

The EBARA Group has created a definition for “The Ebara Way,” which comprises the founding spirit of EBARA, its corporate philosophy, and the EBARA Group CSR Policy. Under the Ebara Way, the EBARA Group recognizes the enhancement of its corporate value through ongoing business development and the continuous return of profit to shareholders as one of its most important management missions. To achieve such missions, we pursue the best possible corporate governance structure and strive for its further enhancement.

Corporate Governance Basic Policy

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 established a governance system comprising mainly Non-Executive Directors, including Independent Outside Directors who play important roles. The Company has adopted a “Company with Three Committees” system to ensure the clear separation between supervision and execution in management.

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

The EBARA Corporate Governance Basic Policy can be viewed on the Company's corporate website.

Corporate Governance System at a Glance

Format	Company with Three Committees
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

Initiatives for Strengthening Corporate Governance

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 reinforce the Board's function to supervise corporate management from the perspective of enhancing its independence, objectivity, and transparency.

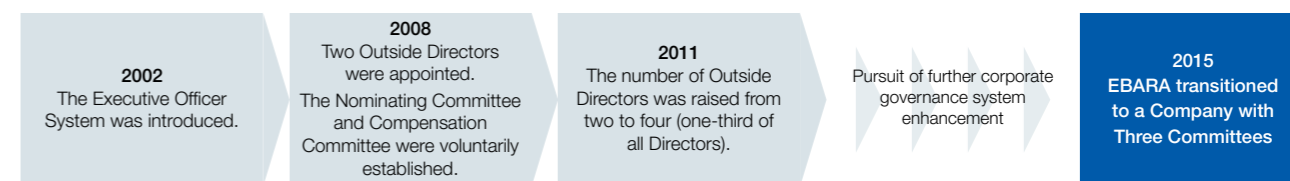
Expand authority of the executive organization and enhance competitiveness regarding business execution

We promote flexible and speedy business management by ensuring a clear separation 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.

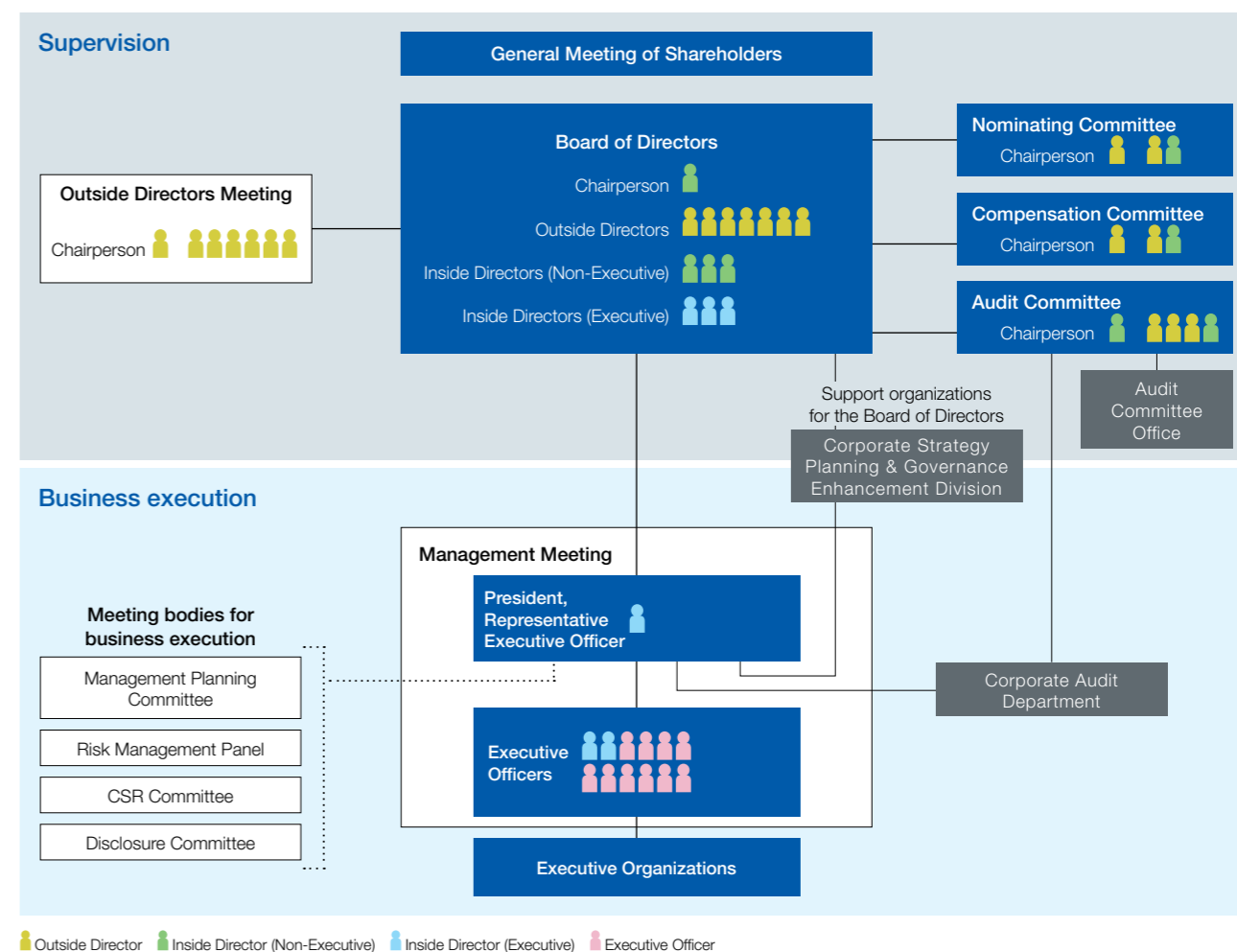
Establish a corporate governance system that can be easily understood by global stakeholders

