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Corporate Governance Report

Last Update: October 25, 2022

EBARA CORPORATION

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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

This Report is based on the Corporate Governance Code revised in June 2021.

◇Definitions

• “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

1. Management Philosophy *Principle 2.1, 2.2, 3.1 i), Supplementary Principle 2.2.1*

The Company set the "EBARA Way," composed of the following elements, as the Group's identity and values to be shared within, and it has been formally adopted by the Board of Directors as the basis for conducting business activities. In addition, the Company monitors, as appropriate, to ascertain that the EBARA Way is widely disseminated and complied with throughout the Group.

(1) Founding Spirit

The founder, Issey Hatakeyama, was also an excellent tea master. He believed that the spirit of the tea ceremony, "Ichigo Ichie, only once in a lifetime" could also be applied to management, and he used to talk about it to our employees with the words, "*Netsu to Makoto* (Passion and Dedication)." "Work with a spirit of ingenuity and sincerity and accomplish what you have started, rather than just sticking to the work you are given." Hatakeyama wanted to tell that each individual's work would be for ourselves, which in turn would finally contribute to the Company, society, and the nation. Our founding spirit of working with pride and confidence in our work has been passed down within the Group globally.

(2) Corporate Philosophy

"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. Going forward, we will continue to contribute to the creation of a sustainable society through our business, by using energy optimally, mitigating climate change, promoting of resource recycling, and evolving of digital technology.

(3) EBARA Group CSR Policy

The EBARA Group CSR Policy has been established as the basic stance for our corporate activities with the Founding Spirit and Corporate Philosophy in its background. It sets out nine principles for implementing all of business operations based on high ethical standards and building good relationships of trust with all stakeholders.

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

2. Business Strategies and Business Plan *Principle 1.3, 2.2, 2.3, 2.4, 3.1 i), 5.2, Supplementary Principle 2.3.1, 2.4.1, 3.1.3, 4.2.2, 5.2.1*

The Board of Directors takes the lead in formulating medium- to long-term management policies (E-Vision 2030 and E-Plan 2022), and the operational divisions are executing these policies. The Board of Directors monitors and verifies the soundness, fairness, and effectiveness of the execution.

(1) Long-term Vision "E-Vision2030" (Formulated Feb. 2020)

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/ir/business/information/vision.html>

(2) Medium-term Management Plan “E-plan2022”

(a) Basic Policies

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:

- **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): 7.6%* or more (Group-wide)
* The Company changed its consolidated accounting standard from Japanese GAAP to IFRS in fiscal year 2021, and accordingly, the ROIC target in E-Plan 2022, the medium-term management plan, has been revised from the initial 8.0% to 7.6%.
- b) Operating Income to Sales Ratio: 8.5% or more (Group-wide)

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

<https://www.ebara.co.jp/en/ir/business/information/vision.html>

(b) Strengthen and Optimally Allocate Management Capitals (Resources) to Support Business Growth

We will sophisticate and strengthen the six capitals required for business growth (people, manufacturing, financial, intellectual, social relations, nature and environment) to enable the Company to adapt changes in the business environment and expand our business globally.

(i) Strengthen ROIC/Portfolio management

◆Optimization of Business Portfolio Based on Capital Cost

EBARA formulates and publishes management policies/Medium-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 Medium-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.

(ii) Manufacturing/Technology/Information Strategy

◆R&D and Intellectual Property Strategy

The Company has adopted a management style to promote coordination among businesses, research and development, and intellectual property, and is driving strategic action planning over a long term and creation of new businesses. Going forward, we will further strengthen this approach and continue to contribute to solving social and environmental issues through our business. Specifically, the operational divisions, the research division, and intellectual property division collaborate to strengthen our core technologies and engage in activities to acquire patent rights in accordance with the market trends and technological trends for each product, to enhance the competitive advantage of key products in the existing businesses. In addition, we support initiatives aimed at creating new businesses by coordinating with internal and external research organizations and utilizing intellectual property information from novel perspectives without being bound by conventional technologies.

With regard to the creation of new businesses, we have begun building research and analytical methods in collaboration with three parties, including the Research and Development Division and the Intellectual Property Division, as well as the Marketing Division. Moreover, in order to develop human resources capable of carrying out strategic activities, we also promote participation in IP analyst certification courses of the Association of Intellectual Property Education.

◆Digital Transformation (DX) Strategy

The Company actively promotes “Aggressive DX” and “Preparative DX” to further grow and strengthen our competitiveness. We will not only support our existing businesses, but also drive expansion into new business fields by utilizing data and digital technologies to respond to drastic changes in the business environment, as well as transforming our products, services and business models to meet the needs of our customers and society. In this June, EBARA was selected for the first time as a “DX Focused Enterprise 2022” selected by the Ministry of Economy, Trade and Industry, the Tokyo Stock Exchange, and the Information-technology Promotion Agency, Japan.

Furthermore, in July 2022, we established the Data Strategy Team, which reports directly to the president and Representative Executive Officer. The Data Strategy Team will promote strategic set out and decision-making based on objective data. We will optimize business management on a Group-wide and global basis and realize add value decision-making in the management area.

Based on our management strategy, we will collect and analyze information from a variety of perspectives, including personnel, financial, sales, and marketing, as well as people, goods, and money, and carry out a comprehensive strategic design of data-driven management, manufacturing, and human resources. In January 2022, we introduced the People Analytics ^{*1} and promote the acquisition of a wide variety of human resources in line with our management strategy. Based on the EBARA Group Technical Elements Table ^{*2}, we are setting out a strategy that combines data-driven technologies and human resources.

In September 2022, we introduced Metaverse to respond to next-generation businesses and promote management and data strategies on virtual air.

***1 People Analytics :**

A method for collecting and analyzing employee attribute data and behavior data, and utilizing them to implement various measure in the personnel area, make decisions, and resolve issues

***2The EBARA Group's Strategic Table of Technological Capabilities :**

The Strategic Chart our company created that visualizes the EBARA Group's technological capabilities and talents.

→For specific initiatives About DX, please refer to the following URL.

https://www.ebara.co.jp/en/ir/library/business-briefing/_icsFiles/afieldfile/2021/07/26/Session2_EN_1.pdf

(iii) Personnel Affairs and Human Resource Development Policy

The EBARA Group will focus on acquiring diverse, creative, and ambitious people unafraid of competition or of taking on challenges from around the world, and will ensure that we provide our people with comfortable, safe, and stimulating working environments that encourage this spirit of challenge and ambition, while conducting fair evaluations that promote the growth of each individual.

To realize this policy, the Group will view human resources as "capital" and maximize their value, and implement reforms of the corporate culture, including reforms of the personnel system, organization, and work style.

- a. In order to create a “corporate culture throughout the Group of competition and challenge,” we will further promote the implementation of our reformed personnel system to organizations, officers, and employees, expand the personnel system globally, and conduct optimal personnel allocation, regardless of seniority.
- b. Introduce a global talent management system and realize our goal of being able to foster and optimally place talented people in roles where they can contribute to their full potential regardless of nationality, gender or other factors.
- c. Evolve work style reform through further promoting the reform of awareness, corporate culture, and business practices and by also visualizing and prioritizing tasks, identifying and reducing unnecessary or redundant work, and facilitating greater cooperation between departments
- d. Promote the recruitment of diverse human resources through various channels, and foster competitive, ambitious human resources who are unafraid of taking on challenges

Based on the above policy, the Group will accelerate the localization of human resources at Global Key Positions (GKPs), which are key business positions, as a concrete action to strengthen human resource management and improve diversity globally across the Group. We will raise the percentage of foreign-national employees at GKP, from approximately 20% in 2021, to 50% or more by 2030, and double the number of female employees at GKP. We must focus on acquiring and identifying excellent talents at early point and offer trainings to them to continuously develop talents to assume GKP, and the Group is promoting "One EBARA HR" project to set up infrastructure for the purpose.

In addition to the above Group initiatives, the Company has also set the following targets for promoting active participation of female employees, foreign-national employees and mid-career employees, and is implementing various measures.

Target Ratio of Female Managers, Foreign-national Managers, and Mid-Career Managers and Measures to Achieve Them

- a. Female employees
Target for female managers at the Company is 7% by 2023 (6.7% as of 2021). To achieve this goal, the Company is actively recruiting female employees and providing support such as disseminating

information regarding role models and career planning service well-considering various life events of the employees.

b. Foreign-national employees

Target for foreign-national managers at the Company is 4% by 2023 (1.3% as of 2021). To achieve this goal, the Company is actively hiring foreign-national employees, and providing support for career development as well as support for the employees living and support for the divisions to which the employees are assigned for better retention. For more information, please refer to "III 3. Measures to Ensure Due Respect for Stakeholders, Other, 【Status of Foreign-national Employees】 later in this report.

c. Mid-career employees

Target for mid-career managers at the Company is 25% by 2023 (23.6% as of 2021). To achieve this goal, the Company is actively hiring mid-career employees, and providing opportunities such as setting a fair manager promotion system based on the role grading system regardless of history of work at the Company.

→For more information on “Personnel Affairs and Human Resource Development Policy”, please see: <https://www.ebara.co.jp/en/sustainability/social/information/talent-management.html>

(c) Enhance Corporate Value and Contribute to Sustainable Society

The Company is committed to addressing environmental issues, connecting with society, and strengthening the governance to sustainably contribute to solving social issues through our business, including SDGs, and to improve the corporate value over the medium- to long-term. To realize this goal, we have established a system to promote sustainability and a system that enables the Board of Directors to properly supervise sustainability as a key management issue.

Specifically, the Sustainability Committee as a meeting bodies for business execution has been established, President and Representative Executive Officer serves as Chairperson and all Executive Officers participate as members. Directors attend meetings of the Sustainability Committee and they express their views and advise on sustainability initiatives from an objective perspective. External experts also participate as advisors to provide up-to-date information on sustainability management and advice on activities. Discussions by the Sustainability Committee are reported to the Board of Directors and reviewed.

As a member of the Board of Directors, we recognize the need to further enhance the status of supervision, particularly with regards to the environment and society. Accordingly, since 2022, the Board of Directors has been regularly discussing ESG and sustainability topics. The main themes are to address climate-related risks and opportunities and human resources.

(i) For the Environmental initiative

E-Vision 2030 advocates "contributing to the creation of a sustainable society" and "conducting comprehensive environmental management" as its material issues. In order to aim for 2050 Carbon Neutral as our group, we launched the Carbon Neutral Project in January 2022 and began organizing issues to achieve carbon neutrality. We will conduct a group-wide survey covering Scope 1 to 3, coordinate medium-to long-term policies and measures toward carbon neutrality with business divisions, and establish a promotion system. Business units are launching highly efficient products, developing products that reduce GHG^{*1}, and developing technologies related to hydrogen energy and CCUS^{*2} for a decarbonizing society. Domestic and overseas business sites are also working to reduce the environmental impact of their business activities. The divisions in charge and project teams report on the progress of environmental activities to the Sustainability Committee, which deliberates on action policies and outcomes.

In 2019, we announced our endorsement of TCFD recommendations, identifying risks and opportunities for the impact of climate change on the Company's business, and conducting scenario-based analyses. The Sustainability Committee reports proposed disclosures to the Board of Directors, which reviews them and proactively discloses them on the Company's website and in the Integrated Report. Please refer to our website^{*3} for climate-related governance, strategies, risk management, and indicators/targets based on TCFD recommendations.

*1 GHGs: Greenhouse Gases

*2 CCUS: Carbon dioxide Capture, Utilization and Storage. CCU technology turns the recovered CO₂ into a new product or energy. CCS technology collects CO₂ generated from factories, power plants and other facilities before it is released into the air, and transports it to the stratum suitable for underground storage, and stably stores it over a long period of time.

*3 Information Disclosure Based on TCFD:

Recommendations: <https://www.ebara.co.jp/en/sustainability/think/information/tcfid.html>

(ii) Foster bonds with society

One of the material issues in E-Vision 2030 states that promote working environments that encourage challenge. We endorse and participate in the Human Capital Management Consortium that promotes visualization of human capital with the purpose of maximizing the value of human resources and leading to increased corporate value.

In our business activities, we clearly state in the EBARA Group CSR Policy that we respect human rights of our stakeholders, including the enhancement of the ease of working and job satisfaction of our employees and others, and put them into practice. The Company pays respect to the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the United Nation's Guiding Principles on Business and Human Rights, and has established the EBARA Group Human Rights Policy. The Company has also set out measures to implement the above policy and the Human Rights Committee to promote activities based on the same policy. The Company is continually working to improve its human rights management mechanism, including human rights due diligence and relief measures.

In addition, we are continuously working to instill the EBARA CSR Procurement Guidelines in order to conduct fair and appropriate transactions with our suppliers and other parties, and aiming to create high-value products and services together with our suppliers.

Not-for-profit social contribution is clearly positioned as philanthropy activities, and we promote such activities as supporting cultural facilities, etc.

(iii) Governance

As the global management progresses, we will evolve the feedback-loop between the Outcome Goals and execution status of our management strategies and policies, to establish a highly effective Group governance system. In addition, we will strengthen comprehensive risk management from a global perspective in order to respond to diversifying risks, including COVID-19 and other infectious diseases.

Please refer to the following for major policies, the status of specific initiatives, and important issues related to our ESG-focused management.

- For more detailed information on “EBARA Way,” please see Appendix 1
- For full disclosure on “EBARA Group Human Rights Policy,” please see:
<https://www.ebara.co.jp/en/sustainability/social/information/respect.html>
- For full disclosure on “EBARA CSR Procurement Guidelines,” please see:
<https://www.ebara.co.jp/en/sustainability/social/information/supply-chain.html>
- For full disclosure on “Information disclosure based on TCFD recommendations,” please see:
<https://www.ebara.co.jp/en/sustainability/think/information/tcfid.html>

3. Taxation Governance

In June 2022, the Company established and disclosed the EBARA Group Tax Policy, which focuses on maximizing shareholder value while complying with relevant tax-related laws and regulations in each country and jurisdiction. It aims to make contributions to those countries and jurisdictions through appropriate tax payments, while striving to maximize shareholder value. Based on this policy, we will expand our tax governance structure and optimize tax costs.

4. 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 more, we plan to payout while maintaining consolidated Dividend on Equity ratio (DOE) of 2.0% or more. We will be acquiring own equities expeditiously also.

5. Basic Policy for Cross-Shareholdings, etc. *Principle 1.4, Supplementary Principle 1.4.1, 1.4.2 (See Article 5 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

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 December 2017	End of December 2018	End of December 2019	End of December 2020	End of December 2021	End of June 2022
Number of issues of cross- shareholdings	9	9	2	0	0	0
Number of issues contributed to employee retirement benefit trust	8	5	1	0	0	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.

6. 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. In addition, the Company establishes the IR Basic Policy and exchanges constructive dialogues with shareholders and investors to facilitate the sustainable growth and medium- to long-term enhancement of corporate value.
- (2) The Company strives to co-create values with various stakeholders, including shareholders, customers, business partners, creditors, employees and local communities in an appropriate manner.
- (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 a Nomination Committee, etc.," 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 clearly stipulates expected roles and required qualifications and competencies for each Director, and strives to enhance effectiveness of the Board of Directors, etc. by utilizing them for selection of Candidates and training for the Directors, etc.

7. Separation between Supervision and Business Execution in Management

(1) Adoption of a Company with a Nomination Committee, etc. *Principle 4.10, Supplementary Principle 4.10.1*

Based on the above 6 (4), the Company has adopted the organizational form of a "Company with a Nomination Committee, etc.," to achieve clear separation between supervision and business execution in management. This

enables the Board of Directors to effectively supervise the management responsible for business execution, and to objectively evaluate and comment on the status of business execution and the outcomes from a standpoint independent of business execution.

To ensure the independence and objectivity of the Nomination, Compensation, and Audit Committees, which form the cornerstone of corporate governance, they shall be composed solely of Non-executive Directors, and the majority of the members of each committee shall be Independent Directors, and the Chairperson of each committee shall also be an Independent Director in principle.

From this perspective, the Board of Directors shall be composed of at least a majority of Independent Directors.

(2) Scope of Delegation to the Management *Principle 4.6, Supplementary Principle 4.1.1 (See Article 11 of Appendix 2)*

In order to clearly separate between supervision and business execution, the Board of Directors has established 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 the 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, Long-term Vision, medium- to long-term management plan, and annual budget, etc.) and those that may have a significant impact on the management of the Group (for example, capital policies which inappropriately harm the interest of current shareholders (change of the control right and/or significant stock dilution)). The Board of Directors 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.

8. Roles and Diversity of the Board *(See Article 11 of Appendix 2)*

To ensure that the Directors are able to demonstrate their supervisory functions effectively and that their effectiveness can be clearly assessed, the roles and qualifications and competences required for, not only the Board of Directors as a whole, but also each Committee and Director, are clearly stipulated.

