

### Article 16

1. Independent Directors are mainly responsible, among their principal roles, for verifying and assessing as appropriate the business results of the Company and performance of Executive Officers in light of the management strategies or management plan set out by the Board of Directors, and determining and expressing opinions on whether it is appropriate to delegate management responsibilities to the incumbent Executive Officers from the perspective of the common interests of shareholders.
2. The Lead Independent Director is elected from among the Independent Directors not serving as Chairman of the Board of Directors. The Lead Independent Director serves as the Chairperson of the Independent Directors' Meeting. In addition, the Lead Independent Director summarizes opinions of other Independent Directors as necessary, and reports to the Chairman of the Board of Directors and the President and Representative Executive Officer for further consultation.

## Requirements, etc., for Directors and policies for nomination

### Article 17

1. Directors shall have sufficient knowledge, experience and ability in respective areas of management, as well as good character and high morals. Furthermore, Directors shall have broad-based insight and the ability to think logically, enabling them to make decisions based on the opinions of the members of the Board of Directors, as well as information from both inside and outside the Company. The Board of Directors shall have overall balance of personnel who satisfy such requirements, and be made up in a way that has both diversity including gender and international aspects and an appropriate size.
2. The Company sets forth its views on diversity with regard to the composition of the Board of Directors including gender and international aspects, and selects candidates for Directors paying due attention to diversity based on its views.
3. The Company separately establishes, and discloses, the standards for independence of Independent Directors through the Board of Directors. Only those who meet such standards shall be the Company's Independent Directors.
4. The term of office for Independent Directors shall not exceed six (6) years. However, the term can be extended, through reelection, to up to eight (8) years assuming election as the Chairperson of the Nomination Committee, the Audit Committee or the Compensation Committee or as the Lead Independent Director, or up to eleven (11) years assuming election as the Chairman of the Board of Directors.
5. If an Independent Director of the Company is to concurrently serve as a director or a

statutory auditor of other listed companies, such service shall not be demanding to the extent that it may impede the roles and functions expected of an Independent Director of the Company.

6. Policies for nomination including the standards and procedures for electing Directors are separately established by the Nomination Committee, and the election of the candidates for Directors is carried out based thereon.

#### Training for Directors

##### Article 18

1. The Company offers opportunities for newly elected Directors to gain knowledge of, and insight into, the subjects necessary to perform their responsibilities as Directors, including finance, legal affairs and corporate governance prior to, or immediately after, the election.
2. In an effort to promote understanding of the Group, the Company offers opportunities as appropriate for newly elected Independent Directors to gain knowledge of, and insight into, important matters such as the Group's management strategies and financial position, through a briefing by Executive Officers, etc., in charge of respective areas, and inspection tours, etc., at the Group's business sites prior to, or immediately after, the election.
3. The Company provides Directors with opportunities for adequate training after their election as appropriate, including lectures by external experts.

#### Assessment on the effectiveness of the Board of Directors

##### Article 19

The Board of Directors conducts analysis and assessment on its effectiveness as a whole, and discloses a summary of the results thereof.

#### Compensation and other benefits for Directors, etc.

##### Article 20

1. The compensation standard for Directors is designed to provide the level of compensation commensurate with the capabilities, experience and roles of each Director, while encouraging the execution of their duties in line with the management philosophy and management strategies, as well as the level of supervision that contributes to the sustainable growth of the Company and the medium- to long-term enhancement of its corporate value.
2. The Company has adopted a system of compensation for Directors based on the roles of individual Directors on the Board of Directors as well as various committees, etc. Compensation for Directors comprises basic compensation and share-based compensation

as long-term incentives. This shall take into consideration experience up to the previous position for Non-executive Inside Directors, an additional allowance is paid to the Chairman of the Board of Directors, the Non-executive Inside Director assisting the Chairman, the Lead Independent Director and the Chairperson of each committee, in consideration of the scope of their roles and responsibilities, as well as the additional working hours required for executing their duties.

(1) Compensation system for Independent Directors

Compensation for Independent Directors, who are expected to fulfill their roles and responsibilities completely independent of the business execution of the Company, comprises basic compensation and share-based compensation that are not linked to performance.

(2) Compensation system for Non-executive Inside Directors

The Non-executive Inside Directors are appointed from among the officers and employees of the Company, who are capable of actively collecting information on the internal status of the Company based on their experience and knowledge. They are expected to engage in the monitoring of the business execution essential for the Board of Directors to fulfill its supervisory function, while appropriately supervising the execution of important matters based on their own insights, and thereby providing advice to ensure lawful and efficient business execution to the extent that they do not take part in decision-making. In light of the impact of the quality of supervision of business execution based on these roles and responsibilities on the yearly business results, their compensation comprises basic compensation and share-based compensation that are partially linked to performance.

(3) Compensation system for Executive Directors

The compensation system for Executive Officers is applied to Executive Directors, under which the compensation as Directors is not paid.

3. The compensation system for Executive Officers is designed to provide the level of compensation commensurate with the achievement of performance targets (if successfully achieved), while prompting business execution in line with the management philosophy and management strategies, with strong motivation towards contribution to the sustainable growth of the Company and medium- to long-term enhancement of its corporate value.
4. In line with the purposes as described in the preceding paragraph, compensation for Executive Officers comprises basic compensation based on special title, such as President and Representative Executive Officer and Senior Managing Executive Officer, a performance-linked annual bonus, and share-based compensation that are conditional on the achievement of business performance objectives set out in the medium-term

management plan. The Company has adopted a compensation system that allocates a larger performance-linked portion compared to the basic compensation portion for Executive Officers in higher positions with greater responsibility, who are expected to play a more important role in achieving numerical targets in their business execution, with tougher responsibilities for business performance.

5. The Board of Directors sets out in the medium-term management plan management indicators such as return on invested capital (ROIC), along with their target values that should be used by the Compensation Committee for the performance assessment of the President and Representative Executive Officer as well as each Executive Officer, and discloses such information in a timely and appropriate manner.
6. The Company discloses compensation amounts, etc., paid to Directors, along with the relevant policies defined under this Article in an appropriate way.

## **Chapter 6 Dialogue with shareholders and investors**

### Constructive dialogue with shareholders and investors

#### Article 21

1. The Company recognizes the development of a long-term trusting relationship with shareholders and investors as one of the most important management matters. The Company provides appropriate corporate information necessary for shareholders and investors to make investment decisions, and strives to further strengthen the trusting relationship on a continuous basis by engaging in IR activities for enhancing its corporate value through constructive dialogue.
2. In the current framework, the President and Representative Executive Officer is the chief executive of IR activities of the Company, which are, in principle, carried out by the executive officer in charge of IR and the department in charge of IR. In addition, Directors (including Independent Directors), Executive Officers and other senior executives arrange as appropriate opportunities for direct dialogue with shareholders and investors. The Company develops a framework for internally sharing information and knowledge gained through such dialogue with shareholders and investors, which shall be utilized for the management of the Company.
3. The Company determines and discloses the “IR Basic Policy” as a basic policy for developing the structure and initiatives for promoting constructive dialogue with shareholders and investors.

