EBARA CORPORATION

Notice of the 157th Ordinary General Meeting of Shareholders

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(Translation)
Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Securities Code: 6361
March 9, 2022

To Those Shareholders with Voting Rights

Masao Asami
Director
President, Representative Executive Officer
EBARA CORPORATION
11-1, Haneda Asahi-cho, Ota-ku, Tokyo
Japan

Notice of the 157th Ordinary General Meeting of Shareholders

We hereby inform you of the 157th Ordinary General Meeting of Shareholders of EBARA CORPORATION (the "Company") to be held as follows:

If you are unable to attend the meeting, please study the attached Reference Document for the General Meeting of Shareholders, and you are requested to exercise your voting rights by postal mail or via the electromagnetic method (the Internet, etc.) by 5:15 p.m. on Thursday, March 28, 2022.

1. Date and Time: 10 a.m., Friday, March 29, 2022
(Reception of attendees will begin at 9 a.m.)

2. Location: Otemachi One, 3F, Otemachimitsui hall
1-2-1, Otemachi, Chiyoda-ku, Tokyo, Japan

3. Purpose of the Meeting:

Matters to be reported:

1. The Business Report and the Consolidated Financial Statements for the 157th Fiscal Year (from January 1, 2021, to December 31, 2021) and the Report of the Results of the Audits of the Consolidated Financial Statements by the Independent Auditors and the Audit Committee
2. The Non-consolidated Financial Statements for the 157th Fiscal Year (from January 1, 2021, to December 31, 2021)

Matters to be resolved:

Proposal 1: Appropriation of Surplus
Proposal 2: Partial Amendment Articles of Incorporation
Proposal 3: Election of Ten (10) Directors

4. Decisions Regarding the Convocation of the Ordinary General Meeting of Shareholders

If any shareholder has exercised his/her voting rights both by mailing the Voting Rights Exercise Form and via electromagnetic method (the Internet), only the exercise of voting rights via the electromagnetic method (the Internet) shall be deemed effective.

If any shareholder has exercised his/her voting rights several times via the electromagnetic method (the Internet), only the final execution shall be deemed as his/her effective exercise of voting rights.

Notes:

For the purpose of quickly providing information, the content of this notice was published on the Company's website before it was sent.

Disclosure via the Internet

1. The following information is not included in the documents attached to this notice because it is shown on the Company's website on the Internet in accordance with laws and regulations and Article 15 of the Company's Articles of Incorporation.
   (1) Consolidated Statement of Changes in Equity
   (2) Notes to the Consolidated Financial Statements
   (3) Non-consolidated Statement of Changes in Net Assets
   (4) Notes to the Non-consolidated Financial Statements
   The Audit Committee and the Independent Auditors have audited the documents subject to audit, including the above information shown on the Company's website.
2. In case any circumstances require us to revise the Reference Document for the General Meeting of Shareholders, the Business Report, or the Non-consolidated Financial Statements and Consolidated Financial Statements, the revised matter(s) will be immediately presented on the Company's website.

EBARA CORPORATION's website
https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/index.html

Reference Document for the General Meeting of Shareholders

Proposals and references

Proposal 1: Appropriation of Surplus

The Company regards returning a portion of its income to its shareholders as one of its most important management policies and has set a policy of linking dividends to performance and is aiming for a consolidated payout ratio of 35% or more and set a minimum of 2.0% for consolidated dividend on equity attributable to owners of parent.

Based on this policy, we would like to pay a year-end dividend of ¥113 per share.

As a result, including the interim dividend of ¥50 per share, the annual dividend will be ¥163 per share.

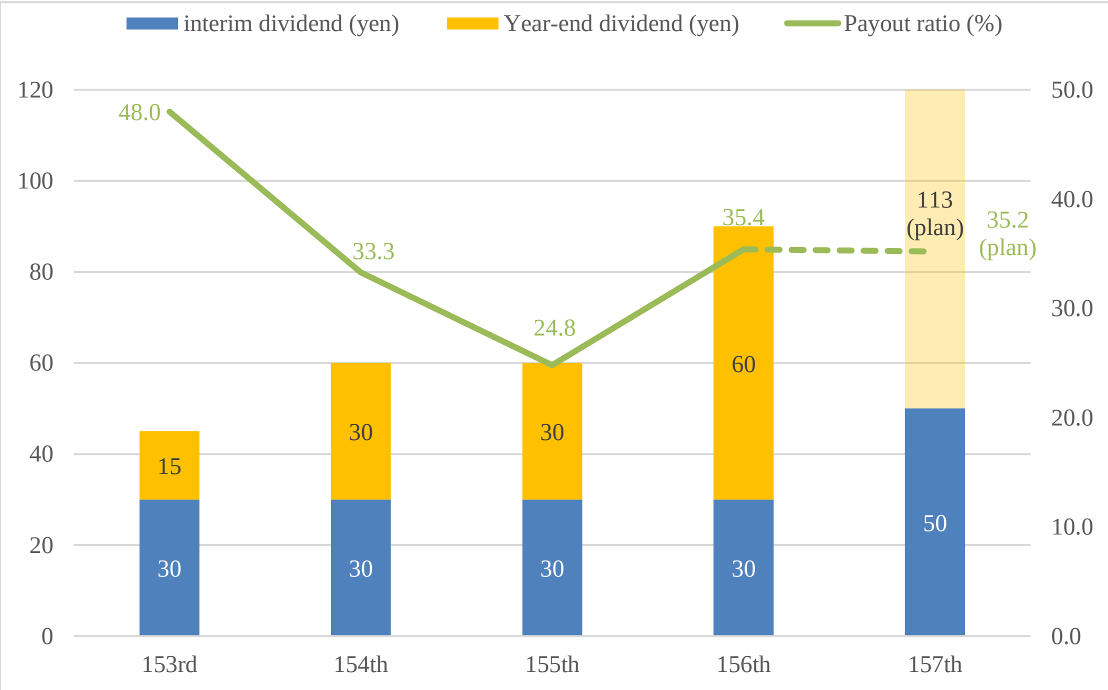
Matters concerning the year-end dividend

1. Type of dividend property
   Cash

2. The matters regarding the assignment of the dividend property to shareholders and the total amount of dividend
   ¥113 per share of common stock of the Company Total amount: ¥10,393,464,280

3. Effective date of dividends of surplus
   March 30, 2022

[Reference] Shareholder Returns
(Dividend per share, Payout Ratio)



	153rd (Nine-month period)	154th	155th	156th	157th
Annual dividend(yen)	45	60	60	90	163(plan)
Payout ratio (%)	48.0	33.3	24.8	35.4	35.2(plan)

Proposal 2: Partial Amendment Articles of Incorporation

1. Purpose of Amendment
   Revised provisions stipulated in the proviso to Article 1 of the Supplementary Provi-sions of the Act Partially Amending the Companies Act (Law No. 70 of 2019) will come into effect from September 1, 2022. This amendment of the Articles of Incorporation of the Company is to prepare for the introduction of a system to provide reference mate-rials for a General Meeting of Shareholders in electronic format as follows:
   (1) Proposed amended Article 15, paragraph 1 stipulates information that is com-prised of the contents of reference materials for the General Meeting of Share-holders, etc., to be uploaded onto a website in electronic format available for downloading.
   (2) Proposed amended Article 15, paragraph 2 covers the stipulation to restrict the scope of items to be listed in the documents to be sent to shareholders who have requested the delivery of materials in paper-based format.
   (3) Provisions for disclosure via the Internet and deemed provision of reference materials for a general meeting of shareholders, etc. (Article 15 of the current Ar-ticles of Incorporation) will no longer be required and is deleted.
   (4) A supplementary provision regarding the effective date, etc., is established in line with the above additions and deletions.

2. Details of the proposed amendment
   Details of the proposed amendment are below

(Amendments are underlined)

(The existing Articles of Incorporation)	(Proposed amendment)
ARTICLE 15 (Disclosure of Reference Documents, Etc. for General Meetings of Shareholders by Internet in Place of Physical Delivery Thereof) Upon convocation of a general meeting of shareholders, the Company may disclose the information regarding the matters which should be specified or indicated in the reference documents for such general meeting of shareholders, business reports, financial documents and consolidated financial documents by using the Internet, pursuant to the provisions of the ordinances of the Ministry of Justice. By doing so, the Company may deem that it has provided the information to the shareholders.	(Deleted provision)
(newly established provisions)	ARTICLE 15 (Electronic Provision Measure, Etc.) 1. Upon convocation of a general meeting of shareholders, the Company shall provide, in electronic format, the information contained in reference documents, etc. for general meetings of shareholders. 2. Among the matters which the Company provides in electric format, the Company may omit all or part of the matters set forth in the ordinances of the Ministry of Justice from the materials to be delivered to the shareholders who have requested the delivery of materials in paper-based format on or before the record date for entitlement to voting rights.

(The existing Articles of Incorporation)	(Proposed amendment)
(newly established provisions)	(Supplementary Provisions) 1. The amendment of Article 15 of these Articles of Incorporation shall take effect on September 1, 2022 (hereinafter referred to as the "Enforcement Date"), being the enforcement date of the amended provisions set forth in the proviso of Article 1 of the Supplementary Provisions to the Act Partially Amending the Companies Act (Act No. 70 of 2019). 2. Notwithstanding the provisions of the preceding paragraph, Article 15 (Disclosure of Reference Documents, Etc. for General Meetings of Shareholders by Internet in Place of Physical Delivery Thereof) of these Articles of Incorporation shall continue in effect regarding a general meeting of shareholders that is held on a date within six (6) months of the Enforcement Date. 3. These Supplementary Provisions shall be deleted on the later date of the day on which six (6) months have elapsed since the Enforcement Date or the date on which three (3) months have elapsed since the date of the general meeting of shareholders set forth in the preceding paragraph.

Proposal 3: Election of Ten (10) Directors

The term of office of all ten (10) current Directors will expire at the conclusion of this 157th Ordinary General Meeting of Shareholders. Therefore, we ask you to elect ten (10) Directors.

If the nominees for Directors are appointed as stated in this proposal, the number of outside Directors will be seven (7) and the number of female Directors will be three (3) out of ten (10). We believe that this will enable supervisory functions with greater diversity.

The nominees for Director nominees meet the standards in accordance with the "Role of the Board of Directors and Standards for Election of Directors" and "Role and Standards for Independence of Outside Directors" (pages 23 and 24) established by the Company.

In order to maintain and improve effectiveness of the board of directors and directors, the company stipulates roles and qualification requirements for directors based on attributes and posts in "Ebara Corporate Governance Basic Policy" (pages 25~27). The nomination committee confirms and decides that each nominees have the qualification requirements, knowledge and experiences of several items in "expected fields for direcors" the company puts emphasis on.

See the Company's website at the following address for information "Ebara Corprate Governance Basic Policy"
https://www.ebara.co.jp/en/ir/governance/information/governance-policy.html

Nominee No.	Name (Age)	Current position and primary area of responsibility in the Company	Attendance at Board of Directors meetings	Nominees for Director		
				Attribute		
1	Toichi Maeda (Age: 66)	Chairman of the Company Member of the Nomination Committee	100% (15/15)	Re-election	Non-executive	
2	Masao Asami (Age: 61)	Director President and Representative Executive Officer	100% (15/15)	Re-election	Executive	
3	Hajime Sawabe (Age: 80)	Director Chairperson of the Compensation Committee	100% (15/15)	Re-election	Outside	Independent
4	Hiroshi Oeda (Age: 65)	Director Chief Outside Director Chairperson of the Nomination Committee	100% (15/15)	Re-election	Outside	Independent
5	Masahiro Hashimoto (Age: 73)	Director Chairperson of the Audit Committee	100% (15/15)	Re-election	Outside	Independent
6	Junko Nishiyama (Age: 65)	Director Member of the Compensation Committee	100% (15/15)	Re-election	Outside	Independent
7	Mie Fujimoto (Age: 54)	Director Member of the Compensation Committee	93% (14/15)	Re-election	Outside	Independent
8	Hisae Kitayama (Age: 64)	Director Member of the Audit Committee	100% (11/11)	Re-election	Outside	Independent
9	Akihiko Nagamine (Age: 63)	Director Member of the Audit Committee	100% (11/11)	Re-election	Non-executive	
10	Takuya Shimamura (Age: 65)	(New Nominee for Director)	-% (-/-)	New election	Outside	Independent

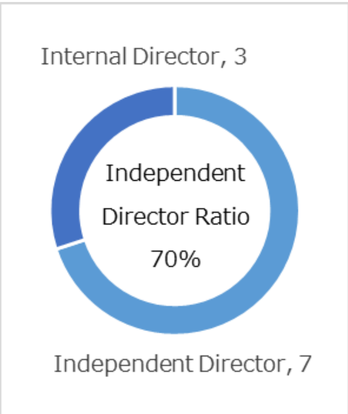
Notes:

1. Ages are as of the time of this Ordinary General Meeting of Shareholders.
2. As both Hisae Kitayama and Akihiko Nagamine were newly elected at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and their attendance to meetings of the Board of Directors held since the same date is provided above.

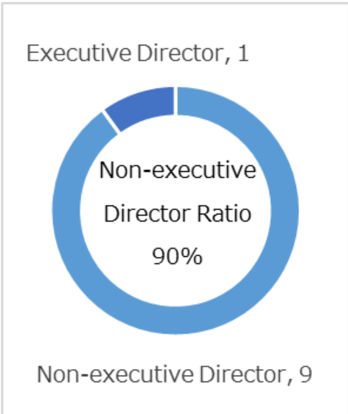
Re-election: Nominee for re-election as Director
New election: New Nominee for Director
Outside: Nominee for Outside Director
Executive: Nominee for Executive Internal Director
Non-executive: Nominee for Non-executive Internal Director
Independent: Independent Director notified to the securities exchange

Composition of the Board of Directors

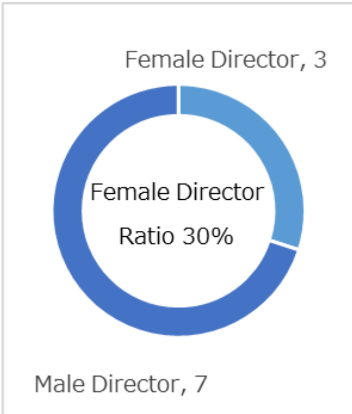
The Board of Directors will have the following composition after this proposal is approved for election.



Maintain independence and objectivity



Strengthen supervisory functions



Promote diversity

<<Composition of the Board of Directors>>

Nominee No.	Name (Age)	Committees and Positions to be Appointed*	Areas in which the nominees for Director (Outside and Non-executive) are particularly expected to perform*								
			Legal affairs and risk management	Personnel and human resource development	Finance, accounting and capital policy	Auditing	Corporate management and management strategy	Technology R&D and Innovation	Environment	Social	Internal control and governance
1	Toichi Maeda (Age: 66)	Chairperson of the Company Nomination Committee					✽	✽	✽	✽	✽
2	Masao Asami (Age: 61)	President and Representative Executive Officer	–	–	–	–	–	–	–	–	–
3	Hajime Sawabe (Age: 80)	Chief Outside Director Chairperson of the Nomination Committee		✽	✽		✽			✽	✽
4	Hiroshi Oeda (Age: 65)	Chairperson of the Board Directors Nomination Committee		✽	✽		✽			✽	✽
5	Masahiro Hashimoto (Age: 73)	Chairperson of the Audit Committee			✽	✽	✽			✽	✽
6	Junko Nishiyama (Age: 65)	Compensation Committee				✽		✽	✽	✽	✽
7	Mie Fujimoto (Age: 54)	Chaiperson of the Compensation Committee	✽	✽		✽				✽	✽
8	Hisae Kitayama (Age: 64)	Audit Committee	✽		✽	✽				✽	✽
9	Akihiko Nagamine (Age: 63)	Audit Committee	✽		✽	✽				✽	✽
10	Takuya Shimamura (Age: 65)	Compensation Committee		✽	✽		✽			✽	✽

* The above table does not represent all of the knowledge of the nominees.
* Committees and Positions to be Appointed

Nomination Committee:	Nominee for Member of the Nomination Committee
Compensation Committee:	Nominee for Member of the Nomination Committee
Audit Committee:	Nominee for Member of the Nomination Committee
Chief Outside Director:	Nominee for Chief Independent Director

Nominee No. 1	Toichi Maeda Date of birth: December 24, 1955 (Age: 66)	Attendance rate (FY ended December 31, 2021)			Re-election Non-executive Chairman Nomination Committee
		Board of Directors	100%	(15/15)	
		Nomination Committee	100%	(14/14)	

■ Message to shareholders

FY2021 was a year of difficult business conditions following 2020, due to the global spread of new COVID-19 variant. However, the Board of Directors and the executive team continued to manage business to meet growing market demand during the pandemic while taking proper infection-prevention measures. As a consequence, Company achieved record-high profits and our final-year targets in the second year of E-Plan 2022, our medium-term management plan. We will further evolve the effectiveness of corporate governance and strive to enhance the corporate value of the EBARA Group.