(1) Roles of the Board *Principle 4.1, 4.4, 4.5, Supplementary Principle 4.1.2, 4.3.4, 4.4.1*

The Board of Directors shall make its best effort to realize the mission it has been entrusted by the shareholders to "continuously improve corporate value" while giving the greatest consideration possible within reasonable extent to the positions of all stakeholders. The Board of Directors establishes the Basic Management Policy for the long-term business environment so that the Group can enhance its corporate value. To achieve this goal, the Board of Directors strives to improve its social and environmental values through the sophisticated ESG-based management and continuous contribution to solving social issues, including SDGs, through its business. For the same reason, the Board of Directors also makes best efforts to improve its economic value by the ROIC-based management and portfolio-based management at the same time. In addition to the perspective of establishing an internal control environment for preventing scandals, etc., (i.e., defensive leadership), the Board shall also consider the perspective of establishing an environment enabling management to boldly face challenges to prevent business opportunities are missed (i.e., offensive leadership).

In addition, the main roles of each Committee are described below.

(a) Nomination Committee *(See Article 12 of Appendix 2)*

Nomination Committee is primarily responsible for preparing proposals for the General Meeting of Shareholders with regard to the election and dismissal of Directors, and for making recommendations to the Board of Directors with regard to the election and dismissal of President & REO, the election and dismissal of Executive Officers, appointment and dismissal of Directors with special titles, appointment and dismissal of the Chairman of the Board of Directors and a Non-executive Inside Director to assist the Chairman and the appointment and dismissal of members and the Chairperson of each of the Nomination Committee, Compensation Committee, and Audit Committee.

The Nomination Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors. The majority of the Nomination Committee shall be Independent Directors and the Chairperson thereof shall be an Independent Director in principle.

(b) Compensation Committee (See Article 13 of Appendix 2)

The Compensation Committee strives to achieve sustainable growth and to increase corporate value over the medium- to long-term through compensation, by encouraging the Executive Officers to perform their duties in accordance with the management philosophy and management strategies and by fostering human resources and cultivating a culture by strongly motivating them to achieve challenging management targets with appropriately controlled risks, and by establishing a compensation system and standards that reflect the roles of the Directors defined in this Policy, including supervision of execution of their duties.

The Compensation Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors. The majority of the Compensation Committee shall be Independent Directors and the Chairperson thereof shall be an Independent Director in principle.

(c) Audit Committee (See Article 14 of Appendix 2)

The Audit Committee strives to establish a high-quality corporate governance system that responds to social trust by serving as a part of the Board of Directors' supervisory function and properly auditing execution of duties of the Executive Officers and Directors, and by considering the interests of various stakeholders from an enterprise and business group perspectives, collaborating with these stakeholders, realizing sound and sustainable growth and the creation of corporate value over the medium- to long-term. The Audit Committee sets out basic policies and plans of audits based on the progress of the development of internal control systems, including risk management, in an effort to carry out efficient and effective audits through close coordination with the Internal Audit Division. The Company establishes a supporting system for the Audit Committee to enable the Committee to appropriately fulfill its roles and functions. Please refer to "Cooperation among Audit Committee, Independent Auditors, and Internal Audit Division" on pages 26 to 28 for the detail of the supporting system.

The Audit Committee comprises three (3) or more Independent Directors and Non-executive Inside Directors. The majority of the Audit Committee shall be Independent Directors and the Chairperson thereof shall be an Independent Director in principle.

(2) Policy on diversity and balance of knowledge, experience and skills of the Board of Directors

Principle 4.11, Supplementary Principle 4.11.1 (See Article 11, 14, 16, 17 and 18 of Appendix 2)

To fulfill the roles described in the above (1), 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. Directors are expected to have superior knowledge and experiences in one or more of the following domains, and also 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. Note that these domains shall be revised as appropriate based on the external environment and the condition of the Company.

- Has experience of serving at a responsible position in corporate management and demonstrated leadership in corporate transformation
- Has demonstrated leadership in implementing and enhancing the ESG-based management
- Has demonstrated leadership in personnel, human resource development, and corporate culture reform
- Has intimate knowledge of solving issues related to finance, accounting and/or capital policy and has experienced such problem solving from a business management perspective
- Has intimate knowledge of auditing
- Has intimate knowledge of legal affairs, internal control, and governance reforms
- Has intimate knowledge of the latest issues regarding technical development and R&D, and has experienced such development from a business management perspective
- Has intimate knowledge of global environment issues such as climate change caused by the greenhouse effect gas
- Has intimate knowledge with regard to adequate conduct of an enterprise as a social entity such as respect for human rights, diversity, health and working environment, and supply chain management
- Has intimate knowledge of areas which are anticipated to rapidly evolve in the future, such as digitization and AI technology

Furthermore, the Board of Directors shall have well-balanced personnel with sufficient knowledge, experience and skills inside and outside the Company in the areas related to business management, and be structured with both appropriate diversity, including gender, international aspects, internal and external

experiences, age and years of service, and an appropriate size. In particular, the Audit Committee shall include several members with appropriate knowledge of finance and accounting.

(3) Composition of the Board of Directors (As of March 30, 2022)

The Board of Directors is composed of seven (7) Independent Directors, including three (3) females, with a diverse composition in terms of experiences, gender, age and years of service. (See pages 8 to 20 of “the Notice of the 157th Ordinary General Meeting of Shareholders”) The skill matrix (indicating the correspondence between each Director's knowledge and experiences and the business domains the Company has high expectation based on its medium- to long-term management strategies) is disclosed on pages 6 and 7 of “the Notice of the 157th General Meeting of Shareholders.” The structure of the Board includes multiple personnel with adequate knowledge with regard to international transactions and global business and management experiences at other enterprises.

Future appointment of foreign-national Director(s) is under consideration to promote further diversity.

→For full disclosure on “the Notice of the 157th General Meeting of Shareholders,” please see:
<https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/index.html>

9. Effective Use of Independent Directors and System to Achieve the Purpose

Based on the basic views of clear separation between supervision and business execution and the role of the Board of Directors as described in 7 and 8 (1), the Company has developed a governance system comprising mainly Independent Directors and Non-executive Inside Directors. The roles the Company expects from the Independent Directors and systems for them are as follows.

(1) Roles of Independent Directors *Principle 4.7 (See Article 17 of Appendix 2)*

One of the principal roles of the Independent Directors is verifying and assessing as appropriate the business results of the Company and performance of the 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) Independence Standards and Qualifications for Independent Directors *Principle 4.9 (See Article 17 of Appendix 2)*

To fulfill the roles described in the above (1), it is essential that the Independent Directors be able to participate in the discussion on the essence of management from all perspectives including personal, economic, and mindset perspectives, by maintaining a position that is completely independent from the execution of business. For this purpose, 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 serve as the Company's Independent Directors.

Also, upon election of the Independent Directors, the Company pays due attention to confirm functional adequacy, such as what competencies each candidate possesses and whether it is possible to secure sufficient hours to serve as an Independent Director, in addition to the above independency.

→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, please see “II.1. [Outside Directors] Outside Directors' Relationship with the Company (2)”

(3) Policy for the Chairman of the Board of Directors *(See Article 19, 20 of Appendix 2)*

To ensure transparent and fair supervision, an Independent Director shall serve 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, the Compensation Committee and the Executive Sessions to be appropriately fulfilled, the Chairman of the Board of Directors shall not concurrently serve as the Chairperson of each of the committees and the Lead Independent Director 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.

The Director, Chairman of the Company (or a Non-executive Inside Director in the absence of the Chairman of the Company) shall serve as an assistant to the Independent Director who is serving as a Chairman of the Board of Directors, so that the Chairman is able to effectively fulfill his/her roles.

(4) Executive Session *Supplementary Principle 4.8.1 (See Article 15 of Appendix 2)*

The Company establishes the Executive Session as a forum for Independent Directors to deepen their understanding of matters necessary to enhance quality of deliberation at the Board of Directors meetings and to freely discuss matters in order to enhance the effectiveness of the Board of Directors.

→For further information about the Supporting System for Independent Directors, please see “II.1. [Supporting System for Independent Directors]

(5) Election of Lead Independent Director *Supplementary Principle 4.8.2 (See Article 21 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 Executive Session. 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.

(6) Composition of Independent Directors (As of March 30, 2022) *Principle 4.8 (See Article 11 of Appendix 2)*

Seven (7) out of the ten (10) Directors (70% of the total) are Independent Directors, including three (3) females, and all of them meet the Independence Standards. The number of committee members of each of the Nomination Committee, Compensation Committee and Audit Committee established within the Board of Directors is three (3), and two (2) members out of the three (3) members of the Nomination Committee and Audit Committee are Independent Directors. With regard to the Compensation Committee, all three (3) members of the Compensation Committee have been Independent Directors since June 2017. In addition, the Chairperson of each Committees is served by an Independent Director.

10. Policies and Procedures for Election and Dismissal of Directors and Executive Officers *(See Article 12 of Appendix 2)*

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

(1) Process for the Election and Dismissal of Directors *Principle 4.11.1*

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 8 (1) above, and prepares proposals with regard to the election and dismissal of Directors after consideration of the result of the evaluation of effectiveness of the Board of Directors as a whole, each Committee, each Director, and the Chairman of the Board and the predefined qualifications of the Directors required to enhance the effectiveness of the Board. 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.

(2) Process for the Election and Dismissal of Executive Officers *Principle 4.3, Supplementary Principle 4.3.1*

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.

(3) Process for the 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*

The Company has positioned the establishment and implementation of the succession planning and the criteria and policies for the election 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.

(a) Process for the Election 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.

(b) 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, based on the current and future business environment and management strategies, 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 reviews the status of development.

(4) Explanations with respect to Individual Election and Dismissal *Principle 3.1 v) (See Article 10 of Appendix 2)*

The names and reasons for nomination for each Director are disclosed and explained in the explanation of the proposal section on pages 8 to 20 of the Notice of the 157th General Meeting of Shareholders, in accordance with the policy and procedures with regard to the election and dismissal of Directors and Executive Officers as described in the above (1), (2) and (3).

→For full disclosure on "the Notice of the 157th General Meeting of Shareholders," please see:
<https://www.ebara.co.jp/en/ir/governance/information/effectiveness-evaluation.html>

11. Effectiveness of the Board of Directors

(1) Evaluation of the Effectiveness *Principle 4.11, Supplementary Principle 4.11.3 (See Article 24 of Appendix 2)*

The Company pursues the best possible corporate governance structure and strives for its further enhancement at all times. In fiscal 2015, Board of Directors itself began conducting annual Evaluation of the Effectiveness of the entire Board of Directors to verify how Board of Directors is contributing to the effective functioning of corporate governance and to identify and improve issues. A summary of the findings is disclosed. In annual evaluations, an examination of the state of improvement of matters recognized as issues in the previous fiscal year is carried out, and the next issues are identified based on the results in a continuous cycle of improvement.

A summary of Evaluation of the Board of Director's effectiveness for fiscal 2021 can be found on the following website.

→For full disclosure on “Evaluation of the Effectiveness of the Board of Directors,” please see:

<https://www.ebara.co.jp/en/ir/governance/information/governance-policy.html>

Major Governance-Reforming Based on Evaluation of the Effectiveness

(a) Board of Directors agenda and discussion	
i) Strengthening Discussions on Medium- to Long-Term Issues	In line with the perception that Board of Directors needs to further increase the weight of discussions on medium- to long-term issues, we began to incorporate into Board of Director's annual agenda items in advance the long-term management vision, Medium-term Management Plan of realizing this vision, and the strategies, organizational structure, and personnel strategies of each business, and to hold time-consuming discussions.
ii) Improving and deepening the quality of discussions	A few days before Board of Directors, Executive Session met with the executive officer in charge to explain the main topics of the Board of Directors meeting and to deepen their understanding of these topics, and to hold free discussions among Independent Director. At Board of Directors, there was a shared awareness that the quality of Independent Director's discussions would be enhanced by having each Evaluation of the Effectiveness understand the issues and make comments from their own perspectives and responsibilities. Evaluation of the Effectiveness also confirmed the significance of this Executive Session.
(b) Size and Composition of Board of Directors	
i) Size and composition of Independent Director	Regarding Independent Director, the background and the diversity of experiences are important, and the importance of free exchange of diverse views in the invisible social climate in the future was recognized. Evaluation of the Effectiveness confirmed the appropriateness of a system in which Independent Director of the 10 current boards of directors is composed of 7 members.
ii) Independent Director who are also in charge of business execution	With regard to the current system, in which the number of directors who are also in charge of business execution has been gradually reduced to 1 representative executive officer, Evaluation of the Effectiveness shared the view that the separation of supervision and execution has been promoted and the roles of execution responsibilities and Board of Directors have been further clarified.
iii) Board of Directors assumes chairmanship	In 2019, Independent Director became Board of Directors Chairman of the Board to ensure further fairness and transparency and to set agenda items from the shareholder's perspective. To check its effectiveness, the Chairman's Assessment was included in Evaluation of the Effectiveness's frame and reviewed annually at Board of Directors.
(c) Committee's Effectiveness Evaluation of the Committee's Effectiveness	
i) Evaluation of the Committee's Effectiveness	The Nominating, Compensation, and Auditing Committees shared their functions and roles through Evaluation of the Effectiveness and made progress in self-assessing whether they were sufficiently independent and capable of achieving their objectives.
ii) Number and Composition of the Audit Committee and support system	The Audit Committee has undergone a gradual decrease in the total number of members and the number of Internal Directors, resulting in a structure with four members including one Internal Director from 2020, and a structure with a total of three members including one Internal Director chaired by an Independent Director was adopted from 2021 to ensure further independence and realize audit oversight based on external viewpoints. With the transition to this system, the Audit Committee recognized that it is necessary to strengthen the system for supporting

	Audit Committee in the evaluation of effectiveness, and the systems and allocation of personnel for this were expanded. For this reason, this will continue to be evaluated in the evaluation of effectiveness to review its effectiveness.
(d) Effectiveness of Directors	
i) Clarification of roles and qualification requirements	In the FY2020 evaluation of effectiveness, it was found that the clarification of roles and qualification requirements of each Director and the confirmation based on the clarification through self-evaluation and peer evaluation contribute to the improvement of the capabilities of the Board as a whole and individual Directors. In order to realize this, the roles and qualification requirements required of Directors including attributes (Independent Director, etc.) and positions (Chairman of the Board, Committee Chairman, etc.) were explicitly stated in the Basic Policy on Corporate Governance (EBARA Corporate Governance Basic Policy) after sufficient discussion in the Board. In the FY2021 evaluation of effectiveness, it was shared that the recognition that the EBARA Corporate Governance Basic Policy is an important policy for future activities of the Board, Committees and individual Directors.

(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 157th General Meeting of Shareholders,” please see:
<https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/index.html>

(3) Training for Directors *Principals 4.14, Supplementary Principals 4.14.1, 4.14.2 (See Article 23 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.

12. Policy on executives' compensations and procedure *Principle 3.1 iii), 4.2, Supplementary Principle 4.2.1 (See Article 25 of Appendix 2)*

The Compensation Policy for Directors and Executive Officers (the "Compensation Policy") is determined by Compensation Committee chaired by an Independent Director and comprising of Independent Directors only.

Compensation policies are determined under our Long-term Vision “E-Vision2030” and Medium-term Management Plan “E-Plan2022”, and the contents of these policies are as follows.

(1) Compensation for Directors

In order to supervise the execution of duties by Executive Officers in line with the Company's management philosophy and strategy, the Company has adopted a compensation level and remuneration system that reflects the roles played by Board of Directors and its committees, with the purpose of achieving sustainable growth of the Company and increasing corporate value over the medium- to long-term. A Director who concurrently serves as an Executive Officer is paid with compensation as an Executive Officer only, and not compensation as a Director.

(2) Compensation for Executive Officers

Compensation for Executive Officers is designed to encourage the Executive Officers to perform their duties in accordance with the management philosophy and management strategies and to strongly motivate them to achieve challenging management targets with appropriately controlled risks,

- For further information on “Indicators related to the performance-linked stock compensation plan, reasons for selecting such indicators, and the method of determining the amount of performance-linked compensation,” please see “III. [Incentive] Supplementary Explanation of “Incentive Policies for Directors and/or Executive Officers” later in this report.”
- For further information on “Policy on Determination of Payment Ratio of Compensation, etc. Other Than Performance-Linked Compensation and Performance-Linked Compensation,” please see “III. [Compensation for Directors and Executive Officers] Disclosure of Policy on Determining Compensation Amounts and Calculation Methods.”