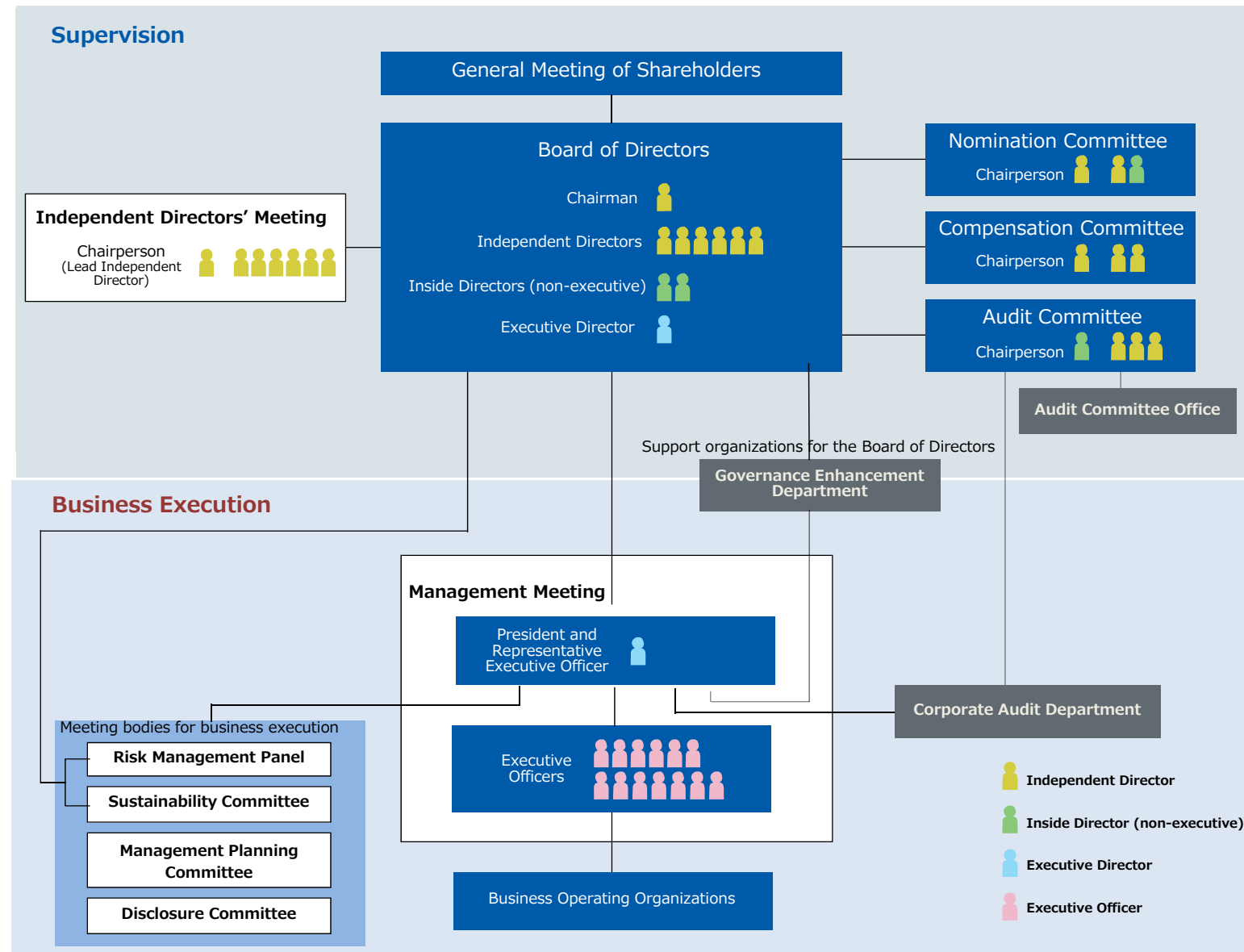


## Independence Standards of Independent Director of EBARA

Independent persons with no material interests in the Company are to be appointed as Independent Directors. “Independent persons with no material interests” refer to persons to whom none of the following items applies.

- 1) An internal employee or former internal employees of the Company or its subsidiaries who do not meet the requirements for Outside Directors stipulated in Article 2, Item 15, of the Companies Act.
- 2) A person who has been a director (excluding outside director), statutory auditor (excluding outside audit & supervisory board member), executive officer or employee executing business of a company with a material business relationship with the Company and its consolidated subsidiaries (hereinafter referred to as the “EBARA Group” or “the Group” in this part) in the past five years. “A company with a material business relationship with the EBARA Group” refers to any of the following.
  - i) A company to which sales were made accounting for 2% or more of consolidated net sales of the EBARA Group in any of the fiscal years in the past three years.
  - ii) A company which made sales to the EBARA Group accounting for 2% or more of consolidated net sales of the company in any of the fiscal years in the past three years of procurement by the EBARA Group.
  - iii) The two financial institutions with the highest average balance of borrowings by the EBARA Group at the end of the fiscal year over the past three years.
- 3) A person who is a major shareholder of the Company or the representative of the interests thereof.  
Specifically, a shareholder of the Company holding 10% or more of the total shares issued, or a director, an executive, an executive officer, a manager or other employee of a company representing the interests thereof within the two years preceding the appointment of Director nominees.
- 4) A person providing professional services to the EBARA Group.  
“Professional services” refer to the following categories according to the services provided.
  - i) Certified public accountant  
A person who has been directly engaged in the financial auditing of the EBARA Group in the past five years.
  - ii) Attorney, tax accountant, patent attorney, judicial scrivener or management consultant  
A person who has provided services to the EBARA Group in the past three years and has received annual compensation of 10 million yen (including tax) or more.
- 5) A person who has received or belongs to a for-profit group that has received donations, financing or guarantee of debt from the EBARA Group.
- 6) A person within two degrees of relationship with a relative who falls under Item 1 or Item 2, or person of other degree of relationship who resides with the relative.
- 7) A person who currently serves as a director, an statutory auditor or an executive officer of a company that has accepted a director or an statutory auditor from the EBARA Group.