■ Brief personal history, and assignments and responsibilities in the Company

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

Number of the Company's shares held	30,604 shares
Number of years served as Director	10 years and 9 months * At the conclusion of this general meeting

■ Important concurrent positions

None

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	1

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Director

Nominee demonstrated strong leadership during his tenure as President with the aim of enhancing corporate value. Upon transition to a company with three committees, he was essential to the creation of the new business execution structure, and endeavored to promote dynamic management through swift decision-making to strengthen competitiveness. Furthermore, he has been promoting reforms with the aim of further strengthening the governance system since appointment as Chairman of the Company.

Nominee meets qualification requirements stipulated by the Company for Directors, and he is expected to contribute in the areas of "corporate management and management strategy," "research development and innovation" and "the environment" in particular. Nomination Committee selected the Nominee as a Director to supervise promotion of governance reform as Chairman of the Company.

Nominee No. 2	Masao Asami Date of birth: April 7, 1960 (Age: 61)	Attendance rate (FY ended December 31, 2021) Board of Directors 100% (15/15)	Re-election Executive President and Representative Executive Officer

■ Message to shareholders

In the midst of the worldwide impact of COVID-19, we are on track to achieve our goals set in E-Plan 2022 as a result of measures taken to further grow and improve profitability. Besides COVID-19, the world remains uncertain such as various price increases, however, we will work to create new businesses and meet the expectations of our shareholders to contribute to the creation of a sustainable society and the evolving affluent lifestyles outlined in E-Vision 2030.

■ Brief personal history, and assignments and responsibilities in the Company

April 1986	Joined the Company
April 2010	Executive Officer of the Company
April 2011	Division Executive, Sales and Marketing Division, Precision Machinery Company of the Company
April 2014	Managing Executive Officer of the Company
June 2015	Managing Executive Officer of the Company (Change in Japanese only; English unchanged)
April 2016	President, Precision Machinery Company of the Company
March 2019	Director of the Company (to present) President, Representative Executive Officer of the Company (to present)

Number of the Company's shares held	26,440 shares
Number of years served as Director	3 year * At the conclusion of this general meeting

■ Important concurrent positions

None

Concurrent positions as officer in listed companies including the Company (planned)

Executive	1
Non-executive	0

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Director

Nominee led the global expansion of the Precision Machinery Business as the head of the Segment. After appointment as President of the Company, the Nominee demonstrated excellent leadership in setting of E-Vision 2030, the long-term vision, and E-Plan 2022, the medium-term management plan. In pursuit of the vision and plan's achievement, he is actively involved in the development of new technologies and new businesses, as well as measures to reinvigorate the Company's corporate culture.

Nominee meets qualification requirements stipulated by Company for Directors, and Nomination Committee selected him to continue to serve as a Director to demonstrate leadership as a Director concurrently executing business as Representative Executive Officer and President toward the achievement of E-Vision 2030 and E-Plan 2022, as well as his ability to play an appropriate role for deliberation of matters to be resolved and matters to be reported in meetings of the Board of Directors in the aspects of both supervision and execution.

Nominee No. 3	Hajime Sawabe Date of birth: January 9, 1942 (Age: 80)	Attendance rate (FY ended December 31, 2021)			Re-election Lead Independent Director Chairperson of the Nomination Committee
		Board of Directors	100%	(15/15)	
		Compensation Committee	100%	(9/9)	
		Independent Directors' Meeting	100%	(13/13)	

■ Message to shareholders

I am committed to promote ESG-based management by making the most of my own experiences to ensure the sustainable development of EBARA's social value and corporate value

■ Brief personal history, and assignments and responsibilities in the Company

April 1964	Joined Tokyo Denki Kagaku Kogyo K.K. (currently TDK Corporation)
June 1996	Director, Executive Vice President of Recording Device Business, TDK Corporation
June 1998	President & Representative Director, TDK Corporation
June 2006	Chairman & Representative Director, TDK Corporation
March 2008	Outside Director, Asahi Glass Co., Ltd. (currently AGC. Inc.) (Retired in March 2014)
June 2008	Outside Director, TEIJIN LIMITED (Retired in June 2016)
	Outside Director, Nomura Securities Co., Ltd. (Retired in June 2011)
June 2009	Outside Director, Nomura Holdings, Inc. (Retired in June 2011)
March 2011	Outside Audit & Supervisory Board Member, Nikkei Inc. (Retired in March 2019)
June 2011	Director, Chairman of the Board & Directors, TDK Corporation
October 2011	Councilor, Waseda University
April 2012	Executive Adviser, Japan Management Association (Retired in March 2018)
June 2012	Executive Advisor, TDK Corporation (Retired in March 2019)
July 2014	Vice President, Board of Trustees, Waseda University
June 2015	Outside Director, Japan Display Inc. (Retired in June 2017)
	Independent Director of the Company (to present)
	Member of the Compensation Committee of the Company
July 2018	President, Board of Trustees, Waseda University (to present)
April 2019	Adviser to the Executive Board, Value Creation 21 (to present)
March 2020	Chairperson of Compensation Committee of the Company (to present)
June 2021	Outside Director, TV TOKYO Holdings Corporation (to present)

Number of the Company's shares held	1,820 shares
Number of years served as Director	6 years and 9 months * At the conclusion of this general meeting

■ Important concurrent positions

President, Board of Trustees, Waseda University
Adviser to the Executive Board, Value Creation 21
Outside Director TV TOKYO Holdings Corporation*
(* indicates listed companies at which the candidate serves as an officer.)

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	2

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Independent Director

Nominee has been involved in the management of a listed company in the electronic components industry for many years, and has extensive experience in general corporate management. In addition, he has abundance of experience as an outside officer at listed companies in various industries. Nominee actively speaks in important meetings such as the Board of Directors, and also he has lead the Compensation Committee activities, including the discussions on revision of the Company's compensation system and decisions on the compensation standards for Directors and Executive Officers, as the Chairperson of the Committee.

Nominee meets qualification requirements stipulated by the Company for Directors and he is expected to play a role in the areas of "personnel and human resource development," "finance, accounting, and capital policy" and "corporate management and management strategy" in particular. Nomination Committee selected him to continue to serve as an Independent Director with the expectation for him to demonstrate leadership as the new Chairperson of Nomination Committee.

■ Special interests in the Company, and the Company's subsidiaries, affiliates and major business partners

There are no special interests between Hajime Sawabe and the Group. With regard to the standards of independence, the annual transactions between the Group and TDK Corporation, where the nominee was involved in the execution of business in the past, are as follows, and the nominee meets the Company's standards of independence.

Subject of transaction, etc.	Recipient of consideration for transaction	Provider of consideration for transaction	Ratio in transaction value	Subject of comparison	Remarks
Precision parts, etc.	TDK Corporation	The Group	Less than 0.1% (Less than 200 million yen)	Consolidated net sales of TDK Corporation for the nine months ended December 31, 2021	The nominee retired from his office as Executive Advisor of TDK Corporation in March 2019.

Nominee No. 4	Hiroshi Oeda Date of birth: March 12, 1957 (Age: 65)	Attendance rate (FY ended December 31, 2021)			Re-election Independent Director Chairperson of the Board Directors Nomination Committee
		Board of Directors	100%	(15/15)	
		Nomination Committee	100%	(14/14)	
		Independent Directors' Meeting	100%	(13/13)	

■ Message to shareholders

Utilizing the knowledge and experience of management I have accumulated in a food manufacturing company to date, I will engage in the improvement of corporate value and strengthening of corporate governance to actively contribute to further growth and development of EBARA CORPORATION.

■ Brief personal history, and assignments and responsibilities in the Company

April 1980	Joined Nisshin Flour Milling Inc. (currently Nisshin Seifun Group Inc.)
June 2009	Director, Nisshin Seifun Group Inc.
April 2011	Director and President, Nisshin Seifun Group Inc.
April 2015	Member of Management Council, Hitotsubashi University (to present)
April 2017	Director and Executive Adviser, Nisshin Seifun Group Inc.
June 2017	Corporate Special Adviser, Nisshin Seifun Group Inc. (to present) President, Seifun Kaikan Inc. (to present)
December 2017	Member, The Japanese National Commission for UNESCO
March 2018	Director of the Company (to present) Member of the Nomination Committee of the Company
June 2018	Outside Director, SEKISUI CHEMICAL CO., LTD. (to present)
March 2019	Chairperson of the Nomination Committee of the Company (to present)
June 2019	President, Hitotsubashi University Koenkai (to present)
March 2020	Lead Independent Director of EBARA (to present)
December 2020	Vice-Chairperson, Japanese National Commission for UNESCO (to present)

Number of the Company's shares held	1,820 shares
Number of years served as Director	4 years * At the conclusion of this general meeting

■ Important concurrent positions

Corporate Special Adviser, Nisshin Seifun Group Inc.
President, Seifun Kaikan Inc.
Outside Director, SEKISUI CHEMICAL CO., LTD.*
President, Hitotsubashi University Koenkai
Vice-Chairperson, Japanese National Commission for UNESCO
(* indicates listed companies at which the candidate serves as an officer.)

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	2

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Independent Director

Nominee has been involved in the management of a listed company representative of the flour-milling and food industry, and has a track record of improving business performance as a management executive in a manufacturing company. He has abundant experience in general corporate management, in addition to being well-versed in global business. Furthermore, he has exhibited leadership in discussions at Independent Directors' meetings as the Chief Independent Director, in addition to contributing to activities of the Nomination Committee as Chairperson, such as the succession planning of President, selection of nominees for management executives and nurturing of such candidates.

Nominee meets qualification requirements stipulated by the Company for Directors, and he is expected to play a role in the areas of "personnel and human resource development," "finance, accounting, and capital policy" and "corporate management and management strategy" in particular. Nomination Committee selected him as an Independent Director to serve as the new Chairman of the Board of Directors to demonstrate leadership in management of the Board and improvement of governance.

■ Special interests in the Company, and the Company's subsidiaries, affiliates and major business partners

There are no special interests between Hiroshi Oeda and the Group. With regard to the standards of independence, the nominee meets the Company's standards of independence.

Nominee No. 5	Masahiro Hashimoto Date of birth: August 28, 1948 (Age: 73)	Attendance rate (FY ended December 31, 2021)			Re-election Independent Director Chair person of the Audit Committee
		Board of Directors	100%	(15/15)	
		Compensation Committee*	100%	(2/2)	
		Audit Committee	100%	(20/20)	
		Outside Directors' Meeting	100%	(13/13)	

■ Message to shareholders

In the midst of an uncertain business environment, including the prolonged COVID-19 pandemic, EBARA is making steady progress in accordance with E-Plan 2022 and E-Vision 2030 as a company responsible for social infrastructures. As an Independent Director and Chairperson of the Audit Committee, I will do my utmost to contribute to the enhancement of the corporate, social, and environmental value of the Company, while giving due consideration to the medium- to long-term impact and risks.

■ Brief personal history, and assignments and responsibilities in the Company

April 1972	Joined The Daiwa Bank, Limited (currently Resona Bank, Limited)
November 1998	President, Bank Daiwa Perdania (Indonesia)
July 1999	General Manager of International Division, The Daiwa Bank, Ltd. (Retired in June 2001)
June 2001	Managing Director and General Manager of Financial Department, Dainippon Screen Mfg. Co., Ltd. (currently SCREEN Holdings Co., Ltd.)
June 2004	Senior Managing Director, Dainippon Screen Mfg. Co., Ltd.
June 2005	Representative Director, President and Chief Operating Officer, Dainippon Screen Mfg. Co., Ltd.
April 2014	Vice Chairman, Dainippon Screen Mfg. Co., Ltd.
June 2015	Senior Advisor (part-time), Dainippon Screen Mfg. Co., Ltd. (Retired in March 2016)
April 2016	Industrial Promotion Advisor, Kumamoto Prefecture (Retired in March 2022(planned))
March 2018	Director of the Company (to present) Member of the Audit Committee of the Company
April 2019	Member of the Compensation Committee of the Company
March 2021	Chairperson of the Audit Committee of the Companay (to present)

Number of the Company's shares held	1,820 shares
Number of years served as Director	4 years * At the conclusion of this general meeting

■ Important concurrent positions

Industrial Promotion Advisor, Kumamoto Prefecture (Retired in March 2022(planned))

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	1

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Independent Director

Nominee has excellent knowledge of the international finance sector and abundant knowledge concerning finance, in addition to a high level of knowledge on general management due to involvement in the top management of a listed company representative of the semiconductor manufacturing equipment industry for many years. Furthermore, he has conducted a wide range of audits of the businesses of the Company and the Group and contributed to the activities of Audit Committee as Chairperson of the Committee.

Nominee meets qualification requirements stipulated by the Company for Directors, and he is expected to play a role in the areas of "finance, accounting, and capital policy," "auditing" and "corporate management and management strategy" in particular. Nomination Committee selected him to continue to serve as an Independent Director to demonstrate strong leadership as the Chairperson of Audit Committee.

■ Special interests in the Company, and the Company's subsidiaries, affiliates and major business partners

There are no special interests between Masahiro Hashimoto and the Group. With regard to the standards of independence, the nominee meets the Company's standards of independence.

*Masahiro Hashimoto was retired from the position of the member of the Compensation Committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and his attendance to meetings of the committee held before that date is provided above.

Nominee No. 6	Junko Nishiyama Date of birth: January 10, 1957 (Age: 65)	Attendance rate (FY ended December 31, 2021)			Re-election Independent Director Compensation Committee
		Board of Directors	100%	(15/15)	
		Compensation Committee*	100%	(7/7)	
		Audit Committee*	100%	(4/4)	
		Independent Directors' Meeting	100%	(13/13)	

■ Message to shareholders

In 2021, amid COVID-19 pandemic, the business climate surrounding the Company became increasingly severe. EBARA Group continues to promote measures to support social infrastructures and contribute to the realization of abundant and convenient lifestyles for people. We are also steadily growing new seeds for the future. I am determined to support the executive team by implementing both defensive and offensive governance practices as an Independent Director and contribute to the corporate culture reform and enhancement of corporate value as a member of Compensation Committee.

■ Brief personal history, and assignments and responsibilities in the Company

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

Number of the Company's shares held	1,520 shares
Number of years served as Director	3 years * At the conclusion of this general meeting

■ Important concurrent positions

Outside Director, JACCS CO., LTD.*
Outside Auditor, TODA CORPORATION*
(* indicates listed companies at which the candidate serves as an officer.)

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	3

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Independent Director

Nominee has been involved in research and development, promotion of environmental initiatives, and the like, at a listed company representative of the healthcare industry. In addition to auditing of the entire company's business as a standing corporate auditor, she has abundant experience in general corporate management. Furthermore, she actively speaks in important meetings such as the Board of Directors, and also contributes to deliberation of topics, including the discussions on revision of the Company's compensation system and decisions on the compensation standards for Directors and Executive Officers.