13. Dialogue with Shareholders and Investors *Principles 5.1, Supplementary Principle 5.1.1, 5.1.2 (See Article 4 of Appendix 2)*

The Company recognizes the establishment 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.

In the current framework, the President and Representative Executive Officer is the chief 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.

The Company has established and discloses its IR Basic Policy as a basic policy with regard to the system development and initiatives to promote constructive dialogues with shareholders and investors.

- For more information on IR activities, please refer to “III 2. IR Activities”.
- For full disclosure on “IR Basic Policy,” please see:
<https://www.ebara.co.jp/en/ir/business/information/ir-basic-policy.html>
- For more 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.

15. Related Party Transactions *Principle 1.7 (See Article 6 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."

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)	17,341,800	18.84
ICHIGO TRUST PTE. LTD. (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Department)	9,757,500	10.60
Custody Bank of Japan, Ltd. (Trust Account)	5,497,800	5.97
SMBC Nikko Securities Inc.	2,679,500	2.91
BBH (LUX) For FIRELITY FUNDS – SUSTAINABLE WATER AND WASTE POOL (Standing proxy: MUFG Bank, Ltd.)	1,967,800	2.14
JAPAN SECURITIES FINANCE CO., LTD.	1,691,000	1.84
BNYM AS AGT/CLTS 10 PERCENT (Standing proxy: MUFG Bank, Ltd.)	1,323,170	1.44
STATE STREET BANK AND TRUST COMPANY 505225 (Standing proxy: Mizuho Bank Ltd., Settlement & Clearing Services Division)	1,260,320	1.37
Natixis Japan Securities Co. Ltd. BNYM	1,150,000	1.25
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank Ltd., Settlement & Clearing Services Division)	1,111,900	1.21

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

Supplementary Explanation **Updated**

- 1) Capital structure indicated here reflects the status as of June 30, 2022.
- 2) The Company holds 23,349 shares of treasury stock, which has been eliminated from the 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 22, 2022, it is stated that Nomura Asset Management and NOMURA INTERNATIONAL PLC collectively held 6,679 thousand shares (equivalent to a 7.26% holding ratio of share certificates, etc.) as of April 15, 2022. However, the Company could not verify the number of shares substantially held by the aforementioned parties as of June 30, 2022. Thus, they are not included in the aforementioned status of major shareholders.
- 4) In the change report pertaining to a report of possession of large volume, made available for public inspection as of May 19, 2022, it is stated that Sumitomo Mitsui Trust Bank, Limited and its two joint holders collectively held 5,857 thousand shares (equivalent to a 6.36% holding ratio of share certificates, etc.) as of May 13, 2022. However, the Company has not been able to verify the number of shares substantially held by the aforementioned parties as of June 30, 2022. Thus, they are not included in the aforementioned status of major shareholders.

- 5) In the amendment report (large shareholding reports, change report) pertaining to a report of possession of large volume, made available for public inspection as of July 7, 2021, it is stated that Mitsubishi UFJ Trust and its three joint holders collectively held 5,083 thousand shares (equivalent to a 5.34% holding ratio of share certificates, etc.) as of April 13, 2020. However, the Company was not able to verify the number of shares substantially held by the aforementioned parties as of June 30, 2022. Thus, they are not included in the aforementioned status of major shareholders.
- 6) Although the Large Shareholdings Report, made available for public inspection on October 20, 2021, states that Black Creek Investment Management, Inc. owns 4,836 thousand shares as of October 15, 2021 (5.06% shareholdings, etc.), the Company was not able to confirm the beneficial shareholder ownership as of June 30, 2022. Therefore Black Creek is not included in the above list of major shareholders.
- 7) The change report on large shareholdings, dated October 3, 2019, which was made available for public review, states that Newton Investment Management Limited (Newton Investment Management Limited) and its 5 joint holders owned 4,224 shares as of September 30, 2019 (4.14% shareholdings, etc.). However, because we are unable to confirm the number of shares the beneficially owned as of June 30, 2022, they are not included in the above list of major shareholders.
- 8) In the change report pertaining to a report of possession of large volume, made available for public inspection as of February 15, 2021, it is stated that Silchester International Investors LLP held 3,907 thousand shares (equivalent to a 4.10% holding ratio of share certificates, etc.) as of February 12, 2021. However, the Company was unable to verify the number of shares substantially held by the aforementioned parties as of June 30, 2022. Thus, they are not included in the aforementioned status of major shareholders.
- 9) Although the change report on large shareholdings made available to the public on December 22, 2021 states that Asset Management One Co., Ltd., owned 3,663 thousand shares as of December 15, 2021 (3.84% shareholdings, etc.), it is not included in the above list of major shareholders because the Company was not able to confirm the number of shares beneficially owned as of June 30, 2022.

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	100 to less than 300

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

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 the Nomination Committee, etc. (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
Hajime Sawabe	From Other Company								△			
Hiroshi Oeda	From Other Company											
Masahiro Hashimoto	From Other Company											
Junko Nishiyama	From Other Company											
Mie Fujimoto	Attorney											
Hisae Kitayama	CPA								△			
Takuya Shimamura	From Other Company								△			

* 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			
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”). However, he has not involved in business execution since he took office as an Executive Advisor in June 2012 (retired in March 2019). Although the Group has purchased precision machinery parts from TDK, the amount of payments by the Group to TDK was less than ¥200 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, 2022.</p>	<p>Hajime Sawabe has been involved in the management of a listed company in the electronic components industry for many years, and has extensive experience in general corporate management. In addition, he has abundance of experience as an outside officer at listed companies in various industries. Hajime Sawabe actively speaks in important meetings such as the Board of Directors, and also he has lead the Compensation Committee activities, including the discussions on revision of the Company’s compensation system and decisions on the compensation standards for Directors and Executive Officers, as the Chairperson of the Committee.</p> <p>Hajime Sawabe meets qualification requirements stipulated by the Company for Directors and he is expected to play a role in the areas of “personnel and human resource development,” “finance, accounting, and capital policy” and “corporate management and management strategy” in particular. Nomination Committee selected him to continue to serve as an Independent Director with the expectation for him to demonstrate leadership as the new Chairperson of Nomination Committee.</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>
Hiroshi Oeda	○			○	<p>Hiroshi Oeda does not fall under any of these relationship categories.</p>	<p>Hiroshi Oeda has been involved in the management of a listed company representative of the flour-milling and food industry, and has a track record of improving business performance as a management executive in a</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>manufacturing company. He has abundant experience in general corporate management, in addition to being well-versed in global business. Furthermore, he has exhibited leadership in discussions at Independent Directors' meetings as the Chief Independent Director, in addition to contributing to activities of the Nomination Committee as Chairperson, such as the succession planning of President, selection of nominees for management executives and nurturing of such candidates.</p> <p>Hiroshi Oeda meets qualification requirements stipulated by the Company for Directors, and he is expected to play a role in the areas of "personnel and human resource development," "finance, accounting, and capital policy" and "corporate management and management strategy" in particular. Nomination Committee selected him as an Independent Director to serve as the new Chairman of the Board of Directors to demonstrate leadership in management of the Board and improvement of governance.</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>
Masahiro Hashimoto			○	○	Masahiro Hashimoto does not fall under any of these relationship categories.	<p>Masahiro Hashimoto has excellent knowledge of the international finance sector and abundant knowledge concerning finance, in addition to a high level of knowledge on general management due to involvement in the top management of a listed company representative of the semiconductor manufacturing equipment industry for many years. Furthermore, he has conducted a wide range of audits of the</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>businesses of the Company and the Group and contributed to the activities of Audit Committee as Chairperson of the Committee.</p> <p>Masahiro Hashimoto meets qualification requirements stipulated by the Company for Directors, and he is expected to play a role in the areas of “finance, accounting, and capital policy,” “auditing” and “corporate management and management strategy” in particular. Nomination Committee selected him to continue to serve as an Independent Director to demonstrate strong leadership as the Chairperson of Audit Committee.</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>
Junko Nishiyama		○		○	<p>Junko Nishiyama does not fall under any of these relationship categories.</p>	<p>Junko Nishiyama has been involved in research and development, promotion of environmental initiatives, and the like, at a listed company representative of the healthcare industry. In addition to auditing of the entire company’s business as a standing corporate auditor, she has abundant experience in general corporate management. Furthermore, she actively speaks in important meetings such as the Board of Directors, and also contributes to deliberation of topics, including the discussions on revision of the Company’s compensation system and decisions on the compensation standards for Directors and Executive Officers.</p> <p>Junko Nishiyama meets qualification requirements stipulated by the Company for Directors, and she is expected to play a role in the areas of “auditing,” “Technology R&D and Innovation” and “the environment” in</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>particular. Nomination Committee selected the Nominee to continue to serve as an Independent Director to demonstrate her expertise as a member of Compensation Committee.</p> <p>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.</p>
Mie Fujimoto		○		○	<p>Mie Fujimoto does not fall under any of these relationship categories.</p>	<p>Mie Fujimoto is an attorney at law well versed in corporate legal affairs centered on labor-related regulations. She utilizes her abundant experience as an outside officer of a listed company. Furthermore, she actively speaks in important meetings such as the Board of Directors, and has contributed to deliberation on topics, including the discussions on revision of the Company's compensation system and decisions on the compensation standards for Directors and Executive Officers. Mie Fujimoto meets qualification requirements stipulated by the Company for Directors, and she is expected to play a role in the areas of "legal affairs and risk-management," "personnel and human resource development," and "auditing" in particular. Nomination Committee selected the Nominee to continue to serve as an Independent Director to demonstrate her leadership as the new Chairperson of Compensation Committee. 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 reasons.</p> <p>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</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						special conflicts of interest with general shareholders, we have reported her as an independent officer.
Hisae Kitayama			○	○	<p>Hisae Kitayama falls under the “h” relationship category with the Company because she was involved in business execution at KPMG AZSA LLC as a partner and director, but in June 2020, she retired from this auditing firm. Our group has the same auditing company and advisory business, but the amount paid by our group to the auditing company is less than ¥30 million per year, which is less than 0.1% of the total sales of the auditing company in the fiscal year ended June 2021.</p>	<p>Hisae Kitayama is a certified public accountant with a wide variety of audit experience at audit corporations and has abundant knowledge and a wealth of experience in corporate accounting and audit areas. She participates in activities to promote female accountants and diversity. She has extensively audited the Company and the Group and contributed to the activities of Audit Committee as a member of the Committee.</p> <p>Hisae Kitayama meets qualification requirements stipulated by the Company for Directors, and is expected to play a role in the areas of “legal affairs and risk management,” “finance, accounting and capital policy,” and “auditing” in particular. Nomination Committee selected the Nominee as an Independent Director to continue to serve as a member of Audit Committee. 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 reasons.</p> <p>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.</p>
Takuya Shimamura		○		○	<p>Takuya Shimamura falls under the “h” relationship category with the Company because he had engaged in the execution of business at AGC Inc. However, he has not</p>	<p>Takuya Shimamura has been involved in the management of listed companies representing the chemical and materials industries for many years. He has demonstrated strong leadership in organizational cultural reforms from the standpoint of senior management in</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					<p>been involved in business execution since he took office as the Chairman of the Board of Directors in March 2021. Although the Group has business transactions including the sale of products and after-sale service with AGC, the amount of these transactions was less than ¥200 million, or an amount that accounted for less than 0.1% of the consolidated net sales of the Company for the year ended December 31, 2021.</p>	<p>manufacturers, and is also familiar with globally integrated management.</p> <p>Takuya Shimamura meets qualification requirements stipulated by the Company for Directors, and he is expected to play a role in the areas of "personnel and human resource development," "finance, accounting, and capital policy," and "corporate management and management strategy" in particular. Nomination Committee selected the Nominee to newly serve as an Independent Director to demonstrate his ability as a member of Compensation Committee.</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 his as an independent officer.</p>

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	3	1	1	2	Independent Director

Executive Officers

Number of Executive Officers	15
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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
Shu Nagata	No	No	No	No	No
Yoshiaki Okiyama	No	No	No	No	No
Hideki Yamada	No	No	No	No	No
Teruyuki Ota	No	No	No	No	No
Takanobu Miyaki	No	No	No	No	No
Atsuo Ohi	No	No	No	No	No
Tetsuji Togawa	No	No	No	No	No
Isao Nambu	No	No	No	No	No
Seiichi Tsuyuki	No	No	No	No	No
Shugo Hosoda	No	No	No	No	No
Yoji Sato	No	No	No	No	No
Toru Nakayama	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.
- (2) Assistants to the Audit Committee shall act solely under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee.
- (3) Assistants to the Audit Committee may engage in other business operations, subject to the prior approval of the Audit Committee, but in the event that instructions given by an Executive Officer or a head of such other business operations are in conflict with instructions from the Audit Committee, the instructions from the Audit Committee shall prevail.
- (4) As a principle, the personnel transfer and evaluation, etc. 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.

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. In addition, the Audit Committee ensures sufficient cooperation with senior management, such as the Representative Executive Officer, and Independent Directors, upon request by the Independent Auditor or as necessary.

1. Coordination with the Independent Auditor

The Company recognizes that the Independent Auditor holds responsibility to ensure the credibility of the Company's financial information disclosed to the shareholders and investors, and secures sufficient time and system for the Independent Auditor to conduct proper audits. Furthermore, the Audit Committee coordinates with the Independent Auditor and confirms that the Independent 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. In case the Independent Auditor discovers any improper conduct and requests a proper countermeasure against it, or identifies insufficiency or issues, the Company shall investigate the matter without delay and take a proper countermeasure.

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 the fiscal year 2022, it will be the 15th 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 Auditor in the fiscal year 2022 based on the results of the assessment whether or not to reappoint the Independent Auditor conducted pursuant to "(2) Policy on refusal of reappointment"

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 affiliated 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) Implementation of mutual exchange of information with the departments in charge of internal control, risk management and compliance.
- (3) Attendance of 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 affiliated companies.
- (4) Audit Committee members observing audits conducted by the Internal Audit Division, as necessary.

3. The system to support the Audit Committee

In order to increase Audit Committee's independence from business execution and to ensure the effectiveness of Group-wide audits, we are aiming for a monitoring-centered auditing system. Specifically, Audit Committee's Chairperson is served by Independent Director, and the Committee consists of two Independent Directors and one full-time member served by Non-executive Inside Director. In addition, as part of efforts to establish an auditing system that ensures effectiveness of audits, we have strengthened the organization that conducts actual audits under the control of Audit Committee since FY2021 to strengthen collaboration with the internal auditing division and the corporate auditors of affiliated companies.

- (1) To strengthen the on-site inspection organizations under the supervision of the Audit Committee and promote collaboration with the internal audit departments, the Audit Department was established under the supervision of the Audit Committee, and the general manager and eight (8) members of the internal audit departments are concurrently assigned to such Audit Department.
- (2) To facilitate closer cooperation between the Audit Committee and the corporate auditors of major affiliates, three (3) standing corporate auditors of major affiliates (Elliott Ebara Turbomachinery Corporation, Ebara Environmental Plant Co., Ltd., and Swing Corporation) are concurrently serving under the jurisdiction of the Audit Committee.
- (3) Because of the importance of monitoring and supervising the internal control of the corporate group, decisions on candidates for auditors of affiliated companies are made only after obtaining the consent of the Audit Committee.

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 “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】

From the fiscal year 2018, a restricted stock compensation plan and a performance-linked stock compensation plan (collectively hereinafter referred to as “Compensation Plan”) have been introduced to Directors, Executive Officers, and employees of the Company and executives and employees of its subsidiaries who bear certain roles (collectively hereinafter referred to as “Directors, etc.”).

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 the Company and its subsidiaries' Directors, etc., 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 the Company and its subsidiaries' Directors, etc. 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. 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

In the first fiscal year of the medium-term management plan, the Company presets the standard number according to the roles of Corporate Officers eligible to receive payment, and a number of shares of the Company is granted to eligible Corporate Officers in accordance with the degree of achievement of consolidated ROIC in the final fiscal year of the medium-term management plan, the fiscal year ending December 31, 2022. In addition, the Company will make a monetary payment to the Corporate Officers of an amount corresponding to 40% of the above granted shares.

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.

(a) Performance Indicator

The Company has adopted consolidated ROIC as its performance Indicator for Performance-linked Stock Compensation. It is paid within a range of 0% to 200% based on the level of achievement of the consolidated ROIC (target IFRS 7.6%) of the Company for the year ended December 31, 2022, the last fiscal year of the Medium-term Management Plan "E-Plan 2022". The ROIC for the fiscal year ended December 2021 was 10.7%.

(b) Reason for setting ROIC as performance indicator

The main purpose of applying ROIC as an indicator for the performance-linked stock compensation plan is to incentivize the Executive Officers to achieve the target ROIC in the Medium-term Management Plan, which is the most important indicator in the plan.

