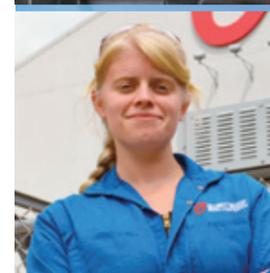
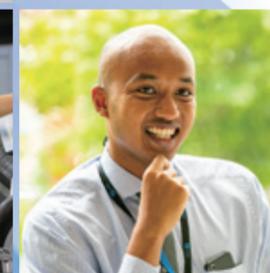


Looking ahead,
going beyond expectations
Ahead > Beyond





The EBARA Way

Since the EBARA Group's founding, we have continually provided 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 reorganized 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. The pursuit of the EBARA Way serves as the catalyst for increasing the value of the entire EBARA Group.

Moving forward, the EBARA Group will honor our Founding Spirit of "Netsu to Makoto" (Passion and Dedication), 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 and our CSR Policy, we maintain high ethical standards throughout our business activities and foster relationships of trust with our stakeholders.

EBARA Group Business Ethics Framework

Elements of the "EBARA Way": Founding Spirit of Passion and Dedication

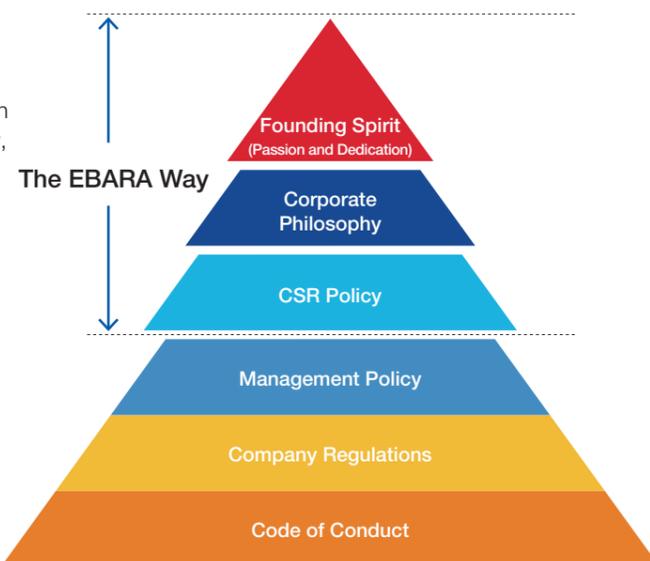
Both employees and the Company shall strive for growth with passion and dedication to bring forth originality and ingenuity, rather than simply fulfilling the task at hand. When working with passion and dedication, there is nothing that cannot be communicated to others.

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 this Report

The EBARA Group Integrated Report 2021 explains the EBARA Group's value creation story in an easy-to-understand manner, and conveys how we will continue creating value for society through specific initiatives within our Long-Term Vision: E-Vision 2030 and Medium-Term Management Plan: E-Plan 2022, announced in February 2020.

In this year's report, we are focusing on the EBARA Group's purpose in society, as demonstrated by its resilience during the COVID-19 pandemic, as well as our approach to resolving the five material issues (EBARA's materiality) listed in E-Vision 2030 and the corresponding KPIs and targets for each department.

Editorial Policy

The EBARA Group has issued this integrated report to provide stakeholders with financial and non-financial information about its medium-to-long-term value creation activities. This report was created with reference to the International Integrated Reporting Council (IIRC)'s International Integrated Reporting Framework; the Ministry of Economy, Trade and Industry (METI); the Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation: ESG Integration, Non-Financial Information Disclosure, and Intangible Assets into Investment (Guidance for Collaborative Value Creation); and the Global Reporting Initiative (GRI) Standards. A table detailing the referenced GRI Standards is available on the Company's corporate website.

Company References

"EBARA" and "the Company" refer to EBARA CORPORATION while "the EBARA Group," "the Group," or "we" refer to EBARA CORPORATION and its domestic and overseas subsidiaries and affiliates.

Target Readers

All stakeholders of the EBARA Group

Reporting Period

The fiscal year ended December 31, 2020 (January 1, 2020, to December 31, 2020) (Notice will be provided when the period differs from the above.)

Scope of Reporting

EBARA CORPORATION and the 96 subsidiaries (of which 96 are consolidated) and four affiliates that collectively comprise the EBARA Group (as of December 31, 2020).

Notice will be provided when the scope of data collection differs from the above.

Japanese Publication Date

July 28, 2021

Information Regarding the Group

WEB Corporate Website <https://www.ebara.co.jp/en/>



Financial Information	Non-Financial Information
<p>BOOKLET PDF</p> <p>Integrated Report 2021</p> <p>Compiles noteworthy information</p>	<p>Investor Relations</p> <p>https://www.ebara.co.jp/en/ir/index.php</p> <p>Sustainability</p> <p>https://www.ebara.co.jp/en/sustainability/index.html</p>
<p>Annual Securities Report</p>	<p>Corporate Governance Report</p>

To contact EBARA CORPORATION, please use the following contact form. <https://www.ebara.co.jp/en/contact/index.html>



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Cautionary Statement with Regard to Forward-Looking Statements

Certain of the statements made in this integrated report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are valid only as of the date thereof. EBARA undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Our mission is to contribute to society by providing products and services that support society, industry, and daily life. Our mission begins with the spirit of “*Netsu to Makoto*” (Passion and Dedication).

EBARA Corporation was founded in 1912 by Issey Hatakeyama with the aim of spreading the use of the Inokuty-type volute pump. Applying the world-renowned volute pump research of Dr. Ariya Inokuty, 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. Driven by the spirit of “*Netsu to Makoto*” (Passion and Dedication) to support the modernization of Japan and solve the problems facing society, EBARA has determined its mission is to contribute to society by providing products and services that support society, industry, and our daily lives. Inspired by “*Netsu to Makoto*,” our employees seek to continuously cultivate our technological capabilities and reliability, which are the sources of our growth.



Issey Hatakeyama
EBARA Founder

Founding Spirit of “*Netsu to Makoto*” (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



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.

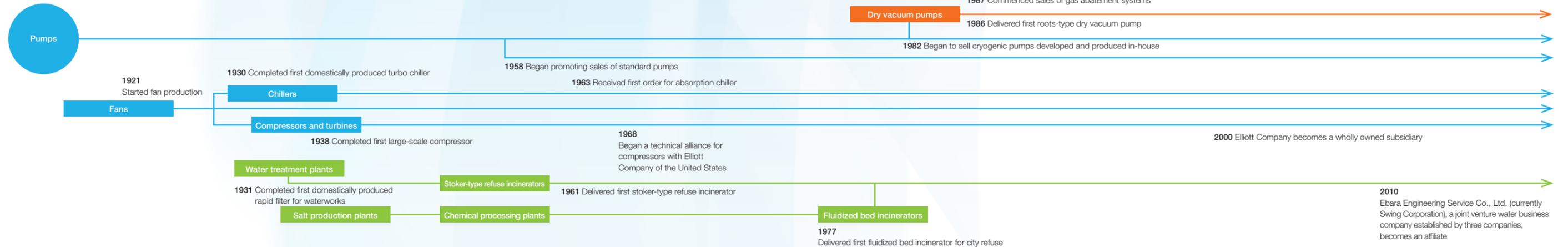


Note :The above graph indicates changes in net sales.

As FY2017 was an irregular nine-month accounting period due to the change in settlement date, figures for this period have been restated to encompass the period from January to December 2017.

Changes in Business and Business Structure

1912 Founded as Inokuty Type Machinery Office



1912-

Development of the EBARA Group's Foundations

EBARA was founded by Issey Hatakeyama with the goal of supplying products based on Dr. Ariya Inokuty's world-renowned volute pump research. In the years that followed, EBARA continued to contribute to the modernization of Japan by producing the first domestically manufactured waterworks pumps, installing water infrastructure to prepare for natural disasters, developing the first water purifiers for waterworks manufactured in Japan, and undertaking other initiatives ahead of its time.

1945-

EBARA Technologies Responding to Social Demand

EBARA contributed to the stabilization of the lives of people in Japan after World War II by mass producing pumps for increasing food production and for farmland reclamation. In addition, we delivered the first domestically manufactured feed water pump for supercritical pressure power plants to help address power shortages. At the same time, the Group began exporting plant equipment and establishing overseas bases to lay the groundwork for its overseas expansion.

1980-

EBARA Technologies Permeating Society

It was during this time that the Group succeeded in developing and realizing practical application of a gasification and ash melting furnace for use as a next-generation waste treatment facility capable of completely decomposing dioxins and recycling residue. In addition, technologies accumulated thus far were applied to the development of dry vacuum pumps, resulting in the start of the Precision Machinery Business.

2000-

Frameworks for Future Growth

Energy-efficient, high-efficiency pumps and chillers were developed to help reduce environmental impacts while pump technologies were created for urban rainwater drainage systems. The Group also developed sophisticated, ultra-precise, high productivity CMP and plating systems.

2010-

Centennial Anniversary and Pursuit of Future Growth

The Group began investing in its global competitiveness, following its success in improving its financial base through the selection and concentration of businesses. These investments include strengthening corporate governance, implementing new human resource systems, bolstering our overseas service and support (S&S) bases, introducing automated assembly lines powered by Internet of Things (IoT) and artificial intelligence (AI) technologies, and other environmental, social, and governance (ESG) management initiatives.



Modernization of Japan

- Installation of water infrastructure
- Lack of arable land
- Reconstruction after the Great Kanto Earthquake
- Widespread industrialization

Post-World War II Reconstruction and Japanese Postwar Economic Miracle

- Lack of food and other basic necessities for people of Japan
- Power shortages
- Advancement of heavy and chemical industries
- Increased construction of plants overseas

Development of the Information Society

- Ozone depletion, desertification, and advancement of climate change
- Lack of waste disposal sites
- Need to realize recycling-oriented society
- Growth of semiconductor market and increased semiconductor demand

Search for Path to Sustainability

- Increased concern for environmental issues and acceleration of global warming countermeasures
- Rising demand for energy-saving and highly efficient technologies
- Extreme rain resulting from urban heat island phenomenon
- Development of information and communication technologies (ICT) and accelerated advancement of semiconductor technologies

Toward a More Diverse and Inclusive Society

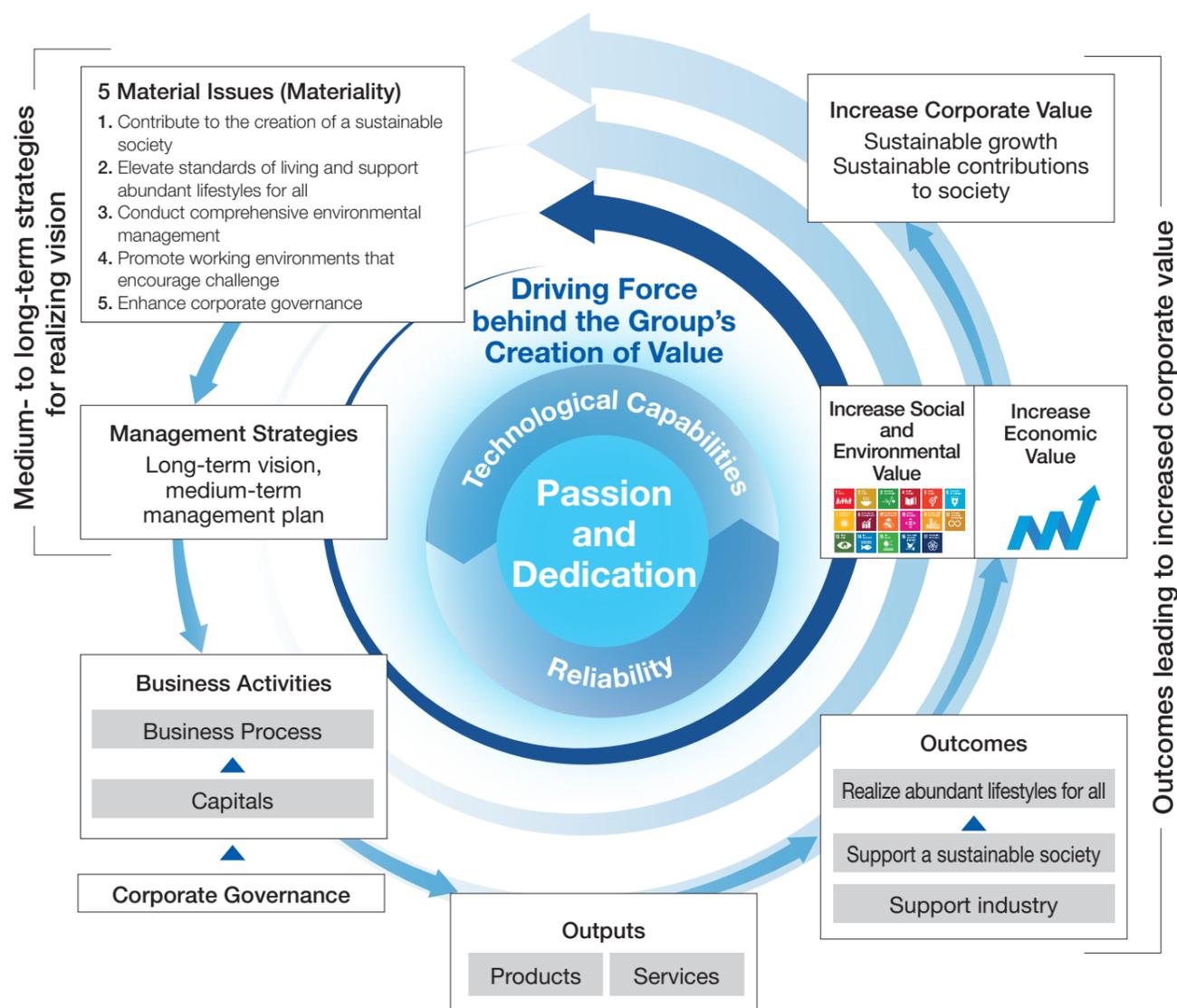
- Digitization driven by proliferation of the IoT and AI
- Social pressure for work style reform
- Increasing expectation for companies to contribute to realizing a sustainable society due to rising interest in climate change and ESG issues and the adoption of the United Nations Sustainable Development Goals
- Raising awareness of climate change measures and ESG issues
- Growing demand for social and economic change during and after the COVID-19 pandemic

“Technology. Passion. Support Our Globe.”—A Mission to Be Fulfilled Based on the “EBARA Way”

Guided by the core of the “EBARA Way” and 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 109-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.

EBARA’s Vision

“Technology. Passion. Support Our Globe.”



Key Points of the EBARA Group’s Value Creation Story

Medium- to Long-Term Strategies for Realizing Vision

Looking ahead to the next 100 years of human society and the changing global environment, lifestyles are expected to undergo profound transformations. 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 “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, who 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

For 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 accretion of core product technologies 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.



Social Value Created by EBARA

EBARA products are used under a variety of circumstances, 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 as an important component of irrigation equipment. These pumps are also used to drain water to prevent damage from flooding due to heavy rains.

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 from heavy rains by redirecting rainwater into rivers with less risk of flooding or the ocean.

4 Seawater Circulation Pumps
 Efficiently transporting seawater

Equipped with thermosetting resins, EBARA's seawater circulation pumps boast superior anti-erosive properties, enabling them to be used with fluids that would even erode stainless steel articles, such as acid and seawater. They are thus ideal for circulating seawater inside of aquarium tanks. Our seawater circulation pumps can also be used for transporting and circulating hot spring water and chemicals.

5 Fans
 Ventilating tunnels

EBARA fans are delivered for installation in tunnel ventilation equipment. By achieving highly precise ventilation control, these fans help appropriately maintain the air environments of tunnels while securing evacuation routes in the event of a tunnel fire.

Water

Wide-ranging support for society and infrastructure ensuring stable water supplies and preventing water damage

Air

Creation of Comfortable Environments while combating climate change

6 Chillers
 Maintaining comfortable temperatures in buildings, large-scale commercial facilities, and factories

Our chillers supply cold water for use in the air-conditioning equipment of large-scale commercial facilities and factories to be utilized for cooling or heating entire structures. Other benefits of our chillers include reduced costs through optimization of cooling and heating equipment as well as lower energy consumption and CO₂ emissions.

7 Gas Abatement Systems
 Detoxifying hazardous gases

Gas abatement systems prevent pollution by detoxifying the hazardous gases used in semiconductor manufacturing and other processes.



Environment

Contributions to a sustainable society by promoting effective energy and resource usage

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
 Safely 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 Waste Treatment Plants
 Supporting safe and reliable plant operation

We provide one-stop service for waste treatment plants ranging from engineering to construction, operation, management, and maintenance to support reliable operation. We also contribute to the local production and consumption of energy by returning the power generated through waste incineration to the surrounding communities.

12 Biomass Power Generation Plants
 Generating power using woody biomass fuel

We offer construction, operation, and management services for biomass power generation plants that leverage the characteristics of internally circulating fluidized-bed boilers designed to use woody biomass as fuel and capable of achieving reliable combustion of a diverse range of fuel sources. Through these services, we are contributing to the popularization of renewable energy and the prevention of climate change.

13 Dry Vacuum Pumps
 Realizing the optimal clean environments necessary for semiconductor production

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.

Digital Technologies

Support for the evolution of lifestyles with cutting-edge technologies

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

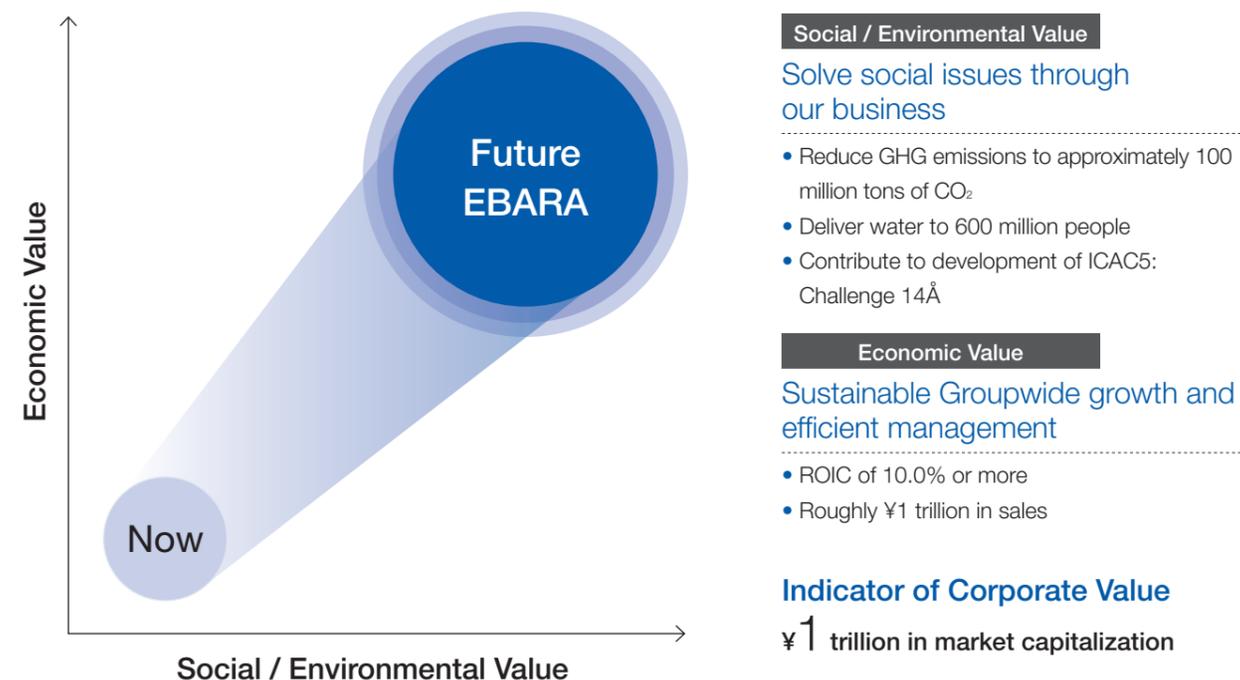
Basic Policy	Maximize corporate value through the optimization of the business portfolio • Recognize issues based on realistic future forecasts • Integrate a global market-in approach
Four Management Strategies	New / Existing Business Strategies New Business: Contribute to solving material issues by 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 • 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> <p>A society with no food or water shortages • 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>	<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)

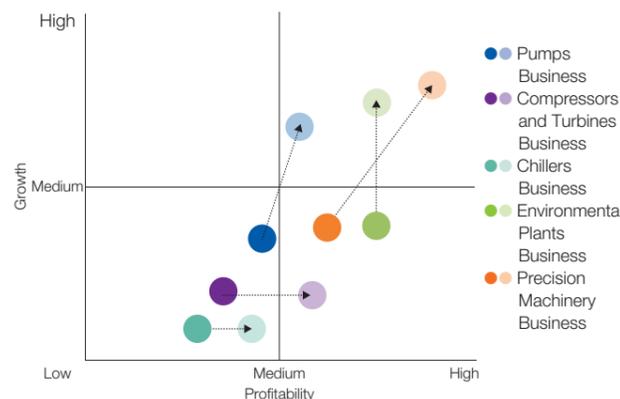
E-Plan 2022 Management Strategies

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

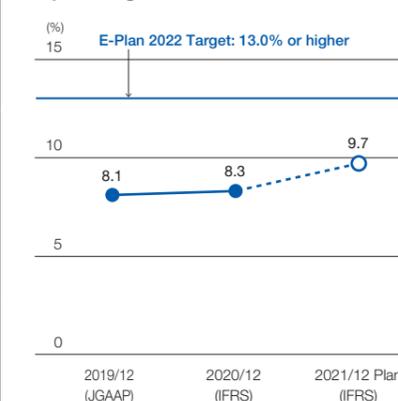
Main Progress and Achievements	Main Future Initiatives
Development and creation of new businesses	
<ul style="list-style-type: none"> Marketing and new business development promotion divisions established Began considering commercialization in four fields 	<ul style="list-style-type: none"> Further exploration 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

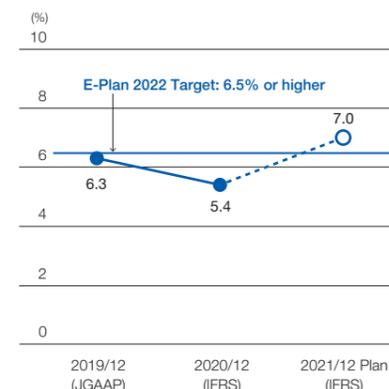
Medium- to Long-Term Strategies

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



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

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.



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 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,

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.

Three Businesses Supporting Social and Industrial Infrastructure

Consolidated Net Sales

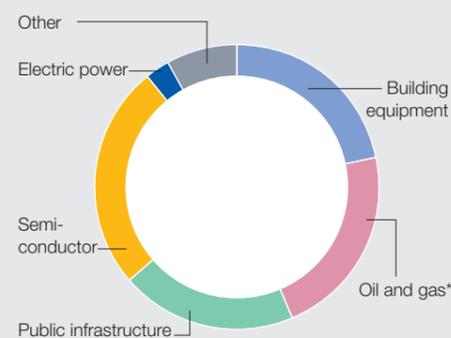
¥523.7 billion

Consolidated Operating Income

¥37.8 billion

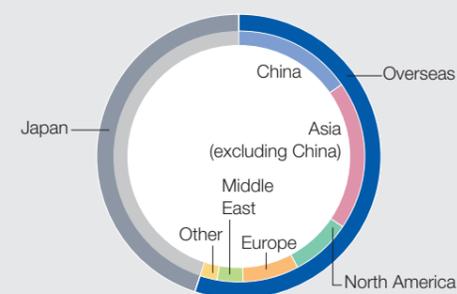
Fiscal year ended December 31, 2020 (JGAAP)

Net Sales Ratio by Industry

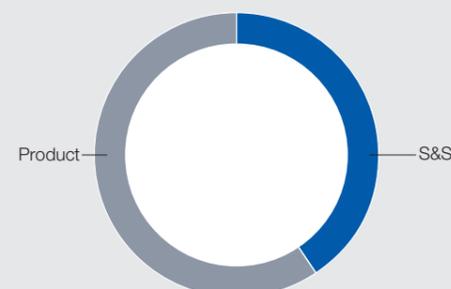


* Mostly downstream businesses

Net Sales Ratio by Region



S&S Sales Ratio

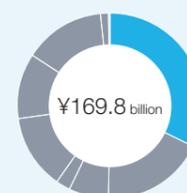


Fluid Machinery & Systems Business →P.27-30

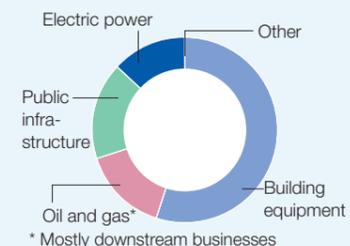
Pumps Business

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

Net Sales Ratio

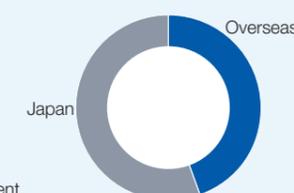


Net Sales Ratio by Industry



* Mostly downstream businesses

Net Sales Ratio by Region

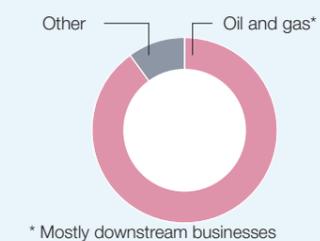
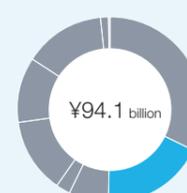


S&S Sales Ratio

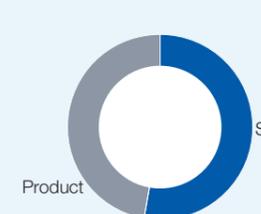
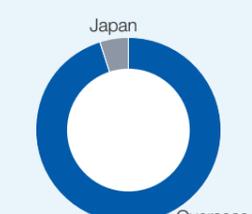


Compressors and Turbines Business

Provides compressors and turbines for oil refineries and petrochemical plants

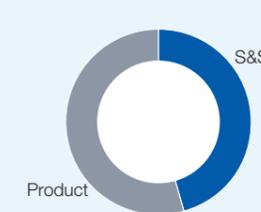
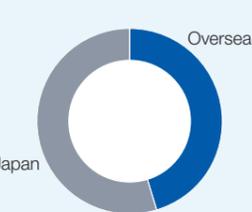
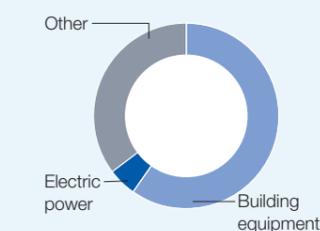


* Mostly downstream businesses



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, telecommunications, and energy control equipment



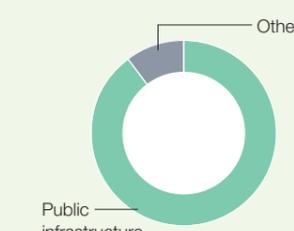
Environmental Plants Business →P.31-33

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

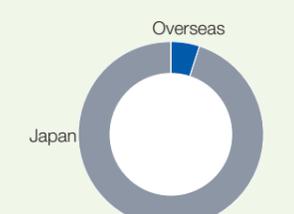
Net Sales Ratio



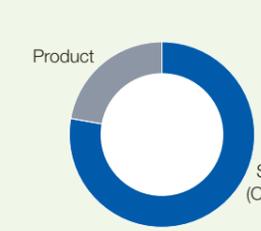
Net Sales Ratio by Industry



Net Sales Ratio by Region



S&S Sales Ratio



* Operation & Maintenance

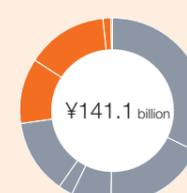
Precision Machinery Business →P.34-36

Net Sales

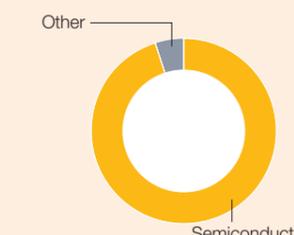
Components ¥60.5 billion
 CMP Systems ¥74.2 billion
 Others ¥6.2 billion

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

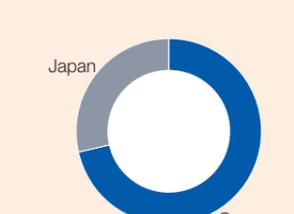
Net Sales Ratio



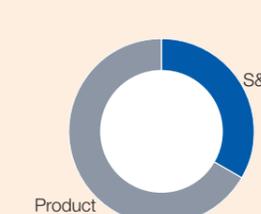
Net Sales Ratio by Industry



Net Sales Ratio by Region



S&S Sales Ratio



Fluid Machinery & Systems Business

We aim to further improve profitability and cultivate new fields and new markets.

Nobuharu Noji
Executive Officer
President, Fluid Machinery & Systems Company



Key Points behind Our Financial Performance in the Fiscal Year Ended December 31, 2020

- Sales in the Standard Pumps Business decreased due to the COVID-19 pandemic.
- Sales and profit increased in the Custom Pumps Business due to strong domestic public-sector projects.
- Sales in the Compressors and Turbines Business declined due to lower crude oil prices and the COVID-19 pandemic.
- Profit in the Chillers Business increased due to improved profitability in domestic cooling towers and cost reductions.

In the fiscal year ended December 31, 2020, although sales in the Chinese market and domestic public-sector projects were strong, sales in other markets and regions were down from the previous fiscal year due to the COVID-19 pandemic. Operating profit increased from the previous fiscal year due to improved profitability in the Custom Pumps Business and Compressors and Turbines Business.

As for the progress of our medium-term management plan, E-Plan 2022, we opened the Knock Down Center in Vietnam and are working to strengthen our global production system and supply chain. We also opened a base in Mexico to expand our coverage, and acquired Vansan,* a leading pump manufacturer in Turkey. Our diverse efforts to strengthen our overseas business included the sales launch of solar pumps in Brazil.

Going forward, we will accelerate our global market strategy in the Standard Pumps Business by establishing sales bases and launching products that meet regional needs. In the Custom Pumps Business, we will implement business reforms through digital transformation to improve profitability, reassign personnel and enhance after-sales services to strengthen overseas S&S, and accelerate collaboration with the Compressors and Turbines Business. We will continue to create high value-added products to cultivate new fields and markets, such as the hydrogen market.

* Refers to the three companies collectively known as Vansan (Çiğli Su Teknolojileri A.Ş. and its subsidiaries Vansan Makina Sanayi ve Ticaret A.Ş. and Vansan Makina Montaj ve Pazarlama A.Ş.)

