Looking ahead, going beyond expectations

Ahead ➔ Beyond
EBARA Way
Creation of New Value by Acting Based on the "EBARA Way"

The EBARA Group’s beginnings were in answer to the calls of society, and we have continued to provide value to society through our business in addition to fulfilling our social responsibilities. In conjunction with the 100th anniversary of the Company’s founding in 2012, we reflected on the type of company we are and want to be and recognized those fundamental values and ethics into the EBARA Group Business Ethics Framework, to support our ethical operation over the next 100 years. As part of this undertaking, we redefined the Group’s Founding Spirit, corporate philosophy, and CSR Policy as the “EBARA Way,” the transcendental value shared across the EBARA Group. By acting based on the “EBARA Way,” we will create new “social, environmental, and economic value.”

EBARAS Founding Spirit of “Netsu to Makoto” (Passion and Dedication) is a philosophy of engaging with work and people with passion and dedication that inspires us to contribute to society in the areas of water, air, and the environment. Guided by this spirit, we advance our business activities in accordance with the EBARA Group CSR Policy and aspire to foster relationships of trust with stakeholders through highly ethical conduct.

EBARA Group Business Ethics Framework
Elements of the EBARA Way: Founding Spirit of Passion and Dedication

Both employees and the Company shall strive for growth with passion and dedication to bring forth originality and ingenuity, rather than simply fulfilling the task at hand. When working with passion and dedication, there is nothing that cannot be communicated to others.

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

CSR Policy
We seek to foster trust with our valued stakeholders by conducting our business with a strong sense of ethics.

Key Points of EBARA Group Integrated Report 2020

POINT 1
Technological Capabilities and Reliability—The Strengths Born Out of Passion and Dedication

EBARAS Founding Spirit of “Netsu to Makoto” (Passion and Dedication) represents the fundamental values we embed all EBARA employees to embrace. At EBARA, we are committed to reflecting our technologies through passion and delivering related products and services through dedication. The strengths of our technological capabilities and reliability born out of passion and dedication are driving the growth of EBARA.

Introduction P.03–12
Value Creation Story P.21–22

POINT 2

The new E-Plan 2030 long-term vision identifies five mineral issues (EBARA material issues) to be addressed in order to contribute to the realization of a sustainable society while simultaneously improving a social, environmental, and economic environment. This report provides a glimpse at how EBARA will accomplish these goals.

EBARA Group’s Corporate Value Creation P.12–20

POINT 3
E-Plan 2022—Medium-Term Management Plan for Realizing Long-Term Vision

E-Plan 2022 is a medium-term management plan formulated through reflection on the previous medium-term management plan and backcasting from E-Plan 2030. This report explains some of the specific measures of this plan from the perspectives of business strategies, resource strategies, and ESG-focused management.

Business Strategies P.29–44
Resource Strategies P.45–52
Refined ESG-Focused Management P.53–78

EBARA Group Integrated Report 2020 focuses on explaining, in an easy-to-understand manner, the EBARA Group’s value creation story through explaining specific initiatives taken in the framework of the E-Plan 2030 long-term vision, and new E-Plan 2022 medium-term management plan announced in February 2020. We would like to have this opportunity to touch on the following key points of this report to help readers gain an even deeper understanding of its content.

Introduction P.03–12
Value Creation Story P.21–22

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EBARA Corporation was founded in 1912 by Issey Hatakeyama with the aim of spreading use of the Inokuty-type volute pump. Applying the volute pump research of Dr. Arika Inokuty, a world-renowned professor at the time, EBARA sought to contribute to the modernization of Japan by producing the first domestically manufactured waterworks pumps, installing water infrastructure to prepare for natural disasters, and developing the first water purifiers for waterworks manufactured in Japan. United by this passion, members of EBARA were inspired to fulfill their mission of supplying the products and services that support society, industry, and everyday life. In this manner, EBARA has continued to be driven by its Founding Spirit of “Netsu to Makoto” (Passion and Dedication) since the time of its inception. Over the years, we have continued to accumulate technological capabilities and enhance our reliability as employees exercise this spirit. These assets are the wellspring of EBARA’s growth.

Founding Based on Passion and Dedication

It was not long after the founding of EBARA that the Company completed a pump of record size, a painstaking task that took place in a small factory with no crane facilities in the Nippori area of Tokyo. Founder of EBARA, Issey Hatakeyama, acted in accordance with his philosophy of approaching daily tasks with passion, dedication, integrity, and ingenuity in order to spur personal and corporate growth, and encouraged employees to adopt the same approach. The founding spirit of “Netsu to Makoto,” or Passion and Dedication, has continued to drive EBARA in our efforts to hone our technological prowess and achieve greater levels of reliability. EBARA’s growth into a global industrial machinery manufacturer with three core businesses—the Fluid Machinery & Systems Business, Environmental Plants Business, and Precision Machinery Business—is a result of the ongoing commitment to this spirit.

Founding Spirit and Strengths Underpinning Competitiveness

Water
We support water infrastructure worldwide by providing a vast lineup of products, such as water supply pumps for buildings and condominiums, pumping stations that prevent flooding, and pumps for desalination plants.

Environment
We promote efficient resource use and stable energy supply by providing pumps and compressors for energy-related facilities and constructing and maintaining municipal solid waste treatment facilities and biomass power generation plants. In addition, we supply energy-efficient and resource-conserving products in all businesses.

Air
We provide dry vacuum pumps that create clean vacuums, gas abatement systems for treating hazardous gases as well as greenhouse gases (GHG), chillers used for air conditioning, and tunnel ventilation fans to the global market.

Digital Technologies
Aiming to contribute to the realization of a super smart society in which all things are interconnected, we support the development of cutting-edge technologies by supplying vacuum pumps and various types of semiconductor manufacturing equipment, including chemical mechanical polishing (CMP) systems, that capitalize on the technologies we have fostered in the areas of water, air, and the environment.

Three Core Businesses
- Fluid Machinery & Systems Business
- Environmental Plants Business
- Precision Machinery Business

Four Areas of Operation
- Water
- Environment
- Air
- Digital Technologies
History of Growing While Addressing the Social Issues of Every Era with Technologies and Reliability

Over the years, the EBARA Group has continued to grow by responding to the needs of society through businesses supporting social and industrial infrastructure. Behind this growth has been the constant enhancement of the Group’s technologies and reliability through the exercise of its Founding Spirit of “Netsu to Makoto.” By applying, evolving, and combining the core technologies that originate from the Inokuty-type volute pump, we have developed products and services that meet the needs of every era. Going forward, we will pursue future growth by further honing our technological prowess to deliver new products and solutions.

INTRODUCTION

EBARA’s History

Development of the EBARA Group’s Foundations

1912~1920

- Founded as Inokuty Type Machinery Office

1920

- Started production of water pumps

1945~

- EBARA Technologies Responding to Social Demand

- Post-World War II Reconstruction and Japanese Postwar Economic Miracle

- Development of Information Society

1990~

- EBARA Technologies Permutating Society

- Framewoks for Future Growth

2010~

- Centennial Anniversary and Pursuit of Future Growth

Pressing Social Issues

- Modernization of Japan

- Permutating Society

- Frameworks for Future Growth

Search for Path to Sustainability

- Toward a More Diverse and Inclusive Society

- Pressing Social Issues

- Centennial Anniversary and Pursuit of Future Growth
INTRODUCTION

Domestic Share for Standard Pumps and Cooling Towers
To date, EBARA’s domestic factories have produced more than 18 million standard pumps. Through the widespread provision of pumps that address diverse needs, such as those pertaining to the supply of the water that is indispensable to our daily lives, we are supporting the development of industry and of comfortable living environments. We also supply equipment for air conditioning in buildings and public facilities and propose optimal solutions to customers through a system integrating everything from manufacturing to maintenance.

Global Cryogenic Pump Share
The primary role of cryogenic pumps is to transport ultralow temperature liquefied natural gas at liquefied natural gas (LNG) liquefaction plants, which require exceptional technological prowess. EBARA boasts an exceptional global delivery track record in this field and has thus earned a position as a recognized global leader.

Note: Shares were calculated by EBARA.
Social Value Created by EBARA

EBARA products are amalgamations of the technologies it has accumulated thus far. These products are used under a variety of circumstances in our everyday lives, supporting social infrastructure around the world and contributing to safe, secure, and fulfilling lifestyles.

1. Water Supply Units
   Supplying water for everyday use to buildings and condominiums
   Water supply units are a crucial element of the facilities of buildings, condominiums, factories, and other structures for realizing a stable supply of water for everyday use.

2. Agricultural Pumps
   Watering crops in fields
   Agricultural pumps reliably supply water for agricultural purposes, such as irrigation, to maintain crop yields and ensure the proper growth of plants.

3. Water Drainage Pumps
   Protecting against typhoons and concentrated heavy rains
   Water drainage pumps are used to protect residential areas, agricultural land, and other areas against flood damage by efficiently removing rainwater and ensuring high safety standards.

4. Seawater Circulation Pumps
   Efficiently transporting seawater
   EBARA’s seawater circulation pumps have superior performance and long life, ensuring high safety standards in the event of a tunnel fire.

5. Fans
   Ventilating tunnels
   EBARA fans are essential for installation in tunnel ventilation equipment. By achieving high-precision ventilation control, these fans help appropriately maintain the air quality in the tunnels, ensuring safe travel and decreasing noise levels.

6. Chillers
   Maintaining comfortable temperatures in buildings, large-scale commercial facilities, and factories
   EBARA’s chillers are used for the air conditioning of buildings, large-scale commercial facilities, and factories to be utilized for cooling and heating various areas, contributing to lower energy consumption and CO2 emissions.

7. Gas Abatement Systems
   Detoxifying hazardous gases
   Gas abatement systems prevent pollution by detoxifying hazardous gases used in semiconductor manufacturing and other processes.

8. Boiler Feed Pumps
   Offering “behind-the-scenes” support for power generation
   Thermal power plants generate electricity through generators directly connected to turbines that are rotated using high-pressure steam. Boiler feed pumps supply high-temperature water to boilers to create this high-pressure steam.

9. Compressors
   Playing a central role in power plants and oil refineries worldwide
   Compressors play a central role in oil refineries and petrochemical plants by compressing the gases produced from crude oil and natural gas.

10. Cryogenic Pumps
    Safety transporting LNG
    Cryogenic pumps are used to transport and store LNG at temperatures of -162°C and thus require superior technologies and impeccable safety.

11. Municipal Solid Waste Treatment Plants
    Generating power using woody biomass fuel
    We offer construction, operation, and management services for biomass power generation plants to leverage the characteristics of internally circulating fluidized-bed boilers designed to use woody biomass as fuel and capable of achieving zero waste.

    Generating power using woody biomass fuel
    Through these services, we are contributing to the popularization of renewable energy and the prevention of climate change.

13. Dry Vacuum Pumps
    Utilizing advanced technologies
    Dry vacuum pumps are used to create the vacuums needed in the semiconductor production process.

14. CMP Systems
    Supporting semiconductor production with nano-level-precision polishing technologies
    CMP systems polish the surface of semiconductor wafers with nano-level-precision using polishing solutions.

Environments While Combating Concentrated Heavy Rains

Protecting against typhoons and flood damage from heavy rains by redirecting water to prevent damage to buildings and condominiums, factories, and other structures for realizing a stable supply of water for everyday use.

Wide-Ranging Support for Society and Infrastructure Ensuring Stable Water Supplies and Preventing Water Damage

Water Supply Units

Agricultural Pumps

Water Drainage Pumps

Seawater Circulation Pumps

Fans

Digital Technologies

Support for the Evolution of Lifestyles with Cutting-Edge Technologies
Unending Support for Society Based on the Spirit of “Netsu to Makoto”

The EBARA Group has continued to develop its business based on “Netsu to Makoto” (Passion and Dedication), the Founding Spirit that we have valued since our inception. Throughout our history of over 100 years, we have proceeded to hone our exceptional technological capabilities in order to deliver products and services that support society, industry, and everyday life. This is the very meaning of our existence. Going forward, the EBARA Group will pursue ongoing growth by capitalizing on the strength of its proven technological prowess as it contributes to the development of a sustainable society by exercising its passion in the global supply of products and services that support fulfilling lifestyles.


Delivery of Products and Services that Support Society, Industry, and Everyday Life

Founding Spirit and Strengths Underpinning Competitiveness

Never satisfied, EBARA will climb to new pinnacles in its quest to support the safety and security of society, industry, and everyday life with its products and services.
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

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.

Global COVID-19 Pandemic Response Measures

Proactive action based on an accurate understanding of risks and opportunities with stakeholder safety as our top priority
Under E-Plan 2019, the previous medium-term management plan, we pursued our primary goals of profitability improvement and growth based on the slogan of “Unlimited challenge toward growth”. However, we failed to accomplish our targets for the important key performance indicators (KPIs) of return on invested capital (ROIC) and the operating income to sales ratio. The major reasons for this failure included the overly optimistic nature of our outlook for the oil and gas market and an insufficient degree of transformation in our business structure as it was necessary for strengthening our profit foundation. These issues are what we will need to address going forward. During the period of the plan, we executed growth investments as intended. Examples of these investments include those for the construction of fully automated plants for the purpose of improving productivity. We anticipate that the benefits of these investments will begin to occur in 2020 and beyond. Meanwhile, we were able to achieve a consolidated total return ratio that greatly surpassed our targets through shareholder returns and reinvestments in various ways, including conducting share buybacks for the first time in Company history. We also proceeded to practice management based on ESG factors. Examples include our reinforcement of corporate governance systems, the revision of human resource systems, and other measures to cultivate foundations for transitioning to a corporate culture that encourages all employees to tackle their work with a competitive spirit and embrace challenge.

The vision we pursued up until 2020 was defined in Management Vision 2020, which was the result of our long-term business strategy to move the Group forward based on our outlook for the future of society and the global environment.

We established when we transitioned to the Company with the EBARA Group and expanded our value creation story that will service society, industry, and everyday life. Meanwhile, we fully recognize the issues presented by our practices that are necessary for transitioning to a corporate culture that encourages all employees to tackle their work with a competitive spirit and embrace challenge.

Key Management Indicator Targets

• Targets of the key management indicators of ROIC and operating income to sales ratio were not achieved.

• Reasons mainly why targets were not achieved were our over-optimistic market outlook and insufficient business structure transformation to strengthen the revenue base

Growth Investment

• Three-year investment was ¥95.5 billion

• Built an automated plant to improve productivity and invested in systems to improve various processes. Enhanced product competitiveness and improved profitability are expected after 2020

Shareholder Returns

• Significantly above target. Total return ratio 30% or more

• In the second year repurchased shares for the first time and continued in the third year

ESG-Focused Management

• Promoted environmental management (e.g., Task Force on Climate-related Financial Disclosures (TCFD) participation)

• Implemented reforms to corporate culture (e.g., new human resource system and work style innovations)

• Enhanced governance (enhanced oversight function of the Board of Directors)

Issues for the Next Medium-Term Management Plan

• Transformation of business structures to strengthen revenue base

• Enhancement of S&S business

• Creation of new businesses

Long-Term Vision—E-Vision 2030

Contribution to the resolution of social issues through business activities from a market-oriented perspective looking toward the world of 2030

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, which we will use as the roadmap toward realizing this vision. The vision we pursued up until 2020 was defined in Management Vision 2020, the long-term management policy established when we transitioned to the Company with the Nomi-
**Management Strategies of E-Vision 2030**

The basic policy of E-Vision 2030 is to address the five material issues (EBARAs' materiality) by embracing a global market-oriented perspective and 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.

**Basic Policies and Four Management Strategies of E-Vision 2030**

- **Basic Policy**: Maximize corporate value through the optimization of business portfolio
  - Recognize issues based on realistic future forecasts
  - Integrate a global market in approach

- **New Business**: Contribute to solving material issues by starting up new types of business
  - Existing Businesses: Enhance S&S and execute aggressive business segment-specific strategies

- **Global Market**: Actively develop business in areas where problems associated with economic development are arising (i.e., increasing energy consumption, population growth, environmental issues, etc.)

- **Japanese Market**: In the midst of a maturing market, expand S&S services and implement creative, flexible business reforms untested to conventional manufacturing

- **Resource Strategies**: Achieve optimal resource allocation through focus on the following three strategies
  - Financial / Investment Strategy
  - Manufacturing / Technology / Information Strategy
  - Human Resource Strategy

- **ESG Strategies**: Further refine ESG-focused management to facilitate the creation of a sustainable society
  - E Take aim at environmental issues
  - S Foster bonds with society
  - G Enhance governance

**Targets of E-Vision 2030**

E-Plan 2038 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 contributing to the 14-angstrom (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.

**10-Year Vision**

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.

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

First step toward accomplishment of long-term vision
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>Strive for growth</strong></td>
</tr>
<tr>
<td>Create and cultivate new businesses and expand existing businesses further into the global market</td>
</tr>
<tr>
<td><strong>Improve profitability of existing businesses</strong></td>
</tr>
<tr>
<td>Transform business structures to strengthen revenue base and increase S&amp;S sales in all businesses</td>
</tr>
<tr>
<td><strong>Refine management and business infrastructure</strong></td>
</tr>
<tr>
<td>Introduce an enterprise resource planning (ERP) system and institute drastic global process reforms to form the foundations for proactively implementing digital transformation to facilitate swifter management and further emphasize ROIC management and long-term growth</td>
</tr>
<tr>
<td><strong>Enhance ESG-focused management</strong></td>
</tr>
<tr>
<td>Combat climate change (environmental), utilize human resources, foster bonds with society, and respect human rights (social), and evolve corporate governance and risk management practices (governance)</td>
</tr>
</tbody>
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Strategies of E-Plan 2022

We have set management strategies based on the following five perspectives and the basic policies of E-Plan 2022. Each business will formulate and enact plans aimed at accomplishing these targets.

1. **New Businesses**
   - By identifying new global business needs from a market-oriented perspective, EBARA will work to supply customers with solutions that leverage its own technological capabilities and external resources.

2. **Existing Businesses**
   - We aim to strengthen our S&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.

3. **Regional Strategies**
   - 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.

4. **Strengthen the existing business and establish the business**
   - 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.

5. **Refinement of ESG-Focused Management**
   - 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.

**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.

**In Closing**

E-Vision 2030, our new long-term management policy, is a declaration stating that "We aim to further our contributions toward the SDGs through the pursuit of solutions to our identified material issues to contribute to the creation of a sustainable society, while simultaneously increasing the social, environmental, and economic value we generate. We believe this will earn us greater corporate value and recognition as an excellent global company."

The current operating environment is characterized by volatility, uncertainty, complexity, and ambiguity, making it difficult to project the future of society and of business, and this environment is only becoming more opaque due to the global COVID-19 pandemic. In this environment, we will act based on an understanding of risks and opportunities arrived at through a global, long-term market-oriented perspective while being guided by the slogan of E-Vision 2030: "Technology. Passion. Support Our Globe."

Masao Asami
President and Representative Executive Officer
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.

Medium- to Long-Term Strategies for Realizing Vision

Looking ahead toward the upcoming era in which people frequently live to be 100 and the global environment that can be projected therein, it can be anticipated that people's lifestyles will undergo substantial transformations going forward. Factors driving this transformation will include more severe weather abnormalities and natural disasters stemming from global warming, depletion of food, water, and other resources; and the evolution of the information society. Given this operating environment outlook, our long-term vision, E-Vision 2030, was created based on the belief that meeting this moment in an effective way requires a clear vision for the future with straightforward policies and strategies for realizing that vision. Based on the slogan of “Technology. Passion. Support Our Globe,” E-Vision 2030 is oriented around augmenting and leveraging the EBARA Group’s strengths to address five issues determined to be material to our business. Meanwhile, E-Plan 2022 is a medium-term management plan formulated through the identification of issues remaining from the previous medium-term management plan in addition to backcasting from E-Vision 2030. We aim to generate a cycle of improvement in social, environmental, and economic value and ultimately achieve greater corporate value through the implementation of the basic policies laid out in this plan.

