

We want to be a sustainable company that can continue contributing to the well-being of society for the benefit of all.

Masao Asami

Director, President and Representative Executive Officer

On behalf of the EBARA Group, I would like to extend our sincere condolences to anyone who has suffered or lost loved ones due to the COVID-19 pandemic. Although there is still no end in sight for the pandemic, we pray for the speedy recovery of all those who have contracted the virus and those who have been placed in difficult situations. I would also like to express our appreciation for the essential workers who, all around the world, are performing tasks truly indispensable to our daily lives.

EBARA's Position on the Impact of COVID-19

The EBARA Group is proud to provide essential social infrastructure around the world to support industry and everyday lifestyles. Even under the circumstances of the COVID-19 pandemic, we are placing the safety of our employees and other stakeholders first. In order to fulfill our social responsibility and continue our business, their safety will always be our first priority.

When we announced E-Vision 2030, our long-term vision, and E-Plan 2022, our medium-term management plan, in February 2020, the EBARA Group had yet to experience the impacts of COVID-19. When the Japanese government issued a state of emergency declaration in April, we prioritized the safety of our Group employees by

implementing remote work whenever possible. At the same time, we ensured smooth business continuity by securing the necessary personnel for production sites as well as for onsite installation and maintenance.

The COVID-19 pandemic reaffirmed my belief that the EBARA Group serves essential businesses that represent deeply rooted market demand as elements of social and industrial infrastructure, and as such, the Group's business foundation is solid even under unstable conditions.

The demand for standard pumps has long been linked to gross domestic product (GDP), and thus was affected by the economic shutdown during the ongoing COVID-19 pandemic. In contrast, the Precision Machinery Business experienced increased orders due to rising demand for semiconductors caused by the expansion of remote work and stay-at-home lifestyles. The Custom Pumps Business and the Compressors and Turbines Business, which have been focusing on improving profitability through cost reduction and selective order acceptance, achieved significant progress and were able to limit the decline in operating income. As a result of these efforts, in November 2020, we announced a new operating income forecast of ¥32 billion for our third quarter financial results, which exceeded our initial forecast.



Message from the President

Consolidated Financial Results for the Fiscal Year Ended December 31, 2020

	Billions of yen		
	2019/12 Results	2020/12 Results	Change
	JGAAP	JGAAP	
Orders	552.2	511.9	-40.3
Net sales	522.4	523.7	+1.3
Operating income	35.2	37.8	+2.5
Operating income to sales ratio	6.8%	7.2%	+0.4 pts
Net income attributable to owners of parent	23.3	24.4	+1.1

E-Plan 2022 Medium-term Management Plan
Evaluation of Progress in the First Year

In the first year of E-Plan 2022 we faced unanticipated circumstances with the COVID-19 pandemic leading to negative growth in economies worldwide. However, we believe that we achieved good results due to the measures for growth we implemented in our businesses in line with E-Plan 2022. In particular, return on invested capital (ROIC), the most important key performance indicator (KPI), was 6.6%, and the operating income to sales ratio was 7.2%, exceeding both the initial plan and the previous fiscal year's results. Additionally, as a result of improving our financial soundness as part of our response to the COVID-19 pandemic, we finished the year with a debt-to-equity ratio of 0.26, relative to the E-Plan 2022 target of 0.3–0.5 (JGAAP).

The earnings forecast for the fiscal year ending December 31, 2021 is still difficult to predict since the future remains uncertain.

Impact of Transition to IFRS on E-Plan 2022 Numerical Targets

Key Performance Indicators (KPIs)	2022/12 Targets		Key Impacts	2020/12 Results	2021/12 Plan
	JGAAP	IFRS		IFRS	IFRS
Return on Invested Capital (ROIC)	8.0% or more	7.6% or more	• Increase in liabilities and decrease in equity (Mainly accounting for lease liabilities)	6.4%	7.5%
Operating Profit Ratio	8.5% or more	8.5% or more	• No change	7.2%	7.9%
Target Achievement Indicators					
Return on Equity (ROE)	11.0% or more	11.2% or more	• Decrease in equity (Mainly accounting for employee benefits)	8.6%	—
Debt-to-Equity Ratio	0.3–0.5 times	0.4–0.6 times	• Increase in liabilities and decrease in equity (Mainly accounting for lease liabilities)	0.34 times	—
Operating Profit Ratio by Business					
Fluid Machinery & Systems Business	7.0% or more	7.0% or more	• No change	6.3%	6.7%
Pumps Business	6.5% or more	6.5% or more		5.4%	7.0%
Compressors and Turbines Business	8.0% or more	8.0% or more		8.2%	6.8%
Chillers Business	5.0% or more	5.0% or more		5.4%	5.9%
Environmental Plants Business	9.5% or more	9.5% or more		10.2%	9.6%
Precision Machinery Business	13.0% or more	13.0% or more		8.3%	9.7%

Forecast of Consolidated Financial Results for the Fiscal Year Ending December 31, 2021 (announced May 14, 2021)

	Billions of yen		
	2020/12 Results	2021/12 Plan	Change
	IFRS	IFRS	
Orders	511.2	663.0	+151.7
Revenue	522.4	574.0	+51.5
Operating profit	37.5	45.5	+7.9
Operating profit ratio	7.2%	7.9%	+0.7 pts
Profit attributable to owners of parent	24.2	29.5	+5.2

However, we expect increased revenue and operating profit based on the fact that overall economic activity is on a recovery trend, and that demand for semiconductors is strong. We will further focus on service and support (S&S) to raise sales, and expect a record high operating profit of 45.5 billion yen.

