Message from the President

Marching toward the accomplishment of our new long-term vision with an eye to the needs of the future and the world after the COVID-19 pandemic.

Masao Asami
President and Representative Executive Officer

Global COVID-19 Pandemic Response Measures
Proactive action based on an accurate understanding of risks and opportunities with stakeholder safety as our top priority

On behalf of the EBARA Group, I would like to extend our sincere condolences to anyone who has lost loved ones to COVID-19 or have fallen victim to this virus. I also express our appreciation for the essential workers around the world who perform tasks that are indispensable to our daily lives.

The EBARA Group provides essential social infrastructure, supporting industry and life around the world. To fulfill the social responsibility this entails, we are continuing our business activities while placing the safety of our employees and other stakeholders as our top priority.

When the Japanese government issued its state of emergency declaration, we requested that all Group employees remain at home except for when absolutely necessary. In Japan, we quickly adjusted our internal systems in response to the COVID-19 pandemic by taking measures such as expanding our existing staggered attendance time scheme and telework program to apply to all employees. Additionally, whenever possible, employees were asked to telework in order to prevent the spread of the virus. For production floors, we implemented a rotating shift system, enabling us to keep facilities active while lessening the risk of infection among staff. These measures were relaxed a bit after the Japanese government lifted the state of emergency, but we are still examining new work styles for EBARA. For example, we are shifting toward telework and taking other steps to develop workplace environments, human resource systems, and information systems that are ideal for protecting both employee health and business efficiency.

Negative impacts of the pandemic on our business in the first three months of 2020, included restrictions on factory operations and sales activities due to the policies of national and municipal governments in China, Europe, the United States, and Southeast Asia. We also experienced disruptions to our supply chain and logistics activities as well as limitations on the movement of people. That being said, the overall impact on our business during this period was relatively small.

Since April 2020, the pandemic has spread to Europe, the United States, and other regions, plunging the world into a global economic recession. The impacts on EBARA have included customers foregoing investment projects, delays in construction negotiations, and supply chain disruptions. Conversely, there is a move to reopen economies in developed countries. This combination of factors is making it extremely difficult to formulate an outlook for the EBARA Group’s operating environment.

Going forward, we will continue to monitor trends as we strive to minimize the negative impact on our business activities while placing the prevention of the infection of customers, suppliers, employees, and other stakeholders as our top priority. We will also take steps to respond to the changes in the operating environment over the medium-to-long term, both during and after the pandemic. We are examining a myriad of measures with this regard, including further shifts to telework, encouraging sales activities to be performed in a non-face-to-face manner, reconstructing global production systems and supply chains, and transforming the very nature of our services. In the midst of this uncertain and unclear operating environment, we are committed to flexible and proactive action based on an accurate understanding of risks and opportunities with stakeholder safety as our top priority.
The EBARA Group has unveiled E-Vision 2030, a new long-term management plan. Reflecting on this situation, we have come to the realization that establishing management policies based on a long-term view of the operating environment, setting the course for management, and executing growth strategies will require a bold, steadfast, and global approach. This approach will be vital to ensuring that the Group is able to continue growing in the increasingly volatile operating environment to be seen going forward. This process of self-examination led to the February 2020 announcement of E-Vision 2030, the EBARA Group’s new long-term vision looking toward its growth over the next decade.

Background for Establishment of E-Vision 2030—Path from Past to Present and Outlook for the Future

E-Vision 2030 was formulated through a process of reexamining the spirit and DNA that the EBARA Group has continued to treasure over the 108-year history since its founding and clarifying its presence in the world of today. With this framing, we identified the issues and opportunities the Group is likely to face going forward based on our outlook for the future of society and the global environment.

Since it was founded in 1912, the EBARA 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 the Group’s founding, Japan was still lacking in terms of social infrastructure. For this reason, our forebears were dedicated to shaping Japan through their business of helping realize the safe and reliable supply of water. This dedication led them to respond to the needs of society through the development of fluid machinery and system products, such as the first domestically manufactured pump. After the end of World War II, Japan would eventually experience what would become known as the Japanese postwar economic miracle. This was a period of demand for social infrastructure as well as growing construction demand related to industrial infrastructure and urbanization. EBARA responded to this demand with a diverse lineup of fluid machinery and system products matched to the various needs that arose during this period. In addition, we developed waste incineration facilities to be used in the disposal of waste, which was increasing in step with economic growth. It was also at this time that we saw the development and spread of electric and electronic products, resulting in explosive growth in demand for semiconductors.