Driving Force behind the Group’s Creation of Value

“Netsu to Makoto”

“Netsu to Makoto” (Passion and Dedication) was the motto of EBARA founder Issey Hatakeyama, and he was constantly advocating these principles to employees. This spirit lives on in the EBARA Group of today, forming the foundation for attitudes toward the work ethic and behavior of our people. When we go about our work with passion, exercise originality and ingenuity, and maintain a dedication to completing the tasks at hand, our technological capabilities and reliability grow stronger.

Technological Capabilities

In the more than a century since its founding, the EBARA Group has continued to provide the products and services desired by customers and society, accumulating the technologies necessary to offer support across the entirety of our product life cycles. Currently, our technological capabilities lie in our diverse acumen of the core technologies of our products from our five main business segments. We aim to make our fluid technologies, numerical analysis techniques, materials, analysis, and other foundational technologies the very best in the world. By incorporating advanced techniques and methodologies based on these technologies, we will work to further enhance the core technologies that go into our products while developing the technologies for the future.

Reliability

The passion and dedication all employees exercise in their work and the tenacity they exhibit in the face of adversity have won EBARA a strong reputation for reliability among its customers. We continue to build upon this reputation of being a reliable and steadfast partner by remaining true to our spirit of passion and dedication and by proactively solving issues customers may be facing. Strengthening our trust-based relationships with customers and other stakeholders will unlock new possibilities for EBARA.

Value Created through Reliability

Co-creation of value with customers
Excellence in new business creation made possible by solid customer network
Realization of new value through strong relationships with diverse business partners
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, 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 invite outcomes that result in improvements in our social, environmental, and economic value.

Targeted Outcomes

1. 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 simple 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 passionately support economic development that enables the world to enjoy 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 group culture of competition and challenges, 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.

End Goal of E-Vision 2030

To support our globe with technology and passion and earn recognition as an excellent global company.

EBARA GROUP'S CORPORATE VALUE CREATION
Discussion between Key Sustainability Committee Figures

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 sat 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 the direction that EBARA should take going forward.

Asami: Previously, our discussions were often focused on determining how to complete our short-term “to-do list” well, and 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 new directions. Unfortunately, many of these ventures were financially unsuccessful. On top of that, a number of compliance issues were uncovered at EBARA around this time as well. Because of this, for a long time it was hard to actively market the contributions EBARA was making to society through its business. Today, we have finally been able to push past this situation, and can view ourselves in a new light.

Adachi: The struggles EBARA has overcome are an important part of the Company’s history and demonstrate its understanding of the fundamental principles of business, that a company exists because of its ability to generate sales and profits. The experiences EBARA has had is on this path to recovery will be vital in overcoming the increasingly opaque business environment as the world battles the COVID-19 pandemic. It is my hope that the Company will be able to utilize this history to create future success. Companies that have a clear legacy

Eiichiro Adachi
Counselor, The Japan Research Institute, Limited

Masao Asami
President, Representative Executive Officer

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

Long-Term Vision

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.

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 pumps 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 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
Asami: After we overextended, the trauma silenced such ambition for a little while. We are now at a point where we have rebuilt our management constitution to a sufficient degree, and are thus poised to tackle new challenges once again. 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’ve 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 feel trapped break out of their mental shackles to embrace the new idea that, 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 investors in the future. 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 internal open application system for new business ideas as one of the milestones of E-Vision 2030. There might be some serious 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 social transformation. 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 in-house divisions take pride in their products, and the drive to create something better than the competition is highly motivated. Conversely, companies that are not proactive in addressing market fluctuations fail to pique the interests of such investors.

Asami: It is certainly a problem if a company overextends in this manner, but it is also troublesome if a company is void of such aspirations.

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 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 the future will eventually be able to offset the label of “Japanese company,” and finally be recognized as a true “global company.”

Furthermore, it is not uncommon for overseas employees to be more forward-thinking and receptive than those in Japan. For example, EBARA has bases in emerging countries. Awareness of societal issues in emerging countries eclipses that of Japan. If people in such countries bring the importance and awareness of social responsibility 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 can have the capability to drive EBARA’s transformation into a total social company.

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 their 10th year at the Company are dispatched overseas for one to two years. When speaking with employees that were sent overseas, I have felt that their awareness of societal issues truly differed from that of other 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 difference to which they have grown inspires others to request overseas assignment, 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 use for a pump in a fixated 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 the same as not having any thoughts at all. At EBARA, we have a strongly ingrained culture of valuing dedication and refrain- ing from boastfulness. However, there are certainly cases in which aggressive self-promotion is viable.

Adachi: Companies have been increasingly welcoming non-Japanese employees in recent years. These employees bring with them different languages and sensibilities. Given this fact, I think silence is a problem also from the perspective of diversity.

Asami: That is true. We will look to be more proactive in communication, both inside and outside of the Company. Thank you for speaking with me today.
Special Feature: New Businesses

Development of New Businesses to Address Future Social Needs

The EBARA Group has put forth a business strategy policy of optimizing its business portfolio in order to maximize its corporate value with an eye to 2030. In accordance with this policy, we are creating new businesses based on the issues gleaned from our outlook for the world of the future and on a global, market-oriented perspective. We aim to earn greater corporate value by leveraging EBARA’s strengths and helping resolve the material issues defined in E-Vision 2030. In this special feature, we will provide an overview of efforts to create new businesses along with examples of specific initiatives in fields pertaining to food and the elimination of oil dependency.

New Forward-Looking Ambition Sparked by Rekindling the Founding Spirit

EBARA traces its roots back to a start-up company launched from a university that was established for the purpose of manufacturing Inokuty-type volute pumps. In the years that followed, EBARA employees continued to ambitiously tackle new challenges, driven by the Founding Spirit of “Nenju to Makoto” (Passion and Dedication) that has inspired us to embrace originality and ingenuity since the Company was founded through the practical application of Japan’s first domestically manufactured pump. This ambition spurred us forward to engage in fields such as fuel cells and wind power generation before their popularization. Unfortunately, we also experienced many failures, as we were unable to successfully steer these businesses to growth and were eventually forced to retreat from them altogether. We cannot deny that the trauma of past failures lingers in the EBARA of today in the form of an, albeit small, aversion toward new businesses. Meanwhile, EBARA has launched E-Vision 2030, which calls on us to address five material issues and maximize corporate value with a view of the world a decade from now. Realizing this vision will require a rekindling of the Founding Spirit in employees to spark new ambition for tackling emerging social issues through new businesses. We are taking measures to stimulate interest in the development of new businesses among all EBARA employees by soliciting ideas through an open application system and recruiting staff volunteers. The creation of new businesses is imperative to awakening our dormant spirit of ambition throughout the Company and is a core pillar of the business strategies that will be key to the realization of E-Vision 2030. Based on this recognition, we are seeking out means of providing new, future-oriented solutions.

Steps for New Business Creation

Our basic strategy toward developing new businesses is to utilize EBARA’s technologies to provide solutions to customers based on an understanding of global social needs founded on a market-oriented perspective. The first step in this process will be to search out new needs and potential business ideas. We then will identify the types of products and services that will meet these needs and examine the technological and infrastructure strengths that EBARA can utilize to realize practical application of these products and services from a global, Groupwide perspective. Next, we will need to reinforce our business structure in terms of marketing and R&D functions in order to link the identified needs and business ideas to solutions for customers. Technologies and strengths contained within the Company will form the foundation for these efforts. However, if there is a need to supplement these assets with additional technologies and insight necessary for commercialization requirements and ideas, we will not hesitate to look outside of the Company. In this manner, we intend to take a flexible and proactive approach toward collaborating with, investing in, and acquiring external research institutions, start-ups, and other companies. Through the Ebara Open Laboratory (EOL), we perform prototyping in research and development jointly with external research institutions and small and medium-sized corporations. We are also enacting frameworks in which EBARA’s Marketing Division works in conjunction with the EOL to promote joint development projects with external partners as well as other development projects.

Our future plans entail engaging in joint projects with start-ups and other companies and universities during the period of E-Plan 2022. In the first half of this period, we will work on creating research successes and applying for patents with regard to these successes. In the second half of the plan, we will look to transform these successes into actual businesses and grow their sales.

**A corporate research organization that enables exchanges among researchers and open sharing of research themes in-house**
Preventing Oceanic Pollution and Resolving Food Issues through Development of Inland Aquaculture Technologies

Project Commencement and Business and Capital Alliance with University-Launched Start-Up

The EBARA Group has commenced a project to develop an inland recirculating aquaculture system to address oceanic pollution issues arising from conventional offshore aquaculture. This is especially important as these issues are compounded by the global rise in aqua product demand and the expansion of aquaculture businesses.

On this front, we commenced a capital and business alliance with Regional Fish Institute, Ltd. (RF), after receiving a third-party allocation of shares. RF is a food tech start-up established as the core proponent of the efforts of Kyoto University and Kinki University to develop selective breeding techniques for marine life. Through open innovation activities with RF, EBARA seeks to develop a next-generation aquaculture system that combines selective breeding techniques (to speed up aquaculture operations) and adversely impacting the surrounding ocean areas. This situation is becoming a serious problem. The world is thus pressed with the need to address the crises facing its sources of aqua products and to develop sustainable fishing and aquaculture approaches.

Limited Food Access and Oceanic Pollution

It is estimated that approximately 800 million people worldwide (one in every nine people) suffer from a chronic lack of food. Aquaculture has been proven to be a popular approach to secure stable supplies of food, seen in the continuous increase in production volumes globally. Aquaculture now accounts for half of the total production of all aqua products. However, fish excretions and feed residue from aquaculture operations can accrue on the seafloor, polluting the site of operations and adversely impacting the surrounding ocean areas. This situation is becoming a serious problem. The world is thus pressed with the need to address the crises facing its sources of aqua products and to develop sustainable fishing and aquaculture approaches.

Future Business Initiatives

We aim to create a sustainable inland recirculating aquaculture system that can produce aqua products in sufficient quantity with reliable quality, which is friendly to the environment and safe from infection by pathogens. We will utilize technologies EBARA has fostered since its founding, such as fluid and heat control and others, to help realize this. With this system at its core, we will move forward with the development of new businesses and contribute to the advancement of inland aquaculture technologies and the protection of the ocean from pollution.

Japan’s fishing industry and to regional development (SDG Goal 8: Decent Work and Economic Growth), and prevent oceanic pollution (SDG Goal 14: Life Below Water).

EBARA’s decision to form a business and capital alliance with RF was inspired by our support for its approach toward addressing environmental issues.

Business Alliance with Non-Petroleum Material Pioneer

In January 2020, EBARA invested ¥1.0 billion in Spiber Inc. and embarked on the joint development of biotechnologies to support the elimination of oil dependency. Spiber develops and manufactures Brewed Protein™, which are sustainable protein materials produced from plant-derived biomass gaining attention as next-generation key raw materials.

Together with Spiber, we are currently working to address obstacles toward the mass production of materials created by Brewed Protein™ and the reduction of the costs associated with the manufacturing processes. EBARA technologies are being employed to increase the efficiency of manufacturing processes in order to remove these obstacles. In addition, we are working to improve the functionality of EBARA products by utilizing Brewed Protein™ materials as replacement materials and additives for these products.

Ending Dependence on Oil with Fossil-Fuel Free Biotechnologies

Business Alliance with Non-Petroleum Material Pioneer

Business Alliance with Non-Petroleum Material Pioneer

Ending society’s dependence on oil requires the global popularization of biotechnologies that can create various materials from biomass. However, the high costs of production processes are presenting a major obstacle to the practical application of these materials. Eliminating this obstacle is our first priority. We will also continue working closely with Spiber to gather insight into the brewing process and to develop new businesses in the biotechnology field, an as yet unexplored area for the EBARA Group. Leveraging existing know-how and future discoveries of the Group, we aim to innovate related manufacturing processes and propose solutions in new fields.

Brewed Protein™

Brewed Protein™ refers to protein materials produced from plant-derived biomass using Spiber’s proprietary fermentation process. This production process does not rely on oil or other fossil fuels for its main raw materials. The characteristics of Brewed Protein™ can be modified according to end product needs through an ongoing process of molecular level refinements that is not dissimilar to the process of evolution. These materials have substantial potential to help industries eliminate their dependence on microplastic and animal-derived substances while also addressing the needs of the transportation field to reduce the weight of transported articles.

Spiber's fermentation technology

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Future Business Initiatives

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Consolidated Net Sales ¥522.4 billion
Consolidated Operating Income ¥35.2 billion

Fluid Machinery & Systems Business (P33–36)

**Pumps Business**
Offers large-scale, high-pressure custom pumps for use in sewage facilities, rainwater drainage systems, petrochemical plants, and other facilities as well as standard pumps for use in high-rise buildings, condominiums, industrial facilities, and others.

**Compressors and Turbines Business**
Provides compressors and turbines for oil refineries and petrochemical plants.

**Chillers Business**
Handles chillers, cooling towers, and related systems for use in the air-conditioning equipment of buildings and large-scale commercial facilities.

**Other Businesses**
Provides fans for use in applications such as tunnel ventilation as well as electricity, telecommunication, and energy control equipment.

Environmental Plants Business (P39–41)
Uses EBARA's incinerator and gasification plant technologies to perform processes encompassing the design, construction, operation, and maintenance of municipal solid waste incineration plants and other waste treatment facilities.

Precision Machinery Business (P42–44)
Provides products that contribute to the manufacturing processes of semiconductors, flat panel displays, and other devices indispensable to a super-smart society including the dry vacuum pumps that create the required vacuum environments and the CMP systems that can polish semiconductor wafers with nano-level precision.

* Operation and maintenance

* Mostly downstream businesses
Fluid Machinery & Systems Business

We will reform the business structures of the Fluid Machinery & Systems Business to improve our presence in overseas markets and generate appropriate profits. In the fiscal year ended December 31, 2019, net sales in the Fluid Machinery & Systems (FMS) Business increased over the same period last year as a result of brisk investment in the oil and gas markets of China. Operating income also improved thanks to the benefits of ongoing process reforms in domestic standard pumps operations as well as the favorable performance of S&S operations for compressors and turbines. Under E-Plan 2019, the previous medium-term management plan, we enacted the basic policies of working to improve our profitability and market share in Japan and to expand the scale of our operations overseas. In Japan, we commenced the operation of automated standard pump assembly lines with the aim of creating an efficient production system. Overseas, meanwhile, we established new standard pumps sales bases and reorganized cryogenic pumps operations.

In terms of the KPIs for our ESS initiatives, we were unable to achieve our targets regarding lower electricity consumption and reduced weight for our products as they are tied to the amount of those products sold. However, we were closer to achieving our target for increasing the number of S&S bases.

E-Plan 2022, the new medium-term management plan, calls on us to further improve our overseas presence in the standard pumps business while developing operations in which profits are not affected by market fluctuations in the custom pumps and compressors and turbines businesses. Under E-Plan 2019, the previous medium-term management plan, calls on us to further improve our overseas presence in the standard pumps business while developing operations in which profits are not affected by market fluctuations in the custom pumps and compressors and turbines businesses.

At the same time, we will explore new fields and markets as we strive to create high-value-added products that capitalize on the Group’s fundamental technologies.

Review of the Fiscal Years Ended December 31, 2017–2019

Material ES&C Issue Action Policies and Major KPIs (E-Plan 2019 Final Year Results)

<table>
<thead>
<tr>
<th>Strategic Points</th>
<th>Business Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>• in the standard pumps business, focus on markets and regions with the potential for growth while bolstering sales networks and product lines and reinforcing supply chains.</td>
<td>• Establish business structure that ensures reliable profits</td>
</tr>
<tr>
<td>• in the custom pumps and compressors and turbines businesses, improvements in profitability will be pursued, as opposed to growth in the sales of basic products, through S&amp;S enhancements and business structure reforms</td>
<td>• Improve presence in the overseas market</td>
</tr>
<tr>
<td>• all businesses, create products matched to the needs of customers in unexplored and other markets with an emphasis on market-oriented product development and the establishment of a leading position in niche areas.</td>
<td>• Create products matched to customer needs in unexplored and other markets</td>
</tr>
</tbody>
</table>

In the fiscal year ended December 31, 2019, net sales in the Fluid Machinery & Systems (FMS) Business increased over the same period last year as a result of brisk investment in the oil and gas markets of China. Operating income also improved thanks to the benefits of ongoing process reforms in domestic standard pumps operations as well as the favorable performance of S&S operations for compressors and turbines.

We will reform the business structures of the Fluid Machinery & Systems Business to improve our presence in overseas markets and generate appropriate profits.

In the fiscal year ended December 31, 2019, net sales in the Fluid Machinery & Systems (FMS) Business increased over the same period last year as a result of brisk investment in the oil and gas markets of China. Operating income also improved thanks to the benefits of ongoing process reforms in domestic standard pumps operations as well as the favorable performance of S&S operations for compressors and turbines.

Under E-Plan 2019, the previous medium-term management plan, we enacted the basic policies of working to improve our profitability and market share in Japan and to expand the scale of our operations overseas. In Japan, we commenced the operation of automated standard pump assembly lines with the aim of creating an efficient production system. Overseas, meanwhile, we established new standard pumps sales bases and reorganized cryogenic pumps operations.

In terms of the KPIs for our ESS initiatives, we were unable to achieve our targets regarding lower electricity consumption and reduced weight for our products as they are tied to the amount of those products sold. However, we were closer to achieving our target for increasing the number of S&S bases.

E-Plan 2022, the new medium-term management plan, calls on us to further improve our overseas presence in the standard pumps business while developing operations in which profits are not affected by market fluctuations in the custom pumps and compressors and turbines businesses. At the same time, we will explore new fields and markets as we strive to create high-value-added products that capitalize on the Group’s fundamental technologies.

SWOT Analysis of Fluid Machinery & Systems Business

- Fluid, numerical analysis, material, analytical, and other fundamental technologies cultivated over the years (entire FMS Business)
- Propriety for developing highly efficient, high-quality, and highly reliable products (entire FMS Business)
- Diverse, global employee base and network (entire FMS Business)
- Presence in Asia (entire FMS Business)

- Increasing demand for LNG, hydrogen, and other forms of clean energy (pumps, compressors and turbines)
- Intensification of price competition stemming from domestic market contraction (pumps, chillers)
- Increased competition due to maturity of technologies and improvement of technological capabilities of manufacturers in emerging countries (entire FMS Business)

E-Plan 2022

Business Vision (E-Plan 2030)

Become a top-class industrial machinery manufacturer that continues to advance into new fields supported by the fundamental technological prowess forged over years of operation.

E-Vision 2030 and E-Plan 2022 Business Strategies

- Establish business structure that ensures reliable profits
- Improve presence in the overseas market
- Create products matched to customer needs in unexplored and other markets

Operating Income to Sales Ratio Targets

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<td>Pumps Business</td>
<td>6.5% or more</td>
</tr>
<tr>
<td>Compressors and Turbines Business</td>
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</tr>
<tr>
<td>Chillers Business</td>
<td>5.0% or more</td>
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</table>

Measures by Market

- Oil and gas
- Water infrastructure
- Building equipment

- Increase operational efficiency and reduce labor requirements with AI and robotic process automation (OFA) (Japan)
- Develop technologies for extending lifespans of aged equipment (Japan)
- Develop regional base network coverage to accommodate S&S increases through collaboration between customs pumps and compressors and turbines businesses (overseas)
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In December 2019, we commenced sales of 10 different models of the new FRESHER 3100 NEO (BN-MG-Type) fixed water pump in Japan. Such water supply units are crucial to realizing stable water supplies in buildings, condominiums, and other structures and in factory equipment. The FRESHER 3100 NEO (BN-MG-Type) is equipped with an inverter-integrated permanent magnet motor that combines an EBARA inverter with a permanent magnet motor boasting Ultra Premium Efficiency (IE5), the highest class for motor efficiency, making this inverter-integrated permanent magnet motor that combines an EBARA inverter with a permanent magnet motor boasting Ultra Premium Efficiency (IE5). In addition, the FRESHER 3100 NEO (BN-MG-Type) is equipped with an oil-free permanent magnet motor. This motor is the smallest in the industry, weighing roughly 44 kg (BN-MG-Type) and 32 kg (BN-MG-SP-Type). This reduction in size compared to prior models also contributes to shorter installation and maintenance times for buildings, condominiums, and other structures. Furthermore, the direction of water outputs and the location of control panels can be chosen on site, making it possible to freely arrange the layout for easier maintenance. These features help realize optimal water supply facilities that contribute to effective space utilization and shorter installation and maintenance times for buildings, condominiums, and other structures.

