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Corporate Governance Report

Last Update: November 16, 2023

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.

[Actions to Implement Management Approach Conscious of Cost of Capital and Share Price]

[English information available]

The EBARA Group has implemented such actions and disclosed the status in the following materials:

- 1-2. Business Strategies and Business Plan
- Integrated Report 2023 (p.15-16)  
⇒[https://www.ebara.co.jp/en/ir/library/annual-report/pdf/INT23\\_a3\\_EN.pdf](https://www.ebara.co.jp/en/ir/library/annual-report/pdf/INT23_a3_EN.pdf)
- Long-term Vision and Medium-term Management Plan  
⇒<https://www.ebara.co.jp/en/ir/business/information/vision.html>
- Mid-term Business Plan, E-Plan 2025  
⇒[https://www.ebara.co.jp/en/ir/business/information/\\_icsFiles/afiedfile/2023/03/24/news20230324d\\_e.pdf](https://www.ebara.co.jp/en/ir/business/information/_icsFiles/afiedfile/2023/03/24/news20230324d_e.pdf)

#### ◇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 has preached that each individual's work would be for ourselves, which in turn would finally contributes to the Company, society, and the nation. Our founding spirit of working with passion and dedication 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, 1.4, 3.1 i), 4.2, 5.2, Supplementary Principle 1.4.1, 1.4.2, 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 2025), 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”**

Since it was founded in 1912, the Group has continued to develop its business activities in accordance with its Founding Spirit of “Netsu to Makoto” (Passion and Dedication) and its corporate philosophy of “We contribute to society through high-quality technologies and services relating to water, air, and the environment.” At the time of our founding, we contributed to the development of water infrastructure in Japan and responded to the demands of society with the intention of “shaping Japan through the business of helping realize the safe and reliable supply of water.” During the economic reconstruction from World War II and the prosperity that followed in Japan, there was growing construction demand related to industrial infrastructure and urbanization. The Group responded to such demand with a diverse lineup of fluid machinery and system products and services matched to the various needs that arose during this period, and also offered waste incineration facilities to be used in the disposal of waste, which increased as people’s lives became more sophisticated. Furthermore, we are contributing to the evolving information society by developing semiconductor manufacturing equipment and components to meet the explosive growth in demand for semiconductors that accompanies the progress of the information society. Recently, we have worked to make our products more energy efficient to meet the demands of a sustainable society, and in this way, we have been contributing to the solutions of diverse social issues through our business activities.

Looking ahead at the next 100 years of human civilization and the global environment, there are many issues to be considered. The Group sees abnormal weather and intensifying natural disasters due to climate change or especially global warming, storm surges due to rising sea levels, land erosion, and depletion of food and water resources as major issues. In addition, the technologies of the information age are expected to evolve even further, bringing drastic change to current lifestyles and the digital world as well as higher demand in semiconductors underpinning the digital society, and pushing the limits of semiconductor manufacturing technologies.

Given this uncertain operating outlook, in order for the Group to achieve further growth while solving social issues, it is essential to have a clear vision with straightforward policies and strategies for realizing that vision, in view of how society will change and what issues will arise as a result, and we have done so within our long-term vision, E-Vision 2030, created in February 2020.

### **Five (5) Material Issues (Materiality)**

As we advance into the future, the EBARA Group will continue to make increasingly wide-reaching contributions to society through its business by capitalizing on the “EBARA Way” and the strengths of the technological capabilities and reliability it has cultivated thus far. We have also set five material issues (EBARA’s materiality) that the EBARA Group will address and improve toward 2030, and we will formulate and implement the process of realizing these material issues as a value creation story.

#### **(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 CO<sub>2</sub> emissions from our business operations and maximize 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.

### **EBARA in 2030**

Over the 2030, the Group aims to become an excellent global company by making continuous contributions through the realization of five material issues that contribute to solving social issues, including the SDGs, and by enhancing our corporate value by simultaneously improving (i) social and environmental value and (ii) economic value. We have set a target of ¥1 trillion in market capitalization as a guideline for the improvement of corporate value in 2030.

#### [Examples of Outcome Targets]

(i) Social and environmental value

- Reduce greenhouse gas emissions equivalent to approximately 100 million tons of CO<sub>2</sub>
- Deliver water to 600 million people worldwide
- Contribute to the evolution of lifestyles by taking on the challenge of the 14 angstrom (one ten-billionth of a meter) generation of cutting-edge semiconductor devices

(ii) Economic value

- Return on invested capital (ROIC) of 10.0% or more
- Return on equity (ROE) attributable to owners of the parent company of 15.0% or more • Revenue of ¥1 trillion

### **Adding an ROE Target**

The first three years of E-Vision 2030 have now passed, and in reviewing E-Vision 2030, we are aware that its general directions (e.g., value creation story, materiality issues) remain unchanged and that they do not require any drastic changes at this point. Meanwhile, we have decided to aim for an ROE of 15% or higher from the perspective of improving the efficiency of equity as well through the ROIC management initiatives we have been promoting.

### **ROIC Management**

We view “ROIC management” as a useful management method that bridges the gap between maximizing corporate value, which is important to shareholders, and maximizing business value, which is important to business units. In our “ROIC management,” we set a WACC (hurdle rate) for each business unit to be managed, and develop measures to maximize the ROIC/WACC spread in each business unit. The ROIC tree is broken down into indicators that are easy to manage for each business unit, and these indicators are positioned as evaluation indicators for each person in charge, and progress is monitored monthly as process Key Performance Indicators (KPIs).

## **(2) Medium-term Management Strategies and Target Performance Indicators**

In February 2023, we have formulated the Medium-term Management Plan E-Plan 2025 for three years starting from FY 2023 with the aim of steadily approaching our vision set forth in E-Vision 2030, based on the strategies and issues to be addressed over the next three years and the responses to issues to be resolved that were clarified from the summary of E-Plan 2022.

### **Review of E-Plan 2022**

In E-Plan 2022, the Group positioned the time frame (FY2020 - FY2022) as the stage to “reinforce the foundations for further growth toward the achievement of E-Vision 2030” and implemented a variety of measures under the four basic policies: (1) strive for growth, (2) improve profitability of existing businesses, (3) refine management and business infrastructure, and (4) enhance ESG-focused management. As a result, the Group has achieved goals in key indicators, including return on invested capital (ROIC) and operating profit ratio that we defined as the most important management indicators and achieved one year ahead of the schedule. We summarize that the plan has made good progress overall.

### **Positioning and Directions of E-Plan 2025**

Based on the achievements of E-Plan 2022, in order to move on to the next stage to further strengthen our competitiveness in each business area, we have set the theme of “creating value from the customer’s perspective”

in E-Plan 2025. In addition, we have positioned the E-Plan 2025 period as a three-year period during which we will steadily approach the EBARA's Vision for 2030 set forth in E-Vision 2030 and ensure the realization of the vision by 2030 and thus determined the following directions.

- Strengthen the market-in initiatives, move away from product-out approach, and instill a corporate culture of “creating new value from the customer’s perspective.”
- Reorganize into a five-company system by target market with an aim to establish a system by which each business can maximize business performance in each target market.
- Aggressively invest capital for business growth and infrastructure to further ensure the realization of the vision for 2030.
- For efficiency and profitability indicators (ROIC and operating profit ratio), maintain the target level which was realized in 2022 and set in E-Vision 2030 (e.g., ROIC of 10%).
- Add an ROE of 15% or higher, set in E-Vision 2030, as a new key indicator to further drive our commitment to achieving “¥1 trillion in market cap by 2030,” while further sophisticating ROIC-focused management.
- Introduce CxO system to totally optimize the Group and enhance the Group governance by function.

With the implementation of the above 1 through 6, the goal of E-Plan 2025 is to reach a position where we can more certainly foresee the path to realize the EBARA's Vision for 2030. With regard to business growth, we have set a top-line CAGR of 7% for the E-Plan 2025 period, which we will achieve mainly in the following two businesses of growth areas: Building Service & Industrial and Precision Machinery.

### **Theme of E-Plan 2025 and Key Areas**

In E-Plan 2025, organization by target market will develop new businesses by creating value from the customer's point of view.

Theme: “Business creation” Creating value from the customer’s perspective

We strive for sustainable “entrepreneurship” and the creation of value, while fostering an organizational culture that supports a mindset of taking on challenges and transforming the entire company into a structure that truly addresses customer needs and issues, as well as creating a series of flows that generate business.

In addition, we have determined the five key areas to support the realization of the theme as described as follows:

- Target markets & customer-orientation
- New value creation
- Global expansion
- Advanced and efficient management infrastructure
- Advances in ESG-focused management

In January 2023, the Company shifted from the previous organization by product to an organization by target market in order to be more market-facing and create value from a customer perspective. After the transition to the organization by target market, we will continue to promote the Group's overall optimization and upgrade governance by establishing a CxO system and other cross-divisional functions to enable the business side to focus on value creation in their target market. For more information on the initiatives of each CxO, please see the following section in this Corporate Governance Report:

- CFO: I. 2. (3) Financial Strategies
- CTO: I. 2. (4) Manufacturing/Technology/Information Strategy
- CIO: I. 2. (4) Manufacturing/Technology/Information Strategy
- CHRO: I. 3. (2) Support for Human Capital Management

• CRO II. 2 [Execution of Business] 3.Risk Management

→For more information on ESG management, please see 3. Issues to be addressed by ESG Management, below

→For more information on Long-term Vision “E-Vision2030,” and Medium-term Management PlanE-plan2025,” please see: <https://www.ebara.co.jp/en/ir/business/information/vision.html>

→For more information on presentation of Medium-term Management Plan: E-Plan 2025, please see: [https://www.ebara.co.jp/en/ir/business/information/\\_icsFiles/afieldfile/2023/03/24/news20230324d\\_e.pdf](https://www.ebara.co.jp/en/ir/business/information/_icsFiles/afieldfile/2023/03/24/news20230324d_e.pdf)

### **(3) Financial Strategies**

In order to take action from the perspective of total optimization, the EBARA established the CFO Office as a group-level organization that crosses the fields of finance, taxation and accounting. Each Group company shall carry out appropriate management based on local legislation. In addition to this, the CFO Office will improve the quality of accounts, strengthen governance based on the Group's accounting and tax policies, and maximize consolidated ROIC through the efficient use of the Group's invested capital.

#### **(i) Strengthen ROIC-WACC based Business Portfolio management**

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”. As a structure to realize this, we have organized a process to regularly evaluate the growth potential and profitability (ROIC-WACC spread) of businesses as internal indicators, and restructure our business portfolio as necessary based on the evaluation results.

#### **(ii)Planned Investment/Financial Strategies**

During the term of E-Plan2025, the Company will aggressively invest in growth-oriented investments based on our business portfolio-such as facilities to handle increased production, R&D, new businesses, and M&A-to expand our earnings base. In addition, we will strengthen our foundation to support sustainable growth by investing in basic infrastructure (maintenance and upgrading facilities, human capital, IT of ERP, etc., business infrastructure, and ESG related investment). The funding required for investment will be determined and implemented in light of ROIC target of 10% or more, D/E ratio of 0.3 to 0.5 times benchmark, and rating policy: maintenance of the rating A.

#### **(iii)Taxation Governance**

The Company established 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.

#### **(iv) Policy on Shareholder Return**

The Company regards the return of its profits to its shareholders as one of its most important management policies. We maintain a policy of linking shareholder returns to business performance for the relevant fiscal year, with a target consolidated dividend payout ratio of 35% or more. We will also flexibly implement the acquisition of treasury shares.