(c) Calculation Method of Performance-linked Stock Compensation

Calculation Method of the number of common shares and monetary,

- Number of Performance-linked Stock Compensation payments by shares (rounded down to less than one)
Standard number \times supply rate \times 60%
1 unit = 100 shares of the Company's common stock
- Payment amount of Number of Performance-linked Stock Compensation by money (rounded down to less than 100 yen)
Standard number \times payment rate \times 40% \times share price of our common stock*
1 unit = 100 shares of the Company's common stock.
* Simple average of the closing prices of our common stock on the Tokyo Stock Exchange for the month before the board of directors meeting to resolve the allocation for the final year of the Medium-term Management Plan

Payment Rate

Payment rate (%) = Consolidated return on invested capital (ROIC) \times 500 \div 19-100

Rounds the second decimal point. However, if the result of the calculation is 0% or less, it should be 0% (non-payment), and if it is more than 200%, it should be 200%.

Consolidated return on invested capital (ROIC) = Net income attributable to owners of the parent / {Interest-bearing debt (average of beginning and end of period) + equity attributable to owners of parent (average of beginning and end of period)}

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

【Disclosure of Individual Executive Officers' Compensation】

Amount by type of compensation of the 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 the fiscal year 2021 (2021.1.1-2021.12.31) is as follows.

(Millions of yen)

Name	Total Amount of Compensation, etc. (Millions of yen)	Company	Total Amount of Compensation, etc. by items (Millions of yen)				
			Basic compensation	Short term Performance-linked compensation	Restricted share-based compensation	Performance-linked share-based compensation	Other
Masao Asami President and Representative Executive Officer	200	EBARA Corporation	54	46	16	84	-
Nobuharu Noji Executive Officer	101	EBARA Corporation	31	21	7	40	-
Tetsuji Togawa Executive Officer	106	EBARA Corporation	31	27	7	40	-
Michael T. Lordi Executive Officer	31	EBARA Corporation	-	21	-	10	-
	155	Elliott Group Holdings, Inc.	62	37	-	15	40

Notes:

1. Short-term performance-linked compensation shown is the total amount of short-term performance-linked compensation to be paid (scheduled for March 2022), in relation to Directors and Executive Officers (excluding Independent Directors) serving in those roles as of December 31, 2021, for the fiscal year under review.
2. Restricted share-based compensation shown is the restricted share-based compensation paid in the fiscal year 2021 and the amount of restricted share-based compensation paid in the previous fiscal years recorded as an expense in the fiscal year 2021.
3. Performance-linked share-based compensation shown is the amount planned to be paid in May 2023 of performance-linked share-based compensation to be recorded as an expense in the fiscal year 2021. In calculating the amount for the fiscal year 2021, the Company used the most recent price of the Company's stock and the forecast value for consolidated return on invested capital (ROIC) in the management plan for the period ending December 31, 2022, which is the final year of the medium-term management plan, E-Plan 2022. The difference compared to the amounts recorded for the previous fiscal year is also calculated and added.
4. "Other" shows the total of ¥34 million, consisting of the portion of performance-linked share-based compensation scheduled to be paid by a subsidiary to Michael Lordi in 2023 that was recorded as an expense in the fiscal year 2021, and pension contributions of ¥5 million paid in the fiscal year 2021.

【Total Amount of Compensation for Directors and Executive Officers】

Total amount of compensation by position and type of compensation, as well as the number of recipients in the fiscal year 2021 (2021.1.1-2021.12.31),

(Millions of yen)

Position	Total Amount of Compensation, etc. (Millions of yen)	Total Amount of Compensation, etc. by items (Millions of yen)									
		Basic compensation		Short term Performance-linked compensation		Restricted share-based compensation		Performance-linked share-based compensation		Others	
		Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount
Directors (excluding Independent Directors)	140	3	98			3	31	2	9		
Independent Directors	123	8	104			8	19				
Executive Officers	1,310	15	415	14	332	14	80	15	442	1	40
Total	1,574	26	618	14	332	25	131	17	451	1	40

Notes:

1. The above shows the compensation paid to Directors and Executive Officers as of December 31, 2021 according to their term of office for the fiscal year 2021, and the compensation paid to two Non-executive Directors out of four Directors who retired at the conclusion of the 156th Ordinary General Meeting of Shareholders held on March 26, 2021 and one Executive Officer who retired at the conclusion of the meeting of the Board of Directors held on the same day, from January 2021 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 ¥223 million (Basic compensation: ¥91 million, Short term Performance-linked compensation: ¥55 million, Performance-linked share-based compensation: ¥35 million, and Others: ¥40 million) as compensation that subsidiaries paid to Executive Officers who served concurrently as the Corporate Officers of the subsidiaries.
4. Short-term performance-linked compensation for Executive Officers is linked to company-wide or business-level performance, in addition to which individual targets are set, the level of achievement against these targets is evaluated, and an amount for the individual is determined after deliberation by the Compensation Committee.
5. Short-term performance-linked compensation shown is the total amount of short-term performance-linked compensation to be paid (scheduled for March 2022), in relation to Executive Officers serving in those roles as of December 31, 2021, for the fiscal year 2021.
6. Restricted share-based compensation shown is the restricted share-based compensation paid in the fiscal year 2021 and the amount of restricted share-based compensation paid in the previous fiscal year to be recorded as an expense in the fiscal year 2021.
7. Performance-linked share-based compensation shown is the amount planned to be paid in May 2023 of performance-linked share-based compensation to be recorded as an expense in the fiscal year 2021. In calculating the amount for the fiscal year 2021, the Company used the most recent price of the Company's stock and the forecast value for consolidated return on invested capital (ROIC) in the management plan for the period ending December 31, 2022, which is the final year of the medium-term management plan, E-Plan 2022. The difference compared to the amounts recorded for the previous fiscal year is also calculated and added.
8. "Other" shows the total of ¥34 million, consisting of the portion of performance-linked share-based compensation scheduled to be paid by a subsidiary to Michael Lordi in 2023 that was recorded as an expense in the fiscal year 2021, and pension contributions of ¥5 million paid in the fiscal year 2021.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods	Updated
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1. Outline of institutions and procedures that determine the amount of compensation for Directors and Executive Officers or the policy regarding the calculation method

The compensation policy of Directors and Executive Officers is determined by the Compensation Committee. All three members of the Compensation Committee are Independent Directors, which puts

greater emphasis on transparency and the importance of an objective viewpoint. The current Compensation Committee members have been selected from among the Independent Directors for their experience in corporate management and expertise in corporate legal affairs.

The primary task of the Compensation Committee is to supervise the compensation systems for Directors and Executive 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. The Committee may collectively request the external opinion of an expert such as a compensation consultant, if it is deemed necessary for the activities of the Committee. When selecting such consultants, attention is taken and checks are made in order to ensure independence.

To engage in such activities, the Committee holds regular meetings, as well as extraordinary meetings as the need arises and the results of Compensation Committee deliberations are reported to the Board of Directors by the Committee Chairperson.

In addition to the business performance of the Company and the background and history of the Company's compensation systems, newly appointed committee members are received explanations on the relevant rules (Basic Policy on Officers' Compensation) stipulated by the Compensation Committee. Furthermore, a full-time committee secretariat has been established to provide information on such as applicable laws, regulations, rules and standards, and to support appropriate operation of the Committee.

Nine (9) meetings were held in the fiscal year 2021, and resolved the compensation policies, as well as the amount of basic compensation and short-term performance-linked compensation for each Director and Executive Officer based on the Basic Policy on Officers' Compensation, and the content and number of restricted stock and performance-linked stock to be granted.

2. Compensation for Directors

(1) Non-executive Directors (including Independent Directors)

Directors' compensation level and compensation system shall reflect their roles, etc. at the Board of Directors and each Committee, and the compensation comprises basic compensation, and long-term incentives. The long-term incentive shall be in the form of restricted share-based compensation (RS) to promote the sustainable improvement of corporate value and to encourage the Directors to share values with shareholders through the ownership of shares. Furthermore, the Company pays allowances to the Chairman of the Board of Directors, the Lead Independent Director, and the Chairpersons of the Committees based on the extent of their roles and responsibilities and the number of hours spent on their execution of duties.

(2) 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.

(3) Combination of compensation

The combination of Directors' compensation is as follows.

	Monetary pay		Share based Compensation (Long-term incentives)	
	Basic compensation	Short-term Performance-linked Compensation	Restricted stock compensation	Performance-linked stock compensation
Non-executive Directors (including Independent Directors)	1	--	0.3	--

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

3. Compensation for Executive Officers

(1) 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.

Executive Officers are expected to play key roles in the achievement of numerical targets in their business execution. For this reason, we have set a higher proportion of performance-linked compensation for those in higher positions with greater responsibility for performance.

(2) Combination of different types of compensation

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

	Monetary pay		Share based Compensation (Long-term incentives)	
	Basic compensation	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. Short-term Performance-linked compensation is paid within the range of 0 to 200% based on the level of achievement of companywide performance targets and the individual performance targets of each Executive Officer.
3. Performance-linked compensation is paid within a range of 0 to 200% based on the level of achievement of performance targets.

(3) 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.

4. Payment items

(1) 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.

The consolidated ROIC, consolidated operating income, and S&S revenue are adopted as company-wide performance and business performance indicators for short-term performance-linked compensation. In order to practice advanced ESG management and realize a sustainable society through business activities, we have introduced ESG indicators from April 2022. The "E" (Environment) is based on the Carbon Disclosure Project (CDP) ^{*1} and "S" (Society) is based on the Global Engagement Survey (GES) ^{*2}. Together, these evaluation items will set at 10% of the short-term performance-linked compensation evaluation index. For Executive Officers other than the President and Representative Executive Officer, in addition to the Company-wide or business performance, as well as individual goals are set, and the achievement rate against the target will be evaluated, and the pay rate will be determined through discussion at the Compensation Committee.

^{*1}. CDP is an international NGO in which institutional investors collaborate to require companies to disclose their climate change strategies and specific greenhouse gas emissions. CDP participants (approximately 9,600 companies including the Company) account for more than 50% of total global market capitalization.

^{*2}. GES is an EBARA survey, involving employees of both domestic and overseas Group companies, conducted since 2019 to assess the status of employee engagement in the workplace to achieve the medium- to long-term vision.

(2) Overview of Long-term incentives, index of the performance-linked compensation, reasons for adopting the index, method of determining the amount of performance-linked compensation)

→For information on “Incentive Policies for Directors and/or Executive Officers,” see pages 28-30.

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 Strategic Planning 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
N/A	-	-	-	-	-

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

As of March 30, 2022, the Company’s framework for the corporate governance is refer to Appendix 4 and activities of the Board of Directors meetings and its committee meetings during the fiscal year 2021 is as described below.

→See also the Corporate Governance Framework as of March 30, 2022 in Appendix 4.

【Supervision】

(1) Board of Directors

The number of Directors comprising the members of the Board of Directors shall not exceed fifteen (15). At least the majority of the Board members shall be Independent Directors, and the number of Directors who concurrently serve as Executive Officers is kept to a minimum.

As of March 30, 2022, the Board of Directors comprises ten (10) Directors, and seven (7) of whom are Independent Directors (including three (3) females). *Hiroshi Oeda*, an Independent Director, serves as Chairman of the Board of Directors.

The Company is considering the appointment of Directors of foreign nationality in the future from the standpoint of diversity. Fifteen (15) meetings were held in the fiscal year 2021. Attendance of each Director is as described below.

Attendance of each Director (In the fiscal year 2021)

Toichi Maeda	Masao Asami	Hajime Sawabe	Hiroshi Oeda	Masahiro Hashimoto	Junko Nishiyama	Mie Fujimoto	Hisae Kitayama	Akihiko Nagamine	Takuya Shimamura
100% (15/15)	100% (15/15)	100% (15/15)	100% (15/15)	100% (15/15)	100% (15/15)	93% (14/15)	100% (11/11)	100% (11/11)	- % (-/-)

- Notes: 1. Seven Directors, Hajime Sawabe, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama, Mie Fujimoto, Hisae Kitayama and Takuya Shimamura are Independent Directors.
2. Hisae Kitayama and Akihiko Nagamine were newly elected as a Director at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021 and the meeting of the Board of Directors held on the same day, therefore their attendance to the meetings of the Board of Directors held since that date is described.
3. Takuya Shimamura was newly elected as a Director at the 157th Ordinary General Meeting of Shareholders held on March 29, 2022 at the meeting of the Board of Directors held on the same day, therefore he did not attend any Board meetings during the fiscal year 2021.

(2) Nomination Committee

The Nomination Committee is made up of Independent Directors and Non-executive Inside Directors, and a majority of the committee is made up of Independent Directors.

As of March 30, 2022, the Nomination Committee comprises three (3) Directors, two (2) of whom are Independent Directors (*Hajime Sawabe and Hiroshi Oeda*) and one (1) of whom is a Non-executive Inside Director (*Toichi Maeda*). *Hajime Sawabe*, an Independent Director, acts as Chairperson of the Nomination Committee. Fourteen (14) meetings were held in the fiscal year 2021. Attendance of each Director is as described below.

Attendance of each Director (In the fiscal year 2021)

Toichi Maeda	Hajime Sawabe	Hiroshi Oeda
100% (14/14)	- % (-/-)	100% (14/14)

Notes: Hajime Sawabe was a member of the Compensation Committee in the fiscal year 2021 (and attended all of the 9 Committee meetings with 100% attendance rate) and he was newly appointed as a member of the Nomination Committee at the meeting of the Board of Directors held on March 29, 2022, therefore he did not attend any Nomination Committee meetings during the fiscal year 2021.

(3) Compensation Committee

The Compensation Committee is made up of Independent Directors and Non-executive Inside Directors, and a majority of the committee is made up of Independent Directors.

As of March 30, 2022, the Compensation Committee comprises three (3) Directors, all of whom are Independent Directors (*Mie Fujimoto, Junko Nishiyama, Takuya Shimamura*). *Mie Fujimoto*, an Independent Director, acts as Chairperson of the Compensation Committee. Nine (9) meetings were held in the fiscal year 2021. Attendance of each Director is as described below.

Attendance of each Director (In the fiscal year 2021)

Mie Fujimoto	Junko Nishiyama	Takuya Shimamura
100% (9/9)	100% (7/7)	-% (-/-)

- Notes: 1. Junko Nishiyama was retired from the position of the member of the Audit Committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021 and she was newly appointed as a member of the Compensation Committee at the meeting of the Board of Directors held on the same day, her attendance to meetings of the Compensation Committee held since that date is described.
2. Takuya Shimamura was newly elected as a Director at the 157th Ordinary General Meeting of Shareholders held on March 29, 2022 and appointed as the Compensation Committee member at the meeting of the Board of Directors held on the same day, therefore he did not attend any Compensation Committee meetings during the fiscal year 2021.

(4) Audit Committee

The Audit Committee is made up of Independent Directors and Non-executive Inside Directors, and a majority of the committee is made up of Independent Directors.

As of March 30, 2022, the Audit Committee comprises three (3) Directors, two (2) of whom are Independent Directors (*Masahiro Hashimoto and Hisae Kitayama*) and one (1) of whom is Non-executive Inside Director (*Akihiko Nagamine*).

Having a majority of the Committee to be served by the Independent Directors and having an Independent Director serve as the Chairperson ensures independence of audits. In addition, although the

Companies Act does not require a full-time Audit Committee member, a Non-executive Inside Director is serving as a full-time member of the Audit Committee of the Company. The full-time Audit Committee member collects high-quality information within the Group through his sophisticated information gathering capabilities and shares the information with other Audit Committee members who are external Independent Directors. He also plays an important role in utilizing the internal control system and collaborating with Independent Auditors and departments in charge of internal control, etc., to ensure effective audits.

Masahiro Hashimoto, an Independent Director, acts as Chairperson of the Audit Committee. Members of the Audit Committee include, *Masahiro Hashimoto*, who has held the position of Division Executive of Finance of another company, *Hisae Kitayama*, a certified public accountant and *Akihiko Nagamine*, who has held the position of Division Executive of Finance & Corporate Accounting Division of the Company. All of them have considerable knowledge of finance and accounting. Twenty (20) meetings were held in the fiscal year 2021. Attendance of each director is as described below.

Attendance of each Director (In the fiscal year 2021)

Masahiro Hashimoto	Hisae Kitayama	Akihiko Nagamine
100% (20/20)	100% (16/16)	100% (16/16)

Notes: Hisae Kitayama and Akihiko Nagamine were newly elected as a Director at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021 and appointed as an Audit Committee member at the meeting of the Board of Directors held on the same day, therefore their attendance to meetings of the Audit Committee held since that date is described.