The rises in the percentages of overseas sales and foreign shareholders require us to make corporate governance more comprehensible from a global perspective. We improve the corporate governance system so that it becomes more clearly understood globally.

Transformation of Corporate Governance System



Corporate Governance Framework



Roles and Structures of Each Organization

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 Independent Outside Directors, two of whom are women; four Inside Non-Executive Directors; and three Inside Directors who concurrently serve as Executive Officers. The Chairman of the Board is to be a Non-Executive Director.

To facilitate more meaningful discussions at Board of Directors meetings, materials related to agenda items and proposals should be distributed prior to the meeting date, in principle.

Three Committees

The Company has adopted a “Company with Three Committees” system to achieve clear separation between supervision and execution in management. Accordingly, the Company has established three committees membered by a majority of Outside Directors: the Nominating Committee, the Compensation Committee, and the Audit Committee.

Outside Directors Meeting

We have established the Outside Directors Meeting 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. When an issue to be discussed pertains to a specific business segment, meetings should be convened at a site directly related to the relevant business.

Management Meeting

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

Roles and Composition of Three Committees

	Nominating Committee	Compensation Committee	Audit Committee
Role	Determining the contents of proposals for appointment and dismissal of Directors, advising the Board of Directors on appointment and dismissal of Directors with corporate titles and Executive Officers with and without corporate titles, and formulating succession plans for the President, Representative Executive Officer	Determining policies regarding compensation for Directors and Executive Officers and advising the Board of Directors regarding the officers' compensation system for the entire Group including subsidiaries and affiliated companies	Conducting audits to assess whether Directors, Executive Officers, and employees are acting in accordance with legal obligations and internal regulations and monitoring and verifying business execution to ensure that it is being conducted in a sound, impartial, appropriate, and efficient manner in accordance with the basic policies for management and management plans
Composition	2 Outside Directors 1 Non-Executive Director	2 Outside Directors 1 Non-Executive Director	3 Outside Directors 2 Non-Executive Directors

Evaluation of Board of Directors' Effectiveness

The Company's Board of Directors conducts analyses and evaluations of its overall effectiveness and discloses the findings. The goal of this practice is to ensure that the corporate governance system functions properly by verifying how the Board of Directors contributes to this functionality as well as identifying issues and pursuing improvements.