#### **(v) Basic Policy for Cross-Shareholdings, etc. (See Article 5 of Appendix 2)**

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. It is the Company policy that the Board of Directors regularly scrutinizes the rationality of cross-shareholdings and terminate its holdings from time to time by means of sale or other measures if the rationality of the holdings has diminished.



[Confirmation of Rationality of Cross-Shareholding]

- The alliance with the company in which the shares are held is important and the continuation of the relationship is necessary.
- The returns and risks associated with the shareholding are commensurate with the cost of capital.

[Criteria for Exercising Voting Rights in relation to Shares Held by the Company]

When exercising voting rights in relation to cross shareholdings, the Company decides for or against each individual proposal, taking into consideration whether or not it will contribute to the medium- to long-term enhancement of the corporate value of the other party and the Group. In such cases, the Company places emphasis on matters relating to amendments to the Articles of Incorporation, election of Directors, takeover defense measures, appropriation of surplus, etc. and, if necessary, dialogues with the other party about the content of the proposals and other matters.

[Relationship with Policy-Holding Shareholders]

If a company holding shares in the Company as policy shareholdings (hereinafter referred to as “Policy Shareholder”) expresses an intention to sell or otherwise dispose of such shares, the Company will unconditionally accept the proposal and request the policy shareholder to sell or otherwise dispose of the shares in a manner that minimizes the impact on the share price. In such a case, if the Company holds the shares of the Policy Shareholder as policy shareholding shares, the Company will proceed with the sale of the shares as soon as possible. In addition, we will not continue transactions with policy-holding shareholders without fully verifying the economic rationality of the transaction.

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

	End of December 2018	End of December 2019	End of December 2020	End of December 2021	End of December 2022	End of June 2023
Number of issues of cross shareholdings	9	2	0	0	0	1
Number of issues contributed to employee retirement benefit trust	5	1	0	0	0	0

[Reason for Increase of Share of Listed Companies]

This is due to the fact that the issue (Ridge-i Inc.), which was held as unlisted shares in the previous financial year, was newly listed on the Growth Market of the Tokyo Stock Exchange in the current financial year. There was no change in the number of shares held in the issue before and after the listing. The purpose of the Company's holding of the relevant issue is to strengthen planning, research, development and other activities related to the use of AI and IoT technologies. The rationale for holding the shares in question will be verified annually and scrutinized by the Board of Directors in line with the Company's holding policy. The shareholding ratio to the Company's consolidated total assets and shareholders' equity is 0.004% and 0.008% respectively, and the impact on financial instability due to a decline in capital efficiency and share price fluctuations as a result of the shareholding is minimal. In exercising voting rights for such shares, the Company will determine whether to approve or disapprove of each individual proposal and fulfil its supervisory function for shareholders.

**(4) Technology/R&D/Information Strategy**

**(i) R&D and Intellectual Property Strategy**

The CTO (Chief Technology Officer) Office was established to create new value by uniting and combining the numerous technologies within the EBARA Group. The CTO Office comprises of the chief technology officers of each company as well as the chief marketing officers, who discuss and understand the technologies they possess

and the changing market and social situation, inspire each other and proactively seek new business opportunities. The Company has also established the Research and Development Strategy Formulation Committee to formulate medium- and long-term technology development strategy scenarios and action plans with a view beyond 2030. The CTO Office will formulate a technology development plan after thoroughly examining the scenarios and action plans in terms of market compatibility and technological scalability and implement them after receiving approval by the Management Meeting. In addition, the Corporate R&D and Intellectual Property departments under the CTO implement the medium- and long-term technology development plan, and in parallel they cooperate with operational divisions to strengthen core technologies and undertake R&D and licensing activities based on market and technological trends for each product, in order to enhance the competitive superiority of priority products in existing businesses,.

Furthermore, in order to promote the use of technologies and human resources based on the EBARA Group's Strategic Table of Technological Capabilities\*<sup>1</sup>, we are updating the table of elements in line with transition to the five company organization by target market, and are advancing concrete efforts to further strengthen competitiveness. In order to steadily implement these activities, we are promoting the development of human resources capable of undertaking strategic activities, such as global rotation of human resources related to R&D and intellectual property across countries and regions, and the promotion of participation in external education courses.

\*<sup>1</sup> The EBARA Group's Strategic Table of Technological Capabilities :

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

### **(ii) 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.

In addition, to further strengthen global governance in the area of information technology, a CIO Office was established this year by organizing not only Japanese members but also experts from Europe, the US and Asia. The CIO office reorganizes the IT functions that were previously carried out by each company, into global, regional and local levels to create the most suitable integrated global management structure. The CIO Office will test the strengthening of IT governance on a global basis under this new structure from FY2024, with full-scale operations commencing in FY2025. Functions that urgently require enhanced governance, such as information security, have already started to operate under the integrated global management system.

### **(iii) Data-driven Management and Data Strategy**

The Data Strategy Team, established in July, 2022, 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, under direction of the CIO.

Based on our management strategy, we are collecting and analyzing 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. As an example, we introduced the People Analytics\*<sup>1</sup> 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, we are setting out a strategy that combines data-driven technologies and human resources.

We also introduced Metaverse to respond to next-generation businesses and will promote management and data strategies on virtual air.

\*<sup>1</sup> 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

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



### 3. Issues to be addressed by ESG Management *Principle 2.3, 2.4, Supplementary Principle 2.3.1, 2.4.1, 3.1.3*

The Company regards sustainability management as a management that contributes sustainably through its business to solve social issues, including SDGs, and enhances corporate value over the medium to long term. Environmental issues (E), social connections (S), and strengthening governance (G) are the pillars of our advanced ESG management (sustainability management), and we have established and operate a system that enables Board of Directors and each of the Nomination, Compensation and Audit Committees to appropriately supervise E, S, G related initiatives.

One of the key themes is efforts to address climate-related risks and opportunities and human capital. President and Representative Executive Officer serves as Chairperson for the Sustainability Committee, and all Executive Officers participate as members to discuss the sustainable development of the Company and social. External experts also participate as advisors in this a meeting structure to provide up-to-date information on E, S, G and to advice on activities. Discussions at the Sustainability Committee are reported to Board of Directors and reviewed.

#### [Non-Financial Indicators]

Category		FY2023-2025 Target
E: Environment	CDP*1 score (climate change)	Maintain B or above
	SCOPE 1, 2: GHG*2 emissions	Reduce by 32% compared to FY2018
	SCOPE3: Avoided emissions	Establish a practical measurement method to reduce 100 million tons by 2030
S: Social	Transform into a culture of competition and challenge, and strive to create an environment where diverse employees can comfortably work and perform well - Improve Engagement Survey Score (consolidated)	FY2025: 83 or higher FY2030: 86 or higher
	Aim for global mobility improvement - Percentage of non-Japanese employees (consolidated) in Global Key Position (GKP)	FY2025: 30.0% or higher FY2030: 50.0% or higher
	Resolve gender pay gap (1) Percentage of female employees in GKP (consolidated) (2) Percentage of female employees in key positions (non-consolidated)	(1) FY2025:8.0% or higher FY2030 10.0% or higher (2) FY2025: 8.0% or higher
	Cultivate a company culture where employees can work and raise children at the same time regardless of gender - Percentage of male employees taking parental leave (non-consolidated)	Establish data collection methods by the end of 2023 and set targets based on an action plan to improve the acquisition ratio
	Promote good performance of employees with special needs	FY2025: 2.6% or higher

	- Percentage of employees with special needs (non-consolidated + four group affiliates)	
	Implement necessary measures based on the results of human rights due diligence for suppliers	
G: Governance	Deepen the performance of the Board of Directors and contributions to G to V: Governance to Value	

\*1 CDP: ESG evaluation organization for climate change strategies and initiatives to reduce specific greenhouse gas emissions.

\*2 GHG: Greenhouse Gas

### **(1) Responding to Climate Change**

#### **Climate-related Scenario Analysis Based on The FSB Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.**

The EBARA Group recognizes that climate change is a serious challenge facing the world and has endorsed the TCFD in 2019. Through engagement with stakeholders, we recognize the importance of disclosing information about our governance, strategy, risk management, and indicators or targets in response to climate change and implementing such efforts.

With the goal of better identifying climate-related risks and opportunities for each business, we analyzed scenarios by major market. We analyzed the financial impact of our businesses in the oil and gas market, which is evolving toward a decarbonized society; the semiconductor manufacturing market, which is indispensable for improving the efficiency of society as a whole; the building and industrial market, where decarbonization is expected through energy management in buildings, condominiums and factories in various industries; the solid waste management market, where the recycling of waste and waste heat as energy is expected; and for the water infrastructure market, where adaptation to climate change-related disasters such as heavy rain and flooding is expected, under a 4°C scenario, in which the temperature increase is limited to less than 4°C, and a 1.5°C scenario, in which the temperature increase is limited to less than 1.5°C. Based on the results, we have considered measures to address climate-related risks and opportunities up to 2050. The result of considerations are disclosed based on the TCFD's recommendations. We have a process of acquiring confirmation by the Board of Directors for the disclosure of it.

The result of the scenario analysis is reflected in the climate change strategy in the Mid-term Management Plan, E-Plan 2025, which started in 2023. Our disclosure is introduced in the "Scenario Analysis Example Disclosure (Domestic and Overseas)" of "Practical guide for Scenario Analysis in line with the TCFD recommendations 2022" published by the Ministry of the Environment of Japan, and it was also selected as one of the outstanding TCFDs for 2023 selected by GPIF domestic equity managers

→For full disclosure on "Information disclosure based on TCFD recommendations", please see:

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

→"Scenario Analysis Example Disclosure (Domestic and Overseas)" of "Practical guide for Scenario Analysis in line with the TCFD recommendations 2022"

<https://www.env.go.jp/content/000120602.pdf>

#### **Carbon Neutrality**

The EBARA Group aims to achieve net zero GHG emissions by 2050 through reducing GHG emissions by the Group and in its value chain to achieve both a sustainable society and growth for the Group

To this end, we have strengthened our governance structure for the promotion of carbon neutrality. Specifically, the Energy Management Committee, which has been in charge of rationalizing fossil energy at a working level,

has been reorganized to cover all energy sources, including renewable and non-fossil energy sources. This Committee will play a central role in promoting concrete measures to achieve CO<sub>2</sub> emission reduction targets, while the Sustainability Committee will steadily promote carbon neutrality by deliberating on the Group's policies, strategies, targets and KPIs, to promote overall carbon neutrality.

As a specific initiative, the first step is to implement thorough energy-saving initiatives in internal business activities. With regard to electricity, which accounts for approximately 80% of the Group's energy use, we have introduced low- CO<sub>2</sub> electricity at our main business sites in Japan. The Fujisawa Plant is expanding its solar power generation facilities, and in addition to the installation of a 1.6 MW-class solar power generation facility on the roof of the plant building, which was completed in 2020, it is also working on procuring CO<sub>2</sub>-free electricity through an off-site PPA model.

Furthermore, the Company is working to reduce GHG emissions in society as a whole through the manufacture and sale of exhaust gas treatment equipment that renders exhaust gases with high GHG emission factors harmless, the development and sale of injection pumps that contribute to CCUS, a carbon dioxide capture and storage technology, the commercialization of waste plastics chemical recycling technology and the development of infrastructure equipment for the production and use of hydrogen, ammonia and other next-generation fuels.