Transition to IFRS and Impact on E-Plan 2022 Numerical Targets

The EBARA Group has decided to adopt the International Financial Reporting Standards (IFRS) for its consolidated financial statements and related materials from the fiscal year ending December 31, 2021, in place of Japanese GAAP (JGAAP), in order to improve the international comparability of its financial information and to unify accounting standards with those of overseas subsidiaries. For details on the main impacts of the IFRS transition, please refer to the "Impact of Transition to IFRS on E-Plan 2022 Numerical Targets" table below.

We are on track to achieve our 2022 target of a 7.6% ROIC, the most important KPI of E-Plan 2022. We aim to reach this target by building up operating profit and optimizing invested capital.

The 2022 operating profit ratio target for the Compressors and Turbines Business is 8.0%. The key to achieving this figure is S&S, which has been greatly affected by movement restrictions related to the COVID-19 pandemic. By working hard to expand S&S, we will improve our operating profit ratio. The Precision Machinery Business has also set a high target of an operating profit ratio of 13.0% or more. We aim to achieve this with the operation of the V7 Building, an automated plant completed in December 2019, for the production of dry vacuum pumps (one of our core products). Efforts are under way to bring the facility into full operation, thereby improving production efficiency and the ratio of components manufactured in-house. In addition, we expect the semiconductor market to continue to expand, and we believe that these factors will enable us to achieve our targets.

Changing for EBARA's Future
Implementing Advanced ESG Management

Throughout the COVID-19 pandemic, I have repeatedly voiced to the entire EBARA Group the importance of maintaining our business. Our Group's business upholds society by supporting our diverse stakeholders, including employees and their families, customers and suppliers. I would like to express my heartfelt gratitude to all our employees who have done their utmost to ensure business continuity in their respective jobs and roles. I believe that by shifting to innovative new frameworks that incorporate the resilient approaches and methods of remote work that we have learned from handling the COVID-19 pandemic, we are transforming ourselves to be even stronger in a post-pandemic society.

Improving employee engagement is essential to implementing refined ESG-focused management strategies, as set forth in E-Vision 2030. Even before I became president, EBARA was sometimes compared to a frog in a pot of boiling water: unaware of the growing need for change. Because EBARA has survived 100 years, there remains a tendency not to seek major change. Since I became president, I've been striving to overhaul this aspect of our corporate culture.

We at EBARA pride ourselves on taking responsibility and staying the course, steadfastly providing support until the problem is solved. In diligently dealing with the issues before us, we must be careful not to lose sight of our sense of ambition—if we devote our efforts only to doing the same old things in the same old ways, there can be no future. In order to keep our ambitious people motivated, we need managers that possess leadership qualities like curiosity, insight, boldness, and the ability to influence people. Management and

execution skills alone are insufficient. To continue EBARA's evolution, it will be essential to appoint managers who are skilled in making sense of broader context; reviewing the past to understand the present and looking toward the future to define the meaning of where we stand and where we are going.

I am the first president to be appointed by the Nomination Committee after EBARA adopted the structure of a Company with Three Committees in 2015. Since I took office, we have expanded succession reviews from just the company presidents and division executives to include department managers, and added section managers as well in 2020. For the nearly 400 section manager positions, we have required department managers to describe the reasons for each appointment and evaluate section managers based on their leadership qualities, which I have reviewed. I found that many department managers were selecting section managers from the perspective of maintaining and protecting their sections and departments based on the individual's knowledge, experience, and management and execution abilities. I gave feedback to the department managers twice to ensure that we're selecting people with leadership qualities. To further increase employee engagement, we will continue raising awareness through the next succession review.

Contributing to Society
to Become an Excellent Global Company

Under our long-term vision, E-Vision 2030, we have adopted the slogan "Technology. Passion. Support Our Globe." We have declared that over the next ten years, we aim to further our contributions toward the SDGs and improve ESG-focused management to contribute to the creation of a sustainable society, while simultaneously increasing the social/environmental and economic value we generate. We believe this will bring greater corporate value and recognition as an excellent global company.

Moving forward, we will continue to use our fundamental founding spirit of "Netsu to Makoto" (Passion and Dedication) and the technologies we've created to solve global social issues in order to realize a sustainable society and develop dynamic and abundant lifestyles. We will consistently do work that contributes to society so that society will recognize our businesses as valuable and enriching, enabling us to continue into the future. That's the kind of company we want to be.



Masao Asami

Director, President and Representative Executive Officer

Medium- to Long-Term Strategies

Long-Term Vision—E-Vision 2030

The EBARA Group has formulated a 10-year long-term vision and the path towards that goal, E-Vision 2030, as its value creation story. Under the slogan of “Technology. Passion. Support Our Globe,” we aim to become an excellent global company. Through our business, we will contribute to the SDGs, other social issues, and 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.

Five Material Issues (Materiality) and Realization Process

E-Vision 2030 sets out five material issues (EBARA's materiality) for the Group to address by 2030. The first material issue aims to contribute to society and people's lives through our products and services. The second aims to do so through by providing our products and services to the industrial world. The third is to minimize the environmental impact of our business activities and supply chain. The fourth is to pursue job satisfaction and ease of work in order to promote employee

success. The fifth is to thoroughly implement offensive and defensive corporate governance for sustainable management and growth.

For each material issue, we established concrete measures, clarifying the relevant social and environmental issues and outcomes. For every issue, we organized the approaches to be taken by each division, setting separate divisional KPIs and targets. For details, please refer to pages 17-18.