Such analysis and evaluation of the Board of Directors' effectiveness during the fiscal year ended March 31, 2016, was carried out.

Process of Analysis and Evaluation

The Board of Directors enlisted the aid of a third-party institution to conduct a comparative analysis (benchmark analysis) of the corporate governance system by making comparisons to global standards and the systems of three Japanese companies and two U.S. companies that exhibit excellence in this regard. In

addition, questionnaires to be filled out by each Director were created based on the details of previous Board of Directors' discussions, and the results were analyzed (questionnaire analysis). Extensive discussions were conducted by the Outside Directors Meeting in relation to the results of these activities. Moreover, the Board of Directors analyzed and evaluated its effectiveness at meetings held in May and June 2016.

Analysis and Evaluation Results

The Board of Directors found that it was exhibiting sufficient effectiveness through discussions based on the results of the benchmark analyses and questionnaire analyses.

However, it was confirmed that more in-depth discussion was required on medium-to-long-term issues and relationships with shareholders and other investors. Room for improvement was also identified with regard to meeting proceedings.

Officer Independence Standards

The Company has established its own independence standards based on the independence standards specified by the Tokyo Stock Exchange.

The Company's Independence Standards

Independent persons with no material interests in the Company are to be appointed as Outside Directors. “Independent persons with no material interests” refer to persons to whom none of the following items apply.

- 1) An internal employee or former internal employees of the Company or its subsidiaries who do not meet the requirements for Outside Directors stipulated in Article 2, Item 15, of the Companies Act.
- 2) A person who has been a Director (excluding Outside Director), Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Member), Executive Officer, or employee executing business of a company with a material business relationship with the Company and its consolidated subsidiaries (hereinafter referred to as the “EBARA Group” or “the Group”) in the past five years. “A company with a material business relationship with the EBARA Group” refers to any of the following.
 - i) A company to which sales were made accounting for 2% or more of consolidated net sales of the EBARA Group in any of the fiscal years in the past three years.
 - ii) A company that made sales to the EBARA Group accounting for 2% or more of consolidated net sales of the company in any of the fiscal years in the past three years of procurement by the EBARA Group.
 - iii) The two financial institutions with the highest average balance of borrowings by the EBARA Group at the end of the fiscal year over the past three years.

- 3) A person who is a major shareholder of the Company or the representative of the interests thereof. Specifically, a shareholder of the Company, or a Director, an Executive, an Executive Officer, a manager, or other employee of a company representing the interests thereof holding 10% or more of the total shares issued within the two years preceding the appointment of Director nominees.
- 4) A person providing professional services to the EBARA Group. “Professional services” refer to the following categories according to the services provided.
 - i) Certified public accountant
A person who has been directly engaged in the financial auditing of the EBARA Group in the past five years.
 - ii) Attorney, tax accountant, patent attorney, judicial scrivener, or management consultant
A person who has provided services to the EBARA Group in the past three years and has received annual compensation of ¥10 million (including tax) or more.
- 5) A person who has received or belongs to a for-profit group that has received donations, financing, or guarantee of debt from the EBARA Group.
- 6) A person within two degrees of relationship with a relative who falls under item 1 or item 2, or a person of another degree of relationship who resides with the relative.
- 7) A person who currently serves as a Director, an Audit & Supervisory Board Member, or an Executive Officer of a company that has accepted a Director or an Audit & Supervisory Board Member, from the EBARA Group.

Message from an Outside Director

Need to Exhibit True Value of Outside Directors

One year has passed since EBARA adopted the Company with Three Committees system. Moreover, the fiscal year ending March 31, 2017, is the final year of the E-Plan2016 medium-term management plan and will therefore also be the year in which the next plan must be established.