## Corporate Governance Framework (as of August 31, 2020)



## System for Ensuring Appropriate Operations and the State of Operation of the System

Basic Policies for Internal Control	Overview of Operation
1. System to Ensure that the Execution of Duties by Executive Officers and Employees of the Company and Directors, Audit & Supervisory Board Members and Employees of Subsidiaries Complies with Laws and Regulations and the Articles of Incorporation	
Develop, maintain and operate systems to realize the EBARA Group CSR Policy and the EBARA Group Code of Conduct.	<p>(1) The Company has established a division for promoting compliance, which supports the creation of systems for raising awareness of compliance and preventing misconduct, and the establishment of a friendly and open work environment in the Company and its subsidiaries.</p> <p>(2) Disciplinary provisions on the violation of the “EBARA Group Code of Conduct” and internal rules are stipulated in the service rules and employment regulations, etc. of the Company and its subsidiaries.</p> <p>(3) A Sustainability Committee chaired by the President and Representative Executive Officer has been established to determine the activity policies, ESG related key issues (materiality), response policies and Key Performance Indicators (KPI) of CSR and to check the progress and the status of achievement. The committee also monitors the status of compliance at the Company and its subsidiaries, and gives instructions for correction and improvement as appropriate. Four meetings of the committee were held in the fiscal year under review.</p> <p>(4) Employee compliance awareness surveys are conducted in the Company and domestic subsidiaries periodically, and the state of penetration of compliance awareness are tracked to identify issues in compliance activities and are reflected in the improvement activities.</p> <p>(5) The Compliance Consultation Counter that can be used by the Company and domestic subsidiaries and the “Regulations for the Operation of the Compliance Consultation Counter” have been established to promptly address any reports or inquiries on violations of the “Framework of Corporate Ethic,” internal regulations and laws, etc. in the Ebara Group. Furthermore, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) are established for a total of seventeen subsidiaries in seven countries overseas.</p> <p>(6) Employee compliance awareness surveys are conducted in the Company and domestic subsidiaries periodically, and the state of penetration of compliance awareness are tracked to identify issues in compliance activities to reflect in the activity improvement.</p> <p>(7) The Compliance Consultation Counter that can be used by the Company and domestic subsidiaries and the “Regulations for the Operation of the Compliance Consultation Counter” have been established to promptly address any reports or inquiries on violations of the framework of corporate ethic, internal regulations and laws, etc. in the Ebara Group. Furthermore, in the fiscal year under review, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) are being established for a total of seventeen subsidiaries in seven overseas countries.</p> <p>(8) The EBARA Group Compliance Network periodically holds meetings in accordance with the “Regulations for the Operation of the EBARA Group Compliance Network” to share compliance information between the Company and its subsidiaries. Overseas, compliance meetings are periodically held for Chinese subsidiaries.</p> <p>(9) The Internal Audit Division is in place, carrying out internal audits and the monitoring of business operations of the Company and its subsidiaries in accordance with the “Internal Audit Rules.” A system for auditing and monitoring has been established by subsidiaries, and the state of implementation is checked by the Company’s Internal Audit Division.</p>

Basic Policies for Internal Control	Overview of Operation
2. Systems for Storage and Management of Information concerning the Execution of Duties by Executive Officers	
Develop, maintain and operate a system for appropriately storing and managing information concerning the execution of duties by Executive Officers in accordance with laws, regulations and internal rules.	<p>(1) Information concerning the execution of duties by Executive Officers is appropriately stored and managed in accordance with “Information Security Basic Rules” and related regulations.</p> <p>(2) The “Five Principles of EBARA Group on the Handling of Important Information” stipulating measures for the prevention of information leaks and countermeasures to take in the event of a leak have been established in the “Information Security Basic Rules” of the Company and its subsidiaries.</p>
3. Systems for Reporting to the Company on Matters concerning the Execution of Duties by Directors of its Subsidiaries	
Develop, maintain and operate appropriate rules for reporting to the Company on matters concerning the execution of duties by Directors of its subsidiaries.	<p>(1) Matters established throughout the EBARA Group and matters that the Company requires a review in advance or report to the Company after the fact are stipulated in the “Group Administration Basic Rules” and related regulations, and material matters pertaining to the execution of duties by Directors of subsidiaries are reported to the Company.</p> <p>(2) The “Crisis Management Rules” have been established in subsidiaries as a system for reporting to the Company in the event a crisis occurs or an event that may lead to a crisis occurs in subsidiaries, which are required to provide reports.</p>
4. Regulations and Other Systems Related to Management of the Risk of Losses at the Company and Its Subsidiaries	
Establish policies on risk management in the Company and its subsidiaries as well as rules pertaining to their operation. Also develop, maintain and operate systems for implementing risk management.	<p>(1) Authority, responsibilities and procedures are set out in the “Authority Rules,” etc., of the Company and its subsidiaries, whereby risk management is conducted.</p> <p>(2) Departments responsible for promoting risk management activities are in place, while policies and systems for risk management at the Company and its subsidiaries are set out under the “Risk Management Regulations,” whereby risk management activities are carried out.</p> <p>(3) The Risk Management Panel (hereinafter referred to as “RMP”) for the overall Group is in place as a body responsible for coordinating risk management activities, while carrying out deliberation, guidance for improvement and support. The RMP is chaired by the President, Representative Executive Officer, and made up of all Executive Officers. In addition to quarterly meetings, meetings are held as required. A total of five meetings were held in the fiscal year under review.</p>
5. Systems to Ensure the Efficient Execution of Duties by Executive Officers of the Company and by Directors of Its Subsidiaries	
<p>(1) The administrative authority of Executive Officers of the Company and Directors of its subsidiaries in the execution of operations is clarified.</p> <p>(2) Develop, maintain and operate systems to enable efficient execution of duties by the Company’s Executive Officers and Directors of its subsidiaries through the formulation of basic management policies and the monitoring of their progress.</p>	<p>(1) The Board of Directors of the Company entrusts the authority and responsibility for the execution of business to Executive Officers, and ensure the efficient execution of duties by Executive Officers by supervising the execution of duties by Executive Officers.</p> <p>(2) The administrative authority of Executive Officers of the Company and Directors its subsidiaries is set out in the “Regulations on the Division of Duties” of the Company and its subsidiaries.</p> <p>(3) The Board of Directors of the Company formulates basic management policies, reflects the basic policies in the annual management plans of the Company and its subsidiaries.</p> <p>(4) Executive Officers of the Company review the progress of annual management plans and measures for their achievement on a quarterly basis in the Management Planning Committee.</p> <p>(5) The Management Meeting made up of all Executive Officers is in place as a meeting structure for deliberation necessary for facilitating prompt decision making by the President, Representative Executive Officer. The Management Meeting is held once every month.</p>