[Target for 2030]

- (i) Scope 1 + 2: Reduce GHG emissions by 55% compared to FY2018
- (ii) Scope 3: Increase avoided emissions by 100 million tons of CO<sub>2</sub> equivalent

→For full disclosure on “Carbon Neutrality Efforts by the EBARA Group,” please see:

<https://www.ebara.co.jp/en/sustainability/environment/information/carbon-neutrality.html>

## **(2) Support for Human Capital Management**

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. Under this policy, we established the CHRO office to realize specific initiatives to promote the success of our diverse human resources and to establish a global human resources management infrastructure. We will strengthen human capital management across the Group and globally by implementing measures to address the human resource needs from each business and management issues related to human resources, with a focus on the Group-wide human resource strategy, ONE EBARA HR. We view human resources as capital, to maximize their value, further accelerate the development of the foundations for realizing sustainable global growth, develop human resources who are willing to 'compete and take on challenges', and strengthen optimal allocation across the Group through improved global mobility. Specific actions are as listed below:

- For employees who want to learn and take on challenges, we provide opportunities such as early selection and training of leadership candidates. Besides, we will also build systems that enable employees to aim for career change on their own and support them to continue working with high motivation.
- To enable local employees of overseas Group companies to play an active role in more important position, we will introduce a globally unified role grading system, roll out global human resource development programs company-wide, and strategically execute domestic and international succession plans.
- We will continue our referral hiring and alumni system to attract diverse human resources. In addition, we will further expand the EBARA New Workstyle (ENW) program to provide a more comfortable working environment for diverse human resources.

- In order to accelerate the visualization of human resources globally, we will build a Global Human Capital Management (HCM) Platform, which will serve as the foundation for our human resources on a global scale and build a system that enables quantitative monitoring of the effects of each human resource measure.

Based on the above initiatives, the Group will accelerate the localization of human resources at Global Key Positions (GKPs), which are key business positions, we will raise the ratio of non-Japanese employees at GKP approximately 23% in 2023, to 50% or more by 2030. In addition, as an indicator of the success of our diverse human resources, we have also set the following targets for promoting success of female employees, non-Japanese employees and mid-career employees. And also we will promote success of people with disabilities and elderly employees.

### **(i) Measures to Promote Diverse Human Resources**

#### **[Goals for Hiring of Employees in Key Positions and Actions]**

As of December 31, 2022, the Company had 98 females in key positions, and the percentage of the Company's employees in key positions was 6.4%. Our goal is to achieve 8% or more by 2025. In addition, the Company has been actively hiring new graduates for foreign employees since 2011. As of December 31, 2022, the Company had 117 foreign employees, which accounted for 2.7% of the Company's total employees. Of these, 14 foreign employees accounted for 0.93% of employees in key positions, and our goal is to raise this ratio to at least 4% by 2030. As of December 31, 2022, 308 mid-career employees accounted for 22.1% of the Company's employees in key positions. Our target is to achieve 25% or more by 2030, and we are actively recruiting for mid-career positions, as well as implementing a fair grading system based on a role grading system, regardless of employment history, and providing the same opportunities for promotion to key positions as for the employees hired as fresh graduates who have only worked at the EBARA Group since.

In order to achieve these numerical targets, we will accelerate the early selection and development of leadership candidates. In the examinations for employees in key positions, we have expanded the scope of eligibility to take the examinations and, by further reviewing the examination schedule, we have established a system that enables early selection. In the future, by providing learning opportunities from an early stage, we will foster a culture of self-motivated learning and further realize the early development of leadership candidates.

Furthermore, we will advance our on-boarding measure to find diverse human resources, attract them, and create an environment that facilitates their active participation. We will also establish a flexible recruitment system tailored to the new organization by target market and secure appropriate human resources in a timely manner so that employees with various backgrounds can draw up diverse careers regardless of gender, nationality, or disability.

#### **Promoting Success of People with Disabilities**

By developing the capabilities of employees with special needs from the viewpoint of career development, promoting an environment that allows them to take on challenges and grow. We aim to ensure that all Group employees, regardless of disability, can work together and continue to provide value to the world by expanding their participation in the Group's business processes. Furthermore, to ensure that we can respond to the increase in the statutory employment rate and changes in the external environment, we will unify the EBARA Group's management of people with disabilities and promote the employment and business of people with disabilities as a unified Group.

We aim to increase the percentage of employees with disabilities (non-consolidated + special subsidiary company + three group affiliates) higher than 2.6% by 2025. As of December 31, 2022, the percentage of employees with disabilities is 2.4%.

#### **Utilization of Elderly Employees**

We have established a system to rehire those with special skills, technology, qualifications, and knowledge, as well as those with advanced, outstanding, and skilled expertise, even after they have reached the age of retirement. The use of older workers helps to pass on skills and technologies that have been cultivated over many years to younger workers.

In addition, we will work to promote diversity equity and inclusion, focusing not only of visible differences such as gender, nationality, and age (demographic diversity), but also of invisible differences such as experience and ability (task diversity).

- We will conduct companywide diversity training to reform employee awareness and realize an organization with high psychological safety.
- In order to "increase" and "find" challenging human resources who can bring about innovation, in recruitment activities, members with a spirit of competition and a spirit of challenge will similarly speak directly.
- In order to "foster" human resources, prior to promotion to key 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.

→For full disclosure on “Talent Management,” please see:

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

### **(ii) Initiatives toward Human rights**

The EBARA Group clearly states in the EBARA Group CSR Policy that we respect the human rights of our stakeholders and put them into practice. The Company respects the International Bill of Human Rights and the Declaration on Fundamental Principles and Rights at Work of the International Labor Organization (ILO), and have established the EBARA Group Human Rights Policy in line with the UN Guiding Principles on Business and Human Rights. 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 dissemination of the EBARA Group Human Rights Policy, human rights due diligence and relief measures.

The Human Rights Committee includes the heads of the Human Resources, Procurement, Legal, General Affairs and whistleblowing contacts, as well as the heads of the Human Resources and Administration departments of each Group company. In addition, external lawyers specializing in human rights participate as advisers. With regard to employees' human rights due diligence, the Human Rights Committee monitors the points on questions in the Global Engagement Survey, which is conducted annually by the HR department, relating to 'fairness and equity in the workplace', 'discrimination' and 'occupational health and safety', for each organization, and identifies organizations that fall below a certain level. The Human Rights Committee instructs organizations that do not meet certain standards to formulate and implement a human rights action. In addition, The Procurement Department conducted a CSR procurement survey of Group's global primary suppliers with the aim of seeking suppliers' understanding and implementation of the EBARA CSR Procurement Guidelines, which include respect for human rights. The survey included questions on human rights, and the Human Rights Committee shared the results of the survey on human rights, such as whether efforts are being made to prevent child labor, forced labor and discrimination at suppliers and whether the working environment is appropriate, with the procurement department to build sound supply chain management, to promote sound supply chain 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>

### **(3) Efforts on Corporate Governance**

As the Board of Directors, we will continue to strengthen and improve corporate governance and further enhance its effectiveness under the following policy, aiming for “Governance to Value (G to V),” where governance contributes to the enhancement of corporate value and produces concrete results.

- (i) Supporting the EBARA Group's growth to solve medium- to long-term issues
- (ii) Supervision of sustainability by the Board of Directors and each committee
- (iii) Dialogue between the Board of Directors and stakeholders
- (iv) Continued efforts to improve effectiveness

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.

#### **4. 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.

#### **5. 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, 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.



## **6. 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.

#### **(i) 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 & CEO, 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.

#### **(ii) 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.

#### **(iii) 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 29, 2023)**

The Board of Directors is composed of eight (8) Independent Directors, including three (3) females, with a diverse composition in terms of experiences, gender, age and years of service. (See pages 6 to 18 of “the Notice of the 158th 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 4 and 5 of “the Notice of the 158th 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 158th General Meeting of Shareholders (page4-18),” please see: [https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/\\_icsFiles/afieldfile/2023/03/13/E6361\\_158.pdf](https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/_icsFiles/afieldfile/2023/03/13/E6361_158.pdf)

## **7. Effective Use of Independent Directors and System to Achieve the Purpose *Principle 4.6***

Based on the basic views of clear separation between supervision and business execution and the role of the Board of Directors, 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 “III. [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 “III. [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 29, 2023)**

### *Principle 4.8 (See Article 11 of Appendix 2)*

Eight (8) out of the eleven (11) Directors (72% of the total) are Independent Directors, including three (3) females, and all of them meet the Independence Standards. The number of members of each committee established by the

Board of Directors is four (4) for the Nomination Committee and three (3) each for the Compensation Committee and Audit Committee. Three (3) members out of the four (4) members of the Nomination Committee are Independent Directors. In the Audit Committee, two (2) out of three (3) members are Independent Directors. With regard to the Compensation Committee, all three (3) members have been Independent Directors since June 2017. In addition, the Chairperson of each Committees is served by an Independent Director.

## **8. 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 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.

#### **(i) 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.

## **(ii) 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 6 to 18 of the Notice of the 158<sup>th</sup> 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 above.

→For full disclosure on “the Notice of the 158th General Meeting of Shareholders,” please see:

[https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/\\_icsFiles/afieldfile/2023/03/13/E6361\\_158.pdf](https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/_icsFiles/afieldfile/2023/03/13/E6361_158.pdf)

## **9. 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.

With respect to the method of evaluation, considering that progress has been made in the establishment of a governance platform based on thorough verification of the board effectiveness both neutrally and objectively driven by external experts to date, the Company has decided to shift to the method of having the Chairperson of the Board of Directors, who has a good understanding of the circumstances of the Board, lead the evaluation process. This decision was made based on deliberation by the Board of Directors and with the aim of reviewing and discussing the board effectiveness at a substantially deeper level than before from FY2022 under review. Future evaluations will also incorporate periodic evaluations by outside experts.

### **Future Action based on the result of Effectiveness of the Board of Directors (FY2022)**

- (i) Strengthening the push for periodic verification, follow-up and speedy execution of action to address long-term issues contributing to the enhancement of corporate value (business portfolio, human capital, human resource development, promotion of diversity, important issues on sustainability, etc.)
- (ii) Confirmation and verification of the state of the governance system enabling the resolution of such issues.
- (iii) Confirmation and verification of the scope of information sharing from committees to the Board.
- (iv) Improvement of discussion on dialogue with capital markets as the Board.

→For full disclosure on “Evaluation of the Effectiveness of the Board of Directors 2022,” please see:

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

### **Major Governance-Reforming Based on Evaluation of the Effectiveness**

<b>(a) Board of Directors agenda and discussion</b>	
<b>i) Strengthening Discussions on</b>	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



<b>Medium- to Long-Term Issues</b>	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.
<b>ii) Improving and deepening the quality of discussions</b>	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>(b) Size and Composition of Board of Directors</b>	
<b>i) Size and composition of Independent Director</b>	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 adequacy of the current size and composition of Board of Directors.
<b>ii) Independent Director who are also in charge of business execution</b>	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.
<b>iii) Board of Directors assumes chairmanship</b>	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.
<b>(c) Committee's Effectiveness Evaluation of the Committee's Effectiveness</b>	
<b>i) Evaluation of the Committee's Effectiveness</b>	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.
<b>ii) Number and Composition of the Audit Committee and support system</b>	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.
<b>(d) Effectiveness of Directors</b>	
<b>i) Clarification of roles and qualification requirements</b>	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



	<p>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.</p> <p>In the FY2022 evaluation of effectiveness, self-assessments and peer assessments of individual Directors were conducted in accordance with the requirements defined in this Policy. Through both evaluations, we have confirmed that each Director is appropriately fulfilling his/her responsibilities and contributing to the discussions of Board of Directors. A summary of the evaluation is shared with the Nomination Committee and is also used as a reference in the selection of Directors.</p>
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## **(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 158th General Meeting of Shareholders (page 6-18),” please see:  
[https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/\\_icsFiles/afieldfile/2023/03/13/E6361\\_158.pdf](https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/_icsFiles/afieldfile/2023/03/13/E6361_158.pdf)

## **(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.

### **Training contents**

- March 2022 : Orientation for newly elected Independent Directors
- October 2022 : A site visit of major domestic location
- December 2022: Lecture and Discussion on Diversity and Inclusions by external experts
- March 2023 : Orientation for newly elected Independent Directors
- July 2023 : A site visit of major domestic location

## **10. 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-Plan2025”, 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.”