SWOT Analysis of Fluid Machinery & Systems (FMS) Business

<ul style="list-style-type: none"> Fluid, numerical analysis, material, analytical, and other fundamental technologies cultivated over the years (entire FMS Business) Capability 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) <p>Strengths</p>	<ul style="list-style-type: none"> Lacking presence in Europe and the United States (pumps, chillers) Insufficient lineup of products matched to overseas specifications (pumps) Dependence on highly volatile markets (compressors and turbines) <p>Weaknesses</p>
<ul style="list-style-type: none"> Increases in infrastructure investment in conjunction with rising water demand attributable to population growth and urbanization in emerging countries (pumps) New opportunities arising from industrial structure changes occurring in conjunction with progress in 5G, IoT, and other technologies (pumps, chillers) Growing demand for EBARA products in tandem with growth in demand for LNG, hydrogen, and other forms of clean energy (pumps, compressors and turbines) <p>Opportunities</p>	<ul style="list-style-type: none"> Intensification of price competition stemming from domestic market contraction (pumps, chillers) Increased competition due to maturity of technologies and improvement of technological capabilities of emerging manufacturers (entire FMS Business) <p>Threats</p>

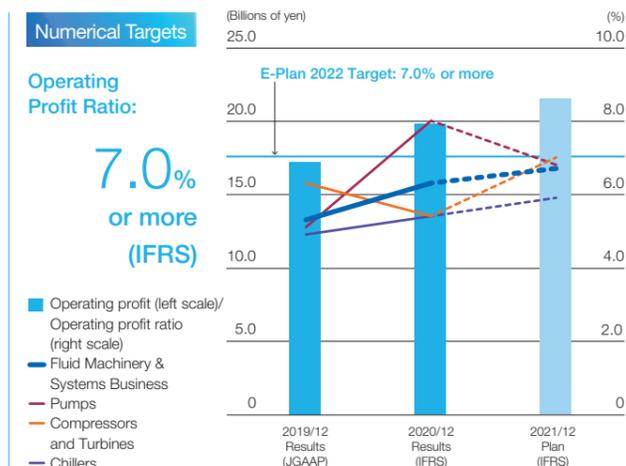
E-Vision 2030 and E-Plan 2022 Business Strategies

Business Vision (E-Vision 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-Plan 2022 Business Strategies

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



E-Plan 2022 Targets / Progress in 2020

Numerical Targets (Operating profit ratio) (IFRS)	2020/12 Results (IFRS)	2020/12 Achievements	Future Initiatives
Pumps Business 6.5% or more	5.4%	Standard Pumps <ul style="list-style-type: none"> Domestic: Strengthened S&S structure Overseas: Expanded sales bases, strengthened SCM** Strengthened marketing and development functions to cultivate new markets with high profit margins Custom Pumps <ul style="list-style-type: none"> Undertook selective order acceptance for export projects and reassignment of personnel from products to S&S Strengthened marketing and development functions to cultivate new markets with high profit margins 	<ul style="list-style-type: none"> Domestic: Expand scale of S&S sales, expand new products and sales Overseas: Accelerate expansion of bases and launch new products that meet regional needs Market and develop products at the top of their niche
Compressors and Turbines Business 8.0% or more	8.2%	<ul style="list-style-type: none"> Undertook selective order acceptance for products, procurement cost reduction (LCC** utilization), lead time shortening through automated design 	<ul style="list-style-type: none"> Review business scope by clarifying target markets Complete profitable cryogenic pump and expander test stand
Chillers Business 5.0% or more	5.4%	<ul style="list-style-type: none"> Domestic: Transferred production of chillers to China, strengthened S&S structure Strengthened marketing and development functions to cultivate new markets with high profit margins 	<ul style="list-style-type: none"> Domestic: Expand S&S with refrigerant retrofit technology China: Introduce new chiller products and expand sales of cooling towers for industrial use Market and develop products at the top of their niche

*1. SCM: Supply chain management
*2. LCC: Low cost country

E-Plan 2022 Progress and KPIs

The Fluid Machinery & Systems Business has wide-ranging opportunities to contribute to a sustainable society. We have set KPIs for many approaches, including providing a stable water supply to diverse regions as well as contributing to energy-saving products and technologies that reduce environmental impact. The following are some of our business-segment specific KPIs.

Related Materiality	Measures and KPIs	2022/12 Targets	2020/12 Results	2020/12 Achievements	Future Initiatives
1	Stable water supply to diverse regions				
	Expansion of solar pump sales (Standard Pumps)	Achieve a unit sales volume target of 100%	Began sales	Began sales in Brazil	Expand sales, mainly in Brazil and developing countries
	Contribution to technologies that reduce environmental impact				
	Development and market launch of products for liquid hydrogen plants (Custom Pumps)	Achieve 100% commercialization	Completed planning and design	Developing a compact prototype of a liquid hydrogen pump for hydrogen power generation facilities	Manufacture and testing of small prototypes
	Making products more energy efficient				
Complete development and commercialization of new steam turbine series (Compressors and Turbines Business)	Achieve 100% commercialization	Started study	Started technological development of high-speed, compact, and high-efficiency steam turbine series	Commercialization and market launch	
Environmental load management					
Reduction of GHG emissions through sales of low-GWP* products (Chillers)	Reduce annual GHG emissions by the equivalent of 33,000 tons of carbon dioxide	Reduced annual GHG emissions by the equivalent of 20,600 tons of carbon dioxide	Expansion of new refrigerant turbo chiller series	Development and market launch of refrigerant retrofit technology	Expand sales of new refrigerant turbo chillers and products using retrofit technology, and further enhance product lineup

* GWP: Global warming potential

Topic 1 | Standard Pumps Business: Strengthening Global Production, Sales, and Service Systems

In the Standard Pumps Business, EBARA BOMBAS AMÉRICA DO SUL LTDA. (hereinafter “EBAS”), an overseas Group company, commenced sales of solar pumps in January 2020 to help achieve the goal of “Delivering Water to 600 million People Worldwide (approx. 7% of the world’s population)” as stated in E-Vision 2030, our long-term vision. There are still rural areas in Brazil where electricity is not available, so this product is designed to help fulfill basic living needs, such as access to drinking water. Solar pumps, which generate electricity converted from sunlight through solar panels, are available for centrifugal pumps and swimming pool pumps, in addition to the 220V deep well pumps that EBAS has been producing since its establishment. In the future, we will launch 380V-equivalent product capable of powering pumps with greater power consumption. We will take advantage of EBAS’s extensive sales and service network to sell our products, both within Brazil and in other countries where there is a high level of interest in our products, and strengthen sales expansion.

As part of the global market strategies laid out in E-Plan 2022, we are aiming to expand our sales in regions and countries where we expect growth due to factors such as population and economy growth, as well as increasing industrial development. In May 2020, we established Ebara Pumps Mexico, S.A. de C.V. in Mexico to assemble, sell, and provide service and support for pumps. We will contribute to the development of the local economy in Mexico and

elsewhere by actively investing our management resources, bolstering our products and services, and recruiting and cultivating human resources. In Vietnam, the Knock Down Center for standard pump assembly began operation in December 2020. The facility stocks a certain level of standard pump parts produced at the EBARA Group’s Italy plant, and assembles them into products for shipment. Previously, each EBARA Group company in Southeast Asia managed their own inventories. By establishing the Knock Down Center, we will be able to better optimize product inventory and efficiently supply products to the Southeast Asian market according to demand, thereby shortening delivery times and reducing inventory. In addition, the acquisition of Vansan, a leading pump manufacturer in Turkey, will strengthen our access to the European, Central Asian, Middle Eastern, and African markets. We aim to increase our presence in the deep well motor pump market as well as strengthen our supply chain and enhance our product competitiveness by leveraging our technological capabilities in the global market.

In the future, we will accelerate the establishment of sales bases and the market launch of products meeting regional needs. We will further strengthen our global production system and supply chain, including within Japan, to improve our presence in overseas markets and further expand our Standard Pumps Business.



Topic 2 | Custom Pumps Business: Liquid Hydrogen Pump Development

In the Custom Pumps Business, we are working on developing a liquid hydrogen pump for hydrogen power generation facilities in order to break into the hydrogen market. This project began in 2019 and is subsidized by the New Energy and Industrial Technology Development Organization (NEDO). We plan to conduct liquid hydrogen tests on a small prototype in 2022 in collaboration with the Japan Aerospace Exploration Agency (JAXA).

Hydrogen is a clean energy source that emits no air pollutants or greenhouse gases, and can be produced from a variety of primary energy sources in a variety of ways. It can be transported and stored as a gas, liquid, or solid (absorbed in alloys), and it is expected to serve a central role in the future of secondary energy due to its high energy efficiency and potential for use during times of emergency. For Japan to become a “hydrogen society” that utilizes hydrogen in daily life and industrial activities, demand for hydrogen needs to increase

through the expansion of stationary fuel cell use, development of the fuel cell vehicle market, and the introduction of full-scale hydrogen power generation. Building a hydrogen supply chain to meet this demand will be also be a requirement.

NEDO’s Development of Technologies for Realizing a Hydrogen Society project aims to develop an energy system that combines hydrogen production, transportation, storage, and utilization technologies with electricity derived from renewable energy sources.

We will continue ongoing development within the Custom Pumps Business. Our future development plans include commercial demonstrations scheduled for 2025, hydrogen power generation and the commercialization of the international hydrogen supply chain scheduled for 2030.*

* According to the Strategic Road Map for Hydrogen and Fuel Cells published by the Ministry of Economy, Trade and Industry (METI) in March 2019.



Topic 3 | Chillers Business: Retrofit Technology to Reduce Environmental Impact

In recent years, there has been a demand for refrigeration equipment that uses refrigerants with low global warming potential (GWP) to reduce greenhouse gas emissions. EBARA REFRIGERATION EQUIPMENT & SYSTEMS Co., LTD. (ERS) has developed and launched a new type of turbo chiller (RTBA*) that uses a new refrigerant with low GWP that also boasts improved qualities when compared to conventional refrigerants. These include non-flammability, low toxicity, and high stability. Recognized for its excellent performance and undeniable track record, this chiller received a special jury award in the 21st Ozone Protection and Global Warming Prevention Awards, and has been used in commercial and accommodation facilities, chemical plants, and various other facilities since its launch. The adoption of the new type of turbo chillers will lead to an effective reduction in environmental impact. However, turbo chillers have a very long product lifespan, so it may be 10 or 20 years before they can be replaced with the new turbo chillers. To address this issue, we have

developed retrofit technology that enables the use of new refrigerants in existing turbo chillers that currently use conventional refrigerants. By utilizing this technology developed by ERS, specific parts of chillers can be replaced during regular scheduled maintenance to enable the use of low-GWP refrigerants. This technology helps customers take advantage of eco-friendly products that help combat global warming without substantial upfront investment. We are currently working to broaden the range of applications for our new turbo chillers and expand the lineup of existing products that can be updated with retrofit technology.

We will continue to develop our technology and expand sales of our new refrigerant turbo chillers for widespread use, both to meet the needs of our customers and to make a significant contribution to curbing global warming.

* RTBA is the ERS model number.



Model RTBA turbo chiller

Environmental Plants Business

As a resource circulation solutions provider, we will work toward decarbonization and the realization of a sustainable society.

Atsuo Ohi
Executive Officer
President, Environmental Engineering Company



Key Points behind Our Financial Performance in the Fiscal Year Ended December 31, 2020

- Sales and profit decreased in EPC as construction was in between projects
- Sales and profit increased in plant O&M due to the expansion of business scope and cost reductions

Under E-Vision 2030, the Environmental Plants Business aims to grow into a resource circulation solutions provider that provides a wide range of services to contribute to the building of sustainable local communities. We will develop business centered on the EPC* and O&M of waste treatment plants that primarily serve local governments.

2020 was an unprecedented year with the worldwide COVID-19 pandemic, but the waste treatment facilities we handle are necessary for maintaining standards of living. We accomplished our work with a focus on stably processing local waste and protecting the safe and secure lives of local residents.

Global awareness of environmental issues, such as greenhouse gas emissions that cause climate change and ocean pollution caused by waste plastic, has never been higher.

Major countries, including Japan, have committed to carbon neutrality and are moving to decarbonize operations, and the environment surrounding corporations is undergoing major changes.

We are actively incorporating rapidly developing digital transformation technologies, such as AI-equipped cranes, to further improve the stability and energy efficiency of our waste treatment facilities and to reduce carbon dioxide emissions. In addition, we will further strengthen the practical application of waste plastic chemical recycling, and work toward decarbonization and the realization of a sustainable society.

* EPC: Engineering, Procurement, and Construction

SWOT Analysis of Environmental Plants Business

- 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 incinerator 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

Strengths

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

Weaknesses

- Reconstruction and upgrade demand stemming from aging of waste treatment plants
- Increased outsourcing of plant operation to the private sector
- Increased demand for renewable energy
- Growing need for waste plastic processing

Opportunities

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

Threats



E-Vision 2030 and E-Plan 2022 Business Strategies

Business Vision (E-Vision 2030)

Expand business to become a resource circulation solutions provider with operations centered on waste treatment plant construction and operation that provides integrated EPC services primarily to local governments

E-Plan 2022 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



E-Plan 2022 Targets / Progress in 2020

Numerical Targets (Operating profit ratio) (IFRS)	2020/12 Results (IFRS)	2020/12 Achievements	Future Initiatives
9.5% or more	10.2%	<ul style="list-style-type: none"> • Received contracts for DBO projects for municipal governments as well as EPC projects for the private sector as a result of customer-oriented proposals • Received contracts for facility life-extension projects for municipal governments due to our highly-evaluated, long-term track record in maintenance, management, and operation • Increased the number of facilities equipped with AI cranes and the number of facilities eligible for remote monitoring support by implementing digital transformation • Signed a process license agreement for chemical recycling* 	<ul style="list-style-type: none"> • Improve profitability of receiving new EPC/DBO projects by improving non-price related elements of proposals • Continue efforts to incorporate peripheral operations of the comprehensive, long-term service projects and propose lifespan extensions • Further R&D towards reduction of O&M costs by making full use of digital transformation technologies and improvement of plant performance • Implement demonstration tests for implementing chemical recycling in society

* In September 2020, Ebara Environmental Plant Co., Ltd., JGC CORPORATION, and Ube Industries, Ltd. signed a license agreement for the Ebara Ube Process (EUP) pressurized two-stage gasification process.

E-Plan 2022 Progress and KPIs

We are working to provide high-quality services by implementing digital transformation at facilities with operational support. In addition to utilizing our incinerator operation know-how, we are also working on the further improvement of power generation efficiency and reduction of carbon dioxide emissions with the help of digital transformation technologies. We have set KPIs for each of our initiatives, some of which are introduced below.

Related Materiality	Measures and KPIs	2022/12 Targets	2020/12 Results	2020/12 Achievements	Future Initiatives
1	Environmental load management				
	Generation of renewable energy from waste	130,000 MWh	140,163 MWh	Exceeded volume target for contracted power as a result of positive municipal responses to our initiatives to generate power locally for local consumption	Conduct proposal activities to sign long-term contracts for the generation of renewable energy from waste
	Stable operation of social infrastructure				
Long-term comprehensive contracts for DBO projects (cumulative total)	19	14	Conducted proposal-based sales activities that take into account the individual circumstances of customers to ensure the stable operation of municipal solid waste treatment facilities, an essential part of the social infrastructure	Focus on facility design as well as local power production for local consumption to make our facilities into symbols of a recycling-oriented society	
Crane upgrades and AI crane installation	Achieve 100% installation target	Installation target 33% achieved	Introduced AI cranes to municipal facilities for their labor-saving and stable incinerator functions	Implement crane upgrades and widespread adoption of AI cranes based on the needs of the domestic public and private sectors	
Contribution to technologies that reduce environmental impact					
Practical application of Internally circulating fluidized-bed gasification system (ICFG)*	Construction of demonstration units Achieve an order target of 100%	Began basic trials	Established ICFG test facilities to extract products from waste plastics and obtain various data	Commence basic trials and activities to acquire contracts with potential users to build demonstration units	

* ICFG is a system to recover high-calorific fuel gas, consisting mainly of hydrocarbons, from low-grade materials like biomass. The product gas can be used as an alternative energy to fossil fuels, thus reducing new fossil fuel usage. ICFG is a chemical recycling technology that can be integrated into existing industrial processes with massive energy consumption to realize innovative systems that utilize biomass and waste energy as alternative fuel for manufacturing industries. ICFG is a registered trademark in Japan of Ebara Environmental Plant Co., Ltd.

Environmental Plants Business

Topic 1 | Implementing Chemical Recycling

In September 2020, Ebara Environmental Plant Co., Ltd. and Ube Industries, Ltd. signed a license agreement to provide the Ebara Ube Process (EUP)* pressurized two-stage gasification process technology to JGC Corporation. EUP is a waste plastic chemical recycling technology developed with the aim of realizing advanced recycling of waste plastics amid the accelerating global movement toward the realization of decarbonization.

The chemical recycling of waste plastic contributes to the improvement of the waste plastic recycling rate and the significant reduction of carbon dioxide emissions. The method consists of decomposing various kinds of plastics and impurities, which is one of the difficulties of plastic recycling, into various chemicals such as ammonia, methanol, and olefins, which can then be reused as raw materials for plastics, rubber, and synthetic fibers.

Jointly developed by Ebara Environmental Plant, Co. Ltd. and Ube Industries, Ltd., EUP is a technology that produces a synthesis gas of carbon monoxide and hydrogen by thermally decomposing waste plastic. This technology was put to practical use in early 2000, and ammonia has been continuously produced at the Showa Denko K.K. Kawasaki Plant since 2003. Today, about 60,000 tons of waste plastic is processed annually with EUP to produce ammonia using the hydrogen obtained from the process.

Through this license agreement, we will promote the use of EUP as a plastic waste gasification chemical recycling system, and will actively work to further the decarbonization of society in Japan and overseas.

* EUP is a registered trademark in Japan of Ube Industries, Ltd.

Topic 2 | Received the Prize of Director General of Small and Medium Enterprise Agency at the 2020 Energy Conservation Awards

Chubu Recycle Co., Ltd., a subsidiary of Ebara Environmental Plant Co., Ltd., won the Prize of Director General of Small and Medium Enterprise Agency (hereinafter, the Prize) in the Energy Conservation Best Practices at workplaces of the 2020 Energy Conservation Awards (hereinafter, the Awards) sponsored by the Ministry of Economy, Trade and Industry (METI).

The Awards were established by the Energy Conservation Center, Japan to honor the products and business models of companies that excel in energy conservation. The information dissemination and public relations activities of this awards program contributes to the building of an energy-saving society by raising awareness about energy-saving and relevant products throughout Japan.

The Prize was awarded to Chubu Recycle for its continuous efforts in energy conservation activities under the theme of “promoting energy conservation by raising awareness,” and for its achievements as an “excellent” rated business (S Class*) for five consecutive years.

Since its establishment in 1999, Chubu Recycle has been engaged in the resource recycling business, also known as “urban mining.”** Under its corporate philosophy of “Zero Emissions Factory,” incinerator ash generated from waste incineration plants is melted and

recycled into construction materials and valuable metals.

In the fiscal year ended December 31, 2020, we achieved a 9.8% reduction in energy consumption per unit of production and a 1,619-ton reduction in carbon dioxide emissions compared to the fiscal year ended March 31, 2017.

The Environmental Engineering Company will continue to contribute to the building of a sustainable society through recycling-oriented business, continuous energy-saving activities, and environmental load reduction activities.

*1. All businesses that submit periodic reports under the Energy Conservation Law are classified into four classes (S, A, B, and C), and the S class is recognized as an “excellent” business on the Ministry of Economy, Trade and Industry’s (METI) website.

**2. Because incinerated ash contains useful metals such as gold and zinc, it is referred to as an “urban mine,” a source of usable metals from the city.



Chubu Recycle staff with the Energy Conservation Award (Prize of Director General of Small and Medium Enterprise Agency)

Topic 3 | Received Order for Incinerator for Municipal Solid Waste Treatment Facility in China

Ebara Qingdao Co., Ltd. (hereinafter “Ebara Qingdao”), a subsidiary of Ebara Environmental Plant Co., Ltd., has received an order for an incinerator for a municipal solid waste treatment facility for Beijing, the capital of the People’s Republic of China. With this contract, the total number of contracts received by Ebara Qingdao throughout Asia, including in China, has reached a cumulative total of 49, with a cumulative processing capacity of 48,007 tons/day.

Ebara Qingdao is a manufacturing base for waste incinerators and waste heat boilers for municipal solid waste treatment facilities for the Japanese market, and also operates a business (EP + SV*) in China that designs, manufactures, installs, and provides guidance on the commissioning of waste incinerators and other major equipment.

The contract we received this time is for the third phase of the waste-to-energy generation plant in Shunyi District, Beijing. Ebara Qingdao will supply the High Pressure Combustion Control (HPCC)** stoker-type incineration system (processing capacity 800 tons x 1 furnace = 800 tons/day) to be used for the waste incinerator and provide safe, reliable waste treatment. In addition, the heat generated from waste incineration will be recovered by a steam boiler and used for power generation, thus reducing the need for electricity generated

from fossil fuels and reducing carbon dioxide emissions.

Based on more than 60 years of experience and technological capabilities in the solid waste treatment business in Japan, the Environmental Engineering Company

is aiming to expand its business to become a resource circulation solutions provider. In China and other neighboring countries, we will also contribute through Ebara Qingdao to global decarbonization by providing designs and products tailored to each region based on our experience and technological capabilities.

*1. EP + SV: Engineering Procurement + Supervisor

**2. HPCC, or High Pressure Combustion Control, is a registered trademark in Japan of Ebara Environmental Plant Co., Ltd.



Rendering of the completed third phase waste-to-energy generation plant in Shunyi District, Beijing

Precision Machinery Business

We will strengthen our ability to provide solutions and develop products with reduced environmental impact.

Tetsuji Togawa

Executive Officer
President, Precision Machinery Company



Key Points behind Our Financial Performance in the Fiscal Year Ended December 31, 2020

- Sales in chemical mechanical polishing (CMP) systems increased due to growing demand
- Sales in S&S parts and overhaul increased
- Operating profit increased in line with increased sales
- Fixed costs related to the automated dry vacuum pump plant increased

In the fiscal year ended December 31, 2020, capital investment and demand for semiconductors remained strong, reflecting the spread of ICAC5* as well as the widespread adoption of remote work and stay-at-home lifestyles, resulting in increased sales and profit compared to the previous fiscal year.

In the Precision Machinery Company, in line with the growth strategy set forth in E-Plan 2022, we strengthened our ability to provide solutions by developing an exhaust system for EUV lithography equipment and conducting joint development with international research organizations. To promote global business development, we strengthened systems to increase our market share in China and opened a dry vacuum pump overhaul center in Germany. In addition to implementing measures to increase efficiency, we began operation of an automated dry vacuum pump plant on our Fujisawa District premises.

During the fiscal year ending December 31, 2021, to meet growing demand, we will expand the CMP production lines at the Kumamoto District plant, complete construction and start operation of a dry vacuum pump overhaul center in China, and begin construction of a new equipment development building to further strengthen our ability to provide solutions. In addition, we are promoting development aimed at energy and resource conservation in our products from a sustainability perspective, and are striving to help reduce the environmental impact of our customers’ business activities.

We will contribute to the realization of a more enriched world by cultivating partnerships with our customers and providing solutions based on our unique technology.

* ICAC5 stands for IoT, cloud, artificial intelligence (AI), self-driving cars, and 5G.

SWOT Analysis of Precision Machinery Business

- Rotating machinery, fluid equipment, machine control systems, gas decomposition and abatement, and energy conservation technologies
- Sophisticated technological capabilities and manufacturing technologies that contribute to resource conservation
- Bases positioned near customers worldwide
- Flexible, high-quality customer support capabilities
- Long-term employee retention contributing to technology accumulation and transfer
- Diverse base of technically skilled employees around the world
- Robust supply chain

Strengths

- Lack of optimization of production systems (i.e., fully automated plants, etc.)
- Faltering share expansion in growth-promising Chinese market
- Slow launches to new business initiatives

Weaknesses

Opportunities

- Spread of IoT, AI, and automated driving technologies
- Diversification of work styles through teleworking and other methods utilizing cloud and communications technologies
- Growth in semiconductor demand in conjunction with the technological development of a super-smart society
- Aggressive semiconductor investment in China
- Consistent capital investment demand in Taiwan, South Korea, and Japan

- 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
- Impacts of trade dispute between the United States and China

Threats

Precision Machinery Business

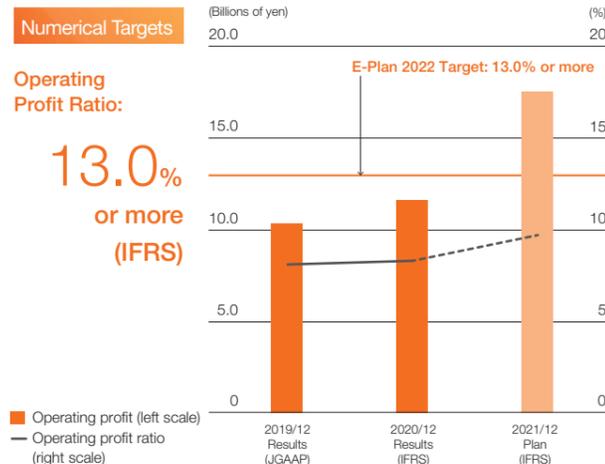
E-Vision 2030 and E-Plan 2022 Business Strategies

Business Vision (E-Vision 2030)

Contribute to the development of society through partnerships 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



E-Plan 2022 Targets / Progress in 2020

Numerical Targets (Operating profit ratio) (IFRS)	2020/12 Results (IFRS)	2020/12 Achievements	Future Initiatives
13.0% or more	8.3%	<ul style="list-style-type: none"> • Conducted joint development with international research organizations • Opened dry vacuum pump overhaul centers in Germany and China • Began operation of the automated dry vacuum pump plant 	<ul style="list-style-type: none"> • Strengthen production systems to meet growing demand and further enhance our ability to provide solutions

E-Plan 2022 Progress and KPIs

We are further improving energy conservation and weight reduction in our products, and are promoting joint development with partners whose products and services support the realization of next-generation semiconductors. We will realize E-Vision 2030 by reducing GHG emissions through our products and ensuring stable operations for our customers through the expansion of S&S. We have set more than ten categories of KPIs and are monitoring the progress of all of our initiatives.

Related Materiality	Measures and KPIs	2022/12 Targets	2020/12 Results	2020/12 Achievements	Future Initiatives
1	Environmental load management				
	Reduction of GHG emissions through gas abatement systems	Achieve 100%	40%	Contribute to the reduction of GHG emissions by detoxifying the gases generated in the semiconductor manufacturing process	Develop and expand sales of products that are more beneficial to customers
2	Product weight reduction				
	Weight reduction of target products (Per unit compared to 2019)	Achieve 12% reduction	13%	Reduce the weight of target products to decrease raw materials and energy used in distribution; reduced weight also makes products easier for customers to use	Continue to develop models that take into account weight reduction as well as changing market trends
	Development of manufacturing equipment to meet the evolutionary roadmap for semiconductors				
	Development of new models arising from priority projects	Achieve 100%	88%	Completed roughly the number of models targeted for completion by the end of FY2020	Further increase the number of models developed
	Development of elemental technologies for the next generation of target products	Achieve 100%	97%	Development progressing roughly on schedule	Continue development

Topic 1 | Completed Construction of Dry Vacuum Pump Overhaul Centers in Germany and China

Demand for semiconductors is growing with the worldwide adoption of remote work and the acceleration of digital transformation. As our customers in the semiconductor industry continue to increase factory operations, demand for S&S of semiconductor manufacturing equipment and component equipment to support production is increasing. In particular, dry vacuum pumps require periodic overhauls to maximize performance and prevent breakdowns. For this reason, it is important to enhance customer-oriented field support, strengthen the S&S system in Japan and overseas, and cultivate human resources.

In April 2021, overseas Group company EBARA Precision Machinery Europe GmbH (headquartered in Germany; hereinafter referred to as EPME) completed construction of its second dry vacuum pump overhaul center in Weixdorf, Dresden, where EPME is located, complementing the 10 similar facilities already in operation

around the world. As Dresden is a high-tech city known as "Silicon Saxony," the EPME's new overhaul center will enable us to meet the demands of the European market more quickly, serving an important role for EBARA's Precision Machinery Business.

In addition, in order to quickly meet demand for semiconductors in the Chinese market, we completed construction of the third dry vacuum pump overhaul center in China in July 2021 at HEFEI EBARA PRECISION MACHINERY (headquartered in China), an overseas Group company.

With the establishment of the new overhaul centers, we will contribute to the advancement of semiconductor products that will support a smart society, one of the goals set forth in E-Vision 2030, through S&S of manufacturing equipment and devices.



EBARA Precision Machinery Europe overhaul center



HEFEI EBARA Precision Machinery overhaul center

Topic 2 | New Dry Vacuum Pump Automated Plant at Fujisawa District Premises

In the new world of ICAC5, demand for semiconductors is expected to keep growing, and we will need to respond with strong capital investment in the semiconductor industry as a whole. Therefore, in order to strengthen our production system for dry vacuum pumps and CMP systems, for which we have a large share of the global market, we are automating and expanding production lines at our plants in Kanagawa and Kumamoto Prefecture.

A new automated dry vacuum pump V7 plant was constructed in December 2019 on the Fujisawa District premises in Kanagawa Prefecture. Full-scale operation is scheduled to begin in August 2021. The automated V7 plant replaces production work that used to be done manually with IoT technology to manage production and operation status in real time. This enables efficient processing, assembly, and distribution processes in accordance with demand fluctuations, tripling production capacity.

With the establishment of this new automated plant, we will be able to produce products that meet our customers' needs in a timely manner even as demand continues to grow. After the new plant begins operation, we will continue to utilize the latest automation and other technologies to further improve productivity.

We are aiming to increase the number of CMP system production lines in the existing plant at the Kumamoto District location, from the current two lines to three lines halfway through 2021. This will increase production capacity to 1.5 times the current level. We are also planning to increase the number of personnel in accordance with this facility expansion.

We are enhancing our dry vacuum pump and CMP system production facilities, and by improving production efficiency, we will be able to supply products that meet the needs of our customers in a timely manner.

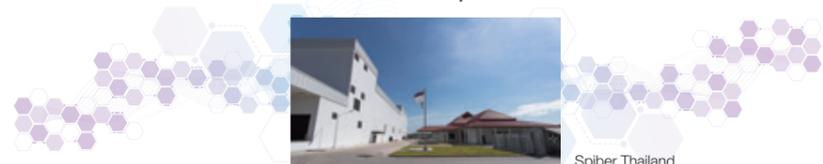


Fujisawa District V7 plant

New Businesses

The EBARA Group aims to develop and create new businesses by recognizing issues based on realistic future forecasts and integrating a global market-in approach while contributing to solving material issues by leveraging its unique strengths. Here, we will present some of our new businesses already under way.

Furthering Decarbonization Collaboration with Spiber



In January 2020, the EBARA Group invested 1.0 billion yen in Spiber Inc. (hereinafter “Spiber”). Spiber is developing and manufacturing Brewed Protein materials that are expected to become sustainable next-generation key materials and do not depend on petroleum or other finite resources as their main raw material. Since the initial investment, we have conducted joint research with Spiber to improve the heating and cooling processes in the manufacturing (cultivation) process.

We delivered industrial process pumps (Model GSO* pumps), one of our core global products, to the Brewed Protein mass production plant that opened in Thailand in March 2021. The Model GSO pumps are used mainly for industrial processes in the Chinese and Southeast Asian markets. The pumps, which are one of our core global

products boasting high efficiency, comply with the international standards ISO2858 and ISO5199 required in chemical and general industries. In addition to the Model GSO pumps, we also delivered pumps for cooling water, fire extinguishing, and water supply.

We will be dispatching mechanical engineers to Spiber to explore a wide range of manufacturing process efficiencies that integrate biology with mechanical engineering. Specifically, we will deepen our understanding of cutting-edge fermentation processes, develop new added functions and equipment, and proceed with development aimed at scaling up manufacturing. We will further our collaboration with Spiber with the goal of realizing a society that can break free from its dependence on fossil fuels.

* Model GSO is an EBARA model number.

Our Inland Recirculating Aquaculture System (RAS) Testing Site is Now in Operation



A tank of tiger puffer fish at the inland recirculating aquaculture experimental farm

EBARA entered into a capital and business alliance in 2019 with Regional Fish Institute, Ltd. (hereinafter “Regional Fish”), a food-tech start-up established as the core proponent of the efforts of Kyoto University and Kindai University, among others. In October 2020, we constructed and began operation of an inland recirculating aquaculture experimental farm in collaboration with Regional Fish, where we are conducting growth tests of tiger puffer fish by combining Regional Fish’s breeding technology with EBARA’s fluid and heat control technologies, as well as other technologies that we have fostered since our founding. We are striving for the swift implementation of a labor-saving inland recirculating aquaculture system that reduces

pump power costs and more precisely controls required water volume as well as purification functions.