Five Material Issues (Materiality)

 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 ample food and water, and safe and reliable social infrastructure.	 2. Elevate standards of living and support abundant lifestyles for all We will utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles.	 3. Conduct comprehensive environmental management We will promote the reduction of CO ₂ 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 Group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.	 5. Enhance corporate governance We will lay out a vision for and pursue growth through offensive and defensive governance that supports high-level management capabilities.
For people and society	For industry	For our business activities and supply chain	For our employees	For sustainable management
				

Clarify the outcomes to be achieved
 Organize the approach to solving issues
 Set KPIs and goals to implement for each division

Basic Policies and Four Management Strategies of E-Vision 2030

The basic policy of E-Vision 2030 is to address the five material issues (EBARA's 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. We have broken down these policies and strategies in our medium-term management plan, E-Plan 2022, and are continuously taking action to ensure that we achieve our goals.

Basic Policies and Four Management Strategies of E-Vision 2030

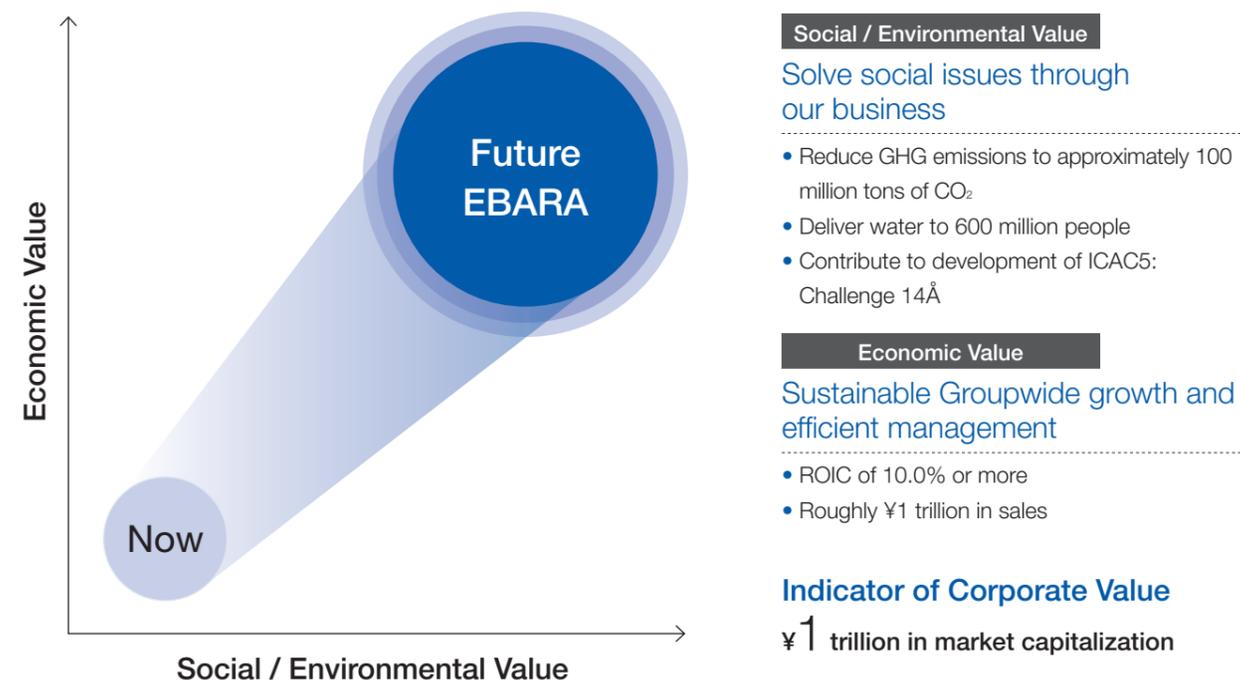
Basic Policy	Maximize corporate value through the optimization of the business portfolio • Recognize issues based on realistic future forecasts • Integrate a global market-in approach
Four Management Strategies	New / Existing Business Strategies New Business: Contribute to solving material issues by starting up new types of business Existing Businesses: Enhance S&S and execute aggressive business segment-specific strategies
	Regional 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 untethered 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 corporate governance

Vision and Targets for 2030

We have set targets for generating social, environmental, economic, and corporate value as part of our vision for 2030. By addressing the five material issues through our business, implementing our strategies, and achieving our desired outcomes, we will simultaneously improve our social, environmental, and economic value and enhance our corporate value in line with our vision for the future.

Vision for 2030

Enhance EBARA's corporate value through the improvement of social, environmental, and economic value



Medium- to Long-Term Strategies

Five Material Issues (EBARA's Materiality) for E-Vision 2030 and Key Measures and KPIs for E-Plan 2022

In order to resolve the five material issues (EBARA's materiality) set forth in E-Vision 2030, our long-term vision, we have established concrete measures, clarified our desired outcomes, organized the actions to be taken by each division, and set divisional KPIs and targets in E-Plan 2022, our mid-term management plan. We will continuously monitor the KPIs and implement the PDCA cycle to achieve our targets and realize our desired outcomes. Please refer to each business and strategy page for the progress of each KPI and target.