An evaluation of the effectiveness of the Board of Directors conducted in 2016 found that EBARA's corporate governance system met almost all the requirements set forth by the standards of the United States and principal European countries. At the same time, this evaluation cast light on the necessity of devoting more time to examining medium-to-long-term management issues at meetings of the Board of Directors.

At the Outside Directors Meeting, which was established in the fiscal year ended March 31, 2016, we are endeavoring to allocate a more substantial amount of time to examining basic policies for medium-term management plans as well as the growth strategies of each Group company. We thereby aim to help enhance discussions at Board of Directors meetings. However, as the EBARA Group develops its operations on a global scale, there is a rising degree of uncertainty from factors that cannot be fully understood simply by continuing on our traditional course. Moreover, management is moving toward an era in which answers will not be readily apparent and following precedent will prove ineffectual. The fiscal year ending March 31, 2017, will thus be a year in which Outside Directors will have to exhibit their true value by showing how they can contribute in such an environment. I stand committed to exercising this value throughout the year.



Sakon Uda
Chief Outside Director
(Independent Director)

Compensation Systems

Compensation of Directors

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.

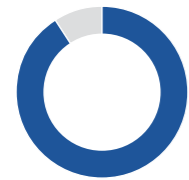
Director compensation is decided by the Compensation Committee and consists of base compensation and

stock-based compensation in the form of the stock options that enable the evaluation of increases in corporate value over the medium-to-long term. Furthermore, an additional allowance is paid to the Chairman of the Board, the Chief Outside Director, and the Chairperson of each committee in consideration of the scope of their roles and responsibilities as well as the extra working hours required for executing their duties.

The ratio of different types of compensation for Directors (base compensation to annual bonus to long-term incentives) is as follows.

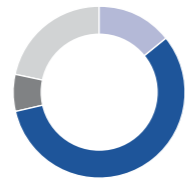
Director Compensation System

Outside Directors



Base compensation (non-performance-linked)	90.9%
Long-term incentives (non-performance-linked)	9.1%

Inside Directors (Non-Executive)



Base compensation (non-performance-linked)	57.2%
Long-term incentives (non-performance-linked)	21.4%
Base compensation (performance-linked)	14.3%
Long-term incentives (performance-linked)	7.1%

Compensation of Executive Officers

The compensation system for Executive Officers is designed to strongly motivate Executive Officers to achieve management goals and, by linking compensation to performance over the short, medium, and long terms, provide an appropriate amount of compensation to the Company's Executive Officers when they meet such performance goals. This scheme is meant to encourage business execution in line with the Company's management philosophy and strategies to contribute to the sustainable growth of the Company and the medium-to-long-term improvement of corporate value.

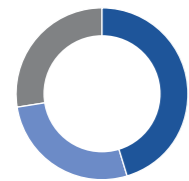
The compensation of Executive Officers is determined by the Compensation Committee and comprises base compensation paid in accordance with corporate title, such as President, Representative Executive Officer and Senior Managing Executive Officer; a performance-linked annual bonus; and stock-based compensation in the form of the stock options that are conditional on the achievement of business performance

objectives set out in the medium-term management plan. In regard to stock options, the number of exercisable subscription rights is correlated with consolidated return on invested capital (ROIC), which has been set forth as a target performance indicator in the medium-term management plan. The compensation system for Executive Officers is designed to make the performance-linked portion of compensation larger than the portion of the basic compensation if the Company's business execution-related performance targets are achieved.

The ratio of different types of compensation is as follows. Long-term incentives shall be provided in the form of stock options that are conditional on the achievement of business performance objectives in order to increase the portion of compensation that is linked to performance in line with the weight of each Executive Officer's responsibility for that performance.