Nominee meets qualification requirements stipulated by the Company for Directors, and she is expected to play a role in the areas of "auditing," "research and development" and "the environment" in particular. Nomination Committee selected the Nominee to continue to serve as an Independent Director to demonstrate her expertise as a member of Compensation Committee.

■ Special interests in the Company, and the Company's subsidiaries, affiliates and major business partners

There are no special interests between Junko Nishiyama and the Group. With regard to the standards of independence, the nominee meets the Company's standards of independence.

*Junko Nishiyama was was retired from the position of the member of the Audit Committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and her attendance to meetings of the committee held before that date is provided above. She was newly appointed as a member of the Compensation Committee, and her attendance to meetings of the committee held since that date is provided above.

Nominee No. 7	Mie Fujimoto Date of birth: August 17, 1967 (Age: 54)	Attendance rate (FY ended December 31, 2021)			Re-election Independent Director Chaiperson of the Compensation Committee
		Board of Directors	93%	(14/15)	
		Compensation Committee	100%	(9/9)	
		Independent Directors’ Meeting	85%	(11/13)	

■ Message to shareholders

FY2021 was a year in which the results of our various efforts to date were definitely evident. In response to the rapidly changing external environment, we will closely monitor and support the Company's initiatives to steadily advance them. Last year, Board of Directors revised Corporate Governance Basic Policy. Roles required of Directors were reviewed again, and the ideal was put forward. Aiming to achieve these goals, I will make further efforts to contribute to the enhancement of EBARA's corporate value through my duties as Independent Director and Compensation Committee member.

■ Brief personal history, and assignments and responsibilities in the Company

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

Number of the Company’s shares held	1,220 shares
Number of years served as Director	2 year * At the conclusion of this general meeting

■ Important concurrent positions

Attorney at law
Partner, TMI Associates
Outside Audit & Supervisory Board Member, SEIKAGAKU CORPORATION *
Outside Audit & Supervisory Board Member, Tokyo Broadcasting System Holdings, Inc. *
(Audit & Supervisory Board Member, Tokyo Broadcasting System Television, Inc.)
(* indicates listed companies at which the candidate serves as an officer)

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	3

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Independent Director

Nominee is an attorney at law well versed in corporate legal affairs centered on labor-related regulations. She utilizes her abundant experience as an outside officer of a listed company. Furthermore, she actively speaks in important meetings such as the Board of Directors, and has contributed to deliberation on topics, including the discussions on revision of the Company’s compensation system and decisions on the compensation standards for Directors and Executive Officers.

Nominee meets qualification requirements stipulated by the Company for Directors, and she is expected to play a role in the areas of "legal affairs and risk-management," "personnel and human resource development," and "auditing" in particular. Nomination Committee selected the Nominee to continue to serve as an Independent Director to demonstrate her leadership as the new Chairperson of Compensation Committee. Although she has not been directly involved in corporate management, we have determined that she will be able to fulfill her duties as an Independent Director for the aforementioned reasons.

■ Special interests in the Company, and the Company’s subsidiaries, affiliates and major business partners

There are no special interests between Mie Fujimoto and the Group. With regard to the standards of independence, the nominee meets the Company’s standards of independence.

Nominee No. 8	Hisae Kitayama Date of birth: August 30, 1957 (Age: 64)	Attendance rate (FY ended December 31, 2021)			Re-election Independent Director Audit Committee
		Board of Directors*	100%	(11/11)	
		Audit Committee*	100%	(16/16)	
		Independent Directors' Meeting*	100%	(10/10)	

■ Message to shareholders

Diversity is required to respond to changes in the current complex and uncertain environment. Through flexible new ideas, I will leverage my knowledge and experience in accounting and auditing as a certified public accountant to strengthen EBARA's corporate governance system. At the same time, I will do my utmost to contribute to further enhance EBARA's corporate value and sustainable growth over the medium to long term..

■ Brief personal history, and assignments and responsibilities in the Company

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

Number of the Company's shares held	720 shares
Number of years served as Director	1 year * At the conclusion of this general meeting

■ Important concurrent positions

Certified Public Accountant
Chairman, Kinki Chapter of Japanese Institute of Certified Public Accountants
Deputy Chairman, Japanese Institute of Certified Public Accountants
Outside Director, Tsubakimoto Chain Co.*
Representative, Kitayama Public Accounting Office
(* indicates listed companies at which the candidate serves as an officer)

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	2

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Independent Director

Nominee is a certified public accountant with a wide variety of audit experience at audit corporations and has abundant knowledge and a wealth of experience in corporate accounting and audit areas. She participates in activities to promote female accountants and diversity. She has extensively audited the Company and the Group and contributed to the activities of Audit Committee as a member of the Committee.

Nominee meets qualification requirements stipulated by the Company for Directors, and is expected to play a role in the areas of "legal affairs and risk management," "finance, accounting and capital policy," and "auditing" in particular. Nomination Committee selected the Nominee as an Independent Director to continue to serve as a member of Audit Committee. Although she has not been directly involved in corporate management, we have determined that she will be able to fulfill her duties as an Independent Director for the aforementioned reasons.

■ Special interests in the Company, and the Company's subsidiaries, affiliates and major business partners

There are no special interests between Hisae Kitayama and the Group. With regard to the standards of independence, the annual transactions between the Group and KPMG AZSA LLC, where the nominee was involved in the execution of business in the past, are as follows, and the nominee meets the Company's standards of independence.

Subject of transaction, etc.	Recipient of consideration for transaction	Provider of consideration for transaction	Ratio in transaction value	Subject of comparison	Remarks
Advisory Services	KPMG AZSA LLC	The Group	Less than 0.2% (Less than 30 million yen)	Consolidated net sales of KPMG AZSA LLC for the fiscal year ended ended June, 2021	The nominee retired from their position at KPMG AZSLA LLC in June 2021.

*Hisae Kitayama was newly elected and appointed as Director and member of each committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and the meeting of the Board of Directors held on the same day, and their attendance to meetings of the Board of Directors and each committee, etc., held since that date is provided above.

Nominee No. 9	Akihiko Nagamine Date of birth: May 5, 1958 (Age: 63)	Attendance rate (FY ended December 31, 2021)			Re-election Non-executive Audit Committee
		Board of Directors*	100%	(11/11)	
		Audit Committee*	100%	(16/16)	

■ Message to shareholders

After years of pandemic, society, individuals and businesses are changing faster than ever. While our current business performance has been strong facing to the final year of the medium-term management plan, we are also seeing major changes in the roles required of corporates. In this time of transition, I am committed to support management in bold risk-taking and appropriate risk-management as a full-time Audit Committee member, thereby contributing to the enhancement of corporate value as a public entity for the Company toward a higher stage. I will do my utmost to fulfill my responsibilities to our shareholders.

■ Brief personal history, and assignments and responsibilities in the Company

April 1982	Joined EBARA DENSAN LTD.
June 2006	Director, EBARA DENSAN LTD.
July 2010	Joined the Company, General Manager, Investment and Affiliates Supervision Department, Finance & Corporate Accounting Division
April 2014	Division Executive, Finance & Accounting Division
April 2015	Executive Officer (*shikkou-yakuin)*
June 2015	Executive Officer *(shikkou-yaku)* Responsible for Finance & Accounting, Group Management, and Internal Control
March 2021	Director of the Compay (to present) Member of the Audit Committee (to present)

Number of the Company’s shares held	13,335 shares
Number of years served as Director	1 year * At the conclusion of this general meeting

■ Important concurrent positions

None

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	1

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Director

Nominee has abundant experience in the Finance and Accounting Division of the Company, promoted advancement and streamlining of the Group’s accounting and financing systems, and demonstrated strong leadership in strengthening the Company’s financial base as the head of the Division. After appointment as a Director, he has contributed to the activities of Audit Committee by broadly auditing the Company and the Group as a member of the Committee.

Nominee meets qualification requirements stipulated by the Company for Directors, and is expected to play a role in the areas of “legal affairs and risk management,” “finance, accounting and capital policy,” and “auditing” in particular. Nomination Committee selected the Nominee as a Director to continue to serve as a member of the Audit Committee.

*Akihiko Nagamine was newly elected and appointed as Director and member of each committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and the meeting of the Board of Directors held on the same day, and their attendance to meetings of the Board of Directors and each committee, etc., held since that date is provided above.

Nominee No. 10	Takuya Shimamura Date of birth: May 5, 1956 (Age: 65)	Attendance rate (FY ended December 31, 2021) Board of Directors -% (-/-)	New election Independent Director Compensation Committee

■ Message to shareholders
AGC Inc., where I am serving as the Director and Chairman, is a material manufacturer that manufactures and sells glass, chemicals, and electronic parts and materials, etc. Our businesses domain is different form EBARA CORPORATION, whose main businesses are Fluid Machinery Systems, Environmental Plants, and Precision Machinery and Electronics Businesses, yet we share the same aspiration to provide products that meet the needs of society with a high-ethical standards.

With this aspiration in mind, I will strive to meet the expectations of our shareholders and contribute to the sustainable growth of EBARA's corporate value when I am selected as an Independent Director of the Company.

■ Brief personal history, and assignments and responsibilities in the Company

April 1980	Joined Asahi Glass Co., Ltd.(currently AGC Inc.)
January 2009	Executive Officer and GM of Planning & Coordination Office, Chemicals Company
January 2010	Executive Officer and President of Chemicals Company
January 2013	Senior Executive Officer and President of Electronics Company
January 2015	President & CEO
March 2015	Representative Director and President & CEO
January 2021	Representative Director, Chairman
March 2021	Director, Chairman (to present)

Number of the Company's shares held	0 shares
Number of years served as Director	- years * At the conclusion of this general meeting

■ Important concurrent positions
Chairperson of the Board, Asahi

Concurrent positions as officer in listed companies including the Company (planned)

Executive	0
Non-executive	2

* In the event the proposal is approved.

■ Reasons for selecting the nominee for Director
Nominee has been involved in the management of listed companies representing the chemical and materials industries for many years. He has demonstrated strong leadership in organizational cultural reforms from the standpoint of senior management in manufacturers, and is also familiar with globally integrated management.

Nominee meets qualification requirements stipulated by the Company for Directors, and he is expected to play a role in the areas of "personnel and human resource development," "finance, accounting, and capital policy," and "corporate management and management strategy" in particular. Nomination Committee selected the Nominee to newly serve as an Independent Director to demonstrate his ability as a member of Compensation Committee.

■ Special interests in the Company, and the Company's subsidiaries, affiliates and major business partners
There are no special interests between Takuya Shimamura and the Group. With regard to the standards of independence, the annual transactions between the Group and AGC Inc, where the nominee was involved in the execution of business in the past, are as follows, and the nominee meets the Company's standards of independence.

Subject of transaction, etc.	Recipient of consideration for transaction	Provider of consideration for transaction	Ratio in transaction value	Subject of comparison	Remarks
Products and after services of the Company	The Group	AGC Inc	Less than 0.1% (Less than 200 million yen)	Consolidated net sales of the Company for the year ended December 31,2021	The nominee has not been involved in the business execution of AGC Inc. since January 2021.

Notes:

1. No nominee has any special interest in the Company.

2. Notable matters relating to the nominees for Outside Directors are as follows:
   (1) The Company has notified the Tokyo Stock Exchange of the designation of Hajime Sawabe, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama, and Mie Fujimoto Hisae Kitayama as Independent Directors as stipulated by the exchange. In the event that the re-election of the six nominees above is approved at the General Meeting of Shareholders, they will continue in their positions as Independent Directors. In the event that the election of Takuya Shimamura is approved, she will newly become an Independent Director.
   (2) During the service of Hajime Sawabe, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama and Mie Fujimoto Hisae Kitayama since they were last appointed, there were no violations of law at the Company.
   (3) During the past five (5) years, when Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama, Hisae Kitayama Takuya Shimamura were in the post of Director at other companies, there were no violations of law, etc., at those companies.
   (4) Japan Display Inc., where Hajime Sawabe served as an Outside Director until June 2017, announced results of third party committee investigation of improper accounting treatment and revision of prior year financial reports in April 2000. He was not aware of the facts during his service but had brought attention to the importance of internal control system and compliance on a routine basis.
   (5) Kuraray Co., Ltd., where Mie Fujimoto served as an Outside Corporate Auditor until March 2019 and was appointed as an Outside Director that month, received cease and desist orders, etc. from the Japan Fair Trade Commission in (i) March 2017 and (ii) November 2019 for (i) an act in violation of the Antimonopoly Act in relation to a tender for certain vinylon products ordered by the Acquisition, Technology & Logistics Agency and (ii) an act in violation of the Antimonopoly Act in relation to the manufacture and sale of specified activated carbon used in water purification facilities, etc. She was not aware of the facts in advance but had brought attention to the importance of legal compliance on a routine basis. After the facts were revealed, she took steps such as confirming the details of the company's efforts in the Board of Directors, etc., and making proposals to prevent recurrence.
   (6) Independence as candidate for Independent Director
      1) No nominee for Independent Director has ever been in an executive position or a position to execute duties for the Company or any subsidiary of the Company.
      2) No nominee for Independent Director is in a position to execute duties for a business entity in a special relationship with the Company. Furthermore, there has been no such relevant relationship during the past ten (10) years.
      3) No nominee for Independent Director is going to receive a large amount of money or other assets except for remuneration as Director from the Company or any business entity in a special relationship with the Company. Furthermore, there has been no such arrangement in the past two (2) years.
      4) No nominee for Independent Director is a spouse, a relative within the third degree, or such a closely related person of a business executor of the Company or any business entity in a special relationship with the Company.
      5) No nominee for Independent Director was a business executor of a company with which the Company has merged for the past two (2) years.

3. In relation to "a company with a material business relationship with the EBARA Group" in the "Independence Standards of Independent Director of EBARA," those for which both the following amounts and percentages for each fiscal year are less than 5 million yen and less than 0.1% have been omitted from the descriptions of these business relationships for the relevant fiscal year. (Minor Standards)
   (1) The transaction amount pertaining to the provision of products or services by the EBARA Group to a business partner, and the percentage of the transaction amount in relation to consolidated net sales of the EBARA Group
   (2) The transaction amount pertaining to the provision of products or services by a business partner to the EBARA Group, and the percentage of the transaction amount in relation to consolidated net sales of the business partner

4. An overview of the agreements to limit liability for damages is provided below.
   (1) The Company has entered into agreements with Hajime Sawabe, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama, Mie Fujimoto and Hisae Kitayama to limit their liability for damages as outlined under Article 423, paragraph 1 of the Companies Act in accordance with Article 427, paragraph 1 of

the Companies Act. The limit of liability for damages under the agreement is the minimum liability amount stipulated under Article 425, paragraph 1 of the Companies Act. However, this limit will be applicable only when the performance of duties giving rise to such responsibilities is recognized to have been carried out in good faith and with no gross negligence. In the event that the re-election of the six nominees above is approved at the General Meeting of Shareholders, similar agreements will be continued.

(2) If the election of Hisae Kitayama is approved, the Company plans to enter into agreements with her to limit their liability for damages as outlined under Article 423, paragraph 1 of the Companies Act in accordance with Article 427, paragraph 1 of the Companies Act. The limit of liability for damages under the agreement is the minimum liability amount stipulated under Article 425, paragraph 1 of the Companies Act. However, this limit will be applicable only when the performance of duties giving rise to such responsibilities is recognized to have been carried out in good faith and with no gross negligence.

5. The Company has entered a directors and officers liability insurance policy with an insurance company as provided in Article 430-3, paragraph 1 of the Companies Act, with the Directors, Executive Officers, and statutory auditors of the Company and the Group as the insured persons. This policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties, or the pursuit of such liability.In the event that the re-election of the nominees above is approved at the General Meeting of Shareholders, will be included in the insured of this insurance policy.In addition, this insurance contract will be renewed with the same contents at the next renewal.