Five Material Issues (EBARA's Materiality)	Related SDGs	Desired Outcomes	Challenges	Key Measures and KPIs	2022/12 Targets
<p>1 Contribute to the creation of a sustainable society</p> <p>We will utilize our technologies to passionately support the creation of a sustainable, environmentally friendly world with ample food and water, and safe and reliable social infrastructure.</p>		<p>Respond to serious environmental problems and economic development at the global level, by creating social and industrial infrastructure that will both reduce CO₂ emissions and stimulate economic activity</p> <ul style="list-style-type: none"> • Ensure infrastructures is operating stably for safe and secure living • Realize resilient cities that do not expose people to risks to life in the event of a natural disaster <p>• Ensure stable water supply to meet increasing water demand due to population growth and social development</p> <ul style="list-style-type: none"> • Be less vulnerable to climatic and geographic conditions, ensuring a stable supply of food 	<p>Sustainable, environmentally-friendly world Economic and social development will accelerate in line with population growth, especially in developing countries, which will increase CO₂ emissions and environmental impact at the global level and exacerbate climate change.</p> <p>Social infrastructure for safe and secure living</p> <ul style="list-style-type: none"> • Economic and social development due to population growth, especially in developing countries, will require the development of social infrastructure. • In Japan and other countries, aging social infrastructure needs to be maintained or updated • Increasingly severe weather events will increase the frequency with which people are exposed to natural disaster risks. <p>A society with no food or water shortages</p> <ul style="list-style-type: none"> • Water demand will increase with population growth and social development in developing countries. • In developed countries, it will be important to secure a stable supply of water and ensure its efficient use. • Demand for food will increase in developing countries due to population growth. • Countries with low food self-sufficiency, such as Japan, should increase self-sufficiency rates and correct excessive dependence on food imports. 	<p>Improving energy saving and reducing product weight Fluid Machinery & Systems Business: Complete development and commercialization of new steam turbine series</p> <p>Precision Machinery Business: Weight reduction of target products</p> <p>Environmental load management Fluid Machinery & Systems Business: Reduction of GHG emissions through sales of low-GWP*1 products</p> <p>Environmental Plants Business: Generation of renewable energy from waste</p> <p>Precision Machinery Business: Reduction of GHG emissions through gas abatement systems</p> <p>Contribution to technologies that reduce environmental impact Fluid Machinery & Systems Business: Development and market launch of products for liquid hydrogen plants</p> <p>Environmental Plants Business: Practical application of Internally circulating fluidized-bed gasification system (ICFG)</p> <p>Stable operation of social infrastructure Environmental Plants Business: Long-term comprehensive contracts for DBO projects (cumulative total)</p> <p>Environmental Plants Business: Crane upgrades and AI crane installation</p> <p>Stable water supply to diverse regions Fluid Machinery & Systems Business: Expansion of solar pump sales</p>	<p>Achieve 100% commercialization</p> <p>12% (per unit compared to 2019)</p> <p>Reduce annual GHG emissions by the equivalent of 33,000 tons of carbon dioxide</p> <p>130,000 MWh</p> <p>Achieve 100%</p> <p>Achieve 100% commercialization</p> <p>Construction of demonstration units, achieve an order target of 100%</p> <p>19</p> <p>Achieve 100% installation target</p> <p>Achieve a unit sales volume target of 100%</p>
<p>2 Elevate standards of living and support abundant lifestyles for all</p> <p>We will utilize our technologies to passionately support economic development that enables the world to end poverty and realize ever-evolving and abundant lifestyles.</p>		<ul style="list-style-type: none"> • Contribute to the development of the semiconductor industry (technological progress and production optimization) to realize convenient and abundant lifestyles for all (ICAC5) • Enable advanced factory operations through smart products and services • Ensure that aging industrial plants and facilities built during the period of rapid economic growth can be operated safely and stably 	<p>In a world where highly advanced technology is assured, continuous technological evolution is required in the industrial sector (realization of Society 5.0).</p>	<p>Development of manufacturing equipment to meet the evolutionary roadmap for semiconductors Precision Machinery Business: Development of new models arising from priority projects</p> <p>Precision Machinery Business: Development of elemental technologies for the next generation of target products</p>	<p>Achieve 100%</p> <p>Achieve 100%</p>
<p>3 Conduct comprehensive environmental management</p> <p>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.</p>		<p>Simultaneously reduce environmental impact and increase economic value</p>	<p>Minimize the environmental impact of the Group's business activities as part of our response to climate change and other increasingly serious global environmental issues</p>	<p>Reduce CO₂ emissions from business activities</p> <p>Improve the recycling rate of waste materials</p>	<p>2030: 26% reduction (compared to 2018)</p> <p>2030: 95% or higher</p>
<p>4 Promote working environments that encourage challenge</p> <p>We will promote a Group culture of competition and challenge, and provide diverse employees with meaningful work and comfortable working environments.</p>		<p>Build a corporate culture throughout the Group of competition and challenge and increase employee engagement</p>	<p>Job Satisfaction To continue enhancing social and environmental value through our global business, it is essential that our diverse workforce is able to maximize and enhance their capabilities.</p> <p>Ease of Work Create an environment in which employees feel comfortable and motivated to work so that they can maximize their abilities and achieve the best performance possible</p>	<p>Establishing a foundation to achieve sustainable global growth Global development of human resources system Reduction of total recordable incident rate (TRIR)</p> <p>Transform into a Group with a corporate culture of competition and challenge Reduce total average work hours Promote diversity by increasing the ratio of women in key positions*2 as well as the percentage of female employees and non-Japanese citizens joining EBARA Improve global engagement survey score Continue investing in human resource development (training costs per person) Increase the ratio of local employees in global key positions at overseas operating sites</p>	<p>→ p. 41 2023: 0.80</p> <p>1,920 hours</p> <p>→ p. 41</p> <p>83</p> <p>¥29,897</p> <p>2030: 50%</p>
<p>5 Enhance corporate governance</p> <p>We will lay out a vision for and pursue growth through offensive and defensive governance that supports high-level management capabilities.</p>		<ul style="list-style-type: none"> • Ensure transparency and accountability through proactive corporate information disclosure and dialogue with stakeholders • Pursue the EBARA Way, the EBARA Group's universal values, to enhance corporate value • Established a system to systematically identify, evaluate, and minimize risks • Supply chain risks are minimized to ensure business continuity. • Internal controls are properly implemented in the Group, and a system to audit the controls is in place. <p>Ensure compliance with laws and regulations in all regions without exception, and ensure that the Group operates based on high ethical standards</p>	<p>Corporate Governance Realize transparent, fair and boldly challenging management to ensure continued sustainable growth for the EBARA Group</p> <p>Risk Management Minimize risk in today's rapidly changing social structure by refining corporate risk management.</p> <p>Compliance Thoroughly and sincerely comply with not only laws and regulations, but also internal rules, social norms, and standards of common sense and decency</p>	<p>Expand opportunities for dialogue with stakeholders Promotion of the EBARA Way (participation rate for training related to the EBARA Way)</p> <p>Strengthen supply chain management</p> <p>Thoroughly implement internal controls on a global scale</p> <p>Ongoing corruption prevention training</p>	<p>→ p. 51, pp. 53-56</p> <p>100% participation rate</p> <p>→ p. 51</p> <p>→ pp. 69-70</p> <p>→ pp. 73-74</p>

