

Corporate Governance

The EBARA Group has created a definition for the “The Ebara Way,” which comprises the founding spirit of EBARA, its corporate philosophy, and the EBARA Group CSR Policy. The EBARA Group recognizes the enhancement of its corporate value through persistent business development and the continuous return of profit to shareholders as one of its most important management missions.

Corporate Governance Basic Policy

EBARA CORPORATION is committed to enhancing corporate governance based on the following basic views:

1. The Company respects shareholders' rights and fosters an environment for shareholders to effectively exercise their rights while ensuring equality among shareholders.
2. The Company strives to appropriately cooperate with various stakeholders, including customers, business partners, employees, and local communities. The Company also strives to develop a corporate culture and climate in which such stakeholders' rights and viewpoints are respected and business is effectively executed.
3. The Company strives to ensure management transparency through adequate disclosure of its corporate information.
4. The Company has developed a governance system comprising mainly non-executive Directors (Directors who do not concurrently

serve as Executive Officers), including Independent Outside Directors who play important roles. The Company has adopted the organizational form of a “Company with three Committees,” with the Nomination Committee, the Compensation Committee, and the Audit Committee as statutory committees under the Board of Directors, with a view to achieving clear separation between supervision and execution in management.

5. The Company engages in constructive dialogue with shareholders and investors on the basis of a separately formulated “IR Basic Policy,” with a view to contributing to sustainable growth and the medium-to-long-term enhancement of corporate value.

EBARA Corporate Governance Basic Policy

http://www.ebara.co.jp/en/ir/policy/pdf/basic_policy.pdf

Transition to a Company with three Committees

After receiving approval at the General Meeting of Shareholders held on June 24, 2015, the Company transitioned from the Company with Board of Company Auditors it had previously employed to the Company with three Committees. This structure entails establishing committees for fulfilling important corporate governance functions related to nominating, audits, and compensation, and having these committees membered by a majority of Outside Directors. In addition, this structure has clear characteristics with regard to the balance of duties among these committees as well as the separation of oversight and business execution functions. Over the years, the Company has continued to strengthen its corporate governance systems. In 2002, we introduced an Executive Officer system, and then in 2008 we appointed two Outside Directors and established two voluntary committees: the Nomination Committee and the Compensation Committee. Moreover, we have continued to appoint four Outside Directors since 2011, as this number represents one-third of the maximum number of Directors set forth in the Company's Articles of Incorporation. The transition in organizational structure is the next natural step in progression for these measures, and it was undertaken to target improvements in corporate governance from the following three perspectives.

1. Reinforce supervisory functions and enhance transparency in corporate management through the Board of Directors

With the Board of Directors consisting mainly of Directors who do not concurrently serve as Executive Officers, including Outside Directors, we intend to reinforce the Board's function to supervise corporate management from the perspective of enhancing its independence, objectivity, and transparency.

2. Expand authority of the executive organization and enhance competitiveness regarding business execution

We intend to promote flexible and speedy business management by ensuring a clear division of roles and responsibilities between the Board of Directors and executive organization and by delegating authority over an extensive range of business execution to the executive organization. In addition, we are developing a management system that supports competitiveness and appropriate risk taking in business execution.

3. Establish a corporate governance framework that can be easily understood by global stakeholders

The rise in the percentages of overseas sales and foreign shareholders requires us to make corporate governance more comprehensible from a global perspective. We intend to improve the corporate governance system, which separates supervisory and executive functions, so that it becomes more clearly understandable globally.