**Relevant SDGs**
- **Reduced Water Footprint**
- **Efficient Energy Usage**
- **Enhanced Productivity**
- **Sustainable Construction**

**Social Contributions through Business**

### Water Supply Unit Contributing to Effective Space Use and Easy Installation

#### Stable Water Supply from Optimal Water Supply Equipment

**FRESHER 3100 NEO (BN-MG-Type)**

Standard pumps have a wide range of uses ranging from water supply in buildings, condominiums, and other structures to conveying fluids in factories. The FRESHER 3100 NEO (BN-MG-Type) is an energy-efficient resource-saving product that can be used for existing efficient manufacturing processes to deliver optimal levels of convenience.

**FRESHER 3100 NEO (BN-MG-SP-Type)**

In addition to the BN-MG-Type, the BN-MG-SP-Type is also equipped with an oil-free permanent magnet motor. The BN-MG-SP-Type is roughly 25% smaller than the BN-MG-Type. This allows for easier installation and maintenance, enabling customers to enjoy the same high-quality performance as the BN-MG-Type.

**New FRESHER 3100 NEO (BN-MG-Type)**

The new FRESHER 3100 NEO (BN-MG-Type) is equipped with an inverter-integrated permanent magnet motor that combines an EBARA inverter with a permanent magnet motor boasting Ultra Premium Efficiency (IE5), the highest class for motor efficiency, making this inverter-integrated permanent magnet motor that combines an EBARA inverter with a permanent magnet motor boasting Ultra Premium Efficiency (IE5). In addition, the FRESHER 3100 NEO (BN-MG-Type) is equipped with an oil-free permanent magnet motor. This motor is the smallest in the industry, weighing roughly 44 kg (BN-MG-Type) and 32 kg (BN-MG-SP-Type). This reduction in size compared to prior models also contributes to shorter installation and maintenance times for buildings, condominiums, and other structures. Furthermore, the direction of water outputs and the location of control panels can be chosen on site, making it possible to freely arrange the layout for easier maintenance. These features help realize optimal water supply facilities that contribute to effective space utilization and shorter installation and maintenance times for buildings, condominiums, and other structures.

**Relevant SDGs**
- **Reduced Water Footprint**
- **Efficient Energy Usage**
- **Enhanced Productivity**
- **Sustainable Construction**

### New Turbo Chiller Installed in the Japan National Stadium

#### Helping to Combat Global Warming

EBARA Group Refrigeration Equipment & Systems Co., Ltd. (ERS), has developed an eco-friendly high-efficiency Model RTBA centrifugal chiller designed for non-fluorinated refrigerants. This chiller has been delivered to a variety of facilities, including commercial and lodging facilities as well as chemical plants. Recognized for its excellent performance and undeniable track record, this chiller received a special judges committee award in the 21st Ozone Protection and Global Warming Prevention Awards, and has also been adopted for use in the Japan National Stadium. In addition, we provide partial upgrade services to renovate prior chiller models to be compatible with the AMOLEA® 124yd refrigerant. These services enable customers to introduce eco-friendly products that help combat global warming without making substantial upfront investments.

**Relevant SDGs**
- **Support for Supply of Chemical Products and Energy**
- **Helping to Combat Global Warming**

### Cryogenic Pumps Underpinning Safe and Secure Transportation of Natural Gas

#### Support for Supply of Chemical Products and Energy

Primarily used in the LNG industry, cryogenic pumps are indispensable to the transportation and storage of LNG. Harvested in forms such as shale gas, natural gas takes a gaseous form under normal temperatures and pressures. Efficient transportation of natural gas is achieved by cooling it to ~162°C to shrink it to approximately 1/600th of its normal volume, and cryogenic pumps are used in this process. These pumps have high technological requirements to ensure that their structure can prevent leaks of vaporized flammable gas from LNG and that they are able to operate under temperatures ranging from normal to ultralow. Looking ahead, it can be expected that natural gas demand will increase in conjunction with the economic growth to be seen largely in China, India, and other parts of Asia. In light of this demand, Elliott Group Holdings, Inc., will contribute to the stable supply of energy through the safe and secure transportation of natural gas using cryogenic pumps.

**Relevant SDGs**
- **Support for Supply of Chemical Products and Energy**
- **Cryogenic Pumps Underpinning Safe and Secure Transportation of Natural Gas**
The Environmental Plants Business aims to grow into a resource circulation solutions provider that contributes to the development of sustainable communities.

The EBARA Group kicked off E-Plan 2022, its new medium-term management plan, with the fiscal year ending December 31, 2020. Under E-Plan 2019, the previous medium-term management plan, we sought to elevate the level of our area management practices in the waste treatment field. We thereby succeeded in streamlining operating procedures by ramping up the sharing of information between existing facilities. In creating E-Plan 2022, we reviewed the period of E-Plan 2019 in addition to defining a long-term vision for the Group in 2030. Through this process, we were able to clearly define our commitment to contributing to the development of a sustainable society through management based on ESG factors and measures for helping accomplish the objectives of the SDGs in the waste treatment field. E-Plan 2022 has been positioned as our first step toward realizing the vision indicated in E-Vision 2030. Under this plan, the Environmental Plants Business aims to grow into a resource circulation solutions provider. In this capacity, we will develop business centered on the construction and operation of waste treatment plants that primarily serve local governments. We will also seek to help resolve environmental and social issues and deliver a wide range of services that contribute to the development of a sustainable society.

Atsuo Ohi
Executive Officer
President, Environmental Engineering Company

Strategic Points
- Continue contributing to the development of sustainable communities through close cooperation with local communities.
- Pursue reductions of CO2 emissions through facility energy efficiency improvements and effective utilization of CO2.
- Utilize proprietary technologies to effectively reuse plastic waste and address issues regarding marine microplastic issues.
- Make ongoing improvements to product and service lineups to support the continuous implementation of the aforementioned initiatives.

Review of the Fiscal Years Ended December 31, 2017–2019
Material ESG issue Action Policies and Major KPIs (E-Plan 2019 Final Year Results)

E-Plan 2022

Business Vision (E-Vision 2030)

E-Plan 2030 and E-Plan 2022 Business Strategies

Business Strategies
- Reinforce core operations
- Develop new businesses
- Step up waste treatment equipment liquidation and sales activities in China and promote offshore trading
- Improve non-price evaluation of design, build, and operate (DBO) projects

Operating Income to Sales Ratio Target: Environmental Plants Business 9.5% or more

Measures by Market
- Waste incinerator planning, engineering, and construction
- O&M services
- Other

SWOT Analysis of Environmental Plants Business

Strengths
- Integrated system for providing services ranging from engineering and construction to operation and maintenance
- Track record of constructing more than 400 plants worldwide utilizing a wide range of incineration technologies
- O&M expertise founded on industry-leading operation contracting track record
- Cutting-edge plant operation initiatives employing AI and ICT
- Gasification technologies related to chemical recycling

Weaknesses
- Dependence on public infrastructure industry in Japan
- Geographic overconcentration of customers
- Labor intensive facility operation businesses

Opportunities
- Reconstruction and upgrade demand stemming from aging of waste treatment plants
- Increased demand for renewable energy
- Growing need for waste plastic processing

Threats
- Consolidation of plants in response to domestic population decline
- Workforce contraction
- Intensification of cost competition

E-Vision 2030

- Consolidation of plants in response to domestic population decline
- Growth of need for waste plastic processing
- Demand for waste incineration infrastructure in China
- Demand for offshore trading

E-Plan 2022

- Expand business to become a resource circulation solutions provider with operations centered on waste treatment plant construction and operation that provides integrated engineering, procurement, and construction (EPC) services primarily to local governments
- Continue contributing to the development of sustainable communities through management based on ESG factors and measures for helping accomplish the objectives of the SDGs in the waste treatment field.
In July 2019, Ebara Environmental Plant Co., Ltd., concluded a confidentiality agreement with JSC Corporation (currently, JSC CORPORATION), Ube Industries, Ltd., and Shewa Denko K.K., with regard to the promotion of plastic waste chemical recycling using the Ebara Ube Process (EUP). We also began examining possibilities for collaboration at this time, and are currently looking at introducing the EUP to the market.

The goal of this project is to promote plastic waste chemical recycling as a solution for helping address climate change and oceanic pollution issues stemming from plastic waste, which have recently been garnering attention on a global scale.

EUP is a two-phase gasification system developed jointly by Ube Industries and EBARA Environmental Plant. This system can be used to convert plastic waste into a syngas (H₂+CO) through thermal decomposition and ultimately enable this gas to be reused as a fuel gas.

Relevant SDGs

- SDG10: Reduce inequality within and among countries
- SDG12: Ensure sustainable consumption and production patterns
- SDG13: Take urgent action to combat climate change
- SDG14: Conserve and sustainably use the oceans, seas and marine resources

Plastic Waste Recycling Process

Gasification chemical recycling of plastic waste is capable of decomposing a mixture of various kinds of plastics and impurities, which presents difficulties for other recycling methods, at the molecular level, to be recycled as various chemical materials. This process is anticipated to contribute to substantial improvements in recycling rates.

Plastic Waste Gasification Chemical Recycling

Quest to Address Marine Microplastic Issues through New Collaborative Business Model

- To address this issue, we began joint development of small traveling robots that can move through narrow pipes and other small spaces. However, this method required a portion of the pipes to be severed, in addition to other cumbersome preparations.

- At Ebara Environmental Plant, we regularly measure the thickness of pipes from inside to ensure that they are not deteriorating. Conventional methods for measuring the thickness of pipes from inside entail inserting small sensors into the narrow pipes. However, this method required a portion of the pipes to be severed, in addition to other cumbersome preparations.

- To address this issue, we began development of small traveling robots that can move through small spaces, such as narrow pipes, with Hitell Corporation, a company that boasts cutting-edge development technologies. Working together, we were able to complete a successful field test of the automatic and continuous measure of boiler pipe thickness using these robots.

- In the CMP systems business, evolve into a CMP process solutions provider centered on equipment.

- Create new businesses with new technologies at their core.

- Pursue highly efficient management and develop operations on a global scale.

- Transition from a supplier of standalone equipment to a solutions provider.

- In the components business, transform into a comprehensive CMP process solutions provider centered on equipment.

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- Pursue highly efficient management and develop operations on a global scale.

- Transition from a supplier of standalone equipment to a solutions provider.
**SWOT Analysis of Precision Machinery Business**

- **Strengths**
  - Positioned as a solutions provider on a global scale
  - Robust supply chain
  - Diversification of work styles through teleworking and other methods

- **Weaknesses**
  - Fluctuations in semiconductor demand and inconsistent pace of semiconductor capital investment following slowed pace of semiconductor complexity increases
  - Diminishment of market share due to supply chain issues and other factors leading to insufficient production capacity

- **Opportunities**
  - Effects of economic stagnancy following prolongation of the COVID-19 pandemic
  - Spread of IoT, AI, and automated driving technologies

- **Threats**
  - Faltering share expansion in growth-promising Chinese market
  - Diminishment of market share due to supply chain issues and other factors leading to insufficient production capacity

**New Gas Abatement Systems Matched to Customer Needs**

In November 2019, EBARA launched new gas abatement systems for use in semiconductor manufacturing processes, namely Model TND-Single (burn + wet) and Model TND-Singles (dual burn + wet). These models are equipped with new burners to reduce heat energy loss for more efficient incineration and to lower NOx and CO emissions. In addition, these models feature improved performance that contributes to extended maintenance intervals (three to more than six times longer than prior EBARA products). We anticipate that these new models will have an important role to play in the realization of E-Vision 2030.

As communication and robot technologies advance rapidly in conjunction with the progress of the IoT and AI technologies, demands such as for higher efficiency in gas abatement and extended maintenance intervals through deposit measures in semiconductor manufacturing processes are increasing. Having developed the new Model TND Series of gas abatement systems matched to customer needs, we will proceed to deploy highly reliable EBARA-brand products to locations centered on Japan, North America, and Taiwan.

*Comparisons were made using prior EBARA products under the same conditions. Results may vary based on conditions.

**Model TND-Single Gas Abatement System**

- Gas abatement systems treat and release exhaust gas from incineration and other processes in a manner that prevents impacts on the surrounding environment.
- These models are primarily used to treat the toxic gases emitted during semiconductor manufacturing processes. Going forward, we will continue to support global advancements in digital technologies with EBARA’s sophisticated technologies and the ongoing rise in semiconductor demand.

**E-Vision 2030 and E-Plan 2022 Business Strategies**

**Business Vision (E-Vision 2030)**

Contribute to the development of society through partnership and distinctive technologies centered on the semiconductor field while helping create a more enriched world through endeavors in new fields.

**E-Plan 2022 Business Strategies**

- Transition from a supplier of standalone equipment to a solutions provider
- Create new businesses with new technologies at their core
- Pursue highly efficient management and develop operations on a global scale

**Operating Income to Sales Ratio Target**

- Precision Machinery Business: 13.0% or more

**Target Business Portfolio**

- Growth: 10%
- Profitability: High
- Probability: Low

**Relevant SDGs**

- Contributions to Sustainable Business Activities for Customers as a Reliable and Sustainable Supplier

EBARA is constantly refining its technological capabilities to ensure that it can live up to customer expectations by providing finely tuned support. This diligence has made reliability one of our greatest strengths, and has won us several awards in the fiscal year ended December 31, 2019.

For example, Taiwan-based Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC), has presented EBARA CORPORATION with the Excellent Performance Award for eight consecutive years. Each year, TSMC awards select suppliers that have exhibited outstanding performance through the provision of service and support with this honor. Three achievements were cited as reasons for EBARA winning the most recent award: Exceptional supply of products to match the expansion of production volumes at TSMC factories, extensive support for R&D activities, and the proactive localization of major CMP components. In addition, subsidiary Ebara Precision Machinery Taiwan Incorporated received a letter of appreciation in the spare parts standalone awards category sponsored by TSMC’s production equipment buying division. This letter cited thanks for Ebara Precision Machinery Taiwan’s contributions to improved efficiency through the localization of production in Taiwan and for the increased supply of products by TSMC via heightened supply capacity.

Also, in the fiscal year ended December 31, 2019, EBARA CORPORATION was presented with the Supplier Achievement Award by Intel Corporation. This honor is presented to suppliers that have achieved especially excellent performance in areas emphasized by Intel and thus indicates that these companies are playing an important role in leading the industry. EBARA was presented with this award in recognition of high evaluation from the perspective of sustainability. Major points considered included our business continuity plan (BCP) and other systems as well as the stability of our operations.

The Precision Machinery Company, which develops EBARA’s core semiconductor manufacturing equipment and component business, will continue to support customer business activities with products and services that help improve productivity, cut overall costs, and reduce environmental impacts.
Financial Strategies as Explained by the Executive in Charge of Finance

Review of the Financial Strategies of E-Plan 2019
E-Plan 2019, EBARA’s previous medium-term management plan, called on us to conduct growth investments totaling ¥105.0 billion under the slogan of “Unlimited challenge toward growth.” Guided by this plan, we sought to achieve the targets of ROIC of 8.0% or more and an operating income to sales ratio of at least 9.0%.

Overall, investment amounts were in line with plans, when including investments for establishing bases, as we approved capital investments totaling ¥66.1 billion, higher than targeted, and R&D investments of ¥29.4 billion, slightly lower than the target. However, we were unable to fully realize the benefits of these investments due to delays in the construction of automated assembly lines and the lack of large-scale M&A activity. In addition, the realization of profitability improvements is taking more time than expected in reflection of how overly optimistic we were in our internal discussions, in particular regarding new production and sales performance.

As for shareholder returns, we issued dividends totaling ¥16.3 billion and conducted ¥20.0 billion worth of share buybacks during the period of E-Plan 2019. The consolidated total return ratio greatly surpassed our target in the fiscal year ended December 31, 2019, coming to 88.8%. We also sold cross-shareholdings from the perspective of economic rationality, in order to heighten our ROIC through a focus on improving KPIs such as by-business receivable and inventory turnover periods and fixed asset turnover. Meanwhile, we will categorize our operations into growth businesses and profitability improvement businesses. At the same time, we will work to heighten our ROIC through a focus on improving KPIs such as by-business receivable and inventory turnover periods and fixed asset turnover.

As for shareholder returns, we issued dividends totaling ¥16.3 billion and conducted ¥20.0 billion worth of share buybacks during the period of E-Plan 2019. The consolidated total return ratio greatly surpassed our target in the fiscal year ended December 31, 2019, coming to 88.8%. We also sold cross-shareholdings from the perspective of economic rationality, in order to heighten our ROIC through a focus on improving KPIs such as by-business receivable and inventory turnover periods and fixed asset turnover. Meanwhile, we will categorize our operations into growth businesses and profitability improvement businesses. At the same time, we will work to heighten our ROIC through a focus on improving KPIs such as by-business receivable and inventory turnover periods and fixed asset turnover.

Moving on to efficiency, we will continue to target ROIC of 8.0% or more, with an emphasis on WACC, as we seek to strengthen portfolio management. At the same time, we will categorize our operations into growth businesses and profitability improvement businesses. In growth businesses, we will institute measures targeting top line growth. In profitability improvement businesses, we will implement exhaustive profitability improvement measures, including efforts to optimize production systems. The period of E-Plan 2022 will thus see us investing in growth businesses and conducting upfront investments in new businesses while accelerating our efforts to build a strong balance sheet enabling future growth that were kicked off under the previous medium-term management plan.

As for shareholder returns, our basic policy will be to target a consolidated dividend payout ratio of 35% or more. However, we will also set a minimum of 2.0% for consolidated dividend on equity (DOE) to prepare for temporary downturns in performance. More than one-third of the earnings from our business will be allocated to shareholder returns while an amount exceeding two-thirds of business earnings plus depreciation and amortization will be invested in capital investments, R&D investments, and M&A activities. Meanwhile, a flexible approach will be taken toward share buybacks. We do not intend to increase internal reserves more than necessary. However, we do plan to exercise a sufficient focus on financial health and to maintain a credit rating of A or higher in order to prepare for extreme circumstances.

Corporate Value for Realizing E-Vision 2030
When formulating our vision for EBARA a decade from now, we determined the Company’s economic value should be reflected in ROIC of 10.0% or more and net sales of roughly ¥1 trillion. Rather than focusing purely on capital efficiency, we believe the simultaneous pursuit of capital efficiency and top line growth will allow for even greater improvements in economic value. Our stock price, meanwhile, is a representation of how we are evaluated and not something that we can affect directly through our own efforts. However, we have reached the conclusion that if we adopt an optimistic and rational outlook, with time, our stock price will approach the theoretically appropriate value, and it would not be rational for us to target market capitalization of ¥1 trillion as the yardstick for gauging corporate value. This amount is what we have judged to be the bottom of the path we will walk through our steadfast efforts to grow our business and improve capital efficiency.

Countermeasures for Emergency Risks and Financial Strategies for New Business Models
Given the global COVID-19 pandemic, we have reaffirmed the importance of safety in finances. If we are to contribute to society and improve EBARA’s corporate value by helping solve social issues through our business activities, it is essential that EBARA continue to survive as a company. A healthy financial base is a prerequisite to this survival. Accordingly, we will continue striving to secure on-hand liquidity while maintaining creditability.