*1. GWP: Global warming potential *2. Key positions: Employee positions equivalent to managers

Medium- to Long-Term Strategies

Medium-Term Management Plan—E-Plan 2022

E-Plan 2022 is a three-year medium-term management plan covering the period from 2020 to 2022. This plan comprises management policies and strategies for those three years formulated based on backcasting from what we want to achieve in the next decade, as indicated by E-Vision 2030, and by reflecting on the previous medium-term management plan to identify issues that still need to be resolved.

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 2030. 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.

Basic Policies of E-Plan 2022

1	Strive for growth	Create and cultivate new businesses and expand existing businesses further into the global market
2	Improve profitability of existing businesses	Transform business structures to strengthen revenue base and increase S&S sales in all businesses
3	Refine management and business infrastructure	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
4	Enhance ESG-focused management	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)

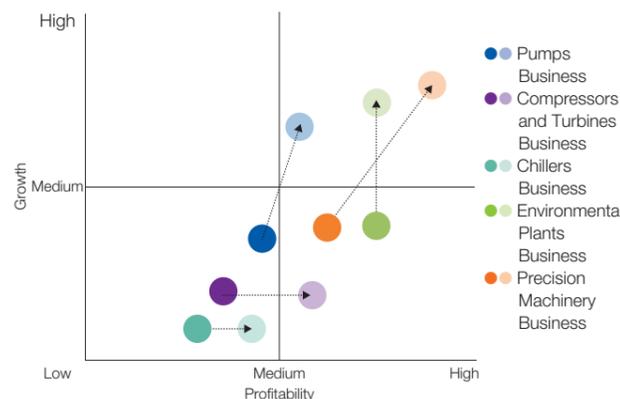
E-Plan 2022 Management Strategies

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. We have divided our existing businesses into two categories—growth businesses and profitability improvement businesses—based on our business portfolio and set strategies for each.

Target Business Portfolio



Progress in First Year of E-Plan 2022

We made steady progress as a result of implementing measures in line with E-Plan 2022 in each business, despite the impact of the COVID-19 pandemic on business performance in the fiscal year ended December 31, 2020.

	2019/12 (JGAAP)	2020/12 (IFRS)	2021/12 Plan (IFRS)	2022/12 Target (IFRS)
Key Performance Indicators (KPIs)				
Return on invested capital (ROIC)	6.5%	6.4%	7.5%	7.6% or more
Operating profit ratio	6.8%	7.2%	7.9%	8.5% or more
Target Achievement Indicators				
ROE	8.3%	8.6%	—	11.2% or more
Debt-to-equity ratio	0.29 times	0.34 times	—	0.4–0.6 times

Progress and Achievements for Each Basic Policy and Future Initiatives

Basic Policy 1 Strive for growth

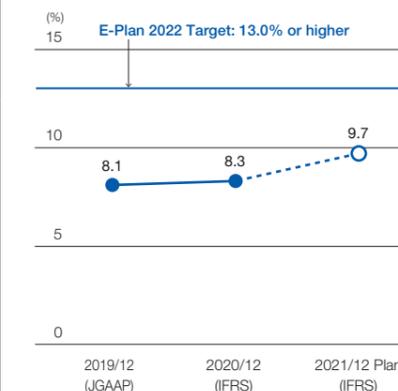
Main Progress and Achievements	Main Future Initiatives
Development and creation of new businesses	
<ul style="list-style-type: none"> Marketing and new business development promotion divisions established Began considering commercialization in four fields 	<ul style="list-style-type: none"> Further exploration of new businesses and promotion of commercialization in four fields
Further expansion of existing business into the global market	
<ul style="list-style-type: none"> Standard Pumps Business: Opening new bases and strengthening existing bases Precision Machinery Business: Started strengthening sales in China 	<ul style="list-style-type: none"> Standard Pumps Business: Accelerate measures that were delayed due to the COVID-19 pandemic, such as base expansion Precision Machinery Business: Complete construction of an overhaul center in China

Growth Businesses—Progress in the Precision Machinery Business

The semiconductor market is brisk, and we are proceeding with capital investments and developing bases to meet the growing demand. We will continue to implement the current measures and aim to achieve the operating profit ratio target of E-Plan 2022.