Basic Policies for Internal Control	Overview of Operation
6. Systems for Shutting Out Antisocial Elements	
<p>The Company establishes, maintains and operates systems for preventing the Company and its subsidiaries from engaging in any activities that may provide profits to anti-social forces in whatever name.</p>	<p>The Anti-social Forces Countermeasure Headquarters has been established to oversee countermeasures against anti-social forces in the Company and its subsidiaries, a manual has been established for cases in which there has been contact from anti-social forces, and a system has been developed for handling cases as an entire company in coordination with legal counsel and external expert organizations in the event there has been contact. Furthermore, investigations of business partners, internal education, and the like are conducted based on the “Guidelines on Shutting Out Antisocial Elements,” in addition to periodically holding liaison meetings attended by personnel responsible for preventing undue claims in the Company and domestic subsidiaries. One meeting was held in the fiscal year under review.</p>
7. Systems to Ensure the Appropriate Operations of the EBARA Group, Comprising the Company and Its Subsidiaries	
<p>Establish a policy on the operation of the EBARA Group comprising the Company and its subsidiaries, and develop, maintain and operate systems for ensuring appropriate operations of the Group.</p>	<p>(1) An internal control system is in place according to the scale and characteristics of business of the Company and its subsidiaries. The Executive Officers of the Company are responsible for the establishment of internal control systems in subsidiaries.</p> <p>(2) The Company performs evaluations on the state of maintenance and operation of internal controls in the Company and its subsidiaries, and corrections are made when problems are found.</p>
8. Systems for Assigning Employees to Assist the Audit Committee in the Execution of Its Duties	
<p>Establish the Audit Committee Office as a department that assists the Audit Committee in the execution of its duties.</p>	<p>(1) The Audit Committee Office has been established as a department that assists the Audit Committee in the execution of its duties.</p> <p>(2) Persons who assist the Audit Committee’s execution of its duties (hereinafter “assistants to the Audit Committee”) are appointed from among the employees of the Company and belong to the Audit Committee Office. At present, four members belong to the Audit Committee Office.</p>

Basic Policies for Internal Control	Overview of Operation
<p>9. Matters Related to the Independence from Executive Officers of the Employees Who Assist the Audit Committee's Execution of Its Duties, and Matters Related to Ensuring the Effectiveness of the Instructions by the Audit Committee to Such Employees</p>	
<p>(1) Appoint employees who assist the Audit Committee's execution of its duties (hereinafter "assistants to the Audit Committee") from among the employees of the Company, subject to the consent of the Audit Committee.</p> <p>(2) Assistants to the Audit Committee shall not concurrently engage in business operations concerning the execution of duties by Executive Officers of the Company, thereby ensuring the independence of assistants to the Audit Committee from Executive Officers.</p> <p>(3) Assistants to the Audit Committee shall act only under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee.</p> <p>(4) Notwithstanding the preceding two paragraphs, assistants to the Audit Committee may engage in other business operations, subject to the prior approval of the Audit Committee.</p> <p>(5) The personnel transfer, appraisal, and the like of the employees assisting the Audit Committee shall be determined upon obtaining the consent of the Audit Committee.</p>	<p>(1) The appointment of assistants to the Audit Committee is determined with the consent of the Audit Committee.</p> <p>(2) Assistants to the Audit Committee are not concurrently engaged in business operations concerning the execution of duties by Executive Officers of the Company. Assistants to the Audit Committee act under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee.</p> <p>(3) Assistants to the Audit Committee serve as Audit &amp; Supervisory Board Members of Group companies with the prior approval of the Audit Committee.</p> <p>(4) The personnel transfer, appraisal, and the like of assistants to the Audit Committee are determined with the consent of the Audit Committee.</p>

Basic Policies for Internal Control	Overview of Operation
10. Systems for Reporting to the Audit Committee of the Company by Executive Officers and Employees, etc., of the Company and by Directors, Audit & Supervisory Board Members and Employees, etc., of Its Subsidiaries, and Other Reporting to the Audit Committee of the Company	
<p>(1) Develop, maintain and operate a system whereby the Audit Committee members are able to attend important meetings of departments engaging in business execution, and to receive reports from Executive Officers and employees, etc.</p> <p>(2) Develop, maintain and operate a system whereby Directors, Audit &amp; Supervisory Board Members and employees, etc., of subsidiaries in addition to persons receiving reports therefrom report to the Audit Committee.</p> <p>(3) Any person having made a report under the two preceding paragraphs shall not be subject to disadvantageous treatment because of such reporting.</p>	<p>(1) Audit Committee members view important documents and receive reports on the execution of duties from Executive Officers and employees, etc. by attending important meetings of departments engaging in business execution such as the Management Meeting, the Sustainability Committee, and the RMP.</p> <p>(2) Executive Officers promptly report to the Audit Committee pursuant to the “Executive Officer Rules” in the event they discover a fraudulent act in the course of executing their duties and such act is not redressed immediately.</p> <p>(3) In the course of audits by the Audit Committee, the Company and its subsidiaries provide information on the handling of management tasks and the legality and appropriateness of their business operations, upon the request of the Audit Committee.</p> <p>(4) The Compliance Consultation Counter that can be used by the Company and domestic subsidiaries and the “Regulations for the Operation of the Compliance Consultation Counter” have been established to promptly address any reports or inquiries on violations of the framework of corporate ethics, internal regulations and laws, etc. in the Ebara Group. Furthermore, in the fiscal year under review, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) are being established for a total of seventeen subsidiaries in seven overseas countries. Reports on the state of implementation of these are made to the Audit Committee as appropriate.</p> <p>(5) The Audit Committee established the Audit Committee helpline, allowing reports to be received on the violation of laws and regulations in the Company and its subsidiaries, in addition to other issues concerning corporate ethics, and a system is in place for employees, etc. of the Company and its subsidiaries to report to the Audit Committee if the Company’s Directors and Executive Officers, and the Directors of its subsidiaries commit a fraud, violate laws, regulations or the Articles of Incorporation, conduct improper accounting practices, have corporate ethics issues or are otherwise found to be grossly inappropriate for management of the Company.</p> <p>(6) The Company thoroughly ensures a system whereby any person having reported to the Audit Committee is not subject to disadvantageous treatment because of such reporting.</p>
11. Other Systems for Ensuring the Effectiveness of Audits by the Audit Committee	
<p>(1) Ensure to maintain effectiveness of audits by establishing an appropriate mutual exchange of opinions and collaboration between the Audit Committee and the departments responsible for internal controls as well as the Internal Audit Division.</p> <p>(2) Establish policies on the treatment of expenses or liabilities incurred in the execution of duties of the Audit Committee in order to ensure the effective execution of audits by the Audit Committee.</p>	<p>(1) The President, Representative Executive Officer regularly exchanges information and opinions with the Audit Committee.</p> <p>(2) Departments responsible for internal controls, risk management and compliance, and the Internal Audit Division regularly exchange information and opinions with the Audit Committee, and also exchange information on important matters as needed, in an effort to promote mutual collaboration.</p> <p>(3) Policies are in place on the treatment of expenses or liabilities incurred in the execution of duties of the Audit Committee in order to ensure the effective execution of audits by the Audit Committee.</p>