As we move forward, EBARA is actively exploring new business opportunities on a global scale. In the fiscal year ending December 31, 2020, we will continue to fully disclose financial statements for all consolidated subsidiaries. We are also promoting the adoption of new accounting standards in order to create an even more robust accounting foundation.

Meanwhile, we have ascertainment that the paper bills and checks used for deposits and payments in Japan present an obstacle to teleworking for both the Company and its business partners. We therefore intend to take this opportunity to push ahead with digitalization and digital transformation to strengthen our resilience to emergency situations.

Going forward, we will seek to support business continuity at EBARA with a highly resilient financial base and a sufficient emphasis on safety as the underlying foundation for our operations, even as we pursue growth and efficiency.

Akihiko Nagamine Executive Officer Divisional Executive, Finance & Accounting Division
Human Resource Strategy

We are committed to increasing engagement with all EBARA Group employees worldwide in order to build a corporate culture that encourages competition and embraces challenge.

The fiscal year ending December 31, 2020, saw the appointment of EBARA’s first non-Japanese executive officer. For diverse employees maximizing their abilities, we will continue to create an environment where everyone can work comfortably and feel rewarded. We will realize this by selecting human resources capable of competing on the global stage, hiring non-Japanese and mid-career employees. At the same time, we will foster workplace environments that are comfortable and accommodating for all to allow diverse employees to exercise their talents to the fullest. We are also examining new ways of developing our workplaces along with new work styles with an eye to the society after the global COVID-19 pandemic. In our pursuit of further corporate growth, we are committed to increasing engagement with all EBARA Group employees worldwide by building a corporate culture that encourages competition and embraces challenge.

Review of E-Plan 2019

<table>
<thead>
<tr>
<th>Major Measures</th>
<th>Accomplishments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource system reforms</td>
<td>• Introduced new human resource systems (eliminated groups of occupations such as “professional grades” and “operating grades,” drastically changed promotional examination for management level positions, etc.)</td>
</tr>
<tr>
<td>Promotion of diversity and work style innovation</td>
<td>• Monitored work hours and implemented work style innovations at business sites through the Work Style Innovation Committee (reduced total average work hours per employee in FY2019, from 1,976 hours, down 59 hours from FY2017)</td>
</tr>
<tr>
<td>Human resource development</td>
<td>• Launched management candidate development program for appointing and cultivating future president candidates</td>
</tr>
</tbody>
</table>

Material ESG Isu Action Policy and Major KPI Progress

Enhance diversity, improve work environments to empower employees to develop to their full potential, and provide opportunities to develop necessary skills. 

Promotion of Diversity

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio of female managers (EBARA CORPORATION, full-time employees)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>5.4%</td>
</tr>
<tr>
<td>2019</td>
<td>5.8%</td>
</tr>
<tr>
<td>2018</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Human Resource Development

<table>
<thead>
<tr>
<th>Year</th>
<th>Training expenses per employee (consolidated, in Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>21,147 Yen</td>
</tr>
<tr>
<td>2018</td>
<td>21,147 Yen</td>
</tr>
<tr>
<td>2017</td>
<td>38,459 Yen</td>
</tr>
</tbody>
</table>

Occupational Health and Safety

<table>
<thead>
<tr>
<th>Year</th>
<th>Frequency rate of accidents resulting in lost work days (consolidated in Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1.953 hours</td>
</tr>
<tr>
<td>2018</td>
<td>2.075 hours</td>
</tr>
<tr>
<td>2017</td>
<td>2.075 hours</td>
</tr>
</tbody>
</table>

Work Style Innovation

<table>
<thead>
<tr>
<th>Year</th>
<th>Total annual work hours (consolidated in Japan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>1,976 hours</td>
</tr>
<tr>
<td>2018</td>
<td>2,035 hours</td>
</tr>
<tr>
<td>2017</td>
<td>2,017 hours</td>
</tr>
</tbody>
</table>

EBARA is implementing measures aimed at improving employee motivation. To this end, we conducted our first global engagement survey for all EBARA Group employees worldwide in the fiscal year ended December 31, 2019, to solicit employee input regarding the organization and work. Based on the findings of this survey, action plans are being formulated and implemented centered on division heads to improve employee engagement.

Global Engagement Surveys

Appointee of Executive Officers

EBARA seeks to appoint the highly specialized human resources necessary for the implementation of its business strategies. Effective March 27, 2020, Hiroki Kowase, Division Executive of the Information & Communication System Division, and Michael T. Lordi, who is responsible for the Compressors and Turbines Business, Fluid Machinery & Systems Company, were appointed to positions as Executive Directors. Mr. Kowase boasts specialized insight pertaining to digital transformation while Mr. Lordi has experience as the CEO of an overseas subsidiary. When appointing executive officers, we choose individuals with sufficient insight and experience in the relevant areas, regardless of their geographic location and whether or not they are currently a member of the Group.

Talent Management System

An important human resource-related measure in the fiscal year ended December 31, 2019, was the introduction of a talent management system. This system was introduced with the aim of accelerating human resource development and strategically allocating the right person to the right position by visualizing various information pertaining to human resources. We intend to deploy this talent management system throughout our global operations in the fiscal year ending December 31, 2020, and beyond going forward.
Based on our successes over the past decade, we will reinforce our systems for contributing to the resolution of social and environmental issues through our business.

In the decade since the closure of EBARA Research Co., Ltd., in 2009, we have proceeded to build upon our R&D activities and intellectual properties based on a unique approach guided by the basic intellectual capital management policy of BRIDIP™ which promotes coordination among businesses, research and development, and intellectual properties, and the basic strategy of ABA™ which encourages collaboration among academia, businesses, and associations. As a result of these efforts, we have been able to improve the awareness of our R&D and intellectual property divisions, step up coordination with business divisions, and accelerate joint research with outside entities. In this manner, we have achieved substantial improvements in research success and efficiency in comparison to the days of EBARA Research. Looking ahead, we will further evolve and develop the distinctive R&D and intellectual property activities advanced thus far from a medium- to long-term perspective in order to continue making contributions to the resolution of social and environmental issues through our business.

*1 BRIDIP: An original EBARA Group acronym created from “businesses,” “R&D,” and “intellectual properties”
*2 ABA: An original EBARA Group acronym created from “academies,” “businesses,” and “associations”
The EBARA Group is aggressively promoting digital transformation to spur its further growth and augment its competitiveness.

The EBARA Group is aggressively promoting digital transformation to advance its business on a global scale and to drive its development as a sustainable industrial machinery manufacturer. Specific initiatives to this regard include work style reforms and the provision of information platforms for supporting revolutionary productivity improvements by automating and streamlining business processes to the greatest degree possible. In addition, we are utilizing data and digital technologies in our response to the rapidly changing operating environment and innovating our products, services and business models based on customer and social needs. We aim to contribute to the transformation of our current business segments while also supporting initiatives for advancing into new business fields.

Targets of E-Vision 2030 and Strategies of E-Plan 2022

Material Issue 1

Contribute to the creation of a sustainable society

1. Revolutionary Productivity Improvements
   - Automation of production at domestic and overseas Group companies
   - Utilization of 3D digital manufacturing methodologies
   - Employment of automated 3D parametric design
   - Application of multifaceted optimization technologies

2. Innovation of Existing Businesses
   - Application of AI image analysis technologies
   - Promotion of the IoT and data mining technologies
   - Utilization of VR and AR technologies

3. Creation of New Businesses
   - Application of product diagnosis platforms through the implementation of a Groupwide ERP system.
   - Businesses that are new for the Company or the Industry (Unprecedented)

Preparative Digital Transformation:
Construction of Information Platforms to Support Globally Integrated Operations

The EBARA Group seeks to practice truly global management. This type of management goes beyond international management, which involves overseas bases operating their businesses separately, to achieve low-cost operations, enhance governance, and optimally position human resources by not installing separate administrative functions in each base. However, realizing this type of management requires the global standardization business. For this reason, we are undertaking the global standardization of business processes, business rules, KPIs, and codes and constructing information platforms through the implementation of a Groupwide ERP system.

Digital Transformation Initiatives

Aggressive and Preparative Digital Transformation

Aggressive Digital Transformation:
Product and Experience Creation Innovations via 3D Digital Technologies

By incorporating computer and computational science methodologies, which decuple in speed every three to four years, as well as data science and other cutting-edge technologies, the EBARA Group is looking to innovate its business in terms of both product creation and experience creation. We are currently undertaking a variety of efforts to innovate work processes. Examples of these efforts include achieving the practical application of AI powered waste identification systems using image analyses, text mining approaches for facilitating the better use of technological assets and deciphering technical documents, and transforming product creation processes through the use of multiobjective optimization, automated 3D parametric design, and 3D digital manufacturing methodologies for fluid machinery and systems. In addition, we will be pursuing the industrial application of supercomputers and other high-speed computers. To this end, we will be utilizing and evolving engineering practices based on scientific approaches in a wide range of business fields. Other initiatives will include the provision of product diagnosis systems using IoT and big data analysis technologies and applying VR and AR to experience creation in sales, research and development, S&I operations, and a variety of other fields to accelerate the creation of customer value.

Resource Strategies

Digital Transformation Strategy

The EBARA Group is aggressively promoting digital transformation to advance its business on a global scale and to drive its development as a sustainable industrial machinery manufacturer. Specific initiatives to this regard include work style reforms and the provision of information platforms for supporting revolutionary productivity improvements by automating and streamlining business processes to the greatest degree possible. In addition, we are utilizing data and digital technologies in our response to the rapidly changing operating environment and innovating our products, services and business models based on customer and social needs. We aim to contribute to the transformation of our current business segments while also supporting initiatives for advancing into new business fields.

Overview of Digital Transformation Initiatives

External (Customers, Stakeholders, Society)

1. Revolutionary Productivity Improvements
   - Implementation of customer relationship management (CRM) systems
   - Utilization of ERP
   - Institution of indirect material management systems
   - Employment of human resource management systems
   - Introduction of RPA
   - Use of fast mining technologies

2. Innovation of Existing Businesses
   - Application of AI image analysis technologies
   - Promotion of the IoT and data mining technologies
   - Utilization of VR and AR technologies

3. Creation of New Businesses
   - Application of product diagnosis platforms through the implementation of a Groupwide ERP system.
   - Businesses that are new for the Company or the Industry (Unprecedented)

Internal (Company)

- Industrial application of supercomputers

Inherently linked processes and systems
Environmental Initiatives

The EBARA Group is united in its efforts to advance environmental initiatives aimed at minimizing energy consumption and industrial waste emissions.

In July 2019, the EBARA Group Environmental Policy was revised to be applicable to the entire Group and further emphasize the importance of improving environmental performance. In accordance with this policy, we are implementing measures to minimize the environmental impacts of business activities at domestic and overseas operating sites, increase the environmental performance of our products, and reduce emissions of GHGs. Additionally, E-Vision 2030 defines a long-term CO2 emissions reduction target to be accomplished by December 31, 2030. In the fiscal year ending December 31, 2020, we estimated medium-term targets for reducing non-CO2-related environmental impacts and identified initiatives to accomplish these targets.

Until recently, the EBARA Group has been conducting environmental management with a strong focus on domestic Group companies. However, with more than 50% of our net sales coming from overseas, the time has come to shift to a more global stance, and we are taking measures to enhance environmental management globally.

Targets of E-Vision 2030 and Strategies

The Company adopts a framework in which climate change response measures, EBARA announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019. We have since joined Japan’s TCFD Consortium with the aim of sharing information with various industries.

Climate Change Response Measures

As one facet of its climate change response measures, EBARA announced its endorsement of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in May 2019. We have since joined Japan’s TCFD Consortium with the aim of sharing information with various industries.

Climate Change Governance

The Sustainability Committee, which is chaired by the President and Executive Officer, is responsible for promoting awareness among all members of management of the fact that responding to climate change is a material issue defined by E-Vision 2030 and therefore an important task for management. This committee also formulates activity policies and action plans and manages their progress.

Examples of Climate Change-Related Risks

<table>
<thead>
<tr>
<th>Category</th>
<th>Major Phenomena</th>
<th>Impact on the EBARA Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical risks</td>
<td>Acute</td>
<td>Damage to production equipment and facilities due to factory operations due to flood damages</td>
</tr>
<tr>
<td>Transition risks</td>
<td>Policy and legal</td>
<td>New and rising carbon costs</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>Higher electricity prices due to climate change</td>
</tr>
<tr>
<td></td>
<td>Market</td>
<td>Investment from businesses with high GHG emissions</td>
</tr>
<tr>
<td></td>
<td>Physical risks</td>
<td>Decreased waste-to-energy needs</td>
</tr>
</tbody>
</table>

Examples of Climate Change-Related Opportunities

<table>
<thead>
<tr>
<th>Category</th>
<th>Major Phenomena</th>
<th>Impact on the EBARA Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities</td>
<td>Energy source</td>
<td>Evolution of energy conservation technologies</td>
</tr>
<tr>
<td></td>
<td>Products and services</td>
<td>Populization of electric vehicles (EVs)</td>
</tr>
<tr>
<td></td>
<td>Products and services</td>
<td>Increased need for disaster preparedness items</td>
</tr>
<tr>
<td></td>
<td>Advanced technology</td>
<td>Advancement of automation using IoT and MDM technologies</td>
</tr>
</tbody>
</table>

* Machine to Machine (M2M): Framework for network communications and data exchange between machines

Future Initiatives

Going forward, EBARA will perform more detailed assessments of these risks and opportunities together with climate change scenario analyses to evaluate the financial impact of the risks and opportunities, revise management systems, and define indicators and management targets to be used in Group management strategies.
EBARA Group Human Rights Policy

The EBARA Group Human Rights Policy, unveiled in December 2019, pursues three core policies along with response policies for enacting these core policies. In addition, the EBARA Group Human Rights Committee has been established to encourage action based on the policy, and we are implementing ongoing improvements to human rights management frameworks pertaining to such areas as human rights due diligence and remediation.

Core Policies

1. The EBARA Group respects human rights throughout all business activities:
   a. We respect and support the United Nations International Bill of Human Rights, the Guiding Principles on Business and Human Rights, and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.
   b. We act in compliance with all local laws and regulations and respect and support internationally recognized human rights for all stakeholders when conducting business activities anywhere in the world.
   c. We expect all directors, officers, and employees of the Group, as well as stakeholders directly linked to the Group’s business operations, products, or services, to respect internationally recognized human rights.
   d. The EBARA Group conducts human rights due diligence.
      i. We conduct a series of procedures to identify, prevent, detect, mitigate, and correct adverse human rights impacts linked to our business activities, products, or services.
   e. The EBARA Group addresses and corrects any adverse human rights impacts of its business activities.
      i. We implement mechanisms to enable early response to complaints and direct remediation.
      ii. We resolve complaints through dialogue with those affected.

EBARA Group Integrated Report 2020

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EBARA Group Integrated Report 2020

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EBARA Corporation formulates three-year medium-term management plans, called “E-Plans,” which detail Companywide realizations covering the first three-year period. E-Plan 2022 is a strategic medium-term management plan to realize this vision, covering the first three-year period. E-Plan 2022 is a strategic medium-term management plan to realize this vision, covering the first three-year period.

Role of the Board of Directors in Identifying and Resolving Medium- to Long-Term Issues

The Board of Directors took particular care to ensure sufficient time for rigorous discussion in the formulation of E-Vision 2030 and E-Plan 2022, in pursuit of the primary purpose of the Board of Directors to address medium- to long-term issues. Of course, rigorous discussion requires more than just time; it requires the frank exchange of high-quality comments and opinions from the Board. An important role of the seven Independent Directors, out of the 11 Directors at the time, was to facilitate discussion by posing questions and offering advice from a diverse range of perspectives, thereby preventing discussions from becoming overly focused on internal circumstances or viewpoints. The discussions held while formulating E-Vision 2030 and E-Plan 2022 examined the appropriateness of EBARA’s business structure, and its three core businesses, the transformations these structures require to remain relevant, and specific changes necessary to enhance S&S operations. We also discussed our options to provide new value to customers in light of the worldwide shift toward ESG management. The uncertain times we live in will continue to transform the role of the Board of Directors in contributing to the environment and society and to ensuring corporate sustainability.

New Uncertainty Stemming from the COVID-19 Pandemic

The spread of COVID-19 began escalating around the world just as the rollout of our vision and plan to achieve sustainability began. As of early May 2020, as I write this message, the pandemic has evolved into a public health crisis with more than 3.5 million people infected by the virus and 250,000 people losing their lives. I would like to offer my sincere condolences to everyone who has been impacted by this pandemic.

While the scale of the pandemic in Japan has paled in comparison to overseas, we have still had 15,000 cases and more than 520 reported deaths (as of May 6, 2020). In April, the Japanese government declared a state of emergency, and extended it by another month in early May. It seems ever clearer that COVID-19 will not be a passing threat, but will continue to be a long-term disruption to everyday life. The impacts to the global economy, as well, will be substantial. Many companies have already lowered their performance forecasts or delayed the announcement of forecasts altogether, calling into question the true value of these companies and their sustainability.

The global COVID-19 pandemic is transforming corporate management on a fundamental level, not just how we conduct work; it is also forcing us to change how we think about management itself. The management strategies and business plans formulated in the world before COVID-19 may not be an appropriate compass to guide us in a post-COVID-19 world. As we assess the differences between pre-COVID-19 plans and the post-COVID-19 reality, simply contemplating the situation and implementing ad hoc solutions to bridge the gap will not be enough. We must answer the question of what the role of the Board of Directors is in this unprecedented crisis and reconsider the role of management free of preconceived notions.

Roles of Executive Team and Board of Directors in the Face of Unprecedented Crisis

It has been especially important that the executive team obtain current and accurate information in order to take swift respon- sive action as the Group has major bases in China, Italy, and the United States, all regions impacted heavily by the pandemic. Regarding specific impacts on the Group, in the beginning of 2020, operations at major factories in China were suspended, which disrupted the flow of logistics for a time. In Italy, pump factories had some stoppages, but there was not any significant impact on the supply of EBARA products in Europe. In the United States, Precision Machinery Business subsidiaries and compressor and turbine manufacturer Elliott saw some impacts from the pandemic and ensuing lockdowns. Overall, the Group was successful in limiting damage to business by taking measures to protect employee safety, maintain job security, and continue business activities. In these extreme circumstances, I believe the Board of Directors must prepare and implement business continuity response measures with the worst-case scenario in mind. There is also a need to evaluate the post-COVID-19 world, and promote necessary business transformation or investment.

Corporate Governance in the Post-COVID-19 World

The discussions that led up to the formulation of E-Vision 2030 have put us in a better position to think about management in the post-COVID-19 world. The situation may have changed but the Group’s commitment to addressing the five material issues defined in E-Vision 2030 is unwavering. I anticipate that investors will be placing additional weight on social meaningfulness when assessing the value of companies going forward. At the same time, the expectations for business strategies, organizationa- tion, human resource development, and corporate governance will likely undergo substantial changes.

Looking ahead, this new normal brought on by the pandemic and subsequent restrictions on the movement of people will clearly have considerable impact on not only service industries but also industries related to transportation such as automobile and aircraft. Eventually making its way down to the crude oil market, the fuel that powers these modes of transportation. It is likely that these conditions will prolong the global economic recession. We must also pay heed to the impacts of geopolitical uncertainty and growing international tensions on global supply chains. Especially in the case of worsening relations between the United States and China, with the origin of the COVID-19 virus being a point of contention. In the meantime, the experience gained with internet venues, contactless options, and automation in our daily lives will transform not only work styles at companies but also social and industrial structures. I project a rapid increase in demand pertaining to digital transformation. The current conditions are casting light on unnecessary work processes and redundant organizational elements, which will further make the divide between companies with superior effi- ciency and productivity and those lagging behind even more载. Moreover, the need for human resources capable of autono- mous thought and problem solving has certainly increased, simultaneously prompting a reexamination of the meaning of leadership.