EBARA met this demand by developing semiconductor manufacturing equipment and components and supplying these to the market to contribute to the evolving information society.

Reviewing the history of the EBARA Group dating back to its foundation, it will be seen that the Group is a conglomerate that has always been mindful of the contemporary issues faced in society, industry, and everyday life. It has addressed these issues through the passionate development of technologies and the dedicated supply of products, systems, and services to society, growing its business through this process. Ours has truly been a history of growth achieved by honing the strengths of our technological capabilities and reliability through constant ambition, originality, and ingenuity grounded on the passion and dedication described in our Founding Spirit.

Conversely, if we look toward the future of society and the global environment a century from now, we will see a number of issues that we must address. One issue of particular importance is climate change. Global warming sparked by climate change, for example, will lead to increased arid, rainless weather patterns and natural disasters, raising sea levels and tides and consequently submerging land masses, and triggering shortages of drinkable water. Meanwhile, the evolution of the digital society will, no doubt, result in computer, telecommunications equipment, AI, and the IoT permeating all aspects of the digital society. The issues of the digital society can be expected to transform our lifestyles. Amid these trends, we anticipate that the semiconductors underpinning the digital society will be subject to ongoing technology innovation and growth in demand.

Basic Policies of E-Vision 2030

When considering the outlook for the world of the future, the issues to be faced therein, and the EBARA Group’s strengths, I see substantial opportunities for the Group to grow by contributing to the resolution of social issues, such as those indicated by the SDGs. In the past, EBARA tended to be overly focused on aspiring to create high-spec products, with world-leading technologies, just for the purpose of pushing technology forward. Capitalizing on the opportunities to be seen going forward, however, will require a market-oriented perspective toward addressing the needs of customers seeking solutions to their problems. The necessity of a market-oriented perspective has been something that independent Directors have continued to stress at meetings of the Board of Directors. If EBARA is to continue contributing to the resolution of the increasingly wide range of social issues, it will need new ideas that defy prior conceptions. We will, of course, also need to grow our existing businesses. Accordingly, in the future we will be looking to optimize our business portfolio through bold efforts to grow existing businesses and create new businesses based on an accurate understanding of the opportunities open to us based on a global, market-oriented perspective.

Slogan and Material Issues of E-Vision 2030

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 strengths of the technological capabilities and reliability it has cultivated thus far. These contributions will be our “Passion, Support the Digital Society.” Moreover, this slogan encapsulates our desire to support society, industry, and everyday life by inspiring a broader range of customers around the world to use EBARA products.

Five material issues (EBARA’s materiality) to be addressed by the EBARA Group leading up to 2030 were identified in E-Vision 2030. These issues were chosen based on an examination of our outlook for the world of the future, the issues to be faced therein, and the EBARA Group’s strengths. We have also drafted a value creation story. This story portrays the process through which we will realize greater levels of corporate value by simultaneously increasing our social, environmental, and economic value. This will be achieved through addressing our five material issues, which in turn contribute to the realization of a sustainable society.

The EBARA Group has unraveled E-Vision 2030, a new long-term management policy that illustrates our vision for the Group a century from now. This vision is underpinned by core values that will serve as the roadmap toward realizing this vision.

The vision we pursued up until 2020 was defined in Management Policy—Toward a Growth-oriented Management. Under this management policy was established when we transitioned to the Company with Nominating Committee, etc., structure described in the Companies
The basic policy of E-Vision 2030 is to address the five material issues (EBARA’s materiality) by embracing a global market-in approach, maximizing corporate value through the optimization of our business portfolio. Based on this policy, we have put forth four management strategies to guide us in responding to the material issues. This policy and these strategies have been broken down in the E-Plan 2022 medium-term management plan to direct ongoing action to ensure the accomplishment of our targets.

**Management Strategies of E-Vision 2030**

- **1. Contribute to the creation of a sustainable society**
  - We 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.

- **2. Elevate standards of living and support abundant lifestyles for all**
  - We utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles.