6. In the event the proposal is approved, the Nomination, Compensation and Audit Committees will be made up of the following members.
   Nomination Committee: Hajime Sawabe (Chairperson), Hiroshi Oeda, Toichi Maeda
   Compensation Committee: Mie Fujimoto (Chairperson), Junko Nishiyama, Takuya Shimamura
   Audit Committee: Masahiro Hashimoto (Chairperson), Hisae Kitayama, Akihiko Nagamine

Role of the Board of Directors and Standards for Election of Directors

The Board of Directors must make its best effort to realize the mission it has been given by shareholders to “continuously improve corporate value” while giving the greatest consideration possible within reasonable bounds to the positions of all stakeholders. In addition to the perspective of establishing an internal control environment for preventing scandals etc. (defensive posture), the Board needs to exhibit leadership from the perspective of establishing an environment enabling management to boldly face challenges to prevent upside risks in which business opportunities are missed (offensive posture).

To be able to exhibit both defensive and offensive leadership, the Board of Directors must enable the best conclusion to be reached while avoiding closed discussion through the exchange of diverse opinions. To achieve this, the Board must be made up of personnel with sufficient knowledge and experience inside and outside the Company concerning important matters from the perspective of business management. Directors need to have sufficient expert knowledge at least in one field, in addition to common sense (logical thinking), enabling them to make decisions based on the opinions of members with expert knowledge and information from within and outside the Company.

In addition, the Board of Directors must realize a clear division of roles between supervision and execution in order to enable effective supervision of the management team responsible for business execution, and to enable the Board of Directors to objectively evaluate and express opinions on the progress and results of business execution from a standpoint independent of business execution. In order to achieve this, a company with Nomination, Compensation, and Audit Committees, which can delegate the authority and responsibility for business execution to the executive officers, is adopted as an organizational design, minimizing the number of Executive Officers and effectively utilizing Non-executive Directors (Independent Directors* and Directors from within the company who do not concurrently serve as executive officers). To ensure the independence and objectivity of the Nomination, Compensation, and Audit Committees, which form the cornerstone of corporate governance, they shall be composed solely of Non-executive Directors, and the majority of the members of each committee shall be Independent Directors, and the chairperson of each committee shall also be an Independent Director in principle.

From this perspective, the Board of Directors shall be composed of at least a majority of Independent Directors.

* Independent Directors: Independent Directors that satisfy the Company’s independence standards and for which notification as independent officers has been submitted to the Tokyo Stock Exchange. All of the Company’s Independent Directors are registered as independent directors.

Role and Standards for Independence of Independent Directors

One of the principal roles of Independent Directors is to express opinions based on the decision of whether it is appropriate to entrust management to current Executive Officers from the perspective of the common interests of shareholders by examining and assessing the results of the Company's management and the performance of Executive Officers as needed in light of the management strategies and management plans determined by the Board of Directors.

All nominees for Independent Director are chosen from personnel with a high level of independence and adequate specialized knowledge in areas expected to be important in company management to enable them to participate in discussion on the essence of management from a position that is completely independent of the execution of business.

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

[Independence Standards of Independent Director of EBARA]
Independent persons with no material interests in the Company are to be appointed as Independent Directors. "Independent persons with no material interests" refer to persons to whom none of the following items applies.

1) An internal employee or former internal employee 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), statutory auditor (excluding outside audit & supervisory board member), executive officer, or employee executing the 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 this part) 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 its consolidated net sales 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 holding 10% or more of the total shares issued, or a director, an executive, an executive officer, a manager or other employee of a company representing the interests thereof 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, a statutory auditor or an executive officer of a company that has accepted a director or a statutory auditor from the EBARA Group.

Roles, qulifications and competencies required for directors (excerpted from EBARA Corporate Governance Basic Policy chapter 6)

	Roles	Qualifications and Competencies
Directors	• Strive to make the best efforts at deliberations at the Board of Directors meetings and monitor business execution, so that the Board of Directors is able to fulfill its role as a monitoring board to "show the general direction of the business such as corporate strategies, etc.," "create an environment that enables appropriate risk-taking in business execution," and "conduct highly effective supervision of business execution from an independent and objective standpoint" • Make wise decisions with broad insight and logical thinking based on his/her expertise in specific fields, while taking into account opinions of other Directors and information from inside and outside the Company • Express not only approval or disapproval on issues, but also present new issues for growth of the Company during deliberations	• Has outstanding personality, high ethical standards, a spirit of exploration, and a spirit of independence • Has demonstrated outstanding results, because of his/her excellent knowledge in corporate management, experience in decision-making from a responsible position or demonstrating professional skills • Has or willing to acquire the latest information on industries and/or peripheral/relevant domains related to the strategic direction and/or medium- to long term issues of the Company • Has insight and logical-thinking ability to make judgments by referring to the opinions of other Directors and new information from inside and outside the Company, rather than solely relying on his/her own past experience and knowledge • Committed to the governance reform of the Company and motivated to develop himself/herself by contributing to the process of its evolution
Chairperson of the Board of Directors	1) Conduct to facilitate agenda setting for the Board of Directors meetings,and effective decision-making and problem-solving deliberations • Set the agenda for the Board of Directors meetings • Strive to understand issues related to the business execution, for example, by sitting with important meetings such as Management Meetings, etc. • Take a lead of internal discussions in the event of making decisions on the policy to handle unknown risks, scandals etc. 2) Conduct to facilitate smooth operation of the Board of Directors and promote specific business execution • Facilitate active discussion to determine the Group's overall strategic direction, and play an active role in the business development • Lead deliberation to ensure that Board of Directors operates with an effective • decision-making process and to encourage adequate challenges in business execution	• Lead the Board of Directors in a fair, objective and self-restraint manner • Fully realize his/her responsibility and demonstrate leadership as the chief of the highest decision-making body of the Company • Interested in the Company's business execution and management personnel, and is willing to deepen the understanding of the same by having dialogues with the execution side

<table>
<tr><td></td><td>・ Ensure that the Board of Directors receives accurate, timely, and clear information
・ Lead the follow-up of matters resolved by the Board of Directors to supervise effective implementation by Executive Officers
・ Properly communicate with the Board of Directors' Secretariat and establish a support system required for smooth operations of the Board of Directors

3) Demonstrate leadership in implementing the PDCA cycle of the Board of Directors including leading the evaluation of effectiveness of the Board of Directors as a whole, each Committee and Director, and take the initiative in improving governance at all times
4) Demonstrate leadership in disseminating information to the stock market and necessary information gathering</td><td></td></tr>
<tr><td>Lead Independent Director</td><td>・ Hold Executive Sessions for Independent Directors to improve the quality of the Board of Directors meetings by promoting their understanding of issues by selecting proper agenda items and organizing discussion points
・ Establish and supervise appropriate training programs for the Independent Directors, including newly appointed Independent Directors, by identifying the needs of each Independent Director, such as deepening understanding of specific issues</td><td>・ Lead the Independent Directors in a fair, objective and self-restraint manner and earn trust from the stakeholders
・ Has broad insight and able to develop appropriate improvement measures for Independent Directors to fulfill their roles</td></tr>
<tr><td>Independent Directors</td><td>・ Enhance the quality of deliberations at the Board of Directors meetings by providing opinions and recommendations of problem-solving thinking from an objective and diversity perspective
・ At Executive Sessions, strive to determine the true nature of the issue by actively making efforts to understand the Company and its business as its background
・ Assume the duties as a member of the Nomination Committee, Audit Committee and/or Compensation Committee
・ Participate in the Board of Directors meetings and other meeting structures on management, independently from the Executive Officers, when deemed necessary, and provide supervision and advice on the Company's operations by</td><td>Independent Directors are expected to have superior knowledge and experiences in one or more of the following domains
・ Has experience of serving at a responsible position in corporate management and demonstrated leadership in corporate transformation
・ Has demonstrated leadership in implementing and enhancing the ESG-based management
・ Has demonstrated leadership in personnel, human resource development, and corporate culture reform
・ Has intimate knowledge of solving issues related to finance, accounting and/or capital policy
・ Has intimate knowledge of auditing</td></tr>
</table>

	expressing his/her views and other means ・ In the event an evaluation and/or judgment independent from the Executive Officers with respect to the Company compliance, etc. is required, participate in such evaluation and/or judgment ・ Supervise and verify key business measures, result of management, and the Executive Officers' performance in light of the management strategy and plan determined by the Board of Directors, and provide candid opinions and recommendations based on problem-solving thinking regarding the appropriateness of entrusting management to the current Executive Officers from an objective standpoint ・ provide appropriate opinions and recommendations from the standpoint of shareholders and other stakeholders	・ Has intimate knowledge of legal affairs, internal control, and governance reforms ・ Has intimate knowledge of technical development and R&D ・ Has intimate knowledge of global environment ・ Has intimate knowledge with regard to adequate conduct of an enterprise as a social entity such as respect for human rights, diversity, health and working environment, and supply chain management ・ Has intimate knowledge of areas which are anticipated to rapidly evolve in the future, such as digitization and AI technology
Non-Executive Inside Directors Chair Person of the Company	・ Express opinions from an objective perspective based on his/her prior experience of business execution ・ Monitor the status of business execution as appropriate, and provide appropriate supervision for execution of important matters ・ Serve a necessary role to deepen the understanding of issues related to business execution and the organization among the Independent Directors ・ Demonstrate leadership in the process required for the change and make recommendations to the Board of Directors in coordination with the Chairman of the Board of Directors ・ In case an Independent Director serves as the Chairman of the Board of Directors, assist the Chairman and function as a good advisor as required ・ Serve the roles required in the Group's external activities as required	・ Has the same qualifications and competencies required of Independent Directors ・ Has broad knowledge of business execution of the Company and is capable of supervising and supporting business execution through proper communications

Attached Documents to the Notice of the 156th Ordinary General Meeting of Shareholders

Business Report for the 157th Period

(From January 1, 2021 to December 31, 2021)

EBARA CORPORATION

1. Condition of the Corporate Group

(1) Business Developments and Results

1) Overall Review of Operations

During the fiscal year ended December 31, 2021, the global economy continued to pick up due to the spread of vaccinations and other factors, although uncertainty remained due to the prolonged impact of COVID-19. In the Japanese economy, economic activities were restrained in some areas, mainly in major metropolitan areas, due to the implementation of priority measures such as the declaration of emergency situations and the prevention of spreading of COVID-19. However, demand gradually increased and capital investment showed signs of picking up.

In the oil and gas market, the Group's primary market, crude oil prices recovered to levels prior to the spread of the COVID-19, and some projects moved. In the semiconductor market, demand remained at a highlevel, and customers' capital investment continued to expand. The construction equipment market saw a recovery from the impact of the COVID-19. In addition, Japan's public investment related to national resilience remained firm.

Under these circumstances, orders received for the fiscal year ended December 31, 2021 increased from the previous fiscal year in The Fluid Machinery & System (“FMS”) Company due to a recovery in demand mainly in China, compared to the previous fiscal year, when the global economy was stagnant due to the impact of the spread of the COVID-19. In the Environmental Plants (“EP”) Company, orders received rose 109% from the previous fiscal year, largely due to the receipt of several large-scale orders for waste treatment facilities. In the Precision Machinery (“PM”) Company, orders received were robust, reflecting increased capital expenditures by semiconductor manufacturers due to robust demand for semiconductors such as 5G, AI, and data centers, as well as the continued movement of customers to place orders ahead of schedule against the backdrop of a worldwide shortage of parts. Revenues increased in all companies compared to the previous fiscal year due to a high level of orders received.

In terms of profits, operating income improved significantly due to the continued improvement in profitability in the FMS Company, higher revenue in PM Company, and the impact of the depreciation of the yen. Higher raw material prices and logistics costs, as well as prolonged lacks of parts, have had a broad impact on the supply chain. However, the Group worked to minimize the impact of its business performance by passing on higher sales prices, implementing cost reduction measures, and strengthening supply chain management.

As a result, in the Fiscal Year ended December 31, 2021, consolidated orders received amounted to ¥771,483 million (an increase of 50.9% year-on-year), revenue amounted to ¥603,213 million (an increase of 15.5% year-on-year), operating income amounted to ¥61,372 million (an increase of 63.4% year-on-year), profit attributable to owners of parent amounted to ¥43,616 million (an increase of 80.0% year-on-year). All of them replaced the past highest records.

Financial Highlights

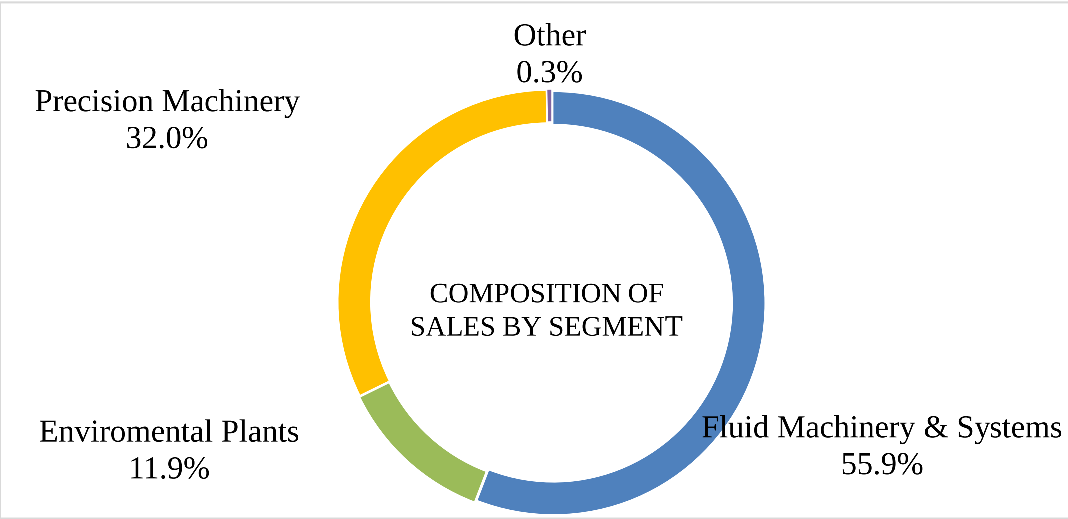
Orders Received	Revenue	Operating Profit	Profit attributable to Owners of Parent
¥771,483 million	¥603,213 million	¥61,372 million	¥43,616 million
Up 50.9% from the same period of the previous FY	Up 15.5% from the same period of the previous FY	Up 63.4% from the same period of the previous FY	Up 80.0 % from the same period of the previous FY

2) Financial Results

Item / Fiscal Year (FY)	Japanese GAAP			IFRS	
	154th Period (FY ended December 31, 2018)	155th Period (FY ended December 31, 2019)	156th Period (FY ended December 31, 2020)	156th Period (FY ended December 31, 2020)	157th Period (FY ended December 31, 2021) (FY under review)
Orders Received (Millions of yen)	575,576	552,225	511,921	511,221	771,483
Net Sales (Millions of yen)	509,175	522,424	523,727	522,478	603,213
Operating Income (Millions of yen)	32,482	35,298	37,879	37,566	61,372
Profit Attributable to Owners of Parent (Millions of yen)	18,262	23,349	24,473	24,236	43,616
Net Income per Share (Yen)	179.94	241.79	256.85	254.36	463.44
Total Assets (Millions of yen)	591,582	595.239	621,578	644,771	719,736
Net Assets (Millions of yen)	286,778	291.827	304,470	296,877	321,655
ROIC (%)	4.9	6.5	6.6	6.4	10.7
ROE (%)	6.6	8.3	8.4	8.6	14.5

Notes:
1. The Froup adopts IFRS from 157th period.
2. Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the 155th period. Relevant figures for the 154th period are presented following retroactive application of this accounting standard.