Along with technological development, we aim to raise the value of farmed fish by taking a market-oriented perspective and conducting activities such as utilizing outside companies’ networks of top chefs in Japan and abroad to work towards visualization of taste, adaptation to cuisine, and creation of processed foods.

We aim to industrialize the next generation of inland recirculating aquaculture, which will be less burdensome on the environment and provide a safe, secure, stable supply of products in both quality and quantity. We also aim to enable visualization of taste and production of seafood products in line with consumer preferences.

Borderless Business Creation in Southeast Asia and Cultivation of Intrapreneurs

In July 2020, we invested 500 million yen in the “Real Tech Fund Investment Partnership Global I” established by Real Tech Holdings Co., Ltd. (hereinafter “Real Tech Holdings”), a fund that invests in and fosters real tech startups in Southeast Asia.

“Real tech” refers to R&D-based innovative technologies that contribute to solving deep-rooted, global issues such as climate change, energy issues, and food problems. Although

Southeast Asia is in the midst of remarkable economic development, there are still many inherent issues that need to be addressed, and we will work together with local startups and university research institutions to create new businesses that solve these issues. We have also dispatched personnel to Real Tech Holdings with the aim of fostering intrapreneurs within EBARA, exploring new opportunities, and jointly developing business creation and evolution.

Message from an employee dispatched to Real Tech Holdings

Sho Kosaka
EBARA CORPORATION
Marketing Division
New Business Architecture
Department, Marine
Solution Section



The thing that surprised me the most about Real Tech Holdings was each member’s passion. We all have a venture-first attitude. Everyone remains highly focused on how to quickly implement technology in society and how to collaborate with the people who can support that technology. It was clear to me that these people all share the top priority of changing the world through technology. This opportunity to work alongside entrepreneurs my same age and to be directly involved with cutting-edge technology in Southeast Asia is invaluable to me.

New Business Idea Competition “E-Start 2020”

The Marketing Division’s New Business Architecture Department carried out “E-Start 2020,” an internal competition to produce new business ideas. We also needed to create an internal culture that would go beyond the collection of ideas to ensure the ideas get considered and nurtured.

We set up a special website for the event and announced it on the Company intranet. President Asami himself sent out a video with the message, “Nurturing plans that embody the founding spirit of ‘Netsu to Makoto’ (Passion and Dedication).” This was followed by a video thread of supportive messages from all of the Executive

Officers. As a result of the increased internal communication, we were able to receive 120 new business idea submissions. Despite a short employee voting period of just two days, 884 votes were cast, and we succeeded in creating an atmosphere that supports new business development throughout the Company.

Two external judges participated in the final judging panel, which was held online. Nine proposals in fields such as medicine, space, environment, and energy were discussed, and the five winning proposals have now advanced to the phase of preparation for commercialization.



The winning team and President Asami (center)



Financial Strategies as Explained by the Finance Executive

We aim for sustainable growth and the long-term enhancement of corporate value through appropriate capital allocation.



Shugo Hosoda
Executive Officer
Division Executive, Finance & Accounting Division

Role as Finance Executive

In March 2021, I was appointed Executive of the Finance & Accounting Division, but I was originally an engineer. When I joined EBARA, I was in charge of new process development at the Environmental Plants Business. Later, when I worked in the Corporate Strategy Planning Division at the Head Office, I was involved in the transition to the Company with Three Committees structure, our current corporate governance system. For the last five years, I have led global operations at Elliott Company in the United States. The Finance & Accounting Division has many specialists who are deeply knowledgeable in their respective fields, but I myself have come from a comparatively diverse background. Utilizing this expertise, I would like to contribute to the Company from a more multifaceted perspective.

Investment in Growth

As part of our financial strategy to achieve sustainable growth, we plan to undertake capital investment of ¥100 billion and R&D investment of ¥40 billion during the three years of our medium-term management plan, E-Plan 2022. In 2020, the first year of the plan, we invested in growth based on this strategy in both existing and new businesses. As we aim to achieve our 10-year vision as laid out in E-Vision 2030, we

have been steadily planting seeds for the creation of new businesses, and we believe that we are making solid progress.

First, let's look at existing businesses. To handle the growing demand for semiconductors, the Precision Machinery Business is making progress in establishing a system for the full-scale operation of the automated plant for dry vacuum pumps. In the field of liquefied natural gas (LNG), where demand for clean energy is expected to increase, we are actively investing in growth areas, including the construction of a new test stand for cryogenic pumps in the United States. In addition, the acquisition of Turkish pump manufacturer Vansan was finally completed in April 2021, and investments for growth that will strengthen and expand existing businesses are steadily under way.

To develop our new businesses, we are working enthusiastically with specialized organizations on several projects, including the development of new generation biomaterials through investment in Spiber, and inland recirculating aquaculture through a capital and business alliance with Regional Fish.

In addition to these growth investments, we are also continuing to make digital transformation investments, such as business process innovation using digital technology and companywide implementation of enterprise resource planning (ERP).

We will continue to upgrade our investment management and evaluation processes so that we can boldly break into promising new fields without missing opportunities, while ensuring adequate risk assessment.

Capital Structure

We have set a debt-to-equity ratio of 0.4 to 0.6 times (IFRS basis) as the indicator of capital structure for this medium-term plan period. This indicator is based on the existing business structure, scale, and risks, and takes the required level of financial soundness into consideration. This is one of the cornerstones of our capital policy for this medium-term management plan.

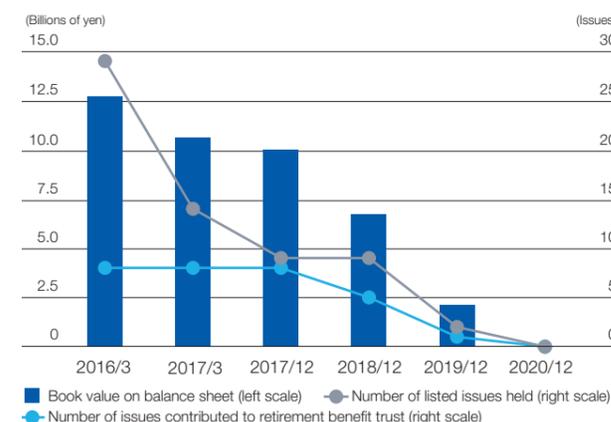
To sustainably generate returns in excess of the cost of capital from a medium- to long-term perspective, we believe it is important not only to strengthen investments for growth, but also to improve capital efficiency through management of our business portfolio and appropriate control of invested capital.

Capital Efficiency Improvement

We have established working capital and other management indicators to better understand the status of capital in each business, and we are working toward improvement in capital efficiency to maximize return on invested capital. In addition, we have been continuously working to reduce assets outside of our main businesses. Although we used to hold more than ¥10 billion in cross-shareholdings, we completed the sale of all cross-shareholdings at the end of the fiscal year ended December 31, 2020.

We also decided to repurchase and cancel up to ¥20 billion (or 5.2 million shares) in treasury shares in May 2021 to further optimize shareholders' equity.

Changes in Cross-Shareholdings (as of the end of each fiscal year)

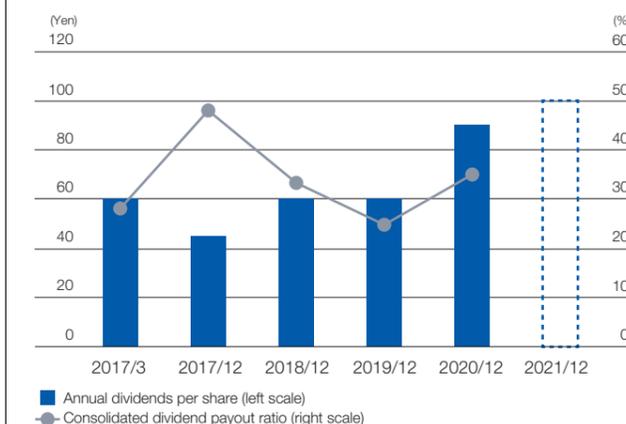


Enhancement of Shareholder Returns

The shareholder return policy laid out in E-Plan 2022 calls for a consolidated dividend payout ratio of at least 35.0%, while maintaining a flexible policy on share buybacks.

In line with our medium-term management plan, we have raised the annual dividend per share for the fiscal year ended December 31, 2020 from the initial forecast of 60 yen to 90 yen, resulting in an increase of 30 yen compared to the previous fiscal year. For the fiscal year ending December 31, 2021, the initial annual dividend forecast is 100 yen per share. Together with the aforementioned share repurchase and cancellation, we will enhance shareholder returns in accordance with our medium-term capital policy.

Changes in Annual Dividends per Share



Repurchase of Shares

- Upper limit: Total repurchase price of ¥20 billion or of 5.2 million shares
- Repurchase period: May 17, 2021 to December 23, 2021

Enhancement of Information Disclosure

Enhanced information disclosure helps shareholders and investors to correctly understand risk factors when making investment decisions. We see this as an important factor that can reduce the cost of capital for companies. Although the outlook is still unclear due to the COVID-19 pandemic, we are making every effort to meet the needs of our shareholders and investors by disclosing more detailed financial information, such as the predicted impact on the performance of each business, the status of efforts to supplement liquidity

on-hand, and the structure of long-term interest-bearing debt.

We have also shifted to IFRS starting in the fiscal year ending December 31, 2021 in response to the global standardization of information disclosure. We made this decision based on the fact that nearly half of the Company's shareholders are international investors, and that our overseas sales ratio is over 50%. We will continue to strive for proactive and appropriate information disclosure to further enhance communication with our shareholders and investors.

E-Plan 2022 Financial Policy*

	E-Plan 2022 Target	2020/12 Results	2021/12 Plan
Growth investments	Capital investment ¥100 billion (cumulative total for 3 years)	¥32.2 billion	¥26.0 billion
	R&D investment ¥40 billion (cumulative total for 3 years)	¥12.5 billion	¥14.0 billion
	Proactive M&A stance	—	¥11.3 billion (Vansan acquisition)
Shareholder returns	Consolidated dividend payout ratio: 35% or more	35.4%	—
	Flexible share buyback stance	—	¥20.0 billion
Capital structure	Debt-to-equity ratio 0.4–0.6 times	0.34 times	—

* Based on IFRS

We will proactively evaluate the challenges our employees face both within the Group and globally, and aim to be a company where employees feel fulfilled and comfortable in their work.



Shu Nagata
Executive Officer
Division Executive, Corporate Strategic Planning and Human Resource Division

Promoting work environments that encourage challenge is one of the material issues in our long-term vision, E-Vision 2030, which illustrates our 10-year vision for the Group and the path to achieve it. In order to develop our business on a global scale and continue to grow as a company, we need to further strengthen our human resource management globally across the Group. To establish a foundation for this growth, the “One EBARA HR” project is being implemented Groupwide. The COVID-19 pandemic has transformed the way people work around the world. While looking ahead to a changed post-pandemic society, we will promote a corporate culture of competition and challenge. We will proactively evaluate the challenges our employees face both within the Group and globally, and aim to be a company where employees feel fulfilled and comfortable in their work.

REFERENCE Personnel Affairs and Human Resource Development Policy
<https://www.ebara.co.jp/en/sustainability/social/information/talent-management.html>

Human Resource Vision (E-Vision 2030)

Create a corporate culture of competition and challenge by providing safe and stimulating working environments where diverse employees can engage in meaningful work and utilize their full potential.

E-Plan 2022 Progress and KPIs

Related Materiality	Measures and KPIs	2022/12 Targets	2020/12 Results	Scope	2020/12 Achievements	Future Initiatives
4	Establishing a foundation to achieve sustainable global growth					
	Global expansion of the role grading system	100%	10%	Global	Although there was a slight delay from the initial plan, we made progress in explaining and preparing for the introduction of each system and program in Group companies, and completed implementation of the role grading system at Group companies in Italy and Vietnam	In 2021, 12 Group companies are in the process of introducing the system, aiming for a 50% adoption rate in role grading and succession systems; the goal is to implement the systems in the remaining 50% in 2022 to reach 100%
	Global expansion of the performance evaluation system	50%	0%			
	Global expansion of the succession program system	100%	1%			
	Reduction of total recordable incident rate (TRIR) (by 2023)	2023: 0.80	3.13	Consolidated, in Japan	Occupational safety consultants conducted risk surveys, safety culture diagnoses, and occupational accident analyses at each business site	Implement measures to foster a culture of safety, including a follow-up system to prevent recurrence of industrial accidents, risk management, and human resource development for work safety leadership
	Transform into a Group with a corporate culture of competition and challenge					
	Reduce total average work hours	1,920 hours	1,977 hours	EBARA CORPORATION	Increased from 2019 due to factors such as reduced use of paid leave as a result of the COVID-19 pandemic	Plan, implement, and expand a telework system that increases productivity; promote health and stress management; and encourage the use of paid leave
	Promote diversity by increasing the percentage of female candidates for key positions*	6.8%	6.5%		Career introduction by senior employees, dispatch to external training programs, and roundtable discussions held for employees on childcare leave	Conduct training for young female employees to improve their skills at an early stage and increase the number of female candidates for key positions
	Promote diversity by increasing the percentage of female new hires	30%	21.2%		Steadily increased the number of female and non-Japanese new hires through various recruitment methods such as alumni and referral systems	Secure a diverse workforce by hiring by job category and creating an environment where people can utilize their majors and take on their preferred challenges
	Promote diversity by increasing the percentage of non-Japanese new hires	25%	12.2%			
Improve global engagement survey score	83	78	Global	Efforts were made to improve communication, including increasing the frequency of messages from management; a number of items improved over time due to COVID-19 measures	Each department will formulate an action plan based on survey results and work toward improvement	
Continue investing in human resource development (training costs per person)	¥29,897	¥23,639	EBARA CORPORATION	To prevent the spread of COVID-19, scheduled in-person training sessions were postponed and most training sessions were moved online	Provide both face-to-face and online hybrid training opportunities	
Increase the ratio of local employees in global key positions at overseas operating sites (by 2030)	2030: 50%	20%	Global	Explained KPIs to the human resource departments of overseas Group companies at global HR meetings	Implement Groupwide early selection and training of talent globally, and undertake systematic personnel measures for 2030	

* Key position: employee positions equivalent to managers

Human Capital Strategies and Measures

Strengthen Groupwide Human Resource Management

To realize our international business development goals in E-Vision 2030, we believe that we must accelerate the localization of the human resources that hold global key positions in the Group’s business. In order to continuously nurture human resources capable of succeeding in these positions, we must promptly select and train excellent human resources throughout the Group.

To achieve these objectives, we have been working on the One EBARA HR project since the fiscal year ended December

31, 2019 to strengthen human resource management across the entire Group. The project sets a timeline for the implementation of nine HR measures to be completed by the next mid-term management plan at all Group companies. In the fiscal year ended December 31, 2020, the introduction of the role grading system was completed at two Group companies (Ebara Pumps Europe in Italy and Ebara Vietnam Pump Company in Vietnam).

Message from an Employee in a Global Key Position



Matteo Zenari
Product Management & Communication General Manager
Ebara Pumps Europe

One EBARA is a great HR strategy because it makes us feel like we are one united company, as the name suggests. I’m a big supporter. I have had the opportunity to work for the EBARA Group as an export area manager in Italy and as a branch manager in Russia and the United Kingdom. I was able to use this time to develop my skills as a manager and understand cultural differences. I also learned that having people working in different parts of the world really benefits the Company.

I believe that there are many people who have expertise in various aspects of the business at EBARA. I believe that the EBARA Group will be able to become a strong global player if we give those people the opportunity to enhance their vision and mindset.

Efforts to Change Corporate Culture

In order to realize a corporate culture of competition and challenge, we reformed our personnel system, first with key positions in the fiscal year ended December 31, 2017, and then with unionized positions in the fiscal year ended December 31, 2018. Organizations were expanded and flattened, and a shift was made from the previous seniority-based system to a role grading system.

In the past, the earliest an employee in a unionized position could be promoted to a key position was after their

mid-thirties. However, under the new system, key positions have been created for employees in their twenties. We are selecting employees for promotion earlier based on merit and we have eliminated the seniority system.

We will continue to foster a corporate culture of competition and challenge by providing comfortable, motivating environments where diverse employees, regardless of gender, nationality, or age can conduct meaningful work globally.

Initiatives for Human Resource Development

In the fiscal year ended December 31, 2020, some training sessions were postponed and most were held online in order to prevent the spread of COVID-19. Online training has the advantage of being location-independent, and we will continue to use a combination of face-to-face and online training.

For the first time, in the fiscal year ending December 31, 2021, research project training will be conducted in collaboration with the Graduate School of Project Design, with the aim

of cultivating human resources for the future of EBARA who are capable of discovering new business opportunities that support society, industry, and everyday life. From the perspective of fostering a corporate culture of competition, challenge, and diversity, the participants were selected through an open recruitment process. In the future, the participants will work on conceptualizing new businesses to solve social issues.

Human Resource Strategy

Conducting Global Engagement Surveys

We have been conducting global engagement surveys of all domestic and overseas EBARA Group employees since 2019 to ascertain what employees think about the companies and their work. Each department takes the survey results and creates and implements an action plan to improve engagement throughout the Group. As a result of these efforts, the number of positive survey responses from employees increased in 2020. In particular, due to enhanced communication and messaging from the management team, numbers improved in the comprehensive indicator categories of “sustainable engagement” and “management team.” In addition, our prompt and appropriate COVID-19 preventive measures

resulted in an increase in positive responses in the “safety” category.

Selected 2020 Survey Results

Category	Percentage of positive responses (overall EBARA Group)
Sustainable engagement*	78% (+3 points)
Management team	64% (+5 points)
Safety	79% (+4 points)

* Refers to a high sense of belonging to an organization, which is maintained by a productive work environment, physical and mental health, etc. Parentheses indicate comparison to 2019 figures.

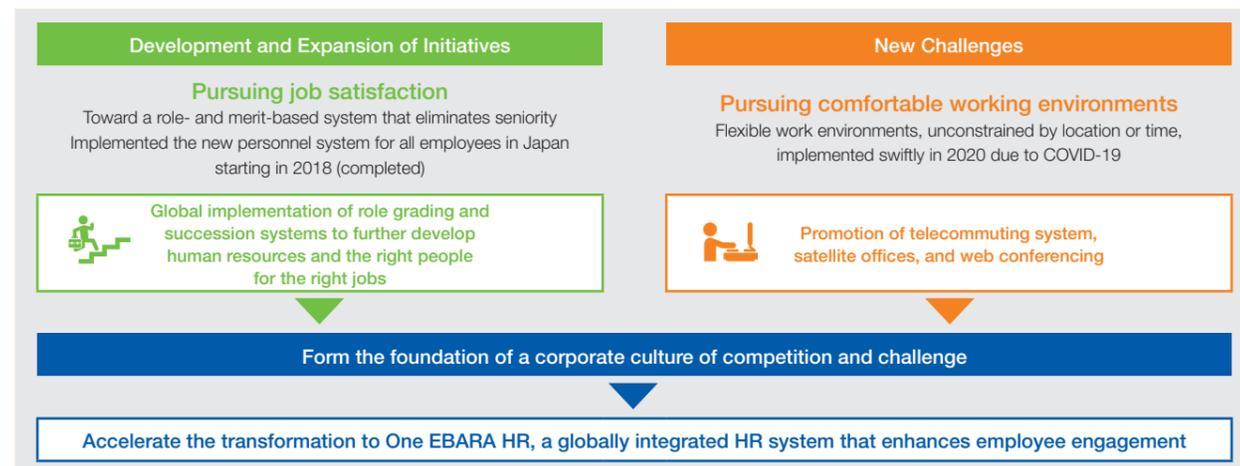
Initiatives to Improve Job Satisfaction and Comfort

The EBARA Group aims to be a corporation in which diverse employees around the world feel fulfilled and comfortable in their work. The COVID-19 pandemic has led to widespread adoption of telecommuting and decreased opportunities for face-to-face communication. As work styles change drastically, the Group is examining new ways of working within a post-pandemic society.

To realize job satisfaction, we will implement the role grading and succession management systems globally, to promote human resource development and ensure that the right people have the right jobs.

To realize comfortable working environments, we are implementing concrete measures to create a flexible and comfortable work environment not restricted by location or time, including expanding telecommuting systems, setting up satellite offices, and promoting web conferencing.

We will continue to enhance employee engagement by realizing both job satisfaction and comfortable working environments, and accelerate the transformation to the globally integrated HR system, One EBARA HR.



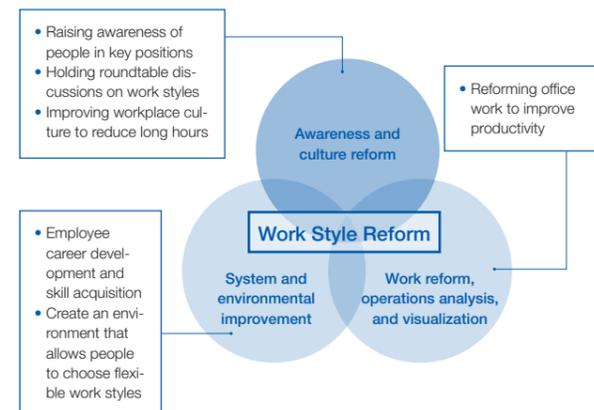
Distribution of Tablets to Employees at Manufacturing Sites

To improve the motivation and engagement of manufacturing site employees, and to close the information infrastructure gap in the workplace, we provided a tablet device to each person. Previously, a single computer was shared amongst each group of manufacturing site employees. Onsite communications were mainly done on paper, which made for an inefficient work environment. Tablets enable employees to have timely access to information on the Company intranet,

e-learning courses, expanded telecommuting options, and electronic manuals. This shift will both improve employee IT literacy and increase productivity, as well as facilitate the switch to paperless documents and promote human resource development. We will continue to formulate and implement measures that will help everyone move forward together, regardless of their workplace.

Diversity Promotion

The EBARA Group’s long-term vision as laid out in E-Vision 2030 is to create comfortable and stimulating working environments where diverse employees can engage in meaningful work to their full potential. To realize this vision, we are implementing initiatives in three areas: awareness and culture reform; system and environmental improvement; and work reform, operations analysis, and visualization.



Advancement for Women

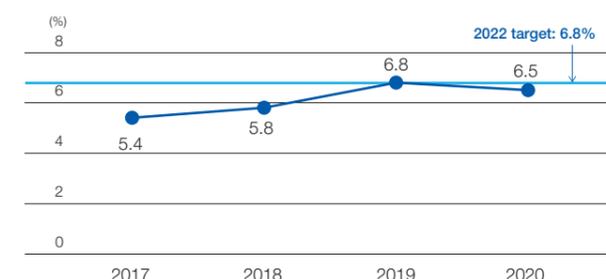
We aim to be a company where women can evolve and exercise their full ability through their work.

Aiming to resolve the current issues of the percentage of women in key positions and the small number of female candidates for key positions, we have set a goal of increasing the percentage of women in key positions to 7% or more by April 2023, and 8% or more by April 2025.

As part of our efforts to realize these goals, we will actively provide educational opportunities to foster career advancement, including options for employees to participate in external training programs.

We also held a roundtable discussion for employees on childcare leave in 2020, as there are many women who are concerned about their career path relative to marriage, childbirth, and other major life events. We will provide information about continuing careers, balancing work with raising children, and other possible opportunities.

Ratio of Women in Key Positions (EBARA CORPORATION, full-time employees)



Support for Non-Japanese Employees

One of the issues we faced was establishing a support system to help retain excellent non-Japanese talent who contribute to our global competitiveness. To ensure that non-Japanese employees in Japan and overseas can work safely and securely even during the ongoing COVID-19 pandemic, we are taking measures to prevent COVID-19 and providing useful information to ensure smooth operations. In addition, we hold periodic interviews to solve problems with communication or internal networks. During the first two years of a non-Japanese employee’s tenure at EBARA in Japan, we also provide periodic interviews in their native language to better understand and assist with the settling-in process, challenges they’re facing, and their growth. These interviews are conducted by specialists (outsource basis) with the requisite language skills.

Recruitment and Training of Non-Japanese Employees in Japan



Hiring by Job Category

Until 2020, new graduates were assigned to positions based on aptitude after joining the Company, but for 2022, we have changed the system to allow new graduates to choose a path (both job category and product sector) when they apply. By choosing their own jobs, they can choose to utilize what they learned as a student or choose a job that provides new challenges, making it easier for them to realize their desired careers.

Start of the Alumni System

We have started building a network of former employees, known as Ebalumni (Ebara-Alumni), with the aim of expanding personal connections and visualizing the talent of people who have left EBARA.

In general, alumni systems expand the range of human resources that an organization can access. By connecting people when they are recruited to the time they leave, we hope to attract diverse human resources, promote collaboration, and facilitate open innovation to achieve sustainable growth in the global market.

We will contribute to the resolution of social and environmental issues through our business by evolving and expanding our long-term initiatives.



Hiroshi Sobukawa

Executive Officer
Responsible for Technologies, R&D & Intellectual Property
Division Executive, Advanced Technology Division,
Precision Machinery Company

In the decade since the closure of EBARA Research Co., Ltd. in 2009, we have been strengthening our R&D activities and intellectual property based on a unique approach guided by BRDIP,*1 which promotes coordination among businesses, research and development, and intellectual property, and ABA,*2 which encourages collaboration among academia, businesses, and associations. In 2020, the first year of E-Vision 2030 and E-Plan 2022, we strengthened ties between BRDIP and ABA, formulated long-term strategic operation plans for the next decade, and implemented initiatives to create new businesses. By further evolving and developing these initiatives, we will continue to contribute to the resolution of social and environmental issues through our business.

*1. BRDIP: An original EBARA Group acronym created from "businesses," "R&D," and "intellectual property"

*2. ABA: An original EBARA Group acronym created from "academia," "businesses," and "associations"

REFERENCE Technologies <https://www.ebara.co.jp/en/technology/technology-top.html>

R&D and Intellectual Property Vision (E-Vision 2030)

We will further evolve and expand long-term strategic activities and contribute to solving social and environmental issues through our business.

E-Plan 2022 Progress and KPIs

Related Materiality	Measures and KPIs	2022/12 Targets	2020/12 Results	2020/12 Achievements	Future Initiatives
1	Strengthening development capabilities				
	Formulation of a research roadmap (RM) in key technology areas and implementation of medium- to long-term research themes in line with RMs	E-Plan 2022 target progress: 100%	E-Plan 2022 target progress: 58%	Formed RMs and action plans (APs) in the areas of fluids, materials, machine elements/vibration/acoustics, micro-interfaces, and numerical analysis	Revise RMs and initiate measures in line with APs, as well as formulate RMs/APs for electrical, control, and thermal sectors
2	Pursue new needs and research opportunities				
	Propose and implement research themes that lead to new technologies and new businesses	Ongoing proposals of new business fields	Planned research themes in new fields and started new technology projects	Strengthened research activities, conducted research on materials informatics (MI) and energy-related technologies, and supported the launch of new research themes and new technology projects in new fields	Promote R&D of MI, xR (virtual and augmented reality technologies), and energy-related technologies, and conduct research activities and plan research themes that broaden the scope of research
	Conduct patent application and rights acquisition activities based on market and technology trends for every product	Secure 100% of key products	Achieved target for the fiscal year ended December 31, 2020	Target products selected and IP strategies formulated; also started expanding strategic activities with business divisions	Work to improve competitive advantage of our key products by reviewing targets based on annual results

Intellectual Property Initiatives

- To enhance the competitive advantage of our key products, we are conducting patent application and rights acquisition activities based on the market and technological trends of each product.
- We are formulating contract policies for each type of contract and disseminating them internally, and also promoting the establishment and application of contract models that adhere to the policies.
- We are investigating other companies' patent strategies, technology trends, and trademark activities, and are providing information and proposals that contribute to management decisions, business decisions, and investor relations.
- We have registered our intellectual property in the *Chizaizukan* intellectual property database to generate demand for our intellectual property and to co-create new value with external companies. We will continue collaborating with external parties through our technology and intellectual property to create solutions that contribute to society.



One example from the *Chizaizukan*
Technology for fixing metal particles to synthetic fibers serves as a catalyst for improving chemical manufacturing efficiency

REFERENCE Chizaizukan <https://chizaizukan.com/>

R&D Initiatives That Lead to Increased Corporate Value

The corporate R&D division stays informed of the latest technologies and contributes to the introduction of technologies that meet the needs of the business divisions.

Development of Technology to Diagnose Abnormalities in Rotating Machinery



Takahito Kagoshima
EBARA CORPORATION
Marketing Division

In the operation of rotating machinery like pumps, scheduled, periodic inspection and maintenance is conducted to avoid performance degradation and losses due to sudden abnormalities or stoppages.

In recent years, various companies and research institutes have been developing condition-based maintenance technologies using AI and IoT. However, the mainstream approach of most of these technologies is to generate a so-called "rough diagnosis," in which the presence or absence of an abnormality is determined based on data obtained during normal operation. To get a "precision diagnosis" that identifies the cause of the abnormality, it is essential to have a detailed understanding of the structure and other aspects of the rotating machinery in question. To add to this, abnormalities occur infrequently in rotating machinery, making it difficult to collect a large amount of error data.

We are conducting R&D with the aim of realizing precision diagnosis technology by utilizing data science. We are developing a new learning method model (transfer learning) that enables diagnosis of abnormalities with a smaller amount of error data, and working on the construction of a system for actively and efficiently collecting necessary data in an experimental environment. We have also created physical models based on the structure and characteristics of rotating machinery, and combined them with simulation technology to study the mechanisms of abnormalities.

By developing technology to diagnose abnormalities in rotating machinery and providing condition-based maintenance services, we will build and strengthen new customer contact points through data, and this technology will also enable us to identify and provide solutions for potential unseen issues.



Illustration of transfer learning

Utilizing xR Technology



Kazuya Hirata
EBARA CORPORATION
Technologies, R&D Division
xR Application Development
Section

We are promoting the use of xR (extended reality) technologies such as VR (virtual reality) and AR (augmented reality) to improve our internal operations and product value. We are considering ways to utilize xR technology in various situations, such as during training when understanding the structure or disassembly of a product is difficult with two-dimensional drawings, as well as offering remote support or instructions. We are currently trialing this technology in the Precision Machinery Business and in the infrastructure systems division of the Fluid Machinery & Systems Business. We will continue to promote the use of xR technology in various fields, such as safety education and practical hazard experience applications, to improve operations, increase efficiency, and strengthen the competitiveness of the Group.



xR technology in use

xR Technology in Business Divisions and Employee Message



Seiji Miura
EBARA CORPORATION
Precision Machinery
Company
Equipment Division, Service &
Support Department, Training
Section and xR Application
Development Section

Previously, customers would come to Japan to train on chemical mechanical polishing (CMP) equipment, but that was not possible in 2020 due to travel restrictions related to the COVID-19 pandemic, so we switched to online training using videos and e-learning. However, we could not conduct training using actual onsite equipment, so our customers asked us to conduct online training that would be close to real, in-person practical training. To tackle this challenge, we are developing a training program that incorporates VR and AR. Ideally, customers around the world should be able to receive training regardless of language or time differences, so we are also using this program to cultivate local trainers for overseas Group bases.