(5) Executive Session

The Executive Session, 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 Session.

As of March 30, 2022, *Hajime Sawabe*, an Independent Director, acts as the Lead Independent Director. Thirteen (13) meetings were held in the fiscal year 2021. Attendance of each Director is as described below.

Attendance of each Director (In the fiscal year 2021)

Hajime Sawabe	Hiroshi Oeda	Masahiro Hashimoto	Junko Nishiyama	Mie Fujimoto	Hisae Kitayama	Takuya Shimamura
100% (13/13)	100% (13/13)	100% (13/13)	100% (13/13)	85% (11/13)	100% (10/10)	-% (-/-)

Notes: 1. Hisae Kitayama was newly elected as a Director at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021 and the meeting of the Board of Directors held on the same day, therefore her attendance to the Executive Session held since that date is described.

2. Takuya Shimamura was newly elected as a Director at the 157th Ordinary General Meeting of Shareholders held on March 29, 2022 and the meeting of the Board of Directors held on the same day, therefore he did not attend any Executive Session during the fiscal year 2021.

(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 thirteen (13) years, and names of its engagement partners and their respective periods of performing the Company's accounting audits as of September 30, 2022 are as follows:

Mineo Kanbayashi (4 years), *Takayuki Ando* (5 years), and *Keita Tsujimoto* (1 year)

There are twenty-seven (27) certified public accountants and forty-three (43) 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 based on the proposal by the Nomination Committee. 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 Medium-term Management Plan “E-plan2022” as determined by the Board of Directors. Although all fifteen (15) of the Executive Officers are males, the Company is considering 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) Risk Management

The EBARA Group must reinforce its Group governance and risk management measures in order to support the global expansion of its business. Accordingly, we are thoroughly implementing the Group administration basic policy to strengthen Group governance, establishing a risk management system, and establishing a communication system in the event of an emergency.

As a specific measure to address risks affecting the Company wide, to address the spread of COVID-19, we have established the Company wide Task Force, headed by the President and Representative Executive Officer. 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. With regard to cyber security as well, we have completely reviewed the EBARA Group's information security system after last year's ransomware attack on our Group companies.

Regarding the situation in Ukraine since February 2022, although the business operations of the Company Group in this region is relatively small, the Company has established a Company Emergency Response Headquarters, and while complying with sanctions in each country, the Company has continuously collected information and issued measure instructions to the EBARA Group, including its overseas subsidiaries.

(4) 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. We report the status of compliance to the Sustainability Committee, and have established the EBARA Group Compliance Liaison Committee, the Compliance Liaison System, and the Internal Reporting Desk, which are operated to ensure thorough compliance throughout the Group.

→For more information on “EBARA Group’s Compliance System,” please see:

<https://www.ebara.co.jp/en/sustainability/governance/information/compliance.html>

【Internal Reporting Desk】

The EBARA Group has established compliance consultation hotlines and is working to ensure that employees are familiar with how to use them in order to foster comfortable working environments, enhance its capacity to detect potential issues/risks at an early stage and proactively resolve issues within the Company.

The EBARA Group has established internal hotlines for the Group's stakeholders to directly report to the department in charge of compliance and the Audit Committee, and external hotlines to directly consult with an external law firm. We thoroughly communicate to the employees that privacy of the whistleblowers,

alleged violators, and any other stakeholders will be protected upon reporting to these internal and external hotlines and that whistleblowers will not suffer a disadvantage because of the fact of reporting, by clearly stipulating the fact in company rules, etc.

The Company and domestic Group companies with more than 300 employees have established a whistleblower reporting system in compliance with the revised Whistleblower Protection Act that went into effect in June of this year, and have provided education and awareness. Other domestic Group companies will also develop whistleblower reporting systems in compliance with the revised Whistleblower Protection Act, taking into consideration relevant circumstances. In overseas Group companies, we continue to reinforce the Overseas EBARA Group Hotlines, which are designed to increase transparency of the Group companies, to strengthen the internal whistleblowing hotline capabilities of these companies, and to support their healthy and autonomous operation.

(5) Meeting Bodies for Business Execution

(a) 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 the fiscal year 2021.

(b) 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 the fiscal year 2021.

(c) Risk Management Panel

The Risk Management Panel (hereinafter referred to as “RMP”) is in place as a body responsible for coordinating risk management activities of the Group, 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. As of August 2022, a total of seven (7) meetings were held.

(d) Sustainability Committee

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 is held regularly on a quarterly basis. Four (4) meetings were held in the fiscal year 2021.

(e) 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 all company information subject to the decision on whether or not to disclose the information without omission, deliberates on whether or not to disclose the information, the content and timing of the disclosure, and disclose the information after obtaining the approval of President and Representative Executive Officer. Eleven (11) meetings were held in the fiscal year 2021.

→For further information on of the Disclosure Committee, please refer to "V 2. (2) Internal system relating to timely disclosures".

【Overview of the Agreements to Limit Liability for Damages】

The Company has stipulated in its Articles of Incorporation that it may enter into agreements with Directors (excluding Executive Directors) to limit their liability for damages as outlined under Article 423, paragraph 1 of the Companies Act in accordance with Article 427, paragraph 1 of the Companies Act, and has entered into agreements limiting liability with all Independent Directors. The limit of liability for damages under the agreement is the minimum liability amount stipulated under Article 425, paragraph 1 of the Companies Act.

However, this limit will be applicable only when the performance of duties giving rise to such responsibilities is recognized to have been carried out in good faith and with no gross negligence.

【Overview of the Directors and Executive Officers Liability Insurance Policy】

The Company has entered a directors and officers liability insurance policy with an insurance company as provided in Article 430-3, paragraph 1 of the Companies Act, with the Directors, Executive Officers, and statutory auditors of the Company and the Group as the insured persons. This policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties, or the pursuit of such liability.

The entire amount of the insurance premiums for the policy is paid by the Company, and the insured persons effectively do not bear any of the premiums.

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 the Nomination Committee, etc.," 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 by appointing a majority of each Committee from Independent Directors.

【Key Points of Transition to a Company with the Nomination Committee, etc.】

- (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

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	For the 157th Ordinary General Meeting of Shareholders (the fiscal year ended December 31, 2021), the notice was distributed on March 9, 2022, 19 days prior to the date of the meeting. The Company disclosed the notice of convocations on the websites of the Tokyo Stock Exchange and the Company before the date of mailing in light of earliest possible information service (Japanese: on March 1, English translation: on March 8.)
Scheduling Ordinary General Meeting of shareholders to Avoid the Peak Period	The Company is making efforts to hold the meeting earlier and avoid the Peak Period. The 157th Annual General Meeting of Shareholders was held on March 29 (Tuesday).
Allowing the Electronic Exercise of Voting Rights	From the 142th Ordinary General Meeting of Shareholders held on June 2007, 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	From the 142th Ordinary General Meeting of Shareholders held on June 2007, 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 Ordinary General Meeting of Shareholders was prepared and posted on the websites of the Tokyo Stock Exchange and the Company, along with the original Japanese version on March 8th.
Other	At the 157th Ordinary General Meeting of Shareholders (for the fiscal year ended December 31, 2021), for the benefit of shareholders who could not attend the Ordinary General Meeting of Shareholders because of the COVID-19 infection prevention measures, we held a live broadcast of the Ordinary General Meeting of Shareholders and posted the business report video, which was shown at the Meeting, on the EBARA website promptly after the Meeting.

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. https://www.ebara.co.jp/en/ir/business/information/ir-basic-policy.html	N/A
Regular Investor Briefings for Private Investors	The Company participates in conferences for private investors organized by securities companies, and conference materials are posted on the Company's website.	No

	<p>In the fiscal year 2022, the following has been conducted.</p> <ul style="list-style-type: none"> • On May 26, 2022, we held our first online company briefing for individual shareholders. • We plan to participate in four online company briefings for individual investors sponsored by securities companies from October to mid-December 2022. 	
Regular Investor Briefings for Analysts and Institutional Investors	<p>The Company holds quarterly financial results briefing. President and Representative Executive Officer and the respective business managers explained business performance and management strategies at the second quarter briefing and full-year briefing this year. The officer in charge of investor relations explained the Company's business performance at the briefings for the first and third quarter. These presentation videos are available on the Company website.</p> <p>In addition, we hold IR events as appropriate, such as ESG Briefings, business briefings, and plant tours, focusing on topics that analysts and institutional investors may have great interest.</p> <p>The Company is working to disseminate more non-financial information and increase opportunities for dialogues on non-financial topics, such as the governance session by Independent Directors at the ESG Briefing held in November of 2021.</p> <p>The Company held the second EBARA IR DAY, in July 2022, continuing from last year, and offered explanation sessions by theme including business strategies and technology.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The Company participates in conferences organized by securities companies. The President and Representative Executive Officer and the executive(s) in charge of IR also visit 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.</p> <p>Since fiscal 2020, we have been holding on-line meetings and telephone conferences in response to COVID-19 infectious diseases.</p>	Yes
Posting of IR Materials on Website	<p>The Company's website 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>→ For more information on "IR Library," please see: https://www.ebara.co.jp/en/ir/library/index.html</p> <p>→ For more information on "Long-term Vision and Medium-term Management Plan", please see: https://www.ebara.co.jp/en/ir/business/information/vision.html</p> <p>→ For more information on "Sustainability", please see: https://www.ebara.co.jp/en/sustainability/think/index.html</p>	N/A
Establishment of Department and/or Appointment of Manager in Charge of IR	<p>Executive responsible for IR: Executive Officer Division Executive, Corporate Strategic Planning, Finance and Accounting Division</p> <p>Department responsible for IR: Investor Relations and Public Relations Section</p>	N/A
Other	<p>Latest news releases are distributed by e-mail in a timely manner to investors registered.</p>	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>Of the six layers that form the framework of the EBARA Group's Corporate Ethics (see Appendix 1 "Framework of the EBARA Group's Corporate Ethics"), we define "the EBARA Way" as the combination of the Founding Spirit, Corporate Philosophy, and CSR policy of the top three layers. We continue activities to pursue our value with the EBARA Way as the very basis.</p> <p>In terms of internal initiatives, we signed 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 Planning Department has functions to promoting sustainable business. Risk Management Department has been set up dedicated to risk management. Risk Management Department tackles various aspects of risk management including compliance, human rights, environment, pandemics of COVID-19 and other infectious diseases, disasters and crisis, etc. In January 2022, we established the Carbon Neutral Project as a way to plan and implement policies, targets, and measures for carbon neutrality in 2050.</p> <p>Our sustainability information is reported in the Integrated Report and discloses via our website and other media.</p> <p>The Sustainability Committee has been set up to: 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&P/JPX Carbon Efficient Index" and "Sampo Sustainability Index (formerly known as the SNAM Sustainability Index)". In 2022, the Company has been selected as iSTOXX MUTB Japan Platinum Career 150 Index and FTSE Blossom Japan Sector Relative Index.</p> <p>In addition, we have received high praise from various organizations for activities and achievements related to sustainability and ESG.</p> <p>→https://www.ebara.co.jp/en/ir/business/information/sri.html</p>

	<p>In fiscal year 2019, we signed the FSB Task Force on Climate-related Financial Disclosures (TCFD) and have been disclosing information based on its recommendation. → https://www.ebara.co.jp/en/sustainability/think/information/tcfd.html</p> <p>In 2021, at the 5th Japan SDGs Award, we received the Special Award for "Creating a Water Purification and Water Supply Business Model for Developing Countries in connection with the EBARA Group's Aims to 'Deliver Water to 600 million People.'" → https://www.ebara.co.jp/en/corporate/newsroom/release/company/detail/1200553_10220.html</p> <p>We established the EBARA Group Human Rights Policy and the Human Rights Committee to promote activities in accord with this policy. → https://www.ebara.co.jp/en/sustainability/social/information/respect.html</p> <p>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.</p>
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><Initiatives Toward Work Style Reforms> EBARA Group's work style reform toward realization of one of the Material Issues in E-Vision 2030 includes (1) continuous improvement of productivity, and (2) more attractive and comfortable workplaces for all EBARA Group employees. The Company is taking initiatives including (i) revision of the personnel system and employment rules, such as considering new work styles in line with changes in the times; (ii) improvement of workplace environments, such as offices and manufacturing sites; and (iii) various activities, surveys and research, trials, and consideration of the use of new tools related to productive work styles.</p> <p>Telework takes root, and we work in a hybrid where we work at a location that meets our purposes. Furthermore, we are continuing various initiatives while incorporating the opinions of our employees so that they can work in a sustainable and highly productive manner regardless of time or location.</p> <p>In the future, we will also put particular emphasis on work place reforms to create a pleasant and pleasant working environment in which employees can demonstrate their full potential.</p> <p>The Work Style Reform Committee, which has President and Representative Executive Officer as its Chairperson, discusses such issues related to "improving employee comfort and job satisfaction" and promotes reforms across divisions.</p> <p><Initiatives toward Diversity> 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 gender, nationality or physical ability, can respect each other's individuality and maximize their potential to the fullest.</p>

We are hiring new graduates in October to recruit a diverse workforce, including international students from overseas, foreign students attending universities overseas, and Japanese students who have studied abroad.

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.

→Read more, please see:

<https://www.ebara.co.jp/en/sustainability/social/information/promote-diversity.html>

<Initiatives toward Diversity project>

In January 2022, we started the activities of the Diversity Project under the direct supervision by President and Representative Executive Officer, but it has been launched as a dedicated organization in July. The diversity project aims to realize a world in which diverse human resources are connected with knowledge (person to person) to bring about a variety of innovations

We promote Task diversity (invisible differences in each person’s experience, way of thinking, major, work history, etc.) is important for “increasing,” “finding,” “fostering,” and “connecting” human resources who can flexibly respond to rapidly changing business environment where there is no single right answer.

Based on the results of the Diversity Survey conducted in March 2022 for all employees, we are conducting activities on a data-driven basis.

- In February 2022, EBARA CORPORATION endorsed the intent of the Women's Empowerment Principles (WEPs) and signed a statement to act in accordance with these Principles. WEPs is an action principle for proactively promoting the active participation of women created jointly by the United Nations Global Compact and UN Women in 2010. Two employees participate in the activities as the organizing company of WEPs subcommittee of Global Compact Network Japan.
- In order to improve the well-being of our employees, we have introduced the AI matchmaking navigation app "Aill goen", which was started by a young woman, together with the EBARA CORP•WORKERS' UNION. It also contributes to the development of business with women managers and entrepreneurs, one of the WEPs.
- To promote task diversity, the diversity project focus on recruiting activities. By speaking directly to members about their thoughts and feelings, we aim to attract people with a competitive spirit who like challenges to work at EBARA.
- Prior to promotion to managerial positions, we have started the Leader Creation School training program to develop human resources who will lead diversity in the future. It is also a place where diverse personnel can connect with each other.

Status of Female Managers (in Ebara Corporation)

As of December 31, 2021, the total number of female managers is 101, and the composition ratio to all managers is 6.7%. As of December 31, 2021, the composition ratio of female in managerial post is 5.7%.

Managerial Post	Number of Persons (%)
Division Executive	1 (7.1%)
General Manager	1(1.4%)
Section Manager	21 (4.8%)

Status of Foreign-national Employees (in Ebara Corporation)

- The Company has been actively recruiting foreign-national fresh graduates since 2011. As of December 2021, a total of 156 non-Japanese graduates have been hired, of which 92 are currently employed.
- The total number of employees in Ebara Corporation is 3,995 people, 106 people of whom are foreign-national employees (which includes fresh graduate hires as well as mid-career hires). This makes the total ratio compared to all employees 2.7%. They are playing active roles in various departments.
- The Company provides foreign-national employees support in the following areas:
 - a) Lifestyle
Support for daily-life in Japan
 - b) Work-related
Japanese language learning assistance
 - c) For Receiving Department
Guidance regarding management of foreign-national employees and promoting understanding of different cultures

In order to provide various types of care for foreign-national employees in the case of COVID-19 Pandemic, and to provide accurate information input to create an environment in which they can work with peace of mind, we conduct a survey on the working environment for foreign-national employees.

Employment of Mid-career Workers

There are 1,035 employees (ratio to the total employees: 25.9 %) who have been hired as mid-career workers, as of the end of December 2021. We will continue mid-career recruitment such as actively utilizing referral hiring to create a workplace where employees with diverse perspectives can play active roles.

Employment of persons with special needs

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. In the future, we will provide new opportunities for persons with special needs to play active roles and contribute even more to local communities and society.

Utilization of elderly employees

The Company promotes the utilization and success 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.

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's basic policy is to "be keenly aware of social responsibility of the Company and its subsidiaries, and the Company shall intercept any relationship with anti-social forces at all levels of business activities," and we are implementing measures as described in (1) and (2) below.