Basic Policies for Internal Control	Overview of Operation
12. Systems for Ensuring the Credibility of Financial Reports	
<p>The Company shall develop and operate an Internal Control system to ensure credibility of financial reporting, in accordance with Standards of Assessment and Audit on Internal Control over Financial Reporting, as well as Practice Standards of Assessment and Audit on Internal Control over Financial Reporting.</p>	<p>(1) To ensure the credibility of consolidated financial reports, the “Standards for the Enforcement of Internal Controls over Financial Reporting” have been established for the purpose of maintaining and operating internal controls based on the Financial Instruments and Exchange Act, and their effectiveness is assessed every fiscal year.</p> <p>(2) For the assessment, the scope of assessment is established every fiscal year in consideration of the impact on the financial reporting, significance in terms of management, and the like, for the purpose of an independent assessment team performing an assessment and promoting improvements to internal controls.</p>



## Disclosure Process

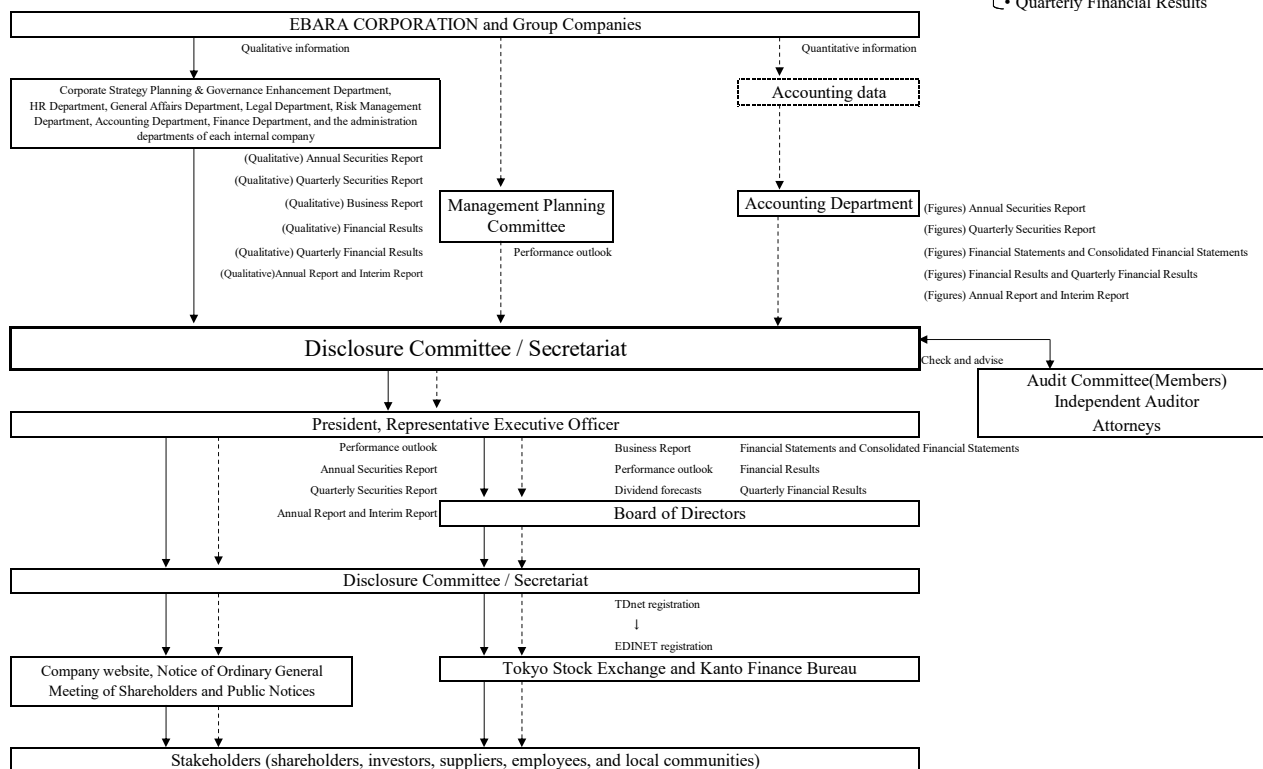
### (1) Corporate information subject to regular disclosure

Types of corporate information subject to disclosure

- (1) Qualitative information concerning financial results, performance outlook and dividend forecasts
- (2) Quantitative information concerning financial results, performance outlook and dividend forecasts

《Disclosed documents》

- Annual Securities Report
- Quarterly Securities Report
- Business Report
- Financial Statements and Consolidated Financial Statements
- Annual Report and Interim Report
- Financial Results (including Supplementary Materials)
- Quarterly Financial Results



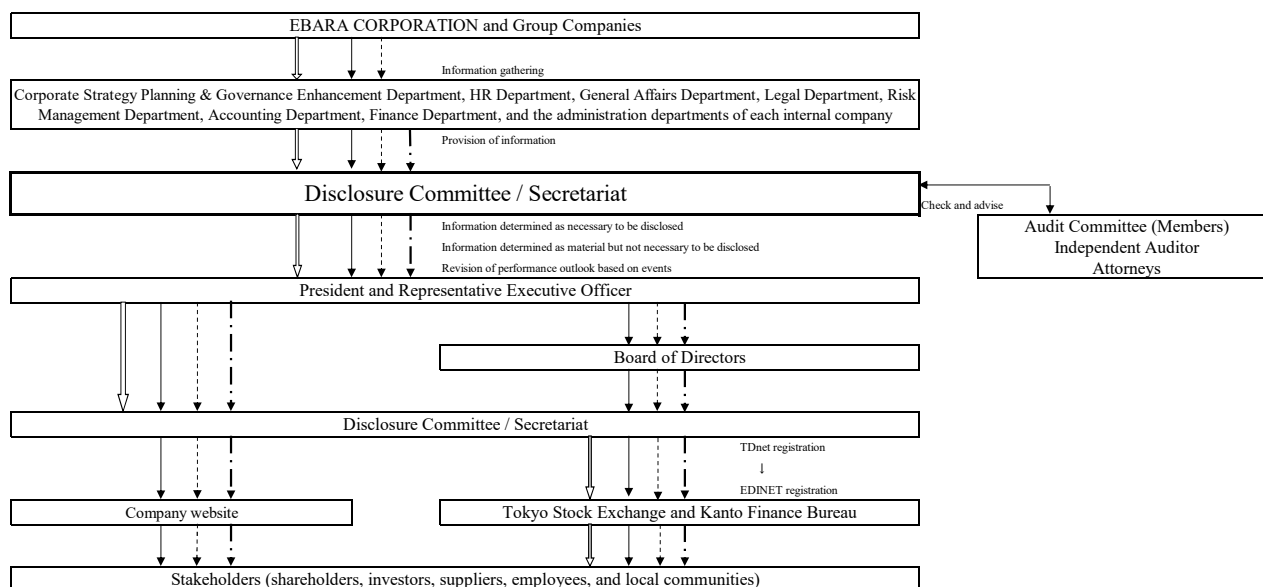
### (2) Corporate information subject to extraordinary disclosure