This new training program is expected to improve work efficiency, shorten the time required to acquire skills, and reduce costs. It has been well-received in the internal evaluation stage, but there are still some issues that need to be resolved, so we plan to release it in 2021. In the future, while giving due consideration to safety, we will create programs as part of a new type of training that can be easily utilized by the next generation.

External Collaboration for Human Resource Development

We hold EOI* symposiums and invite experts in academic fields related to our business projects to help further our understanding of the latest technologies and develop human resources, as well as to promote the use of such advancements through external collaboration.

* EOI (Ebara Open Innovation): An original open innovation framework that fosters young researchers at outside research institutions by conducting joint research to resolve advanced technological issues

Digital transformation driving corporate innovation.



Hiroyuki Kowase

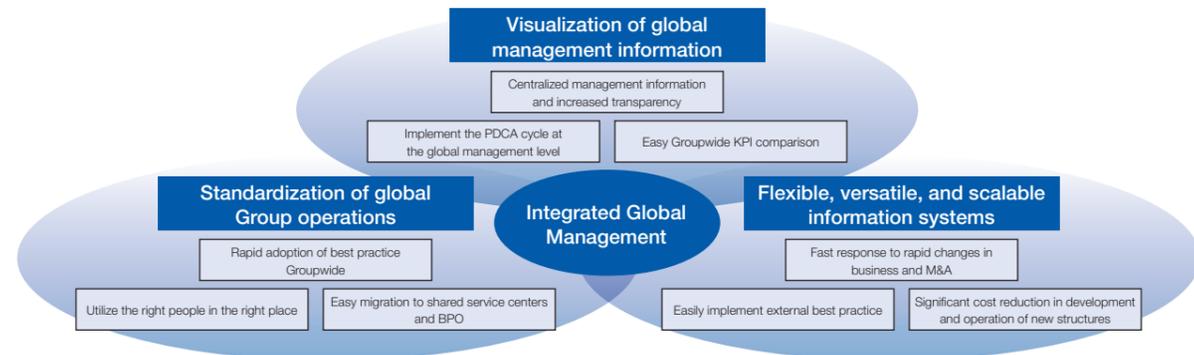
Executive Officer
Division Executive, Information & Communication System Division

The EBARA Group is making extensive use of digital transformation (DX) in order to develop as a global company. Digital transformation is driving corporate culture reform, improving business efficiency, and reshaping structures and business models. We have received a DX Certification from the Ministry of Economy, Trade and Industry (METI), and are proceeding with the standardization of our information infrastructure and core systems. The EBARA standard template for our core systems has been completed, and the system is being rolled out both within EBARA Corporation and at Group companies.

In response to the drastically changing business environment, our management, business, and IT departments will work in unison to implement ongoing corporate innovation through digital transformation.

Digital Transformation Initiatives

The EBARA Group will achieve the transformation from international management to integrated global management.



Digital Transformation Vision (E-Vision 2030)

Transform products, services, and business models and strengthen S&S by driving digital transformation.

E-Plan 2022 Progress and KPIs

Related Materiality	Measures and KPIs	2022/12 Target	2020/12 Results	2020/12 Achievements	Future Initiatives
1 2 4	Realization of integrated global management				
	Global deployment of systems centered on ERP (by 2024)	Determine optimal pilot facilities and deploy systems in advance	Implemented according to plan	Although the pilot company was changed due to COVID-19, measures were taken to ensure the overall plan would not be affected	Expand pilot facilities, complete full implementation in FY2024
	Integration of global IT infrastructure	100%	16%	Defined integration policy, established global centralized model, then implemented at overseas companies	Implement EBARA Group infrastructure integration, including security and other important measures, at more than 50 bases by the end of FY2021
	Expansion of centralized global systems	100%	54%	Started with usage trials and gradually expanded to overseas affiliates	Plans under way to roll out to 41 overseas Group companies by the end of FY2021, with continued expansion thereafter
	Increase of internal IT tools	100%	37%	Increased the number of internal IT tools in operation such as robots (exceeded 2020 plan)	Continue to revise workflows and optimize operations through automation

Utilizing Digital Transformation in Business

Shortening Design Lead Time and Improving Design Quality through Automation

The delivery times that customers require are getting shorter. In the Compressors and Turbines Business, where each order is custom designed and manufactured to the customer's specifications, the value of a product is decided by the speed and quality of the design phase. Automated design is an initiative to resolve the conflict between short design lead time and high design quality.

In conventional design work, the standard method is to reuse relevant parts of similar previously designed products and modify them for the new specifications. However, this method requires the designer to sift through a huge amount of past designs and decide which components to reuse based on their individual expertise, so design quality is inconsistent. This inconsistency leads to delivery delays and unnecessary costs.

With that in mind, we endeavored to develop an optimal design system that would produce the same results as an expert, regardless of individual proficiency.

In the automated design method, the designer inputs basic design specifications using a program that makes calculations based on the customer's requirements and applicable technologies. Based on the input data, modeling, drawings, and BOM*¹ are generated automatically by utilizing the functions of the mechanical and 3D-CAD system.

The basic design program instantly performs technical calculations based on the customer's requirements, such as performance and rotor stability calculations, as well as selecting the optimal impeller. This system delivers the final product in the form of basic design specifications, and can also automatically generate proposal reports to send to customers.

The 3D-CAD system is a high-end system that supports the parametric design of mechanical systems. In recent years, 3D-CAD systems have become more sophisticated, and can automatically create high-quality 3D modeling data and

drawings. The input data used for the 3D-CAD system is the basic design specification data generated by our basic design program. We have also started developing xR*² technology using the 3D modeling data obtained from this system. Recently, we have been receiving increased customer requests for 3D modeling data, and we believe that 3D modeling data will be even more important going forward.

The BOM creation system automatically creates BOM data using the same basic design specifications input as the 3D-CAD system.

All technical information (including project design, development design, production preparation, production technology, production, procurement, logistics, sales, and maintenance data) collected throughout the product lifecycle is managed by the Product Lifecycle Management (PLM)*³ system and aggregated in an engineering chain. This information is the foundation for our product development capabilities and our business competitiveness.

*1. BOM: Bill of Materials, a list of components, basic information, and hierarchical structure required to manufacture a product.
*2. xR: Extended Reality, a generic term for technology that integrates a virtual world with the real world.
*3. PLM: Product Lifecycle Management, a system that aims to improve efficiency and overall optimization by monitoring the entire lifecycle of a product, from the planning stage to disposal and recycling.



Centrifugal compressor (left) and steam turbine (right) made with the automated design system

Message from a Lead Developer of the Automated Design System

Masahiro Kashiwai
Elliott Ebara Turbomachinery Corporation
Project & Engineering Division



The automated design system has successfully reduced the design lead time by 80% compared to ten years ago, and design quality has dramatically improved.

We developed the automated design system entirely in-house, and didn't use any external resources. We did this so that every member involved would get the same understanding of design work throughout the system development process, since explicit knowledge would be replacing tacit knowledge. I felt that the members gained a deeper understanding of each other, and that we have produced great results as a team.

Environmental Initiatives

We are aiming to achieve the 2030 Environmental Targets to realize business growth and contribute to decarbonization.



Toru Nakayama
Executive Officer
Division Executive, Legal, Internal Control, Risk Management and General Affairs Division
Chairman, Environmental Control Committee

One of the five material issues laid out for the EBARA Group to address in E-Vision 2030, our long-term vision, is conducting comprehensive environmental management, and CO₂ reduction is a key factor in our management strategy.

As part of these efforts, we have established the EBARA Group 2030 Environmental Targets. We have established environmental performance targets for CO₂, water, and resource recycling. We are also in the process of obtaining ISO 14001 certification for all of our domestic and overseas manufacturing and maintenance bases.

The movement towards decarbonization is accelerating, such as with the Japanese government's announcement of its 46% CO₂ emissions reduction goal. In order to achieve business growth and contribute to decarbonization, the Group will make widespread efforts to shift to low-carbon electricity procurement, upgrade facilities with high energy consumption, and introduce more renewable energy sources, especially solar power. Through these efforts, we are steadily working to decouple the scale of business activities from CO₂ emissions, aiming to reach our environmental targets.

In addition, E-Vision 2030 sets the goal of reducing CO₂ emissions generated from the use of our products by approximately 100 million tons in real terms. We will achieve this goal by developing more energy-efficient products and expanding sales of products that reduce greenhouse gases in semiconductor manufacturing, such as gas abatement systems, in addition to other measures. These measures will enable us to contribute to decarbonization through our business.

REFERENCE EBARA Group Environmental Policy
<https://ebara.co.jp/en/sustainability/environment/information/environmental-policy.html>

REFERENCE Environmental Management
<https://ebara.co.jp/en/sustainability/environment/information/environmental-management.html>

Results of 2020 Environmental Targets

The EBARA Group has been working to achieve the 2020 Environmental Targets over the ten-year period from 2010 to 2020. The 2020 Environmental Targets have 15 goals in three directions: environmental conservation activities in our daily business, contribution to environmental conservation in

business activities, and efforts for environmental management. We will continue these efforts in the future as the cornerstone for comprehensive environmental management as stated in our long-term vision, E-Vision 2030.

Summary of 2020 Environmental Target Performance

Main Targets	Result	Main Initiatives
1. Environmental conservation activities in our daily business		
1 Adherence to voluntary standards	○	Compliance with water quality standards such as more stringent prefectural standards
2 Waste recycling rate of 95% or more	○	Comprehensive understanding of waste risks, thorough waste separation and collection
3 Continuous reduction of CO ₂ emissions	△	Despite efforts to upgrade facilities and reduce CO ₂ emissions from purchased electricity, CO ₂ emissions in 2020 increased from the previous year due to increased business activities; however, CO ₂ emissions per unit of sale improved
4 Water usage reduction of 30% from FY2000 level	○	Preventive measures for water leakage, reuse of raw water in pure water production
5 VOC emissions reduction of 30% from FY2000 level	○	Adoption of low-VOC paints, change from solvent cleaning to steam cleaning, and adoption of powder coating
6 Identification and minimization of environmental risks	○	Conduct environmental audits (environmental risk assessment, compliance with laws and regulations, etc.) for all internal construction projects
2. Contribution to environmental conservation in business activities		
7 Improvement of products' environmental performance	○	Provision of products and services that contribute to product energy conservation and solutions to social issues
8 Management of chemical substances in products	○	Establishment of a method to manage material composition of procurement goods Management in the Precision Machinery Business compliant with chemSHERPA (scheme for communicating information on chemical substances in products)
9 Environmentally conscious procurement	○	Designation and application of the Green Procurement Guidelines
10 Provision of products designed for use in the global warming prevention field	○	Development of pumps for seawater desalination and high-efficiency chillers Expansion of biomass utilization operations
3. Efforts for environmental management		
11 Continuous improvement of the environmental management system	○	Unified certification for EBARA CORPORATION in 2017 Standardized quality management system, formats, etc.
12 Management of environmental risks through auditing	○	Conducted corporate environmental audits for domestic Group companies and on-site audits for overseas Group companies
13 Contribution to biodiversity	○	Conduct Companywide general environmental education and awareness-raising for all employees, and support the creation of headwater forests
14 Enhancement of environmental information disclosure	○	Disclosure of environmental information on products through the Ebara Engineering Review, etc.
15 Social contribution activities	○	Dissemination of EBARA's experience and technology through international technical courses

REFERENCE Detailed information is available on the EBARA website's Environmental Targets page.
<https://www.ebara.co.jp/en/sustainability/environment/information/environmental-goals.html>

2030 Environmental Targets

One of the five material issues laid out in E-Vision 2030 is conducting comprehensive environmental management. We will strive to minimize the environmental impact of our

business activities and reduce CO₂ emissions, including using as much renewable energy as possible, in order to achieve carbon neutrality.

2030 Performance Targets and Future Initiatives

2030 Performance Targets	Future Initiatives
1. Reduce CO ₂ , Scope 1 & 2 emissions by 26% from FY2018 levels	<ul style="list-style-type: none"> Timely upgrades of facilities with high energy consumption, such as industrial furnaces and transforming equipment Pursue electrification and low-carbon procurement of electricity Installation of solar power generation equipment Utilization of carbon pricing
2. Reduce CO ₂ emissions generated from the use of EBARA products by approximately 100 million tons (target based on expected sales in FY2030)	<ul style="list-style-type: none"> Further improvement of energy conservation in products Implementation of biomass-related power generation, improvement of power generation technology Expansion in sales of gas abatement systems for semiconductor processing
3. Continuously lower water consumption rate	<ul style="list-style-type: none"> Implementation of measures for industrial water recycling and against water leakage
4. Maintain a waste recycling rate of 95% or more	<ul style="list-style-type: none"> Improvement of the recycling rate by thoroughly separating waste and revising waste processing contractors

Comprehensive Environmental Management at Overseas Group Companies

One part of comprehensive environmental management as laid out in E-Vision 2030 is obtaining ISO 14001 certification for overseas Group companies. As of January 2021, the number of Group companies that have obtained ISO 14001 certifications is eight*1 in Japan and 17 overseas. In the fiscal year ended December 31, 2020, Shanghai Ebara Precision Machinery and Ebara Engineering Singapore*2 obtained ISO 14001 certifications. We plan to complete ISO 14001 certification for all Group companies with manufacturing and maintenance plants by 2024.

By implementing the PDCA cycle based on the

environmental management system of each Group company, we will improve CO₂ emissions and other aspects of our environmental performance, and ensure compliance with environmental laws and regulations.

*1. EBARA CORPORATION obtained unified certification for all plants in 2017.
*2. Ebara Engineering Singapore is the first EBARA Group company to obtain integrated ISO 9001, ISO 14001, and ISO 45001 certifications.

Social Initiatives

The EBARA Group will strengthen its ties with society through the co-creation of value with its stakeholders.



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

Targets of E-Vision 2030

Address E-Vision 2030 Material Issues: 1. Contribute to the creation of a sustainable society, 2. Elevate standards of living and support abundant lifestyles for all, and 4. Promote working environments that encourage challenge

Strategies of E-Plan 2022

Strengthening of Social Ties in Pursuit of Ongoing Business Growth

The EBARA Group CSR Policy defines our commitment to foster trust with our valued stakeholders by conducting our business with a strong sense of ethics. This policy delineates a dedication to creating and delivering social value by creating value with stakeholders for society, industry, and everyday life and supplying safe, reliable products and services through our business activities. We also recognize the importance of contributions to community development, respect for human rights, and other ties with society in our business activities.

REFERENCE Stakeholder Engagement Overview <https://www.ebara.co.jp/en/sustainability/think/information/stakeholders.html>

Collaborative Value Creation Partnerships with Suppliers

Procurement Policy

The EBARA Group's Procurement Policy encourages partnerships with suppliers of products, materials, and services to pursue the mutual improvement of value through the creation of high-value products and services. In addition, we request that suppliers understand and adhere to the CSR Procurement Guidelines.

REFERENCE Procurement Policy & CSR Procurement Guidelines

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

frameworks for optimizing procurement systems on a global scale and formulating strategies to implement CSR procurement during the period of E-Plan 2022.

COVID-19 Pandemic Response Measures and Impacts

Seeking to fulfill its social responsibility as a provider of social and industrial infrastructure, the EBARA Group is committed to preventing the spread of COVID-19 with the health and safety of its stakeholders as its top priority. As part of our response to the pandemic, we set up a response headquarters to monitor the status of the entire Group on a weekly basis, and also to confirm the status of operations across the supply chain. Although operations were temporarily halted in certain countries based on government instructions, the impact on the supply chain overall has been minimal, and most EBARA Group business activities are continuing normally. We will continue to closely monitor the status of the supply chain and address concerns about delivery delays and business continuity risks.

Major Measures under E-Plan 2022

We will promote inter-business synergies through collaboration with the S&S divisions of multiple businesses as well as procurement divisions. Thus far, we have implemented various measures to this end, including the introduction of supplier certification systems, the reinforcement of internal systems, and the expansion of system tools, thereby strengthening Groupwide supply chain management. We will continue to advance our current initiatives, while also developing

Dialogue with Shareholders and Other Investors

The EBARA Group recognizes the development of long-term trusting relationships with shareholders and other investors as one of its most important management tasks. The EBARA Group appropriately discloses corporate information necessary for shareholders and other investors to make investment decisions and strives to further strengthen its trusting relationships with these stakeholders on a continuous basis by engaging in IR activities for enhancing its corporate value through constructive dialogue.

REFERENCE IR Basic Policy <https://www.ebara.co.jp/en/ir/business/information/ir-basic-policy.html>

EBARA Group Human Rights Policy

The EBARA Group respects human rights and the diversity of stakeholders as stipulated in the EBARA Group CSR Policy. We have declared our support for and become a signatory of the United Nations Global Compact, and we observe the principles of the International Bill of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Guiding Principles on Business and Human Rights.

EBARA Group Human Rights Policy

The EBARA Group Human Rights Policy has been established as our top commitment both internally and publicly. The EBARA Group Human Rights Policy puts forth three core policies along with corresponding action policies, and respects the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the United Nations' Guiding Principles on Business and Human Rights.

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.
2. The EBARA Group conducts human rights due diligence.
 - d. 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.
3. The EBARA Group addresses and corrects any adverse human rights impacts of our business activities.
 - e. We implement mechanisms to enable early response to complaints and direct remediation.
 - f. We resolve complaints through dialogue with those affected.

REFERENCE EBARA Group Human Rights Policy

<https://www.ebara.co.jp/en/sustainability/social/information/respect.html>

EBARA Group Human Rights Committee

The EBARA Group Human Rights Committee has been established to drive ongoing improvements in human rights frameworks in accordance with the human rights policy. This committee is chaired by the Executive Officer in charge of the Corporate Strategic Planning Division and Human Resources Division while the Executive Officer in charge of the Legal, Internal Control, Risk Management and General Affairs Division serves as its vice chair. In 2020, regular committee meetings were held in February and August. The EBARA Group Human Rights Committee reported its activities at the Sustainability Committee and Board of Directors meetings held in December 2020.

Main Measures of E-Plan 2022 and 2020 Results

- Dialogue with Stakeholders

The chairperson of the EBARA Group Human Rights Committee engaged in dialogue with institutional investors under the theme of human rights and business activities. The institutional investors shared opinions about what they expect from companies in terms of human rights activities.
- Ongoing tracking of human rights risks using existing tools

EBARA Group Human Rights Committee members used human rights assessment check sheets to confirm their understanding of human rights issues under the jurisdiction of the committee.
- Implementation of human rights due diligence

We conducted human rights due diligence using a global engagement survey conducted by the Human Resources Department for domestic and overseas EBARA Group employees. This survey allowed us to identify the level of awareness about human rights held by our global employees.

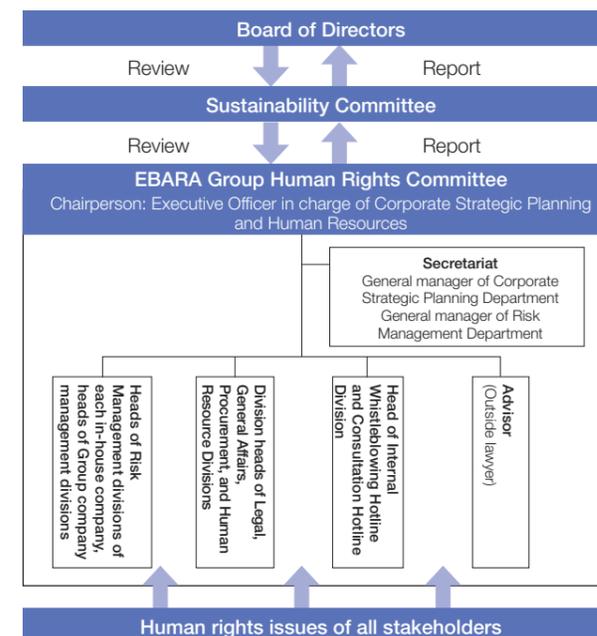
Human Rights Relief

The internal whistleblowing hotline enables employees to report and receive consultation on issues regarding human rights. Consultations from outside the Company are accepted through the inquiry page on the EBARA website and are handled by the relevant departments.

Future Challenges

Human rights due diligence for employees will continue to be conducted through global engagement surveys. In addition, through dialogue with institutional investors, the EBARA Group Human Rights Committee will deliberate on measures to respond to the challenge of addressing human rights issues within the supply chain.

Human Rights Management System



Three-way Discussion with the Chairman of the Board of Directors

More Than a Decade of Corporate Governance Reform and Further Enhancement of Corporate Value

For the EBARA Group, the pursuit of more effective corporate governance never ceases. To look ahead to the future and reflect on the EBARA Group's steady gains over more than a decade, Sakon Uda, Chairman of the Board of Directors, held a remote conference with Kerrie Waring, the CEO of the International Corporate Governance Network (ICGN), and Ian Burger, the Vice Chair of the ICGN Board of Governors.

Uda: I'd like to begin by recognizing Kerrie for her commitment to corporate governance reform in Japan. Thank you.

Waring: Thank you very much. I learned so much from the Japanese review of the Corporate Governance Code. Preparing for the FSA Council meetings each month made me think deeply about capital allocation, sustainability reporting, and so on. In fact, we are also currently reviewing ICGN's own Global Governance Principles. Reviewing the two Codes at the same time has been hugely beneficial in highlighting national and international priorities, enabling innovations to be shared, inspired by market-led practice and regulatory initiatives.

Burger: I am interested in this discussion from two perspectives. One, as the vice chair of the ICGN, where good governance is crucial to our purpose, we support and promote good governance across the world. My secondary interest is as an investor looking at EBARA as an investment target. We have a high level of focus on integrating ESG into our investment process and have done so for the 23 years I've been at Newton Investment Management. With our sustainable funds, there's heightened interest in ESG. My team has power of veto over the inclusion and exclusion of companies within our sustainable funds. And I'm pleased to say that EBARA passes our rather stringent test for sustainability and is a well-liked investment.

Corporate Governance Reform is not Just a Formality

Uda: At present, we are proceeding with corporate governance reforms in a manner consistent with ICGN's code and other global governance principles, but back in the 2000s, we were facing a crisis as a company. The sense of urgency that we felt at that time has propelled our ongoing evolution ever since. In other words, the executives share a sense of

urgency: if corporate governance is not done well, the company could perish.

The executive team and I share an overarching objective and have been moving forward with the common goal of raising the value of EBARA. In particular, I believe that the transition to a Company with Three Committees in 2015, and the establishment of the Nomination, Compensation, and Audit Committees as internal organizations of the Board, are not just a formality, but truly effective. I can testify that the transition to a Company with Three Committees is very meaningful.

Previously, when EBARA was a Company with a Board of Corporate Auditors, we had a Nomination Committee, which I was a member of. I also served as the chairperson of the Nomination Committee for 4 years after we transitioned to a Company with Three Committees in 2015. The differences are obvious. In a company with a Board of Corporate Auditors, the Nomination Committee only serves as an advisory body, and was not involved deeply in the selection process of President Maeda, who took office in 2013. In contrast, after we became a Company with Three Committees, the Nomination Committee was deeply involved in the process to select President Asami. It took about two and a half years. It was really clear to me that the requirements and responsibilities were completely different between the old and new systems.

There are two respects where the inclusion of an independent director's perspective is especially important to the selection process. Firstly, it helps orient the selection towards what kind of leader is needed for EBARA in the future. In other words, it's effective to have an outsider in the room discussing what kind of person is needed to steer EBARA moving forward, rather than focusing only on a particular candidate's past achievements.



Kerrie Waring

Kerrie Waring As the CEO of ICGN, a network led by investors responsible for assets of \$59 trillion based in over 45 countries, Kerrie leads ICGN's work to advance the highest standards of corporate governance and investor stewardship worldwide in pursuit of long-term value creation, contributing to sustainable economies, society, and environment. Over the past decade, she has developed strategies for ICGN to further propel global governance reform, leading to a rapid increase in ICGN members. Kerrie is also a member of the Council of Experts Concerning the Follow-up of Japan's Stewardship Code and Japan's Corporate Governance Code.



Ian Burger

In addition to serving as a governor and the Vice Chair of ICGN, Ian Burger is Head of Responsible Investment at London-based Newton Investment Management, which has over £46 billion in assets under management as of March 31, 2021, and incorporates ESG elements such as corporate governance and broader stewardship throughout the investment process.



Sakon Uda

Serving as an independent director since 2011, Sakon Uda was the lead independent director and Nomination Committee chairperson since the transition to a Company with Three Committees, and he was named Chairman of the Board of Directors in 2019. He is an expert on corporate management strategy and has been involved in many companies and organizations, including Japan Post and Japan's Nuclear Damage Compensation and Decommissioning Facility Corporation. He has remained active in education and is currently Dean, Faculty of Business Administration, Business Breakthrough University, where he also serves as a board director.

The second point is that the person who is chosen need not pay undue attention to those who made the selection. In essence, Mr. Asami can do whatever he thinks he should, without fussing over the Nomination Committee members. This is fundamentally different from the traditional Japanese process where the president becomes the chairman, the chairman becomes the advisor, and so on... where your predecessor is always hovering nearby.

Since 2015, EBARA has been continuing its transformation. One of the catalysts has been the evaluation of board effectiveness. Although the Board serves a supervisory role, unless we do PDCA or self-evaluation and continually make changes and improvements, the Board won't function well or maintain the trust of our stakeholders. That's why we are working very hard on corporate governance reform. I would like to ask you both for your opinions on further reform for EBARA.

Waring: There is no doubt that EBARA not only is an excellent company in Japan, but also meets many global standards of corporate governance. The points you talked about—the effectiveness of the Nomination Committee, the importance of appointing individuals whilst bearing in mind succession planning, your long-term strategy—are really important. The effectiveness and independence of board committees are emphasized in the ICGN's Global Governance Principles.

We at ICGN always advocate that companies and investors alike have a mutual responsibility to preserve and enhance long-term corporate value, ultimately for the benefit of the economy and society as a whole. It is clear that the efforts of EBARA align with this sentiment.

Burger: From an investor's perspective, we integrate ESG into our fundamental investment decision-making process, and in this respect EBARA stands out in the Japanese market as a leader in corporate governance. That should not be

underestimated. It's something that we pay very close attention to. That gave us a significant level of comfort and enabled us to embark on our investment with EBARA back in 2018.

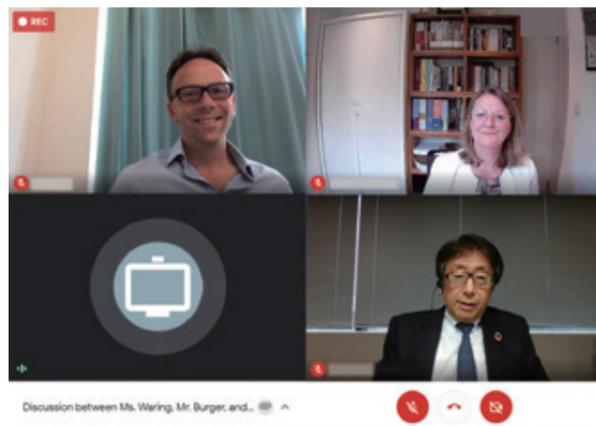
Now, Newton is a long-only active investment manager, and we want to build long-term relationships with the companies we invest in. We don't want to invest in a company for six months and then leave, so we do a lot of due diligence ahead of investing. After devoting time and resources to analysis, we found the corporate governance journey that EBARA has been on to be very satisfactory, and we like to see that evolving. We aren't complacent in that we've got it all right and perfect now. It has to evolve. It has to develop.

We see that EBARA has been making good strides and progress in sustainability, particularly in reporting of key numbers around environmental, social, and governance factors. That's becoming more and more of interest to more and more investors. The biggest area of growth at Newton is our sustainable funds, where there's a greater emphasis on the E, the S and the G. So we see EBARA moving down that route and using the UN Sustainable Development Goals. That's really very important.

Clarification of Roles and Importance of an Independent Director Serving as Chairman

Burger: If I get into the granularity on the corporate governance side of things, I'd be keen to understand a little bit more around two areas, recognizing the great position that EBARA sits in, not just in the Japanese market, but also in a wider global context where it rates very well. Firstly, what is the difference between the Chairman of the Company and the Chairman of the Board? How does that relationship work? Next, could you say more about gender diversity and

Three-way Discussion with the Chairman of the Board of Directors



Online meeting

international diversity on the Board, and how you're developing the pipeline that comes through the executive team and the management team below that?

Uda: To answer your first question, I will explain the difference between the Chairman of the Company and the Chairman of the Board, and I'll also explain the role of the President.

In 2019, I became Chairman of the Board. Before that, the Chairman of the Company also served as Chairman of the Board. The roles I play as Chairman of the Board include managing the Board and conducting evaluations of Board effectiveness, as well as considering and implementing Board reforms. All of these are my responsibility.

The Chairman of the Company, on the other hand, provides the support I need to fulfill my responsibilities as Chairman of the Board. Because I am an independent director, I'm not always as up-to-date on the latest developments. If I have any questions or problems, the Chairman of the Company provides advice and assistance to me.

Mr. Asami's role as President differs from that of the Chairman of the Company. As the only executive member of the Board, he is responsible for giving explanations to the Board as the highest-ranking executive officer. He also answers questions and exchanges opinions with the Board on behalf of the executive team. So I think there is clear separation between the executive management and the Board as a monitoring or oversight board.

I strongly believe in the importance of having an independent director as Chairman of the Board. This means that the agenda of the Board is determined from the independent perspective of an independent director. To do this, I myself must understand the issues up for deliberation. This means I have to participate in Management Meetings, the Risk Management Panel, the Sustainability Committee, and other executive committees, though I participate in these meetings as an observer. After Management Meetings, Chairman of the Company Maeda, President Asami and I meet to discuss whether the agenda for the Board meeting is appropriate, whether specific agenda

items should be for resolution, deliberation, or just reporting, who should be called in to brief the Board, the required meeting preparations, and the points that should be discussed.

This requires the Chairman of the Board to be committed to the agenda. As the Chairman, even if you're an independent director, you can't run away and say, "I wasn't aware of that" when there's a problem. I think this is a very important point.

Challenges of Diversity and Inclusion

Uda: As for diversity, there are still issues to be addressed. Regarding gender diversity in the Board, we have three female independent directors. In terms of nationality, we have Mr. Michael Lordi, an Executive Officer from the U.S. who participates in Management Meetings. He heads a large compressor and turbine operation (Elliott Group Holdings, Inc.), and he also briefs the Board on the status of business execution.

When we think about the future and matters like diversity and inclusion at EBARA, one of the things that EBARA must take to heart is that we still have very few female managers. International diversity is another issue to focus on. There is presently only one international member, Mr. Lordi, among the Executive Officers. A big challenge for EBARA is expanding that further in the future. The Nomination Committee are committed to cultivating the next generation of leaders, and we are also discussing how to broaden gender diversity with women's representation. In order to increase diversity among the next generation of leaders, bringing in international talent and women, I think it's important to create an environment where we can nurture a steady succession of individuals.

Waring: I find this conversation around diversity very interesting. In fact, it is one of the key changes to the ICGN's Global Governance Principles, where we refer now not only to diversity, but also to equity and inclusion. As Ian noted, many investors are very interested in not only how diversity, equity, and inclusion is applied at the board, but throughout the company workforce, too. They are looking at whether a board reflects the views of stakeholders, not only just for female individuals, but for different nationalities, age groups, and so on.

The opening question from Ian (the different roles of EBARA's leaders) was good. I've also been a bit confused as to the different leadership roles on boards in Japan.

Again, one of the changes to the ICGN Global Governance Principles is that we are requesting that boards publicly disclose role descriptions of the chairman and the CEO, so it's clear for investors to understand the difference between the two functions. I think having this clarity is important and perhaps something you might think about at EBARA.