- (1) The company has established policies and systems to intercept any relationship between the Company/subsidiaries and anti-social forces and implement them.
- (2) The Company has established the Anti-social Force Countermeasure Headquarters to centrally collect and accumulate information with regard to anti-social forces, and cooperate with external special agencies etc., and we support their initiatives to intercept any relationship between the Company/its subsidiaries and anti-social forces.

V. Other

1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures	Not Adopted
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Supplementary Explanation

N/A

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 disclose the information after obtaining the approval of President and Representative Executive Officer.

(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.

(i) Gathering information subject to disclosure

The EBARA Group has system to comprehensively gather and consolidate information on timely disclosure through the departments of corporate headquarters, administration departments of each internal company, and the Critical Information Control Committee, which manages material facts related to insider trading regulations. Under this system, information that has been gathered and consolidated is reported to the Disclosure Committee.

(ii) 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.

(iii) Implementation of timely disclosure

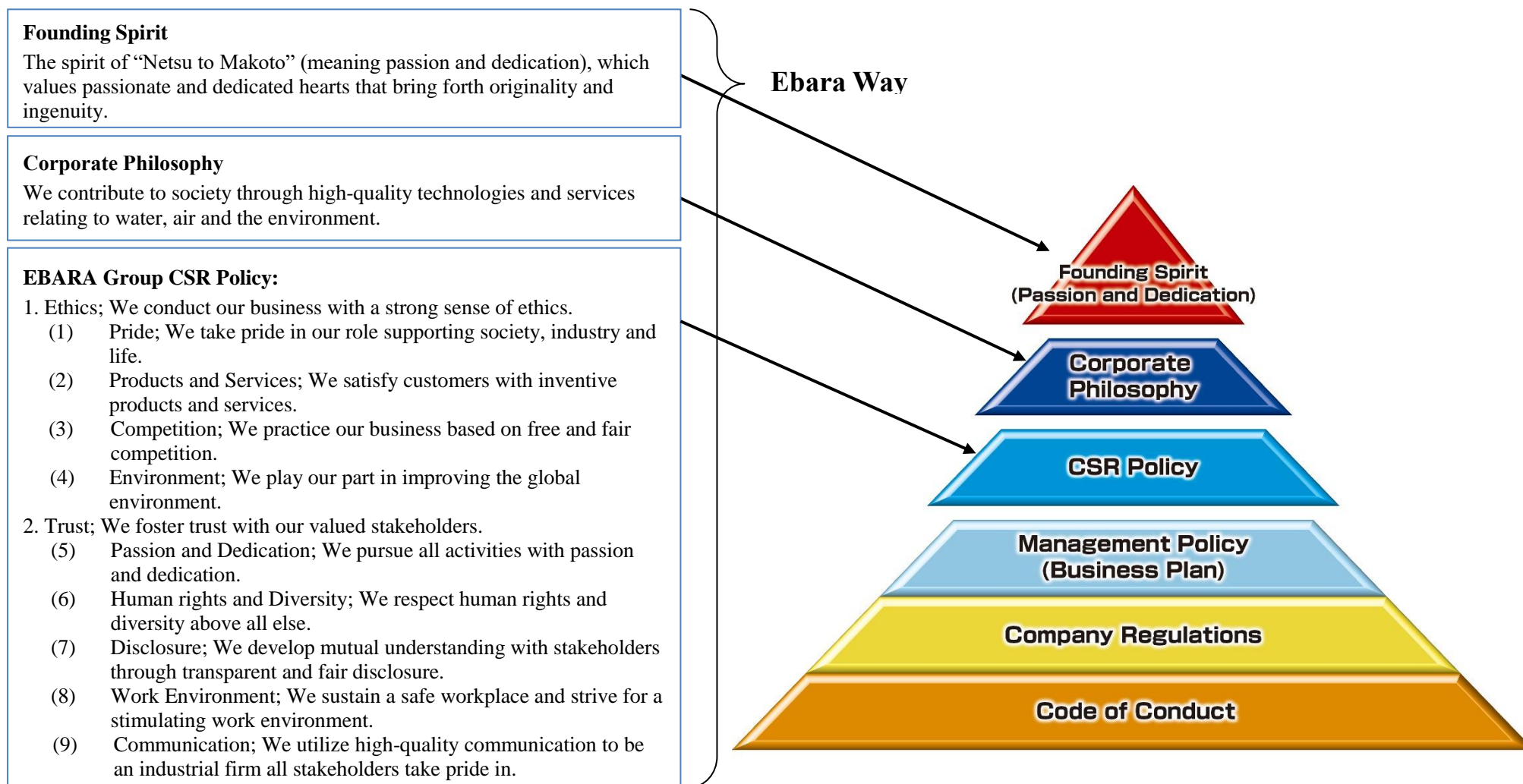
The Accounting Department, upon approval by the President and Representative Executive Officer and the resolution of the Board of Directors, depending on the contents of the information, promptly conducts timely disclosure of information that has been determined by the Disclosure Committee.

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 Strategic Planning Department; and postings on the Company's website are the responsibility of the Investor Relations and Public Relations Section.

◇ *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

“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 (hereinafter “**the 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 sharing of the results with various stakeholders including shareholders 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. In addition, the Company establishes the IR Basic Policy and exchanges constructive dialogues with shareholders and investors to facilitate the sustainable growth and medium- to long-term enhancement of corporate value.
 - (2) The Company strives to co-create values with various stakeholders, including shareholders, customers, business partners, creditors, employees and local communities in an appropriate manner.
 - (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 (Directors who meet the standards with regard to the independency of the Directors as stipulated by the Company, hereinafter "**the 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 a Nomination Committee, etc.," as defined under Article 2 (ii) of the Japanese Companies Act, a stock company with a nomination committee, a compensation committee and an audit committee as statutory committees under the Board of Directors, to achieve clear separation between supervision and business execution in management.
 - (5) The Company clearly stipulates expected roles and required qualifications and competencies for each Director, and strives to enhance effectiveness of the Board of Directors, etc. by utilizing them for selection of candidates and training for the Directors, etc.

Chapter 2 Ensuring shareholders' rights and equality among shareholders and dialogue with shareholders and investors

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.

Dialogues with shareholders and investors

Article 4 The Company recognizes the establishment of long-term relationships of mutual trust with its shareholders and investors to be one of its most important management objectives. The Company strives to continuously strengthening the relationships of trust by providing appropriate corporate information necessary for investment decisions based on the basic policy concerning disclosure as defined under Article 10, while conducting IR activities that contribute to enhancing corporate value through constructive dialogue.

- 2 The Company establishes the IR system with the President and Representative Executive Officer (hereinafter "**the President & REO**") as the chief, and operated by the Executive Officer in charge of IR and department in charge of IR, in accordance with the IR Basic Policy as defined under Article 1, Paragraph 2 (1). The Company also provides opportunities

to shareholders and investors to engage in direct dialogue with the Directors (including Independent Directors), Executive Officers and other executives as required. The Company establishes a mechanism to share information and knowledge acquired through dialogue with shareholders and investors within the Company, and utilizes them in its corporate management.

Basic policy for cross-shareholdings, etc.

Article 5

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 (1) and (2), 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 matters related to amendment of articles of incorporation, election of directors, anti-takeover measures, and appropriation of surplus, etc. of the investees, and conducts dialogue with investees on the content, etc. of agenda items as required.
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 interest of stakeholders and practice of co-creation with them

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

Article 6

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 7

1. The Company fosters a corporate culture of sound business practice and respects the rights, viewpoints and interests of all stakeholders, including shareholders, customers, business partners, creditors, employees and local communities. In addition, the Company practices co-creation of values with the stakeholders for the sustainable growth and medium- to long-term enhancement of the corporate value of the Group.

Improvement of working environment and respect for human rights and diversity

Article 8

1. The Company clearly stipulates in the EBARA Group CSR Policy that it respects human rights and diversity of its employees, including improvement of their working conditions, etc., and abides by the policy.
2. The Company establishes the EBARA Group Human Rights Policy, and its philosophy on respect for human rights is based on the International Bill of Human Rights, including prohibition of child labor and forced labor, and occupational safety, the ILO Declaration on Fundamental Principles and Rights at Work, and the United Nation's Guiding Principles on Business and Human Rights. The Company shall also establish a policy to implement its human rights strategy and the Human Rights Committee to promote activities based on the Human Rights Policy. The Company strives for continuous improvement on its human rights

management mechanism, including human rights due diligence and relief measures.

3. The Company recognizes that having diverse perspectives and values contributes to the medium- to long-term enhancement of the corporate value of the Group. Based on the above, the Company strives to develop diversity of employees in terms of gender, internationality, experiences within and outside of the Company, age, etc., and implement a policy for promoting diversity that includes the encouragement of active participation of diverse workforce.

Whistle-blowing

Article 9

The Company establishes 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 10

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 actively discloses any information deemed to be useful to stakeholders such as management philosophies, medium- and long-term management policies, including basic sustainability policies such as TCFD-based response to climate change, and management plans (hereinafter correctively "**the Basic Management Policy**") through various media such as the Company's website and integrated reports, etc.,
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 Roles and responsibilities of Board of Directors, etc.

Board of Directors

Article 11

1. The Company has adopted the organization form of a Company with Nomination Committee, etc., in accordance with Article 1, Paragraph 2 (4) to clearly separate management supervision and business execution. In doing so, the Board of Directors acts as a monitoring board, and the Company realizes its mission of "continuous enhancement of corporate value," entrusted by shareholders by implementing efficient and effective corporate governance.
2. The number of Directors comprising the members of the Board of Directors shall not exceed fifteen (15). At least the majority of the Board members shall be Independent Directors, and the number of Directors who concurrently serve as Executive Officers shall be kept to a minimum. The Board of Directors comprises personnel who satisfy the requirements, qualifications and competencies as defined under Chapter 6 in a balanced manner, while maintaining both appropriate size and diversity from various perspectives, including gender, internationality, internal and external experiences, age, and years of service.
3. 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 shall consider the viewpoints of all stakeholders.
4. The Board of Directors establishes the Basic Management Policy for the long-term business environment so that the Group can enhance its corporate value. To achieve this goal, the Board of Directors strives to improve its social and environmental values through the sophisticated ESG-based management and continuous contribution to solving social issues, including SDGs, through its business. For the same reason, the Board of Directors also makes best efforts to improve its economic value by the ROIC-based management and portfolio-based management at the same time.
5. The Board of Directors exercises its leadership in developing an environment in which the management can take bold action to prevent the loss of business opportunities, in addition to developing an environment that incorporates controls for preventing possible risks of improper conducts, etc.
6. 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 establishment of the Basic Management Policy and those that may have a significant impact on the management of the Group.

7. 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.
8. 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.

Nomination Committee

Article 12

1. Nomination Committee is primarily responsible for preparing proposals for the General Meeting of Shareholders with regard to the election and dismissal of Directors, and for making recommendations to the Board of Directors with regard to the election and dismissal of President & REO, the election and dismissal of Executive Officers, appointment and dismissal of Directors with special titles, appointment and dismissal of the Chairman of the Board of Directors and a Non-executive Inside Director to assist the Chairman and the appointment and dismissal of members and the Chairperson of each of the Nomination Committee, Compensation Committee, and Audit Committee.
2. In the selection of nominees under the preceding paragraph, the Nomination Committee takes into consideration of the result of the evaluation of effectiveness of the Board of Directors as a whole, each Committee, each Director, and the Chairman of the Board as defined under Article 24 and the predefined qualifications of the Directors required to enhance the effectiveness of the Board.
3. The Nomination Committee establishes a policy for election and dismissal and a succession plan for the President & REO. The succession plan specifies requirements for qualifications of the President & REO based on the current and future business environment and management strategies of the Company and is used to gradually develop and select personnel suitable to serve as the President & REO systematically. Furthermore, the Nomination Committee shall periodically and as needed, check that the incumbent President & REO conforms with the requirements, and makes recommendations to the Board of Directors with respect to the successor of the President & REO based on the succession plan when the incumbent President & REO 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 & REO, the Nomination Committee submits a proposal to the Board of Directors to not recommend the reappointment of the incumbent President & REO.
- 4 The Nomination Committee deliberates election and dismissal of the Executive Officers (excluding President & REO) and cooperates with President & REO to develop and select candidates for the future management.
 - 5 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 of the Nomination Committee shall be Independent Directors and the Chairperson thereof shall be an Independent Director in principle.
 - 6 The Nomination Committee sets out basic policies and regulations, etc., necessary for executing its duties.
 7. The Nomination Committee shall utilize external experts as appropriate such as implementing external evaluation of the President & REO 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 its duties.
 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.

Compensation Committee

Article 13

1. The Compensation Committee strives to achieve sustainable growth and to increase corporate value over the medium- to long-term through compensation, by encouraging the Executive Officers to perform their duties in accordance with the management philosophy and management strategies and by fostering human resources and cultivating a culture by strongly motivating them to achieve challenging management targets with appropriately controlled risks, and by establishing a compensation system and standards that reflect the roles of the Directors defined in this Policy, including supervision of execution of their duties.
- 2 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 of the Compensation Committee shall be Independent Directors and the Chairperson thereof shall be an Independent Director in principle.
- 3 The Compensation Committee sets out basic policies and regulations, etc., necessary for executing its duties.
- 4 The Compensation Committee is mainly responsible for making decisions on the

compensation, etc. for individual Director and Executive Officer, and making recommendations to the Board of Directors concerning the executives' compensation system of the Company as well as Group companies.

- 5 The Compensation Committee is entitled to 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 deemed necessary for the execution of its duties.
- 6 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.

Audit Committee

Article 14

1. The Audit Committee strives to establish a high-quality corporate governance system that responds to social trust by serving as a part of the Board of Directors' supervisory function and properly auditing execution of duties of the Executive Officers and Directors, and by considering the interests of various stakeholders from an enterprise and business group perspectives, collaborating with these stakeholders, realizing sound and sustainable growth and the creation of corporate value over the medium- to long-term.
2. 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 of the Audit Committee shall be Independent Directors and the Chairperson thereof shall be an Independent Director in principle. 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.
3. The Audit Committee sets out the basic policies and regulations, etc., necessary for executing its duties.
4. 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 monitors and verifies whether the Executive Officers, etc. are executing the business in a sound, fair and reasonable, and efficient manner based on the Basic Management Policy prescribed by the Board of Directors, etc. The Audit Committee reports the progress and results of the audits, etc. to the Board of Directors as appropriate. The Audit Committee also provides advice and recommendations to Executive Officers, etc., as required.
5. 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.

6. 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.
7. The Audit Committee establishes a system for direct reporting to the Audit Committee as defined under Article 9, 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.
8. 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.
9. The Company establishes the Audit Committee Office under the jurisdiction of the Audit Committee as a secretariat that assists the committee with adequate staff and budget to enable the committee to appropriately fulfill its roles and functions. Members of the Audit Committee Office are staffed from the internal audit department to ensure independence of the Audit Committee from business execution and effective auditing, and the Audit Committee directs investigation to the Office directly and with priority as required.

Executive Session

Article 15

1. The Company establishes the Executive Session, a meeting structure comprising all Independent Directors (and Independent Directors only), as a forum for Independent Directors to deepen their understanding of matters necessary to enhance quality of deliberation at the Board of Directors meetings and to freely discuss matters in order to enhance the effectiveness of the Board of Directors. The Lead Independent Director appointed in accordance with Article 21, Paragraph 1 shall chair the Executive Sessions.
2. 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.
3. The Company establishes a secretariat with adequate staff and budget to support the activities of the Independent Directors’ Meeting.

Chapter 6 Roles and responsibilities of Directors

Directors

Article 16

1. The Nomination Committee separately establishes the election policy such as the standards and procedures for the election of Directors, and select Director nominees based on these policy. In addition, the Company sets out its policy on the diversity of composition of the Board of Directors, with consideration of gender, internationality, internal and external experiences, and age/years of service perspectives. When selecting Director nominees, the Company shall consider diversity based on this policy.
2. Expected roles of the Directors and required qualifications and competencies are set as follows.