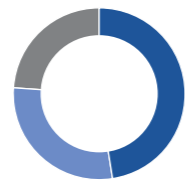
Executive Officer Compensation System

President, Representative Executive Officer



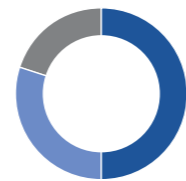
Base compensation (non-performance-linked)	45.4%
Annual bonuses	27.3%
Long-term incentives (performance-linked)	27.3%

Senior Managing Executive Officer



Base compensation (non-performance-linked)	47.6%
Annual bonuses	28.6%
Long-term incentives (performance-linked)	23.8%

Executive Officer (Including Managing Executive Officer)



Base compensation (non-performance-linked)	50.0%
Annual bonuses	30.0%
Long-term incentives (performance-linked)	20.0%

Total Amounts of Compensation for Directors and Audit & Supervisory Board Members (Fiscal Year Ended March 31, 2016)

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	17	336	266	—	69
Outside Directors	8	82	81	—	1
Audit & Supervisory Board Members	5	20	20	—	—
Outside Audit & Supervisory Board Members	3	8	8	—	—
Executive Officers	13	533	236	198	98
Total	35	889	523	198	168
Outside Directors	11	90	89	—	1

Notes:

- On June 24, 2015, the Company transitioned from the Company with Board of Company Auditors system to the Company with Three Committees and five Audit & Supervisory Board Members resigned on that date accordingly.
- Compensation paid to Directors for serving concurrently as Executive Officers is included in the Executive Officer compensation column.
- Compensation amounts of stock options represent the amount to be recorded as expenses by the Company in the applicable fiscal year calculated based on the fair value of the subscription rights to shares.
- Amounts for base compensation (performance-linked) of Directors and bonuses of Executive Officers are calculated based on the Group's performance and the performance of the division for which the individual is responsible as well as the individual's own performance in the applicable fiscal year and is decided on an individual basis through discussion by the Compensation Committee.

Basic Policy Regarding Cross-Shareholdings and Exercise of Related Rights

It is the Company's basic policy to keep cross-shareholdings at a minimum. The Company shall engage in cross-shareholdings only when these holdings can be rationally judged as contributing to improved corporate value for the Group by means of enhancing the relationship between the counterparty and the Company in terms of business, finances, or other elements. The rational of cross-shareholdings is to be periodically re-evaluated by the Board of Directors, with those holdings that

are no longer deemed to be rational to be eliminated via sale or other methods as necessary.

When exercising voting rights related to cross-shareholdings, the Company will vote for or against proposals based on a comprehensive evaluation of whether or not the proposal will contribute to medium-to-long-term improvements in the corporate value of the counterparty and the Group.

Internal Controls

Please refer to EBARA's corporate website for information on internal controls.

<http://www.ebara.co.jp/en/about/ir/Governance/governance/index.html>

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, Representative Executive Officer as the Chief Executive. Furthermore, Directors (including Outside Directors), Executive Officers, and other top management have opportunities to hold dialogues directly with shareholders and investors as necessary.

IR Activities

Regular Investor Briefings for Analysts and Institutional Investors	Presentation meetings are held after the release of the annual and second-quarter financial results, where the President, Representative Executive Officer and executives responsible for each business segment give presentations on the Company's business performance and management strategies. In addition, presentation meetings in the form of teleconferences are held after the release of the first-quarter and third-quarter financial results. In addition, factory tours and presentations on business activities for each business segment are held as appropriate.
Regular Investor Briefings for Overseas Investors	The Company participates in domestic and overseas conferences organized by securities companies. The Company also visits each overseas institutional investor individually, mainly those in Europe and the United States, and gives presentations on the Company's performance and management strategies on a regular basis.
Establishment of Department and/or Appointment of Manager in Charge of IR	The IR Group under the Investor Relations Department is in charge of investor relations.

More detailed corporate governance-related information can be found in the *Corporate Governance Report* available on the Company's corporate website.