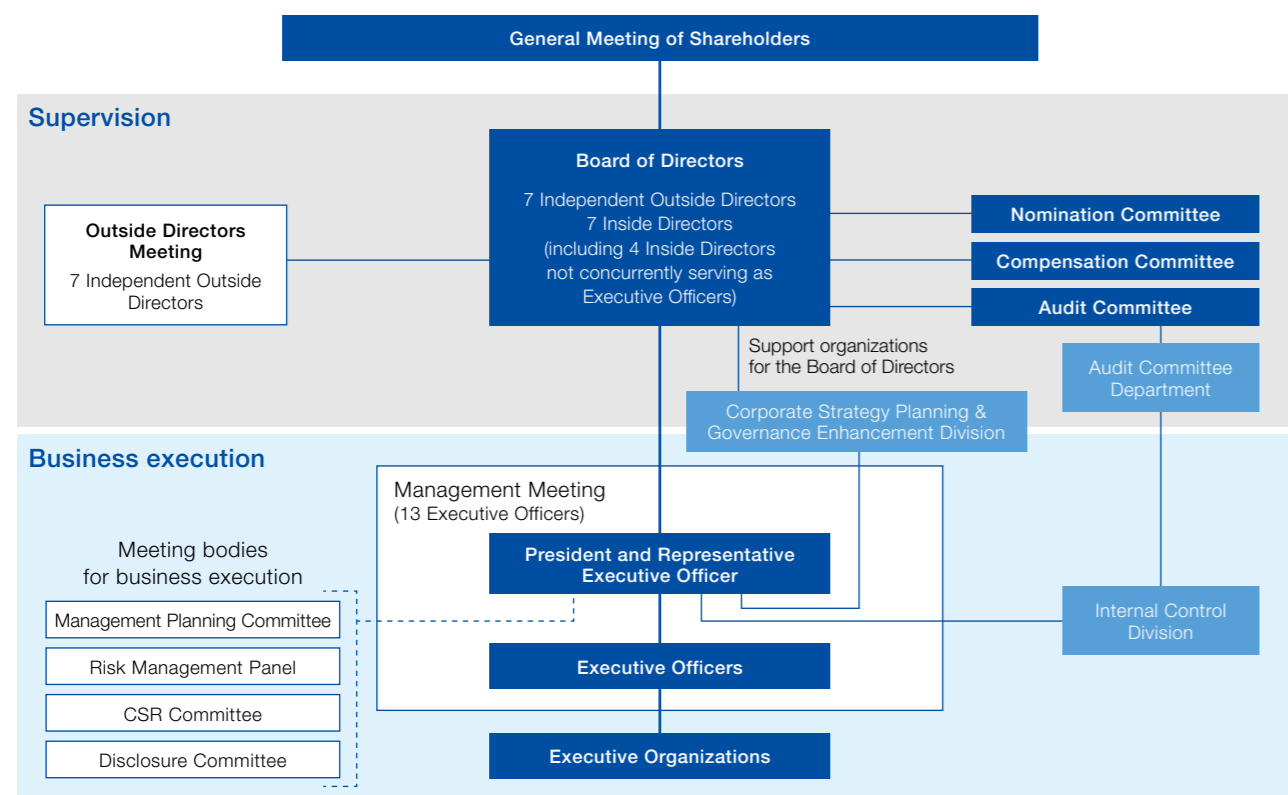
Corporate Governance System at a Glance

Format	Company with three Committees, etc.
Chairperson	Chairman of the Board
Number of Directors	14
Of whom are Outside Directors	7
Term of Directors	1 year
Granting of incentives to Directors	Introduced compensation system linked to business results Introduced stock option system
Number of Independent Directors	7
Policy Regarding Amount of Remuneration or the Method for Calculating that Amount	Yes
Independent Auditor	Ernst & Young ShinNihon LLC

Roles and Structures of Each Organization

EBARA's corporate governance framework is detailed in the diagram below.

Corporate Governance Framework



Board of Directors

The Board of Directors is charged with three major responsibilities: setting the directives for important corporate strategies, establishing frameworks to allow for appropriate risks to be taken in business execution, and providing highly effective oversight for business execution from an objective and independent standpoint. In addition, the Board of Directors is expected to exercise leadership from the perspectives of conservative preparation and aggressive expansion. In terms of conservative preparation, the Board will work to establish regulatory frameworks for preventing the occurrence of scandals and the materialization of other downside risks. From the perspective of aggressive expansion, the Board will ensure that systems are in place to allow management to take bold action to prevent the loss of upside risk (such as business opportunities).

The Board of Directors comprises 14 directors consisting of seven Outside Directors (Independent Directors), two of whom are women; four Inside Directors who do not serve as Executive Officers; and three Inside Directors that concurrently serve as Executive Officers.

Nomination Committee

The Nomination Committee adopts resolutions regarding the content of proposals for the General Meeting of Shareholders concerning the election and dismissal of Directors and gives advice to the Board of Directors concerning the appointment and dismissal of Executive Officers.

The Nomination Committee comprises three directors, including two Outside Directors and one Inside Director who do not concurrently serve as Executive Officers.

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 acting in accordance with legal obligations and internal regulations. In addition, the committee endeavors to monitor Executive Officers and verify whether they execute their duties in a sound, impartial, appropriate, and efficient manner in accordance with the basic policies for management and the medium-to-long-term management plans formulated by the Board of Directors.

The Audit Committee consists of five directors, of whom three are Outside Directors and two are Inside Directors who do not concurrently serve as Executive Officers.

Compensation Committee

The Compensation Committee determines policies regarding compensation paid to individual Directors and Executive Officers, the particulars of individual compensation, etc., and provides advice to the Board of Directors regarding the officers' compensation system for the entire Group including subsidiaries and affiliated companies.