3) Review by Business Segment



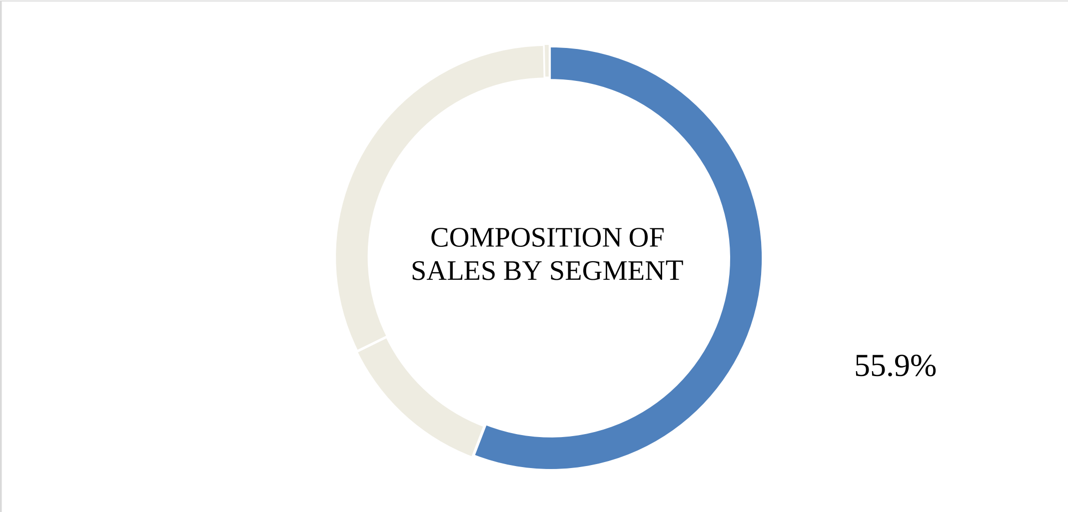
Sales by Segment

	156th Period	157th Period (FY under review)	Year-on-year change
Fluid Machinery & Systems	¥313,218 million	¥336,980 million	Up 7.6%
Environmental Plants	¥67,418 million	¥71,824 million	Up 6.5%
Precision Machinery	¥140,352 million	¥192,791 million	Up 37.4%

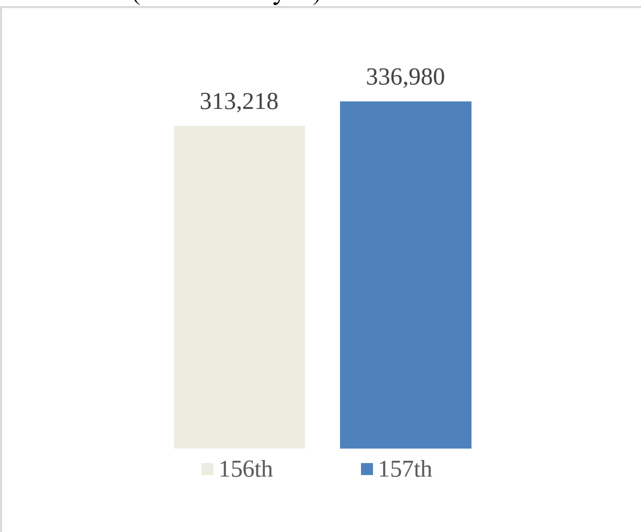
Fluid Machinery & Systems

Main Items

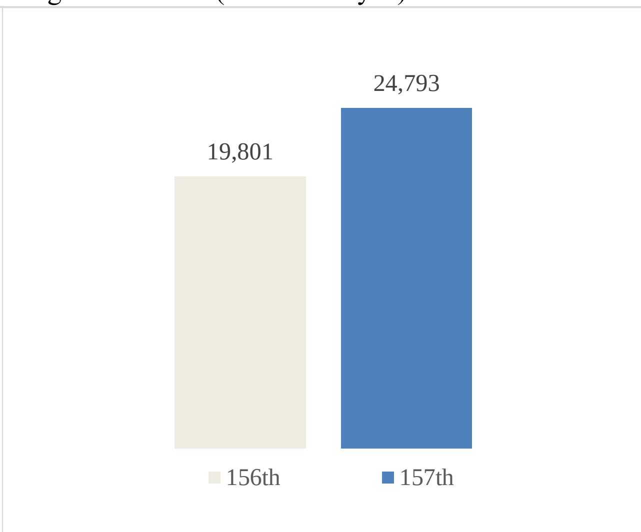
Pumps, compressors, turbines, refrigerators, cooling towers and blowers



■Net Sales (Millions of yen)



■Segment Income (Millions of yen)



Pumps

In the oil and gas market, the Chinese market, which was expected to remain robust forseveral years, the progress of various projects is slowing slightly from the viewpoint ofcurbing CO2 emissions. On the other hand, it is expected that the rise in ammonia, which hadbeen regarded as a medium-to long-term use for fuel, will accelerate, and that there will be an increase in the number of projects to expand CO2 recovery and injection facilities to chemical manufacturing plants and existing plants for material applications instead of refineries for fuel applications. As a result ail and gas related orders received were larger than the previous year. The water infrastructure market is on a recovery trend in China. Expansion of demand can be expected in North America and orders received for water infrastructure exceeded that of the previous year ays in construction starts caused by COVID-19. On the other hand, investment in renovation and maintenance for social infrastructure exceeded that of the previous year, resulting in orders received exceeding those of the previous year.

Compressors & Turbines

In the new product market, petrochemicalprojects in China have been partly delayed. In North America, shale gas-related projects as a whole are delayed and stagnant. On the other hand, in India and the Middle East, there were movements in the oil refining andpetrochemicals markets. The volume of orders received for products exceeded that of the last year. In the service market, mobility restrictions to prevent the spread of COVID-19 have been partly eased, and movements are emerging in the entire market, including dispatching instructors, and the economy is on a recovery trend. The volume of orders received for service fields exceeded that of the last year. In the LNG market (cryogenic pump), although there are movements in some projects, investment decisions are slowing down.

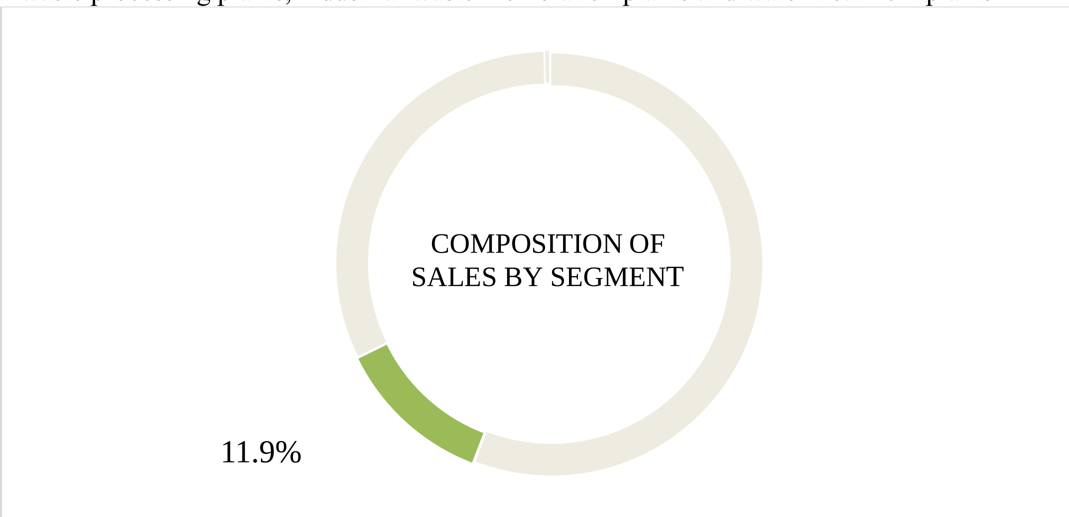
Chillers

In Japan, investment mainly in industry-related market recovered. However, some parts of the construction equipment market such as accommodations remained sluggish due to the repeated impacts of the spread of COVID-19 and the volume of orders received exceeded that of the last year. In China, growth is slowing due to the impact of electricity supply restrictions and soaring raw material costs, etc. and the volume of orders received exceeded that of the last year.

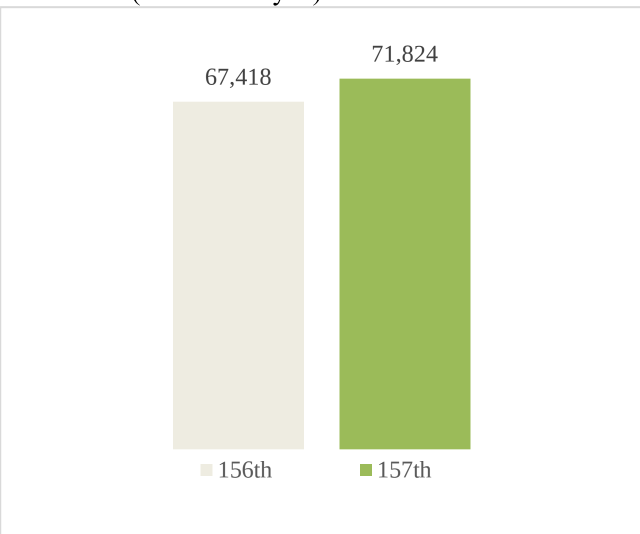
Sales in the FMS Company for the fiscal year ended December 31, 2021, amounted to ¥336,980 million (an increase of 7.6% from previous fiscal year). The segment income amounted to ¥24,793 million (an increase of 25.2% from the previous fiscal year). The segment income amounted to ¥24,793million (an increase of 25.2% from the previous fiscal year).

Environmental Plants

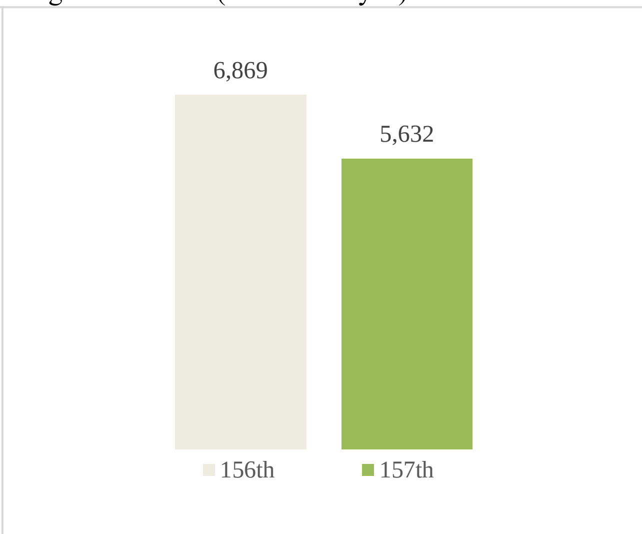
Main Items
Municipal waste processing plants, industrial waste incineration plants and water treatment plants



■Net Sales (Millions of yen)



■Segment Income (Millions of yen)



Environmental Plants

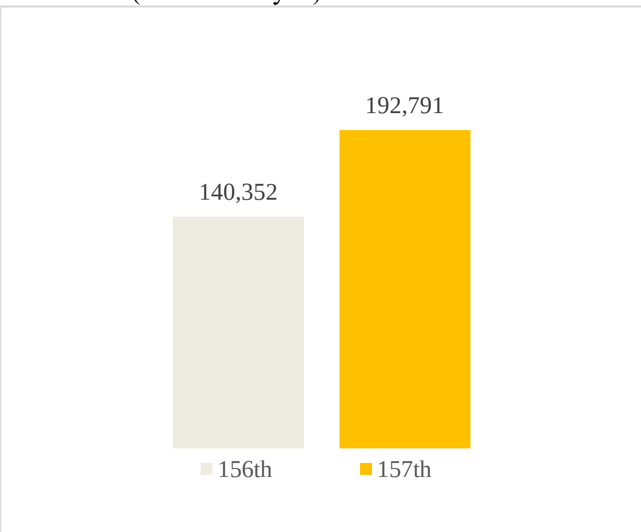
Demand for new constructions of waste incineration facilities for the public sector ran at about the same level as in a typical year. Construction demand for power generation facilities with woody biomass fuel for private companies and industrial waste incineration facilities for plastic waste, etc. continued. The volume of orders received significantly exceeded that of the last year as orders of 5 large-scale waste incineration facilities for the public sector were placed.

Sales in the EP Company for the fiscal year ended December 31, 2021, amounted to ¥71,824 million (an increase of 6.5% from the previous fiscal year). The segment income amounted to ¥5,632 million (a decrease of 18% from the previous fiscal year).

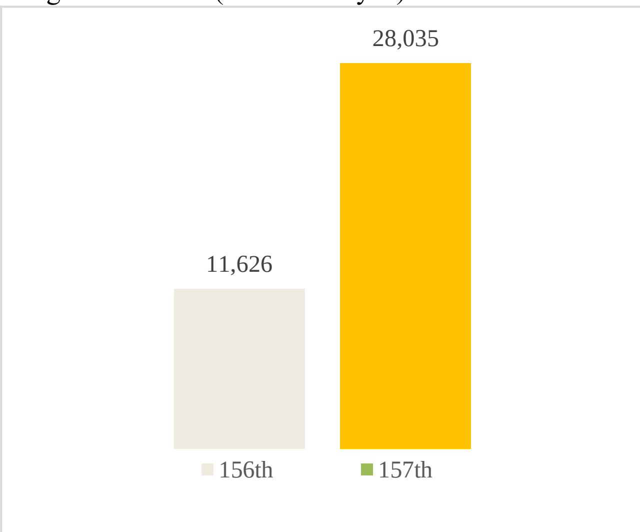
Precision Machinery

Main Items
Vacuum pumps, CMP systems, wafer plating system and gas abatement systems

■Net Sales (Millions of yen)



■Segment Income (Millions of yen)



Precision Machinery

The semiconductor manufacturing equipment market has been expanding due to the semiconductor shortage as a result of the wide spread of 5G, working from home and IoT. The volume of orders received greatly exceeded that of the last year as both logic foundries and memory companies are continuously expanding their capital investment and in addition, the recent shortage of parts and materials has resulted in customers' earlier order placing. The service and support business remained firm as customers were operating at a high level even though they were partially affected by the spread of CIVID-19.

Sales in the PM Company for the fiscal year ended December 31, 2021, amounted to ¥192,791 million (an increase of 37.4% from the previous fiscal year). The segment income amounted to ¥28035 million (an increase of 141.1% from the previous fiscal year).

(2) Capital Expenditures

Regarding investments, during the fiscal year, the Group implemented capital investments amounting to ¥22,758 million. These were primarily for the expansion of production capacity and the installation of equipment to enhance productivity. Note that the investment amount includes tangible fixed assets and intangible assets.

Principal capital investments by business segment were as follows. Please note that these investment figures include inter-segment transactions.

Business Segment	Capital Expenditures (Millions of yen)	Depreciation (Millions of yen)	Breakdown of Capital Expenditures
Fluid Machinery & Systems	9,949	10,930	Investments were made primarily for the maintenance and enhancement of production capability and the improvement of productivity.
Environmental Plants	762	806	Investments were made principally for information equipment and the development of technology aimed at upgrading products.
Precision Machinery	5,608	6,981	Investments were made principally for the enhancement of production capacity.

(3) Fund-Raising and Capital Resources

During the fiscal year ended December 31, 2021, the Group raised funds through long-term loans payable amounting to ¥5,191 million, and short-term loans payable totaling ¥13,660 million.

Meanwhile, the Group repaid long-term loans payable amounting to ¥6,362 million and short-term loans payable totaling ¥4,907 million.

(4) Status of acquisition or disposal of shares or other equity or stock acquisition rights of other companies

With Turkish pump manufacturer Vansan Makina Sanayi ve Ticaret A.Ş. Based on the share transfer agreement signed on December 21, 2020. Acquired all issued shares of Çiğli Su Teknolojileri A.Ş., Which owns Vansan Makina Montaj ve Pazarlama A.Ş., and acquired all issued shares in 2021. It became a consolidated subsidiary on March 12.

