

The EBARA Group conducts business with a high standard of ethics.

Corporate Governance

ISO 26000
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At EBARA, we think it is of the utmost importance to enhance corporate governance and to continue to improve it, so that we can be thought of as a reliable company by our stakeholders and continue contributing to society.

Web Corporate Governance Report
<http://www.ebara.co.jp/en/ir/policy/corporategovernance.html>

Corporate Governance Structure

Based on Japan's Companies Act, EBARA has established a governance structure comprising of the Board of Directors, the Audit & Supervisory Board, and an Independent Auditor.

Board of Directors

The Board of Directors is composed of 12 directors, 4 of whom are independent Outside Directors with no stake in EBARA. The Outside Directors provide advice and supervision from an independent standpoint at Board of Directors meetings and elsewhere in order to enhance the validity of the corporate decision-making process. The position of Chairman of the Board of Directors is held by a board member who does not have the right to represent the company, so as to maintain distance from the President and Representative Director.

At present, all Board members are Japanese men, but in consideration of diversity, the company has its eye on appointing women and persons of foreign nationality to its Board in the future.

Audit & Supervisory Board

The Audit & Supervisory Board is composed of five members, three of whom are Outside Audit & Supervisory Board members with no stake in EBARA.

Based on auditing plans and auditing principles drawn up by the Audit & Supervisory Board, it audits the execution of management duties by the Directors. At the same time, it exchanges information and opinions with the Representative Director and with the Independent Auditor to ensure the effectiveness of auditing activities.

Discretionary Governance Structure

The company has adopted an executive officer system and has also separated the decision-making and management oversight functions of the Board of Directors and the business operation functions of the Executive Officers.

To ensure transparency and objectivity in the selection of Directors and Executive Officers as well as in the determination of their compensation, the company has established the Nominations Committee and the Compensation Committee. More than half the members of both committees are Outside Directors and the resolutions are made by majority vote. In the interest of enhanced group governance, the Corporate Audit Department, which reports directly to the President and Representative Director, inspects

and assesses the operations of member firms of the EBARA Group and also comes up with advice and recommendations to help ensure the appropriateness of operations and to improve them.

Executive Compensation

Policies regarding the compensation of Directors of the Board are deliberated by the Compensation Committee and put to a vote in the Board of Directors meeting. The compensation of Audit & Supervisory Board members is discussed and decided in meetings of the Audit & Supervisory Board.

The company has established a compensation system that encourages those Directors who are not Outside Directors to abide by and monitor compliance with the company's corporate philosophy and provides strong motivation to attain medium to long-term management goals. This is achieved by closely linking compensation to company performance.

Individual compensation is separated into basic compensation, yearly performance-indexed bonuses and long-term incentives. Those officers who hold more responsibility for corporate performance also receive more of their pay based on company performance.

Outside directors, who are independent of the corporate operations, receive fixed compensation. In setting compensation for Audit & Supervisory Board members, consideration is given to the workload assigned to full-time versus part-time Audit & Supervisory Board members, and compensation for individual Auditors is determined in discussions between Audit & Supervisory Board Members.

Amount of Compensation Paid to Directors of the Board and Audit & Supervisory Board Members (FY2012)

Position	Total Compensation (millions of yen)	Compensation by Type (millions of yen)		
		Basic compensation	Bonus	Stock options
Directors of the Board (17 members)	392	237	94	60
Outside Directors (6 members)	48	48	No set system	No set system
Audit & Supervisory Board members (5 members)	81	81	No set system	No set system
Outside Audit & Supervisory Board members (3 members)	32	32	No set system	No set system

Outline of EBARA's Corporate Governance Framework

As of April 2013