## **11. 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. We develop 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 more information on Flow Chart of Communication with Shareholders & Investors, please see Appendix 7.
- Integrated Report 2023 (p.15-16) <https://www.ebara.co.jp/en/ir/library/annual-report/index.html>
- Meeting material for the Financial Result Report for the term ending December, 2023 (Second Quarter) (p. 20-24), please see: [https://www.ebara.co.jp/en/ir/library/earnings/briefings-documents/\\_icsFiles/afeldfile/2023/08/14/presentation\\_20230814\\_1.pdf](https://www.ebara.co.jp/en/ir/library/earnings/briefings-documents/_icsFiles/afeldfile/2023/08/14/presentation_20230814_1.pdf)
- Dialogue with Shareholders and Investors <https://www.ebara.co.jp/en/sustainability/think/information/stakeholders.html>
- For full disclosure on “IR Basic Policy,” please see: <https://www.ebara.co.jp/en/ir/business/information/ir-basic-policy.html>

## **12. 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\*1 assets of the Group. 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. Conflicts of interest that may arise in the management of corporate pensions are appropriately avoided by respecting the decisions of the relevant trustees when, for example, they exercise their voting rights over the Company.

In August 2023, the Company announced its commitment to the Japanese version of the Stewardship Code in order to fulfil its responsibilities as an asset owner. Specifically, we have set up a Stewardship Activities Assessment Committee, which monitors and assesses our fiduciary institutions in accordance with the policies and rules governing the Committee's activities. The Committee members comprise employees from the human resources and accounting and finance departments, and external experts are appointed as advisors to provide necessary advice on stewardship activities.

From the standpoint of an asset owner of a corporate pension plan, the Company fulfils its stewardship responsibilities appropriately in accordance with the Code.

\*1 Group companies that make up the EBARA Group Defined Benefit Pension Plan:

EBARA CORPORATION, EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD., Elliott Ebara Turbomachinery Corporation, EBARA DENSAN CO., LTD, EBARA FIELD TECH CORPORATION.

### **13. 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)	17,188,000	18.62
ICHIGO TRUST PTE. LTD. (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited, Tokyo branch, Custody Department)	9,890,700	10.71
Custody Bank of Japan, Ltd. (Trust Account)	7,193,100	7.79
SMBC Nikko Securities Inc.	1,948,607	2.11
BBH (LUX) FOR FIDELITY FUNDS – SUSTAINABLE WATER AND WASTE POOL (Standing proxy: MUFG Bank, Ltd.)	1,769,400	1.92
JPMorgan Chase & Co.	1,641,703	1.78
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank Ltd., Settlement & Clearing Services Division)	1,433,000	1.55
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1,200,290	1.30
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank Ltd., Settlement & Clearing Services Division)	1,139,500	1.23
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Dept.)	1,060,533	1.15

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

### Supplementary Explanation Updated

- Capital structure indicated here reflects the status as of June 30, 2023.
- The Company holds 25,527 shares of treasury stock, which has been eliminated from the total number of shares issued in calculating the percentage above.
- In a change report pertaining to a report of possession of large volume, available for public inspection as of June 6, 2023, it is stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. held 5,513 thousand shares (equivalent to a 5.97% holding ratio of share certificates, etc.) as of May 31, 2023. However, the Company could not verify the number of shares substantially held

by the aforementioned parties as of June 30, 2023. Thus, they are not included in the aforementioned status of major shareholders.

- 4) In the report of possession of large volume, made available for public inspection as of November 4, 2022, it is stated that BlackRock Japan Co., Ltd. and its seven joint holders collectively held 5,160 thousand shares (equivalent to a 5.60% holding ratio of share certificates, etc.) as of October 31, 2022. However, the Company has not been able to verify the number of shares substantially held by the aforementioned parties as of June 30, 2023. Thus, they are not included in the aforementioned status of major shareholders.
- 5) In the report of possession of large volume, made available for public inspection as of July 3 2023, it is stated that Mitsubishi UFJ Trust and its two joint holders collectively held 5,028 thousand shares (equivalent to a 5.45% holding ratio of share certificates, etc.) as of June 26, 2023. However, the Company was not able to verify the number of shares substantially held by the aforementioned parties as of June 30, 2023. Thus, they are not included in the aforementioned status of major shareholders.
- 6) In the change report pertaining to a report of possession of large volume, made available for public inspection as of June 22, 2023, it is stated that Nomura Asset Management held 4,877 thousand shares (equivalent to a 5.28% holding ratio of share certificates, etc.) as of June 15, 2023. However, the Company has not been able to verify the number of shares substantially held by the aforementioned parties as of June 30, 2023. Thus, they are not included in the aforementioned status of major shareholders.
- 7) 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, 2023. . Therefore, Black Cleek is not included in the above list of major shareholders.
- 8) 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, 2023, they are not included in the above list of major shareholders.
- 9) 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, 2023. Thus, they are not included in the aforementioned status of major shareholders.
- 10) Although the change report on large shareholdings made available to the public on December 22, 2021 states that Asset Management One Co., Ltd., a joint holder of Mizuho Securities 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, 2023.

### 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

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

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

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

### 1. Organizational Composition and Operation

Structure of Organization	Company with 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	11

#### Outside Directors

Number of Outside Directors	8
Number of Independent Directors	8

#### 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												
Junko Nishiyama	From Other Company												
Mie Fujimoto	Attorney												
Hisae Kitayama	CPA												
Takuya Shimamura	From Other Company									△			
Teiji Kouge	From Other Company												
Tsuyoshi Numagami	Scholar												

\* 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	○			○	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 ¥400 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, 2023.	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. He actively speaks in important meetings such as the Board of Directors, and he has also 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. 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.
Hiroshi Oeda	○			○	Hiroshi Oeda does not fall under any of these relationship categories.	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 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 the Board of Directors as the

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>Chairperson of the Board of Directors, in addition to contributing to activities of the Nomination Committee as a member, such as selection of Director nominees, the succession planning of President, selection of nominees for management executives and nurturing of such candidates. 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 continue to serve as the Chairperson 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>
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>She meets qualification requirements</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>stipulated by the Company for Directors, and she is expected to play a role in the areas of “auditing,” “research and development” and “the environment” in particular. Nomination Committee selected her 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 also she 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. She 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 her to serve as an Independent Director to continue to demonstrate her leadership as the Chairperson of Compensation Committee. Although she has not been directly involved in corporate management, we have determined that she will be able to fulfill</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>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>
Hisae Kitayama			○	○	<p>Hisae Kitayama does not fall under any of these relationship categories.</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>She 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 her to continue to serve as an Independent Director to demonstrate her leadership as the new Chairperson of Audit Committee.</p> <p>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”</p>	<p>Takuya Shimamura has been involved in the management of listed companies</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
					<p>relationship category with the Company because he had engaged in the execution of business at AGC Inc. However, he has not 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 ¥500 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, 2022.</p>	<p>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 manufacturers, and is also familiar with globally integrated management. Furthermore, he 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. He 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 serve as an Independent Director to continue 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>
Teiji Kouge	○			○	<p>Teiji Kouge does not fall under any of these relationship categories.</p>	<p>Teiji Kouge has long been involved in the management of a listed company representing the chemical and housing industries, and has abundant experience and broad insight in all aspects of corporate management, including improving business performance from a top management position at a manufacturer and being actively involved in ESG management. He meets qualification requirements</p>

Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						<p>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 newly serve as an Independent Director to demonstrate his ability as a member 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 his as an independent officer.</p>
Tsuyoshi Numagami			○	○	<p>Tsuyoshi Numagami does not fall under any of these relationship categories.</p>	<p>As a researcher in corporate management, Tsuyoshi Numagami has deep academic knowledge of corporate management strategy and organization, as well as extensive expertise in various industrial fields providing a wide range of recommendations.</p> <p>He 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 newly serve as an Independent Director to demonstrate his ability as a member of Audit Committee. Although he has not been directly involved in corporate management, we have determined that he will be able to fulfill his duties as an Independent Director for the aforementioned reasons.</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</p>



Name	Committees			Independent Director	Supplementary Explanation of the Relationship with the Company	Reasons for Appointment
	Nomination Committee	Compensation Committee	Audit Committee			
						shareholders, we have reported his as an independent officer.

## Committees

### Committee's Composition and Attributes of Chairperson

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

## Executive Officers

Number of Executive Officers

14

### 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
Takanobu Miyaki	No	No	No	No	No
Teruyuki Ota	No	No	No	No	No
Hideki Yamada	No	No	No	No	No
Tetsuji Togawa	No	No	No	No	No
Masao Hodai	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
Norihisa Miyoshi	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.

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

The Audit Committee is engaged in coordination with the Independent Auditor and the Corporate Audit Department as follows to ensure its audits are conducted effectively and efficiently based on the Audit Committee Rules, Audit Committee Audit Standards and Basic Policy on Internal Controls. 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. Fiscal 2022 was the 15th fiscal year since Ernst & Young ShinNihon LLC was appointed as the Independent Auditor of the Company, and in accordance with "Policy on Refusal of Reappointment", the Company's Audit Committee conducted a tender to select a candidate for the Independent Auditor in the next fiscal year. Based on the results of the evaluations and deliberation conducted in accordance with the tendering standards prescribed by the Audit Committee, Deloitte Touche Tohmatsu LLC was appointed as the Company's Independent Auditor at the 158th Ordinary General Meeting of Shareholders held on March 29, 2023. For the reasons why the said audit firm was appointed, please refer to the content of the extraordinary report described in "(3) Changes in Auditing Firm."

### (3) Changes of Auditing Firms

The Company resolved appointment of an audit firm at the Ordinary General Meeting of Shareholders held on March 29, 2023 as follows.

- The 158th fiscal year (From January 1, 2022 to December 31, 2022): Ernst & Young ShinNihon LLC
- The 159th fiscal year (From January 1, 2023 to December 31, 2023): Deloitte Touche Tohmatsu LLC

The matters stated in the extraordinary report (submitted on March 6, 2023) are as follows:

1. Names of the certified public accountant, etc. pertaining to the change
  - (1) Name of the appointed certified public accountant, etc.  
Deloitte Touche Tohmatsu LLC
  - (2) Name of the outgoing certified public accountant, etc.  
Ernst & Young ShinNihon LLC
2. Date of change  
March 29, 2023 (The date of the 158th Ordinary General Meeting of Shareholders)
3. Date of original appointment of outgoing certified public accountant or auditing firm  
June 27, 2008
4. Opinions on audit reports and other documents prepared by outgoing certified public accountant, etc. over the last three years  
Not applicable.
5. Reason and circumstances for the (decision to) change  
The Company's Audit Committee has a policy of selection and evaluation of the Independent Auditor, which stipulates to conduct a tender to appoint the candidates for the next Independent Auditor regardless of the assessment every year if it serves for ten years in succession. If the reappointed Independent Auditor serves for another five years in succession, another tender shall be conducted. The same Independent Auditor may only serve for a period up to twenty years in succession.

Fiscal 2022 is the 15th fiscal year since Ernst & Young ShinNihon LLC was appointed as the Independent Auditor of the Company's Audit Committee has conducted a tender according to the policy.

Upon receiving and reviewing the proposals from several auditing firms, the Audit Committee determined the Deloitte Touche Tohmatsu LLC is qualified, taking into account that it has an auditing structure which is suitable for the future global business development and governance structure of the Group as well as the desired expertise, independence, and quality management systems in light of the Company's election standards for nominees for Independent Auditor and that audits from a new perspective can be anticipated as a result of the change in Independent Auditors.