(5) Issues Being Addressed

The Group announced our long-term vision, E-Vision 2030, which established a vision and path for ten years from fiscal year (FY) 2020, simultaneously with our new medium-term management plan, E-Plan 2022, for the period from FY2020 to FY2022.

[1] New business

Aim to identify global needs from a market-in approach and match internal and external technologies/know-how with market needs to create viable new businesses.

[2] Existing businesses

Enhance S&S business by improving synergy among business segments, and execute aggressive business segment-specific strategies.

a) Enhance S&S

Improve synergy among business segments to facilitate the provision of optimal services to each market, country, region, and customer.

b) Execute aggressive business segment-specific strategies

Divide business segments into two groups: “Growth investment” and “Improve profitability,” and set strategies in accordance with their status.

c) Strengthen development capabilities to create competitive advantages

Continue to develop products and services with competitive advantages and sell them at a price that maximizes profit.

d) Expand global procurement system

- Reduce production and fixed costs by lowering procurement costs
- Conduct optimal region-based procurement

[3] Regional strategy

Maximize revenue through initiatives tailored to regional markets mainly in China, India and

Africa.

a) Global

Allocate investment and resources to regions of anticipated growth

b) Japan

- Improve operational efficiency in all businesses
- Contribute to building resilient social infrastructure

[4] Strengthen capitals

Evolve and strengthen the six capitals (human, manufacturing, financial, intellectual, social & relationship, natural) required for business growth to better invest in adaptions to the changing business environment and global business expansion.

a) Strengthen ROIC/Portfolio Management

- Conduct capital allocation based on corporate portfolio assessments
- Improve capital efficiency for each business

b) Manufacturing/Technology/Information Strategy

Transform products, services, and business models through the promotion of DX

c) Human Resource Strategy

- Improve internal talent pipelines on a global scale and facilitate greater mobility of human resources
- Promote diversity through increasing mid-career hires

[5] Refine ESG-focused management

In the interest of our sustainable growth, we will take aim at environmental issues, foster bonds with society, and enhance corporate governance.

a) Environmental

- Reduce greenhouse gas emissions by providing highly energy efficient products
- Minimize the environmental impacts of business operations

b) Social

- Create social value through the provision of safe and reliable products
- Contribute to the advancement of local communities and respect human rights throughout our business operations
- We will make a clear distinction between the social value of our products/services and our philanthropy activities and continue to support various cultural facilities, etc.

c) Governance

- Improve the feedback-loop between the outcome goals and execution status of our management policy, and implement a more effective system
- Enhance group governance and risk management in line with the globalization of our operations

(Reference)

1. **Long-term Vision: E-Vision 2030 (10-Year Vision)**
   We aim to further our contributions toward the SDGs through the pursuit of solutions to our identified material issues to contribute to the creation of a sustainable society while simultaneously increasing the (1) social/environmental value and (2) economic value we generate. We believe this will earn us greater corporate value and recognition as an excellent global company. We have set market capitalization of 1 trillion yen by 2030 as an indicator of our corporate value.

Representative examples of outcome goals

(1) Social/Environmental Value

- Reduce GHG emissions by the equivalent of about 100 million tons of CO2
- Deliver water to 600 million people
- Contribute to smarter living by challenging the 14Å (angstrom, 1/10 billionth) generation, state-of-the-art semiconductor devices.

(2) Economic Value

- ROIC over 10.0%
- Roughly 1 trillion yen in revenue

2. **Medium-term Management Plan: E-Plan 2022**

(1) Basic Policies

[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
Proactively implement digital transformation (DX) technologies to facilitate swifter management and further emphasize ROIC management.

[4] Enhance ESG-focused management
Address evolving environmental issues, foster bonds with society, and enhance governance practices.

(2) Management Strategies

Please refer to the previously described section (4) Issues Being Addressed

(3) Numerical Targets

At a meeting of the Board of Directors held on February 12, 2021, the Company resolved to voluntarily adopt the International Financial Reporting Standards (IFRS) in place of the existing Japanese Generally Accepted Accounting Principles (JGAAP) for the consolidated financial statements of the EBARA Group. In doing so, the Company aims to increase the international comparability of financial information.

The impact of IFRS transition on the Medium-term Management Plan, E-Plan 2022 (released in February 2020) is shown in the following table.

Impact on "Operating Income to Sales Ratio" (companywide and by business) is minor and the targets remain the same.

Key Performance Indicators (KPI)	156th (FY20)	156th (FY21)	E-Plan 2022 Targets
ROIC	6.4%	10.7%	7.6% or more
Operating Income to Sales Ratio	7.2%	10.2%	8.5% or more

Target Achievement Indicators	156th (FY20)	156th (FY21)	E-Plan 2022 Targets
ROE	8.6%	14.5	11.2% or more
Debt-to-Equity Ratio	0.34 times	0.36 times	0.4-0.6 times
(Operating Income Ratio by Business)			
Fluid Machinery & Systems Business	6.3%	7.4%	7.0% or more
Pumps Business	5.8%	7.4%	6.5% or more
Compressors and Turbines Business	8.0%	9.7	8.0% or more

Chillers Business	5.4%	4.1%	5.0% or more
Environmental Plants Business	10.2%	7.8%	9.5% or more
Precision Machinery Business	8.3%	14.5%	13.0% or more

Growth Investment	156th (FY20)	156th (FY21)	E-Plan 2022 Targets
Capital Investment	35.0 million yen	22.7 million yen	100.0 million yen
R&D	12.5 million yen	13.5 million yen	40.0 million yen

Shareholder Returns	156th (FY20)	156th (FY21)	E-Plan 2022 Targets
Consolidated Dividend Payout Ratio	35.4%	35.2%	35.0% or more

(6) Important Matters Related to the Parent Company and Subsidiaries

1) Matters Related to the Parent Company

None

2) Principal Subsidiaries

Company Name	Location of Head Office	Capital	EBARA Ownership Percentage (%)	Main Lines of Business
Elliott Ebara Turbomachinery Corporation	Sodegaura, Chiba	¥450 million	100.0*	Manufacture, sale, after-sales service of compressors, turbines and blowers
EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD.	Ota-ku, Tokyo	¥450 million	100.0	Manufacture, sale, installation of refrigerators and cooling towers and after-sales service
EBARA DENSAN LTD.	Ota-ku, Tokyo	¥450 million	100.0	Manufacture and sale of electrical machinery and fixtures, and construction work for electrical machinery and instrumentation
EBARA FAN & BLOWER CO., LTD.	Suzuka, Mie	¥445 million	100.0	Manufacture, sale and after-sales service of industrial fans
Ebara Environmental Plant Co., Ltd.	Ota-ku, Tokyo	¥5,812 million	100.0	Design, construction work, operation and maintenance of waste processing systems
EBARA FIELD TECH.CORPORATION	Fujisawa, Kanagawa	¥475 million	100.0	Sale of dry vacuum pumps, sale, test operation and after-sales service of CMP equipment
EBARA AGENCY CO., LTD.	Ota-ku, Tokyo	¥80 million	100.0	Business support services, internal agency service for insurance, travel agency services
EBARA BOMBAS AMÉRICA DO SUL LTDA.	Brazil	R$99,106 thousand	100.0*	Manufacture and sale of submersible motors and pumps for deep wells, and land pump products
Ebara Machinery (China) Co., Ltd.	China	US$61,938 thousand	100.0	Manufacture, sale and after-sales service of standard pumps
EBARA MACHINERY ZIBO CO., LTD.	China	US$41,000 thousand	100.0*	Manufacture and sale of large-scale pumps and high-pressure pumps
EBARA GREAT PUMPS CO., LTD.	China	US$11,000 thousand	51.0	Manufacture and sale of process pumps and high-pressure pumps
EBARA ENGINEERING SINGAPORE PTE. LTD.	Singapore	S$6,625 thousand	100.0	Sale and after-sales service for custom pumps and standard pumps; sale and after-sales service for dry vacuum pumps and CMP equipment
Vansan Makina Sanayi ve Ticaret A.Ş.	Turkey	US$1,500 thousand	100.0	Manufacture and sale of submersible motors and pumps for deep wells, vertical pumps
EBARA PUMPS EUROPE S.p.A.	Italy	€22,400 thousand	100.0	Manufacture and sale of stainless pumps and metallic mold pumps
ELLIOTT COMPANY	U.S.A.	US$1 thousand	100.0*	Manufacture, sale and after-sales service of air and gas turbo-compressors and steam turbines Manufacture and sale of cryogenic submersible pumps
ELLIOTT EBARA SINGAPORE PTE. LTD.	Singapore	S$340 thousand	100.0*	After-sales service of compressors and turbines
EBARA REFRIGERATION EQUIPMENT & SYSTEMS (CHINA) CO., LTD.	China	¥1,888 million	100.0*	Manufacture and sale of refrigerators and cooling towers
EBARA QINGDAO CO., LTD.	China	¥3,150 million	100.0*	Manufacturing and sale of boilers and heat exchangers
EBARA TECHNOLOGIES INCORPORATED	U.S.A.	US$44,560 thousand	100.0*	Sale and after-sales service for dry vacuum pumps and CMP equipment
Shanghai Ebara Precision Machinery Co., Ltd.	China	¥495 million	100.0	Sale and after-sales service for dry vacuum pumps and CMP equipment
EBARA PRECISION MACHINERY KOREA INCORPORATED	Korea	KRW5,410 million	100.0	Sale and after-sales service for dry vacuum pumps and CMP equipment
Ebara Precision Machinery Taiwan Incorporated	Taiwan	TWD330,000 thousand	100.0	Sale and after-sales service for dry vacuum pumps and CMP equipment
Ebara Precision Machinery Europe GmbH	Germany	€11,145 thousand	100.0	Sale and after-sales service for dry vacuum pumps and CMP equipment

Note:
An asterisk (*) indicates a figure that includes indirect ownership.

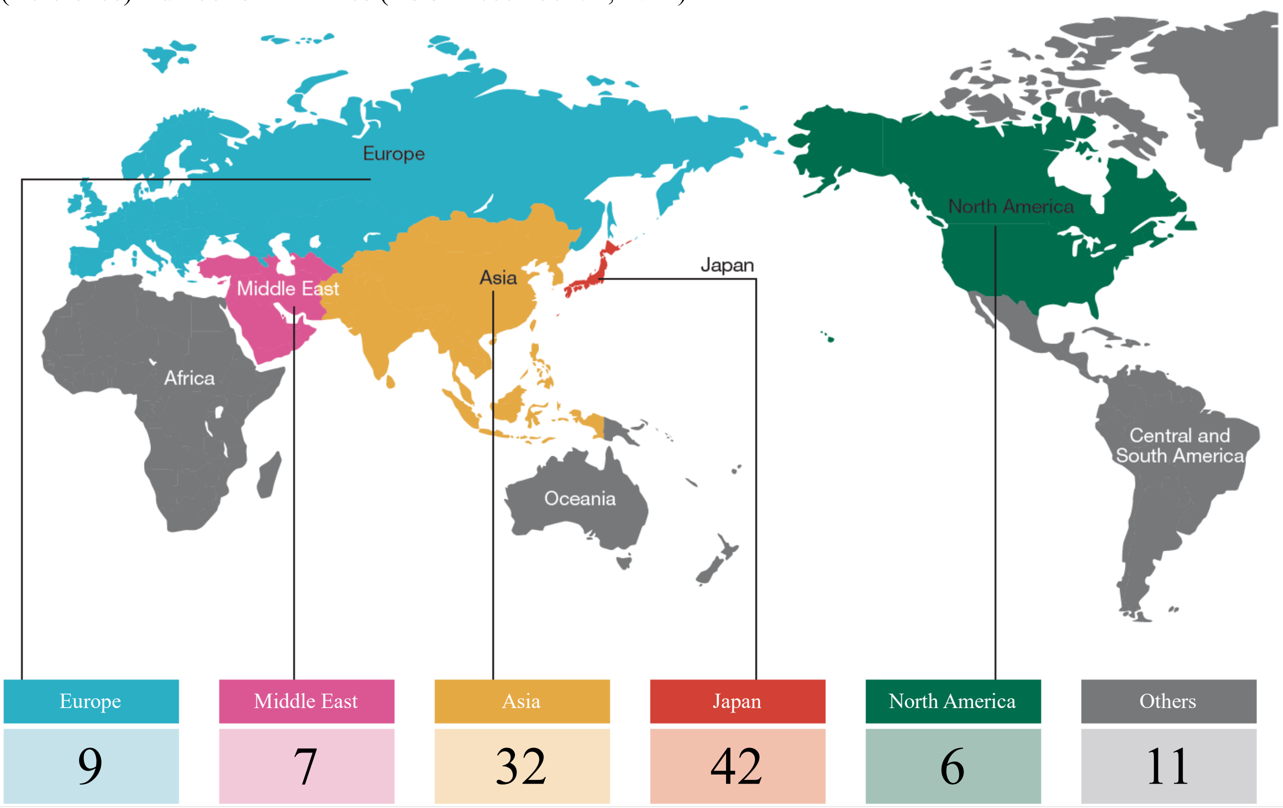
3) Specific Wholly-owned Subsidiaries

None

4) Principal Affiliated Companies

Company Name	Location of Head Office	Capital	EBARA Ownership Percentage (%)	Main Lines of Business
Swing Corporation	Minato-ku, Tokyo	¥5,500 million	33.3	Design, installation, operation and maintenance of water treatment facilities and environmental and sanitary facilities

(Reference) Number of Affiliates (As of December 31, 2021)



(7) Main Lines of Business (As of December 31, 2021)

Business	Main Items
Fluid Machinery & Systems	Pumps, compressors, turbines, refrigerators, cooling towers and blowers
Environmental Plants	Municipal waste processing plants, industrial waste incineration plants and water treatment plants
Precision Machinery	Vacuum pumps, CMP systems, wafer plating system and gas abatement systems

(8) Principal Business Offices and Factories (As of December 31, 2021)

1) EBARA CORPORATION

Name	Location	Name	Location
Head Office	Ota-ku, Tokyo	Futtsu District	Futtsu, Chiba
Hokkaido Branch	Shiroishi-ku, Sapporo	Fujisawa District	Fujisawa, Kanagawa
Muroran Office	Muroran, Hokkaido	Chubu Branch	Nishi-ku, Nagoya
Tohoku Branch	Miyagino-ku, Sendai	Suzuka District	Suzuka, Mie
Hokuriku Branch	Chuo-ku, Niigata	Osaka Branch	Kita-ku, Osaka
Haneda Office	Ota-ku, Tokyo	Chugoku Branch	Nishi-ku, Hiroshima
Tokyo Branch	Ota-ku, Tokyo	Kyushu Branch	Hakata-ku, Fukuoka
Kitakanto Branch	Kita-ku, Saitama	Kumamoto District	Tamana-gun, Kumamoto
Sodegaura District	Sodegaura, Chiba		

2) Principal Subsidiaries

See "(5) Important Matters Related to the Parent Company and Subsidiaries 2) Principal Subsidiaries" above.

3) Principal Affiliated Companies

See "(5) Important Matters Related to the Parent Company and Subsidiaries 4) Principal Affiliated Companies" above.

(9) Employees by Business Segment (As of December 31, 2021)

Business Segment	Number of Employees	Change from the end of Previous Fiscal Year
Fluid Machinery & Systems	11,870	+554
Environmental Plants	2,714	+41
Precision Machinery	2,789	+242
Corporate Departments, etc.	999	+55
Total	18,372	+892

Note:
The number of employees shown is the number of workers.