One of the changes to the Japan Corporate Governance Code was calling for disclosure around the roles of the Nomination, Compensation, and Audit Committees. We

welcome disclosure around board committees and would encourage Japanese companies to adopt a three-committee system as an optimal governance structure with fully independent Audit and Compensation Committees and a majority independent Nomination Committee.

It is wonderful to hear about the work that Mr. Uda is leading as a member of the Nomination Committee. Investors will be interested in the key role of the Nomination Committee. I would like to see disclosure of the role of each committee and the issues they were dealing with that year. In particular, a formal and transparent approach to board director appointments is important based on relevant and objective selection criteria, led by an independent Nomination Committee. This helps ensure board refreshment aligned with the company's long-term strategy, succession planning and diversity policy.

The S of ESG (Social) is an Even Higher Priority During the COVID-19 Pandemic: Human Rights and Workforce Safety Initiatives

Waring: In ICGN's Global Governance Principles, we have two new specific social-related principles. One on human rights, requiring that the board is sufficiently informed on how human rights and modern slavery may present material business and reputational risks or compromise corporate value. And the second key point is around workforce safety, asking if there is transparent reporting and disclosure of how a company identifies and prevents workforce safety risks in its operations and supply chain.

Burger: COVID-19 has really brought the S of ESG up the agenda quite significantly. And I think that's not going away. There is a heightened scrutiny of social impact and the ways companies are operating. One of the areas that Kerrie highlighted, modern slavery, is of particular interest. We've seen significant issues and concerns in places like Myanmar and in the Xinjiang region of China, and collected information to see if the companies that we're invested in are exposed to those regions. And then we take a decision as to whether we, as an investor, want to be involved with companies that are exposed to those regions, and if they are exposed to modern slavery or human rights abuses. Ideally, that exposure doesn't exist. But we recognize that we live in a global marketplace where it's very difficult to not be exposed. If there is that exposure, we ask the companies what they're doing, and where they have that level of exposure, how is that being managed. This kind of reputational issue is very important to address because it's not just investors as stakeholders that are interested in limiting their exposure to that reputational issue, but it's also germane from an external regulator's perspective.

Regarding workforce safety, your safety numbers are top drawer. That key important area of performance is crucial.



Uda: I would like to talk about the current issues and how I approach them as an independent director. Human rights issues are very important, and in an effort to make our position on human rights clearer, we released the EBARA Group Human Rights Policy in 2019. I think it's important to continuously discuss human rights issues and to clarify and disclose our stance. It's also very important for us to consider ESG through our supply chain. In the Sustainability Committee, we actively discuss the current situation not only for ourselves but also for the entire supply chain. We have been working hard on workforce safety, and serious accidents are extremely rare.

Listening to both of you today, I was able to get a better understanding of the importance of these themes. I would like to ensure that the EBARA Group as a whole tackles these issues thoroughly.

Burger: EBARA has continued to implement positive corporate governance reforms over the course of the last few decades. It's a huge positive that we see cross shareholdings, which investors are very interested in, have shrunk down to zero at EBARA over the course of the last five years.

As investors, what we're really trying to do from the disclosures that a company makes is recognize where there's "form over substance" or "substance over form." I'm trying to get an insight into what level of box-ticking there is versus what is actually there in terms of belief in good corporate governance and the corporate value that it holds. EBARA is definitely more of the substance, not just form, and going above and beyond. My interpretation is that EBARA understands that good corporate governance can add value. It provides security and effectiveness.

Uda: I've appreciated your feedback and opinions. It's extremely difficult to suddenly create corporate value in two or three years. Real change takes time. It has been more than a decade since we started our corporate governance reform, and I think the changes we've made are significant. I will continue the reforms and keep enhancing EBARA's corporate value. Thank you very much for your time today.

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 controls and corporate 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 Board of Directors appointed in the fiscal year ending December 31, 2021 is composed of 10 Directors. Of these, seven are Independent Directors and three are women. The Directors have very diverse backgrounds in terms of gender, global profile, and length of service, and have appropriate

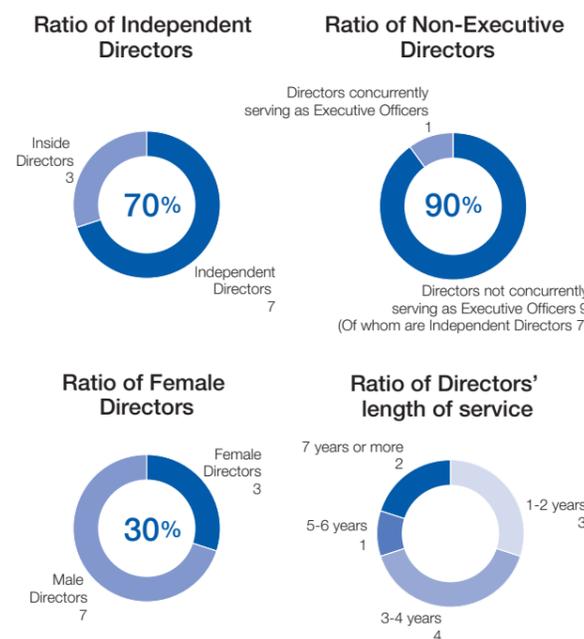
knowledge and experience in ESG management and global business that will contribute to the sustainable enhancement of EBARA’s corporate value.

Basic Policies

- The majority of Directors shall be Independent Directors, and the number of Executive Inside Directors shall be minimized.
- The members of the Nomination Committee, Compensation Committee, and Audit Committee shall consist solely of Non-Executive Directors, the majority of whom shall be Independent Directors, and the chairperson of each committee shall be an Independent Director.
- The Chairman of the Board of Directors shall be an Independent Director.
- The Board of Directors shall be composed in a manner that takes diversity into account in terms of gender, length of service, and other factors.

Corporate Governance System at a Glance (As of March 26, 2021)

Format	Company with Three Committees
Chairman of Board of Directors	Independent Director
Number of Directors	10
Of whom are Independent Directors	7
Number of Independent Directors*1	7
Term of Directors	1 year



Composition of Three Committees

	Nomination Committee	Compensation Committee	Audit Committee
Number of members	3	3	3
Of whom are Independent Directors	2	3	2
Of whom are Inside Directors	1	0	1

*1. Independent Directors as designated under the Tokyo Stock Exchange (TSE) listing rules.

Overview of the Board of Directors (As of March 26, 2021)

Name	Classification	Committee positions	Attendance at Board of Directors' and committee meetings in FY2020 (Meetings attended / Total meetings)				Areas in which Directors (Non-Executive Directors) are expected to contribute*2										
			Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	Legal affairs and risk management	Personnel and human resource development	Finance, accounting, and capital policy	Auditing	Corporate management and management strategy	Research and development	The environment	Social	Internal controls and corporate governance		
Toichi Maeda	Non-Executive	Nomination Committee	15/15	13/13													
Masao Asami			15/15														
Sakon Uda	Independent	Nomination Committee	15/15	13/13													
Hajime Sawabe	Independent	Compensation Committee	14/15		7/7												
Hiroshi Oeda	Independent	Nomination Committee	15/15	13/13													
Masahiro Hashimoto	Independent	Audit Committee	15/15		7/7	17/17											
Junko Nishiyama	Independent	Compensation Committee	15/15			17/17											
Mie Fujimoto	Independent	Compensation Committee	10/10*3		5/5*3												
NEW Hisae Kitayama	Independent	Audit Committee	March 2021 Assumed Office			March 2021 Assumed Office											
NEW Akihiko Nagamine	Non-Executive	Audit Committee	March 2021 Assumed Office			March 2021 Assumed Office											

- Non-Executive: Non-Executive Inside Director
- Independent: Independent Director with notification submitted to Tokyo Stock Exchange
- Nomination Committee: Member of the Nomination Committee
- Compensation Committee: Member of the Compensation Committee
- Audit Committee: Member of the Audit Committee

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 156th Ordinary General Meeting of Shareholders

https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/_icsFiles/afieldfile/2021/03/23/E6361_156r1_1.pdf

*2. The above table does not represent all of the areas in which Directors possess expertise.

*3. Mie Fujimoto was newly appointed to the position of Director and as a member of the Compensation Committee at the 155th Ordinary General Meeting of Shareholders that took place on March 27, 2020, and the Board of Directors meeting held the same day. Accordingly, her attendance figures pertain to Board of Directors meetings and Compensation Committee meetings held after this date.

Board of Directors

(As of March 26, 2021)



Hiroshi Oeda ●
Lead Independent Director
Chairperson of the
Nomination Committee

Masahiro Hashimoto ●
Chairperson of the Audit
Committee

Mie Fujimoto ●
Member of the
Compensation Committee

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

Toichi Maeda
Member of the Nomination
Committee

Hajime Sawabe ●
Chairperson of the
Compensation Committee

Masao Asami
President and Representative
Executive Officer

Hisae Kitayama ●
Member of the Audit Committee

Junko Nishiyama ●
Member of the Compensation
Committee

Akihiko Nagamine
Member of the Audit Committee

● Independent Director

Brief Personal Histories of Directors

(As of March 26, 2021)

Toichi Maeda

Director,
Member of the Nomination
Committee



Apr. 1981 Joined the Company
Apr. 2007 Executive Officer
Apr. 2010 Managing Executive Officer
Apr. 2011 Head of Business Unit, Custom Pump Business Unit, Fluid Machinery & Systems Company
Jun. 2011 Director
Apr. 2012 President, Fluid Machinery & Systems Company
Apr. 2013 President and Representative Director
Jun. 2015 President and Representative Executive Officer*
Mar. 2019 Director, Chairman of the Company (to present)
Member of the Nomination Committee (to present)

Masao Asami

Director,
President and Representative
Executive Officer



Apr. 1986 Joined the Company
Apr. 2010 Executive Officer
Apr. 2011 Division Executive, Sales and Marketing Division, Precision Machinery Company
Apr. 2014 Managing Executive Officer
Jun. 2015 Managing Executive Officer*
Apr. 2016 President, Precision Machinery Company
Mar. 2019 Director (to present)
President and Representative Executive Officer (to present)

Hiroshi Oeda

Lead Independent Director,
Chairperson of the Nomination
Committee



Apr. 1980 Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)
Jun. 2009 Director, Nisshin Seifun Group Inc.
Apr. 2011 Director and President, Nisshin Seifun Group Inc.
Apr. 2015 Member of Management Council, Hitotsubashi University
Apr. 2017 Director and Executive Advisor, Nisshin Seifun Group Inc.
Jun. 2017 Corporate Special Advisor, Nisshin Seifun Group Inc. (to present)
President, Seifun Kaikan Inc. (to present)
Dec. 2017 Member of the Japanese National Commission for UNESCO
Mar. 2018 Director (to present)
Member of the Nomination Committee
Jun. 2018 Outside Director, SEKISUI CHEMICAL CO., LTD. (to present)
Mar. 2019 Chairperson of the Nomination Committee (to present)
Jun. 2019 President, Hitotsubashi University Koenkai (to present)
Mar. 2020 Lead Independent Director (to present)
Dec. 2020 Vice Chairperson, Japanese National Commission for UNESCO (to present)

Masahiro Hashimoto

Independent Director,
Chairperson of the Audit
Committee



Apr. 1972 Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
Nov. 1998 President, Bank Daiwa Perdanania (Indonesia)
Jul. 1999 General Manager of International Division, The Daiwa Bank, Ltd.
Jun. 2001 Managing Director and General Manager of Financial Department, Dainippon Screen Mfg. Co., Ltd. (currently SCREEN Holdings Co., Ltd.)
Jun. 2004 Senior Managing Director, Dainippon Screen Mfg. Co., Ltd.
Jun. 2005 Representative Director, President and Chief Operating Officer, Dainippon Screen Mfg Co., Ltd.
Apr. 2014 Vice Chairman, Dainippon Screen Mfg. Co., Ltd.
Jun. 2015 Senior Advisor (part-time), Dainippon Screen Mfg. Co., Ltd.
Apr. 2016 Industrial promotion advisor, Kumamoto Prefecture (to present)
Mar. 2018 Director (to present)
Member of the Audit Committee
Mar. 2019 Member of the Compensation Committee
Mar. 2021 Chairperson of the Audit Committee (to present)

Sakon Uda

Independent Director,
Chairman of the Board of
Directors, Member of the
Nomination Committee



Apr. 1981 Joined Nippon Kokan K.K. (currently JFE Holdings, Inc.)
Aug. 1989 Joined McKinsey & Company
Feb. 2006 Executive Officer, Japan Post Holdings Co., Ltd.
Oct. 2007 Senior Managing Executive Officer, Japan Post Holdings Co., Ltd.
First Executive Officer, Japan Post Service Co., Ltd. (currently Japan Post Co., Ltd.)
May 2010 Professor, Kenichi Ohmae Graduate School of Business (to present)
Jul. 2010 Executive Officer, Chief Operating Officer, The Tokyo Star Bank, Limited
Jun. 2011 Director (to present)
Sep. 2012 Counselor, Nuclear Damage Liability Facilitation Fund (currently Nuclear Damage Compensation and Decommissioning Facilitation Corporation)
Apr. 2014 Dean, Faculty of Business Administration Professor, Business Breakthrough University (to present)
Jun. 2014 Director, Business Breakthrough, Inc. (to present)
Jun. 2015 Director, Public Utility Fund Japan-North America Medical Exchange Foundation
Chairperson of the Nomination Committee
Jul. 2015 Lead Independent Director
Apr. 2016 Vice President, Business Breakthrough University (to present)
Sep. 2016 Advisor to Tokyo Metropolitan Government
Special advisor to the Tokyo Metropolitan Government Political Reform Headquarters
Jun. 2017 Member of the Compensation Committee
Jul. 2017 Executive Director, Public Utility Fund Japan-North America Medical Exchange Foundation (to present)
Mar. 2019 Chairman of the Board of Directors (to present)
Member of the Nomination Committee (to present)

Hajime Sawabe

Independent Director,
Chairperson of the Compensation
Committee



Apr. 1964 Joined Tokyo Denki Kagaku Kogyo K.K. (currently TDK Corporation)
Jun. 1996 Director, Executive Vice President of Recording Device Business, TDK Corporation
Jun. 1998 President & Representative Director, TDK Corporation
Jun. 2006 Chairman & Representative Director, TDK Corporation
Mar. 2008 Outside Director, Asahi Glass Co., Ltd. (currently AGC Inc.)
Jun. 2008 Outside Director, TEIJIN LIMITED
Jun. 2009 Outside Director, Nomura Securities Co., Ltd.
Jun. 2009 Outside Director, Nomura Holdings, Inc.
Mar. 2011 Outside Audit & Supervisory Board Member, Nikkei Inc.
Jun. 2011 Director, Chairman of the Board & Directors, TDK Corporation
Oct. 2011 Councilor, Waseda University
Apr. 2012 Executive Advisor, Japan Management Association
Jun. 2012 Executive Advisor, TDK Corporation
Jul. 2014 Vice President, Board of Trustees, Waseda University
Jun. 2015 Outside Director, Japan Display Inc.
Director (to present)
Member of the Compensation Committee
Jul. 2018 President, Board of Trustees, Waseda University (to present)
Apr. 2019 Adviser of the Executive Board, Value Creation 21 (to present)
Mar. 2020 Chairperson of the Compensation Committee (to present)

Junko Nishiyama

Independent Director,
Member of the Compensation
Committee



Apr. 1979 Joined Lion Fat & Oil Co., Ltd. (currently Lion Corporation)
Mar. 2006 Director, Finished Product Department, Purchasing Headquarters, Lion Corporation
Mar. 2007 Director, Finished Product Purchasing, Production Coordinating Department No. 2, Production Headquarters, Lion Corporation
Jan. 2009 Director, Packaging Engineering Research Laboratories, Research & Development, Headquarters, Lion Corporation
Jan. 2014 Director, CSR Promotion Department, Lion Corporation
Mar. 2015 Standing Corporate Auditor, Lion Corporation
Mar. 2019 Advisor, Lion Corporation*
Director (to present)
Member of the Audit Committee
Jun. 2019 Outside Director, JACCS CO., LTD. (to present)
Jun. 2020 Outside Auditor, TODA CORPORATION (to present)
Mar. 2021 Member of the Compensation Committee (to present)
*Resigned as of March 31, 2021

Mie Fujimoto

Independent Director,
Member of the Compensation
Committee



Apr. 1993 Registered as an attorney (to present)
Joined New Tokyo Sogoh Law Office
Jun. 2009 Outside Corporate Auditor, Kuraray Co., Ltd.
Apr. 2015 Joined TMI Associates (to present)
Jun. 2015 Outside Audit & Supervisory Board Member, SEIKAGAKU CORPORATION (to present)
Jun. 2016 Outside Audit & Supervisory Board Member, Tokyo Broadcasting System Holdings, Inc. (Outside Audit & Supervisory Board Member, Tokyo Broadcasting System Television, Inc.) (to present)
Mar. 2019 Outside Director, Kuraray Co., Ltd.
Mar. 2020 Director (to present)
Member of the Compensation Committee (to present)

Hisae Kitayama

Independent Director,
Member of the Audit Committee



Oct. 1982 Joined Asahi Accounting Company (Currently KPMG AZSA LLC)
Mar. 1986 Registered as Certified Public Accountant (to present)
May 1999 Partner, Asahi Accounting Company (Currently KPMG AZSA LLC)
Jul. 2013 Managing Executive Director, KPMG AZSA LLC
Jun. 2019 Chairman, Kinki Chapter of Japanese Institute of Certified Public Accountants (to present)
Jul. 2019 Deputy Chairman, Japanese Institute of Certified Public Accountants (to present)
Senior Executive Director, KPMG AZSA LLC
Jun. 2020 Outside Director, Tsubakimoto Chain Co. (to present)
Jul. 2020 Representative, Kitayama Public Accounting Office (to present)
Mar. 2021 Director (to present)
Member of the Audit Committee (to present)

Akihiko Nagamine

Director,
Member of the Audit Committee



Apr. 1982 Joined EBARA DENSAN LTD.
Jun. 2006 Director, EBARA DENSAN LTD.
Jul. 2010 Joined the Company as General Manager, Investment and Affiliates Supervision Department, Finance & Corporate Accounting Division
Apr. 2014 Division Executive, Finance & Accounting Division
Apr. 2015 Executive Officer
Jun. 2015 Executive Officer
Responsible for Finance & Accounting, Group Management, and Internal Control
Mar. 2021 Director (to present)
Member of the Audit Committee (to present)

* Indicates *shikou-yaku*, a Japanese legal term which refers to executive officers who are appointed by the Board of Directors to execute company policy and strategy. The role and legal title of such executive officers are described in the Companies Act of Japan, and as such they bear fiduciary duties to the Company.

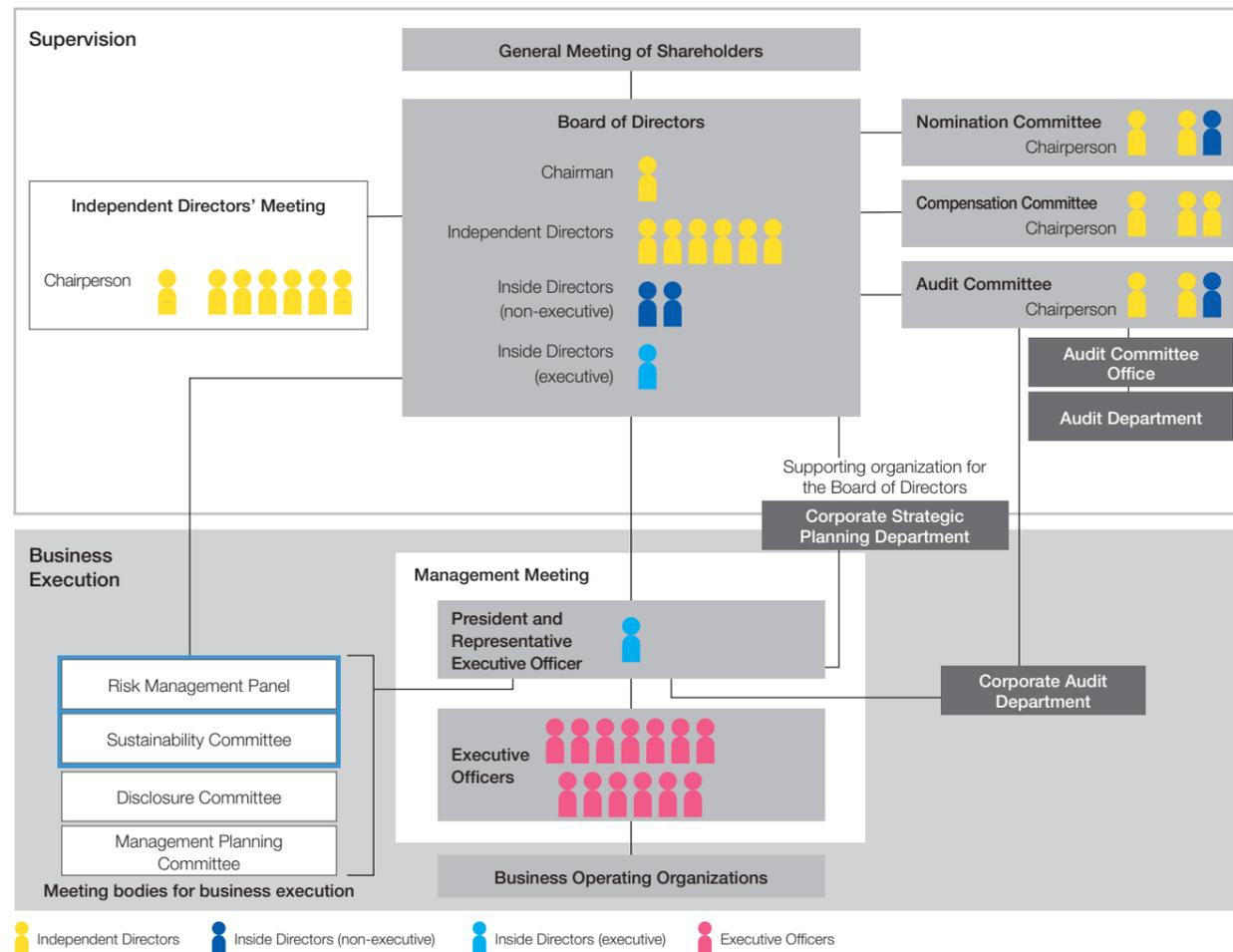
Corporate Governance

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.

With this in mind, EBARA has adopted the Company with Three Committees structure. Independent Directors serve in important roles and Non-Executive Directors (Directors who do not concurrently serve as Executive Officers), including the Independent Directors, make up a majority of the Board of Directors. The system also incorporates a clear separation of supervision and business execution.

Corporate Governance Systems (As of March 26, 2021)



Major Initiatives Taken in the Fiscal Year Ended December 31, 2020

Amid the uncertainty of the COVID-19 pandemic, the Board of Directors kept a close watch on changes in the business environment in the fiscal year ended December 31, 2020. Since 2020 marked the first year of the long-term vision and medium-term management plan, the Board of Directors firmly

deliberated and monitored the measures set forth in the plan to ensure their realization. The Board of Directors was able to further enhance its awareness of the Company’s important medium- and long-term management issues and hold more effective discussions.

Major Items Discussed by the Board of Directors in the Fiscal Year Ended December 31, 2020

- Monitoring of the long-term vision and medium-term management plan
- Set annual management plans and non-financial and financial KPIs for each business unit
- Monitoring of and follow-up on management plan progress of individual businesses (Discussion of issues such as the evaluation of the impact of COVID-19)
- Medium- to long-term financial strategies
- Cross-shareholdings policies
- Evaluation of the effectiveness of the Board of Directors and follow-up

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 systems as necessary to achieve further 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

	Start of corporate governance initiatives April 2002–March 2007	Commencement of governance reforms April 2007–March 2015	Development of frameworks to improve effectiveness April 2015–December 2018	Pursuit of further transparency and impartiality January 2019–
Governance				
Organizational format	Company with Board of Company Auditors	Company with Board of Company Auditors	06/15: Company with Three Committees	
Committees		08/08: Voluntary establishment of Nomination / Compensation Advisory Committee 02/09: Membership of: • Nomination Advisory Committee: 2 Inside, 2 Independent • Compensation Advisory Committee: 2 Inside, 2 Independent	06/15: Establishment of Nomination / Compensation / Audit Committee as statutory committees under the Board of Directors 06/17: Membership of: • Nomination Committee: 2 Independent, 1 Inside • Compensation Committee: 3 Independent • Audit Committee: 2 Independent, 1 Inside	03/21: Membership of: • Nomination Committee: 2 Independent, 1 Inside • Compensation Committee: 3 Independent • Audit Committee: 2 Independent, 1 Inside * Each committee is chaired by an independent director.
Chairman of the Board of Directors	President of the Company	06/13: Director, Chairman (Non-Executive Inside Director)		03/19: Independent Director
Separation of supervision and business execution	05/02: Introduction of Executive Officer System 06/02: Reduction of the number of Directors stipulated in the Articles of Incorporation (35 → 20) 06/05: Reduction of the number of Directors stipulated in the Articles of Incorporation (20 → 12)		06/15: Revision of rules of the Board of Directors to delegate greater authority to the business executive team	03/19: Reduction of the number of Executive Inside Directors (3 → 1)
Number of Members of the Board of Directors				
Directors	06/02: 20 → 06/05: 12	06/08: 12 → 06/11: 12	06/15: 14 → 06/17: 13	03/19: 11 → 03/20: 10
Independent Directors (of which, female)		06/08: 2 → 06/11: 4	06/15: 7 (2) → 06/17: 7 (1)	03/20: 7 (2) → 03/21: 7 (3)
Outside Audit & Supervisory Board members	06/01: 2 → 06/07: 3			
Directors’ and Executive Officers’ nomination	06/02: Shortening of term of directors from two years to one year	03/08: • Establishment of standards for evaluating independence of Independent Directors • Establishment of basic policies for Directors’ and Executive Officers’ nominations • Establishment of tenure limit for Directors and Executive Officers		10/19: Establishment of standards for average Board meeting attendance and number of concurrent positions at other companies held by Directors
Directors’ and Executive Officers’ compensation		05/09: • Establishment of Basic Policy on Directors’ and Executive Officers’ Compensation • Abolition of officer retirement benefit system • Introduction of share-based payment stock options	03/18: • Abolition of stock option system • Introduction of restricted stock compensation plan and performance-linked stock compensation plan	
Advisors			06/15: Abolition of the provision regarding advisors in Articles of Incorporation	
Evaluation of Board of Directors’ effectiveness			06/16: Start of evaluations of the effectiveness of the Board of Directors 06/17: Addition of individual interviews into procedures for evaluating the effectiveness of the Board of Directors	
EBARA Corporate Governance Basic Policy			11/15: Establishment 11/18: Revision (addition of regulations regarding non-reappointment of President, etc.)	01/21: Revision (The majority of directors are independent directors, and each of the three committees is chaired by an independent director in principle.)

Evaluation of the Effectiveness of the Board of Directors

Since the shift to the Company with Three Committees structure in the fiscal year ended March 31, 2016, the Board of Directors has been conducting annual evaluations of its effectiveness (including that of the Nomination, Compensation, and Audit Committees) and disclosing the results. The purpose of these evaluations is to verify how the Board of

Directors contributes to effective corporate governance as well as to identify issues and make improvements. The improvement status of issues identified in the previous year is verified through the annual evaluation. Based on this verification, the next issues are identified, and the PDCA cycle is implemented to ensure continuous governance reform.

Evaluation of the Effectiveness of the Board of Directors in the Fiscal Year Ended December 31, 2020

New items were added to the evaluations about response to changes in social conditions and issues surrounding the Company, and the assessment items for the Audit Committee evaluation were expanded and improved. In addition to the annual benchmarking analysis,* new benchmarking was created based on the disclosure materials of four international companies highly regarded for their self-evaluations and disclosing the Board of Directors' activities. This additional benchmarking was incorporated in order to implement management measures to further improve the Company's effectiveness evaluations. Finally, a summary was made of the five years since transitioning to the Company with Three Committees structure, including excerpted key points from evaluations that raised awareness and led to needed reforms within the Board of Directors.

* To self-evaluate the Company's corporate governance system, it is compared annually with both Japanese and international governance standards and guidelines.

Analysis and Evaluation Process

With the assistance 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. These results and the benchmarking analysis results were shared with the Directors and intensively discussed at the Board meeting. In addition, based on the results of the evaluation of effectiveness, all Directors (excluding the Chairman of the Board) evaluated* the Chairman of the Board and deliberated on whether he should continue serving as Chairman in the next fiscal year.

* Since an Independent Director has been serving as Chairman of the Board of Directors since March 2019 onward, the Chairman of the Board is evaluated annually in light of the role's importance.

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, while more 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 Board of Directors
- Composition and roles of the three committees
- 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 transformations, corporate functions)
- View of Board and committee meetings (view of discussions, the Chairman, number of participants, and format of meetings)
- Composition of Independent Directors and succession planning
- Status of the Audit Committee
- Dialogue with capital market actors

Summary of the Results of Analysis and Evaluation

In consideration of the survey results, it was confirmed that the Board of Directors and its committees are conducting adequate discussions on important issues, are operating appropriately, and are making progress in addressing the issues raised in the previous year. Therefore, it was determined that the effectiveness of the Board of Directors is sufficient.

Action to Be Taken

The Board of Directors identified the following items to be discussed on an ongoing basis at Board and committee meetings to further enhance the effectiveness of the Board of Directors, in addition to continuing reforms that have already been implemented.

- The Board will continue to select important medium- and long-term material issues, provide opportunities for in-depth discussion, and encourage execution of operations to quickly address issues based on appropriate decision-making. The Board will continue to periodically verify, evaluate, and follow up on the results.
- To maintain the long-term composition and diversity of the Board of Directors, the Board will provide its human resources portfolio and succession plans for Independent Directors based on the discussions of the Nomination Committee.
- The Board will discuss its basic approach and push for execution that ensures effective and strategic dialogue with capital market actors and dialogue with media with the capital market in mind.
- Based on the benchmarking analysis, the Board will consider ways to clarify guidelines that are already in place in the Company but are not yet clearly defined.

Nomination Committee



Members	3 (2 Independent Directors 🗳️ 1 Non-Executive Inside Director 👤)
Reason for appointment of chairperson	Hiroshi Oeda possesses a wealth of general corporate management experience, and he was appointed as chairperson of the Nomination Committee so that his substantial insight can be utilized.
Meetings in FY2020	13

Hiroshi Oeda

Lead Independent Director, Chairperson of the 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.

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 composed 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 excessively long 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

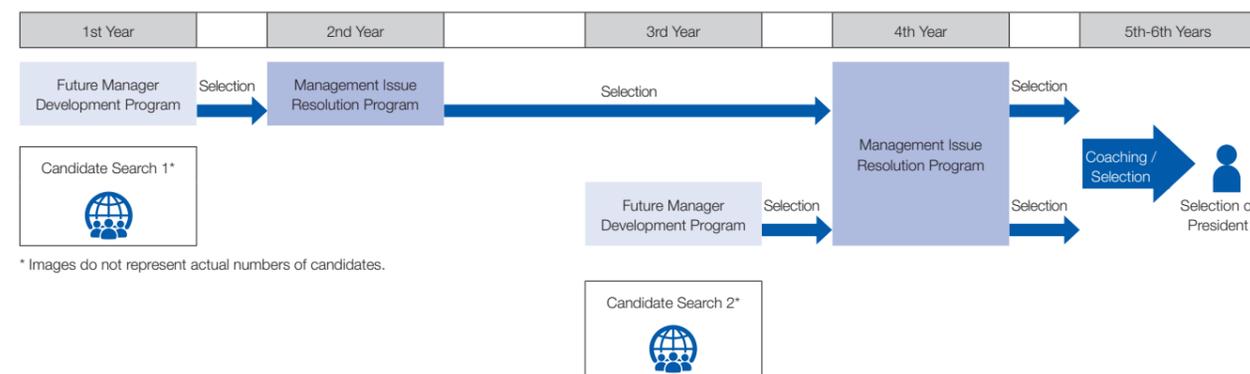
The Nomination Committee has formulated a new six-year succession plan for selecting the next President, and training on the cultivation and selection process for this plan commenced in 2019.