It is crucial that EBARA’s Board of Directors reacknowledge the potential for massive changes to the business environment. More than ever, Independent Directors must have problem-solving skills and the ability to cultivate collective understanding emphasizing multiple perspectives in addition to specialized insight and experience. We will need to maintain a sense of crisis in operational execution, envisioning the worst-case scenario, while evaluating the changes to be seen in the post- COVID-19 society and the meaning of these changes. EBARA is committed to seeking out corporate governance approaches that will enable it to achieve its performance goals in spite of the projected protracted economic recession and emerge as a leader in the post-COVID-19 business environment. This under- taking will include promoting forward-looking digital transforma- tion investments, global management that accounts for geopolitical risks, drastic work style reforms prefaced on online and remote operations, the cultivation of human resources capable of exercising leadership, and other radical transformations.

E-Plan 2022 is a strategic medium-term management plan to realize E-Vision 2030 and E-Plan 2022, in pursuit of the primary purpose of the Board of Directors in this unprecedented crisis and reconsider the role of management free of preconceived notions.
Composition of the Board of Directors

To ensure the Board of Directors effectively fulfills its roles and responsibilities, the Company shall make up the Board with directors of sufficient knowledge and experience inside and outside the Company in areas related to business management. Knowledge and experience important to the Company are defined as the areas of "legal affairs and risk management," "personnel and human resource development," "finance, accounting, and capital policy," "auditing," "management of individual businesses (in the Company)," "corporate management and management strategy," "research and development," "the environment," "social," and "internal control and governance." In addition to having appropriate knowledge in all of these areas, the Company appoints nominees for Director positions by specifying areas in which the Company particularly expects them to contribute. The chart below details the areas in which the Company expects the Directors appointed for the fiscal year ending December 31, 2020, to contribute based on these policies. In the fiscal year ended December 31, 2019, the number of Directors that serve concurrently as Executive Officers was reduced to one, and an Independent Director was appointed as the Chairman of the Board of Directors. These changes were implemented to bring the Board of Directors to an ideal size and better clarify execution and oversight functions.

**Basic Policies**

- Appoint less than 15 Directors of whom one-third or more and at least five are Independent Directors.
- Maintain a majority of Independent Directors and Non-Executive Inside Directors.
- Assign an Independent Director or Non-Executive Inside Director as the Chairman of the Board of Directors.

**Corporate Governance System at a Glance**

- **Overview of the Board of Directors**
  - **Number of Independent Directors**
    - **Number of Female Directors** 2
  - **Number of Directors** 1 0 1
  - **Chairman of Board of Directors** Independent Director
  - **Non-Executive Director** 1
  - **Non-Executive Inside Director** 1

**Number of Independent Directors to Total Directors**

- Independent Directors 7
- Inside Directors 3

**Number of Non-Executive Directors to Total Directors**

- Non-Executive Directors 9
- Non-Executive Inside Directors 7
- Non-Executive Directors concurrently serving as Executive Officers 1

**Composition of Three Committees**

- Nomination Committee:
  - Number of members 3
  - Of whom are Independent Directors 2
  - Of whom are Inside Directors 1

- Compensation Committee:
  - Number of members 3
  - Of whom are Independent Directors 2
  - Of whom are Inside Directors 1

- Audit Committee:
  - Number of members 4
  - Of whom are Independent Directors 3
  - Of whom are Inside Directors 1

**Reference**

Reasons for the selection of individual Directors can be found in the proposal for the election of Directors contained in the Notice of the 155th Ordinary General Meeting of Shareholders.

Board of Directors

(As of March 31, 2020)

Hiroshi Oeda
Lead Independent Director
Chairperson of the Nomination Committee

Masahiro Hashimoto
Member of the Compensation Committee and the Audit Committee

Sakon Uda
Chairperson of the Board of Directors
Member of the Nomination Committee

Mie Fujimoto
Member of the Compensation Committee

Toichi Maeda
Chairperson of the Company
Member of the Nomination Committee

Hajime Sawabe
Chairperson of the Compensation Committee

Masao Asami
President and Representative Executive Officer

Shozo Yamazaki
Member of the Audit Committee

Junko Nishiyama
Member of the Audit Committee

Sakon Uda
Chairman of the Board of Directors
Member of the Nomination Committee

Masahiro Hashimoto
Member of the Compensation Committee and the Audit Committee

Tetsuji Fujimoto
Chairperson of the Audit Committee

Independent Director
**Toichi Maeda**  
Chairman of the Company, Member of the Nomination Committee  
- Apr. 1986: Joined the Company  
- Apr. 1987: Executive Officer  
- Apr. 1987: Chairman of the Board (present)  
- Apr. 1991: Director  
- Apr. 2005: Executive Officer  
- Apr. 2006: Chairman of the Board (present)  
- Apr. 2010: Managing Executive Officer  
- Jun. 2015: President and Representative Executive Officer  
- Mar. 2019: Chairperson of the Audit Committee (present)  
- Chairperson of the Nomination Committee (present)  

**Masao Asami**  
Director, President, and Representation Executive Officer  
- Apr. 1991: Joined the Company  
- Apr. 1992: Executive Officer  
- Apr. 2006: CEO  
- Apr. 2010: Managing Executive Officer  
- Apr. 2014: Managing Executive Officer  
- Apr. 2016: Managing Executive Officer  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  

**Sakon Uda**  
Independent Directors, Chairman of the Board of Directors, Member of the Nomination Committee  
- Apr. 1989: Joined the Company  
- Apr. 1991: Executive Officer  
- Apr. 2006: Executive Officer  
- Apr. 2016: Director  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  
- Jun. 2020: Lead Independent Director (present)  

**Hajime Sawabe**  
Independent Directors, Chairperson of the Compensation Committee  
- Apr. 1991: Joined the Company  
- Apr. 1994: Director  
- Apr. 1996: Director  
- Apr. 1998: Director  
- Apr. 2006: Director  
- Apr. 2007: Director  
- Apr. 2010: Director  
- Apr. 2012: Director  
- Apr. 2013: Director  
- Apr. 2014: Director  
- Apr. 2015: Director  
- Apr. 2016: Director  
- Apr. 2017: Director  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  

**Shozo Yamazaki**  
Independent Director, Member of the Audit Committee  
- Nov. 1971: Joined the Company  
- Apr. 1976: Executive Officer  
- Apr. 1980: Managing Director of Marketing  
- Apr. 1981: Executive Officer  
- Apr. 1987: Managing Director of Marketing  
- Apr. 1988: Managing Director of Marketing  
- Apr. 1990: Director of Marketing  
- Apr. 2001: Director  
- Apr. 2003: Director  
- Apr. 2005: Director  
- Apr. 2007: Director  
- Apr. 2009: Director  
- Apr. 2010: Director  
- Apr. 2012: Director  
- Apr. 2013: Director  
- Apr. 2014: Director  
- Apr. 2015: Director  
- Apr. 2016: Director  
- Apr. 2017: Director  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  

**Masahiro Hashimoto**  
Independent Directors, Member of the Compensation Committee and the Audit Committee  
- Apr. 1975: Joined the Company  
- Apr. 1976: Executive Officer  
- Apr. 1985: Managing Director  
- Apr. 1994: Director  
- Apr. 1995: Director  
- Apr. 2000: Director  
- Apr. 2004: Director  
- Apr. 2010: Director  
- Apr. 2011: Director  
- Apr. 2016: Director  
- Apr. 2017: Director  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  

**Mie Fujimoto**  
Independent Director, Member of the Compensation Committee  
- Apr. 1990: Joined the Company  
- Apr. 1999: Director  
- Apr. 2000: Director  
- Apr. 2011: Director  
- Apr. 2012: Director  
- Apr. 2013: Director  
- Apr. 2014: Director  
- Apr. 2015: Director  
- Apr. 2016: Director  

**Koji Fukai**  
Independent Director, Member of the Audit Committee  
- Apr. 1994: Joined the Company  
- Apr. 1995: Director  
- Apr. 2002: Director  
- Apr. 2011: Director  
- Apr. 2012: Director  
- Apr. 2013: Director  
- Apr. 2014: Director  
- Apr. 2015: Director  
- Apr. 2016: Director  
- Apr. 2017: Director  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  

**Junko Nishiyama**  
Independent Director, Member of the Audit Committee  
- Mar. 1979: Joined the Company  
- Mar. 1982: Director  
- Mar. 1984: Director  
- Mar. 1985: Director  
- Mar. 1987: Director  
- Mar. 1988: Director  
- Mar. 1989: Director  
- Mar. 1990: Director  
- Mar. 1991: Director  
- Mar. 1992: Director  
- Mar. 1993: Director  
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- Mar. 2011: Director  
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- Mar. 2013: Director  
- Mar. 2014: Director  
- Mar. 2015: Director  
- Mar. 2016: Director  
- Mar. 2017: Director  
- Mar. 2018: Director  
- Mar. 2019: Director  
- Mar. 2020: Director  

**Hiroshi Oeda**  
Lead Independent Director, Chairperson of the Nomination Committee  
- Apr. 1980: Joined the Company  
- Apr. 1985: Director  
- Apr. 1990: Director  
- Apr. 1995: Director  
- Apr. 2000: Director  
- Apr. 2005: Director  
- Apr. 2010: Director  
- Apr. 2011: Director  
- Apr. 2012: Director  
- Apr. 2013: Director  
- Apr. 2014: Director  
- Apr. 2015: Director  
- Apr. 2016: Director  
- Apr. 2017: Director  
- Apr. 2018: Director  
- Apr. 2019: Director  
- Apr. 2020: Director  

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* Indicates shikokuryō, a Japanese legal term which refers to executive officers who are appointed by the Board of Directors to secure company policy and strategy. The role and legal status of such executive officers are described in the Companies Act of Japan, and as such they bear statutory duties to the Company.
The EBARA Group has established the “EBARA Way,” composed of its Founding Spirit, Corporate Philosophy, and CSR Policy, as the EBARA Group’s identity and set of values to be shared across the Group. Under the “EBARA Way,” the enhancement of corporate value through sustainable business development and sharing the results with all stakeholders, including shareholders, are EBARA’s most important management objectives. To achieve such objectives, we constantly seek the best possible corporate governance systems and strive toward further enhancement.

Major Initiatives Taken in the Fiscal Year Ended December 31, 2019

Important matters put to deliberation by the Board of Directors in the fiscal year ended December 31, 2019, included the establishment of a long-term vision and a new medium-term management plan. A significant amount of time was devoted to thorough discussion of the directives for the Company to follow over the next decade and the medium-term management plans. Policies and strategies to be implemented over the first three years of this decade. As a result, the Board of Directors was able to engage in effective discussion based on increased recognition of the important management issues for the Company over the medium to long term.

Initiatives for Strengthening Corporate Governance

Around the turn of the century, the Company reacknowledged the importance and necessity of corporate governance systems. Since then, we have been introducing improvements to our governance systems in phases to facilitate the Company’s sustainable growth and fulfill its social responsibilities. We will continue to improve our governance system to ensure it achieves the following improvements and move them toward the ideal state in which the Board of Directors can fully exercise its functions.

Evolution of EBARA’s Corporate Governance System

REFINED ESG-FOCUSED MANAGEMENT — GOVERNANCE

Corporate Governance

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

Based on this policy, Independent Directors play an important role in the corporate governance system of the Company, and the corporate governance system is centered on Independent Directors and Non-Executive Inside Directors. In addition, the Company incorporates the Company with Nominating Committee, etc., structure described in the Companies Act of Japan to ensure the clear separation between supervision and business execution.

Important matters put to deliberation by the Board of Directors in the fiscal year ended December 31, 2019, included the establishment of a long-term vision and a new medium-term management plan. A significant amount of time was devoted to thorough discussion of the directives for the Company to follow over the next decade and the medium-term management plans.
Evaluation of the Board of Directors’ Effectiveness

The Company believes it is necessary to work toward the best possible corporate governance systems and strive for improvement at all times. Since the fiscal year ended March 31, 2016, annual evaluations of the contributions and effectiveness of the Board of Directors have been conducted and the results have been disclosed. The Company simultaneously works to resolve any issues that come to light.

Summary of the Results of Analysis and Evaluation

It was found that the current state of operation of the Board of Directors and the Company’s committees was generally high and that adequate discussion is being carried out on important issues at meetings of the Board of Directors and the committees, indicating that they are being operated appropriately. It was judged that recognition is rising with regard to important medium- to long-term management issues for the Company and that effective discussions are taking place.

Analysis and Evaluation Process

With the cooperation of an independent third-party, the Company had each Director complete a questionnaire and then held individual interviews with all of the Directors based on their responses to the questionnaire. The state and effectiveness of the Board of Directors was analyzed based on the results, and meetings were held in February and March 2020 to confirm the evaluation and future action items. The Company adopted a structure in which an Independent Director serves as the Chairman of the Board of Directors in March 2019. In Japan, it is still rare for Independent Directors to act in the position of Chairman, because of this and the importance of the position, the Company took particular care in performing an in-depth and multifaceted evaluation of the Chairman of the Board of Directors.

Questionnaires and Individual Interviews

Questionnaires are used to identify overarching trends pertaining to important matters concerning the effectiveness of the Board of Directors and the committees, and in-depth evaluations of particularly important matters are performed through individual interviews.

Major Questionnaire Items

■ Roles and functions of the Board of Directors
■ Size and composition of the Board of Directors
■ Status of operation of the three committees
■ Support systems for Independent Directors
■ Relationships with investors and shareholders
■ Self-evaluations

Major Topics of Individual Interviews

■ View of businesses and management (business portfolio transformation, corporate functions)
■ Opinions regarding the Board of Directors (discussions, Chairman of the Board of Directors, number and composition of Directors)
■ Reducing of support for ongoing verification, follow-up, and implementation of measures for addressing long-term issues contributing to the improvement of corporate value and important issues in the medium-term management plan
■ Confirmation and verification of status of positioning and development of human resources and of internal systems for responding to the aforementioned issues along with proactive implementation of related measures. There was also a need for more extensive discussion of succession plans for Independent Directors.

Action to Be Taken

The evaluation of the Board of Directors conducted in the fiscal year ended December 31, 2019, identified a need for ongoing action in the following four areas in order to improve Board effectiveness.

Six-Year Cultivation and Selection Process

The candidates to be submitted to final consideration are selected after undergoing a program of training for developing the cultivation and selection process for this plan commenced in 2019.

Succession Plan for the President and Representative Executive Officer

The establishment and implementation of the succession plan for the President and Representative Executive Officer is one of the most important tasks for the Nomination Committee. The Company’s succession plan has two major characteristics. The first characteristic is that this plan is formulated primarily by the Nomination Committee, of which the current President is not a member. The second characteristic is that, when selecting the next President, the Nomination Committee coordinates with the executive team to systematically cultivate candidates and select the successor over an extended period of time. The Nomination Committee is comprised of three Non-Executive Directors, including two Independent Directors and the Chairman of the Company. This membership ensures the objective selection of ideal candidates. The Company has a policy stating that excessive terms should be avoided for members of senior management (the President and the Chairman of the Company) and that individuals in these positions should be changed periodically. The upper limit for the term of the President is six years. The current President, who was appointed in March 2019, was selected through a process of cultivating, evaluating, and narrowing down candidates that began three years prior.

Cultivation and Selection Process

The Nomination Committee has formulated a new six-year succession plan for selecting the next President, and training on the cultivation and selection process for this plan commenced in 2019. EBARA’s succession plan begins with searching for candidates with the potential to fill the position of President in the future. A development program is then conducted to instill in candidates the basic skills expected of executives. This future manager development program includes discussions with managers from Japan and from overseas, coaching from external specialists on introspective thinking, and other provisions designed to cultivate the sense of commitment required of an executive while improving the viability of candidates. During this process, the individuals that will be advanced to the next step are chosen.

The next step of the plan is to have candidates address specific business issues via the management issue resolution program. Candidates who proceed to this stage are placed in positions that take them out of the area in which they have experience or have previously been responsible for through means such as transfer to another division. They are then expected to work to address actual management issues while experiencing various new aspects of business.

The candidates to be submitted to final consideration are selected from among the individuals that have excelled at this step. Final consideration candidates receive coaching on the mindset and thought processes necessary of the President from a professional executive coach and are expected to apply what they learn accordingly. Candidates are evaluated during the coaching process, and the results of these evaluations are reported to the Nomination Committee.

Nomination Committee

The Nomination Committee is mainly responsible for deciding on the proposals to be submitted to the General Meeting of Shareholders concerning the appointment and dismissal of Directors, appointment and dismissal of the Chairman of the Board of Directors and committee members, recommendations to the Board of Directors concerning the appointment and dismissal of Executive Officers, and recommendations to the Board of Directors concerning the appointment and dismissal of Directors with special titles and Executive Officers with special titles (the President and the Chairman of the Company), in addition to succession planning for the President and Representative Executive Officer.

Hiroshi Oeda
Lead Independent Director, Chairman of the Nomination Committee
This is a document discussing the compensation systems and strategies of EBARA Corporation. It mentions the implementation of a performance-linked compensation system, the introduction of restricted stock compensation plans, and the selection of President candidates based on specific qualifications.

### Compensation Committee

The Compensation Committee decides on policies and amounts of compensation for individual Directors and Executive Officers in addition to making recommendations to the Board of Directors concerning officer compensation systems at affiliates and other companies.

### Revision of Compensation Systems

As one facet of its efforts to develop frameworks for pursuing its E-Vision 2030 long-term vision and implementing its E-Plan 2022 new medium-term management plan, the Company abolished positions such as Executive Officers with special titles, e.g., Managing Executive Officers and Senior Managing Executive Officers, in the fiscal year ending December 31, 2020. This move was designed to facilitate a consistent approach toward positioning and compensating employees based on their merits, instead of length of service or status, throughout the Company.

### Stock Compensation Plan Revision

In the fiscal year ended December 31, 2018, the Company replaced prior stock option plans with a restricted stock compensation plan and a performance-linked stock compensation plan to provide long-term incentives for Directors, Executive Officers, and certain employees of the Company as well as for certain directors and employees of subsidiaries. The restricted stock compensation plan was revised in the fiscal year ending December 31, 2020, to remove the transfer restrictions on applicable shares of stock from the moment an individual ceases to hold their position as a director or an officer. This change was designed to encourage directors and officers to hold shares of the Company's stock and increase the degree to which they share the value of shareholders.

### Notable Observations

- **Performance-linked compensation**: The compensation system is attuned to the different roles of the President and Executive Officers comprised of basic compensation, short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation.

- **Qualified Director Selection**: The qualities required in the President include perseverance and passion in addition to other qualities expected of executives. Additional requirements are also defined based on the management circumstances at a given time. The final decision of who will become the next President is made by the Nomination Committee based on the degree to which the required qualities are possessed as well as on qualities such as flexibility and growth potential as decided based on the extent to which the candidate grew before and after receiving coaching.

### Important Notes

- **Compensation Systems**: Revision of compensation systems attuned to the different roles of the President and Executive Officers comprised of basic compensation, short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation.

- **Qualified Director Selection**: The qualities required in the President include perseverance and passion in addition to other qualities expected of executives. Additional requirements are also defined based on the management circumstances at a given time. The final decision of who will become the next President is made by the Nomination Committee based on the degree to which the required qualities are possessed as well as on qualities such as flexibility and growth potential as decided based on the extent to which the candidate grew before and after receiving coaching.