- **3. Conduct comprehensive environmental management**
  - We will promote the reduction of CO2 emissions from our business operations and maximize our use of renewable energy to move toward a carbon-neutral world.

- **4. Promote working environments that encourage challenge**
  - We will promote a corporate culture of competition and challenge and provide diverse employees with meaningful work and comfortable working environments.

- **5. Enhance corporate governance**
  - We will lay out a vision for and pursue growth through offensive and defensive governance that supports our high-end management capabilities.

**Targets of E-Vision 2030**

- E-Plan 2030 sets targets for social, environmental, economic, and corporate value to paint a picture of our vision for the EBARA Group a decade from now. The targets for social and environmental value are to reduce GHG emissions by the equivalent of about 100 million tons of CO2, deliver water to 600 million people, and contribute to smarter living by having living to be 14 angstroms (one ten-billionth of a meter) generation with ICAC5 technologies.

**Economic value targets call for us to achieve ROIC of 10.0% or more and net sales of roughly ¥1 trillion. For corporate value, we have set the target of ¥1 trillion in market capitalization.**

By clarifying this vision for the EBARA Group a decade from now, we hope to motivate employees working across the Group and further stimulate its growth. Our approach toward achieving this vision will entail uniting the strengths of employees to improve social and economic value by contributing to society through our business while simultaneously heightening economic value through business growth and efficient management. We thereby aim to earn greater corporate value and recognition as an excellent global company from society and from the entire world.

* ICAC5: cloud technologies, AI technologies, automated driving technologies, and 5G communications technologies

**New Medium-Term Management Plan—E-Plan 2022**

E-Plan 2022 is a three-year medium-term management plan covering the period from 2020 to 2022. This plan is comprised of management policies and strategies for the coming three years formulated based on backcasting from what we want to achieve in the next decade, as indicated by E-Vision 2030, and on reflection on the previous medium-term management plan to identify the issues that still need to be resolved. The major issues identified through our review of E-Plan 2019 pertained to the strengthening of our profit foundation and the expansion of S&S operations. Our profit foundation has been growing steadily stronger, but we still see the need for ongoing efforts to strengthen this foundation during the period of E-Plan 2022. As for S&S operations, although we had been engaged in efforts to expand these operations previously, we were unable to achieve satisfactory results during the period of E-Plan 2019. Accordingly, we are taking a cross-business perspective toward examining the ideal approach for our S&S operations. At the same time, we will pursue synergies through collaboration between our custom pumps business and our compressors and turbines business, which share an overlapping segment of the market, as we implement ongoing measures to enhance S&S operations.
Basic Policies of E-Plan 2022

The period of E-Plan 2022 has been positioned as a period in which we will “reconstruct the foundations of growth” to achieve our vision for 10 years in the future. In the three-year period of the plan, which represents the start of our journey toward long-term growth, we are tasked with identifying and cultivating the seeds of growth that will satisfy contemporary needs and securing the funds needed for this process. We will also need to improve our speed in operational execution and management decisions by taking measures to strengthen the foundations for global operations while conducting business operations in line with the ideals of stakeholder capitalism.

Four basic policies (indicated in the table below) have been established to guide us in accomplishing these tasks.

