

# Governance Structure and Management System

“EBARA’s Identity” contributes to its founding spirit, corporate philosophy, and CSR policy and constitute the Company’s identity and values. Based on “EBARA’s Identity,” we regard enhancing corporate value through sustained business development while returning profit to shareholders as one of our highest-priority management policies. As a basis for realizing this policy, increasing management transparency and objectivity is indispensable. With this in mind, EBARA is strengthening corporate governance.

## Corporate Governance System

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

### Corporate Governance System at a Glance

Structure	Company with Audit & Supervisory Board
Number of Directors	12
Of whom are Outside Directors	4
Term of Directors	1 year
Granting of incentives to Directors	Introduced compensation system linked to business results Introduced stock option system
Number of Audit & Supervisory Board Members	5
Of whom are Outside Audit & Supervisory Board Members	3
Number of Independent Directors	4
Involvement of Outside Directors in determining compensation	Yes
Independent Auditor	Ernst & Young ShinNihon LLC

### Board of Directors

Under the rules for the activities of the Board of Directors established by the Company, the Board of Directors is required

to operate in compliance with laws and regulations and the Company’s Articles of Incorporation. Also under these rules, the Board of Directors holds regular monthly meetings and special sessions when necessary. The Chairman of the Board of Directors is appointed from among members of the Board who do not have the status of Representative Director with the objective of separating management oversight functions from final decision-making authority. In addition, the Board of Directors is composed of 12 members, and 4 of these are independent Outside Directors who have no special interest in EBARA. At present, all members of the Board are Japanese men, but from the standpoint of diversity, the Company is considering the appointment of women and persons of foreign nationality to its Board in several years.

### Audit & Supervisory Board

The Audit & Supervisory Board comprises five members, three of whom are Outside Audit & Supervisory Board Members who have no special interest in EBARA. Based on auditing principles and auditing plans drawn up by the Audit & Supervisory Board,

it audits the conduct of management duties by the Directors. At the same time, the Board exchanges information and opinions with the Representative Director and with the Independent Auditor to ensure the effectiveness of auditing activities.

### Independent Auditor

The Company’s Independent Auditor, Ernst & Young ShinNihon LLC, audits the Company’s accounts and other matters as required under the Companies Act and Japan’s Financial Instruments and Exchange Act.

### Reasons for Selecting Outside Officers and the Status of Attendance at Meetings of the Board of Directors and Audit & Supervisory Board (Fiscal Year Ended March 31, 2014)

Outside Director	Attributes	Reason for election	Attendance at Board of Directors meetings	
			Board of Directors	Audit & Supervisory Board
Akio Mikuni	From other company	To use his extensive knowledge and expertise as a specialist in corporate credit rating and financial markets to benefit the business management of the Company	15 times/15 times	
Sakio Uda	From other company	To use his extensive knowledge and expertise as a specialist in business management strategy to benefit the business management of the Company	14 times/15 times	
Masao Namiki	From other company	To use his extensive experience and expertise as a senior executive of a listed company to benefit the business management of the Company	15 times/15 times	
Shiro Kuniya	Attorney	To use his specialist knowledge and insight as an attorney to benefit the business management of the Company	15 times/15 times	

Outside Audit & Supervisory Board Member	Attributes	Reason for election	Attendance at Board of Directors meetings and Audit & Supervisory Board meetings	
			Board of Directors	Audit & Supervisory Board
Yoshihiro Machida	Academic	To use his insight as a university professor specializing in corporate auditing and internal control to benefit the auditing issues of management and performance of Directors’ duties	14 times/15 times	18 times/19 times
Fumio Takahashi	Certified public accountant	To use his specialist knowledge and insight as a certified public accountant to benefit the auditing issues of management and performance of Directors’ duties	15 times/15 times	18 times/19 times
Tadashi Urabe	Attorney	To use his specialist knowledge and insight as an attorney to benefit the auditing issues of management and performance of Directors’ duties	15 times/15 times	19 times/19 times

### Discretionary Governance Structure

In addition to the previously mentioned organizational units required by law, the Company has established the following units on its own initiative.