Roles

- Strive to make the best efforts at deliberations at the Board of Directors meetings and monitor business execution, so that the Board of Directors is able to fulfill its role as a monitoring board to "show the general direction of the business such as corporate strategies, etc.," "create an environment that enables appropriate risk-taking in business execution," and "conduct highly effective supervision of business execution from an independent and objective standpoint"
- Make wise decisions with broad insight and logical thinking based on his/her expertise in specific fields, while taking into account opinions of other Directors and information from inside and outside the Company
- Express not only approval or disapproval on issues, but also present new issues for growth of the Company during deliberations

Qualifications and Competencies

- Has outstanding personality, high ethical standards, a spirit of exploration, and a spirit of independence
- Has demonstrated outstanding results, because of his/her excellent knowledge in corporate management, experience in decision-making from a responsible position or demonstrating professional skills
- Has or willing to acquire the latest information on industries and/or peripheral/relevant domains related to the strategic direction and/or medium-to long-term issues of the Company
- Has insight and logical-thinking ability to make judgments by referring to the opinions of other Directors and new information from inside and outside the Company, rather than solely relying on his/her own past experience and knowledge.
- Committed to the governance reform of the Company and motivated to develop

himself/herself by contributing to the process of its evolution.

Independent Directors

Article 17

1. 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.
2. The term of office for Independent Directors shall not exceed six (6) years. However, the term can be extended, through reelection, up to eight (8) years assuming election as the chairperson of Nomination Committee, the Audit Committee or the Compensation Committee, or up to nine (9) years assuming election as the Lead Independent Director, or up to twelve (12) years assuming election as the Chairman of the Board of Directors.
3. 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 expected of an Independent Director of the Company.
4. Expected roles of Independent Directors and required qualifications and competencies are set as follows.

Roles

- Enhance the quality of deliberations at the Board of Directors meetings by providing opinions and recommendations of problem-solving thinking from an objective and diversity perspective
- At Executive Sessions, strive to determine the true nature of the issue by actively making efforts to understand not only the issue itself, but also the Company and its business as its background.
- Assume the duties as a member of the Nomination Committee, Audit Committee and/or Compensation Committee when appointed by the Board of Directors.
- Participate in the Board of Directors meetings and other meeting structures on management, independently from the Executive Officers, when deemed necessary, and provide supervision and advice on the Company's operations by expressing his/her views and other means
- In the event an evaluation and/or judgment independent from the Executive Officers with respect to the Company compliance, etc. is required, participate in such evaluation and/or judgment by, for example, becoming a member of the Investigation Committee
- Supervise and verify key business measures, result of management, and the Executive Officers' performance in light of the management strategy and plan determined by the Board of Directors, and provide candid opinions and recommendations based on

problem-solving thinking regarding the appropriateness of entrusting management to the current Executive Officers from an objective standpoint

- Stay completely independent from business execution from all standpoints, including personal, economic, and mindset perspectives, and provide appropriate opinions and recommendations at the Board of Directors meetings, etc. from the standpoint of shareholders and other stakeholders

Qualifications and Competencies

Independent Directors are expected to have superior knowledge and experiences in one or more of the following domains.

- Has experience of serving at a responsible position in corporate management and demonstrated leadership in corporate transformation
- Has demonstrated leadership in implementing and enhancing the ESG-based management
- Has demonstrated leadership in personnel, human resource development, and corporate culture reform
- Has intimate knowledge of solving issues related to finance, accounting and/or capital policy and has experienced such problem solving from a business management perspective
- Has intimate knowledge of auditing
- Has intimate knowledge of legal affairs, internal control, and governance reforms
- Has intimate knowledge of the latest issues regarding technical development and R&D, and has experienced such development from a business management perspective
- Has intimate knowledge of global environment issues such as climate change caused by the greenhouse effect gas
- Has intimate knowledge with regard to adequate conduct of an enterprise as a social entity such as respect for human rights, diversity, health and working environment, and supply chain management
- Has intimate knowledge of areas which are anticipated to rapidly evolve in the future, such as digitization and AI technology

Non-Executive Inside Directors

Article 18

1. Expected roles of the Non-Executive Inside Directors and required qualifications and competencies are set as follows.

Roles

- Express opinions from an objective perspective as a Director who is not presently

involved with business execution, based on his/her prior experience of business execution

- Monitor the status of business execution as appropriate, and provide appropriate supervision for execution of important matters
- Fulfill a complementary function for the roles expected of Independent Directors
- Serve as the primary liaison between the Independent Directors and Executive Officers as required
- Serve a necessary role to deepen the understanding of issues related to business execution and the organization among the Independent Directors

Qualifications and Competencies

- Has the same qualifications and competencies required of Independent Directors as defined under Article 17, Paragraph 4
 - Has broad knowledge of business execution of the Company and is capable of supervising and supporting business execution through proper communications
2. Among Non-Executive Inside Directors, expected roles of the Director, Chairman of the Company are set as follows.

Roles

- When the Board of Directors is required to be reformed from a corporate governance perspective, demonstrate leadership in the process required for the change and make recommendations to the Board of Directors in coordination with the Chairman of the Board of Directors
- In case an Independent Director serves as the Chairman of the Board of Directors, assist the Chairman and function as a good advisor as required
- Serve the roles required in the Group's external activities as required

Chairman of the Board of Directors

Article 19

1. In principle, the Chairman of the Board of Directors shall be served by an Independent Director due to the need to exercise a transparent and fair supervisory functions. The Board of Directors appoints the Chairman of the Board of Directors based on the recommendation by the Nomination Committee, and the Board of Directors determines annually if the incumbent Chairman should continue to serve based on the result of the evaluation of effectiveness of the Board of Directors as defined under Article 24.
2. The Chairman of Board of Directors shall not concurrently serve as a Chairperson of the Nomination Committee, Audit Committee, or Compensation Committee, or the Lead Independent Director, unless otherwise specified, to ensure that the Board of Directors, and

each of the above Committees are able to properly fulfill its responsibility.

- 3 Expected roles of the Chairman of the Board of Directors and required qualifications and competencies are set as follows.

Roles

- 1) Conduct the following to facilitate agenda setting for the Board of Directors meetings, and effective decision-making and problem-solving deliberations
 - Set the agenda for the Board of Directors meetings with items to be resolved, deliberated and/or reported after consulting with the President & REO and the Director, Chairman of the Company
 - Strive to understand issues related to the business execution, for example, by sitting with important meetings such as Management Meetings, etc., and/or by reviewing minutes of such meetings as required
 - Prepare an annual agenda schedule for agenda items that can be set in advance to ensure that deliberations are conducted at an appropriate timing and sufficient preparations can be made for them
 - Take a lead of internal discussions as the chief of the highest decision-making body of the Company to derive the best solution, while taking into account the standpoint of all stakeholders, in the event of making decisions on the policy to handle unknown risks such as major disasters and infectious disease pandemics, and detection of information with regard to attempt of takeover or a scandal such as serious conflict of interest
- 2) Conduct the following to facilitate smooth operation of the Board of Directors and promote specific business execution
 - Facilitate active discussion to determine the Group's overall strategic direction, and play an active role in the business development
 - Lead deliberation to ensure that Board of Directors operates with an effective decision-making process and to encourage adequate challenges in business execution.
 - Ensure that the Board of Directors receives accurate, timely, and clear information
 - Lead the follow-up of matters resolved by the Board of Directors to supervise effective implementation by Executive Officers
 - Properly communicate with the Board of Directors' Secretariat and establish a support system required for smooth operations of the Board of Directors, such as securing necessary resources
- 3) Demonstrate leadership in implementing the PDCA cycle of the Board of Directors including leading the evaluation of effectiveness of the Board of Directors as a whole,

each Committee and Director, and take the initiative in improving governance at all times

- 4) Demonstrate leadership in disseminating information to the stock market and necessary information gathering

Qualifications and Competencies

- Lead the Board of Directors in a fair, objective and self-restraint manner and earn trust from the stakeholders
- Fully realize his/her responsibility and demonstrate leadership as the chief of the highest decision-making body of the Company, for example, responding with a sense of urgency in the event of emergencies
- Interested in the Company's business execution and management personnel, and is willing to deepen the understanding of the same by having dialogues with the execution side.

Assistant to the Chairman of the Board of Directors

Article 20

1. The Board of Directors appoints the Director, Chairman of the Company (or a Non-executive Inside Director in the absence of the Chairman of the Company) as an assistant to the Independent Director who is serving as a Chairman of the Board of Directors, as defined under Article 19, Paragraph 1.
2. Expected roles the Assistant to the Chairman of the Board of Directors and required qualifications and competencies of are set as follows.

Roles

- Assist the Chairman of the Board of Directors in his capacity as requested by the Chairman of the Board of Directors
- Act on behalf of the Chairman of the Board of Directors in performing his/her duties when he/she is unable to perform his/her duties

Lead Independent Director

Article 21

1. Lead Independent Director shall be appointed from Independent Directors who are not serving as the Chairman of the Board of Directors.
2. The expected roles of the Lead Independent Director and the required qualifications and competencies are set as follows.

Roles

- Hold Executive Sessions for Independent Directors to improve the quality of the Board

of Directors meetings by promoting their understanding of issues by selecting proper agenda items and organizing discussion points

- Establish and supervise appropriate training programs for the Independent Directors, including newly appointed Independent Directors, by identifying the needs of each Independent Director, such as deepening understanding of specific issues

Qualifications and Competencies

- Lead the Independent Directors in a fair, objective and self-restraint manner and earn trust from the stakeholders
- Has broad insight and able to develop appropriate improvement measures for Independent Directors to fulfill their roles

Chairperson of Committee

Article 22

1. The Chairperson of the Nomination Committee, Compensation Committee and Audit Committee shall exercise leadership in the committee activities and are held responsible for his/her committee's performance. The Chairperson shall be appointed from Independent Directors to ensure the independence and objectivity of the Committee management.
2. Each Chairperson is expected to lead his/her Committee in a fair, objective and self-restraint manner and earn trust from the stakeholders. Each Chairperson shall communicate with other Committees in addition to his/her Committee members as required.
3. In addition to the preceding paragraphs, the roles expected of each Committee Chairperson and qualifications and competencies required of each Chairperson are as follows.

1) Chairperson of the Nomination Committee

Roles

- Set the agenda for the Nomination Committee and facilitate effective decision-making and problem-solving discussions to fulfill the roles of the Nomination Committee as defined under Article 12
- Function as a mutual check with the Chairman of the Board of Directors

Qualifications and Competencies

- In order to continuously maintain high quality of management personnel, actively gather information on human resources by conducting interviews, etc. with relevant personnel to regularly update information on internal and external candidates for management positions and Directors and regularly updating information on personnel that is beneficial to the Committee, also is motivated to make efforts to candidate development and secure diversity as well

2) Chairperson of the Compensation Committee

Roles

- Set the agenda for the Compensation Committee and facilitate effective decision-making and problem-solving discussions to fulfill the roles of the Compensation Committee as defined under Article 13

Qualifications and Competencies

- Able to design incentives to promote appropriate challenges to accelerate organizational revitalization, human resource development, and corporate culture transformation

3) Chairperson of the Audit Committee

Roles

- Set the agenda of Audit Committee and facilitate effective decision-making and problem-solving discussions to fulfill the roles of the Audit Committee as defined under Article 14

Qualifications and Competencies

- Able to oversee and make work the entire auditing and internal control functions of the Group and proactively engage himself/herself in such functions

Chapter 7 Training for Directors, Evaluation of Effectiveness of the Board of Directors, etc.

Training for Directors

Article 23

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.

Evaluation of Effectiveness of the Board of Directors

Article 24

1. The Board of Directors annually conducts analysis and evaluation of the effectiveness of the Board of Directors as a whole, each committee and each director (hereinafter "**the Evaluation of the Effectiveness**"). The Board of Directors is responsible for taking a proper

- response to findings and improvements commented by the Evaluations of Effectiveness, and/or proposals deemed effective for continuous enhancement of the governance. The Board of Directors establishes a PDCA based operation and disclose a summary of the result.
2. As part of the Evaluations of Effectiveness set forth in the preceding paragraph, the Board of Directors conducts an annual evaluation of the Chairman of the Board of Directors in a forum where the Chairman of the Board of Directors is not present.

Compensation and other benefits for Directors, etc.

Article 25

1. The Company determines the amount of compensation, etc., for Directors, etc., in accordance with the following policies set out by the Compensation Committee in accordance with Article 13.
 - (1) Directors' compensation level and compensation system shall reflect the roles as defined in this Policy, and the compensation comprises basic compensation, allowances and long-term incentives. Basic compensation and allowances are determined based on the scope of the roles of individual Director and the number of hours required to perform the duties. In addition, long-term incentives shall be in the form of restricted stock compensations to promote the sustainable improvement of corporate value and to encourage the Directors to share values with shareholders through the ownership of shares. A Director who concurrently serves as an Executive Officer is paid with compensation as an Executive Officer only, and not compensation as a Director.
 - (2) The compensation system for Executive Officers is designed to strongly motivate to achieve management targets and medium- to long-term enhancement of its corporate value while prompting business execution in line with the management philosophy and management strategies. The compensation structure comprises basic compensation according to the role of each Executive Officer, a short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation. The Company designs the compensation level to be adequate in light of the business and size of the Company, and allocates a larger performance-linked portion for Executive Officers in higher roles with greater responsibility.
2. 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 & REO as well as each Executive Officer, and discloses such information in a

timely and appropriate manner.

3. The Company discloses compensation amounts, etc., paid to Directors, etc., along with the relevant policies defined under Paragraph 1 in an appropriate way.

Established on November 10, 2015

Revised on September 14, 2021

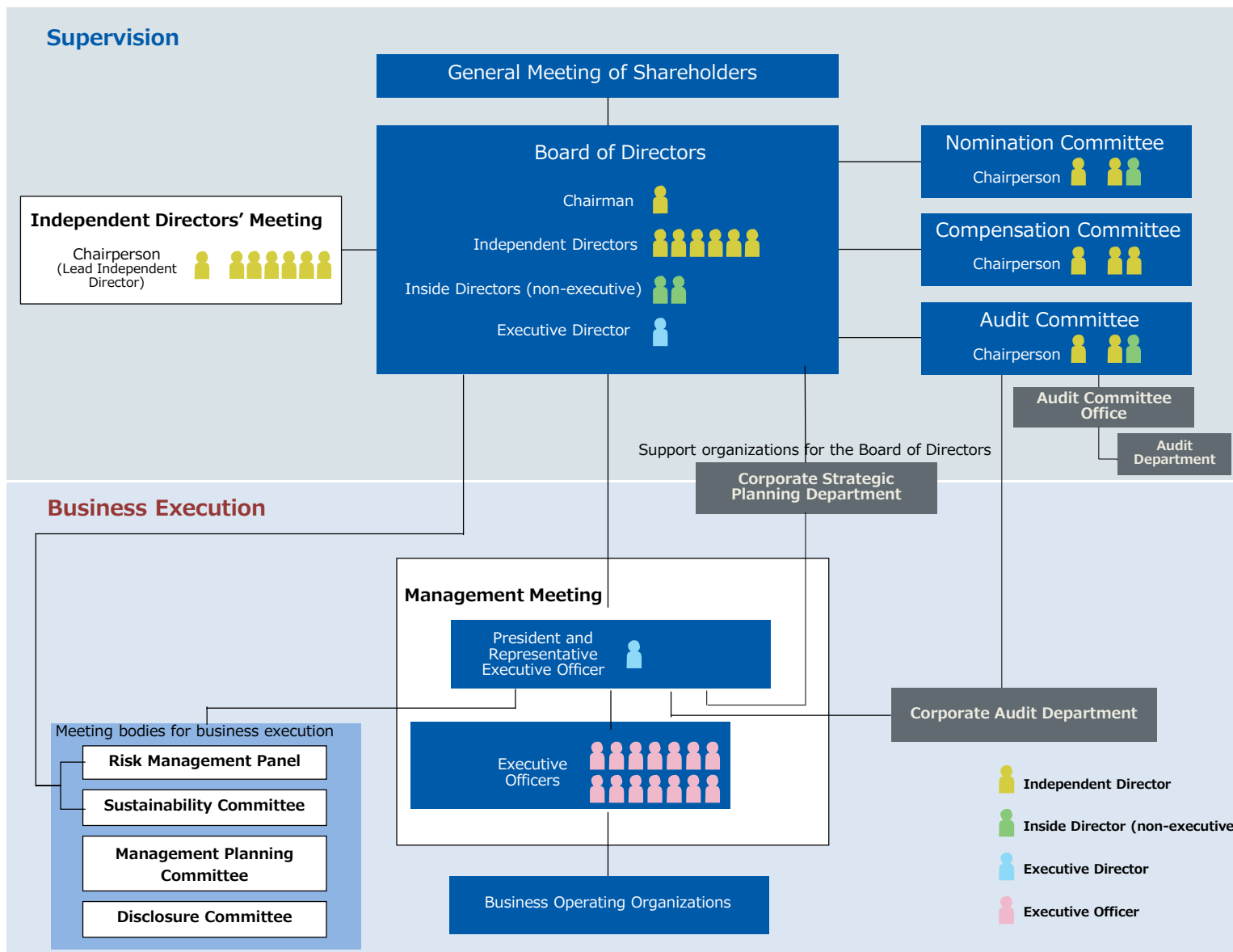
Revised on May 12, 2022

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 to Item 4, 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 March 30, 2022)



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 violations 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) The Sustainability Committee, chaired by the President and Representative Executive Officer, deliberates on policies, strategies, targets, KPIs, progress, and results for activities concerning social and environmental factors and the Group’s sustainability. 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 2021.</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” has been established to promptly address any reports or inquiries on violations of the “EBARA Group Business Ethics Framework,” 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 twenty subsidiaries in nine countries overseas.</p> <p>(5) 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 Network meetings are periodically held for Chinese subsidiaries.</p> <p>(6) The Company has established an Internal Audit Division, which conducts activities in accordance with the annual audit plan based on the “Internal Audit Rules”. It conducts audits and monitoring of the operations of the Company and its subsidiaries independent of the business execution departments. 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. Due to restrictions on movement to prevent the spread of the COVID-19 infection, remote audits using outside experts has been conducted for overseas subsidiaries.</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.	<ul style="list-style-type: none"> (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. (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. (3) The Company confirms the level of information management of the entire EBARA Group and conduct a survey of the actual situation in order to make improvements.
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.	<ul style="list-style-type: none"> (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. (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.
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.	<ul style="list-style-type: none"> (1) Authority responsibilities, and procedures are set out in the “Authority Rules,” etc., of the Company and its subsidiaries, whereby risk management is conducted. (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. (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 twelve meetings were held in the fiscal year 2021. (4) With regard to the spread of the COVID-19 infection, we have set up a task force in accordance with the regulations and are continuing activities such as collecting information and deploying countermeasures to the EBARA Group. (5) The Company continues to strengthen the information security management system of the entire EBARA Group in preparation for cyber attacks from outside.