### Table: Total Amounts of Compensation for Directors and Executive Officers for the Fiscal Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Position</th>
<th>Total compensation (Millions of yen)</th>
<th>Total compensation by type (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic compensation</td>
<td>Short-term performance-linked compensation</td>
</tr>
<tr>
<td>Directors of the Board (excluding Independent Directors)</td>
<td>208</td>
<td>4</td>
</tr>
<tr>
<td>Independent Directors</td>
<td>105</td>
<td>8</td>
</tr>
<tr>
<td>Executive Officers</td>
<td>749</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>1,955</td>
<td>28</td>
</tr>
</tbody>
</table>

### Notes

1. Compensation shown is the amount of compensation paid to Directors and Executive Officers in office as of December 31, 2019; for the term of office of each Director and Executive Officer for the fiscal year ended December 31, 2019, and compensation paid to the non-Nomination Committee among the four Directors who retired at the conclusion of the 154th Ordinary General Meeting of Shareholders held on March 29, 2019, and the two Executive Officers who retired at the conclusion of the meeting of the Board of Directors held on the same day according to their terms of office over the period from January 2019 to the date of their resignation.
2. Compensation paid to Executive Inside Directors is included in the Executive Officers’ compensation column.
3. The amount of compensation paid to Executive Officers includes ¥103 million in compensation paid to subsidiaries to Executive Officers that serve concurrently as officers at subsidiaries.
4. The basic compensation (limited to the performance-linked portion) of Non-Executive Inside Directors and bonuses of Executive Officers are calculated based on the performance of the EBARA Group, the performance of the relevant division, and an evaluation of the individual’s performance in the fiscal year ended December 31, 2019, and amounts are determined individually after deliberation by the Compensation Committee.
5. Short-term performance-linked compensation shown is the total amount of bonuses paid to Executive Officers in office as of December 31, 2019, for the fiscal year ended December 31, 2019.
6. The stock option system was abolished in the nine-month period ended December 31, 2017, and a restricted stock compensation (P3S) plan and a performance-linked stock compensation (PLS) plan were introduced in the fiscal year ended December 31, 2018.
7. No new stock options were issued in the fiscal year ended December 31, 2019; however, the amount recorded as expenses during the fiscal year ended December 31, 2019, in association with stock options issued in previous fiscal years is listed.
8. Restricted stock compensation shown combines the amount of restricted stock compensation paid in the fiscal year ended December 31, 2019, and the amount recorded as expenses during the fiscal year ended December 31, 2019, in association with restricted stock compensation paid in previous fiscal years.
9. Performance-linked stock compensation shown is the amount of performance-linked stock compensation paid in May 2020 attributable to the fiscal year ended December 31, 2019.
**Operational Execution System**

Executive Officers are appointed through resolutions by the Board of Directors. Executive Officers are responsible for decisions and duties in the operational execution area assigned to them by the Board of Directors in accordance with the management policies established by the Board of Directors, such as the E-Visions 2030 long-term vision and the E-Plan 2023 medium-term management plan. In the fiscal year ending December 31, 2020, the Company has 14 Executive Officers, all of which are male, and none of them being non-Japanese nationality. However, the Company is examining the possibility of appointing a female Executive Officer in the future from the perspective of diversity.

**Process for the Appointment and Dismissal of Executive Officers**

The Nomination Committee deliberates whether Executive Officer candidates 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 formulated through discussion by the Nomination Committee and approved by the Board of Directors. The Board of Directors makes decisions after receiving the deliberation results from the Nomination Committee.

Furthermore, in the event the performance of an Executive Officer (other than the President, Representative Executive Officer) does not meet the criteria specified in the Company’s regulations, the Nomination Committee will propose to the Board of Directors not to reappoint the current Executive Officer until a specific reason is cited for this lack of performance.

**Meeting Bodies for Business Execution**

1. Management Meeting
   - The Management Meeting is comprised of all Executive Officers and tasked with performing the deliberation necessary for facilitating decision-making by the President, Representative Executive Officer with regard to important matters concerning the execution of business.

2. Management Planning Committee
   - In order to give form to the measures of the medium-term management plan in each fiscal year, the Management Planning Committee, which is chaired by the President, Representative Executive Officer and made up of all Executive Officers, deliberates, determines, and follows up on the budgets and management mission action plans of each organization on a quarterly basis.

3. Risk Management Panel
   - The Risk Management Panel, which is chaired by the President, Representative Executive Officer and membered by all Executive Officers, is responsible for overseeing risk management activities and performing deliberations and offering improvement instruction and support for this purpose.

4. Sustainability Committee*

The Sustainability Committee conducts deliberations on action policies for business and related support activities, sets KPIs and targets, and confirms results to guide the EBARA Group in contributing the sustainability of society and the environment and thereby improving corporate value throughout its business activities.

5. Disclosure Committee

The Disclosure Committee is a cross-organizational committee tasked with facilitating the impartial, timely, and accurate disclosure of corporate information, such as that pertaining to Groupwide occurrences, decisions, and financial information.

* In April 2020, the name of the CSR Committee was changed to the Sustainability Committee.

**Cross-Shareholdings**

In principle, the Company does not hold cross-shareholdings. However, it is possible that the Company will hold shares of other companies only in cases in which it is determined that partnerships with investors through shareholding will contribute to the enhancement of the Group’s corporate value. The rationale for cross-shareholding relationships is subject to regular examination by the Board of Directors based on the following items, and shareholdings deemed by the Board of Directors to no longer be rational shall be dissolved when appropriate by disposal or other means.

**Matters Confirmed in Examination of Shareholding Rationale**

- Importance of partnership with investee and necessity of continuation of relationship
- Appropriateness of returns and risks associated with the shareholding in comparison to cost of capital

In the fiscal year ended December 31, 2019, of the nine stocks of listed companies held by the Company on January 1, 2019, roughly half of the holdings of two stocks were sold while the remaining seven stocks were sold in their entirety.

In exercising voting rights attached to cross-shareholdings, the Company determines 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. Discussions are held with investees on the content of agenda items as required with particular emphasis placed on the following items.

- Changes to the Articles of Incorporation
- Nomination of Directors
- Anti-takeover measures
- Appropriation of surplus

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**Audit Committee**

The Audit Committee is responsible for conducting audits to assess whether or not Directors, Executive Officers, and employees of the Company and its subsidiaries are in compliance with legal obligations and internal regulations. In addition, the Audit Committee endeavors to monitor Executive Officers and verify whether they execute their duties in a sound, fair, appropriate, and efficient manner in accordance with basic policies for management and medium- and long-term management plans established by the Board of Directors, such as the E-Vision 2030 long-term vision and the E-Plan 2022 medium-term management plan.

### Activities of the Audit Committee

- **Discussions with Members of Executive Management**
  - The Audit Committee holds regular meetings with the President and Representative Executive Officer and with representatives of business units and corporate divisions to discuss and share recognition and information pertaining management issues and business risks with the executive branch.
- **Attendance at Important Meetings**
  - Members of the Audit Committee attend meetings of the Management Meeting, the Management Planning Committee, the Risk Management Panel, and other important meetings to improve the effectiveness and efficiency of audits and maintain an accurate and up-to-date understanding of relevant information. Advice is also provided to the executive team as necessary.
- **On-site Audits**
  - On-site audits are performed at domestic and overseas offices, operating sites, and subsidiaries, and members of the Audit Committee observe audits by the Independent Auditor and internal audit divisions as necessary to confirm that internal control systems are functioning effectively across the Group.
- **Major Areas Assessed by the Audit Committee in the Fiscal Year Ended December 31, 2019**
  - Annual audit plans define items requiring intensive auditing alongside items audited every fiscal year. Major areas assessed by the Audit Committee in the fiscal year ended December 31, 2019, include the following:

  - Evaluation of results of audits of operational execution by Executive Officers and others
  - Evaluation of appropriateness of accounting procedures pertaining to important accounting items
  - Identification of issues and confirmation of progress of the medium-term management plan
  - Auditing of status of internal control system implementation and operation by the Company and Group companies

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**Collaborative Audits by Different Auditing Bodies**

- **Coordination with and Evaluation of Independent Auditor**
  - Members of the Audit Committee coordinate with and confirm that the Independent Auditor is maintaining an independent position and performing effective audits. In addition, Audit Committee members receive reports from the Independent Auditor on the execution and findings of its audits. Furthermore, the Audit Committee conducts effective audits by holding meetings with the Independent Auditor regularly and as needed for mutual exchange of information and opinions. Based on the judgment of the eligibility, independence, and overall capabilities of the Independent Auditor, the Audit Committee makes the reappointment of Ernst & Young ShinNihon LLC as the Independent Auditor for the fiscal year ending December 31, 2020, and examined the appropriate level of compensation.

- **Coordination with Internal Audit Division**
  - The Audit Committee coordinates with the Internal Audit Division and divisions responsible for internal control, risk management, and compliance as well as with the auditors of Group companies.
  - Specifically, the Audit Committee holds meetings on a regular and as-needed basis to discuss the internal audit plans of the Internal Audit Division and arrange exchanges of information with risk management and compliance divisions. In addition, advice is offered to the executive branch as necessary.
  - Furthermore, Group Auditor Conferences, which are attended by auditors of subsidiaries, are held twice a year. At these conferences, full-time Audit Committee members and the heads of the Internal Audit Division as well as of internal control risk management, compliance, and finance and accounting divisions attend to share information and receive business reports from the auditors of subsidiaries when necessary.

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**Cross-Shareholdings**

In principle, the Company does not hold cross-shareholdings. However, it is possible that the Company will hold shares of other companies only in cases in which it is determined that partnerships with investors through shareholding will contribute to the enhancement of the Group’s corporate value. The rationale for cross-shareholding relationships is subject to regular examination by the Board of Directors based on the following items, and shareholdings deemed by the Board of Directors to no longer be rational shall be dissolved when appropriate by disposal or other means.

**Matters Confirmed in Examination of Shareholding Rationale**

- Importance of partnership with investee and necessity of continuation of relationship
- Appropriateness of returns and risks associated with the shareholding in comparison to cost of capital

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**Cross-Shareholdings**

https://www.ebara.co.jp/en/about/Governance/cross-shareholdings/index.html
Risk Management

Basic Approach

The EBARA Group systematically identifies and assesses risks that may arise from its business operations and implements measures to minimize negative impacts that may impact the ongoing survival and development of the Group. We are shifting from a system that focused on responding ad hoc to individual risks that emerge in the course of business to a more systematic approach that emphasizes continuous implementation of improvements to the system parallel to enacting risk control measures.

Major Risks and Countermeasures

When establishing the E-Vision 2030 long-term vision and the E-Plan 2022 medium-term management plan, the EBARA Group performed analyses of the risks that may occur during the course of its business through a scenario planning approach accounting for medium- to long-term changes in social trends and operating environment conditions. In addition, regular Group-wide risk assessments are carried out with regard to the risks currently facing the Group. Through these assessments, we analyze the potential of materialization, degree of impact, and ingenuity risks likely to remain after the implementation of risk control measures for risks that can be judged to threaten the Group when considering the characteristics of its business activities. The projected risks compiled through assessments are clearly reflected into the operations of the divisions with which these risks are associated after reevaluating risk response systems through surveys and interviews with the individuals responsible for relevant businesses. The major risks for the EBARA Group and the countermeasures being implemented are shown in the tables below organized by short-term and long-term risks and by market.

Long-Term Fluctuating Risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Causes</th>
<th>Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global environmental and climate change</td>
<td>• Projected risks and opportunities and formulation of countermeasures based on diverse, long-term scenario analyses</td>
<td>• Preparation of BCPs and implementation of drills for responding to market conditions</td>
</tr>
<tr>
<td>Accelerated globalization</td>
<td>• Unexpected losses and reputation damages stemming from lack of management insight and expertise pertaining to overseas transactions and businesses</td>
<td>• Exhaustive Group governance and internal control measures</td>
</tr>
<tr>
<td>Shrinking workforce in Japan</td>
<td>• Lack of human resources for continuing manufacturing operations and other supply chain risks</td>
<td>• Global human resource recruitment and supply chain optimization</td>
</tr>
</tbody>
</table>

Short-Term Volatile Risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Causes</th>
<th>Countermeasures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political factors</td>
<td>• Unexpected restrictions and expenses in business activities due to impacts on economic and trade conditions stemming from internationalization of trade friction between the United States and China, conflicts in the Middle East, and the United Kingdom’s decision to withdraw from the European Union</td>
<td>• Development of global supply chains and value chains accounting for risks</td>
</tr>
<tr>
<td>Sudden natural disasters and pandemics</td>
<td>• Sudden natural disasters and pandemics</td>
<td>• Pre-assessment and preparation of BCPs by utilizing global network information of efficient and flexible work styles; implementation measures to combat pandemics and prevent infection through coordination among management officers and industrial associations</td>
</tr>
<tr>
<td>Exchange rate fluctuations</td>
<td>• Increased costs as result of foreign exchange rate fluctuations diverging from forecasts</td>
<td>• Appropriation for foreign exchange risk hedging measures including exchange contracts and foreign currency borrowings</td>
</tr>
</tbody>
</table>

Risks by Major Markets and Businesses

COVID-19 Response Measures and BCP Initiatives

In response to the global COVID-19 pandemic and the global emergency declaration by the World Health Organization, EBARA established a response headquarters in February 2020. Setting up frameworks to allow management to swiftly gather information, we proceeded to implement measures for halting the advance of the pandemic, such as promoting teamwork and others. These efforts were based on the instructions of relevant government authorities and had the health and safety of our employees and other stakeholders as their top priority.

When a member of the EBARA Group is found to have been infected with COVID-19, they are requested to comply with the local authorities and to quarantine at home or be hospitalized for 14 days, in principle, while those deemed to have been in close contact with them are requested to quarantine at home for 14 days, in principle. If the infected member has been working at an EBARA facility, work may only begin again at that location after disinfection and other precautionary measures have been completed. In the beginning of the pandemic, certain Group companies were forced to temporarily halt operation of their facilities in response to local government orders. However, operations at all facilities have been restarted in compliance with local government orders.

Global COVID-19 Pandemic Response Measures

<table>
<thead>
<tr>
<th>Oversea Group Companies and Supply Chains</th>
<th>Domestic Businesses and Supply Chains</th>
<th>Organizations (Governments, Human Resource Divisions, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Development of working frameworks for countermeasures necessitated by the pandemic</td>
<td>• Halting of operations in countries subject to lockdowns</td>
<td>• Development of working frameworks for countermeasures necessitated by the pandemic</td>
</tr>
<tr>
<td>• Halting of operations in countries subject to lockdowns following elevation of lockdowns</td>
<td>• Establishment of pandemic response measures and measures</td>
<td>• Establishment of pandemic response measures and measures</td>
</tr>
<tr>
<td>• Exhaustive supply and process management</td>
<td>• Staggered workplaces and other countermeasures at factories</td>
<td>• Staggered workplaces and other countermeasures at factories</td>
</tr>
<tr>
<td>• Securing of local measures to address restrictions on movement of people and employment of third-party inspection firms to perform on-site inspections</td>
<td>• Promotion of teleworking to the greatest degree possible</td>
<td>• Promotion of teleworking to the greatest degree possible</td>
</tr>
</tbody>
</table>
The EBARA Group strives to act as a good corporate citizen that
earns the trust of stakeholders. For this reason, the “EBARA Way”
and the EBARA Group Code of Conduct are shared among all
employees to form a common identity and set of values. With
this as the foundation, it is our basic policy to practice legal com-
pliance along with faithful adherence to internal rules, social norms,
and common sense and to act with good intentions and integrity.

Our company policies, rules, and regulations relating to
risk management, which are based on the principle of spreading
compliance awareness, guide us in creating systems for
detecting risks and preventing their realization and in establish-
ing comfortable and open workplace environments.

<table>
<thead>
<tr>
<th>Priority Strategies</th>
<th>Principal Measures</th>
<th>FY2019 Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish overseas EBARA Group hotlines</td>
<td>• Established overseas EBARA Group hotlines</td>
<td>• Expanded application of whistleblowing hotlines to overseas Group companies lacking external consultation venues (Total: 17 companies) China: 9 companies Vietnam: 1 company Indonesia: 2 companies Thailand: 2 companies Philippines: 1 company Brazil: 1 company (New) Colombia: 1 company (New) Processed 2 reports</td>
</tr>
<tr>
<td>Monitor and improve activities through swift response to consultations</td>
<td>• Prevent and quickly detect and address improper activities through swift response to consultations</td>
<td>• Processed 49 reports • Addressed an increased number of miscellaneous consultations that do not constitute official reports</td>
</tr>
<tr>
<td>Enhance compliance liaison member system to provide familiar workplace consultation venues</td>
<td>• Enhance compliance liaison member system to provide familiar workplace consultation venues</td>
<td>• Trained 96 compliance liaison members (52 at EBARA CORPORATION, 44 at domestic Group companies) • Stepped up communication with compliance liaison members 1. Integrated responses to consultation issues (8 in FY2019) 2. Uplift trend of resolutions for consultation issues spearheaded by liaison members</td>
</tr>
<tr>
<td>Promote respect for human rights and diversity in workplaces through activities of specialized divisions and compliance liaison members</td>
<td>• Promote respect for human rights and diversity in workplaces through activities of specialized divisions and compliance liaison members</td>
<td>• Unveiled EBARA Group Human Rights Policy and established EBARA Group Human Rights Committee • Posted human rights-related educational content on Company intranet (regarding Human Rights Week, requests for human rights slogans, educational materials, etc.) • Continued to participate in Global Compact Network Japan, the Industrial Federation for Human Rights, Tokyo, and other external organizations</td>
</tr>
</tbody>
</table>

Priority Strategies and Progress

Measures implemented leading up to December 2019 included initiatives at domestic Group companies as well as anti-

Anti-Corruption Training Statistics

<table>
<thead>
<tr>
<th>Year</th>
<th>Applicable companies</th>
<th>Applicable employees</th>
<th>Rate of participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018/12</td>
<td>21</td>
<td>1046</td>
<td>95.6%</td>
</tr>
<tr>
<td>2019/12</td>
<td>26*</td>
<td>1546</td>
<td>86.0%*</td>
</tr>
</tbody>
</table>

* Number of companies at which training is to be completed within the fiscal year ending December 31, 2020.

* Rate of participation as of December 31, 2020, training not yet completed as of May 21, 2020

Reports Processed through Domestic Compliance Consultation Hotlines in the Fiscal Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaints</td>
<td>49</td>
</tr>
<tr>
<td>Issues remaining for investigation in this fiscal year</td>
<td>9</td>
</tr>
<tr>
<td>Issues that occurred in the previous fiscal year</td>
<td>72</td>
</tr>
</tbody>
</table>

Compliance Consultation Hotline Policies

1. Prevent improper activity from occurring
2. Quickly detect improper activity that may have occurred
3. Create comfortable workplace environments
4. Foster internal capabilities for resolving issues
5. Maintain the confidentiality of and protect those who consult

Consultations can be made by a wide range of stakeholders, including officers, employees and their family members, and business partners. After consultations are received, investigations are performed by internal compliance divisions, and the appropriate response is taken based on these investigations.

In the fiscal year ended December 31, 2019, a total of 207 consultations were processed through overseas EBARA Group hotlines, of which 49 consultations were in Brazil, 1 company (New), compared with 42 consultations in the fiscal year ended December 31, 2018.

In addition, 45 investigations were completed in the fiscal year ended December 31, 2019, of which 38 pertained to consultations regarding the workplace environment or other issues, 4 related to harassment claims, and 3 were for miscellaneous consultations. More than 80% of all consultations were related to workplace environment or other issues with the potential to lead to compliance risks.

Reports Processed through Domestic Compliance Consultation Hotlines in the Fiscal Year Ended December 31, 2019

In Japan, compliance consultation hotlines have been installed at Group companies, and consultations are addressed by the site at which the consultation is received (head office, Group company). At overseas Group companies, we continue to reinforce overseas EBARA Group hotlines, which are designed to contribute to increasing transparency across Group companies, to bolster the internal whistleblowing hotlines of these companies, and to support healthy and autonomous operations.