Issues	Past measures	Future initiatives
Market Expansion Market Share Expansion	<ul style="list-style-type: none"> Construction of an automated dry vacuum pump plant Established operating site in China 	<ul style="list-style-type: none"> Full-scale operation of automated dry vacuum pump plant Line expansion of Kumamoto CMP plant Strengthen sales force in the Chinese market
Cutting-Edge Technology	<ul style="list-style-type: none"> Development and sales of exhaust systems for EUV lithography equipment Development of competitive products 	<ul style="list-style-type: none"> Expansion of sales of exhaust systems for EUV lithography equipment Development of competitive products (continuous) Construction of new buildings for equipment systems
Strengthening of S&S	<ul style="list-style-type: none"> Construction of dry vacuum pump overhaul centers (China, Germany) 	<ul style="list-style-type: none"> Full-scale operation of dry vacuum pump overhaul centers (China, Germany) Development of human resources at overseas bases
Profit Ratio Improvement	<ul style="list-style-type: none"> Progress on production innovation Construction of an automated dry vacuum pump plant 	<ul style="list-style-type: none"> Progress on production innovation (continuous) Reduction of costs by increasing the ratio of in-house production at the automated dry vacuum pump plant

Precision Machinery Business Operating Profit Ratio



Basic Policy 2 Improve Profitability of Existing Businesses

Main Progress and Achievements	Main Future Initiatives
Transform business structures to strengthen revenue base	
<ul style="list-style-type: none"> Custom Pumps Business: Improved productivity Compressors and Turbines Business: Improved product profitability Promote production efficiency through automated design and other IoT applications 	<ul style="list-style-type: none"> Custom Pumps Business: Accelerate the shift from export to regional production for regional consumption Compressors and Turbines Business: Implement additional measures to improve product profitability
Growth in S&S sales in all businesses	
<ul style="list-style-type: none"> Standard Pumps Business: Established a new department specifically for on-call support Custom Pumps Business: Reassigned technical staff from products to S&S to strengthen after-sales service capabilities, in addition to promoting business reforms through digital transformation Precision Machinery Business: Established an internal organization dedicated to S&S 	<ul style="list-style-type: none"> Accelerate the establishment of S&S collaboration with the Custom Pumps Business and the Compressors and Turbines Business, which was delayed due to the COVID-19 pandemic

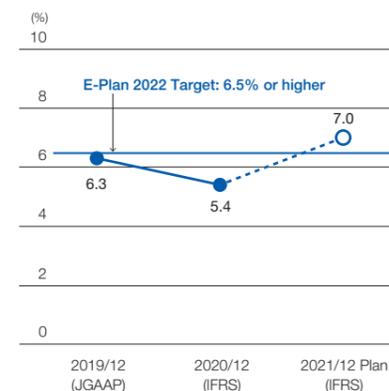
Medium- to Long-Term Strategies

Profitability Improvement Businesses—Continued Improvement in the Profitability of the Custom Pumps Business

In the Custom Pumps Business, which is a profitability improvement business as laid out in E-Plan 2022, we have implemented such measures as confirming business progress through regular meetings, changing the business manager, and the selective acceptance of orders. The effects of these measures are steadily beginning to show in the figures, but there is still room for improvement and we will continue to improve profitability.

Issues	Past measures	Future initiatives
Improvement of Product Profit Margins	<ul style="list-style-type: none"> Selective acceptance of orders for export projects (by industry and product) 	<ul style="list-style-type: none"> Continued selective acceptance of orders Thorough project management starting at time of order acceptance (reduction of loss cost)
Optimization of Production Systems	<ul style="list-style-type: none"> Shift from export to regional production for regional consumption (China, Vietnam) Innovation of production process from automated quotations to manufacturing through digital transformation Streamlining the production system by reassigning personnel 	<ul style="list-style-type: none"> Strengthen business in China Improve quality of locally manufactured products
Strengthening of S&S	<ul style="list-style-type: none"> Collaboration between S&S and Compressors and Turbines Business 	<ul style="list-style-type: none"> Reassign personnel to strengthen overseas S&S Collaboration between S&S and Compressors and Turbines Business (continuous)
Development of Products for New Markets	<ul style="list-style-type: none"> Began development 	<ul style="list-style-type: none"> Market introduction

Operating Profit Ratio of the Pumps Business



Basic Policy 3 Refine Management and Business Infrastructure

Main Progress and Achievements	Main Future Initiatives
Facilitate swifter management	
<ul style="list-style-type: none"> Launched project implementing Groupwide enterprise resource planning (ERP) system, with monthly progress managed by a steering committee Preparing for global standardization of business processes 	<ul style="list-style-type: none"> Begin pilot testing Development of business standardization concept templates Complete ERP implementation by 2024
Further emphasize ROIC management	
<ul style="list-style-type: none"> Set ROIC targets and KPIs for each business and manage monthly progress Added business-specific ROIC to evaluation index for executive officers Conducted ROIC training for managers 	<ul style="list-style-type: none"> Link business-specific ROIC targets and KPIs to Management by Objectives (MBOs) for all employees