#### 1. Executive Officer System

The Company has separated the decision-making and management oversight functions of the Board of Directors on the one hand and functions of the Executive Officers, who are in charge of the conduct of operations of business divisions, on the other. Moreover, those executives of the principal EBARA Group companies, who have been certified as meeting the personnel conditions for being Executive Officers of the parent company, are selected as EBARA Group Executive Officers. In addition to performing their duties in their respective Group companies, they perform roles in the management of the Company from an overall optimal perspective. At present, there are 38 Executive Officers, including EBARA Group Executive Officers, and all of these are Japanese men, but from the standpoint of diversity, the Company is considering the appointment of women and persons of foreign nationality to Executive Officer positions in several years.

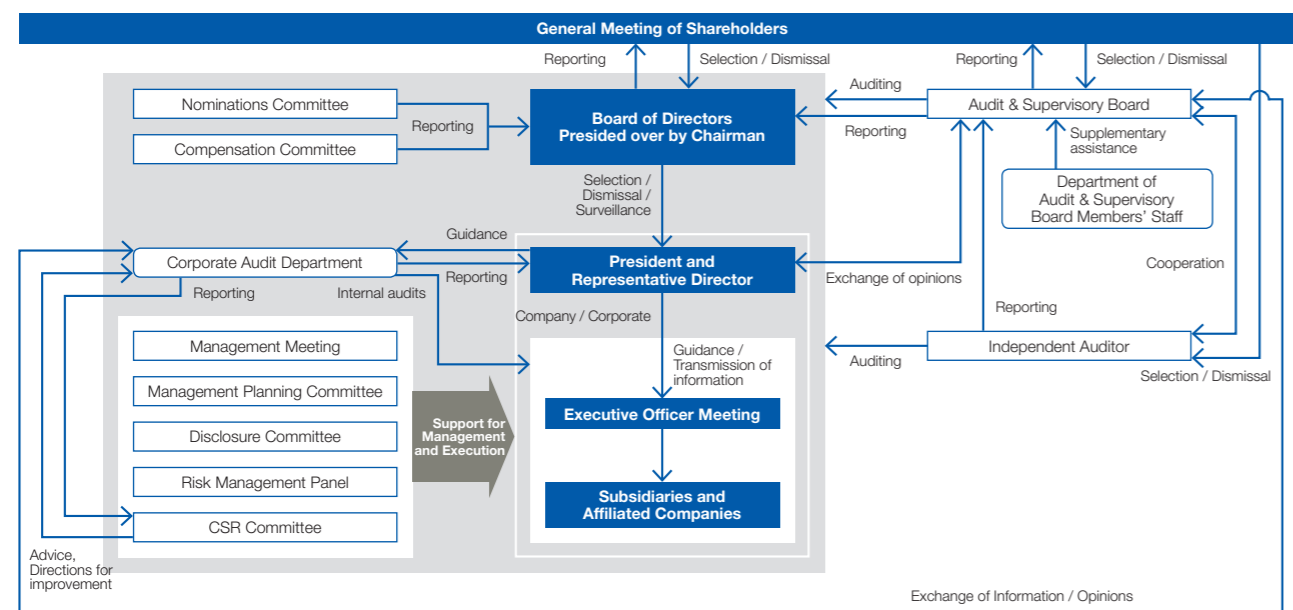
#### 2. Management Meeting

In addition to the discussion of significant management policy and corporate strategy in the meetings of the Board of Directors, the Management Meeting is convened monthly to provide management members with the chance to broadly discuss and consult on various significant issues related to policy and strategy.

#### 3. Nominations Committee and Compensation Committee

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 set up the Nominations Committee and the Compensation Committee and established their regulations. Both of these committees have a half or more of Outside Directors as members, and their decisions are made on a majority basis. Currently, four Outside Directors are divided between the Nominations Committee and the Compensation Committee, with each committee comprising two Outside Directors, the Chairman of the Board of Directors, and the President and Representative Director.