In Japan, the EBARA Group strives to act as a good corporate citizen that
earns the trust of stakeholders. For this reason, the “EBARA Way”
and the EBARA Group Code of Conduct are shared among all
employees to form a common identity and set of values. With
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Our company policies, rules, and regulations relating to
risk management, which are based on the principle of spreading
compliance awareness, guide us in creating systems for
detecting risks and preventing their realization and in establish-
ing comfortable and open workplace environments.

Going forward, the Group will continue its efforts to track risk
information as promptly as possible and to prevent the occur-
rence or spread of damages. Particularly, we will focus on internally
correcting potential legal violations.

Anti-Corruption

The EBARA Group Integrated Report 2020

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EBARA Group Integrated Report 2020

**Executive Officers**

(As of March 27, 2020)

**Masan Asami**
President and Representative Executive Officer

- Apr. 1984: Jointed the Company
- Apr. 2015: Executive Officer
- Nov. 2017: Director, Executive, Sales and Marketing Division, Precision Machinery Company
- Apr. 2019: Managing Executive Officer

**Yoshiaki Okiyama**
Executive Officer

- Apr. 1984: Jointed the Company
- Apr. 2011: Executive Officer
- Apr. 2017: Division Executive, Strategy and Technology Management Division, Fluid Machinery & Systems Company
- Mar. 2018: Executive Officer
- Mar. 2018: Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company (to present)
- Mar. 2017: Division Executive, System Business Division, Fluid Machinery & Systems Company (to present)
- Mar. 2016: Managing Executive Officer
- Mar. 2003: Executive Officer* (to present)

**Akira Kida**
Executive Officer

- Apr. 1986: Jointed the Company
- Apr. 2011: Executive Officer
- Apr. 2015: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Apr. 2014: Senior Managing Executive Officer
- Jul. 2019: Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company
- Mar. 2015: Executive Officer
- Mar. 2005: Executive Officer* (to present)

**Nobuharu Noji**
Executive Officer, President

- Apr. 1983: Jointed the Company
- Apr. 2015: Executive Officer
- Apr. 2017: Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company
- Apr. 2019: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Apr. 2014: Division Executive, Finance & Accounting Division, Fluid Machinery & Systems Company
- Apr. 2012: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Apr. 2010: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Apr. 2006: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Apr. 2001: Division Executive, Sales and Marketing Division, Precision Machinery Company
- Apr. 1999: Division Executive, Strategy and Technology Management Division, Fluid Machinery & Systems Company
- Apr. 1998: Division Executive, Sales and Marketing Division, Fluid Machinery & Systems Company
- Apr. 1996: Jointed the Company
- Apr. 1991: Division Executive
- Apr. 1988: Executive Officer
- Apr. 1984: Executive Officer

**Seiji Katsuoka**
Executive Officer

- Apr. 1998: Jointed the Company
- Apr. 2008: Executive Officer
- Apr. 2011: Division Executive, CMP Division, Precision Machinery Company
- Apr. 2019: Executive Officer* (to present)
- Mar. 2018: Division Executive, Equipment Division, Precision Machinery Company

**Atsuo Ohi**
Executive Officer

- Apr. 1983: Jointed the Company
- Apr. 2006: Executive Officer
- Oct. 2015: Division Executive, Corporate Strategic Planning Division
- Apr. 2015: Managing Executive Officer
- Apr. 2011: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Apr. 2010: Division Executive, Engineering Division, Fluid Machinery & Systems Company
- Mar. 2019: Division Executive, Human Resources Division
- Apr. 2019: Division Executive, Corporate Strategic Planning and Human Resources Division

**Shu Nagata**
Executive Officer

- Apr. 1998: Jointed the Company
- Jul. 2010: Executive Officer
- Apr. 2011: Division Executive, CMP Division, Precision Machinery Company
- Apr. 2019: Executive Officer* (to present)
- Mar. 2018: Division Executive, Corporate Strategic Planning Division
- Mar. 2018: Division Executive, System Business Division, Fluid Machinery & Systems Company
- Jul. 2018: Division Executive, International Division, Fluid Machinery & Systems Company

**Tetsuji Togawa**
Executive Officer

- Apr. 1986: Jointed the Company
- Apr. 2014: Executive Officer
- Apr. 2019: Division Executive, Equipment Division, Precision Machinery Company
- Jun. 2019: Executive Officer* (to present)
- Mar. 2018: Executive Officer* (to present)

**Hiroki Kosewae**
Executive Officer

- Apr. 2018: Jointed the Company
- Apr. 2018: Executive Officer
- Apr. 2018: Division Executive, Information System Division
- Apr. 2018: Division Executive, Information System Division

**Hiroshi Sobukawa**
Executive Officer

- Apr. 1997: Jointed the Company
- Apr. 2019: Executive Officer
- Apr. 2019: Division Executive, Advanced Technology Division, Precision Machinery Company
- Apr. 2017: Division Executive, RD&I Division, Precision Machinery Company
- Apr. 2019: Executive Officer* (to present)

* Indicates that the person is a non-Japanese national.
In the fiscal year ended December 31, 2019, ROIC was 8.3%, indicating ongoing stability. An equity ratio of 47.7% was posted in the fiscal year ended December 31, 2019, lower than the level targeted by E-Plan 2019. The stability of this target can be attributed to the heavy impacts of market conditions on the Fluid Machinery & Systems Business and the Precision Machinery Business. The Environmental Plants Business, meanwhile, practically achieved its targets. If E-Plan 2022 sets an operating income to sales ratio target of 8.0% or more for the financial year ending December 31, 2024.

The operating income to sales ratio was 6.6% in the fiscal year ended December 31, 2019, lower than the level targeted by E-Plan 2019. The stability of this target can be attributed to the heavy impacts of market conditions on the Fluid Machinery & Systems Business and the Precision Machinery Business. The Environmental Plants Business, meanwhile, practically achieved its targets. If E-Plan 2022 sets an operating income to sales ratio target of 8.0% or more for the financial year ending December 31, 2024.

The group believes that diversity is essential for innovation and that the empowerment of human resources with diverse backgrounds will contribute to improved business performance. In the fiscal year ended December 31, 2019, the Group hired 111 new employees, of which 16, or 15%, were women and 13, or 12%, were of non-Japanese origin. These figures surpassed the targets for the respective KPIs.

As part of the effort to reinforce the Anti-Corruption Program launched in 2016, we had completed extending these hotlines to 17 overseas Group companies. Through these efforts, compliance is becoming entrenched as the underlying assumption for our business activities among all EBARA Group employees worldwide.

In the fiscal year ended December 31, 2019, the number of overseas companies with EBARA Group hotlines was 17, compared to 16 in the fiscal year ended December 31, 2018, and ¥15.0 billion worth in the fiscal year ended December 31, 2019, which the company performed its first share buybacks during the period of E-Plan 2019, contributing to the increase in ROE. Although we failed to accomplish the targets of E-Plan 2019, we will target a debt-to-equity ratio of 0.30 times–0.50 times. E-Plan 2022, we will target a debt-to-equity ratio of 0.30 times–0.50 times.

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Overview of ESG Material Issues, KPIs, and Results

**Action Policy 1**
Provide products and services that minimize the use of energy and resources

**KPIs and targets have been set with regard to addressing climate change by creating energy-efficient products and conserving resources by reducing equipment weight. The targets were essentially met Company-wide, but progress toward targets in the fiscal year ended December 31, 2019, was lower than in the previous fiscal year in the Fluid Machinery & Systems Business due to sluggish sales of certain applicable products.**

**Major KPIs and Progress toward Targets in Final Year of E-Plan 2019**

- **Material recycling rate:** 97.9%
  - Targets: 2017/12 90% 2018/12 95% 2019/12 97.9%
- **GHG emissions:** Down 4.0% year on year
  - Targets: 2017/12 3.0% 2018/12 2.5% 2019/12 4.0%
- **Scope of global data collection:** 96.0% of consolidated net sales
  - Targets: 2017/12 95.0% 2018/12 96.0% 2019/12 96.0%

**Action Policy 2**
Expand the service and support (S&S) business, maximize product life, and minimize any product downtime

**KPIs and targets have been set for S&S sales and base numbers, and the targets were essentially met through the efforts of all businesses. The EBARA Group is contributing to the development of resilient infrastructure through the reliable operation of social and industrial infrastructure.**

**Action Policy 3**
Minimize the amount of energy and resources used in business activities

**The scope of environmental performance data collection was expanded on a global, Group-wide basis to facilitate the formulation of targets for the fiscal year ending December 31, 2020. The EBARA Group's first Group-wide and global basis targets were established based on this scope.**

**Action Policy 4**
Fulfill social responsibilities to supply chain, deliver reliable product quality throughout the product's life cycle, and achieve responsible customer engagement

**The CSR procurement survey launched in the fiscal year ended December 31, 2019, has been contributing to higher awareness regarding the CSR Procurement Guidelines among suppliers. The EBARA Group plans to continue to expand the scope of suppliers to be surveyed globally going forward.**

**Action Policy 5**
Continuously improve governance structures, headed by the Board of Directors, practice thorough compliance, and strengthen risk management

**Steady progress was made in furnishing the foundations for rigorous compliance enforcement, and foundations in place are being utilized.**

**Action Policy 6**
Enhance diversity, improve work environments to empower employees to develop to their full potential, and provide opportunities to develop necessary skills

**Steady progress has been made in promoting diversity, reducing work hours, preventing occupational accidents, and investing in human resource development.**

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For more information regarding our environmental goals for the period of E-Vision 2030, please refer to pages 53 and 54.
### Financial Results:

<table>
<thead>
<tr>
<th>Year</th>
<th>Orders (¥ millions)</th>
<th>Net sales (¥ millions)</th>
<th>Operating income (¥ millions)</th>
<th>Ordinary income (¥ millions)</th>
<th>Profit attributable to owners of parent (¥ millions)</th>
<th>Debt-to-equity ratio (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/3</td>
<td>¥426,622</td>
<td>¥430,992</td>
<td>¥394,921</td>
<td>¥428,540</td>
<td>¥512,276</td>
<td></td>
</tr>
<tr>
<td>2011/3</td>
<td>¥428,540</td>
<td>¥430,992</td>
<td>¥394,921</td>
<td>¥428,540</td>
<td>¥512,276</td>
<td></td>
</tr>
<tr>
<td>2012/3</td>
<td>¥487,553</td>
<td>¥491,280</td>
<td>¥477,956</td>
<td>¥413,569</td>
<td>¥575,576</td>
<td>¥552,225</td>
</tr>
<tr>
<td>2013/3</td>
<td>¥512,276</td>
<td>¥512,276</td>
<td>¥512,276</td>
<td>¥512,276</td>
<td>¥512,276</td>
<td>¥5,040,389</td>
</tr>
<tr>
<td>2014/3</td>
<td>¥52,8</td>
<td>¥53,6</td>
<td>¥52,2</td>
<td>¥52,7</td>
<td>¥60,1</td>
<td></td>
</tr>
<tr>
<td>2015/3</td>
<td>¥55,0</td>
<td>¥55,0</td>
<td>¥47,3</td>
<td>¥47,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016/3</td>
<td>¥53,6</td>
<td>¥54,1</td>
<td>¥52,8</td>
<td>¥53,6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017/3</td>
<td>¥52,2</td>
<td>¥52,7</td>
<td>¥52,2</td>
<td>¥51,7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017/12</td>
<td>¥55,0</td>
<td>¥55,0</td>
<td>¥47,3</td>
<td>¥47,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018/12</td>
<td>¥53,6</td>
<td>¥54,1</td>
<td>¥52,8</td>
<td>¥53,6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Major Non-Financial Indicators:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of employees (persons)</th>
<th>Hours worked (hours)</th>
<th>Orders (¥ millions)</th>
<th>Retained earnings (¥ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/3</td>
<td>13,800</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2011/3</td>
<td>14,007</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2012/3</td>
<td>14,695</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2013/3</td>
<td>15,170</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2014/3</td>
<td>15,168</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2015/3</td>
<td>16,030</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2016/3</td>
<td>16,168</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2017/3</td>
<td>16,556</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2017/12</td>
<td>17,080</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2018/12</td>
<td>17,080</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
<tr>
<td>2019/12</td>
<td>17,080</td>
<td>55,3</td>
<td>¥430,992</td>
<td>¥512,276</td>
</tr>
</tbody>
</table>

*1 The U.S. dollar amounts are included solely for convenience and have been translated as a matter of arithmetical computation only at the rate of ¥109.56=US$1, the rate of exchange prevailing on December 30, 2019.

*2 At the 152nd Ordinary General Meeting of Shareholders held on June 23, 2017, it was resolved to change the Company's settlement date from March 31 to December 31. As a result, 2017/12 (results for the fiscal year ended December 31, 2017) are subject to material presentation.

*3 Effective January 1, 2019, the Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28, revised on February 16, 2018). Accordingly, figures for the fiscal year ended December 31, 2018, have been restated to reflect the adoption of this standard.

*4 The provisional accounting treatment concerning business combinations implemented in the fiscal year ended March 31, 2016, was finalized in the fiscal year ended March 31, 2017, and the results for this fiscal year reflect this revised treatment.

*5 When the annual dividend of ¥36.00 for the fiscal year ended March 31, 2017 (including an interim dividend of ¥6.00), is converted after the consolidation of shares, it is equivalent to ¥60.00 per share, consisting of an interim dividend of ¥30.00 and a year-end dividend of ¥30.00. Accordingly, the total return ratio is calculated based on an annual dividend of ¥60.00 per share.
Analysis of Business Results, Financial Position, and Cash Flows

Operating Environment

During the fiscal year ended December 31, 2019, the global economy saw investment continue at a certain level in the oil and gas market. Investment in the semiconductor market entered into an adjustment phase, however, moves to resume capital investment were seen in certain companies. In Japan, public works investment was firm, and private capital investment ran at the same level as in a typical year. Overall, conditions in major markets for the Company remained steady.

Business Results

Net sales increased ¥13.2 billion year on year, to ¥522.4 billion. This increase was due in part to a rise in custom pump sales and compressors and turbines business S&S sales in conjunction with demand growth in the oil and gas market, a principal market for the Fluid Machinery & Systems Business. Another factor was smooth growth in the sales of operation and maintenance services in the Environmental Plants Business.

Operating income rose ¥2.8 billion year on year, to ¥35.2 billion. Benefits of the steady implementation of operational streamlining and cost of sales reductions measures.

Changes in asset items included a decrease of ¥16.5 billion in cash and deposits, an increase of ¥11.7 billion in buildings and structures, net, and an increase of ¥6.1 billion in construction in progress. The increases in buildings and structures and construction in progress were mainly due to growth investments such as those for the construction of domestic factories in the Precission Machinery Business.

As a result of business segment year ended December 31, 2019, the Fluid Machinery & Systems Business, an increase of ¥2.8 billion; ¥52.4 billion in the Environmental Plants Business, an increase of ¥10.2 billion; ¥141.9 billion in the Precision Machinery Business, an increase of ¥10.7 billion; and ¥27.2 billion in Others, an increase of ¥17.4 billion.

Segment Performance

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2019 Orders</th>
<th>FY2019 Sales</th>
<th>Operating Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fluid Machinery &amp; Systems Business</td>
<td>¥301.6 billion (up ¥51.5 billion)</td>
<td>¥323.1 billion (up ¥41.6 billion)</td>
<td>¥17.2 billion (up ¥8.5 billion)</td>
</tr>
<tr>
<td>Environmental Plants Business</td>
<td>¥91.4 billion (down ¥15.5 billion)</td>
<td>¥128.2 billion (down ¥24.3 billion)</td>
<td>¥7.4 billion (down ¥0.5 billion)</td>
</tr>
<tr>
<td>Precision Machinery Business</td>
<td>¥127.6 billion (down ¥13.0 billion)</td>
<td>¥150.3 billion (down ¥37.5 billion)</td>
<td>¥10.3 billion (down ¥28.5 billion)</td>
</tr>
</tbody>
</table>

Financial Position

Assets

Total assets as of December 31, 2019, were ¥303.4 billion, an increase of ¥13.8 billion due to the strong performance of the Fluid Machinery & Systems Business. Principal changes in liability items included an increase of ¥6.7 billion in current liabilities (other items such as accounts payable–facilities), a decrease of ¥2.7 billion in notes and accounts payable–trade, a decrease of ¥3.0 billion in electronically recorded obligations, and a decrease of ¥2.3 billion in long-term loans payable.

Liabilities

Net assets as of December 31, 2019, amounted to ¥291.8 billion, ¥5.0 billion higher than on December 31, 2018. Principal changes affecting net asset items were purchase of treasury shares of ¥15.0 billion, cash dividends paid of ¥5.8 billion, and profit attributable to owners of parent of ¥23.3 billion, shareholders’ equity amounted to ¥283.6 billion and the equity ratio was 47.7%.

Cash Flows

Net cash provided by operating activities was ¥30.7 billion, a decrease of ¥7.9 billion on year year. This outcome was primarily due to the strong performance centered on the Fluid Machinery & Systems Business.

Net cash used in investing activities was ¥20.4 billion, an increase of ¥8.1 billion from the previous fiscal year. This increase was largely due to growth investments such as those for the construction of domestic factories in the Precision Machinery Business.

Free cash flow, calculated by combining net cash provided by operating activities and net cash used in investing activities, was a positive ¥2.6 billion, a decrease of ¥1.0 billion on year on year. Net cash used in financing activities was ¥20.1 billion, down ¥26.3 billion compared with the previous fiscal year. This decrease primarily reflected purchase of treasury shares of ¥15.0 billion and cash dividends paid of ¥5.8 billion.