Types of corporate information subject to disclosure

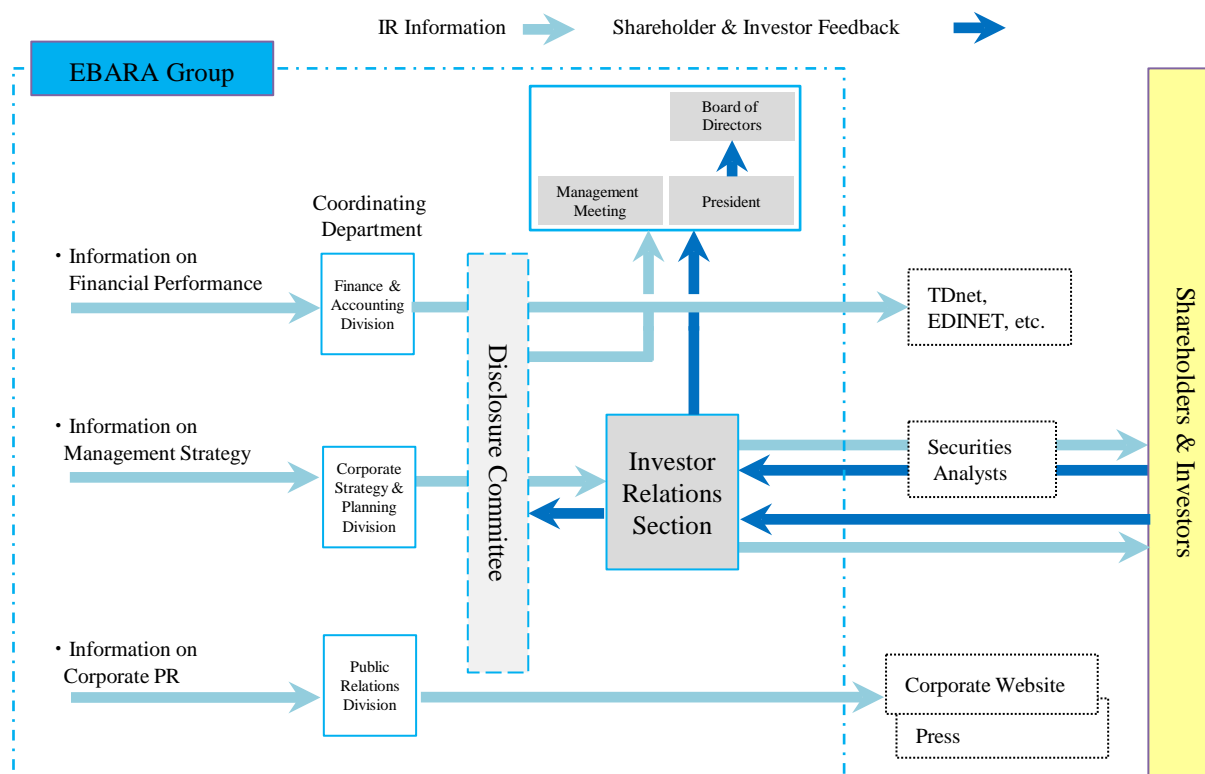
- (1) Information relating to decided matters
- (2) Information relating to events
- (3) Information relating to performance outlook and dividend forecasts
- (4) Information relating to corporate governance

《Disclosed documents》

- Extraordinary Report
- Securities Registration Statement
- (TSE Timely Disclosure) Notices
- Corporate Governance Report



## Flow Chart of Communication with Shareholders &amp; Investors



\*TDnet ... Timely disclosure information browsing system operated by Tokyo Stock Exchange, Inc.

EDINET ... An electronic disclosure system for disclosure documents such as securities reports based on the Financial Instruments and Exchange Act.

## Calculation Method of Performance-linked Stock Compensation

### (1) Program Overview

To EBARA's Executive Officers (Including Officers who are also Directors of EBARA's subsidiaries), "Performance Share Unit compensations (PSU)" will be paid for the evaluation period of Jan. 2020 through Dec. 2022, the plan subject period of E-Plan2022. The PSU's main objective is to give incentives to Executive Officers toward achieving the mid-term management plan. But at the same time, considering the impact of the supervision qualities of directors of non-business execution (excl. Independent Directors) on our business performance, the same compensation plan will be applied to those Non-executive Inside Directors (excl. Independent Directors). Also, to pay compensations to officers in Elliot Group Holdings, Inc., Elliott Ebara Turbomachinery Corporation, Ebara Environmental Plant Co., Ltd. ("EEP"), Ebara Refrigeration Equipment & System Co., Ltd., Ebara Fan & Blower Co., Ltd., Ebara Field Tech. Corporation, the same programs will be introduced respectively and the same calculation method will be applied.

### (2) How to calculate PSU

Calculation will be done in accordance with the following method to determine the number of shares and amount of money to be paid to the subject officers respectively.

#### I. Officers to be paid

As per performance-linked payment stipulated in Corporation Tax Act 34-1-3 and 34-5, executive officers of EBARA and directors of EEP who are executive officers subjecting to deduction are listed as payment recipient officers.

#### II. Asset paid as PSU

PSU comprises EBARA's common stocks and money.

#### III. How to calculate numbers of stocks and amounts of money to be paid individually

##### (A) Number of stocks to be paid individually as PSU (less than 1 unit to be rounded down)

Base Number of Units (VI below) X Payment Rate (below VII) X 60%

(Note) One Unit = 100 EBARA Common Stocks

(Note) The upper limit of the total number of EBARA's common stocks to be given is 132,100 and the upper limits of EBARA common stocks given by respective companies are as listed below.

	EBARA	EEP	Total
Upper Limit of Stocks	110,200	21,900	132,100

As for payments to executive officers of EBARA who are non-resident at the time of payment and directors of EEP, they will be paid in money by multiplying the individually paid stocks calculated per above formula by the stock price defined below (B).

(Note) "Confirmed number" stipulated in Corporation Tax Act 34-1-3 ㄱ (1) is to be the "Upper limit of stocks" above.

##### (B) Individual PSU payment amount in money (less than 100 yen to be rounded down)

Base Number of units (below VI) × Payment Rate (below VII) × 40% X Price of EBARA Common Stock

(Note) 1 Unit = 100 Ebara Common Stocks

(Note) The closing price of EBARA common stock at the Tokyo Stock Exchange at the 2 months before the month when the EBARA Board meeting will be held to resolute the allocation to the third parties related to PSU by stock as of April 2023.