The Compensation Committee comprises three directors, including two Outside Directors and one Inside Director who do not concurrently serve as Executive Officers.

Executive Officers

Executive Officers are appointed by a resolution of the Board of Directors and are responsible for determining and executing business operations entrusted to them by the Board in accordance with the overall direction of management (basic

policies) set by the Board. Currently, there are 13 Executive Officers, all of whom were appointed from within the Company and are Japanese men. From the standpoint of diversity, the Company is considering appointing women and foreign nationals as Executive Officers in the future.

Outside Directors Meeting

The Outside Directors Meeting has been established as a venue for Outside Directors to freely conduct the discussions required to fulfill their responsibilities. A Chief Outside Director, who is elected by mutual voting, serves as Chairperson of the meeting.

Management Meeting

The Management Meeting has been established as a deliberative body to support decision making by the President and Representative Executive Officer. The Meeting comprises all Executive Officers. Meetings are held monthly to deliberate important matters relating to business execution.

Message from an Outside Director

EBARA's Ever-Evolving Corporate Governance



Sakon Uda
Outside Director
(Independent Director)

In 2015, EBARA CORPORATION changed its corporate governance structure and became a Company with three Committees. The Company's Board of Directors is membered by seven Outside Directors, which represent one-half of the Board.

Lately, we have seen several cases in which a breach of corporate ethics has threatened the very existence of a company, and such cases have occurred both in Japan and overseas. Stakeholders are becoming increasingly critical as to whether or not changes to a company's corporate governance structure are having a real effect as well as to whether or not a company's outside directors are fulfilling their proper role.

EBARA has implemented numerous concrete measures to ensure that the Board of Directors is executing its duties appropriately, rather than only presenting the pretense of functionality. One such measure is convening the Outside Directors Meeting. This meeting serves as an opportunity just for the seven Outside Directors to meet and freely exchange opinions with regard to materials related to Board of Directors meetings, which are provided ahead of time. Explanations on these materials are offered by the secretariat.

At meetings of the Board of Directors, the Outside Directors pose questions based on their individual views and experiences while considering the matters discussed at the Outside Directors Meeting. For this reason, Outside Directors at EBARA are able to go beyond simply offering broadly based opinions from an outside perspective founded on their own experiences. Instead, they participate in discussions with an understanding of the circumstances surrounding EBARA and are driven by a sense of responsibility toward resolving any issues the Company may face.

Going forward, I will continue doing my part to help EBARA's Board of Directors further the evolution of the Company's corporate governance systems to ensure that they can function appropriately.

* For more detailed information on the Company's corporate governance systems, please refer to the *Corporate Governance Report* available on EBARA CORPORATION's website.

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

Compensation Systems

Directors encourage and supervise the business operations conducted by Executive Officers in compliance with the management philosophy and strategies for the purpose of achieving sustainable growth and increasing corporate value over the medium-to-long term. Accordingly, compensation levels and systems reflect the skills, experience, roles in individual committees, and so on of each Director. Directors' compensation consists of base compensation and stock-based compensation in the form of the stock options that enable evaluation of increases in corporate value over the medium-to-long term. It is necessary that Outside Directors perform their roles and responsibilities from a perspective that is completely independent of business execution, and therefore, compensation

consists of base compensation not linked to performance and stock-based compensation in the form of stock options.

The compensation system for Executive Officers is linked to short-term and medium-to-long-term performance in order to encourage business operations in accordance with the management philosophy and strategies and to provide strong motivation to achieve management targets with the aim of achieving sustainable growth and increasing corporate value over the medium-to-long term. Executive Officers' compensation consists of base compensation, performance-based annual bonuses, and stock-based compensation in the form of stock options conditioned on achieving the target results specified in the medium-term management plan.

Total Amounts of Compensation for Directors and Audit & Supervisory Board Members (Fiscal Year Ended March 31, 2015)

Executive position (Number of persons)	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)		
		Base compensation	Bonuses	Stock options
Directors of the Board (12)	421	284	118	19
Outside Directors (4)	48	48	—	—
Audit & Supervisory Board Members (6)	81	81	—	—
Outside Audit & Supervisory Board Members (3)	32	32	—	—

IR Basic Policy

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

In regards to the EBARA Group IR structure, in principle, the IR Department, which is under the direct control of the

President, performs all IR activities with the President and Representative Executive Officer as the Chief Executive. Furthermore, Directors (including Outsider Directors), Executive Officers, and other top management shall have opportunities to hold dialogues directly with shareholders and investors as necessary.

The EBARA Group will continue to construct a system that allows the Group to share information and insights gained from dialogues with shareholders and investors and utilize them in corporate management.

Basic Stance on IR