6. Opinion for reasons and circumstances described in 5. above
  - (1) Opinion of outgoing certified public accountant, etc.  
The Company received a statement that there were no particular opinions in this regard.
  - (2) Opinion of the Company's Audit Committee  
The Company's Audit Committee considers the change in the Company's certified public accountant, etc. to Deloitte Touche Tohmatsu LLC appropriate

## 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 framework 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. The following organizations are working under the control of the Audit Committee to assure effectiveness of audits.

- (1) An Audit Committee Office has been established under the control of the Audit Committee, with five staff members appointed to assist in the operation of Audit Committee meetings, planning of audit policy and audit plans, liaison and coordination with the accounting auditors, and assistance with audits and on-site visits by Audit Committee members.
- (2) To promote collaboration with the internal audit departments, the Audit Department was established under the supervision of the Audit Committee Office, and the general manager and ten (10) members of the internal audit departments are concurrently assigned to such Audit Department.
- (3) To facilitate closer cooperation between the Audit Committee and auditors of affiliated companies, four (4) standing corporate auditors of major affiliates (Elliott Ebara Turbomachinery Corporation, Ebara Environmental Plant Co., Ltd., EBARA FIELD TECH CORPORATION and Swing Corporation) are concurrently serving under the jurisdiction of the Audit Committee Office.
- (4) 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	8
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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
Supplementary Explanation <span style="background-color: yellow;">Updated</span>	

### **【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, 2025. 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.

##### **(i) 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 10% or higher) of the Company for the year ended December 31, 2025, the last fiscal year of the Medium-term Management Plan “E-Plan 2025”.

## (ii) Reason for setting ROIC as performance indicator

Based on the approach to key indicators in E-Plan 2025, the Company made a decision to adopt the key indicator ROIC as a performance indicator, as the plan is to continue to deepen the Company's ROIC management following E-Plan 2022.

## (iii) 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 × supply rate × 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 × payment rate × 40% × 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) × 20-100

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) = {Operating profit – Income tax expense + Share of profit (loss) of investments accounted for using equity method – Profit attributable to non-controlling interests} ÷ {Interest-bearing debt (the average of beginning and ending balances) + Total equity attributable to owners of parent (the average of beginning and ending balances)} × 100

Recipients of Stock Options	N/A
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Supplementary Explanation	N/A
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## Compensation for Directors and Executive Officers

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

Supplementary Explanation	<a href="#">Updated</a>
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## 【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 2022 (2022.1.1-2022.12.31) 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	143	EBARA Corporation	54	34	16	38	-

Notes:



1. Short-term performance-linked compensation shown is the total amount of short-term performance-linked compensation to be paid (scheduled for March 2023), in relation to Directors and Executive Officers (excluding Independent Directors) serving in those roles as of December 31, 2022, for the fiscal year under review.
2. Restricted share-based compensation shown is the restricted share-based compensation paid in the fiscal year 2022 and the amount of restricted share-based compensation paid in the previous fiscal years recorded as an expense in the fiscal year 2022.
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 2022. In calculating the amount for the fiscal year 2022, 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.

### 【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 2022 (2022.1.1-2022.12.31).

( 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)	130	2	100			2	30	1	△0		
Independent Directors	130	8	105			8	25				
Executive Officers	991	19	401	15	263	18	86	19	225	1	15
Total	1,252	29	607	15	263	28	141	20	224	1	15

#### Notes:

1. The above shows the compensation paid to Directors and Executive Officers as of December 31, 2022 according to their term of office for the fiscal year 2022, and the compensation paid to a (1) Non-executive Director who retired at the conclusion of the 157th Ordinary General Meeting of Shareholders held on March 29, 2022 and four (4) Executive Officers who retired at the conclusion of the meeting of the Board of Directors held on the same day, from January 2022 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 ¥126 million (Basic compensation: ¥61 million, Short term Performance-linked compensation: ¥34 million, Performance-linked share-based compensation: ¥15 million, and Others: ¥15 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 2023), in relation to Executive Officers serving in those roles as of December 31, 2022, for the fiscal year 2022.
6. Restricted share-based compensation shown is the restricted share-based compensation paid in the fiscal year 2022 and the amount of restricted share-based compensation paid in the previous fiscal year to be recorded as an expense in the fiscal year 2022.

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 2022. In calculating the amount for the fiscal year 2022, 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. "Others" shows the total amount, consisting of the portion of performance-linked share-based compensation scheduled to be paid in 2023 to an Executive Officer who retired in 2022 by subsidiary company that should be recorded ¥10 million as an expense in the fiscal year 2022, and pension contributions of ¥5 million paid in the fiscal year 2022.

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods **Updated**

## 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.

Twelve (12) meetings were held in the fiscal year 2022, 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)

Compensation for Directors shall be base salary and long-term incentive, as they are expected to play a role and be responsible for supervising the lawful execution of business operations from a standpoint independent from the execution of business operations. 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.

As company-wide and business performance indicators for short-term performance-linked compensation, consolidated return on invested capital (ROIC) and consolidated operating profit have been adopted from the year ending December 2023, based on the E-Plan 2025 policy. In addition, in order to implement advanced ESG management towards a sustainable society through business activities, ESG indicators have been introduced and the evaluation items are "E" (Environment): CDP (Carbon Disclosure Project) \*1: S (Society): and GES (Global Engagement Survey) \*2. The ratio of these indicators is 10% of the evaluation indicators for short-term performance-linked compensation.

For Executive Officers other than the President and Representative Executive Officer, individual goals are set, in addition to the Company-wide performance or business performance, and the achievement rate against the target will be evaluated, and the individual payment will be determined through discussion at the Compensation Committee.

##### (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

→Please refer to “Incentive Policies for Directors and/or Executive Officers.” above

\*1. CDP: ESG evaluation organization for climate change strategies and initiatives to reduce specific greenhouse gas emissions.

\*2. GES: 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.

#### 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 29, 2023, 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 2022 is as described below.

→ For more detail on the Corporate Governance Framework, please see 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 29, 2023, the Board of Directors comprises eleven (11) Directors, and eight (8) 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.

#### (1) Major Issues Discussed in FY2022

- Monitoring and summary of the final year of the previous Medium-Term Management Plan: E-Plan 2022
- Review of Long-Term Vision and set out of new Medium-Term Management Plan: E-Plan 2025
- Examination of the transition to an organization by target market
- Response to and consideration of sustainability issues
- Establishment of annual management plan and KPIs for each Business Division
- Evaluation of Effectiveness of Board of Directors and its follow-up

#### (2) Attendance of each Director (In the fiscal year 2022)

Toichi Maeda	Masao Asami	Hajime Sawabe	Hiroshi Oeda	Junko Nishiyama	Mie Fujimoto	Hisae Kitayama	Akihiko Nagamine	Takuya Shimamura	Teiji Kouge	Tsuyoshi Numagami
100% (14/14)	100% (14/14)	100% (14/14)	100% (14/14)	100% (14/14)	100% (14/14)	100% (14/14)	100% (14/14)	100% (10/10)	- % (-/-)	- % (-/-)

- Notes: 1. Eight (8) Directors, Hajime Sawabe, Hiroshi Oeda, Junko Nishiyama, Mie Fujimoto, Hisae Kitayama, Takuya Shimamura, Teiji Kouge and Tsuyoshi Numagami are Independent Directors.
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 their attendance to the meetings of the Board of Directors held since that date is described.
3. Teiji Kouge and Tsuyoshi Numagami were newly elected as a Director at the 158th Ordinary General Meeting of Shareholders held on March 29, 2023 and the meeting of the Board of Directors held on the same day, therefore he did not attend any Board meetings during the fiscal year 2022.

#### 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 29, 2023, the Nomination Committee comprises four (4) Directors, three (3) of whom are Independent Directors (*Hajime Sawabe*, *Hiroshi Oeda*, and *Teiji Kouge*) 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.

#### (1) Major Issues Discussed in FY2022

- Proposal for election of the Board of Directors at the General Meeting of Shareholders
- Executive Officer the nominee's recommendations to Board of Directors

- Program to train and select next-generation managers

## (2) Attendance of each Director (In the fiscal year 2022)

Toichi Maeda	Hajime Sawabe	Hiroshi Oeda	Teiji Kouge
100% (22/22)	100% (19/19)	100% (22/22)	- % (-/-)

Notes: 1. Hajime Sawabe was newly appointed as a member of the Nomination Committee 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 his attendance to meetings of the Nomination Committee held since that date is described.

2. Teiji Kouge was newly elected as a Director at the 158th Ordinary General Meeting of Shareholders held on March 29, 2023 and the meeting of the Board of Directors held on the same day, therefore he did not attend any Nomination Committee during the fiscal year 2022.

## 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 29, 2023, 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.

### (1) Major Issues Discussed in FY2022

- Compensation System for Directors and Executive Officers
- Individual compensation for Directors and Executive Officers
- Short-term performance-linked compensation based on performance evaluation results for Executive Officers
- Review of Long-Term incentives in E-Plan2025

### (2) Attendance of each Director (In the fiscal year 2022)

Mie Fujimoto	Junko Nishiyama	Takuya Shimamura
100% (12/12)	100% (12/12)	100% (9/9)

Notes: 1. Takuya Shimamura was appointed as a member of the Compensation Committee 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 his attendance to meetings of the Compensation Committee held since that date is described.

## 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 29, 2023, the Audit Committee comprises three (3) Directors, two (2) of whom are Independent Directors (*Hisae Kitayama and Tsuyoshi Numagami*) 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 Directors 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.

Hisae Kitayama, an Independent Director, acts as Chairperson of the Audit Committee. Members of the



Audit Committee include, Hisae Kitayama, a certified public accountant, and Tsuyoshi Numagami, who has served as a Professor at Graduate School of Business Administration of Hitotsubashi University (Doctor of Commerce), 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.

#### (1)Major items discussed in fiscal 2022

- Audit of Executive Officers' business execution and legal compliance systems
- Audit of the status of development and operation of group internal controls pertaining to the Companies Act and the Financial Instruments and Exchange Act • Evaluation of accounting auditors, review of tender by accounting auditors, and selection of accounting auditor candidates
- Establishment of the application of the International Financial Reporting Standards (IFRS) and check of the appropriateness of the accounting treatment of other important accounting matters
- Progress of the Medium-Term Management Plan E-Plan 2022 and Check of Responses to Issues for the Next Medium-Term Management Plan set out
- Confirmation of the status of management and supervision of group companies, including overseas subsidiaries, such as due diligence related to M&A and confirmation of the implementation status of the integration process
- Other matters that require special attention in the development and operation of Group internal controls, such as responses to the Corporate Governance Code and the development of a global information security system

#### (2)Attendance of each Director (In the fiscal year 2022)

Hisae Kitayama	Akihiko Nagamine	Tsuyoshi Numagami
100% (22/22)	100% (22/22)	-% (-/-)

Notes: 1. Tsuyoshi Numagami was newly elected as a Director at the 158th Ordinary General Meeting of Shareholders held on March 29, 2023 and the meeting of the Board of Directors held on the same day, therefore he did not attend any Nomination Committee during the fiscal year 2022.

### 5. Independent Directors Meeting

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

As of March 29, 2023, *Hajime Sawabe*, an Independent Director, acts as the Lead Independent Director.