<table>
<thead>
<tr>
<th>Basic Policies of E-Plan 2022</th>
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<tbody>
<tr>
<td><strong>1. New Businesses</strong></td>
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<tr>
<td>By identifying new global-based social needs from a market-oriented perspective, EBARA will work to supply customers with solutions that leverage its own technological capabilities and external resources.</td>
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<td><strong>2. Existing Businesses</strong></td>
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<td>We aim to strengthen our S&amp;S operations by maximizing inter-business synergies on a Companywide basis. At the same time, we will execute aggressive business segment-specific strategies. Other focuses will include strengthening development capabilities to create competitive advantages and expanding global procurement systems.</td>
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<tr>
<td><strong>3. Regional Strategies</strong></td>
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<td>Efforts aimed at the global market will include the aggressive allocation of management resources to countries and regions where we can anticipate growth, such as China, India, and Africa, which are seeing population, economic, and industrial growth. Through this allocation of resources, we will bolster our products and services in these markets while recruiting and developing global human resources.</td>
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<tr>
<td><strong>4. Strengthen capitals (resources)</strong></td>
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<td>Six capitals that are necessary for our business are human capital, manufacturing capital, financial capital, intellectual capital, social and relationship capital, and natural capital. At EBARA, we are committed to evolving and augmenting these different kinds of capital to ensure their viability for responding to business changes and growing global operations. For example, we are implementing manufacturing, technology, and information strategies aimed at driving the global transformation of products, services, and business models by using data and digital technologies to heighten operational efficiency and achieve long-term growth. One facet of these strategies will be the Companywide introduction of an ERP system and the development of globally optimized business infrastructure.</td>
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<td><strong>5. Refinement of ESG-Focused Management</strong></td>
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<td>Ongoing business growth will be pursued through initiatives to respond to ever-changing environmental issues, foster bonds with society, and enhance corporate governance. Initiatives for responding to environmental issues will include the provision of high-efficiency products and services that help combat climate change and the advancement of business activities that contribute to reduced environmental footprint. To foster bonds with society, we will aspire to create and provide social value by supplying safe, secure, and convenient products and services. Meanwhile, we will seek to fully exercise the functions of the Board of Directors to achieve ideal corporate governance systems and to evolve and further enhance these systems.</td>
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**Targets of E-Plan 2022**

The management indicators we will focus on under E-Plan 2022 are ROIC and the operating income to sales ratio. In the fiscal year ending December 31, 2022, the final year of the plan, we are targeting ROIC of 9.0% or more and an operating income to sales ratio of 8.0% or more. In addition, supplementary performance indicators have been identified for monitoring to ensure that we accomplish these targets. The indicators designed to guarantee the accomplishment of the ROIC target are return on equity (ROE) and the debt-to-equity ratio. The indicators related to the consolidated operating income to sales ratio are the equivalent ratios from our five businesses. We will work toward the accomplishment of these targets by improving earnings while also appropriately managing our balance sheet with regard to asset efficiency and debt-to-equity ratios of our businesses.

**Message from the President**

EBARA, we are committed to evolving and augmenting these different kinds of capital to ensure their viability for responding to business changes and growing global operations. For example, we are implementing manufacturing, technology, and information strategies aimed at driving the global transformation of products, services, and business models by using data and digital technologies to heighten operational efficiency and achieve long-term growth. One facet of these strategies will be the Companywide introduction of an ERP system and the development of globally optimized business infrastructure.

Masao Asami
President and Representative Executive Officer

EBARA Group Integrated Report 2020
Value Creation Story


Guided by the core of the “EBARA Way,” the Founding Spirit of “Netsu to Makoto” (Passion and Dedication), the EBARA Group has continued to contribute to the resolution of social issues with the strengths of its technological capabilities and reliability throughout its 108-year history. We will further build on these strengths while advancing business activities based on our desired vision for EBARA. This is the approach we will take in supporting the globe into the future and ensuring that EBARA can continue to grow over the next century.
Recognition as an Excellent Global Company with Greater Corporate Value Achieved through Resolution of Social Issues

By enacting the value creation story described on the following pages, the EBARA Group will aid in the creation of a sustainable society through management based on ESG factors and contributions to the accomplishment of the SDGs while simultaneously increasing social, environmental, and economic value. We believe this undertaking will earn us greater corporate value and recognition as an excellent global company.

Outcomes of Efforts to Address Five Material Issues (Materiality)

Under the slogan of “Technology. Passion. Support Our Globe,” E-Vision 2030 puts forth five material issues to be addressed by the EBARA Group, leading up to 2030. By responding to these material issues through our business activities, we aim to realize outcomes that result in improvements in our social, environmental, and economic value.

Five Material Issues (Materiality)

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

2. Elevate standards of living and support abundant lifestyles for all
   - We will utilize our technologies to passively support economic development that enables the world to prosper and realize ever-evolving and abundant lifestyles.

3. Conduct comprehensive environmental management
   - We will promote the reduction of CO2 emissions from our business operations and maximize our use of renewable energy to move toward a carbon-neutral world.

4. Promote working environments that encourage challenge
   - We will promote a corporate culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.