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 for final consideration are selected from among the individuals that have excelled at this step. Candidates for final consideration receive coaching on the mindset and thought processes necessary of the

Six-Year Cultivation and Selection Process



* Images do not represent actual numbers of candidates.

Corporate Governance

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.

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.

In 2020, the second year of the President's six-year succession plan, a medium-term management plan steering committee meeting was held to identify specific management issues and lead reforms. First, the committee examined what was necessary to achieve E-Vision 2030, our long-term vision announced in February 2020, and then formed market-specific teams to plan business development from a market-oriented perspective, one of the key items of the vision. The Nomination Committee was actively involved in the implementation and monitoring of this program. Going forward, advice will be given on initiatives to promote further growth of the program participants, such as rotating participating members, and to cultivate management candidates.

Compensation Committee



Members	3 (3 Independent Directors 🗳️🗳️🗳️)
Reason for appointment of chairperson	Hajime Sawabe possesses an abundance of experience pertaining to general corporate management, is well versed in corporate planning, and has a rich background of serving as an outside director at other listed companies. He was appointed as chairperson of the Compensation Committee so that he can utilize his wide-ranging insight into various industries as he exercises leadership in the development of the Company's compensation systems.
Meetings in FY2020	7
Hajime Sawabe Independent Director, Chairperson of the 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.

Officer, we have established a system to set key performance indicators (KPI) related to core elements of ROIC.

Change in Compensation Structure for Non-Executive Inside Directors

Non-Executive Inside Directors are expected to fulfill their supervisory roles and responsibilities completely independently of business execution. Therefore, the compensation system (basic compensation and restricted stock compensation) has been standardized. Previously, in addition to basic compensation and restricted stock compensation, short-term performance-linked compensation and performance-linked stock compensation were paid to Non-Executive Inside Directors. However, starting in the fiscal year ending December 31, 2021, we have abolished the performance-linked compensation system.

Total Amounts of Compensation for Directors and Executive Officers for the Fiscal Year Ended December 31, 2020

Position	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)											
		Basic compensation		Short-term performance-linked compensation		Stock options		RS		PLS		Other	
		Recipients	Amount	Recipients	Amount	Recipients	Amount	Recipients	Amount	Recipients	Amount	Recipients	Amount
Directors of the Board (excluding Independent Directors)	154	3	98	2	24	3	(1)	3	39	3	(5)	—	—
Independent Directors	109	8	102	—	—	4	0	8	7	—	—	—	—
Executive Officers	841	16	398	14	301	8	(5)	15	77	16	35	1	32
Total	1,105	27	598	16	326	15	(6)	26	124	19	29	1	32

- Notes :
1. Compensation shown is the amount of compensation paid to Directors and Executive Officers in office as of December 31, 2020, for the term of office of each Director and Executive Officer for the fiscal year ended December 31, 2020, and compensation paid to the two Non-Executive Directors who retired at the conclusion of the 155th Ordinary General Meeting of Shareholders held on March 27, 2020, 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 term of office, which began January 2020 and ended upon resignation.
 2. Compensation paid to President and Representative Executive Officer, who concurrently serves as a Director, is included in the Executive Officers compensation column.
 3. The amount of compensation paid to Executive Officers includes ¥164 million (basic compensation ¥76 million, short-term performance-linked compensation ¥53 million, and other compensation of ¥33 million) in compensation paid by subsidiaries to Executive Officers that serve concurrently as officers at subsidiaries.
 4. The short-term performance-linked compensation of Non-Executive Inside Directors is based on Groupwide performance, and the short-term performance-linked compensation of Executive Officers is based on both Companywide performance and on an evaluation of the degree of achievement of individual-specific targets during the fiscal year under review, and amounts are determined individually through deliberation by the Compensation Committee.
 5. Short-term performance-linked compensation shown is the total amount of short-term performance linked compensation paid in March 2021 to Directors and Executive Officers (excluding Independent Directors) in office as of December 31, 2020, for the fiscal year ended December 31, 2020.
 6. The stock option system was abolished in the nine-month period ended December 31, 2017, and a restricted stock compensation (RS) 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, 2020. However, the amount recorded as expenses during the fiscal year ended December 31, 2020, 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, 2020, and the amount recorded as expenses during the fiscal year ended December 31, 2020, 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 attributed to the fiscal year under review, including that paid in May 2020 and that to be paid in May 2023 based on performance finalized in the fiscal year under review.
 10. "Other" represents the total amount of compensation to be paid to Michael T. Lordi by a subsidiary in 2023, including ¥27 million of performance-linked cash compensation and pension contributions of ¥4 million attributable to the fiscal year ended December 31, 2020.

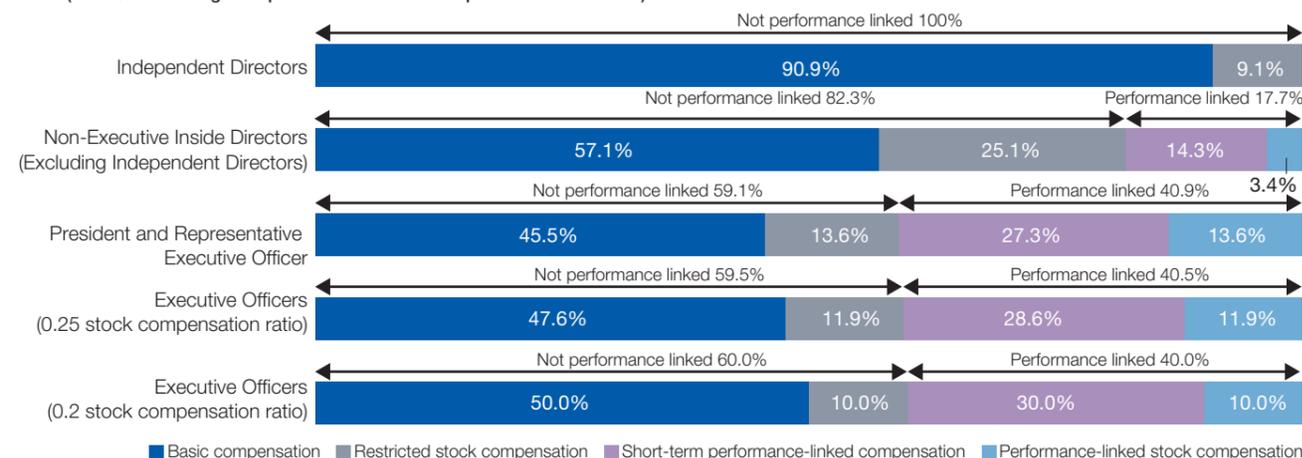
Amounts of Compensation for Directors and Executive Officers Receiving Compensation Exceeding ¥100 Million for the Fiscal Year Ended December 31, 2020

Name	Company	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)					
			Basic compensation	Short-term performance-linked compensation	Stock options	RS	PLS	Other
President and Representative Executive Officer Masao Asami	EBARA CORPORATION	118	54	39	(0)	16	9	—
Executive Officer Michael T. Lordi	EBARA CORPORATION	21	—	19	—	—	2	—
	Elliott Group Holdings, Inc.	106	39	31	—	—	3	32

- Notes:
1. Short-term performance-linked compensation shown is the total amount of short-term performance-linked compensation paid in March 2021 for the fiscal year ended December 31, 2020.
 2. No new stock options were issued in the fiscal year ended December 31, 2020. However, the amount recorded as expenses during the fiscal year ended December 31, 2020, in association with stock options issued in previous fiscal years is listed.
 3. RS shown combines the amount of restricted stock compensation paid in the fiscal year ended December 31, 2020, and the amount recorded as expenses during the fiscal year ended December 31, 2020, in association with restricted stock compensation paid in previous fiscal years.
 4. PLS shown is the amount of performance-linked stock compensation finalized in the fiscal year under review, including that paid in May 2020 and that to be paid in May 2023, attributable to the fiscal year under review.
 5. "Other" represents the total amount of compensation to be paid to Michael T. Lordi in 2023, including ¥27 million of performance-linked cash compensation and pension contributions of ¥4 million attributable to the current fiscal year.

Composition of Compensation Paid to Directors and Executive Officers

(If 100% of the target for performance-linked compensation is achieved)



Audit Committee



Members	3 (2 Independent Directors 🗳️ 1 Non-Executive Inside Director 🧑)
Reason for appointment of chairperson	Masahiro Hashimoto possesses a wealth of financial knowledge and in-depth knowledge of the international finance field, and he was appointed as Chairperson of the Audit Committee to exercise leadership and utilize his experience in overall corporate management within the Company.
Meetings in FY2020	17

Masahiro Hashimoto
Independent Director, Chairperson of the 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.

Changing the Composition of the Audit Committee and Strengthening Systems that Support the Committee

We are reviewing the audit system to increase the Audit Committee's independence from business execution and to ensure audit effectiveness throughout the entire Group. Specifically, at the Ordinary General Meeting of Shareholders held on March 26, 2021, an Independent Director was appointed as chairperson of the Audit Committee and the number of committee members was changed from four to three (two Independent Directors, one Non-Executive Inside Director). In addition, since January 2021, we have increased the number of on-site inspection organizations under the Audit Committee and strengthened collaboration between the Internal Audit Division and subsidiary auditors.

1. A new audit department was established under the Audit Committee in order to strengthen on-site inspection organizations under the Audit Committee and to strengthen collaboration with the Internal Audit Division. The head of the Internal Audit Division and its members are concurrently serving in the new audit department (9 members).
2. In order to facilitate closer collaboration between the Audit Committee and the auditors of subsidiaries, the full-time auditors (two auditors) of the Company's major subsidiaries (Elliott Ebara Turbomachinery Corporation and Ebara Environmental Plant Co., Ltd.) are concurrently placed under the Audit Committee.
3. Due to the importance of monitoring and supervising the internal control of the Ebara Group, comprising the Company and its subsidiaries, decisions on candidates for auditors of affiliated companies are made only after obtaining the consent of the Audit Committee.

Activities of the Audit Committee

Discussions with Members of Executive Management
Members of the Audit Committee hold 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 Sustainability 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 at the Company and across the Group.

Major Areas Assessed by the Audit Committee in the Fiscal Year Ended December 31, 2020

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, 2020, include the following.

- Audit of the execution of duties and legal compliance system of Executive Officers and others
- Key audit matters (KAM) such as the evaluation, selection, and dismissal of the Independent Auditor
- Development and operation status of the Group's internal control system in relation to the COVID-19 pandemic
- Appropriateness of accounting preparation for early adoption of new revenue recognition standards and other important accounting matters
- Business segment-specific progress on KPIs and other measures of the medium-term management plan E-Plan 2022

Collaborative Audits by Different Auditing Bodies

Coordination with and Evaluation of the Independent Auditor
Throughout the course of collaboration with the Independent Auditor, the Audit Committee confirms that the Independent Auditor maintains independence and conducts appropriate audits, and receives reports regularly and as needed from the Independent Auditor on the execution of duties. Furthermore, the Audit Committee conducts efficient audits by holding meetings with the Independent Auditor regularly and as needed for the mutual exchange of information and opinions.

Based on the judgment of the eligibility, independence, and overall capabilities of the Independent Auditor founded on the results of annual assessments of whether or not to reappoint the Independent Auditor, the Audit Committee proposed the reappointment of Ernst & Young ShinNihon LLC as the Independent Auditor for the fiscal year ending December 31, 2021, and examined the appropriate level of compensation.

Sustainability Promotion Systems

The Board of Directors will establish management policies based on a long-term view of the operating environment so that the Group can implement advanced ESG management, make sustainable contributions to solving social issues including the SDGs through its business, and increase its corporate value by simultaneously improving its social, environmental, and economic value. To promote and realize this, the Sustainability Committee has been established as an executive body to deliberate on policies, strategies, targets, and KPIs for activities that contribute to the sustainability of society, the environment, and the Group, as well as to monitor and review the results of these activities. The purpose of this committee is to discuss sustainability, which encompasses both the realization of a sustainable society and environment along with the enhancement of the Company's medium- to long-term corporate value. In order to properly

Operational Execution System

Executive Officers are appointed through resolutions by the Board of Directors. Executives 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-Vision 2030 long-term vision and the E-Plan 2022 medium-term management plan. In the fiscal year ending December 31, 2021, the Company has 14 Executive Officers, all of which are male, with one of them being of 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

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.

- Information is exchanged on a regular and as-needed basis, including the exchange of opinions on the internal audit plan formulated by the Internal Audit Division, and advice is provided to the executive departments as necessary.
- Information is exchanged with the internal control, risk management and compliance division on a regular and as-needed basis, and advice is provided to the executive departments as necessary.
- Group Auditor Conferences are held twice a year and attended by the auditors of subsidiaries. Other attendees include Audit Committee members, the heads of the Internal Audit Division, as well as the heads of the internal control, risk management, compliance, and finance and accounting divisions who meet to share necessary information and receive business reports from the auditors of subsidiaries.

oversee sustainability as an important management issue, the Board of Directors encourages Non-Executive Directors to attend Sustainability Committee meetings, and Non-Executive Directors provide advice and other support as necessary. In addition, we have established a system in which the Sustainability Committee reports its deliberations to the Board of Directors, so that the Board of Directors can accurately understand and appropriately supervise the status of such deliberations.

In October 2020, an ESG presentation was held for the second time for institutional investors and securities analysts, with the President and Representative Executive Officer and the Chairman of the Board of Directors speaking at the event. The Chairman of the Board explained the Company's corporate governance and engaged in dialogue with investors during the question and answer session.

Representative Executive Officer have suitable qualities and capabilities as Executive Officers and presents 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.

REFERENCE Basic Policy and Framework
<https://www.ebara.co.jp/en/ir/governance/information/governance-policy.html>

Cross-Shareholdings

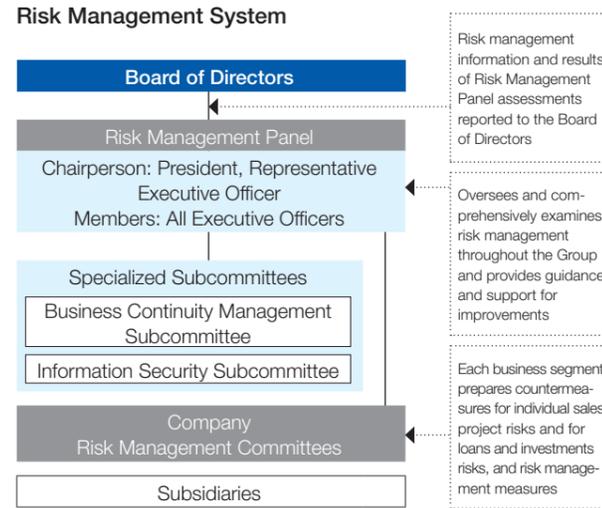
The Company completed the sale of its entire cross-shareholdings (including listed shares in the retirement benefits trust) by June 2020.

REFERENCE Cross-Shareholdings
<https://www.ebara.co.jp/en/ir/governance/information/crossshare-holdings.html>

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.

REFERENCE Basic Policy on Risk Management
<https://www.ebara.co.jp/en/sustainability/governance/information/risk-management.html>



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 risk assessments are carried out Groupwide with regard to changes in the Group's current risk profile.

Risk assessments, which span all Group companies, examine the possibility of identified risks materializing within the Group, also analyzing their potential degree of impact and the residual risk following countermeasures. 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.

In addition, as part of our risk response system, we have set up a task force headed by the Representative Executive Officer for matters deemed to require a Groupwide response, so that the entire Group can promptly report, communicate, and make decisions.

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.

Short-Term Volatile Risks

Trends	Risks	Countermeasures
Political factors	<ul style="list-style-type: none"> Unexpected restrictions and expenses in business activities due to impacts on economic and trade conditions stemming from intensification of trade friction between the United States and China, conflict in the Middle East, and the United Kingdom's decision to withdraw from the European Union 	<ul style="list-style-type: none"> Development of global supply chains and value chains accounting for risks
Sudden natural disasters and pandemics	<ul style="list-style-type: none"> Risks of adverse impacts to lives of employees and others, business continuity, or profit due to the following: <ul style="list-style-type: none"> Earthquakes, volcanic eruptions, and other natural disasters Fast-spreading pandemics 	<ul style="list-style-type: none"> Pre-assessment and preparation of BCPs by utilizing global network Promotion of efficient and flexible work styles Implementation measures to combat pandemics and prevent infection through coordination with industrial physicians
Foreign exchange rate fluctuations	<ul style="list-style-type: none"> Increased costs as result of foreign exchange rate fluctuations diverging from forecasts 	<ul style="list-style-type: none"> Appropriate foreign exchange risk hedging measures, including exchange contracts and foreign currency borrowings

Risks by Major Markets and Businesses

Trends	Risks	Countermeasures
Oil and gas markets: Fluid Machinery & Systems Business (pumps business, compressors and turbines business)	<ul style="list-style-type: none"> Rapid impacts on profits due to demand fluctuations stemming from market condition changes or to large movements in prices brought about by monopolies Pressure on earnings arising from surplus production capacity or other factors attributable to drops in order volumes or sales prices amid recessions 	<ul style="list-style-type: none"> Highly accurate resource management made possible through confirmation of leading indicators Reduction of break-even point through lead time shortening, design and manufacturing automation, and other streamlining measures
Semiconductor market: Precision Machinery Business	<ul style="list-style-type: none"> Risk of diminished market share due to lack of production capacity at EBARA and across the supply chain in times of strong economic conditions 	
Domestic construction equipment market: Fluid Machinery & Systems Business (pumps business, chillers business)	<ul style="list-style-type: none"> Deterioration of earnings following demand reductions and accompanying market contraction after the end of the Tokyo 2020 Olympic Games 	<ul style="list-style-type: none"> Competitive edge maintenance through differentiation of product development, focus on S&S operations, and cost reductions by means of operational streamlining Shifting of resources toward global markets Ongoing compliance education and internal audits
Domestic public infrastructure market: Environmental Plants Business	<ul style="list-style-type: none"> Reduced orders attributable to consolidation of public facilities among domestic population decline Lack of plant operation staff due to workforce contraction Compliance issues, including involvement in government-initiated bid collusion 	

Long-Term Fluctuating Risks

Trends	Risks	Countermeasures
Global environmental and climate change	<ul style="list-style-type: none"> Operating environment changes due to phenomena such as the following: <ul style="list-style-type: none"> Changes in economic conditions due to global warming Intensification of typhoons, forest fires, and other natural disasters 	<ul style="list-style-type: none"> Projection of risks and opportunities and formulation of countermeasures based on diverse, long-term scenario analyses Preparation of BCPs and implementation of drills for responding to natural disasters
Accelerated Globalization	<ul style="list-style-type: none"> Unexpected losses and reputation damages stemming from a lack of management insight and expertise pertaining to overseas transactions and bases 	<ul style="list-style-type: none"> Exhaustive Group governance and internal control measures Global human resource development programs
Shrinking workforce in Japan	<ul style="list-style-type: none"> Lack of human resources for continuing manufacturing operations and other supply chain risks Product defect risks resulting from an inability to effectively transmit techniques and expertise to new employees 	<ul style="list-style-type: none"> Global human resource recruitment and supply chain optimization Translation of expertise into explicit knowledge stored within organizations rather than solely in the minds of people
Information security	<ul style="list-style-type: none"> Possible suspension of important operations or services, leakage of confidential or personal information, and destruction or falsification of important data due to such unforeseen circumstances as external cyber-attacks, human negligence at the Company or its contractors, natural disasters, or infrastructure failures 	<ul style="list-style-type: none"> Establishment of an information security management system within the Group Establishment and application of information security regulations, and implementation of employee education and training Creation of security measures for software and devices

Strengthening Cyber Security

In February 2021, an overseas Group company experienced a ransomware* attack. However, we immediately conducted an investigation with experts and implemented recovery measures as well as measures to prevent the spread of damage, and were able to restore operations without any damage to our customers or people outside the company. Information leaks that were recognized after the initial investigation were dealt with on a case-by-case basis, and we have determined that the impact on our customers and people outside the company is limited. In order to prevent the recurrence of such

an incident, the Group is urgently revising its global security levels, strengthening the global security response team, and implementing various measures such as expanding the application of security tools. As the number and sophistication of cyber-attacks is expected to increase in the future, we will strive to establish a system that will enable us to provide ongoing value to our customers by continuously strengthening our cyber security.

* Ransomware is a malicious program that renders an infected PC unusable by disabling it or encrypting its files, and then demands a "ransom" in exchange for restoration.

COVID-19 Preventive Measures

To prevent the spread of COVID-19 and ensure the Group's business continuity, we have established the COVID-19 Infection Control Headquarters, headed by the President. We are continuously implementing preventive measures and, on a weekly basis, monitoring the status of infections within the Group. We are also practicing new work styles during the pandemic, including working remotely whenever possible.

Each of our operating sites is working to prevent the spread of COVID-19 in accordance with the policies of the relevant government and region in addition to participating in workplace vaccination schemes where possible. As a provider of products and services to society and industry, we are continuing our business activities to minimize any impact on our customers' businesses and daily lives.

Basic Approach

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 compliance 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 establishing comfortable and open workplace environments.

REFERENCE EBARA Group Code of Conduct

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

REFERENCE Compliance System

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

Priority Strategies and Progress

In line with the Anti-Corruption Program, domestic Group companies worked to re-enforce the promotion of fair and free competition, while overseas Group companies made thorough anti-corruption efforts to increase the number of

external reporting offices overseas and expand the anti-corruption e-learning program to all overseas subsidiaries.

Priority Strategies	Principal Measures	FY2020 Progress
Establish frameworks and implement measures for ensuring compliance	Implement Anti-Corruption Program across the Group	<ul style="list-style-type: none"> Monitored status of relevant regulations at Group companies and provided guidance Introduced comprehensive anti-corruption e-learning programs at 38 overseas Group companies Instituted new guidelines at Group companies that incorporated policies for managing third-party entities from the perspective of anti-corruption
	Establish overseas EBARA Group hotlines	<ul style="list-style-type: none"> Expanded application of whistleblowing hotlines to overseas Group companies lacking external consultation venues (Total: 19 companies (2 new)) China: 10 companies (1 new) Vietnam: 1 company Indonesia: 2 companies Thailand: 2 companies Philippines: 1 company Brazil: 1 company Colombia: 1 company Singapore: 1 company (new) Processed 1 report
	Entrench compliance awareness throughout the Group	<ul style="list-style-type: none"> Increased the number of EBARA Group Compliance Network (domestic and Chinese subsidiaries) meetings from once to twice a year to strengthen information dissemination and communication throughout the Group Conducted training sessions for all employees on the EBARA Way (participation rates of 99.4% at domestic Group companies and 90.3% at overseas Group companies)
Implement ongoing initiatives for improving the capability of Group companies to independently manage and improve compliance and risk mitigation activities	Prevent and quickly detect and address improper activities through swift response to consultations	<ul style="list-style-type: none"> Processed 44 reports Provided training and education to divisions and in-house companies deemed high-risk due to an increasing number of consultation issues
	Enhance compliance liaison member system to provide familiar workplace consultation venues	<ul style="list-style-type: none"> Trained 94 compliance liaison members (50 at EBARA CORPORATION, 44 at domestic Group companies) Stepped up communication with compliance liaison members <ol style="list-style-type: none"> Integrated responses to consultation issues (2 in FY2020) Upward trend of resolutions for consultation issues spearheaded by liaison members
Foster comfortable workplace environments founded on respect for human rights and diversity	Promote respect for human rights and diversity in workplaces through activities of specialized divisions and compliance liaison members	<ul style="list-style-type: none"> 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

Priority Strategies and Progress

Respect for Human Rights

Harassment Prevention Measures

The Company is establishing consultation hotlines and spreading understanding regarding these hotlines and their use in order to foster comfortable workplace environments and to heighten its in-house capacity for addressing issues.

REFERENCE Basic Policy on Respecting Human Rights and Human Rights System

<https://www.ebara.co.jp/en/sustainability/social/information/respect.html>

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.

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 are accepted widely, from directors, employees and their families, temporary employees working in our group, and business partners. After consultations are received, investigations are performed by internal compliance divisions, and the appropriate response is taken based on these investigations. Matters pertaining to the operation of consultation hotlines are reported to the Sustainability Committee, which sees participation by Directors, on an annual basis to facilitate appropriate oversight. In the fiscal year ended December 31, 2020, consultations processed through overseas EBARA Group hotlines accounted for 1 out of 44 overall consultations, and 2 out of 49 in the fiscal year ended December 31, 2019.

43 investigations were completed during the fiscal year ended December 31, 2020. Of these, there were 10 consultations regarding workplace environment or other issues, 11 consultations regarding inappropriate behavior, 1 consultation regarding fraud and violations, 6 consultations regarding harassment claims, and 15 miscellaneous consultations. Starting in the fiscal year ended December 31, 2020, investigations that uncover no inappropriate behavior are categorized as "miscellaneous" consultations instead of as "workplace environment or other issues." This change resulted in an increase in items in the "miscellaneous" category.

Reports Processed through Domestic Compliance Consultation Hotlines in the Fiscal Year Ended December 31, 2020

	Reports processed in FY2020
New consultations	44
Consultations continuing from the previous fiscal year	13
Issues with investigations continuing to next fiscal year	14
Issues closed in FY2020	43

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

Anti-Corruption

Regular Overseas Anti-Corruption Training

To establish Groupwide participation in the Anti-Corruption Program, we expanded the anti-corruption e-learning program (originally launched only in high corruption risk regions) to all overseas subsidiaries in the fiscal year ended December 31, 2019, and will continue to implement the program annually. We provide comprehensive training to those who may be exposed to corruption risks (management and sales divisions), such as those who have contact with public officials overseas. Due to a change in timing, training for the fiscal year ended December 31, 2019 was completed in the fiscal year ended December 31, 2020, and as of June 2021, training for the fiscal year ending December 31, 2021 is under way.

Anti-Corruption Training Statistics

	2019/12 - 2020/12	2021/12
Applicable companies	36	38
Applicable employees	1,946	1,940
Rate of participation	100.0%*	Scheduled for completion in July 2021

* Began in October 2019; 86% participation as of the fiscal year ended December 31, 2019; completed in September 2020.

REFERENCE Anti-Corruption Policy and Program

<https://www.ebara.co.jp/en/sustainability/governance/information/anti-corruption.html>

Expansion of Overseas EBARA Group Hotlines

The number of companies with access to overseas EBARA Group hotlines increased to 19 in the fiscal year ended December 31, 2020, and we intend to expand the scope of applicable areas and enhance the operational status of these hotlines going forward.

Number of Overseas EBARA Group Hotlines

	2017/3	2017/12	2018/12	2019/12	2020/12
Total number of Group companies with hotline access	7	10	15	17	19

Executive Officers

(As of March 26, 2021)

* Indicates *shikkou-yaku*, a Japanese legal term which refers to executive officers who are appointed by the Board of Directors to execute company policy and strategy. The role and legal title of such executive officers are described in the Companies Act of Japan, and as such they bear fiduciary duties to the Company.

Masao Asami

President and Representative Executive Officer



Apr. 1986 Joined the Company
Apr. 2010 Executive Officer
Apr. 2011 Division Executive, Sales and Marketing Division, Precision Machinery Company
Apr. 2014 Managing Executive Officer
Jun. 2015 Managing Executive Officer*
Apr. 2016 President, Precision Machinery Company
Mar. 2019 Director (to present)
President and Representative Executive Officer (to present)

Nobuharu Noji

Executive Officer, President, Fluid Machinery & Systems Company, Responsible for Chillers Business, Fluid Machinery & Systems Company



Apr. 1984 Joined the Company
Apr. 2006 Division Executive, Components Division, Precision Machinery Company
Apr. 2008 Executive Officer
Apr. 2011 Managing Executive Officer
Apr. 2013 Division Executive, Standard Pump Business Division, Operations of Technology and Production, Fluid Machinery & Systems Company
Jun. 2013 Director
Apr. 2014 Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company
Jun. 2015 Managing Executive Officer
Responsible for Chillers Business, Fluid Machinery & Systems Company (to present)
Apr. 2017 Division Executive, Standard Pump Business Unit, Fluid Machinery & Systems Company
Mar. 2018 Director
Senior Managing Executive Officer
President, Fluid Machinery & Systems Company (to present)
Mar. 2020 Executive Officer* (to present)

Yoshiaki Okiyama

Executive Officer, Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company, Chairman, Ebara Machinery (China) Co., Ltd.



Apr. 1983 Joined the Company
Apr. 2011 Executive Officer
Apr. 2017 Division Executive, Strategy and Technology Management Division, Fluid Machinery & Systems Company
Mar. 2018 Executive Officer
Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company (to present)
Chairman, Ebara Machinery (China) Co., Ltd. (to present)
Mar. 2019 Managing Executive Officer
Mar. 2020 Executive Officer* (to present)

Hideki Yamada

Executive Officer, Division Executive, Custom Pump Division, Fluid Machinery & Systems Company, Chairman, EBARA GREAT PUMPS CO., LTD., Chairman, EBARA MACHINERY ZIBO CO., LTD.



Apr. 1985 Joined the Company
Apr. 2008 General Manager, Global Sourcing Department, Custom Pump Business Division, Fluid Machinery & Systems Company
Apr. 2011 General Manager, Procurement Control Department, Custom Pump Business Division, Fluid Machinery & Systems Company
Apr. 2013 Executive Officer
Apr. 2015 Deputy Division Executive, China and East Asia Department, Strategy and Technology Management Division, Fluid Machinery & Systems Company
Chairman, EBARA GREAT PUMPS CO., LTD. (to present)
Apr. 2016 Division Executive, China and East Asia Department, Strategy and Technology Management Division, Fluid Machinery & Systems Company
Jan. 2019 Division Executive, Industrial Pump Division, Fluid Machinery & Systems Company
Oct. 2019 Managing Executive Officer
Division Executive, Custom Pump Division, Fluid Machinery & Systems Company (to present)
Jan. 2020 Chairman, EBARA MACHINERY ZIBO CO., LTD. (to present)
Mar. 2020 Executive Officer* (to present)

Akihiro Kida

Executive Officer, Division Executive, System Business Division, Fluid Machinery & Systems Company



Apr. 1984 Joined the Company
Apr. 2011 Executive Officer
Deputy Head of Domestic Sales, Marketing & Service Business Unit, Fluid Machinery & Systems Company
Executive Officer* (to present)
Head of Domestic Sales, Marketing & Service Business Unit, Fluid Machinery & Systems Company
Apr. 2017 Division Executive, System Business Division, Fluid Machinery & Systems Company (to present)

Michael T. Lordi

Executive Officer, Responsible for Compressors and Turbines Business, Fluid Machinery & Systems Company, Director and CEO, Elliott Group Holdings, Inc., CEO, Elliott Company



Apr. 2016 COO, Elliott Group Holdings, Inc.
Jan. 2019 COO, Elliott Company
Director CEO, Elliott Group Holdings, Inc. (to present)
CEO, Elliott Company (to present)
Mar. 2020 Executive Officer* (to present)
Responsible for Compressors and Turbines Business, Fluid Machinery & Systems Company (to present)

Atsuo Ohi

Executive Officer, President, Environmental Engineering Company, Chairman and Representative Director of EBARA Environmental Plant Co., Ltd.