Basic Policy 4 Enhance ESG-Focused Management

Main Progress and Achievements	Main Future Initiatives
Initiatives to respond to ever-changing environmental issues	
<ul style="list-style-type: none"> Development and sale of products that reduce environmental impact (such as energy-saving, high-efficiency types) Promotion of chemical recycling technology 	<ul style="list-style-type: none"> Development of new products and technologies to meet the growing global demand for clean energy Promote development for practical use of chemical recycling
Foster bonds with society	
<ul style="list-style-type: none"> Provision of environmental education about waste-to-energy generation to elementary school students through the Environmental Plants Business Took action to increase engagement, including conducting a global engagement survey of all employees 	<ul style="list-style-type: none"> Expansion of environmental education and further increase of community-based environmental awareness activities Implement action plans to further increase engagement
Strengthen corporate governance	
<ul style="list-style-type: none"> Monitoring important matters of E-Plan 2022 Sale of all cross-shareholdings (listed shares) Increased the number of female Directors by one Establishment of Sustainability Committee to achieve E-Vision 2030 	<ul style="list-style-type: none"> Accelerate information infrastructure reform, the key to new work styles (such as remote work), and further strengthen information security maintenance

Climate Change Response Measures



Endorsement of the Task Force on Climate-Related Financial Disclosures (TCFD) and Our Corresponding Efforts

The global environment is the foundation for humankind, all living creatures, and every ecosystem on this earth. The activities of corporations such as ours could not continue without a sound global environment.

Recognizing the grave challenge the world faces in climate change, the EBARA Group added its signature in endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) in 2019. In accordance with the TCFD framework, we conducted scenario analyses of the impacts on business in the fiscal year ended December 31, 2020. Focusing on factors related to climate change, we conducted multiple scenarios, including the 2-degree Celsius scenario. The details are available on our corporate website.

REFERENCE Information Disclosure Based on TCFD Recommendations

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

When we announced our endorsement of the TCFD, we were simultaneously deliberating the EBARA Group's long-term vision for the next decade. In February 2020, E-Vision 2030 was unveiled. It is based on extensive scenario analysis that comprehensively focuses on the factors impacting our business activities. E-Vision 2030 upholds response to climate change as a priority issue. Setting forth our strategy and performance targets, it declares specific initiatives. We will work to strengthen

Climate Change Governance

The Sustainability Committee, which is chaired by the President and Representative 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. The Company adopts a framework in which climate change response measures are first discussed by the Sustainability Committee and then reviewed by the Board of Directors.

In addition, our Risk Management Panel is responsible for short- to medium-term risk response. The Management Planning Committee, which manages the progress of action plans on challenges confronting corporate management, monitors various aspects of climate change, including financial implications and issues related to ESG.

The Environmental Control Committee, which is chaired by the executive officer responsible for risk management,

infrastructure to adapt to the intensification of disasters brought about by climate change. We will also work to reduce greenhouse gases. In the course of deliberations in line with the TCFD Recommendations, we analyzed the impacts on our business, using multiple scenarios that included the 2-degree Celsius scenario, with a focus on climate change factors. The results of these analyses were examined and discussed at a meeting of the Sustainability Committee in December 2020 and subsequently reported to the Board of Directors.

In October 2020, the Japanese government declared its target of becoming carbon neutral by 2050 and, in April 2021, it announced that Japan would aim for a 46% reduction in greenhouse gas emissions from 2013 levels by 2030. Based on the accelerating adoption of decarbonization policies in countries where the EBARA Group does business (including Europe, the United States, and China), we will continue to conduct climate-change scenario analyses and examine financial implications. In addition, we will enhance the resilience of our business strategies through dialogue with stakeholders.



promotes ongoing improvements to climate change response and other environmental management activities on a Groupwide and global basis.



Medium- to Long-Term Strategies

Strategy: Identification and Evaluation of Climate Change-Related Risks and Opportunities

We identified and evaluated climate-related risks and opportunities that are likely to affect the EBARA Group's businesses by 2022, the target year of E-Plan 2022, and by 2030, the target year of E-Vision 2030. Based on the classification of risks and opportunities specified by the TCFD, we believe

that, to some extent, the matters in the table below will impact the EBARA Group's businesses.

We plan to conduct further analysis of long-term risks and opportunities beyond 2030.

Classifications		Climate change-related issues	Risks	Opportunities
Transition risks	Policies/regulations	New and rising carbon costs	●	●
	Markets	Higher electricity prices due to climate change	●	
		Higher raw material prices due to climate change	●	
		Changes in customer preferences		●
		Divestment from businesses with high GHG*1 emissions	●	
		Shift toward distributed energy production	●	●
		Popularization of electric vehicles (EVs)		●
		Increased need for disaster preparedness items		●
	Decreased waste-to-energy needs	●	●	
	Technologies	Development of CCUS*2 technologies		●
Development of energy conservation technologies			●	
Development of next-generation refrigerant technologies			●	
Development of automation using IoT and M2M*3 technologies			●	
Physical risks (acute)	Damage to production equipment and halts to plant operations due to flood damage	● (Damage to EBARA)	● (Damage to customers)	
Opportunities	Resource efficiency	Increase in efficiency of manufacturing processes		●

*1. GHG: Greenhouse gas

*2. CCUS: Carbon dioxide Capture, Utilization and Storage. Carbon dioxide Capture and Utilization (CCU) is a technology that converts captured CO₂ into new products and energy. Carbon dioxide Capture and Storage (CCS) is a technology that captures CO₂ generated by factories and power stations before its release into the atmosphere, then transports it to geological strata suitable for underground storage, where it is preserved in a stable condition for long periods of time.

*3. M2M: Machine to machine. The ability of machines to autonomously perform advanced control and operations by exchanging information with each other via a communication network.

Strategy: Scenario Analysis

The TCFD recommends that organizations develop scenarios for limiting global warming to 2 degrees Celsius. According to this recommendation, we deliberated on multiple scenarios, including limiting warming to 2 degrees Celsius, in regard to the climate-related risks and opportunities we identified and evaluated. We utilized the World Energy Outlook 2019 by

International Energy Agency (IEA) and resources released by the Japanese government. The details are available on our corporate website.