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

Targeted Outcomes

- Reduced GHG Emissions
  - Reduce GHG emissions from business operations
    - Reduce amount of energy used in production
    - Develop more energy-efficient products
    - Improve the power generation efficiency of municipal solid waste treatment facilities

- Safe and Reliable Living
  - Develop products for new waste treatment systems and contribute to the creation of a sustainable society

- Smarter Living
  - Contribute to the development of high spec semiconductor technologies necessary to answer the increasing demand for ICAC5 (integrated circuit, cloud, artificial intelligence, 5G, and autonomous driving technologies) through the provision of cutting-edge semiconductor manufacturing equipment

Enhance Corporate Value through Increasing Social, Environmental, and Economic Value

E’Vision 2030 delineates policies and strategies for growing EBARA while addressing the five material issues through business activities. By implementing these strategies, we will seek to realize the outcomes described on the preceding page, simultaneously increase social, environmental, and economic value and achieve greater corporate value to push us toward our vision for the future.
In-Depth Look at Sustainability and EBARA’s Future

The EBARA Group announced the E-Vision 2030 long-term vision and the E-Plan 2022 medium-term management plan in February 2020, marking its embarkment on a new journey to achieve sustainable growth from a future-oriented, long-term perspective. To respond to this milestone, Eiichiro Adachi, advisor to the Sustainability Committee, and Masao Asami, President, Representative Executive Officer, and chairperson of the Sustainability Committee set down to discuss sustainability and EBARA’s future while touching upon the feelings encapsulated by E-Vision 2030 and the issues needing to be tackled to achieve ongoing growth.

This discussion took place with both individuals wearing masks and practicing social distancing in light of the COVID-19 pandemic.

View toward Sustainability

Asami: I am incredibly grateful that you honored us by joining the CSR Committee (currently the Sustainability Committee) in 2019, Mr. Adachi. The input you offer from a viewpoint completely different than ours is most appreciated. At EBARA, there is an entrenched belief that, the Company has existed for a century, our ongoing survival is practically guaranteed. I believe that this type of complacency is something that we need to disrupt, and I have been stressing this since I became president. Your addition to the committee has certainly changed things for the better, as your insightful comments have stimulated deeper discussion among the members resulting in better, more meaningful discussions.

Adachi: Everyone on the CSR Committee is earnest and incredibly serious in how they go about reports and discussions. Of course, I mean this as a compliment. Independent Directors, also, do not seem hesitant to make themselves heard. It is also clear to me that the roles and responsibilities of each member are clear on a functional level, and there is an effective plan—do-check—act (PDCA) cycle in place with regard to the direction that EBARA should take going forward. However, I do see room for improvement with regard to how visions of the future and the exciting new prospects of this future are incorporated into management.

Asami: Previously, our discussions were often focused on determining how to complete our short-term “to-do list” well, so it was rare to get into the more exciting discussions of what we could or should do in the future.

In the 1980s, EBARA attempted to branch out in a number of complacency, something that was needed by the society of the time. We continued to meet contemporary needs by providing the agricultural pumps necessary for reconstruction after World War II and then the fans and chillers that were required during the postwar period of economic growth. Similarly, as increasing volumes of waste became an issue, EBARA worked to provide waste incinerators to combat the problem. This history of supplying products that meet the needs of society makes the conviction of EBARA’s forebears very clear, that contributing to society is how EBARA most fully exercises its strengths. I find this unwavering conviction to be impressive.

The question then becomes: What do we need to do now to be able to continue making contributions to society over the next 50 to 100 years? At the moment, it can be expected that population growth in Asia and Africa will create conditions like those that Japan experienced during the period of its economic miracle. If this does indeed occur, EBARA may be able to contribute by tailoring the solutions it supplied to Japan to match the needs of these countries. It was by looking 10 years in the future through this lens that we arrived at the E-Vision 2030 long-term vision.

It is, of course, important to raise profitability of our existing businesses. For example, our pumps business is undoubtedly an important business. However, if asked if we are No. 1 in the world when it comes to pumps, we would have to say “no,” which can make us feel trapped. It is vital to rekindle the pump’s business.