(10) Principal Lenders (As of December 31, 2021)

Principal Lenders to the Group	Outstanding Loans (Millions of yen)
Mizuho Bank, Ltd.	25,823
MUFG Bank, Ltd.	15,212
Development Bank of Japan Inc.	5,000
The Shoko Chukin Bank, Ltd.	3,499
Türkiye İhracat Kredi Bankası A.Ş.	2,639
Sumitomo Mitsui Banking Corporation	2,321

Note:
Apart from the above, a syndicated loan (total ¥10,000 million) exists.

(11) Other Important Matters Related to the Condition of the Corporate Group

On October 23, 2015, a fire broke out at the bulky waste treatment facility at the Gifu City Eastern Clean Center, which is located in the Akutami section of Gifu City in Gifu Prefecture, when Ebara Environmental Plant Co., Ltd. ("EEP"), the Company's consolidated subsidiary, was making repairs on the facility. EEP is responsible for the operation and management of a waste incinerating facility that is located adjacent to the bulky waste treatment facility where the fire occurred. Regarding this incident, while the Company had been discussing with Gifu City the compensation for related damages, a lawsuit against EEP was filed by Gifu City at the Gifu District Court on January 31, 2019 claiming compensation for damages of ¥4,362 million and late charges for such compensation. Afterwards, Gifu City amended its amount of the compensation claim for damages to ¥4,474 million and late charges for such compensation on July 22, 2019 (received on July 25, 2019). On July 17, 2020, the amount of the compensation claim for damages was amended to ¥4,582 million and late charges for such compensation (received on July 20, 2020), and on August 10, 2021, the compensation claim for damages was amended to ¥4,692 million and late charges for such compensation (received on August 25, 2021). At this time, it is not possible to make a reasonable estimate of the effect of this incident on the Group's consolidated financial results.

2. **Shares of the Company (As of December 31, 2021)**

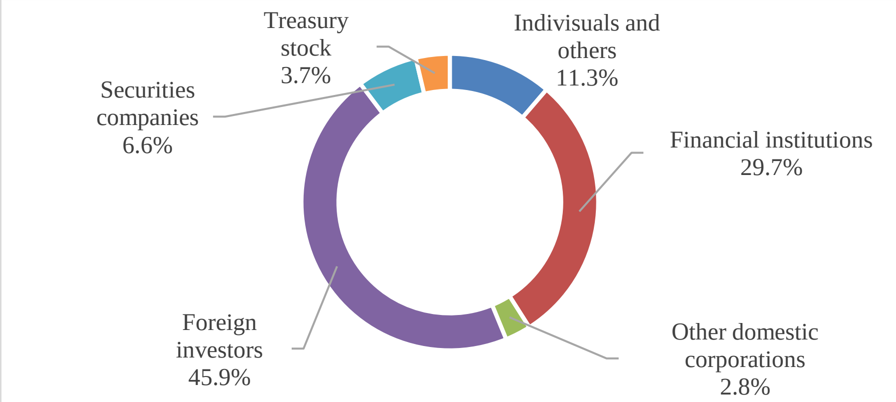
(1) **Matters Related to Shares Issued by the Company**

1) **Number of shares authorized** 200,000,000 shares

2) **Total number of shares issued** 95,513,633 shares
(Change from the previous year: +122,180 shares)
(Including 3,536,073 shares of treasury stock)

3) **Paid-in capital** ¥79,643,429,323
(Change from the previous year: +¥191,955,800)

4) **Number of shareholders** 24,867 (Change from the previous year: +3,735)



5) **Principal shareholders**

Name of Shareholders	Number of Shares Held (thousand shares)	Percentage against Total Shares Issued (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,402	17.8
Ichigo Trust Pte. Ltd.	9,552	10.4
Custody Bank of Japan, Ltd.(Trust Account)	4,419	4.8
Nikko Securities Inc.	2,317	2.5
BBH（LUX）FOR FIDELITY FUNDS － SUSTAINABLE WATER AND WASTE POOL	2,020	2.2
JAPAN SECURITIES FINANCE CO., LTD.	1,656	1.8
BNYM AS AGT/CLTS 10 PERCENT	1,643	1.8
STATE STREET BANK AND TRUST COMPANY 505225	1,439	1.6
JP MORGAN	1,364	1.5
STATE STREET BANK AND TRUST COMPANY 505103	1,281	1.4

Notes:
1) The company holds 3,536 thousand treasury stock, but we exclude it from the above major shareholders
2)Treasury shares are eliminated from total number of shares issued in calculating the percentage.

6) **Important notes on other shareholdings**

Issuance of restricted shares

In the meeting of the Compensation Committee held on March 8, 2018, a resolution was passed to introduce a restricted share-based compensation system and a performance-linked share-based compensation system as compensation systems aimed at providing medium- to long-term incentives and sharing of shareholder value to the Company's Directors, Executive Officers, and some employees and Directors and some employees of the Company's subsidiaries. In response to this, the Company resolved in the meeting of the Board of Directors held on April 13, 2021, to issue new shares as restricted share-based compensation and issued 40,680 common shares on May 12, 2021. Based on this, the capital and legal capital surplus increased by ¥101,700,000 each.Numbers of allotted restricted shares to Directors and Excutive of the Company is as follows.

Type of Corporate Officers	Number of allotted people	Number of allotted shares
Directors (excluding Independent Directors)	2	6,048 shares
Independent Directors	7	5,040 shares
Executives Officers	13	16,164 shares

7) Important notes on other shareholdings

A. Issuance of new shares through exercise of subscription rights to shares

The total number of issued shares increased by 81,500 shares and capital and legal capital surplus increased by ¥90,255,800 each as a result of the exercise of subscription rights to shares during the fiscal year under review.

B. Purchase of treasury shares

At the board of directors meeting held on May 14, 2021, the Company shares treasury stock based on Article 459, Paragraph 1 of the Companies Act and Article 38 of the Articles of Incorporation of the Company.

The company resolved to acquire the following.

・ Types of acquired shares Our common stock

・ Total number of acquired shares 3,513,400 shares

・ Total acquisition price of shares 19,999,129,457 yen

・ Acquisition period May 17, 2021 to December 23, 2021

・ Reason for acquisition To improve capital efficiency

The cancellation of treasury stock based on the provisions of Article 178 of the Companies Act, which was resolved by the Board of Directors, was acquired.

The total number of treasury stock was canceled on January 31, 2022.

(2) Matters Related to Shares Owned by the Company

1) Policy on Cross-shareholdings

In principle, the Company does not own cross-shareholdings. However, the Company may hold shares of other companies as cross-shareholdings only when the Company determines partnerships with investees through such shareholdings will contribute to the enhancement of the Group's corporate value.

Furthermore, the Board of Directors periodically reviews the rationality of holding these cross-shareholdings and has a policy of dissolving shareholdings that are no longer rational by disposal or other means.

[Confirming rationality of shareholdings]

A. The partnerships with the investee are important, and it is necessary to maintain those relationships.

B. The returns and risks associated with the shareholding match the capital cost.

2) Standard for the Exercise of Voting Rights in Cross-shareholdings

The Company exercises its voting rights in cross-shareholdings, subject to consideration of the pros and cons of individual proposals to determine whether they contribute to the medium- to long-term enhancement of the corporate value of the Group and investees. In such a case, the Company consults with investees as necessary with emphasis on the following matters:

A. Amendments to the Articles of Incorporation

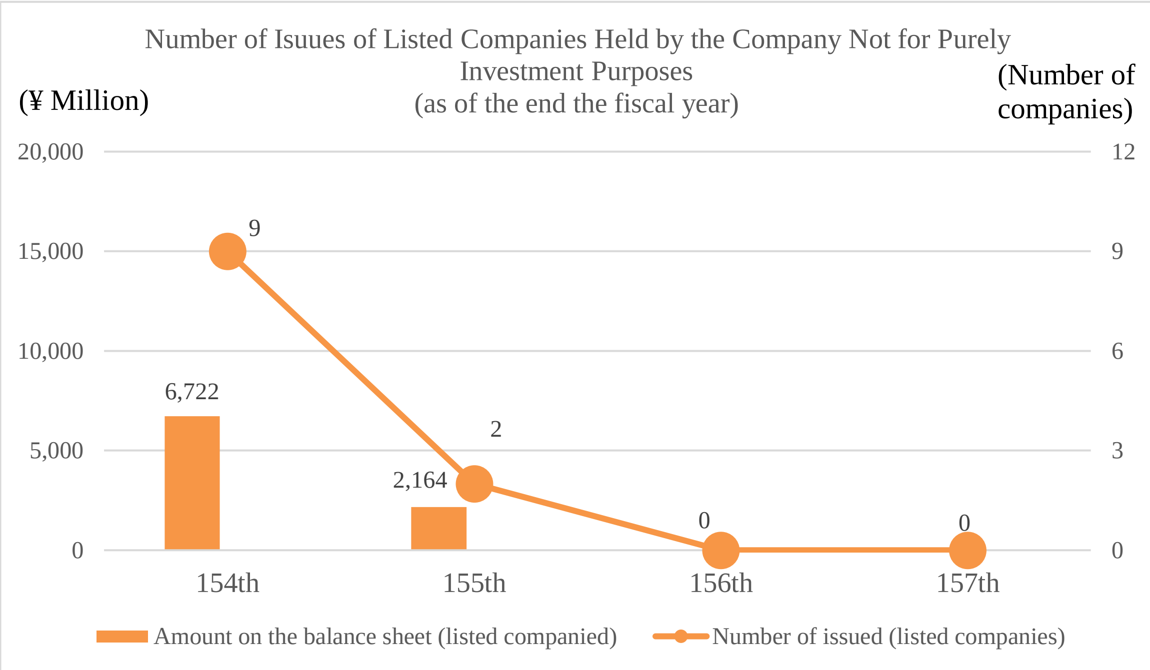
B. Election of Directors, etc.

C. Takeover Defense Measures

D. Appropriation of Surplus

3) Number of Issues and Total Amount on the Non-consolidated Balance Sheet of Shares Held by the Company Not for Purely Investment Purposes

Item / Fiscal Year (FY)	154th Period (FY ended December 31, 2018)	155th Period (FY ended December 31, 2019)	156th Period (FY ended December 31, 2020)	157th Period (FY ended December 31, 2021) (FY under review)
Number of issues	46 issues	41 issues	39 issues	32 issues
Number of issues of listed companies	9 issues	2 issues	0 issue	0 issue
Amount on the balance sheet (Millions of yen)	10,551	7,082	4,918	1,845
[Breakdown] Amount of listed companies (Millions of yen)	6,722	2,164	-	-



3. Subscription Rights to Shares, etc. of the Company

(1) Subscription rights to shares issued in compensation for the execution of duties and held by the Company's Corporate Officers who were in office at the end of the fiscal year (As of December 31, 2021)

Name (Date of issuance)	Conditional upon the achievement of results	Subscription rights to shares held by Corporate Officers			Class and number of shares purchasable with rights	Amount to be paid upon exercise of rights	Period during which rights may be exercised
		Directors (excluding Independent Directors)	Independent Directors	Executive Officers			
1st Subscription Rights to Shares (November 5, 2009)	Yes	0 (0 person)		51 (3 persons)	Common stock of the Company 10,200 shares	¥1.00 per share	July 1, 2011 to November 5, 2024
2nd Subscription Rights to Shares (September 28, 2010)	Yes	0 (0 persons)		3 (1 person)	Common stock of the Company 600 shares	¥1.00 per share	July 1, 2011 to November 5, 2024
3rd Subscription Rights to Shares (September 27, 2011)	Yes	60 (1 person)		171 (5 persons)	Common stock of the Company 46,200 shares	¥1.00 per share	July 1, 2014 to June 30, 2026
4th Subscription Rights to Shares (October 1, 2012)	Yes	25 (1 person)		18 (1 person)	Common stock of the Company 3,600 shares	¥1.00 per share	July 1, 2014 to June 30, 2026
5th Subscription Rights to Shares (October 1, 2013)	Yes	25 (1 person)		13 (2 persons)	Common stock of the Company 7,600 shares	¥1.00 per share	July 1, 2014 to June 30, 2026
6th Subscription Rights to Shares (October 1, 2014)	Yes	96 (1 person)		180 (6 persons)	Common stock of the Company 55,200 shares	¥1.00 per share	July 1, 2017 to June 30, 2029
7th Subscription Rights to Shares (October 1, 2015)	Yes	6 (1 person)		28 (3 persons)	Common stock of the Company 7,600 shares	¥1.00 per share	July 1, 2017 to June 30, 2029
	No	0 (0 person)	4 (2 persons)				October 1, 2018 to June 30, 2029
8th Subscription Rights to Shares (October 1, 2016)	Yes	0 (0 persons)		8 (2 persons)	Common stock of the Company 2,400 shares	¥1.00 per share	July 1, 2017 to June 30, 2029
	No	0 (0 persons)	4 (2 persons)				October 1, 2019 to June 30, 2029

<table>
<tr><th rowspan="2">Name
(Date of issuance)</th><th rowspan="2">Conditional upon the achievement of results</th><th colspan="3">Subscription rights to shares held by Corporate Officers</th><th rowspan="2">Class and number of shares purchasable with rights</th><th rowspan="2">Amount to be paid upon exercise of rights</th><th rowspan="2">Period during which rights may be exercised</th></tr>
<tr><th>Directors (excluding Independent Directors)</th><th>Independent Directors</th><th>Executive Officers</th></tr>
<tr><td rowspan="2">9th Subscription Rights to Shares
(October 1, 2017)</td><td>Yes</td><td>48
(1 person)</td><td></td><td>98
(7 persons)</td><td rowspan="2">Common stock of the Company 15,000 shares</td><td rowspan="2">¥1.00 per share</td><td>April 1, 2020 to March 31, 2032</td></tr>
<tr><td>No</td><td>0
(0 persons)</td><td>4
(2 persons)</td><td></td><td>October 1, 2020 to March 31, 2032</td></tr>
</table>

Notes:

1. Subscription rights to shares held by Directors and Executive Officers include those issued while they served as Senior Officers. Furthermore, the portion held by Executive Officers concurrently serving as Directors is listed in the section on Executive Officers. The numbers of rights for the 1st to 8th Subscription Rights to Shares have been finalized according to actual performance.
2. On October 1, 2016, the Company implemented a consolidation of shares at a ratio of one share for every five common shares. In association with this, the class and number of shares purchasable with the 1st to 8th Subscription Rights to Shares have been 200 shares per subscription right, and the class and number of shares purchasable with the 9th Subscription Rights to Shares is 100 shares per subscription right.
3. Holders of the subscription rights to shares can exercise the rights during the period in which they serve as Directors, Executive Officers, and/or Officers of the Company or subsidiaries of the Company, or within five years after their retirement.

(2) Subscription rights to shares issued to the Company’s employees and the Corporate Officers and employees of the Company’s subsidiaries in compensation for the execution of their duties during the fiscal year

None

(3) Other matters related to subscription rights to shares, etc.

None

4. Corporate Officers

(1) The Company's Corporate Governance

1) Basic views on corporate governance

The Company has established the "EBARA Way," composed of its "Founding Spirit," "Corporate Philosophy," and "EBARA Group CSR Policy" as the EBARA Group's identity and set of values to be shared across the Group. Under the EBARA Way, the Company upholds the enhancement of corporate value and shareholder return through sustainable business development as its most important management objectives. To achieve such objectives, the Company pursues the best possible corporate governance structure and strives for its further enhancement at all times.