REFERENCE Scenario Analysis

<https://www.ebara.co.jp/en/sustainability/think/information/tcfd.html#sus2e>

2-degree Celsius scenario	In response to the strengthening of environmental regulations, progress in CO ₂ -reduction technologies, and growing environmental awareness among consumers, we expect that sales will increase for energy-saving products and for products that help curb GHG emissions. On the other hand, there will also be factors that adversely affect our business performance, such as a decline in sales at some of our major clients and increases in raw material costs.
4-degree Celsius scenario	We assumed a worldview that is an extension of 2020. Under the 4-degree Celsius scenario, we believe that any additional impact on sales and expenses (leading to increase or decrease) would be low.
Intermediate scenario	A 2-degree Celsius scenario in which technological innovation stagnates was assumed as the intermediate scenario. We assumed a scenario in which policies and regulations are strengthened in a similar way to the 2-degree scenario and customer preferences become more environment oriented, but technological innovation stagnates and the market launch of products and services that satisfy consumers' needs does not progress. Under these circumstances, the EBARA Group will create energy-saving products and products that help curb GHG emissions, and we believe that sales of such products will increase.
Common to all scenarios	We assume some risks and opportunities will be common to all scenarios. Physical risks such as torrential rains and flooding caused by climate change would manifest in all scenarios and the costs of repairs may place added burden on our businesses. On the other hand, damage from floods and the like suffered by our customers may create demand for maintenance by the EBARA Group, which we believe may lead to an increase in sales.

Strategy: Impact of Climate-Related Risks and Opportunities on Financial Planning

Based on the results of the four climate change scenario analyses conducted in 2020, we do not expect significant negative impact on our overall financial position under any of

the scenarios through 2030. The details of our analyses of the financial impact of climate change through 2030 are as follows.

Scenario	Impact on businesses by 2030
2-degree Celsius scenario	In response to the strengthening of environmental regulations, progress in CO ₂ -reduction technologies, growing environmental awareness among consumers, and widespread adoption of electric vehicles, sales will increase in energy-saving products and products that contribute to curbing CO ₂ emissions such as pumps, refrigerators, compressors & turbines, and semiconductor manufacturing equipment; and chemical recycling-related products. On the other hand, business performance will decline due to increases in manufacturing costs caused by rises in costs for the main raw materials of our products and a decline in sales at some of our major customers due to the divestment of businesses that have high GHG emissions.
Intermediate scenario (2-degree Celsius scenario with stagnation of technological innovation)	Policies and regulations will be strengthened as in the 2-degree Celsius scenario and customer preferences will become more environment-oriented, but technological innovation will stagnate and products and services that satisfy consumers' needs will not progress to market launch. On the other hand, we will create energy-saving products and products that help curb GHG emissions, and sales of such products will increase.
4-degree Celsius scenario	This world is an extension of 2020, with little impact on increases or decreases in sales and expenses brought about by the 4-degree Celsius scenario.
Common to all scenarios	Manifestation of physical risks (e.g., torrential rain, typhoons, high tides, flooding, and drought) will be common to all scenarios. While disaster-related repair expenses will be incurred, this will also generate customer demand for maintenance and disaster response at public facilities, which will lead to increased sales.

Strategy: Strategy Based on Climate-Related Risks and Opportunities

As a result of analysis of these climate-change scenarios as of 2020, we will focus on the following matters for our business

strategy by 2030. Looking ahead, we incorporated these strategies into our management plan, E-Plan 2022.

Businesses	Strategies until 2030
Fluid Machinery & Systems Business	Anticipating the strengthening of climate-related regulations, increases in raw material prices due to the strengthening of climate-related regulations, and the divestment of businesses that are large GHG emitters, it will be necessary to consider the formulation of strategies for new businesses, such as CCUS, hydrogen and ammonia-fueled power generation technologies, and hydrogen production and storage technologies.
Environmental Plants Business	In response to an increase in customers' environment-oriented preferences, it will be necessary to respond to advanced recycling needs, such as for the chemical recycling of waste plastics.
Precision Machinery Business	Promote the development of products that contribute to energy-saving needs throughout product life cycles, to automation needs that leverage IoT and M2M technologies as highly efficient production systems, and to the shift from gasoline-fueled vehicles to electric vehicles.
EBARA Group's general production activities	As customers are expected to demand a shift toward carbon-free supply chains, it will be necessary to consider cutting CO ₂ emissions generated by manufacturing processes.

Risk Management

In the development of E-Vision 2030 and E-Plan 2022, we used scenario planning to analyze social trends and changes to the market environment over the medium to long term. We identified fluctuation risk as a long-term trend, short-term volatility risk, and risks in the corresponding markets for each of EBARA's individual businesses. The identified risks and opportunities are managed under the corporate governance framework.

Based on the results of regular risk assessments conducted by our risk management division, we have also identified significant risks that we are likely to face in the short to medium term. In these risk assessments, the probable risks are sorted out with leaders of the most relevant businesses and divisions surveyed and interviewed on the risks. Based on the outcomes, the risk response frameworks are re-assessed and reflected in operations, with the supervising divisions made clear.

Metrics and Targets

In E-Plan 2022, we developed action plans for financial and non-financial corporate management challenges, which set metrics and targets to manage the progress of these action plans. The non-financial action plan sets metrics and targets for risks and opportunities regarding the environment

(including climate change), society, and corporate governance. The Sustainability Committee and Management Planning Committee monitor the progress of these plans.