The DNA of EBARA and its corporate culture is one that takes its role of contributing to society seriously. When it comes to profit, however, I cannot deny that there are entrenched feelings that make us sometimes prioritize contributions to society to the detriment of profitability. Independent Directors have noted this situation by stating that it is not acceptable for a company to have a weighted average cost of capital (WACC) that exceeds ROIC. However, if we are able to adjust our corporate culture, we will find ourselves poised to contribute to society without reservations. Based on this recognition, we designed E-Plan 2022 to include the tasks that absolutely need to be addressed in the first stage of E-Vision 2030.

Adachi: Many Japanese companies state that their companies exist for the benefit of society, even going so far as to indicate this in company policies. However, the number of companies that actually declare their vision for an ideal society, the society they aim to build, is much, much smaller. Usually, when I mention this to corporate managers, their response is humble, stating that companies are meant to serve customers so they should primarily focus on addressing customer needs as opposed to putting forth a vision of the society they hope to build. However, I feel that declarations of commitment to employees understand and empathize with generally prove to be strong in the face of economic downturns or other such difficulties. Moreover, an even greater degree of strength can be witnessed when ESG issues and sustainability become the core of employee motivation and engagement. I have high expectations for EBARA in this regard.

Background for and Evaluation of the E-Vision 2030

Asami: EBARA was originally a small venture company spun off from a university. This venture company was lucky enough to find success by supplying something that was needed by the society of the time. We continued to meet contemporary needs by providing the agricultural pumps necessary for reconstruction after World War II and then the fans and chillers that were required during the postwar period of economic growth. Similarly, as increasing volumes of waste became an issue, EBARA worked to provide waste incinerators to combat the problem. This history of supplying products that meet the needs of society makes the conviction of EBARA’s forebears very clear, that contributing to society is how EBARA most fully exercises its strengths. I find this unwavering conviction to be impressive.

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social contributions without a clear vision for the society one wants to realize lack persuasiveness in the current era, which is characterized by the rapid emergence of new societal issues to tackle.

With this regard, E-Vision 2030 has a clear focus, looking to contribute to the resolution of climate change and water issues while helping evolve our very lifestyles. I have great praise for this focus, and I think EBARA has made strides forward by backing these goals with concrete numerical targets. If I were to nitpick, I would have to say that EBARA has yet to make the path to accomplishing these goals clear. If management has envisioned some roadmap for accomplishing these goals, I think it would be prudent to explain it to external stakeholders.

I also got the impression that E-Vision 2030 is an extension of EBARA’s current business portfolio. Considering the drastic changes to society anticipated over the next decade, I think the Company’s long-term vision would be even more appealing to external stakeholders.

I also feel that the current trends of society, such as the growing emphasis on ESG factors and the SDGs, are things that match EBARA’s corporate culture and herald significant opportunities for us. There is a need to create an ever-evolving, sustainable society, and at EBARA, we hope to tackle new challenges in order to realize this. We have started asking employees to consider what they want to do with EBARA from a long-term Groupwide perspective in internal training sessions in order to spark that drive in employees. In turn, we have seen an increase in promising projects proposed by employees that exercise EBARA’s strengths.

One such project was the establishment of a new business development division three years ago. This division is engaged in various initiatives to facilitate the exploration of new businesses. For example, it has launched an open application system for soliciting new business ideas from within the Company. We hope to gather various ideas from throughout the organization and transform them into actual businesses, based on judging by external experts and independent directors and on votes by employees. I anticipate that this process will help employees to develop a greater understanding of the new idea that, while we cannot do anything willy-nilly, there is a road to realizing business ideas that allow for EBARA to exercise its strengths in line with E-Vision 2030 and E-Plan 2022 to shareholders and other businesses.

When making these reports, I think it would be beneficial to go beyond simply looking at numbers and KPIs to introduce such initiatives as the open application system for new business ideas as one of the milestones of E-Vision 2020. There might be some extremely critical investors, but I believe that you, President Asami, can win them over with your conviction. ESG-minded investors tend to turn their attention to companies like EBARA that are highly sensitive to ESG. Conversely, companies that are not proactive in addressing market fluctuations fail to pique the interests of such investors.

As for EBARA’s strong focus on existing product lines, I suspect that EBARA’s in-house company system is partially responsible. Under an in-house company system, the companies tend to prioritize their activities on their established products and business models. This mentality can make it even more difficult to generate innovative ideas, and leads to the issue of having to make extra effort of injecting stimulation in these companies.