Basic Policies for Internal Control	Overview of Operation
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 ensures 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 of 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, and those policies are reflected in the annual management plans of the Company and its subsidiaries. As for return on invested capital (ROIC), the most important management indicator (KPI), we confirm the progress at KPI monitoring meetings.</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 and Representative Executive Officer. The Management Meeting is held once every month.</p>
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 Anti-social 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 2021.</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 the 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>

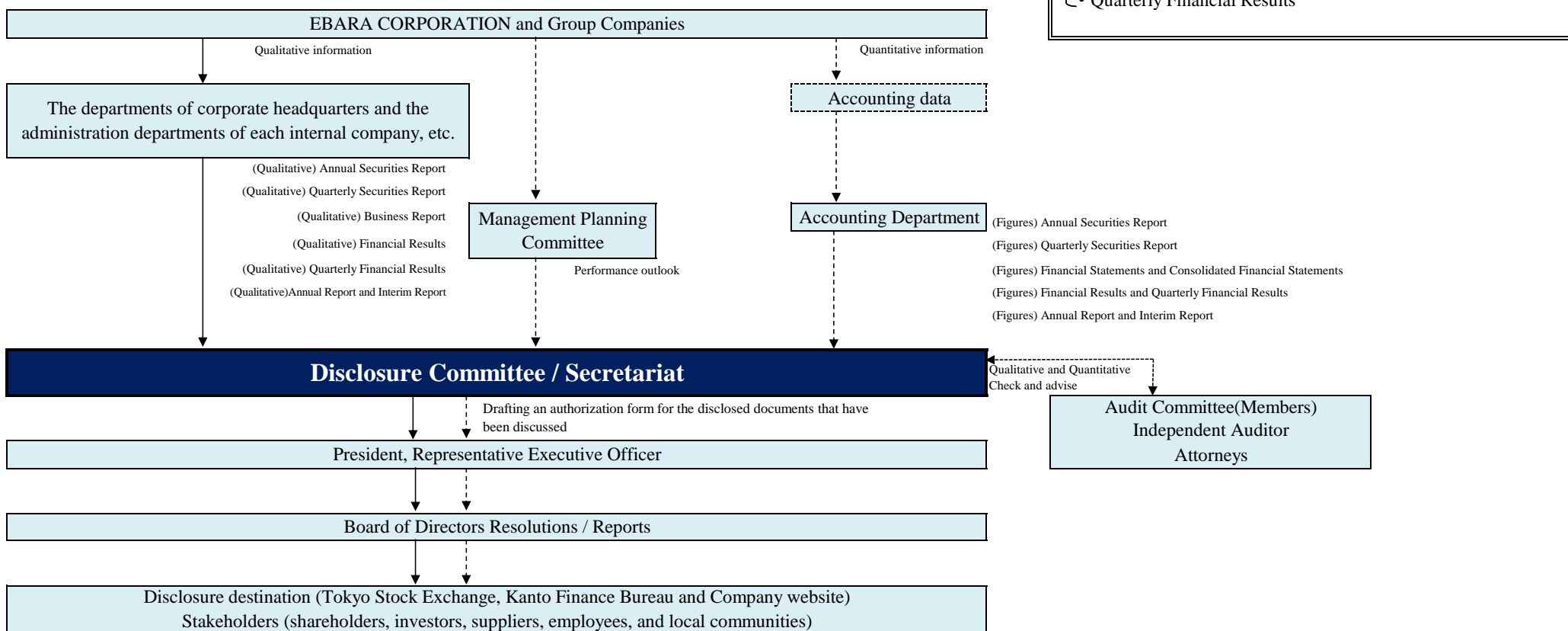
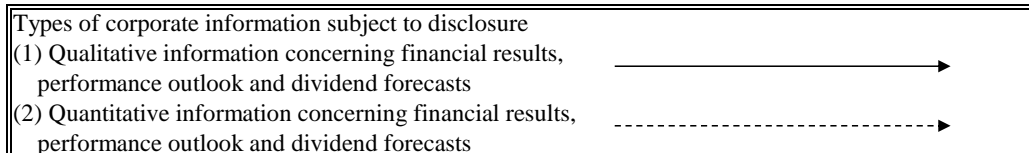
Basic Policies for Internal Control	Overview of Operation
8. Systems for Assigning Employees to Assist the Audit Committee in the Execution of Its Duties	
<p>Establish the Audit Committee Office as a department that assists the Audit Committee in the execution of its duties.</p>	<p>(1) The Audit Committee Office has been established as a department that assists the Audit Committee in the execution of its duties.</p> <p>(2) The Company appoints employees who are to assist the Audit Committee in its duties (hereinafter referred to as "assistant employees of the Audit Committee" or "assistant employees") and assign them to the Audit Committee Office. In the fiscal year 2022, sixteen (16) employees have belonged to the Audit Committee Office, of which five (5) were engaged in administrative work related to the Audit Committee as fulltime assistant employees. The other eleven (11) members are mainly engaged in the internal audit division or as auditors of affiliated companies, and have been concurrently employed by the Audit Committee Office as assistant employees. Assistants to the Audit Committee may also serve as auditors of affiliated companies for the purpose of ensuring the internal control of the EBARA Group.</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>(1) The appointment of assistants to the Audit Committee is determined with the consent of the Audit Committee in principal.</p> <p>(2) Full-time Assistants to the Audit Committee are not concurrently engaged the duties related to the execution of duties by Executive Officers. 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) In the event that instructions from the Audit Committee conflict with instructions from the Executive Officer or the head of the other department, the Assistants to the Audit Committee who concurrently engaged the duties related to the execution of duties by Executive Officers shall give priority to the instructions from the Audit Committee and ensure the effectiveness of the instructions from the Audit Committee.</p> <p>(4) Assistants to the Audit Committee may serve as Audit & Supervisory Board Members of affiliated companies with the prior approval of the Audit Committee.</p> <p>(5) 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) Full-time 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) For assistants to the Audit Committee who concurrently perform the duties related to the execution of duties by the executive officers, the Internal Rules stipulate that in the event that instructions from the Audit Committee conflict with instructions from the executive officer or the head of the department where they concurrently work, the instructions from the Audit Committee shall take precedence, thereby ensuring the effectiveness of the instructions from the Audit Committee.</p> <p>(4) Assistants to the Audit Committee serve as Audit & Supervisory Board Members of affiliated companies with the prior approval of the Audit Committee.</p> <p>(5) 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
<p>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>	
<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 & 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” has 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 2021, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) have been established for a total of twenty subsidiaries in nine 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, Executive Officers, or Directors of its subsidiaries commit 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>

Basic Policies for Internal Control	Overview of Operation
11. Other Systems for Ensuring the Effectiveness of Audits by the Audit Committee	
<p>(1) Ensure the effectiveness of audits by establishing an appropriate exchange of opinions and collaboration between the Audit Committee and the departments responsible for internal controls, risk management, and compliance, and the Internal Audit Division as well as Audit & Supervisory Board Members of affiliates.</p> <p>(2) In the event of a request from the Audit Committee, the department manager or department member of the Internal Audit Department or Audit & Supervisory Board Members of a subsidiary shall be assigned concurrently to the department under the jurisdiction of the Audit Committee. For Audit & Supervisory Board Members of affiliated companies, the candidate will be decided after obtaining the consent of the Audit Committee.</p> <p>(3) 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 and Executive Officer in charge of the president of Fluid Machinery & Systems Company, Environmental Engineering Company, and Precision Machinery Company 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 as well as Audit & Supervisory Board Members of affiliated companies regularly exchange information and opinions with the Audit Committee and also exchange information on important matters as needed in an effort to promote collaboration.</p> <p>(3) At the request of the Audit Committee, the department head or department member of the Internal Audit Department or Audit & Supervisory Board Members of a subsidiary is assigned to the department under the jurisdiction of the Audit Committee. In addition, when nominating candidates for Audit & Supervisory Board Members of affiliated companies, the decision is made after obtaining the consent of the Audit Committee.</p> <p>(4) 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>
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 the “Standards of Assessment and Audit on Internal Control over Financial Reporting,” as well as the “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) The scope of the 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. We have adopted International Financial Reporting Standards (IFRS) from the fiscal year 2021, but this has had no impact on the subject, scope, or method of internal control evaluation.</p>

Disclosure Process

(1) Corporate information subject to regular disclosure



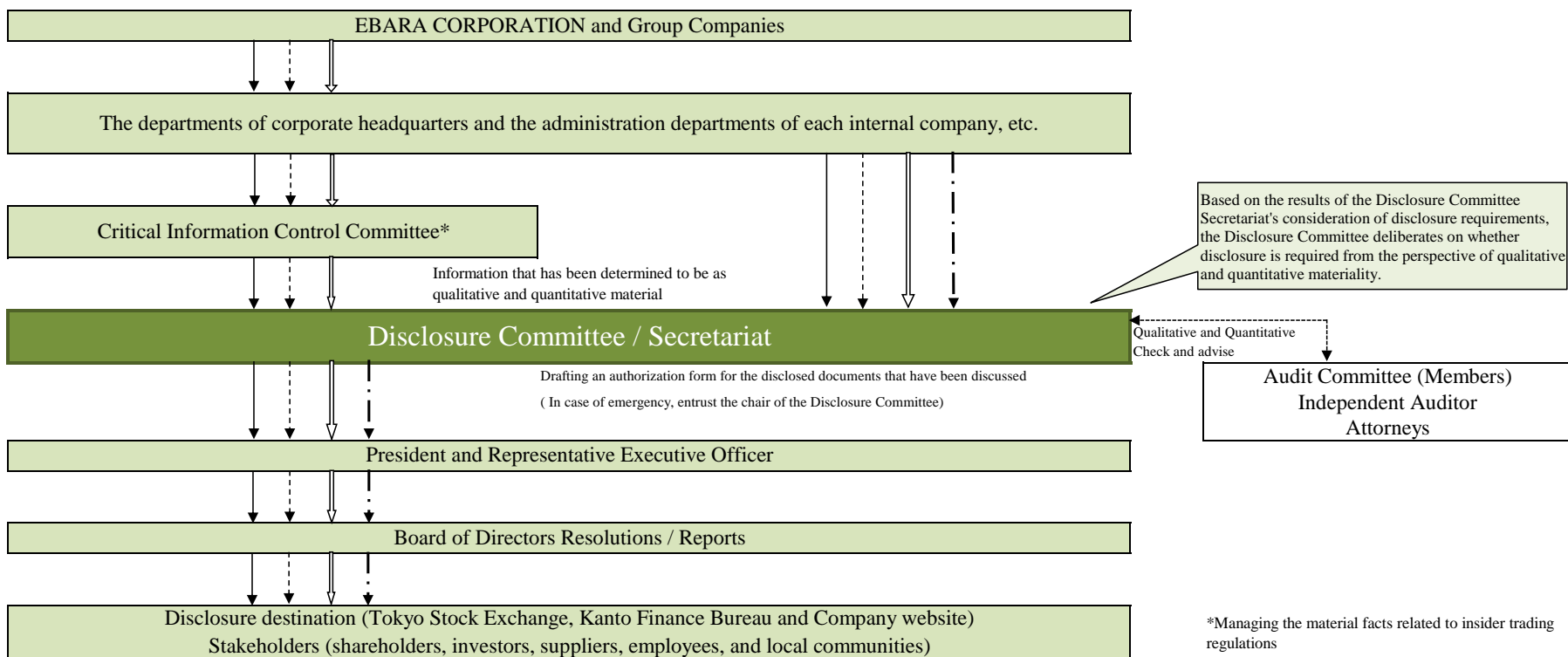
(2) Corporate information subject to extraordinary disclosure

Types of corporate information subject to disclosure

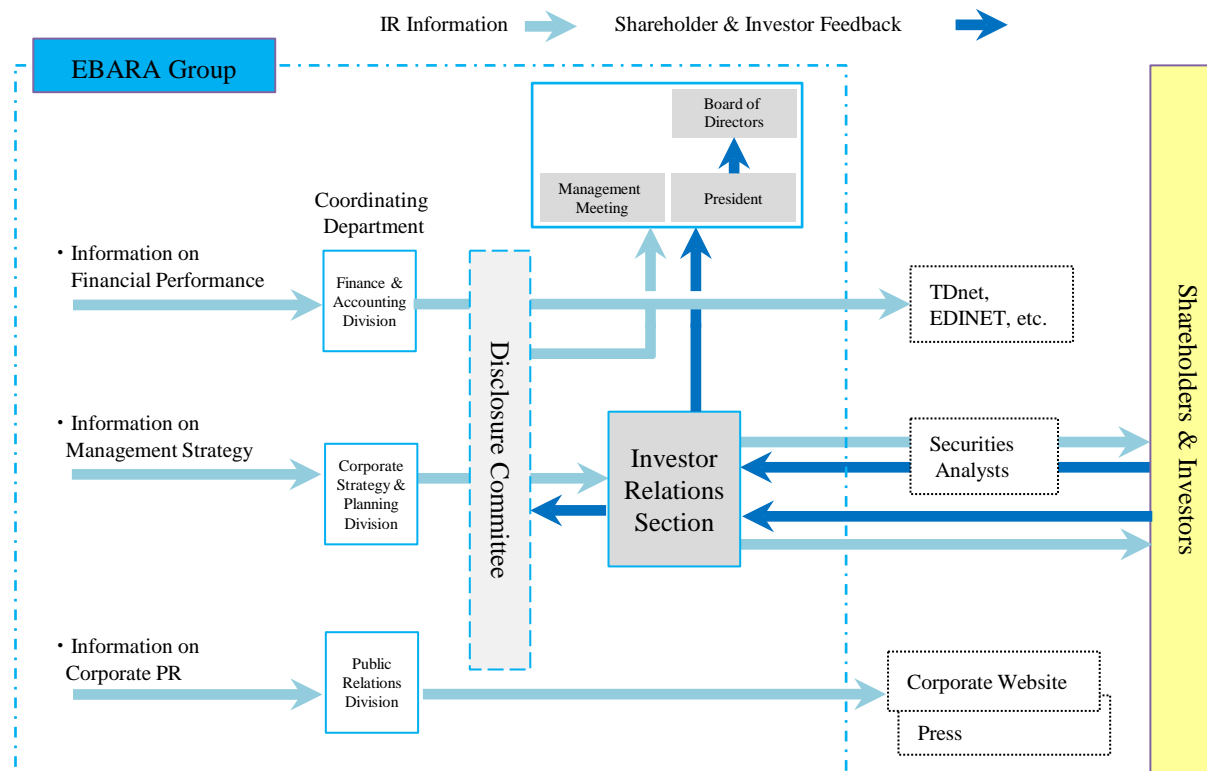
- (1) Information relating to decided matters
- (2) Information relating to events
- (3) Information relating to performance outlook and dividend forecasts
- (4) Information relating to corporate governance

《Disclosed documents》

- Extraordinary Report
- Securities Registration Statement
- Timely Disclosure
- Corporate Governance Report



Flow Chart of Communication with Shareholders & 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.