Apr. 1981 Joined the Company
Apr. 2008 Executive Officer
Oct. 2008 Division Executive, Corporate Strategy Planning Division
Apr. 2010 Managing Executive Officer
Apr. 2011 Head of Business Unit, Global Marketing & Sales Business Unit, Fluid Machinery & Systems Company
Apr. 2012 Vice President, Fluid Machinery & Systems Company, Head of Business Unit, Global Pump Business Unit, Fluid Machinery & Systems Company
Jun. 2012 Director
Apr. 2013 President, Fluid Machinery & Systems Company
Apr. 2014 Senior Managing Executive Officer
Jun. 2015 Senior Managing Executive Officer
Mar. 2018 President, Environmental Engineering Company (to present)
President and Representative Director of Ebara Environmental Plant Co., Ltd.
Jan. 2019 Chairman and Representative Director of Ebara Environmental Plant Co., Ltd. (to present)
Mar. 2020 Executive Officer* (to present)

Tetsuji Togawa

Executive Officer, President, Precision Machinery Company



Apr. 1986 Joined the Company
Apr. 2013 New Business Development Department, Precision Machinery Company
Apr. 2014 Executive Officer
Mar. 2019 Senior Managing Executive Officer
President, Precision Machinery Company (to present)
Mar. 2020 Executive Officer* (to present)

Seiji Katsuoka

Executive Officer, Division Executive, Equipment Division, Precision Machinery Company



Apr. 1994 Joined the Company
Apr. 2009 Executive Officer
Apr. 2011 Division Executive, CMP Division, Precision Machinery Company
Jun. 2016 Executive Officer* (to present)
Jan. 2020 Division Executive, Equipment Division, Precision Machinery Company (to present)

Shu Nagata

Executive Officer, Division Executive, Corporate Strategic Planning and Human Resources Division



Apr. 1990 Joined the Company
Oct. 2008 Managing Director of Ebara Pumps Europe S.p.A
Apr. 2017 General Manager, Global Sales and Marketing Department, Standard Pump Business Division, Fluid Machinery & Systems Company
Mar. 2018 Executive Officer* (to present)
Division Executive, Corporate Strategic Planning Division
Mar. 2019 Division Executive, Human Resources Division
Jan. 2020 Division Executive, Corporate Strategic Planning and Human Resources Division (to present)

Toru Nakayama

Executive Officer, Division Executive, Legal, Internal Control, Risk Management and General Affairs Division



Sep. 2014 Joined the Company
Jan. 2018 Division Executive, Internal Control and Risk Management Division
Mar. 2018 Executive Officer* (to present)
Division Executive, Legal, Internal Control, Risk Management and General Affairs Division (to present)

Shugo Hosoda

Executive Officer, Division Executive, Finance & Accounting Division



Oct. 1993 Joined the Company
Apr. 2015 Division Executive, Governance Promotion Department
Apr. 2016 Deputy Vice President, Elliott Group Holdings, Inc.
Deputy Vice President, Elliott Company
Jan. 2018 Vice President, Elliott Group Holdings, Inc.
Vice President, Elliott Company
Jan. 2019 Director, Elliott Group Holdings, Inc.
Mar. 2021 Executive Officer* (to present)
Division Executive, Finance & Accounting Division (to present)

Hiroyuki Kowase

Executive Officer, Division Executive, Information & Communication System Division



Apr. 2014 Executive Officer and CIO General Manager, IT Promotion Headquarters, LIXIL Corporation
Dec. 2015 Senior Managing Executive Officer and CIO General Manager, Information Systems Headquarters, LIXIL Corporation
Jul. 2018 Deputy Chief Global Information Technology Officer, Department Director, ICT Strategy & Platform Department, Shiseido Company, Limited
Dec. 2018 Joined the Company
Apr. 2019 Division Executive, Information & Communication System Division (to present)
Mar. 2020 Executive Officer* (to present)

Hiroshi Sobukawa

Executive Officer, Responsible for Technologies, R&D & Intellectual Property Division Executive, Advanced Technology Division, Precision Machinery Company



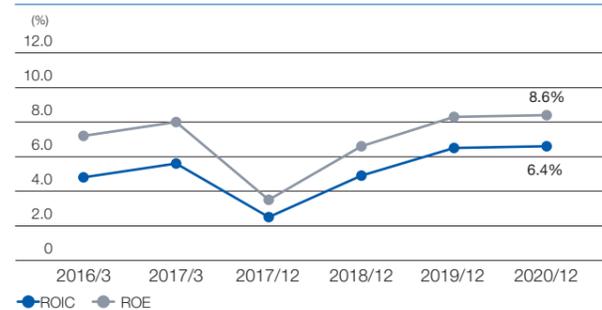
Apr. 1987 Joined the Company
Apr. 2015 Executive Officer
Division Executive, Advanced Technology Division, Precision Machinery Company (to present)
Apr. 2017 Division Executive of Technologies, R&D Division
Mar. 2019 Executive Officer* (to present)
Responsible for Technologies, R&D & Intellectual Property (to present)

Financial and Non-Financial Highlights

Data coverage for financial indicators includes EBARA CORPORATION and consolidated subsidiaries (fiscal year ended March 31, 2015–fiscal year ended December 31, 2019). 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. The financial figures on pages 77-90 are based on Japanese GAAP (JGAAP)

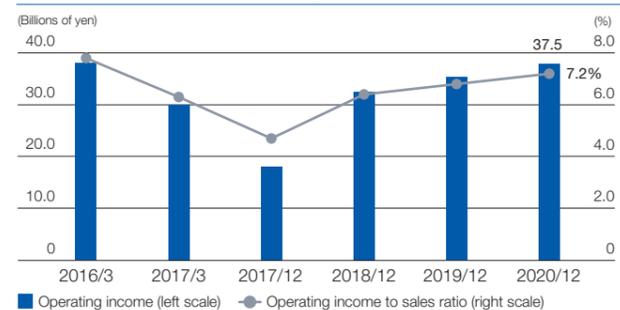
Financial Indicators

ROIC*1 / ROE*2



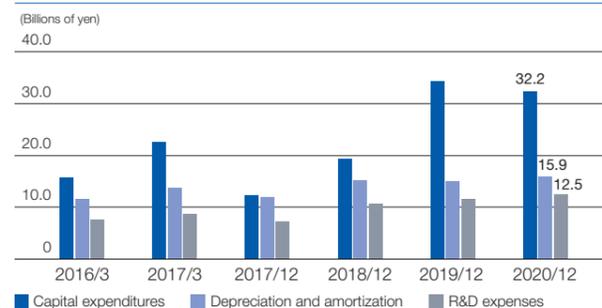
ROIC (JGAAP), a key performance indicator (KPI), was 6.6% for the fiscal year ended December 31, 2020, exceeding the previous year's results and plan. With the transition to IFRS, the final year targets of the medium-term management plan E-Plan 2022 have been adjusted accordingly to 7.6% for ROIC (from 8.0%) and to 11.2% or more for ROE (from 11.0% or more).

Operating Income / Operating Income to Sales Ratio



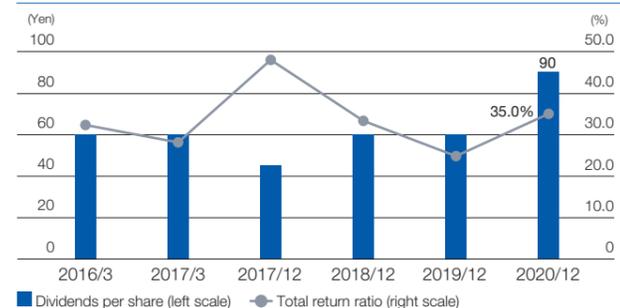
The operating income to sales ratio was 7.2% in the fiscal year ended December 31, 2020, exceeding the previous year's results and plan. This was due to an improvement in the operating income to sales ratio of the Fluid Machinery & Systems Business from 5.3% to 6.3%. Contributing to this result, the Compressors and Turbines Business improved from 5.1% to 7.8%, and the Chillers Business improved from 4.9% to 5.8%.

Capital Expenditures / Depreciation and Amortization / R&D Expenses



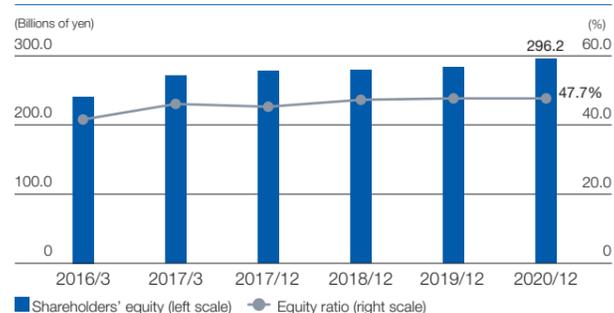
In the fiscal year ended December 31, 2020, in addition to the introduction of ERP throughout the company, we made aggressive investments for growth, including the construction of a test stand for cryogenic pumps for liquefied natural gas (LNG) in the Compressors and Turbines Business and capital investment for the full-scale operation of the automated dry vacuum pump plant in the Precision Machinery Business.

Dividends per Share*3 / Total Return Ratio*4



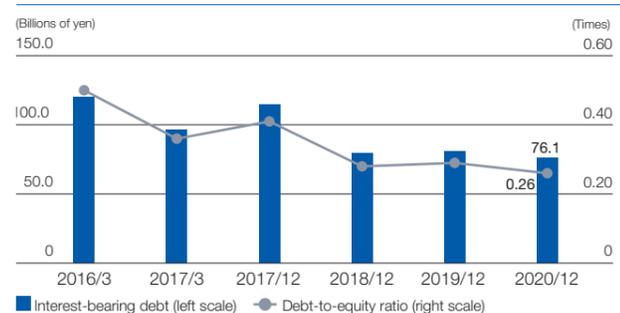
Our basic policy for shareholder returns is to target a consolidated dividend payout ratio of 35% or more, and a consolidated dividend on equity (DOE) of 2.0% or more.

Shareholders' Equity*5 / Equity Ratio



An equity ratio of 47.7%, the same as the previous fiscal year, was posted in the fiscal year ended December 31, 2020, indicating ongoing stability.

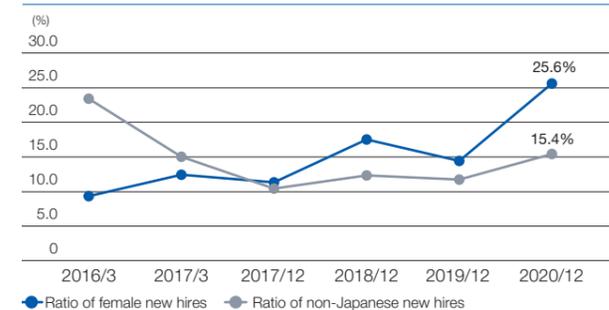
Interest-Bearing Debt / Debt-to-Equity Ratio



On December 31, 2020, the debt-to-equity ratio was 0.26 times, lower than the level of 0.3 times–0.5 times (JGAAP) targeted over the period of E-Plan 2022.

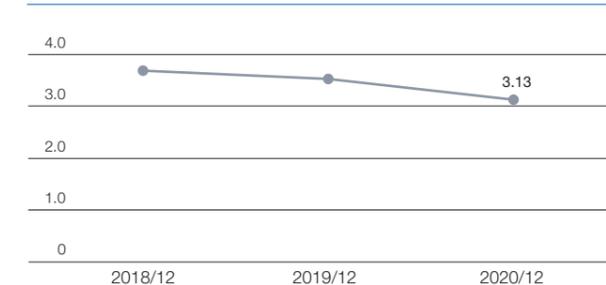
Non-Financial Indicators

Ratio of Female New Hires / Ratio of Non-Japanese New Hires*6

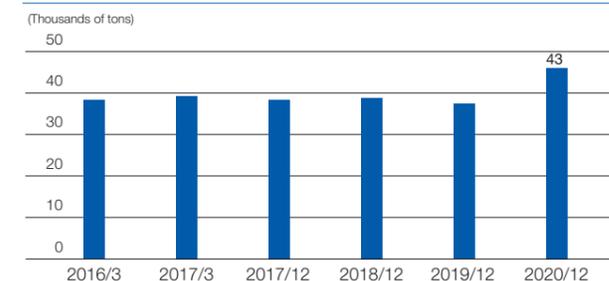


The EBARA Group believes that diversity is essential for innovation and that the employment of human resources with diverse backgrounds will contribute to improved business performance. In the fiscal year ended December 31, 2020, the Company hired 117 new employees, of which 30, or 25.6%, were women and 18, or 15.4%, were non-Japanese. These figures surpassed the targets for the respective KPIs.

Total Recordable Incident Rate*7

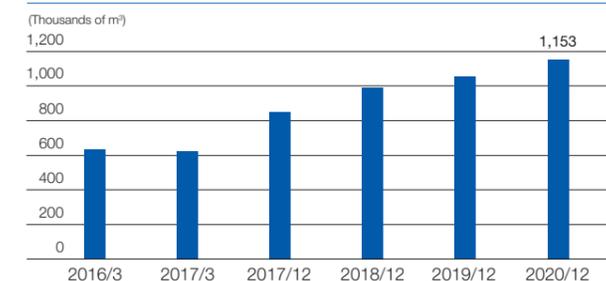


Our goal is to reduce the total recordable incident rate (consolidated, in Japan) to 0.80 or less by 2023. In the fiscal year ended December 31, 2020, we conducted risk surveys, safety culture diagnoses, and had occupational safety consultants analyze industrial accidents at each operating site. We will continue to implement measures such as follow-up systems to prevent recurrence of industrial accidents, risk management, and human resource development for safe work guidance.

CO₂ Emissions (Scope 1 and 2)*8

To achieve the environmental targets for the period up to the fiscal year ended December 31, 2020, we upgraded facilities and shifted to lower-CO₂ electricity purchasing in order to continuously reduce CO₂ emissions, but the total amount of emissions increased due to increased business activities.

Water Consumption*9



As a result of measures against water leakage, reuse of water in the production of pure water, and other initiatives, we have achieved our target of reducing water consumption by 30% from FY2000 levels by the fiscal year ended December 31, 2020.

Progress on E-Vision 2030 Social and Environmental Value Targets

Reduction of GHG Emissions through Sales of Low-GWP Products (Chillers Business)

2020/12 results: CO₂ reduced by the equivalent of **20,600** tons/year

One of the non-financial KPIs in E-Plan 2022 is reduction of GHG emissions through sales of low-GWP products, and the Chillers Business has set a target of a reduction equivalent to 33,000 tons of CO₂ per year for the fiscal year ending December 31, 2022. In the fiscal year ended December 31, 2020, we expanded the series of turbo chillers with new refrigerants, developed refrigerant retrofit technology, and introduced them to the market.

Renewable Waste-to-Energy Generation Volume Handled (Environmental Plants Business)

2020/12 results: **140,163** MWh

Environmental Plants Business has set renewable waste-to-energy generation as one of the non-financial KPIs in E-Plan 2022, and has set a target of 130,000 MWh for the fiscal year ending December 31, 2022. In the fiscal year ended December 31, 2020, we exceeded the volume target for contracted power as a result of positive municipal responses to our initiatives to generate power locally for local consumption.

*1. ROIC: Profit attributable to owners of parent / (Interest-bearing debt (Average between beginning and end of period) + Shareholders' equity (Average between beginning and end of period))

*2. ROE: Profit attributable to owners of parent / Shareholders' equity (Average between beginning and end of period)

*3. EBARA conducted a consolidation of common shares at a rate of one share for every five shares with an effective date of October 1, 2016. Figures for dividends per share have been adjusted based on the assumption that this consolidation was conducted on April 1, 2015.

*4. 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.

*5. Shareholders' equity: Total net assets – (Subscription rights to shares + Non-controlling interests)

*6. EBARA CORPORATION (non-consolidated)

*7. EBARA Group (consolidated, in Japan)

*8. Figures are on a consolidated basis combining Scope 1 and Scope 2 emissions for the Company and domestic Group companies. The base year for emissions targets is the fiscal year ended March 31, 2001. The Company uses the emissions coefficient of 0.357 kg/kWh prescribed in the Order for Enforcement of the Act on Promotion of Global Warming Countermeasures in 2000.

*9. Aggregate figures for EBARA and domestic Group companies from the fiscal year ended March 2016 to the fiscal year ended March 2017. Figures include overseas Group companies from the fiscal year ended December 31, 2017.

11-Year Financial Summary

EBARA CORPORATION and consolidated subsidiaries (Fiscal year ended March 31, 2011–Fiscal year ended December 31, 2020) 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.

In order to improve the international comparability of its financial information, the EBARA Group has adopted the International Financial Reporting Standards (IFRS) instead of Japanese GAAP from the fiscal year ending December 31, 2021.

	Millions of yen					Millions of yen					Thousands of U.S. dollars**	
	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2017/12**	2018/12	2019/12	2020/12	2020/12
Financial Results:												
Orders	¥430,992	¥394,921	¥428,540	¥512,276	¥487,553	¥491,280	¥ 477,956	¥ 413,569	¥ 575,576	¥ 552,225	¥ 511,921	\$4,946,097
Net sales	401,675	412,076	426,302	448,657	482,699	486,235	476,104	381,993	509,175	522,424	523,727	5,060,164
Operating income	31,541	23,266	25,084	32,194	34,567	38,011	29,995	18,115	32,482	35,298	37,879	365,981
Ordinary income	28,750	21,086	25,663	31,311	36,258	36,471	28,464	16,529	31,281	35,571	36,859	356,126
Profit attributable to owners of parent	28,191	2,889	15,303	18,973	23,580	17,254	20,587	9,531	18,262	23,349	24,473	236,454
Depreciation and amortization	13,523	12,764	12,355	12,117	13,038	11,610	13,739	11,923	15,266	15,132	15,963	154,232
Capital expenditures	8,189	12,316	12,302	18,152	15,846	15,729	22,675	12,386	19,364	34,364	32,295	312,029
R&D expenses	4,066	3,827	5,025	6,465	6,754	7,632	8,758	7,218	10,698	11,530	12,514	120,908
Financial Position*3:												
Total assets*4	¥507,898	¥488,964	¥504,576	¥530,211	¥570,392	¥579,860	¥ 588,457	¥ 612,919	¥ 591,582	¥ 595,239	¥ 621,578	\$6,005,585
Total net assets	154,939	154,653	191,788	215,048	247,553	250,444	277,509	284,788	286,778	291,827	304,470	2,941,739
Shareholders' equity*5	151,950	151,060	186,885	208,037	239,058	241,016	271,356	277,955	279,640	283,651	296,232	2,862,145
Interest-bearing debt	160,412	143,617	138,914	119,672	121,500	120,126	96,531	114,592	79,137	80,986	76,143	735,681
Retained earnings	40,759	41,750	53,886	70,629	91,815	102,446	117,883	121,321	135,715	141,675	156,486	1,511,942
Cash Flows:												
Cash flows from operating activities	¥ 26,604	¥ 12,588	¥ 34,014	¥ 26,615	¥ 11,296	¥ 21,528	¥ 33,816	¥ 44,157	¥ 34,610	¥ 26,720	¥ 64,234	\$ 620,618
Cash flows from investing activities	10,996	(8,837)	(33,130)	3,540	(15,894)	(14,344)	(18,563)	(7,906)	(15,927)	(24,077)	(29,071)	(280,879)
Cash flows from financing activities	(14,096)	(19,997)	3,265	(25,336)	(7,044)	(9,655)	(15,102)	11,296	(46,412)	(20,188)	(9,628)	(93,024)
Free cash flow	37,601	3,750	883	30,155	(4,597)	7,184	15,252	36,250	18,682	2,643	35,163	339,739
Cash and cash equivalents at end of period	104,002	87,294	93,792	102,341	95,604	91,185	90,683	139,102	110,556	93,351	120,544	1,164,676
Share Data*6												
Number of issued shares (1,000 shares)	459,245	422,899	465,118	465,187	465,644	466,044	101,736	101,783	101,957	95,129	95,391	
Cash dividends (yen and U.S. dollars)	¥ 5.00	¥ 5.00	¥ 5.00	¥ 7.50	¥ 12.00	¥ 12.00	¥ 36.00	¥ 45.00	¥ 60.00	¥ 60.00	¥ 90.00	\$ 0.870
Total return ratio (%)**7	7.5	73.0	13.9	18.4	23.6	32.3	28.1	48.0	60.5	88.8	35.0	
Earnings per share (EPS) (yen and U.S. dollars)*8	¥ 66.78	¥ 6.85	¥ 35.93	¥ 40.86	¥ 50.77	¥ 37.12	¥ 213.71	¥ 93.84	¥ 179.94	¥ 241.79	¥ 256.85	\$ 2.482
Book value per share (BPS) (yen and U.S. dollars)*8	360.01	357.79	402.41	448.05	514.38	518.16	2,672.19	2,735.94	2,795.72	2,981.91	3,106.10	30.011
Financial Indicators:												
Return on invested capital (ROIC) (%)**9	9.1	1.0	4.9	5.8	6.9	4.8	5.6	2.5	4.9	6.5	6.6	
Return on equity (ROE) (%)**10	20.0	1.9	9.1	9.6	10.5	7.2	8.0	3.5	6.6	8.3	8.4	
Debt-to-equity ratio (times)	1.06	0.95	0.74	0.58	0.51	0.50	0.36	0.41	0.28	0.29	0.26	
Operating income to sales ratio (%)	7.9	5.6	5.9	7.2	7.2	7.8	6.3	4.7	6.4	6.8	7.2	
Equity ratio (%)	29.9	30.9	37.0	39.2	41.9	41.6	46.1	45.3	47.3	47.7	47.7	
Overseas sales ratio (%)	44.1	44.0	50.6	52.8	53.6	52.2	52.7	60.1	55.0	55.3	55.0	
Major Non-Financial Indicators:												
Number of employees (persons)	14,007	14,695	15,170	15,168	16,030	16,270	16,317	16,219	16,556	17,080	17,480	
Number of overseas employees	6,081	6,816	7,264	7,336	8,165	8,438	8,319	8,343	8,678	9,148	9,404	
Overseas employee ratio (%)	43	46	48	48	51	52	51	51	52	54	54	
CO ₂ emissions (thousands of tons)**11, 12	42	41	39	37	39	38	52	70	116	111	111	
Material recycling rate (%)**11	96.7	98.6	98.6	92.6	98.7	97.2	98.8	98.0	96.3	97.9	97.5	
Landfill disposal rate (%)	2.6	1.2	1.2	7.0	1.1	2.3	0.9	1.6	2.8	1.7	1.9	
Water consumption (thousands of m ³)*11	576	574	608	628	555	631	623	852	992	1,053	1,153	

*1. The U.S. dollar amounts are included solely for convenience and have been translated at the rate of ¥103.50=US\$1, the rate of exchange prevailing on December 30, 2020.

*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 represents an irregular nine-month period aggregating performance from April 1 to December 31, 2017, for EBARA CORPORATION and consolidated subsidiaries that previously had a settlement date of March 31, and from January 1 to December 31, 2017, for consolidated subsidiaries that previously had a settlement date of December 31.

*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 finalized details of the provisional accounting treatment have been reflected in total assets for the fiscal year ended March 31, 2016.

*5. Shareholders' equity: Total net assets – (Subscription rights to shares + Non-controlling interests)

*6. EBARA CORPORATION conducted a consolidation of common shares at a rate of one share for every five shares with an effective date of October 1, 2016.

*7. 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.

*8. EPS is based on the average number of shares outstanding (excluding treasury stock) during the fiscal year. BPS is calculated using the number of shares outstanding (excluding treasury stock) as of the end of the fiscal year.

*9. ROIC: Profit attributable to owners of parent / (Interest-bearing debt (Average between beginning and end of period) + Shareholders' equity (Average between beginning and end of period))

*10. ROE: Profit attributable to owners of parent / Shareholders' equity (Average between beginning and end of period)

*11. Figures are for EBARA and domestic Group companies from the fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2017. Overseas Group company results are included starting from the fiscal year ended December 31, 2017.

*12. The emission coefficient for the year 2000 (0.357 kg/kWh) is applied from the fiscal year ended March 31, 2011 to the fiscal year ended March 31, 2016. The emission coefficient for electricity providers (published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry) was adopted from the fiscal year ended March 31, 2017.

Analysis of Business Results, Financial Position, and Cash Flows

Analysis of Business Results

In the fiscal year ended December 31, 2020, the future of the global economy remained uncertain due to the economic stagnation caused by the COVID-19 pandemic. In the Japanese economy, capital investment continued to decline amid the severity of the ongoing situation, but public investment remained strong for restoration and reconstruction related to large-scale natural disasters.

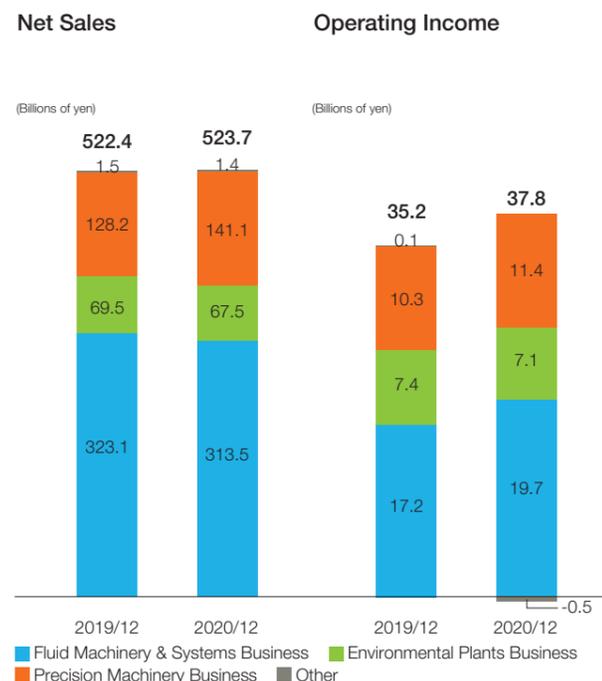
In the building equipment market, one of the Group's major markets, the COVID-19 pandemic led to the suspension or delay of construction work in some countries and regions. In the oil and gas market, in addition to the impact of COVID-19, there were also project delays and postponements due to falling crude oil prices. On the other hand, in the semiconductor market, despite the trade friction between the U.S. and China, demand was firm and showed signs of recovery.

Net sales for the fiscal year ended December 31, 2020 increased ¥1.3 billion year on year to ¥523.7 billion. In the Fluid Machinery & Systems Business, sales to the building equipment market decreased, but sales were strong in the Precision Machinery Business, due to increasing demand for semiconductors, resulting in a slight boost to overall sales.

Operating income rose ¥2.5 billion to ¥37.8 billion, mainly due to higher sales in the Precision Machinery Business, as well as improved product profitability and a reduction in fixed costs at the Fluid Machinery & Systems Business.

Net income attributable to owners of the parent increased by ¥1.1 billion compared to the previous fiscal year to ¥24.4 billion. Increased profit was partly offset by an increase in

non-operating expenses, including foreign exchange losses caused by appreciation of the yen and a decrease in extraordinary income, including gain on sales of investment securities, compared to the previous fiscal year.



Results by Business

Fluid Machinery & Systems Business

Net sales were ¥313.5 billion (down ¥9.5 billion year on year) while operating income rose to ¥19.7 billion (up ¥2.5 billion year on year). Although sales decreased from the previous fiscal year, the improved profitability of each business and the curbing of fixed costs contributed to overall performance.

Pumps Business

Despite strong sales of petrochemical projects in China and domestic public sector projects, sales and profits decreased due to slow recovery of demand in the building equipment market, which was impacted by the COVID-19 pandemic.

Compressors and Turbines Business

Sales decreased in the oil and gas market due to COVID-19, as well as postponement of new investment projects (given the decline in crude oil prices) and restrictions on personnel movement, but profits increased on improved product margins and an improved mix of service & support (S&S).

Chillers Business

Demand in the Chinese market is on a recovery track, but severe price competition remains ongoing. Earnings increased mainly due to improved profitability and cost control in the domestic cooling tower business.

Environmental Plants Business

Net sales were ¥67.5 billion (down ¥1.9 billion year on year), and operating income was ¥7.1 billion (down ¥0.3 billion year on year).

Both sales and profits decreased due to the break in progress of EPC* projects, which are based on the percentage-of-completion method, but profitability improved due to steady progress in cost reduction measures for long-term comprehensive operation and management outsourcing services.

* EPC: Engineering, Procurement, Construction

Precision Machinery Business

Net sales expanded to ¥141.1 billion (up ¥12.8 billion year on year) while operating income rose to ¥11.4 billion (up ¥1.0 billion year on year).

Sales of chemical mechanical polishing (CMP) systems increased with demand for semiconductors, while parts and overhaul sales increased as customers continued to operate their plants at high levels of production. Operating income increased on higher sales, although fixed costs increased from the previous fiscal year due to costs related to the automated dry vacuum pump plant in the Components Business.

Financial Position

Assets

Total assets as of December 31, 2020 amounted to ¥621.5 billion, an increase of ¥26.3 billion compared to the end of the previous fiscal year. Main factors included a decrease of ¥22.4 billion in work in process, which was more than offset by increases of ¥27.9 billion in cash and deposits and ¥11.5 billion in construction in progress. The latter was mainly due to the execution of growth investments, such as the expansion of domestic plants in the Precision Machinery Business.

By segment, assets stood at ¥315.8 billion (up ¥2.8 billion year on year) in the Fluid Machinery & Systems Business, ¥53.3 billion (up ¥0.9 billion) in the Environmental Plants Business, ¥150.5 billion (up ¥8.6 billion) in the Precision Machinery Business, and ¥24.1 billion (down ¥3.1 billion) in Others.

Liabilities

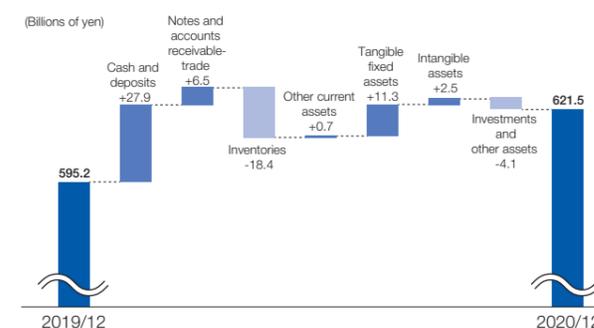
Total liabilities as of December 31, 2020 increased by ¥13.6 billion to ¥317.1 billion, mainly due to a ¥22.8 billion increase

in advances received and a ¥10.0 billion increase in bonds payable, while short-term loans payable decreased by ¥22.9 billion compared to the end of the previous fiscal year.

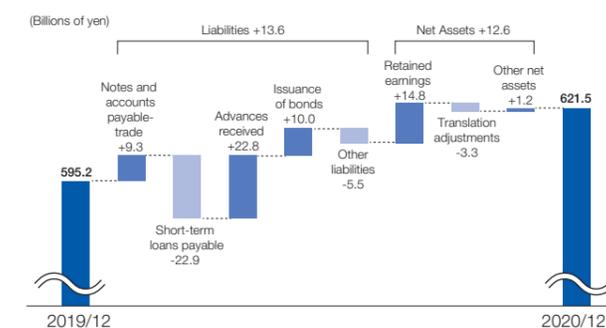
Net Assets

Total net assets as of December 31, 2020 amounted to ¥304.4 billion, a year-on-year increase of ¥12.6. Principal changes included a ¥14.8 billion increase in retained earnings and a ¥3.3 billion decrease in translation adjustments. The ¥14.8 billion increase in retained earnings includes a ¥24.4 billion increase in net income attributable to owners of the parent, a ¥0.5 billion increase due to changes in the scope of consolidation, a ¥4.4 billion decrease in the opening balance due to the application of the Accounting Standard for Revenue Recognition, and a ¥5.7 billion decrease in cash dividends paid. Shareholders' equity stood at ¥296.2 billion, and the equity ratio was 47.7%.