#### (1) Major Issues Discussed in fiscal 2022

- Advance sharing of Board of Directors agenda items
- Follow-up of Evaluation of the Effectiveness of the Board of Directors and Initiatives for the Next Fiscal Year
- Monitoring of the previous Medium-Term Management Plan: E-Plan 2025 for the Final Year
- Review of Long-Term Vision and consideration of new Medium-Term Management Plan : E-Plan 2025
- Review of transition to an organization by target market
- Discussion of sustainability issues

#### (2)Attendance of each Director (In the fiscal year 2022)

Hajime Sawabe	Hiroshi Oeda	Junko Nishiyama	Mie Fujimoto	Hisae Kitayama	Takuya Shimamura	Teiji Kouge	Tsuyoshi Numagami
100% (13/13)	100% (13/13)	100% (13/13)	92% (12/13)	100% (13/13)	90% (9/10)	-% (-/-)	-% (-/-)

- Notes: 1. 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 her attendance to the Executive Session held since that date is described.
2. Teiji Kouge and Tsuyoshi Numagami were newly elected as a Director at the 158th Ordinary General Meeting of Shareholders held on March 29, 2023 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 2022.

## **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 fifteen (15) years, and names of its engagement partners and their respective periods of performing the Company's accounting audits as of March 31, 2023 are as follows: Mineo Kanbayashi (4 years), Takayuki Ando (5 years), and Keita Tsujimoto (1 year)

There are twenty-three (23) certified public accountants and thirty-three (36) others who assist to the Company's accounting audits work.

At the 158th Ordinary General Meeting of Shareholders held on March 29, 2023, the Company resolved election of an auditing firm as follows.

- The 158th fiscal year (From January 1, 2022 to December 31, 2022): Ernst & Young ShinNihon LLC
- The 159th fiscal year (From January 1, 2023 to December 31, 2023): Deloitte Touche Tohmatsu LLC

## **【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-plan2025" as determined by the Board of Directors. Although all fourteen (14) 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**

In order to strengthen group governance and risk management systems, including those of overseas subsidiaries that support the EBARA Group's global business development, we are thoroughly implementing Group administration basic policy, establishing a risk management system, and establishing a communication system in the event of an emergency. In addition, we regularly conduct risk assessments to update our risk response system in response to changes in the risk situation surrounding the Group. Based on the results of these reviews, the Risk Management Panel deliberates on the departments in charge of responding to such issues, monitoring methods, and other matters.

As a key initiative of E-Plan 2025, we have introduced a Chief Risk Officer (CRO) structure and are striving to enhance it. We have established a system of collaboration between the Corporate, the Risk Officers (ROs) in each company and other CxOs, to ensure that we can share risk incidents across the Group and issue directions on countermeasures in a timely and appropriate manner.

As part of the risk response system, a task force headed by the President and Representative Executive Officer is set up when a company-wide response is required, depending on the level of importance, so that the Company can report, communicate and make decisions quickly.

Specific risk responses include the preparation of guidelines against volcanic eruptions and education for all employees to strengthen the business continuity in the event of a disaster. In addition, with regard to the development of the information security system, we have been undertaking a comprehensive review of the EBARA Group's information security system on the occasion of the ransomware attack on a Group company. In order to address the recent tightening of regulations in various countries to prevent bribery, we are reviewing our existing systems, reviewing the rules and regulations of each company and providing training. Furthermore, we review the key risks at the time, such as economic security between the US and China, geopolitical risks such as the Russia-Ukraine conflict, etc., and respond flexibly.

#### **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, 2022, 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**

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

The Management Meeting made up of all Executive Officers is in place as a business execution meeting structure for deliberation necessary for facilitating decision making by the President and Representative Executive Officer about important matters concerning the execution of business in management. Each Executive Officer actively expresses their opinions and discusses not only their own scope of duties delegated by the Board of Directors, but also all other matters for deliberation in the Management Meeting from the perspective of optimization for the EBARA Group as a whole, based on their own experience and knowledge. The Management Meeting is held every month. Twelve (12) meetings were held in the fiscal year 2022.

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

In order to specifically implement the Medium-term Management Plan each year, a Management Planning Committee chaired by the President and Representative Executive Officer and made up of all Executive Officers has been established as a business execution meeting structure for deliberating, determining and

following up on the budgets and management issue action plans of each organization every year. After phased deliberation for each business unit, the Management Planning Committee determines the budgets and management issue action plans to clarify the responsibility of divisions and promote management efficiency. The Management Planning Committee reviews the progress of the annual consolidated management plans on a quarterly basis. Five (5) meetings were held in the fiscal year 2022.

### **(3) 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 2022.

### **(4) 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. Ten (10) meetings were held in the fiscal year 2022.

### **(5) Disclosure Committee**

The Disclosure Committee has been established as a companywide organization to provide fair, timely and appropriate disclosure of corporate information such as the occurrence of incidents, decisions and financial information pertaining to the EBARA Group as a whole. The Disclosure Committee collects 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. Ten (10) meetings were held in the fiscal year 2022.

→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 158th Ordinary General Meeting of Shareholders (the fiscal year ended December 31, 2022), the notice was distributed electronically on the website on March 6, 2022, 22 days prior to the date of the meeting. Also we posted the PDF data of the notice on the Tokyo Stock Exchange website on March 7. The Company sent the notice of convocations on March 14, 14 days prior to the date of the Ordinary General Meeting of Shareholders.
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 158th Annual General Meeting of Shareholders was held on March 29.
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 on March 11 and on the EBARA website on March 13.
Other	At the 158th Ordinary General Meeting of Shareholders (for the fiscal year ended December 31, 2022), we held a live broadcast of the Ordinary General Meeting of Shareholders to create a system that allows more shareholders to participate it. In conclusion, we 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	<p>Stated in "V. Other, 2. Other Matters Concerning the Corporate Governance System."</p> <p>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.</p> <p>→For more information on "IR Basic Policy", please see:  <a href="https://www.ebara.co.jp/en/ir/business/information/ir-basic-policy.html">https://www.ebara.co.jp/en/ir/business/information/ir-basic-policy.html</a></p>	N/A
Regular Investor Briefings for Private Investors	The Company holds briefings for private investors and individual shareholders on securities companies' websites, etc. We held four	No



	<p>briefings for private investors and one for individual shareholders in FY2022. Briefing materials are posted on the Company’s website.</p> <p>→For more information on “EBARA as an investment”, please see:  <a href="https://www.ebara.com/en/ir/shareholder/index.html">https://www.ebara.com/en/ir/shareholder/index.html</a></p>	
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 (including scripts and Q&amp;As) 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. In July 2023, we held IR events for the growth businesses that are attracting the most interest, including a tour of the Kumamoto plant in the Precision Machinery business.</p> <p>Besides, at the ESG briefing held in December 2022 and small meetings for institutional investors hosted by security analysts in April, 2023, Chairman of the Board of Directors provided explanations on governance. In this way, we are actively increasing opportunities to dialogue and disseminate about the non-financial indicators.</p>	Yes
Regular Investor Briefings for Overseas Investors	<p>The Company participates in conferences organized by securities companies. For major overseas shareholders and institutional investors, the President and Representative Executive Officer and the Executive Officer(s) in charge of investor relations are available for individual interviews and small meetings, providing regular opportunities to explain performance and management strategies and to engage in constructive dialogue.</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:  <a href="https://www.ebara.co.jp/en/ir/library/index.html">https://www.ebara.co.jp/en/ir/library/index.html</a></p> <p>→ For more information on “Long-term Vision and Medium-term Management Plan”, please see:  <a href="https://www.ebara.co.jp/en/ir/business/information/vision.html">https://www.ebara.co.jp/en/ir/business/information/vision.html</a></p> <p>→ For more information on “Sustainability”, please see:  <a href="https://www.ebara.co.jp/en/sustainability/think/index.html">https://www.ebara.co.jp/en/sustainability/think/index.html</a></p>	N/A
Establishment of Department and/or Appointment of Manager in Charge of IR	<p>Executive responsible for IR: Executive Officer Division Executive, Corporate Strategic Planning, Finance and Accounting Division &amp; CFO</p> <p>Department responsible for IR: Investor Relations and Public Relations Section</p>	N/A

Other	Latest news releases are distributed by e-mail in a timely manner to investors registered.	N/A
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### 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. FTSE Blossom Japan Sector Relative Index	<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 improve the value with the EBARA Way as the very basis. The following is the external evaluations of ESG's efforts in recognition of the Company's activities.</p> <p>(1) External evaluations of ESG initiatives  “FTSE 4 Good Index,”  “FTSE Blossom Japan Index,”“FTSE Blossom Japan Sector Relative Index,”  “MSCI Japan ESG Select Leaders Index,”  “MSCI Japan Empowering Women Index (nickname: WIN),”  “S&amp;P/JPX Carbon Efficient Index,”  “Morningstar Japan ex-REIT Gender Diversity Tilt Index,”  “The Minister of Health, Labor and Welfare of Japan – Eruboshi,”  “Sompo Sustainability Index,”</p> <p>“iSTOXX MUTB Japan Platinum Career 150 Index,”  “MSCI ESG Ratings -AA,”  “The 6th Nikkei Smart Work Management Survey-4.5stars,”  “The 4th Nikkei SDGs Management Survey-4.5stars”  “Sustaina ESG Awards 2022-Silver class”  “Corporate Governance of the Year 2022-Minister of Economy, Trade and Industry Award”  “DBJ Environmentally Rated Loan Program 2022”  “2023 Health &amp; Productivity Management Outstanding Organizations (Enterprise Section, White500)”  “Sports Yell Company 2023”  “Practical guide for Scenario Analysis in line with the TCFD recommendations”</p> <p>In addition, we have received high praise from various organizations for activities and achievements related to sustainability and ESG.  →<a href="https://www.ebara.co.jp/en/ir/business/information/sri.html">https://www.ebara.co.jp/en/ir/business/information/sri.html</a></p> <p>(2) Institutions that EBARA has signed up  • We signed the FSB Task Force on Climate-related Financial Disclosures (TCFD) and have been disclosing information based on its recommendation.</p>

	<ul style="list-style-type: none"> <li>• We support the Ministry of Economy, Trade and Industry's GX (Green Transformation) League basic concept.</li> <li>• We have announced our participation as a founding member company of the Semiconductor Climate Consortium (SCC) of the International Semiconductor Equipment and Materials Institute (SEMI). We aim not only to reduce GHG emissions through our business activities, but also to reduce GHG emissions in the entire value chain, from the procurement of raw materials to the use and disposal of our products by our customers. Furthermore, we will work to contribute to the absorption of GHGs through the use of our products and technologies, thereby achieving 'real' carbon neutrality.</li> <li>• 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.</li> <li>• With the aim of maximizing the value of our human resources and increasing our corporate value, we endorse and participate in the aim of the Human Capital Management Consortium, which promotes the visualization of human capital.</li> <li>• We endorsed the intent of the Women's Empowerment Principles (WEPs) and signed a statement to act in accordance with these Principles.</li> </ul> <p>The company expresses its support for Business for Marriage Equality, which promotes marriage equality (legalization of same-sex marriage) in Japan, and provides company-wide training to promote LGBTQ+ understanding.</p> <p>→ “TCFD”  <a href="https://www.ebara.co.jp/en/sustainability/think/information/tcfd.html">https://www.ebara.co.jp/en/sustainability/think/information/tcfd.html</a></p> <p>→ “Supporting METI’s GX League Basic Concept”:  <a href="https://www.ebara.co.jp/en/corporate/newsroom/release/company/detail/1206157_10220.html">https://www.ebara.co.jp/en/corporate/newsroom/release/company/detail/1206157_10220.html</a></p> <p>-</p> <p>We 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.</p> <p>(3) Other  For a description of our Environmental Activities, please refer to " 3. Issues to be addressed by ESG Management (1) Responding to Climate Change: Climate-related Scenario Analysis Based on TCFD Recommendations”.</p>
Development of Policies on Information Provision to Stakeholders	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. 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.