As a result, cash and cash equivalents at end of period decreased ¥17.0 billion, amounting to ¥93.0 billion on December 31, 2019.
## Consolidated Financial Statements

### Consolidated Balance Sheets

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Millions of yen</th>
<th>2016/3</th>
<th>2017/3</th>
<th>2017/12*</th>
<th>2018/12*</th>
<th>2019/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>¥ 89,589</td>
<td>¥ 90,381</td>
<td>¥138,475</td>
<td>¥110,610</td>
<td>¥ 94,014</td>
<td></td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>216,310</td>
<td>202,874</td>
<td>169,298</td>
<td>176,895</td>
<td>182,944</td>
<td></td>
</tr>
<tr>
<td>Electromechanical equipment</td>
<td>727</td>
<td>451</td>
<td>6,021</td>
<td>6,990</td>
<td>9,218</td>
<td></td>
</tr>
<tr>
<td>Securities</td>
<td>4,599</td>
<td>2,498</td>
<td>2,411</td>
<td>1,668</td>
<td>1,097</td>
<td></td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>13,060</td>
<td>12,716</td>
<td>15,191</td>
<td>18,082</td>
<td>18,386</td>
<td></td>
</tr>
<tr>
<td>Work in process</td>
<td>47,163</td>
<td>56,569</td>
<td>60,993</td>
<td>65,845</td>
<td>70,082</td>
<td></td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>28,740</td>
<td>28,041</td>
<td>33,353</td>
<td>38,731</td>
<td>32,633</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>12,505</td>
<td>11,644</td>
<td>10,484</td>
<td>8,369</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>13,994</td>
<td>17,419</td>
<td>14,954</td>
<td>14,714</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(3,233)</td>
<td>(3,250)</td>
<td>(3,694)</td>
<td>(3,308)</td>
<td>(2,107)</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>423,458</td>
<td>423,407</td>
<td>447,491</td>
<td>438,540</td>
<td>421,929</td>
<td></td>
</tr>
</tbody>
</table>

### Fixed Assets

| Intangible assets | | | | | |
| Goodwill | 2,638 | 2,279 | 1,831 | 1,148 | 774 |
| Software | 5,755 | 6,275 | 7,370 | 6,584 | 6,496 |
| Others | 2,806 | 2,679 | 2,679 | 2,937 | 3,072 |
| Total intangible assets | 11,200 | 13,234 | 12,080 | 10,670 | 10,343 |

| Investments and other assets | | | | | |
| Investment securities | 26,662 | 26,202 | 25,226 | 22,361 | 19,666 |
| Long-term loans receivable | 802 | 263 | 262 | 153 | 144 |
| Defined benefit assets | 31 | 118 | 3,202 | 3,038 | 5,017 |
| Deferred tax assets | 5,021 | 2,660 | 1,742 | 4,572 | 9,475 |
| Others | 11,411 | 17,237 | 17,088 | 9,623 | 9,205 |
| Allowance for doubtful accounts | (4,800) | (4,799) | (4,403) | (5,187) | (5,442) |
| Total investments and other assets | 40,029 | 41,683 | 43,120 | 34,503 | 38,067 |
| Total fixed assets | 156,401 | 165,049 | 166,428 | 153,052 | 173,309 |
| Total Assets | ¥579,860 | ¥588,457 | ¥612,019 | ¥591,592 | ¥595,239 |

### Consolidated Financial Statements

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Millions of yen</th>
<th>2016/3</th>
<th>2017/3</th>
<th>2017/12*</th>
<th>2018/12*</th>
<th>2019/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes and accounts payable</td>
<td>¥68,905</td>
<td>¥64,155</td>
<td>¥61,756</td>
<td>¥63,320</td>
<td>¥60,580</td>
<td></td>
</tr>
<tr>
<td>Electromechanical equipment</td>
<td>47,550</td>
<td>55,922</td>
<td>57,869</td>
<td>62,854</td>
<td>59,847</td>
<td></td>
</tr>
<tr>
<td>Current post of bonds</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Short-term loans payable</td>
<td>77,714</td>
<td>62,799</td>
<td>70,470</td>
<td>46,766</td>
<td>50,965</td>
<td></td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>4,128</td>
<td>4,598</td>
<td>1,697</td>
<td>4,986</td>
<td>3,233</td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>–</td>
<td>3</td>
<td>0</td>
<td>–</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Bonus payment reserve</td>
<td>9,200</td>
<td>9,172</td>
<td>5,460</td>
<td>6,263</td>
<td>6,629</td>
<td></td>
</tr>
<tr>
<td>Directors’ bonus payment reserve</td>
<td>311</td>
<td>314</td>
<td>350</td>
<td>344</td>
<td>348</td>
<td></td>
</tr>
<tr>
<td>Reserve for losses on construction</td>
<td>3,889</td>
<td>3,836</td>
<td>3,279</td>
<td>4,873</td>
<td>3,369</td>
<td></td>
</tr>
<tr>
<td>Reserve for product warranties</td>
<td>3,506</td>
<td>3,481</td>
<td>4,086</td>
<td>5,118</td>
<td>3,658</td>
<td></td>
</tr>
<tr>
<td>Reserve for construction losses</td>
<td>7,748</td>
<td>8,666</td>
<td>10,038</td>
<td>12,374</td>
<td>12,901</td>
<td></td>
</tr>
<tr>
<td>Reserve for expenses related to the sales of land</td>
<td>254</td>
<td>254</td>
<td>254</td>
<td>254</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>36,391</td>
<td>41,022</td>
<td>45,529</td>
<td>51,782</td>
<td>58,547</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>295,600</td>
<td>253,471</td>
<td>270,991</td>
<td>258,550</td>
<td>260,082</td>
<td></td>
</tr>
</tbody>
</table>

### Total Long-Term Liabilities

| Notes and accounts payable | ¥68,905 | ¥64,155 | ¥61,756 | ¥63,320 | ¥60,580 |
| Bonds payable | – | – | – | – | – |
| Bonds with share acquisition rights | – | – | – | – | – |
| Long-term loans payable | – | – | – | – | – |
| Deferred tax liabilities | – | – | – | – | – |
| Reserve for directors’ retirement benefits | – | – | – | – | – |
| Provision for loss on litigation | – | – | – | – | – |
| Defined benefit liability | – | – | – | – | – |
| Asset retirement obligations | – | – | – | – | – |
| Others | – | – | – | – | – |
| Total long-term liabilities | 60,815 | 56,750 | 57,439 | 60,815 | 58,547 |
| Total Liabilities | 329,416 | 310,948 | 328,131 | 309,365 | 302,411 |

### NET ASSETS

| Shareholders’ Equity | | | | | |
| Common stock | 68,760 | 78,764 | 84,042 | 89,680 | 93,185 |
| Capital surplus | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Retained earnings | 102,446 | 117,883 | 121,321 | 135,715 | 141,675 |
| Treasury stock | (406) | (450) | (431) | (549) | (174) |
| Total shareholders equity | 243,400 | 277,428 | 280,962 | 293,639 | 295,504 |

### Accumulated Other Comprehensive Income

| Net unrealized gains (losses) on investment securities | 2,739 | 2,692 | 2,564 | 381 | 233 |
| Deferred gains (losses) on hedges | (12) | (1) | 10 | (57) | (24) |
| Translation adjustments | 5,878 | 745 | 2,628 | (1,226) | (2,891) |
| Remeasurements of defined benefit plans | (11,080) | (9,507) | (8,210) | (9,096) | (9,168) |
| Total accumulated other comprehensive income | (2,473) | (6,071) | (3,007) | (9,999) | (11,852) |

### Subscription Rights to Shares

| 952 | 1,361 | 1,163 | 1,152 | 1,132 |

### Non-Controlling Interests

| 8,475 | 4,791 | 5,668 | 5,985 | 7,043 |

### Total Net Assets

| 295,600 | 253,471 | 270,991 | 258,550 | 260,082 |

### Total Liabilities and Net Assets

| 579,860 | 588,457 | 612,019 | 591,592 | 595,239 |

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* The occurrence of the irregular nine-month period ended December 31, 2017, is the result of a change in the settlement date used by the Company.
* Effective January 1, 2017, the Company adopted “Practical Amendments to Accounting Standard for Tax Effect Accounting” (OSA Statement No. 38, revised on February 14, 2018). Accordingly, figures for the fiscal year ended December 31, 2018, have been restated to reflect the adoption of this standard.
## Consolidated Statements of Income

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Promotion</th>
<th>Provisions of allowance for doubtful accounts</th>
<th>Retirement Benefit Expenses</th>
<th>Directors' Bonus Payment Reserve Expenses</th>
<th>Traveling and Transportation Expenses</th>
<th>Provisions for Directors' Retirement Benefits</th>
<th>Depreciation and Amortization</th>
<th>Amortization of Goodwill</th>
<th>Total Selling, General and Administrative Expenses</th>
<th>Others</th>
<th>Dividends Income</th>
<th>Non-Operating Income</th>
<th>Operating Income</th>
<th>Total non-operating income</th>
<th>Income before Income Taxes</th>
<th>Profit Attributable to Owners of Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/3</td>
<td>1,827</td>
<td>2,147</td>
<td>1,146</td>
<td>291</td>
<td>3,881</td>
<td>40</td>
<td>535</td>
<td>17,271</td>
<td>94,879</td>
<td>535</td>
<td>489</td>
<td>2,357</td>
<td>38,011</td>
<td>2,918</td>
<td>31,686</td>
<td>¥ 21,651</td>
</tr>
<tr>
<td>2017/3</td>
<td>1,787</td>
<td>2,477</td>
<td>1,380</td>
<td>280</td>
<td>3,671</td>
<td>30</td>
<td>509</td>
<td>18,046</td>
<td>96,076</td>
<td>509</td>
<td>559</td>
<td>2,082</td>
<td>29,995</td>
<td>2,746</td>
<td>27,497</td>
<td>¥ 20,587</td>
</tr>
<tr>
<td>2017/12*</td>
<td>1,620</td>
<td>447</td>
<td>1,107</td>
<td>233</td>
<td>3,253</td>
<td>25</td>
<td>416</td>
<td>10,698</td>
<td>78,616</td>
<td>416</td>
<td>612</td>
<td>937</td>
<td>18,115</td>
<td>2,333</td>
<td>15,782</td>
<td>¥ 9,531</td>
</tr>
<tr>
<td>2018/12</td>
<td>1,510</td>
<td>185</td>
<td>1,543</td>
<td>324</td>
<td>3,945</td>
<td>34</td>
<td>345</td>
<td>11,932</td>
<td>100,672</td>
<td>345</td>
<td>1,000</td>
<td>1,000</td>
<td>32,482</td>
<td>3,571</td>
<td>28,911</td>
<td>¥ 18,262</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Cash Flows

| Year         | Cash Flows from Operating Activities | Non-operating Activities | Net Cash Provided by Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Net Cash Provided by (Used in) Operating Activities | Cash and Cash Equivalents at Beginning of Period | Net Cash Provided by (Used in) Investing Activities | Net Cash (Used in) Financing Activities | Cash (Used in) Non-operating Activities | Cash Flows from Operating Activities | Net Cash Provided by Operating Activities | Cash Flows from Investing Activities | Cash Flows from Financing Activities | Net Cash Provided by (Used in) Operating Activities |
|--------------|-------------------------------------|--------------------------|-------------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------------------|------------------------------------------------|------------------------------------------------|-------------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|------------------------------------------------|------------------------------------------------|
| 2016/3       | 38,011                             | 81                       | 21,651                                    | (14,203)                          | 28,482                            | 38,011                                           | 95,604                                         | (33,838)                                         | 17,271                                    | (5,767)                             | 38,011                             | 21,651                             | (14,203)                          | 28,482                            | 38,011                                           | 95,604                                         |
| 2017/3       | 29,995                             | 74                       | 20,587                                    | (17,511)                          | 25,139                            | 29,995                                           | 91,185                                         | (51,634)                                         | 18,046                                    | (5,623)                             | 29,995                             | 20,587                             | (17,511)                          | 25,139                            | 29,995                                           | 91,185                                         |
| 2017/12*     | 18,115                             | 131                      | 9,531                                     | (10,698)                          | 7,268                             | 18,115                                           | 90,683                                         | (18,396)                                         | 11,530                                    | (1,447)                             | 18,115                             | 9,531                              | (10,698)                          | 7,268                             | 18,115                                           | 90,683                                         |
| 2018/12      | 32,482                             | 1,447                     | 19,685                                    | (26,720)                          | 10,045                            | 32,482                                           | 139,102                                        | (35,184)                                         | 25,139                                    | (7,550)                             | 32,482                             | 19,685                             | (26,720)                          | 10,045                            | 32,482                                           | 139,102                                        |
EBARA Group’s Global Network

(As of December 31, 2019)

**East Asia**
- Fluid Machinery & Systems Business
- Environmental Plants Business
- Precision Machinery Business

**Fluid Machinery & Systems Business**
- Ebara Machinery (China) Co., Ltd.
- Ebara Fan & Blower Co., Ltd.
- Ebara Densan (Qingdao) Technology Co., Ltd.
- Ebara Densan (Kunshan) Co., Ltd.
- Ebara Great Pumps
- Ebara Qingdao
- Ebara Fluid Machinery Korea Co., Ltd.
- Elliott Korea Co., Ltd.
- Ebara Precision Machinery Korea Incorporated

**Environmental Plants Business**
- Ebara Environmental Plant Co., Ltd.
- Swing Corporation

**Precision Machinery Business**
- Ebara Field Tech (Kinki service locations) 1
- Ebara Field Tech (Kyushu service locations) 3

**Manufacturing and engineering**
- Ebara FLEXCO (Kanto Branches / Sales Offices)
- Ebara FLEXCO (Tohoku Branches / Sales Offices)
- Ebara FLEXCO (Hokuriku Branches / Sales Offices)
- Ebara FLEXCO (Kanto Branches / Sales Offices)
- Ebara FLEXCO (Sodegaura District)
- Ebara FLEXCO (Fujisawa District)
- Ebara FLEXCO (Futtsu District)
- Ebara FLEXCO (Muroran Office)
- Ebara FLEXCO (Kumamoto District)
- Ebara FLEXCO (Osaka District)
- Ebara FLEXCO (Kumamoto District)

**Sales**
- Manufacturing and engineering
- Overseas base
- Fluid Machinery & Systems Business
- Environmental Plants Business
- Precision Machinery Business
- S&S
- Other

**North America**
- Ebara America Corporation
- Ebara Technologies Incorporated
- Ebara Pumps Americas Corporation
- Elliott Company
- Elliott Overseas Corporation
- Elliott Turbomachinery Canada, Inc.

**Latin America**
- Ebara Bombas América do Sul LTDA
- Ebara Equipment & Systems Indústria
- Ebara Turbomachinery S.A.
- Elliott Ebara Servicos para Equipamentos Rotativos Ltda.
- Ebara Ebara Turbomachinery S.A.
- Ebara Densan (São Paulo) LTDA

**Europe**
- Ebara Pumps Iberia, S.A.
- Elliott Turbomachinery Limited
- Elliott Turbomachinery S.A.
- Ebara Precision Machinery Europe GmbH
- Ebara Pumps Europe S.p.A.
- Sumoto S.r.l.
- Ebara Pompy Polska sp. z o.o.
- Ebara Pumps RUS Limited Liability Company

**Africa**
- Ebara Pumps South Africa (PTY) LTD
- Ebara (Thailand) Limited
- Ebara Engineering (Singapore) Pte Ltd.
- Ebara (Thailand) Electric Pte Ltd.
- PT Ebara Indonesia
- PT Ebara Turbomachinery Services Indonesia
- Ebara Vane Blowers Company Limited
- Ebara Pumps Malaysia Sdn Bhd
- Ebara Pumps Asia Pacific Pte Ltd.
- Ebara Pump Company Limited

**Overseas base**
- Fluid Machinery & Systems Business
- Environmental Plants Business
- Precision Machinery Business

**Middle East & South Asia**
- Ebara Engineering (Singapore) Pte Ltd.
- Ebara Pumps Asia Pacific Pte Ltd.
- Ebara Pumps Malaysia Sdn Bhd
- Ebara Vane Blowers Company Limited
- Ebara Pumps Indonesia
- PT Ebara Turbomachinery Services Indonesia
- Ebara Engineering (Singapore) Pte Ltd.
- Ebara (Thailand) Electric Pte Ltd.
- PT Ebara Indonesia
- PT Ebara Turbomachinery Services Indonesia

**East Asia**
- Fluid Machinery & Systems Business
- Environmental Plants Business
- Precision Machinery Business

**Sales**
- Manufacturing and engineering
- Overseas base
- Fluid Machinery & Systems Business
- Environmental Plants Business
- Precision Machinery Business
- S&S
- Other

* Non-consolidated
Corporate Profile

EBARA CORPORATION has been selected for inclusion in several ESG indexes by various domestic and overseas ESG ratings institutions.

External Recognition Based on ESG Factors

The EBARA Group joined the United Nations Global Compact (UNGC) on June 30, 2009, and we have continued to exercise and pursue improvement based on the spirit of the UNGC’s Ten Principles thereafter. In this report, we provide information on our initiatives pertaining to the areas of human rights, labour, the environment, and anti-corruption.

EBARA CORPORATION* has been selected for inclusion in the TOPIX (Machinery) in machinery.

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"The above graph shows the total shareholder return, reflecting dividends and stock price gains for investments commenced on March 31, 2010, over the period ending with December 31, 2019. For investment performance accounting for dividends and stock price gains from EBARA CORPORATION, investment amount on March 31, 2010, is indexed to 100. For indexes displayed for comparison (TOPIX and TOPIX (Machinery)), projected dividend data is used and the same indexing method is employed."

"Note: The above graph shows the total shareholder return, reflecting dividends and stock price gains for investments commenced on March 31, 2010, over the period ending with December 31, 2019. For investment performance accounting for dividends and stock price gains from EBARA CORPORATION, investment amount on March 31, 2010, is indexed to 100. For indexes displayed for comparison (TOPIX and TOPIX (Machinery)), projected dividend data is used and the same indexing method is employed."

Major Shareholders

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>10.4</td>
</tr>
<tr>
<td>ICHIGO TRUST PTE. LTD.</td>
<td>10.0</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>7.0</td>
</tr>
<tr>
<td>THE BANK OF NEW YORK MELLON (JAPAN)</td>
<td>4.3</td>
</tr>
<tr>
<td>NORTHERN TRUST CO. (CA) RE SILCHESTER INTERNATIONAL INVES</td>
<td>2.5</td>
</tr>
<tr>
<td>HSBC TRUST &amp; BANKHARDT AS RE: DE-CLTS A/C RE AIF</td>
<td>2.0</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>1.8</td>
</tr>
<tr>
<td>JP MORGAN CHASE BANK</td>
<td>1.6</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account 7)</td>
<td>1.6</td>
</tr>
<tr>
<td>JP MORGAN BANK LUXEMBOURG S.A.</td>
<td>1.5</td>
</tr>
</tbody>
</table>

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Note: Treasury stock has been eliminated from the total number of shares issued in calculating the shareholding ratio.

Composition of Shareholders

- Treasury Stock: 0.0%
- Securities Companies: 2.0%
- Foreign Corporations and individuals: 48.7%
- Financial Institutions: 33.5%
- Other Domestic Corporations: 3.3%
- Individuals and Others: 11.6%

Stock Information

<table>
<thead>
<tr>
<th>Stock Information</th>
<th>Code</th>
<th>Number of Shares Issued</th>
<th>Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Information Securities</td>
<td>6361 (Japan)</td>
<td>95,129,853</td>
<td>2019/12</td>
</tr>
<tr>
<td>Number of Shares</td>
<td>20,551</td>
<td>2017/12</td>
<td></td>
</tr>
<tr>
<td>Stock Listing</td>
<td>Tokyo Stock Exchange</td>
<td>2016/12</td>
<td></td>
</tr>
<tr>
<td>Number of Shares</td>
<td>100</td>
<td>2015/12</td>
<td></td>
</tr>
<tr>
<td>Transfer Agent and Registrar</td>
<td>Sumitomo Mitsui Trust Bank, Limited, 1-1-1, Marunouchi, Chiyoda-ku, Tokyo 100-8333, Japan</td>
<td>2014/12</td>
<td></td>
</tr>
<tr>
<td>Accounting Auditor</td>
<td>Ernst &amp; Young ShinNihon LLC</td>
<td>2013/12</td>
<td></td>
</tr>
<tr>
<td>Major Indexes</td>
<td>Nikkei 225</td>
<td>2012/12</td>
<td></td>
</tr>
</tbody>
</table>

10-Year Total Shareholder Return Data

<table>
<thead>
<tr>
<th>Stock/Index</th>
<th>1 year</th>
<th>2 years</th>
<th>5 years</th>
<th>10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBARA CORPORATION</td>
<td>37.0%</td>
<td>44.0%</td>
<td>42.4%</td>
<td>58.6%</td>
</tr>
<tr>
<td>TOPIX</td>
<td>18.1%</td>
<td>20.6%</td>
<td>23.4%</td>
<td>126.7%</td>
</tr>
<tr>
<td>TOPIX (Machinery)</td>
<td>25.4%</td>
<td>16.1%</td>
<td>23.1%</td>
<td>133.4%</td>
</tr>
</tbody>
</table>

Note: Figures have been restated to reflect a consolidation of common shares at a rate of one share for every five shares conducted with an effective date of October 1, 2016.

Stock Price and Trading Volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Stock Price (left scale)</th>
<th>Trading Volume (right scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016/14</td>
<td>¥2,350</td>
<td>3,675</td>
</tr>
<tr>
<td>2017/14</td>
<td>¥3,700</td>
<td>4,275</td>
</tr>
<tr>
<td>2018/14</td>
<td>¥7,900</td>
<td>5,050</td>
</tr>
<tr>
<td>2019/14</td>
<td>¥3,325</td>
<td>3,275</td>
</tr>
</tbody>
</table>

Note: Figures have been restated to reflect a consolidation of common shares at a rate of one share for every five shares conducted with an effective date of October 1, 2016.