However, the upper limit of total money payment will be 551 million yen and upper limits of money payments by respective companies are listed in the table below.

	EBARA	EEP	Total
Upper Limit	458 million yen	93 million yen	551 million yen

When paying PSU in stocks, the total of money receivables and money paid by PSU will be xx million yen and upper limits of payments by respective companies are as in the table below.

	EBARA	EEP	Total
Upper Limit	1,145 million yen	232 million yen	1,337 million yen

(Note) "Confirmed amount" stipulated in Corporation Tax Act 34-1-3 ㄱ (1) is to be the "Upper Limit" above.

#### IV. Evaluation Period

From Jan.2020 through Dec.2022

#### V. Time of Payment

EBARA common Stocks and money calculated by the above formula will be paid in May 2023.

#### VI. Basic Number of Unit

In accordance with the table below, base numbers of units (one unit = 100 EBARA stocks) will be set; corresponding to roles of duties of officers to be paid at EBARA and officers positions at EBARA Environmental Plant as of Jan. 2020, the start point of the evaluation.

EBARA's executive officers who are also executive directors of EEP and Elliot Group Holdings, Inc. (hereinafter, collectively "Subject Subsidiaries"), which are EBARA's consolidated subsidiaries, will be paid the equivalent numbers of units given to EBARA officers corresponding to the roles.

	Name	EBARA
President, Representative Executive Officer	Masao Asami	160
Executive Officer	Nobuharu Noji	77
Executive Officer	Yoshiaki Okiyama	49
Executive Officer	Hideki Yamada	49
Executive Officer	Akihiro Kida	41
Executive Officer (concurrently serving as director of Subject Subsidiary)	Michael Lordi	20
Executive Officer (concurrently serving as director of Subject Subsidiary)	Atsuo ohi	39
Executive Officer	Tetsuji Togawa	77
Executive Officer	Seiji Katsuoka	49
Executive Officer	Shu Nagata	49
Executive Officer	Toru Nakayama	41
Executive Officer	Akihiko Nagamine	41
Executive Officer	Hiroyuki Kowase	41
Executive Officer	Hiroshi Sobukawa	41

	EEP
Representative Director and Chairman	38
Representative Director and President	29
Managing Director	26
Director	26

#### VII. Payment Rate

Payment rate will be calculated based on the formula below corresponding to the consolidated ROIC of Dec. term 2022, the last Fiscal Year of the mid-term management plan "E-Plan2022".

Payment Rate (%) (Note) 1 = Consolidated ROIC (Note) 2×25--100

(Note) 1 Second decimal point to be rounded. However, if the calculation results in less than 0% make it 0% (no payment) and if it exceeds 200% make it 200%.

2 Consolidated ROIC = Current Net Profit belonging to Parent Company ÷ [Debt with interest (Average of term-start term-end) \*1 + Own Capital (Average of term-start and term-end)\*2] × 100

\*1 Debt with interest (average of term-start and end) will be the average of the total of the balance at begging of the current period and the balance at the end of current period and amount displayed in of the total of corporate bonds statement and debt statement of EBARA's consolidated detailed statement and (excluding less than 100 million yen to be rounded down)

\*2 Own Capital (average of start and end of period) is the average amount of the sum of the total amount of "total shareholders' equity" and "Accumulated other comprehensive income related to the previous consolidated FY displayed in our consolidated financial statement and the total of the same for the current

period. (amount less than 100 million yen rounded down)

(3) Payment Requirements of PSU

Compensations in stocks and money will be paid if you held office during the period from the day of EBARA general shareholders' meeting on Mar. 27, 2020 till the day of our shareholders' meeting planned to be held in Mar. 2023 in case of an EBARA executive officer, and for an EBARA Environmental Plant director, from the day of said company's ordinary general shareholders' meeting on Mar. 11, 2020 until said company's ordinary general shareholders' meeting to be held in Mar. 2023 (Subject Period).

(4) Payment Method of PSU in Stock

PSU payments in stock to executive officers will use the method in which EBARA gives executive officers monetary receivables and, by having them invest the monetary receivables as contributed assets so EBARA's common stocks be issued or own stocks be processed.

PSU payments by stock to directors of EEP will use the method in which EEP gives monetary receivables to the directors and EBARA accepts the account collectables related to the monetary receivables and then have the directors invest the monetary receivables as contributed assets to EBARA.

With regard to the PSU payment to be paid in stocks, based on the higher of the average of; the closing prices of EBARA common stocks at Tokyo Stock Exchange (TSE) during the month previous to the board meeting to resolute third-party allotments; and the closing price of our common stock on the business day previous to the board meeting (if trading was not completed on the day the closing price on the nearest trading day), they will be decided at the board meeting so that they will not be especially favorable to the recipients of the common stocks.

Also, if the total of the issued stocks increases or decreases due to reverse split or split of stocks during the subject period the upper limit of stocks related to the PSU in stock and the number of stocks per unit will be adjusted according to the ratio at the time of such reverse split or split.

(5) In case the executive to be paid is transferred during the subject period.

① EBARA

I. In case the executive is newly appointed to be Representative Executive Officer during the period

The base number of units for the executive will be the base number of the executive plus the number calculated by the formula below and then the individual payment stocks and paid amount will be calculated.

(Current Representative Executive — Officer's base number minus Base number) × Number of months in REX's office during the period (Note) /36

(Note) When less than 1 month count as one month.

II. In case the executive officer retires during the period

If the officer retires during the subject period the number calculated by the formula below will be the base number for the executive officer. Also, as for the calculation of stocks and monetary amount to be paid as individually well as the times of stock and money payment, payment will be made, same as for the other incumbent executive officers, in May 203 as per the calculation method of (2) ② PSU above.

Base number × Number of months in office during the period (Note) /36

(Note) If less than 1 month count as 1 month.

Also, in case of being fired due to a disciplinary action, payment rate 0% will used for calculation.

III. In case, during the period, an executive officer who is also a director of a subject subsidiary retires from the director's position of the subsidiary

If an executive officer who is also a director of a subject subsidiary retires from the director's position of said subsidiary the base number will be calculated by adding the number calculated by the formula below to the executive director's base number and then individually paid stocks and money will be calculated.

Base number × (36 minus Number of months in office as the subsidiary's director (Note) /35

(Note) If less than 1 month count as 1 month.

IV. In case an executive officer newly also assumes a director's position of a subject subsidiary during the subject period

If an executive officer newly becomes also a director of a subject subsidiary during the subject period the base number will be calculated by subtracting the number calculated by the formula below from the executive director's base number and then individually paid stocks and money will be calculated.