## Corporate Governance Framework



4. Corporate Social Responsibility (CSR) Committee

We have established the CSR Committee to receive reports periodically from the responsible division about overall CSR initiatives, including compliance and internal control, and to provide directions for improvements as required. Directors (including Outside Directors), Full-Time Audit & Supervisory Board Members, and members of the Internal Audit Division attend the meetings of the committee, where they share information and exchange opinions.

discussed by the Compensation Committee and put to a vote at the Board of Directors meeting. Note that all Directors, other than Outside Directors, are encouraged to abide by and monitor compliance with the Company's corporate philosophy. Also, to provide strong motivation to attain medium- to long-term management goals, the Company has established a compensation system that is closely linked to Company performance. For the compensation of Audit & Supervisory Board Members, discussions are held and final recommendations are approved at meetings of the Audit & Supervisory Board. In setting compensation for Audit & Supervisory Board Members, their compensation is regarded as fixed compensation and consideration is given to the workload assigned to full-time versus part-time Audit & Supervisory Board Members, and the amount of compensation for individual Audit & Supervisory Board Members is determined in discussions by the Audit & Supervisory Board.

Executive Compensation

Regarding the compensation of Directors and Audit & Supervisory Board Members, basic upper limits on the total compensation of Directors and the total compensation of Audit & Supervisory Board Members are approved by the General Meeting of Shareholders. Policies regarding the compensation of Directors are

Total Amounts of Compensation for Officers (Fiscal Year Ended March 31, 2014)

Executive position (Number of persons)	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)		
		Basic compensation	Bonus	Stock options
Directors (13)	512	278	123	110
Outside Directors (4)	48	48	None	None
Audit & Supervisory Board Members (5)	81	81	None	None
Outside Audit & Supervisory Board Members (3)	32	32	None	None

Message from an Outside Director

Aiming to Enhance Corporate Value through a Positive Corporate Culture That Invites Open Debate

I have been an outside director at EBARA for three years. During this time, the Company has put an end to the losses resulting from a problematic overseas waste-to-energy project and made a significant change of course onto a new growth track. Facing global competition, the senior management team has to communicate this new strategic direction clearly and take the initiative to step up the Company's speed of action.

Among the 12 Directors who attend meetings of the Board of Directors, four Outside Directors pose questions from a variety of viewpoints, leading to earnest discussions. The Company's discretionary governance structure includes the Nominations Committee and the Compensation Committee, each of which is attended by two Outside Directors. I serve on the Nominations Committee, and the Company's procedure for selection and promotion of executives ensures a high level of transparency and objectivity.

I take seriously the weight of my role as an outside director who, as far as possible, aims to encourage a positive corporate culture that invites open debate throughout all aspects of its operations. I hope that such a culture, once entrenched, will become a source of competitiveness that enhances the unique attributes of EBARA and raises its corporate value even further.

Sakon Uda  
Outside Director (Independent Director)



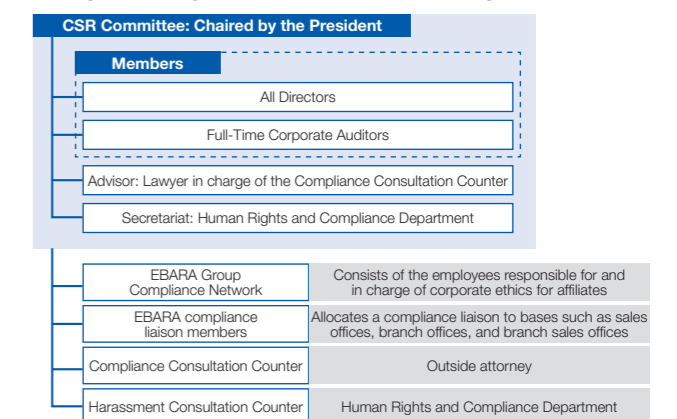
Internal Control

The EBARA Group drives the development of a framework consistent with the Companies Act, along with a scheme of internal control based on the Financial Instruments and Exchange Act, to secure the legitimacy of its operations in accordance with the Internal Control Basic Policy established in 2007. The Corporate Audit Department under direct control of the President conducts business audits to continually review the ways this framework is continually maintained and

Compliance System

We are fully aware that unethical behavior due to lack of compliance could undermine our management foundations. Accordingly, to ensure rigorous compliance, the Company has established a compliance system that includes the CSR Committee, chaired by the President and Representative Director. Further, to ensure that executives and other employees not only comply with laws and regulations but behave in a fair and ethical manner, we have established and enforce the EBARA Group Code of Conduct.