## 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
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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, please see Appendix 6.

#### **[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.

#### **[Deliberation of whether to be disclosed]**

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

### **[Implementation of timely disclosure]**

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

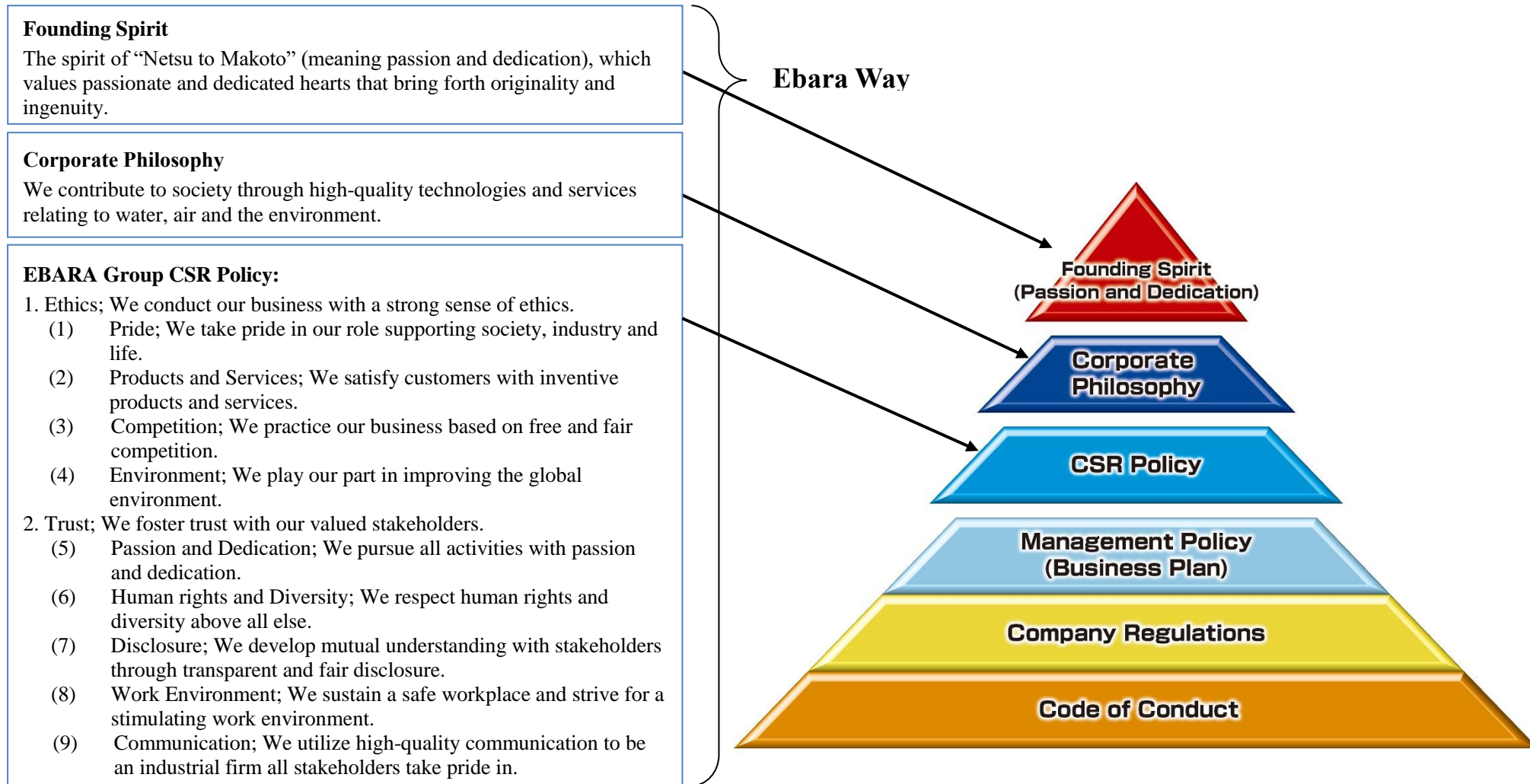
As for disclosures to parties other than the stock exchanges, notification to the Kanto Finance Bureau is the responsibility of the Accounting Department; disclosures related to the Companies Act, including those for the Ordinary General Meeting of Shareholders, are the responsibility of the Corporate 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

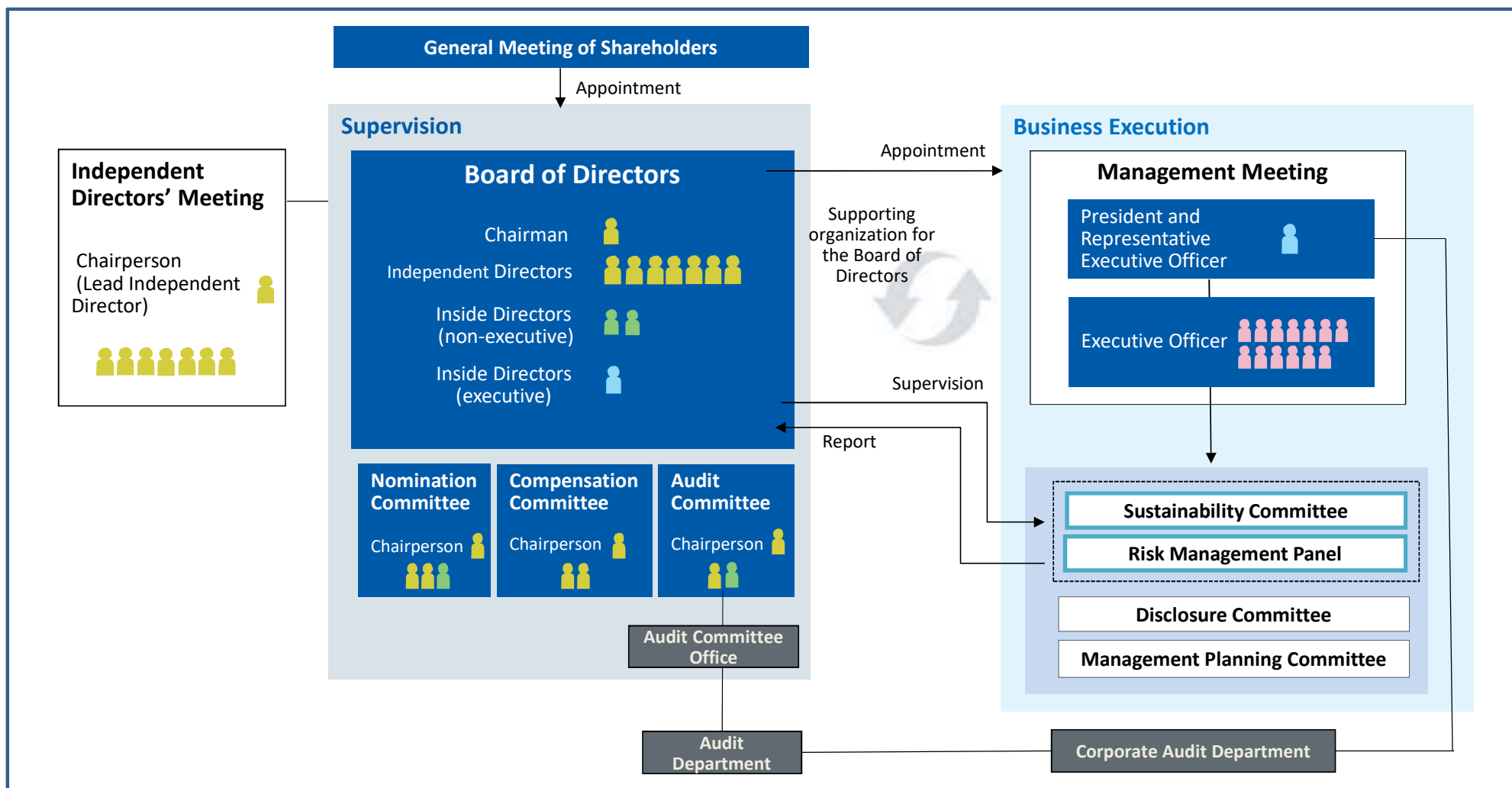
## Independence Standards of Independent Director of EBARA

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 29, 2023)



■ Independent Directors(8)  
 ■ Inside Directors (non-executive) (2)  
 ■ Inside Directors (executive) (1)  
 ■ Executive Officers (13)

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

Basic Policies for Internal Control	Overview of Operation
<p>1. System to Ensure that the Execution of Duties by Executive Officers and Employees of the Company and Directors, Audit &amp; Supervisory Board Members and Employees of Subsidiaries Complies with Laws and Regulations and the Articles of Incorporation</p>	
<p>Develop, maintain and operate systems to realize the EBARA Group CSR Policy and the EBARA Group Code of Conduct.</p>	<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 (4) meetings of the committee were held in the FY2022.</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-two (22) subsidiaries in ten (10) 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. In FY2023, we also held liaison meetings with six (6) subsidiaries in Southeast Asia, Middle East and the United States.</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. For overseas subsidiaries, we conduct cosourcing audits using outside experts.</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"> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ul>
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"> <li>(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.</li> <li>(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.</li> </ul>
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"> <li>(1) Authority responsibilities, and procedures are set out in the “Authority Rules,” etc., of the Company and its subsidiaries, whereby risk management is conducted.</li> <li>(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.</li> <li>(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 ten (10) meetings were held in the FY2022.</li> <li>(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.</li> <li>(5) The Company continues to strengthen the information security management system of the entire EBARA Group in preparation for cyber attacks from outside.</li> </ul>

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 FY2022.</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
Establish the Audit Committee Office as a department that assists the Audit Committee in the execution of its duties.	<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 FY2023, twenty-one (21) 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 sixteen (16) 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 principle.</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 &amp; 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 &amp; 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>