Asami: Often I find myself explaining how important it is to encourage a premium valuation through market-oriented strategies between mainstreams, rather than falling subject to a conglomerate discount. We need to take action based on this sentiment going forward.

Importance of Incorporating Receptiveness and Problem Awareness of Overseas Employees

Adachi: I have served as an advisor to the CSR Committee for a year now. Over this period, I have felt that discussions, as well as the Company’s PDCA cycle framework, have been overly biased to the business activities in Japan, when considering the ratios of overseas sales and employees. Considering the scale of EBARA’s overseas operations it seems like there should be more focus on the engagement and motivation of overseas Group members, especially those that were incorporated into the Group through M&A activities. Up until now, it has been very common for Japanese companies to think of overseas bases and domestic bases as separate, resulting in double standards regarding management procedures and other aspects of operation. In these cases, if there is not an active and shared attempt to move toward a single standard for all bases, it invites the threat of corporate scandals. Even if a company advocates abstract concepts like sustainability and ESG-focused management, it is not unheard of for overseas bases to feel disconnected from these concepts. For this reason, as well as for the purpose of increasing the motivation and engagement of overseas employees, it is crucial to avoid the creation of internal double standards. If we follow this line of thinking to its logical conclusion, we arrive at the need for a universally understood language, such as English, to be used for the company’s books and all internal communications.

I believe that Japanese companies that assume this is the direction of the future and start to take action in preparation for such a time, eventually be able to cut off the label of “Japanese company,” and finally be recognized as a true “global company.”

Adachi: Let me be frank in saying that internal changes like that cannot be seen from the outside. However, I am relieved to hear that such changes are going on inside of EBARA. I expect EBARA will succeed. If people in such countries bring the receptiveness and problem awareness as well as the issues they face in their everyday lives to work, it will likely stimulate discussions of how EBARA can address such issues. This discussion would lead to incredibly grounded, realistic initiatives, which have the capability to drive EBARA’s transformation into a total solutions provider. I have high expectations for the management of overseas bases.

Asami: In 2020, EBARA appointed its first non-Japanese executive officer, Michael T. Lord. In addition, eight years ago we launched a global human resource project through which employees around the 10th year at the Company are dispatched overseas for one to two years. When speaking with employees who were sent overseas, I have felt that their awareness of societal issues truly differed from that of employees who have worked solely in Japan. Overseas, these employees are driven by a determination to do everything themselves so that they can lead their non-Japanese colleagues. When these employees return to Japan, the large degree to which they have grown inspires others to request overseas assignments, and we have seen an increase in such employees in recent years. I recognize this as a clear sign that EBARA is changing.

Broader Examination of How to Tackle Issues

Asami: Today’s discussion with you, Mr. Adachi, made me realize the importance of changing how we view fields other than those we are currently engaged in to look at them with a sense of excitement. If we adopt this approach and view the world from a broader perspective, thinking about what we can accomplish over the long term, I am sure we can bring out the best in EBARA.

Adachi: You are exactly right. There are a lot of different ways that excitement can be stimulated and brought to fruition. The overseas dispatch system you just mentioned could be one such way. Another would be generating ideas for preempting customer trends by identifying means of using EBARA’s pump technologies to address the needs of customers or the trends in government policy in areas unrelated to pumps ever before. There is a lot of potential for growth using pumps alone. For example, there might be a use for a pump in anoxic CO2 underground. It would be a good idea to install frameworks for internally facilitating such discussions throughout the organization. Moreover, if people outside of the Company were to hear of such efforts, they might be inspired to consult EBARA. When forming new contact points with a new market, it is important to broaden one’s perspective beyond looking at what will sell to considering the societal issues faced in that market. The extreme seriousness of people at EBARA can lead to a narrow perspective, which is why I want to emphasize the importance of broadening perspectives throughout the Company. I also would like to see EBARA being more proactive in broadcasting the partners it looks to ally with and the projects to be undertaken with these partners.

Asami: EBARA is a little bad at self-promotion. A previous supervisor of mine once said that not voicing your opinions is a strongly ingrained culture of valuing dedication and refrain-