Compliance System of the EBARA Group

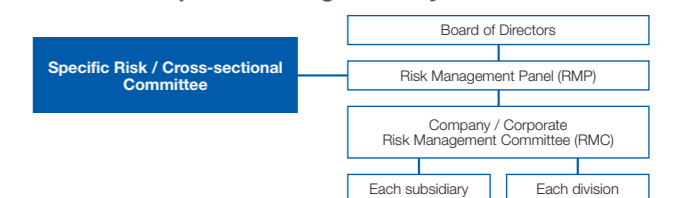


Risk Management

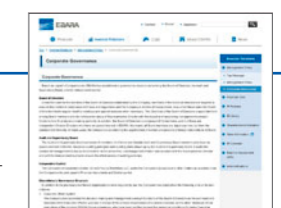
As an organization with overall control of risk management, we have established the Risk Management Panel (RMP), which is chaired by the President and Representative Director and comprises Full-Time Directors. Furthermore, under the RMP, at each Group company we have established a Risk Management Committee (RMC). Each Group company's RMC convenes approximately once a month to analyze and discuss high-risk projects, such as those entailing contracts for significant sums or the application of advanced technology. Among these projects, the RMP deliberates countermeasures for projects deemed to require further examination from a Groupwide perspective. In addition, we have established committees that span our organization laterally, tasked with handling specific risk issues, including security export control, environmental management, countermeasures for antisocial forces, and

measures to prevent compliance infringements in relation to the Construction Business Act and the Subcontract Act. Also, in line with the advancement of our businesses overseas, we are stepping up the establishment and operation of risk management at overseas affiliates.

EBARA Group Risk Management System



For further information, please see the following section of our website.  
<http://www.ebara.co.jp/en/ir/policy/corporategovernance.html>



## Directors of the Board and Audit & Supervisory Board Members

(As of June 27, 2014)



### Directors of the Board

#### Chairman

##### Natsunosuke Yago <sup>1</sup>

Apr. 1977 Joined the Company  
June 2002 Executive Officer  
Apr. 2004 Senior Executive Officer  
June 2004 Director of the Board  
Apr. 2006 Managing Executive Officer  
Apr. 2007 President and Representative Director  
Apr. 2013 Director and Chairman (to present)

#### President and Representative Director

##### Toichi Maeda <sup>2</sup>

Apr. 1981 Joined the Company  
Apr. 2007 Executive Officer Deputy Division Executive, Custom Pump Division, Fluid Machinery & Systems Company  
May 2008 Executive General Manager, Haneda District  
Apr. 2009 Executive General Manager, Futtsu District  
Apr. 2010 Managing Executive Officer  
Apr. 2011 Head of Business Unit, Custom Pump Business Unit, Fluid Machinery & Systems Company  
June 2011 Director of the Board  
Apr. 2012 President, Fluid Machinery & Systems Company  
Apr. 2013 President and Representative Director (to present)

#### Senior Managing Executive Officers

##### Tetsuji Fujimoto <sup>3</sup>

Apr. 1976 Joined the Company  
Apr. 2004 Executive Officer  
June 2007 Director of the Board (to present)  
Apr. 2008 Managing Executive Officer  
Apr. 2011 Responsible for Group Management, Finance & Accounting, and Internal Control  
Apr. 2012 Responsible for Group Management, Finance & Accounting, and Internal Control President and Representative Director of Ebara Environmental Plant Co., Ltd.  
June 2012 Senior Managing Executive Officer (to present)  
Apr. 2013 Responsible for Finance & Accounting, Group Management, and Internal Control (to present) President, Environmental Engineering Company (to present)