Base number × 50% × Number of months in Office of the subsidiary's director during the period /36

(Note) If less than 1 month count as 1 month.

V. In case an executive officer retires due to death during the subject period

In lieu of the stocks and money paid as PSU, the money amount calculated by the formula below will be paid to the

inheritor of the executive officer at the time of retirement.

(Base number  $\times$  50%  $\times$  Number of months in office during the period (Note) 1. /36) (Note) 2.  $\times$  Stock Price at retirement time (Note) 3.

(Note) 1. If less than 1 month count as 1 month

2. Less than 1 unit will be rounded down. Also, 1 unit = 100 EBARA common stocks

3. The average stock price at TSE of the previous month of the month of retirement

#### VI. In case of organizational restructuring during the period

In case EBARA's Board of Directors approves a resolution with regard to stock exchange or stock transfer due to a merger or EBARA becoming a full subsidiary, and the resolution will take effect, instead of EBARA common stock and money paid as PSU, the amount calculated by the formula below will be paid to the executive officers subjected to be paid on the day before the effective day of said organization change.

(Base number (Note) 1.  $\times$  50%  $\times$  Number of months from the start of the subject period to the effective day of said organization change / 36) (Note) 2. (Note) 3.  $\times$  EBARA Stock Price (Note) 4.

(Note) 1. Base number for the director who was transferred related to I through IV will be the base number calculated as if no such structure change had occurred by the subject period end.

2. If less than 1 month count as 1 month for calculation. As for any retired executive officers not belonging to EBARA or subject subsidiary, proportional division for number of months up to the effective date of organizational restructure will not be made.

3. Less than 1 unit will be rounded down. Also, 1 unit = 100 EBARA common stocks.

4. The average price of EBARA common stock at TSE in the month previous to the month when the shareholders general meeting was held to approve the matters related to said structure reform.

#### ① EEP

##### I. In case one is appointed a director during the period

Regardless of the table in "A Base number" above, the number calculated by the formula below (less than 1 to be rounded down) will be the base number to be used for calculating the number of stocks and amount of money to be paid individually.

Base number as written in the above "A Base number" (base number according to position)  $\times$  Number of months during the subject period (Note) /36

(Note) If less than 1 month count as 1 month.

##### II. In case the director retires during the period

The base number will be calculated by the formula below (less than 1 to be rounded down). Also, calculation of individually paid stocks and money and payment of EBARA stocks and money will be paid, same as other incumbent directors, in May 2023 as per (2) ③above.

Base number (A above)  $\times$  Number of months in office during the period (Note)/36

(Note) If less than 1 month count as 1 month for calculation.

In case of being fired due to a disciplinary action, payment rate 0% will be used for calculation.

##### III. In case a change in officer's position during the period

If such change occurs the number of stocks and amount of money to be given individually will be calculated by the formula below (less than one stock to be rounded down).

Base number based on the position before the change  $\times$  Number of months in office before the change (Note) /36 + (Base number based on the position after the change  $\times$  (36 minus number of office before the change (Note)) /36)

(Note) If less than 1 month count as 1 month for calculation.

##### IV. In case the director retires due to death during the period

In lieu of EBARA common stocks and money paid as PSU, the amount of money calculated by the formula below (less than 100 yen to be rounded down) will be paid to the inheritor at the time of retirement.

(Base number  $\times$  50%  $\times$  Number of months in office during the period (Note) 1/36 (Note) 2  $\times$  Stock price at retirement time (Note) 3

(Note) 1. If less than 1 month count as 1 month for calculation.

2. Less than 1 unit will be rounded down. Also, 1 unit = 100 EBARA common stocks.

3. The average price of EBARA common stock at TSE in the month previous to the month of retirement

##### V. In case of organizational restructuring during the period

In case the Board approves any resolution with regard to stock exchange or stock transfer due to a merger or EBARA becoming a full subsidiary, and the resolution will take effect, instead of EBARA common stocks and money to be paid as PSU, the amount of money calculated by the following formula (less than 100 yen to be rounded down) on the day before said structure change takes effect.

(Base number (Note) 1  $\times$  50%  $\times$  Number of months from the period start to the effective date of said structure change

/36) (Note) 2, (Note) 3 X EBARA stock price (Note) 4

- (Note) 1. The base number for the director who had any change related to above I to III will be the number calculated as if there had been no structure change until the end of the period.
2. If less than 1 month count as 1 month for calculation. As for newly appointed directors belonging or not belonging to EBARA or subject subsidiary and retired directors not belonging to EBARA or subject subsidiary, proportional division for months will not be done.
3. Less than 1 is to be rounded down. Also, 1 unit= 100 EBARA common stocks.
4. The average price of EBARA common stock at TSE in the month previous to the month when the shareholders general meeting was held to approve the matters related to said structure change.

**FY2019 Attendance at Board of Directors meetings and Committee meetings, etc.**

Name	Attendance				
	Board of Director	Nomination Committee	Compensation Committee	Audit Committee	Independent Directors' Meeting
Toichi Maeda	100% (14/14)	100% (13/13)	—	—	—
Masao Asami	100% (10/10)	—	—	—	—
Sakon Uda	100% (14/14)	100% (16/16)	100% (1/1)	—	92% (11/12)
Hajime Sawabe	100% (14/14)	—	100% (10/10)	—	83% (10/12)
Shozo Yamazaki	100% (14/14)	—	—	100% (14/14)	100% (12/12)
Hiroshi Oeda	100% (14/14)	100% (16/16)	—	—	100% (12/12)
Masahiro Hashimoto	100% (14/14)	—	100% (9/9)	100% (14/14)	100% (12/12)
Junko Nishiyama	100% (10/10)			100% (10/10)	100% (9/9)
Mie Fujimoto	—	—	—	—	—
Tetsuji Fujimoto	100% (14/14)	—	—	100% (14/14)	—

**Notes:**

- Seven Directors, Sakon Uda, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama and Mie Fujimoto are Independent Directors.
- Junko Nishiyama was newly elected and appointed as Director and member of each committee at the 154th Ordinary General Meeting of Shareholders held on March 28, 2019 and the meeting of the Board of Directors held on the same day, and their attendance to meetings of the Board of Directors and each committee, etc. held since that date is provided above.
- Masao Asami was newly elected and appointed as Director at the 154th Ordinary General Meeting of Shareholders held on March 28, 2019 and the meeting of the Board of Directors held on the same day, and their attendance to meetings of the Board of Directors held since that date is provided above.
- Mie Fujimoto was newly elected and appointed as Director at the 155th Ordinary General Meeting of Shareholders held on March 27, 2020 and the meeting of the Board of Directors held on the same day, and their attendance to meetings of the Board of Directors held since that date is provided above.