Assets



Liabilities / Net Assets



Cash Flows

For the fiscal year ended December 31, 2020, net cash provided by operating activities came to ¥64.2 billion (an increase of ¥37.5 billion from the previous fiscal year), supported by strong operating income.

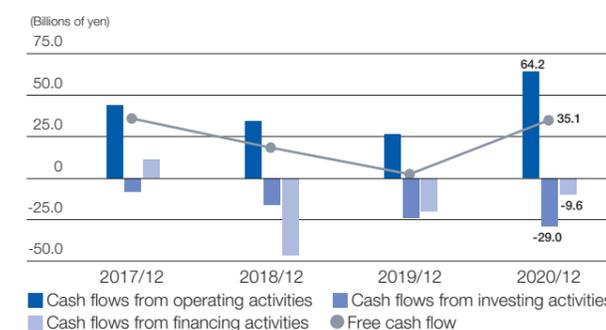
Net cash used in investing activities amounted to ¥29.0 billion (a year-on-year increase of ¥4.9 billion in cash outflow), mainly due to the purchase of fixed assets totaling ¥31.1 billion.

Free cash flow, the sum of cash flows from operating and investing activities, came to ¥35.1 billion, an increase of ¥32.5 billion year on year.

Net cash used in financing activities amounted to ¥9.6 billion for the fiscal year ended December 31, 2020, a year-on-year decrease of ¥10.5 billion in net outflow. This was primarily due to a net decrease in short-term and long-term loans payable of ¥11.8 billion and cash dividends paid of ¥5.7 billion, despite proceeds from issuance of bonds payable of ¥10.0 billion.

As a result, cash and cash equivalents at December 31, 2020 increased by ¥27.1 billion year on year to ¥120.5 billion.

Consolidated Cash Flows



Consolidated Financial Statements

Consolidated Balance Sheets

	Millions of yen				
	2017/3	2017/12*1	2018/12*2	2019/12	2020/12
ASSETS					
Current Assets					
Cash and deposits	90,381	138,475	110,610	94,014	121,996
Notes and accounts receivable–trade	202,874	169,298	176,895	182,944	187,289
Electronically recorded monetary claims	4,511	6,021	6,990	9,218	11,374
Securities	2,498	2,411	1,668	1,097	1,035
Merchandise and finished goods	12,716	15,191	18,082	18,386	20,333
Work in process	56,569	60,993	65,845	70,082	47,648
Raw materials and supplies	28,041	33,353	38,731	32,633	34,621
Deferred tax assets	11,644	10,484	8,309	—	—
Others	17,419	14,954	14,714	15,659	16,727
Allowance for doubtful accounts	(3,250)	(3,694)	(3,308)	(2,107)	(2,387)
Total current assets	423,407	447,491	438,540	421,929	438,637
Fixed Assets					
Tangible fixed assets					
Buildings and structures, net	46,431	47,005	44,269	56,022	56,342
Machinery and equipment, net	28,974	28,632	28,599	27,960	28,501
Land	21,153	20,904	19,810	19,607	19,581
Construction in progress	5,207	5,830	7,558	13,665	25,204
Others, net	8,364	7,853	7,640	7,642	6,573
Total tangible assets	110,131	110,227	107,879	124,898	136,202
Intangible assets					
Goodwill	2,279	1,831	1,148	774	369
Software	8,275	7,370	6,584	6,496	9,485
Others	2,679	2,879	2,937	3,072	3,003
Total intangible assets	13,234	12,080	10,670	10,343	12,858
Investments and other assets					
Investment securities	26,202	25,226	22,301	19,666	12,766
Long-term loans receivable	263	262	153	144	127
Defined benefit asset	118	3,202	3,038	5,017	5,181
Deferred tax assets	2,660	1,742	4,572	9,475	10,631
Others	17,237	17,088	9,623	9,205	10,339
Allowance for doubtful accounts	(4,799)	(4,403)	(5,187)	(5,442)	(5,166)
Total investments and other assets	41,683	43,120	34,503	38,067	33,879
Total fixed assets	165,049	165,428	153,052	173,309	182,940
Total Assets	588,457	612,919	591,592	595,239	621,578

*1. 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.

*2. Effective January 1, 2019, the Company adopted "Partial Amendments to Accounting Standard for Tax Effect Accounting" (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.

	Millions of yen				
	2017/3	2017/12*1	2018/12*2	2019/12	2020/12
LIABILITIES					
Current Liabilities					
Notes and accounts payable–trade	64,155	61,756	63,320	60,580	60,508
Electronically recorded obligations	55,922	57,869	62,854	59,847	69,230
Current portion of bonds	—	10,000	—	—	—
Short-term loans payable	62,789	70,470	46,766	50,965	28,056
Income taxes payable	4,598	1,697	4,598	3,233	4,672
Advances received	—	—	—	—	40,056
Deferred tax liabilities	3	0	—	—	—
Bonus payment reserve	9,172	5,460	6,263	6,629	7,685
Directors' bonus payment reserve	314	250	344	348	454
Reserve for losses on construction completion guarantees	3,836	3,279	4,873	3,369	3,793
Reserve for product warranties	3,481	4,086	5,118	3,658	4,089
Reserve for construction losses	8,666	10,038	12,374	12,901	6,096
Reserve for expenses related to the sales of land	254	254	254	—	—
Others	41,022	45,529	51,782	58,547	33,541
Total current liabilities	254,217	270,691	258,550	260,082	258,185
Long-Term Liabilities					
Bonds payable	10,000	10,000	10,000	10,000	20,000
Long-term loans payable	21,520	22,161	20,730	18,340	26,666
Deferred tax liabilities	808	1,898	25	504	24
Reserve for directors' retirement benefits	153	122	116	107	121
Provision for loss on litigation	6,464	6,464	—	—	—
Defined benefit liability	12,556	11,841	10,681	9,362	7,704
Asset retirement obligations	1,969	2,214	2,245	2,401	2,264
Others	3,257	2,734	2,464	2,612	2,141
Total long-term liabilities	56,730	57,439	46,264	43,328	58,922
Total Liabilities	310,948	328,131	304,814	303,411	317,108
NET ASSETS					
Shareholders' Equity					
Common stock	78,764	78,815	79,066	79,155	79,451
Capital surplus	81,205	81,256	80,296	74,848	75,144
Retained earnings	117,883	121,321	135,715	141,675	156,486
Treasury stock	(425)	(431)	(5,439)	(174)	(178)
Total shareholders' equity	277,428	280,962	289,639	295,504	310,903
Accumulated Other Comprehensive Income					
Net unrealized gains (losses) on investment securities	2,692	2,564	381	233	202
Deferred gains (losses) on hedges	(1)	10	(57)	(24)	(54)
Translation adjustments	745	2,628	(1,226)	(2,891)	(6,280)
Remeasurements of defined benefit plans	(9,507)	(8,210)	(9,096)	(9,168)	(8,538)
Total accumulated other comprehensive income	(6,071)	(3,007)	(9,999)	(11,852)	(14,671)
Subscription Rights to Shares	1,361	1,163	1,152	1,132	765
Non-Controlling Interests	4,791	5,668	5,985	7,043	7,472
Total Net Assets	277,509	284,788	286,778	291,827	304,470
Total Liabilities and Net Assets	588,457	612,919	591,592	595,239	621,578

Consolidated Financial Statements

Consolidated Statements of Income

	Millions of yen				
	2017/3	2017/12*	2018/12	2019/12	2020/12
Net Sales	476,104	381,993	509,175	522,424	523,727
Cost of Sales	350,032	285,261	376,021	385,736	379,087
Gross Profit	126,072	96,732	133,154	136,688	144,639
Selling, General and Administrative Expenses					
Sales commission	3,578	2,503	3,385	3,817	3,280
Packing and transportation	5,554	4,575	6,909	6,971	7,549
Sales promotion	1,781	1,620	1,510	1,307	1,591
Provision of allowance for doubtful accounts	447	185	616	(227)	249
Personnel expenses	40,584	33,847	43,373	43,664	47,295
Bonus payment reserve expenses	3,572	2,106	2,263	2,369	2,930
Directors' bonus payment reserve expenses	280	233	324	345	447
Retirement benefit expenses	1,380	1,107	1,543	2,007	1,741
Provision for directors' retirement benefits	30	25	34	34	31
Traveling and transportation expenses	3,671	3,253	3,945	3,848	1,876
Taxes and dues	3,011	2,446	2,931	3,031	3,036
Depreciation and amortization	4,188	3,656	4,704	3,967	4,269
Amortization of goodwill	587	416	345	325	279
R&D expenses	8,758	7,218	10,698	11,530	12,514
Others	18,646	15,420	18,087	18,396	19,666
Total selling, general and administrative expenses	96,076	78,616	100,672	101,389	106,760
Operating Income	29,995	18,115	32,482	35,298	37,879
Non-Operating Income					
Interest income	216	273	311	335	341
Dividends income	559	169	752	261	40
Share of profit of entities accounted for using equity method	796	—	565	749	879
Others	509	495	1,000	1,447	893
Total non-operating income	2,082	937	2,629	2,794	2,155
Non-Operating Expenses					
Interest expenses	1,184	1,136	1,517	1,444	1,162
Share of loss of entities accounted for using equity method	—	148	—	—	—
Foreign exchange losses	1,070	49	1,452	657	1,190
Others	1,358	1,188	861	419	823
Total non-operating expenses	3,613	2,523	3,830	2,521	3,175
Ordinary Income	28,464	16,529	31,281	35,571	36,859
Extraordinary Income					
Gain on sales of fixed assets	409	2,209	401	374	44
Gain on sales of investment securities	1,978	1,352	804	713	76
Gain on sales of investments in capital	289	—	—	—	—
Total extraordinary income	2,677	3,561	1,205	1,087	121
Extraordinary Loss					
Loss on sales of fixed assets	25	176	319	11	27
Loss on retirement of fixed assets	126	269	827	203	434
Impairment loss	—	952	2,627	1,112	244
Loss on sales of investment securities	56	33	0	143	227
Loss on valuation of investment securities	435	103	—	—	—
Loss on valuation of investments in capital	—	—	128	0	—
Provision for loss on litigation	—	—	1,257	—	—
Others	—	1	22	2	0
Total extraordinary loss	645	1,537	5,183	1,473	934
Income before Income Taxes	30,497	18,554	27,303	35,184	36,045
Income Taxes—Current	5,546	6,324	7,148	7,268	9,325
Income Taxes—Deferred	3,299	1,908	468	2,777	533
Total Income Taxes	8,845	8,232	7,617	10,045	9,859
Profit	21,651	10,322	19,685	25,139	26,186
Profit Attributable to Non-Controlling Interests	1,063	790	1,423	1,789	1,713
Profit Attributable to Owners of Parent	20,587	9,531	18,262	23,349	24,473

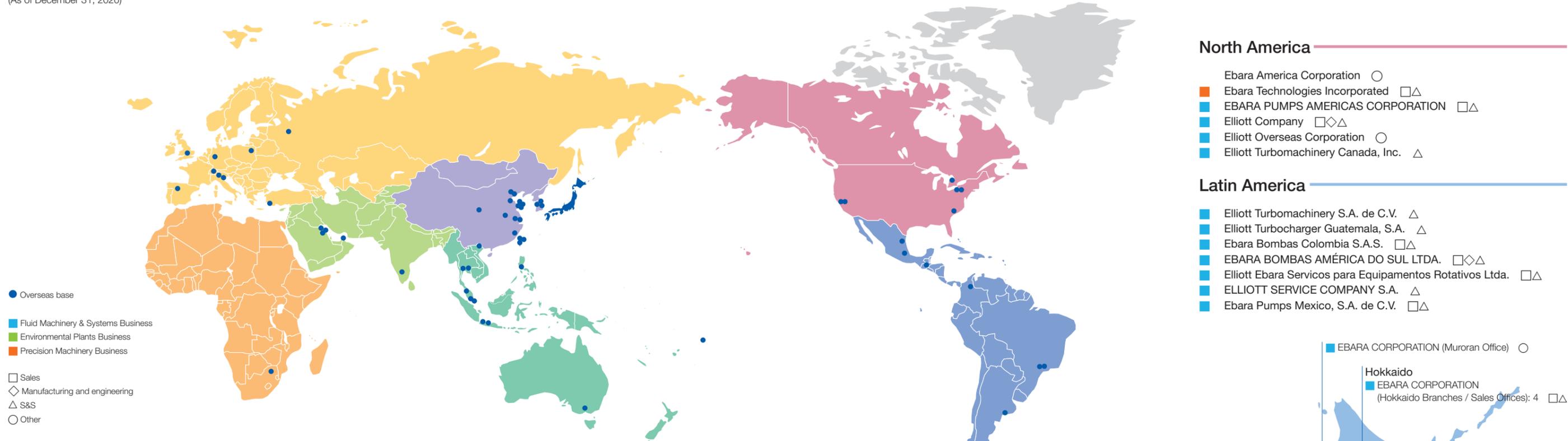
* The occurrence of the irregular nine-month period ended December 31, 2017, is the result of a change in the settlement date used by the Company.

Consolidated Statements of Cash Flows

	Millions of yen				
	2017/3	2017/12*	2018/12	2019/12	2020/12
Cash Flows from Operating Activities					
Income before income taxes	30,497	18,554	27,303	35,184	36,045
Depreciation and amortization	13,739	11,923	15,266	15,132	15,963
Impairment loss	—	952	2,627	1,112	244
Loss (gain) on sales of securities and investment securities	(1,922)	(1,318)	(803)	(569)	150
Loss (gain) on sales of investments in capital	(289)	—	—	—	—
Increase (decrease) in reserve	744	(2,339)	48	(3,110)	1,649
Increase (decrease) in net defined benefit liability	(2,242)	(3,456)	(2,571)	(1,009)	(1,671)
Loss (gain) on sales of fixed assets	(384)	(2,032)	(81)	(362)	(16)
Interest and dividends income	(775)	(442)	(1,064)	(596)	(382)
Interest expenses	1,184	1,136	1,517	1,444	1,162
Decrease (increase) in notes and accounts receivable—trade	7,344	33,728	(10,674)	(8,457)	(4,467)
Decrease (increase) in inventories	(9,136)	(11,403)	(14,854)	1,192	9,024
Increase (decrease) in notes and accounts payable—trade	3,430	(188)	6,774	(4,963)	2,596
Increase (decrease) in other assets / liabilities	(3,784)	7,634	15,795	373	12,546
Other loss (gain)	771	1,049	563	(258)	(831)
Subtotal	39,175	53,798	39,847	35,111	72,014
Interest and dividends received	1,181	1,133	1,064	588	680
Interest expenses paid	(1,202)	(1,183)	(1,529)	(1,429)	(1,126)
Income taxes paid	(5,338)	(9,590)	(4,771)	(7,550)	(7,334)
Net cash provided by operating activities	33,816	44,157	34,610	26,720	64,234
Cash Flows from Investing Activities					
Purchase of fixed assets	(21,591)	(12,380)	(18,570)	(28,040)	(31,172)
Proceeds from sales of fixed assets	550	2,400	1,738	540	93
Purchase of securities and investment securities	(8,797)	(3,523)	(4,578)	(3,678)	(693)
Proceeds from sales and redemption of securities and investment securities	12,086	5,543	5,568	7,115	2,471
Payments into time deposits	(2,637)	(1,982)	(1,946)	(2,055)	(3,501)
Proceeds from withdrawal of time deposits	1,839	1,906	1,902	2,041	3,713
Payments of loans receivable	(117)	(19)	(155)	(101)	(32)
Collection of loans receivable	762	108	167	29	54
Others	(661)	40	(54)	71	(3)
Net cash used in investing activities	(18,563)	(7,906)	(15,927)	(24,077)	(29,071)
Cash Flows from Financing Activities					
Net increase (decrease) in short-term loans payable	2,501	7,083	(22,498)	1,874	(10,202)
Proceeds from long-term loans payable	14,079	3,026	689	2,585	2,772
Repayment of long-term loans payable	(19,615)	(2,078)	(2,462)	(2,108)	(4,426)
Proceeds from issuance of bonds	—	10,000	—	—	10,000
Redemption of bonds	(22)	—	(10,000)	—	—
Proceeds from issuance of common stock	0	0	0	0	0
Proceeds from disposal of treasury shares	0	0	—	0	—
Purchase of treasury shares	(17)	(5)	(5,008)	(15,004)	(3)
Cash dividends paid	(5,582)	(6,093)	(4,575)	(5,877)	(5,713)
Cash dividends paid to non-controlling interests	(458)	(4)	(414)	(687)	(1,276)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(5,169)	—	(1,333)	—	—
Others	(817)	(631)	(809)	(970)	(777)
Net cash provided by (used in) financing activities	(15,102)	11,296	(46,412)	(20,188)	(9,628)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(1,187)	871	(1,324)	(346)	(246)
Increase (Decrease) in Cash and Cash Equivalents	(1,037)	48,419	(29,054)	(17,891)	25,287
Cash and Cash Equivalents at Beginning of Period	91,185	90,683	139,102	110,556	93,351
Increase (Decrease) in Cash and Cash Equivalents Resulting from Change in Scope of Consolidation	536	—	507	686	1,904
Cash and Cash Equivalents at End of Period	90,683	139,102	110,556	93,351	120,544

EBARA Group's Global Network

(As of December 31, 2020)



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 □△
- Çiğli Su Teknolojileri A.Ş.* □◇
- Vansan Makina Sanayi ve Ticaret A.Ş.* □◇
- Vansan Makina Montaj ve Pazarlama A.Ş.* □◇

* Acquisition completed April 2021

Africa

- EBARA PUMPS SOUTH AFRICA (PTY) LTD □△

Middle East & South Asia

- ELLIOTT GAS Services Saudi Arabia Limited □△
- EBARA PUMPS SAUDI ARABIA LLC □△
- Elliott Ebara Middle East Maintenance S.P.C △
- Ebara Pumps Middle East FZE □△
- Elliott Ebara Turbomachinery India Pvt. Ltd. □△

Southeast Asia & Oceania

- Ebara (Thailand) Limited □△
- Ebara Thermal Systems (Thailand) Co., Ltd. □△
- Ebara Pumps Malaysia Sdn. Bhd. □△
- Ebara Engineering Singapore Pte. Ltd. □△
- Elliott Ebara Singapore Pte. Ltd. □△
- PT. Ebara Indonesia □◇△
- PT. Ebara Turbomachinery Services Indonesia △
- Ebara Vietnam Pump Company Limited □◇△
- Ebara Pumps Philippines, Inc. □◇△
- Ebara Pumps Australia Pty. Ltd. □△
- Ebara Densan (Taiwan) Samoa Mfg. Co., Ltd. ○

East Asia

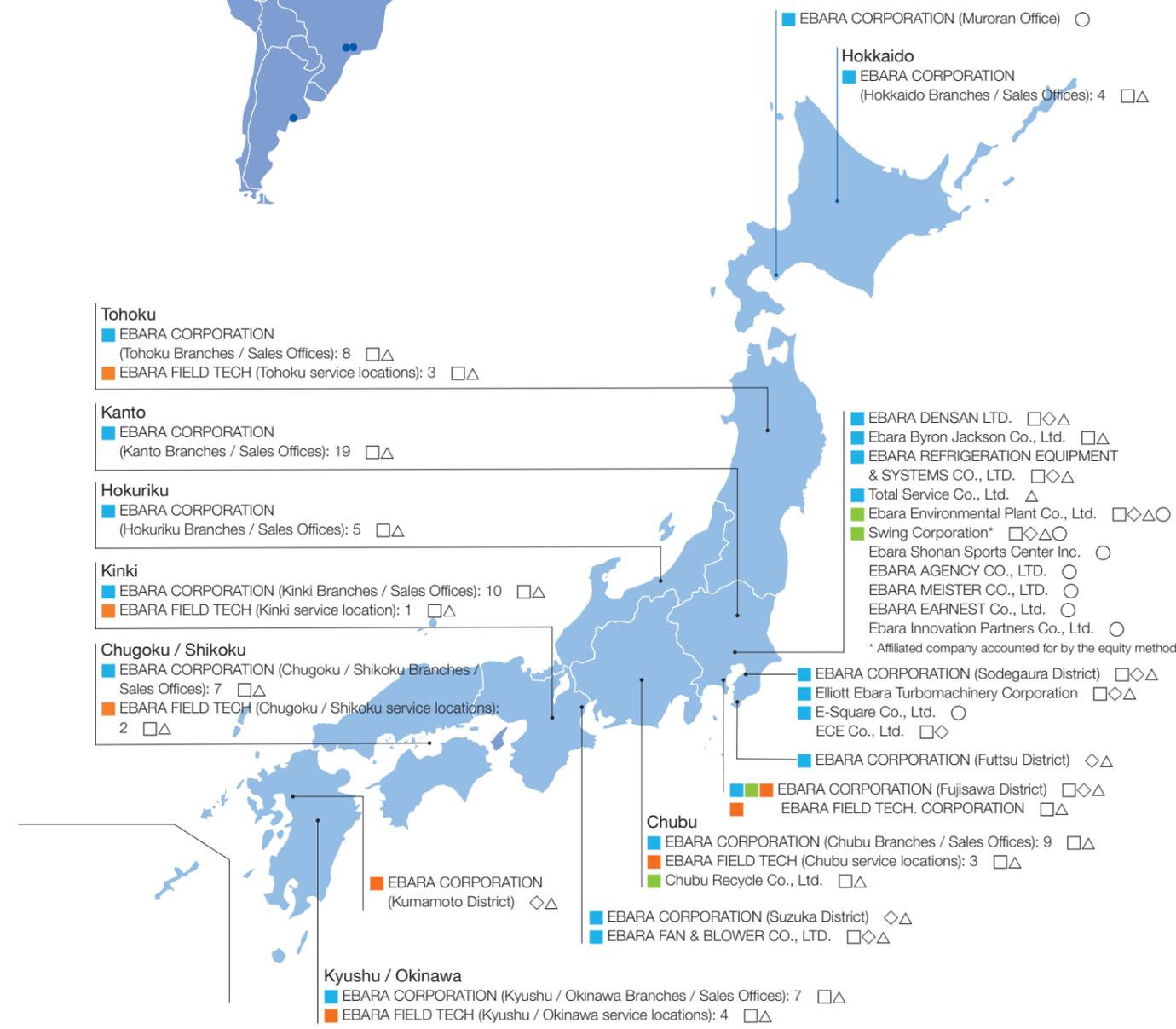
- Xian Ebara Precision Machinery Co., Ltd. □△
- Ebara Machinery (China) Co., Ltd. □◇△
- Elliott Turbomachinery Services (Tianjin) Co., Ltd. △
- HEFEI EBARA PRECISION MACHINERY CO., LTD. □△
- EBARA MACHINERY ZIBO CO., LTD. □◇△
- Ebara Densan (Qingdao) Technology Co., Ltd. □◇△
- Ebara Densan (Kunshan) Co., Ltd. ◇△
- Ebara Great Pumps Co., Ltd. □◇△
- Ebara Qingdao Co., Ltd. □◇△
- EBARA REFRIGERATION EQUIPMENT & SYSTEMS (CHINA) Co., Ltd. □◇△
- Yantai Ebara Fan Co., Ltd. ◇
- Shanghai Ebara Precision Machinery Co., Ltd. □△
- Ebara Precision Machinery Taiwan Incorporated □△
- Ebara-Elliott Service (Taiwan) Co., Ltd. △
- Ebara-Densan Taiwan Manufacturing Co., Ltd. □◇△
- Ebara Fluid Machinery Korea Co., Ltd. □△
- Elliott Korea Co., Ltd. □△
- Ebara Precision Machinery Korea Incorporated □△

North America

- Ebara America Corporation ○
- Ebara Technologies Incorporated □△
- EBARA PUMPS AMERICAS CORPORATION □△
- Elliott Company □◇△
- Elliott Overseas Corporation ○
- Elliott Turbomachinery Canada, Inc. △

Latin America

- Elliott Turbomachinery S.A. de C.V. △
- Elliott Turbocharger Guatemala, S.A. △
- Ebara Bombas Colombia S.A.S. □△
- EBARA BOMBAS AMÉRICA DO SUL LTDA. □◇△
- Elliott Ebara Servicios para Equipamentos Rotativos Ltda. □△
- ELLIOTT SERVICE COMPANY S.A. △
- Ebara Pumps Mexico, S.A. de C.V. □△



* Affiliated company accounted for by the equity method

Corporate Profile / Stock Information

(As of December 31, 2020)

Corporate Profile

Company Name:	EBARA CORPORATION
Foundation:	November 1912
Head Office:	11-1, Haneda Asahi-cho, Ota-ku, Tokyo 144-8510, Japan Phone: + 81-3-3743-6111
URL:	https://www.ebara.co.jp/en/
Paid-in Capital:	¥79,451 million
Number of Employees (Consolidated):	17,480

External Recognition Based on ESG Factors

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



2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

Note: THE INCLUSION OF EBARA CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF EBARA CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.



United Nations Global Compact

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, environment, and anti-corruption.



This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

Stock Information

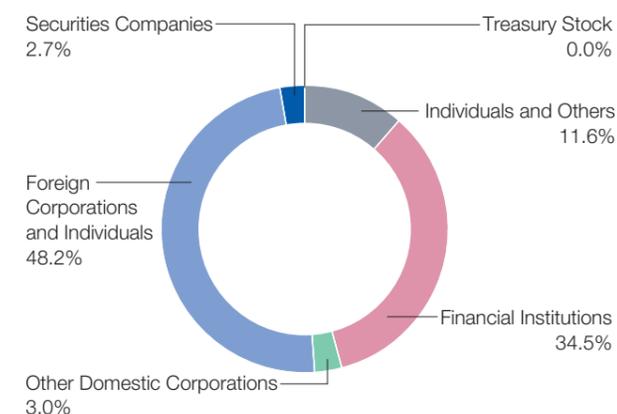
Stock Information	
Securities Code:	6361 (Japan)
Number of Shares Issued:	95,391,453
Number of Shareholders:	21,132
Stock Listing:	Tokyo Stock Exchange
Number of Shares Constituting One Unit:	100
Transfer Agent and Registrar:	Sumitomo Mitsui Trust Bank, Limited, 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan
Accounting Auditor:	Ernst & Young ShinNihon LLC
Major Indices:	Nikkei 225

Major Shareholders

Shareholders' name	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	11.9
ICHIGO TRUST PTE. LTD.	10.0
Custody Bank of Japan, Ltd. (Trust Account)	7.7
THE BANK OF NEW YORK MELLON 140042	4.1
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	2.4
BNYM AS AGT/CLTS 10 PERCENT	2.2
Custody Bank of Japan, Ltd. (Trust Account 7)	2.2
STATE STREET BANK AND TRUST COMPANY 505103	1.6
JP MORGAN CHASE BANK 385781	1.5
NORTHERN TRUST CO. (AVFC) RE U.S. TAX-EXEMPTED PENSION FUNDS	1.4

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

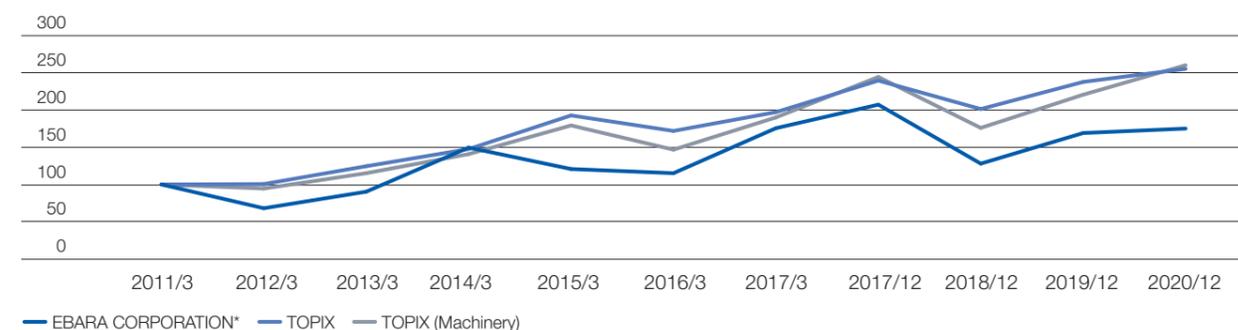
Composition of Shareholders



10-Year Total Shareholder Return Data

Stock / Index	1 year	3 years	5 years	10 years
EBARA CORPORATION*	4.1%	-16.6%	56.8%	75.3%
TOPIX	7.4%	6.6%	48.6%	155.7%
TOPIX (Machinery)	18.0%	6.5%	77.5%	160.6%

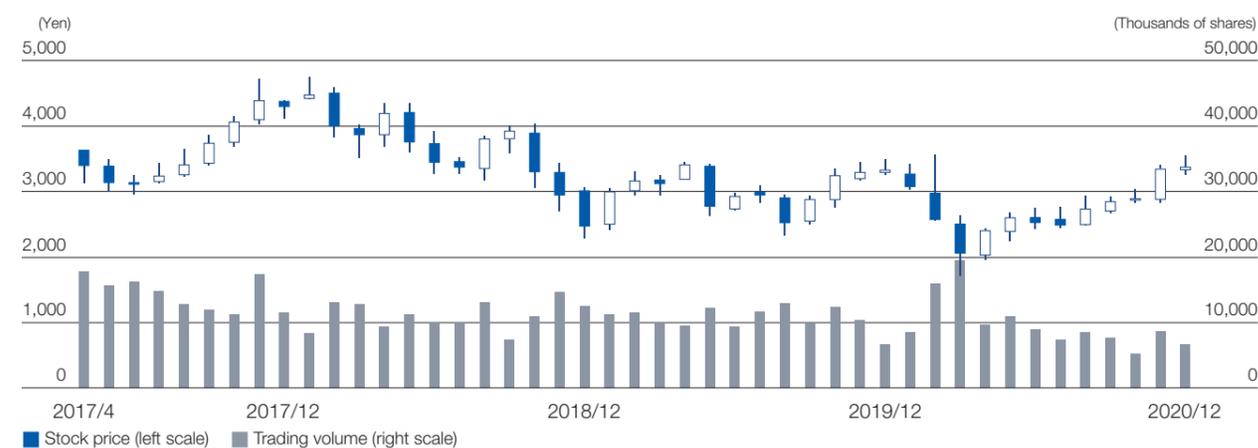
Stock Price Including Dividends and Stock Price Indexes (Closing price on March 31, 2011, indexed to 100)



Note: The above graph displays total shareholder return reflecting dividends and stock price gains for investments commenced on March 31, 2011, over the period ending with December 31, 2020. For investment performance accounting for dividends and stock price gains from EBARA CORPORATION, investment amount on March 31, 2011, 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.

* 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



	2017/12	2018/12	2019/12	2020/12
Stock price at end of fiscal year	4,295	2,471	3,325	3,370
High	4,725	4,745	3,500	3,570
Low	2,964	2,293	2,321	1,715
Trading volume (millions of shares)	129	133	127	117

Stock-Related Data

	2017/12	2018/12	2019/12	2020/12
Price-earnings ratio (times)	45.8	13.7	13.8	13.1
Price-to-book ratio (times)	1.6	0.9	1.1	1.08
Number of issued shares (thousands of shares)	101,783	101,957	95,129	95,391
Market capitalization at end of fiscal year (millions of yen)	437,159	251,938	316,307	321,469