##### Manabu Tsumijima <sup>4</sup>

Apr. 1974 Joined the Company  
June 2002 Executive Officer  
Apr. 2004 Senior Executive Officer  
Apr. 2007 Managing Executive Officer  
Apr. 2009 Division Executive, Technologies, Research & Development Division Vice President, Precision Machinery Company  
June 2009 Director of the Board (to present)  
Apr. 2010 Division Executive, Technologies, R&D, and IP Division  
Apr. 2011 President, Precision Machinery Company (to present) Responsible for Technologies, R&D, and Intellectual Property (to present)  
Apr. 2013 Senior Managing Executive Officer (to present)

##### Atsuo Ohi <sup>5</sup>

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  
June 2012 Director of the Board (to present)  
Apr. 2013 President, Fluid Machinery & Systems Company, Head of Business Unit, Global Marketing & Sales Business Unit  
Apr. 2014 Senior Managing Executive Officer (to present) President, Fluid Machinery & Systems Company (to present)

#### Managing Executive Officers

##### Akira Ogata <sup>6</sup>

Apr. 1974 Joined the Company  
Apr. 2004 Executive Officer  
Apr. 2007 Senior Executive Officer  
Apr. 2008 Managing Executive Officer (to present)  
Apr. 2011 Responsible for Production Process Innovation and Information & Communication System Division Executive, Production Process Innovation Division (to present)  
Apr. 2012 Vice President, Fluid Machinery & Systems Company, Head of Business Unit, Operations of Technology and Production, Fluid Machinery & Systems Company  
June 2012 Director of the Board (to present)  
Apr. 2013 Head of Business Unit, Operations of Technology and Production, Fluid Machinery & Systems Company (to present)  
Apr. 2014 Head of Business Unit, Planning & Administration Unit, Fluid Machinery & Systems Company (to present)

##### Masaru Shibuya <sup>7</sup>

Apr. 1972 Joined the Company  
Apr. 2008 Executive Officer Division Executive, Human Resources & Legal Division  
Apr. 2009 Division Executive, Human Resources, General Affairs & Legal Division  
Apr. 2011 Managing Executive Officer (to present) Division Executive, Human Resources, Legal & Public Relations Division  
Apr. 2012 Responsible for Human Resources, Legal, Public Relations, and General Affairs (to present)  
June 2012 Director of the Board (to present)

##### Nobuharu Noji <sup>8</sup>

Apr. 1984 Joined the Company  
Apr. 2006 Division Manager, Components Division, Precision Machinery Company  
Apr. 2008 Executive Officer  
Apr. 2011 Managing Executive Officer (to present)  
Apr. 2013 Division Executive, Standard Pump Business Division, Operations of Technology and Production, Fluid Machinery & Systems Company Executive General Manager, Fujisawa Plant  
June 2013 Director of the Board (to present)  
Apr. 2014 Head of Business Unit, Standard Pump Business Unit, Division Executive, Development & Engineering Division, Standard Pump Business Unit, Fluid Machinery & Systems Company (to present)

#### Outside Directors

##### Akio Mikuni <sup>9</sup>

Sept. 1969 CFA-Chartered Financial Analyst (to present)  
July 1975 Founded Mikuni & Co., Ltd.  
June 2005 President, Mikuni & Co., Ltd. (to present)  
Apr. 2002 Vice Chairman, Japan Association of Corporate Executives  
June 2011 Director of the Board of the Company (to present)

##### Sakon Uda <sup>10</sup>

July 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)  
July 2010 Executive Officer, Chief Operating Officer, The Tokyo Star Bank, Limited  
June 2011 Director of the Board of the Company (to present)  
Sept. 2012 Counselor, Nuclear Damage Liability Facilitation Fund (to present)  
Apr. 2014 Dean, Faculty of Business Administration Professor, Business Breakthrough University (to present)