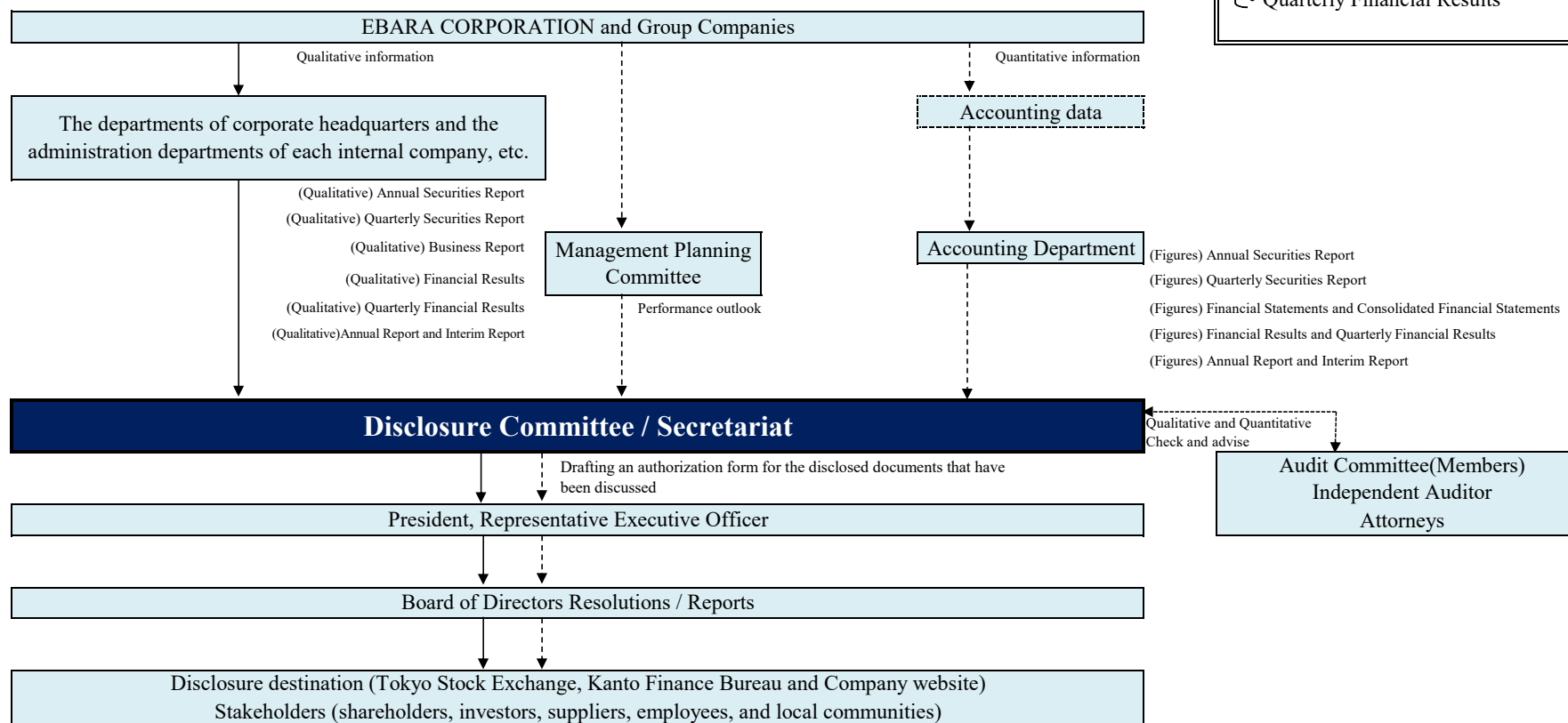
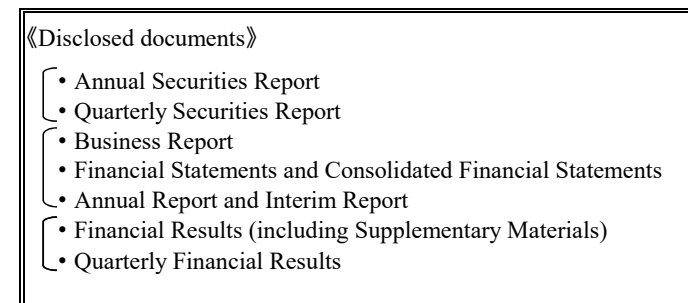
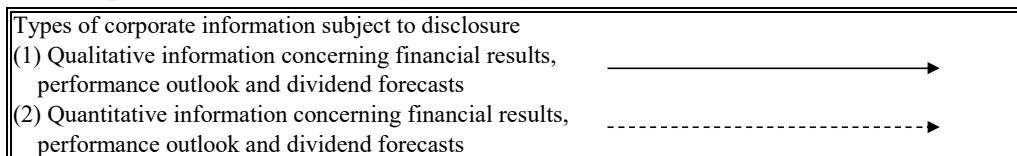
Basic Policies for Internal Control	Overview of Operation
<p>10. Systems for Reporting to the Audit Committee of the Company by Executive Officers and Employees, etc., of the Company and by Directors, Audit &amp; Supervisory Board Members and Employees, etc., of Its Subsidiaries, and Other Reporting 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 &amp; Supervisory Board Members and employees, etc., of subsidiaries in addition to persons receiving reports therefrom report to the Audit Committee.</p> <p>(3) Any person having made a report under the two preceding paragraphs shall not be subject to disadvantageous treatment because of such reporting.</p>	<p>(1) Audit Committee members view important documents and receive reports on the execution of duties from Executive Officers and employees, etc., by attending important meetings of departments engaging in business execution such as the Management Meeting, the Sustainability Committee, and the RMP.</p> <p>(2) Executive Officers promptly report to the Audit Committee pursuant to the “Executive Officer Rules” in the event they discover a fraudulent act in the course of executing their duties, and such act is not redressed immediately.</p> <p>(3) In the course of audits by the Audit Committee, the Company and its subsidiaries provide information on the handling of management tasks and the legality and appropriateness of their business operations upon the request of the Audit Committee.</p> <p>(4) The Compliance Consultation Counter that can be used by the Company and domestic subsidiaries and the “Regulations for the Operation of the Compliance Consultation Counter” 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, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) have been established for a total of twenty-two (22) subsidiaries in ten (10) 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 &amp; 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 &amp; Supervisory Board Members of a subsidiary shall be assigned concurrently to the department under the jurisdiction of the Audit Committee. For Audit &amp; 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 Building Service and Industrial Company, Energy Company, Infrastructure Company, Environmental Solutions 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 &amp; 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 &amp; 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 &amp; 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.</p>



## Disclosure Process

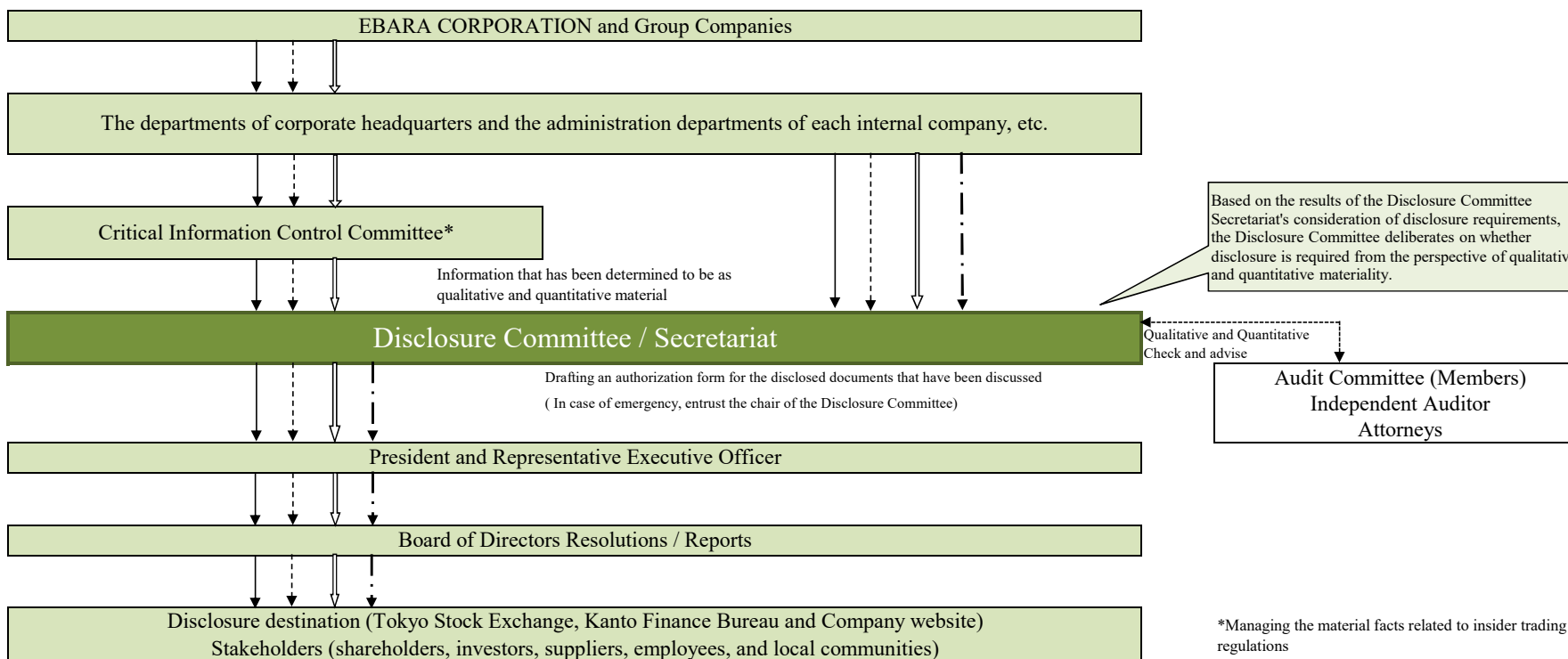
### (1) Corporate information subject to regular disclosure



(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》<br>• Extraordinary Report<br>• Securities Registration Statement<br>• Timely Disclosure<br>• Corporate Governance Report |
|------------------------------------------------------------------------------------------------------------------------------------------------|



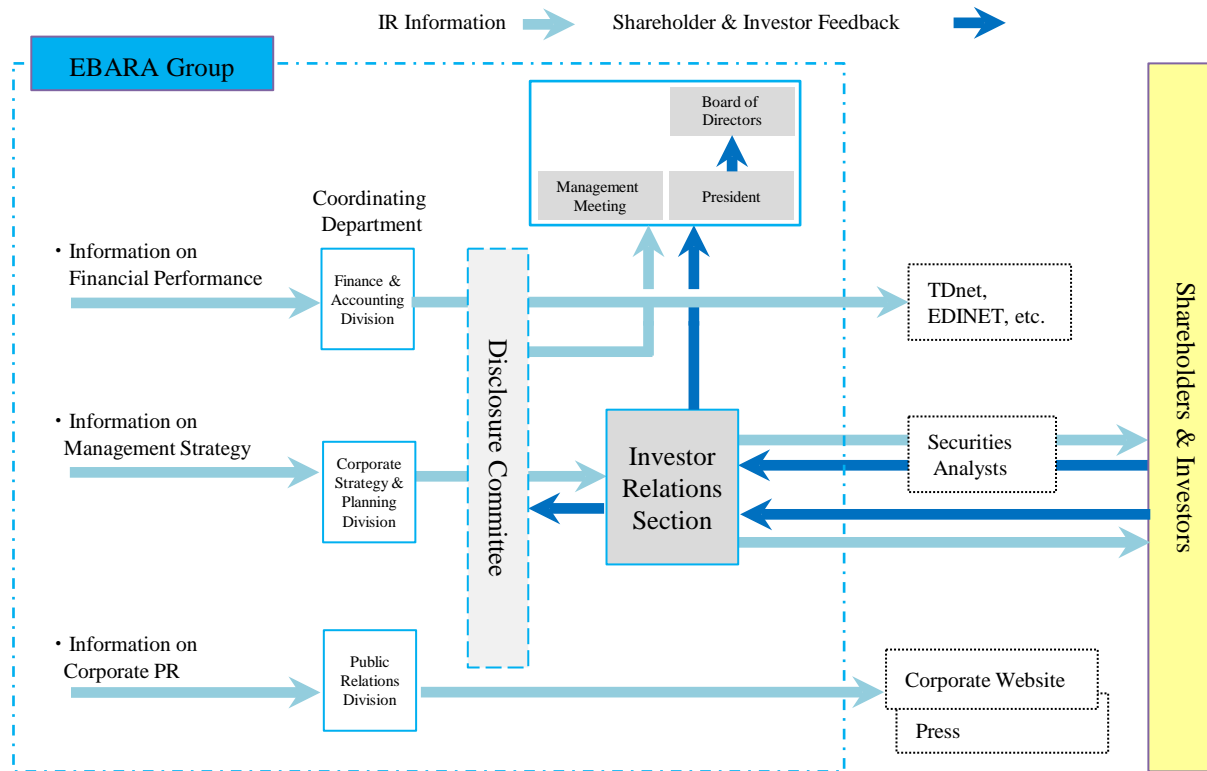
Based on the results of the Disclosure Committee Secretariat's consideration of disclosure requirements, the Disclosure Committee deliberates on whether disclosure is required from the perspective of qualitative and quantitative materiality.

Qualitative and Quantitative Check and advise

Audit Committee (Members)  
Independent Auditor  
Attorneys

\*Managing the material facts related to insider trading regulations

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.