##### Masao Namiki <sup>11</sup>

Apr. 1975 Joined TOSHIBA CORPORATION  
June 2003 Executive Officer, Corporate Vice President  
June 2005 Executive Officer, Corporate Senior Vice President  
June 2007 Executive Officer, Corporate Executive Vice President  
June 2008 Director, Executive Officer, Corporate Executive Vice President  
June 2009 Director, Representative Executive Officer, Corporate Senior Executive Vice President  
June 2011 Senior Advisor  
June 2012 Director of the Board of the Company (to present)

##### Shiro Kuniya <sup>12</sup>

Apr. 1982 Registered as an attorney (to present)  
Joined Oh-Ebashi Law Offices (currently, Oh-Ebashi LPC & Partners)  
Aug. 2002 Managing Partner, Oh-Ebashi LPC & Partners (to present)  
June 2006 Outside Audit & Supervisory Board Member, NIDEC CORPORATION  
Mar. 2012 Outside Director, NEXON Co., Ltd. (to present)  
June 2012 Director of the Board of the Company (to present)  
June 2013 Outside Director, Sony Financial Holdings Inc. (to present)  
Outside Audit & Supervisory Board Member, Takeda Pharmaceutical Company Limited (to present)

### Audit & Supervisory Board Members

#### Audit & Supervisory Board Members

##### Akira Hashimoto

Apr. 1979 Joined the Company  
Apr. 2006 Deputy Division Executive, Finance & Corporate Accounting Division  
June 2007 Deputy Division Executive, Internal Control Improvement & Enhancement Division Executive Officer  
Apr. 2009 General Manager, Internal Control Improvement & Enhancement Division  
July 2010 Division Executive, Internal Control Division  
Apr. 2011 Assistant to President  
June 2011 Audit & Supervisory Board Member (to present)

##### Shusuke Tsumura

Apr. 1981 Joined the Company  
July 2009 General Manager, Finance & Accounting Department, Finance & Corporate Accounting Division  
Apr. 2012 Director General Manager, Group Management Department  
Apr. 2013 Deputy Division Executive, Finance & Accounting Division  
Apr. 2014 Assistant to President  
June 2014 Audit & Supervisory Board Member (to present)

#### Outside Audit & Supervisory Board Members

##### Yoshihiro Machida

Apr. 1992 Assistant, School of Commerce, Waseda University  
Apr. 2000 Associate Professor of Accounting and Auditing, School of Business Administration, Tokyo Keizai University  
Sept. 2002 Doctor of Commerce, Waseda University  
Apr. 2005 Professor, Graduate School of Professional Accountancy, Aoyama Gakuin University (to present)  
June 2007 Audit & Supervisory Board Member of the Company (to present)  
May 2011 Outside Audit & Supervisory Board Member, AEON MALL Co., Ltd. (to present)

##### Fumio Takahashi

Apr. 1973 Joined Showa Audit Corporation (currently, Ernst & Young ShinNihon LLC)  
Mar. 1976 Registered as Japanese CPA (to present)  
May 1994 Representative Partner, Showa Ota & Co. (currently, Ernst & Young ShinNihon LLC)  
May 2004 Director, Shin Nihon & Co. (currently, Ernst & Young ShinNihon LLC)  
May 2006 Standing Director, Shin Nihon & Co. (currently, Ernst & Young ShinNihon LLC)  
July 2008 Senior Executive Director, Ernst & Young ShinNihon LLC  
Sept. 2010 Outside Audit & Supervisory Board Member, Business Brain Showa-Ota Inc.  
June 2011 Audit & Supervisory Board Member of the Company (to present)

##### Tadashi Urabe

Apr. 1983 Registered as an attorney (to present)  
Apr. 1999 Partner of Meitetsu General Law Office (currently, Seiwa Meitetsu Law Office) (to present)  
Apr. 2003 Outside Audit & Supervisory Board Member, JPN COLLECTION SERVICE CO., LTD. (to present)  
Jan. 2006 Practising-Attorney-Professor for Civil Advocacy of The Legal Training and Research Institute of the Supreme Court of Japan  
Feb. 2009 Outside Audit & Supervisory Board Member, JPN Holdings Company, Limited (to present)  
June 2011 Audit & Supervisory Board Member of the Company (to present)