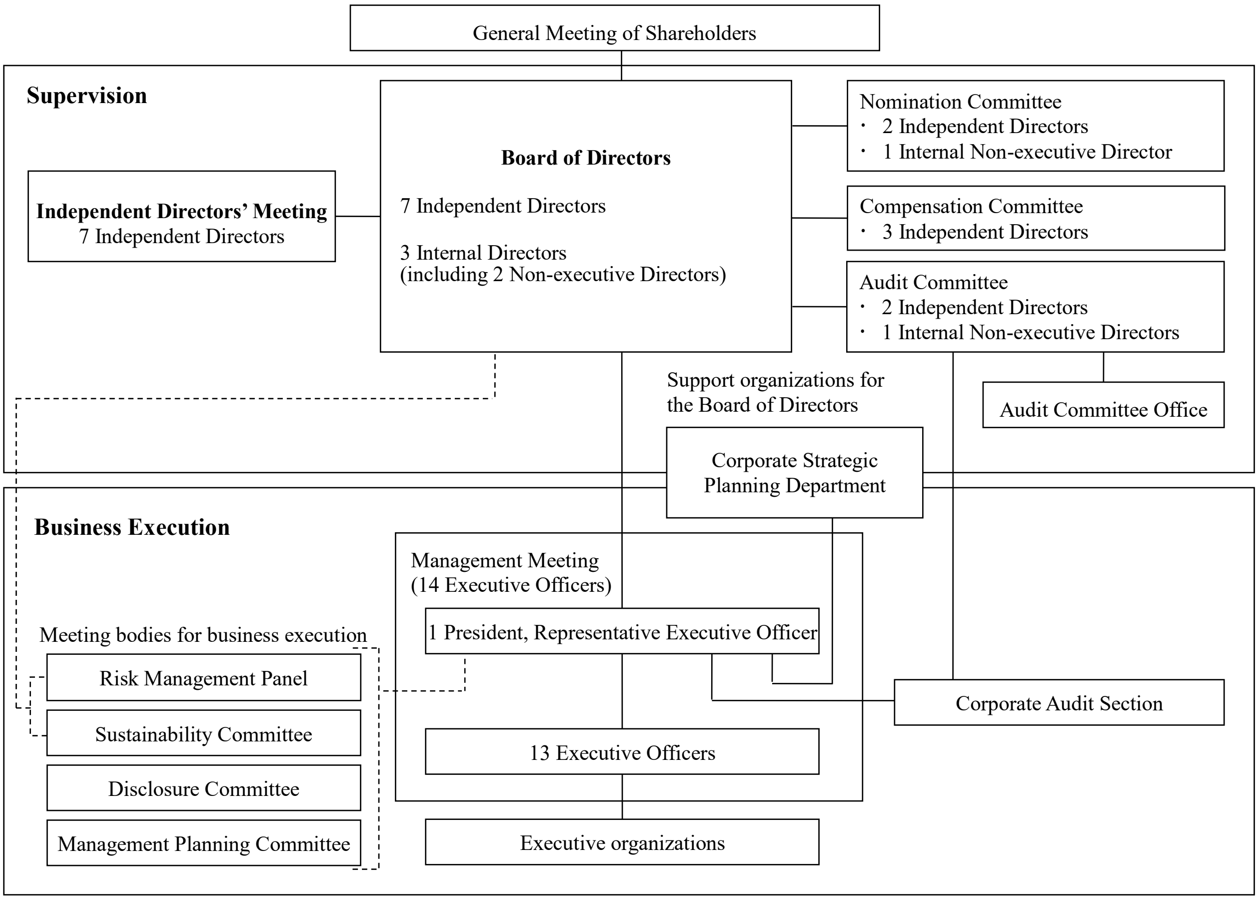
The Company has established the "EBARA Corporate Governance Basic Policy" and is committed to enhancing corporate governance based on the following basic views:

a. The Company respects shareholders' rights and fosters an environment for shareholders to effectively exercise their rights while ensuring equality among shareholders.
b. 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.
c. The Company strives to ensure management transparency through adequate disclosure of its corporate information.
d. The Company has developed a governance system comprising mainly Non-executive Directors, including Independent 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.
e. 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.

* Independent Directors: Independent Directors that satisfy the Company's independence standards and for which notification as independent officers has been submitted to the Tokyo Stock Exchange. All of the Company's Independent Directors are registered as independent directors.

2) Roles and composition of each organ

The corporate governance framework as of December 31, 2021, is shown below.



a. Supervision

(a) Board of Directors

The Board of Directors shall make its best effort to realize the mission it has been entrusted by the shareholders to "continuously improve corporate value" while giving the greatest consideration possible within reasonable extent to the positions of all stakeholders. The Board of Directors establishes the Basic Management Policy for the long-term business environment so that the Group can enhance its corporate value. To achieve this goal, the Board of Directors strives to improve its social and environmental values through the sophisticated ESG- based management and continuous contribution to solving social issues, including SDGs, through its business. For the same reason, the Board of Directors also makes best efforts to improve its economic value by the ROIC-based management and portfolio-based management at the same time. Furthermore, the Board of Directors exercises its leadership based on the perspective of developing an environment in which the management can take bold action to prevent the loss of business opportunities (offensive posture), in addition to the perspective of developing an environment that incorporates controls for preventing scandals (defensive posture). The Company has adopted the organizational form of a "Company with a Nomination Committee, etc.," under which authority and responsibility for business execution can be delegated to Executive Officers to achieve clear separation between supervision and business execution in management. It has also minimized the number of Directors serving concurrently as Executive Officers and makes effective use of Non-executive Directors (Independent Directors and Inside Directors who do not serve concurrently as Executive Officers). The composition of the Board of Directors is structured so that Independent Directors make up more than half of the number of all Directors, and the Chairman of the Board of Directors is an Independent Director.

As of December 31, 2021, the Board of Directors comprises 10 Directors, nine of whom are Non-executive Directors (seven of whom, including three women, are Independent Directors). The Chairman of the Board of Directors is Sakon Uda, an Independent Director. 15 meetings were held in the fiscal year under review.

(b) Nomination Committee

The Nomination Committee is primarily responsible for establishing a policy for election and dismissal and a succession plan for the President and Representative Executive Officer, in addition to deciding on proposals for the General Meeting of Shareholders with regard to the election and dismissal of Directors, and making recommendations to the Board of Directors with regard to the election and dismissal of President and Representative Executive Officer, the election and dismissal of Executive Officers, appointment and dismissal of Directors with special titles, appointment and dismissal of the Chairman of the Board of Directors and a Non-executive Inside Director to assist the Chairman and the appointment and dismissal of members and the Chairperson of each of the Nomination Committee, Compensation Committee, and Audit Committee. The Nomination Committee is comprised only of Non-executive Directors, with a majority of Independent Directors, and the Chairperson is also an Independent Director, in principle. The Chairperson is decided by the Board of Directors.

As of December 31, 2021, the Nomination Committee comprises two Independent Directors (Sakon Uda and Hiroshi Oeda) and one Non-executive Inside Director (Toichi Maeda). Chairperson of the Nomination Committee is Hiroshi Oeda, an Independent Director. 14 meetings were held in the fiscal year under review.

(c) Compensation Committee

The Compensation Committee strives to achieve sustainable growth and to increase corporate value over the medium- to long-term through compensation, by encouraging the Executive Officers to conduct business execution in accordance with the management philosophy and management strategies and by fostering human resources and cultivating a culture by strongly motivating them to achieve challenging management targets with appropriately controlled risks, and by establishing a compensation system and standards that reflect the roles of the Directors defined in the policy, including supervision of the business execution. The Compensation Committee is comprised only of Non-executive Directors, and the majority is made up of Independent Directors. The Chairperson is also an Independent Director, in principle. The Chairperson is decided by the Board of Directors.

As of December 31, 2021, the Compensation Committee comprises three Non-executive Directors (Hajime Sawabe, Junko Nishiyama and Mie Fujimoto), all of whom are Independent Directors. Chairperson of the Compensation Committee is Hajime Sawabe, an Independent Director. 9 meetings were held in the fiscal year under review.

(d) Audit Committee

The Audit Committee strives to establish a high-quality corporate governance system that responds to social trust by serving as a part of the Board of Directors' supervisory function and properly auditing execution of duties of the Executive Officers and Directors, and by considering the interests of various stakeholders from an enterprise and business group perspectives, collaborating with these stakeholders, realizing sound and sustainable growth and the creation of corporate value over the medium- to long-term. The Audit Committee sets out basic policies and plans of audits based on the progress of the development of internal control systems, including risk management, in an effort to carry out efficient and effective audits through close coordination with the Internal Audit Division. The Company establishes a supporting system for the Audit Committee to enable the Committee to appropriately fulfill its roles and functions. The Audit Committee is comprised only of Non-executive Directors with a majority of Independent Directors, and the Chairperson is also an Independent Director, in principle. The Chairperson is decided by the Board of Directors.

As of December 31, 2021, the Audit Committee comprises two Independent Directors (Masahiro Hashimoto and Hisae Kitayama) and one Non-executive Inside Director (Akihiko Nagamine). Having a majority of positions on the Committee to be served by the Independent Directors and having an Independent Director serve as the Chairperson ensures independence of audits. In addition, although the Companies Act does not require a full-time Audit Committee member, a Non-executive Inside Director is serving as a full-time member of the Audit Committee of the Company. The full-time Audit Committee member collects high-quality information within the Group through his sophisticated information gathering capabilities and shares the information with other Audit Committee members who are external Independent Directors. He also plays an important role in utilizing the internal control system and collaborating with Independent Auditors and departments in charge of internal control, etc., to ensure effective audits. Chairperson of the Audit Committee is Masahiro Hashimoto, an Independent Director. Members of the Audit Committee include, external member Masahiro Hashimoto, who has held the position of Division Executive of Finance of another company, Hisae Kitayama, a certified public accountant and full-time member Akihiko Nagamine, who has held the position of Division Executive of Finance & Corporate Accounting Division of the Company. All of them have considerable knowledge of finance and accounting. 20 meetings were held in the fiscal year under review.

(e) Independent Directors' Meeting

The Independent Directors' Meeting, comprising only Independent Directors, has been established as a venue for Independent Directors to freely discuss matters required for obtaining sufficient information to fulfill their responsibilities and sharing awareness of issues. The Chief Independent Director, who is elected by vote of the members, serves as Chairperson of the meeting.

As of December 31, 2021, Chief Independent Director is Hiroshi Oeda. Thirteen meetings were held in the fiscal year under review.

b. Execution of Business

(a) Management Meeting

The Management Meeting made up of all Executive Officers is in place as a business execution meeting structure for deliberation necessary for facilitating decision making by the President, Representative Executive Officer about important matters concerning the execution of business in management. Executive Officers actively express opinions and discuss not only the scope of duties delegated by the Board of Directors but also all matters for deliberation in the Management Meeting from the perspective of optimization for the Group as a whole based on their own experience and knowledge. The Management Meeting is held every month. 12 meetings were held in the fiscal year under review.

(b) Management Planning Committee

In order to specifically implement the Medium-term Management Plan each year, a Management Planning Committee chaired by the President, Representative Executive Officer and made up of all Executive Officers has been established as a business execution meeting structure for deliberating, determining, and following up on the budgets and management issue action plans of each organization every year. After phased deliberation for each business unit, the Management Planning Committee determines the budgets and management issue action plans to clarify the responsibility of divisions and promote management efficiency. The Management Planning Committee reviews the progress of the annual consolidated management plans on a quarterly basis. 4 meetings were held in the fiscal year under review.

(c) Risk Management Panel

The Risk Management Panel (hereinafter referred to as "RMP") is in place as a body responsible for coordinating risk management activities while carrying out deliberation, guidance for improvement, and support. The RMP is chaired by the President, Representative Executive Officer, and made up of all Executive Officers. Furthermore, Non-executive Directors sit on the panel for exhibiting supervisory functions in risk management and providing advice and the like as necessary. The RMP reports its deliberations to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information. In addition to quarterly meetings, RMP meetings are held as required. 12 meetings were held in the fiscal year under review.

(d) Sustainability Committee

The Sustainability Committee has been established to discuss policies of businesses and supporting activities, and decide on key performance indicators (KPIs) and targets, as well as verify outcomes, so that the EBARA Group may contribute to building a sustainable society and environment through business activities and continue to raise its corporate value.

The Sustainability Committee is chaired by the President and Representative Executive Officer, and all Executive Officers serve as members. Outside experts, including those in charge of the Compliance Consultation Counter and other experts in sustainability management, attend as advisors. Furthermore, Non-executive Directors are encouraged to attend meetings of the committee to exhibit supervisory functions contributing to the objectives of the Sustainability Committee, and Non-executive Directors provide advice and the like as necessary. The Sustainability Committee reports its deliberations to the Board of Directors, and the Board of Directors establishes a system enabling it to exhibit supervisory functions by accurately grasping information. The Sustainability Committee periodically holds meetings once every quarter, and 4 meetings were held in the fiscal year under review.

(e) Disclosure Committee

The Disclosure Committee has been established as a companywide organization to provide fair, timely, and appropriate disclosure of corporate information such as the occurrence of incidents, decisions, and financial information pertaining to the EBARA Group as a whole. The Disclosure Committee collects without omission corporate information subject to determining whether or not to be disclosed and discusses whether to disclose the information, disclosed contents thereof and the timing of the disclosure, and discloses the contents after the President and Representative Executive Officer approves them. 11 meetings were held in the fiscal year under review.

3) Process of Electing and Dismissing President and Representative Executive Officer, and Successor Plan

The Company positions the establishment and implementation of criteria and policies on the election and dismissal of the President and Representative Executive Officer, who plays a central role in management as one of the most important strategic decisions for the Company.

[Process of Electing and Dismissing President and Representative Executive Officer]
The election of the President and Representative Executive Officer is determined by the Board of Directors after the Nomination Committee presents final candidates to the Board of Directors based on the election criteria and policies for the President Representative Executive Officer established by the Nomination Committee. The Nomination Committee checks the adequacy of the current President and Representative Executive Officer concerning the necessary qualifications of the President and Representative Executive Officer specified in the successor plan periodically and as needed, and makes recommendations to the Board of Directors on the successor of the President and Representative Executive Officer based on the successor plan when the President and Representative Executive Officer is retiring. Furthermore, the Board of Directors has established an independent and objective process for discussing the pros and cons of dismissing the President and Representative Executive Officer in the event it is found that the President and Representative Executive Officer is not adequately functioning based on an appropriate evaluation of factors such as the Company's performance. Specifically, if single-year consolidated results do not satisfy the criteria established by the Nomination Committee for three consecutive fiscal years when the Nomination Committee periodically checks the adequacy of the current President and Representative Executive Officer, the Nomination Committee proposes to the Board of Directors it would not recommend the reappointment of the current President and Representative Executive Officer, and the Board of Directors discusses the pros and cons of dismissal.

[Successor Plan for the President and Representative Executive Officer]
In order to appoint the next President and Representative Executive Officer for engaging in the realization of the Company's management strategy and putting the vision of growth on track, mainly the Nomination Committee establishes a succession plan for the President and Representative Executive Officer, establishes programs for the continued and deliberate development of candidates with the aptitude to serve in management, and works to ensure there is a system enabling the recommendation of appropriate personnel at any time. The Nomination Committee identifies the abilities, qualities (potential), experience, knowledge, and skills required of the President as the Ebara style of an "ideal manager" based on the succession plan, establishes the specific methods and criteria for determining these, selects candidates from a broad age group, develops them and actively checks the status of development.

4) Policy on training for Directors

As part of the establishment of an environment for ensuring that the Board of Directors functions effectively, the Company offers opportunities for newly elected Directors to obtain knowledge of, and insight into, the subjects necessary to perform their responsibilities as Directors, including finance, legal affairs, and corporate governance prior to or immediately after their election. In an effort to promote understanding of the Group, the Company offers opportunities as appropriate for newly elected Independent Outside Directors to gain knowledge of and insight into important matters such as the Group's management strategies, financial position, and management issues, through a briefing by Executive Officers, etc., in charge of respective areas, and inspection tours, etc., at the Group's business sites. Furthermore, the Company strives to provide Directors with opportunities for adequate training after their election as appropriate, including lectures by external experts.

5) Initiatives to enhance the effectiveness of the Board of Directors

A. Purpose of Board Evaluation

The Company pursues the best possible corporate governance structure and strives for its further enhancement at all times. As the Company transitioned to a company with three committees (Nomination, Compensation, and Audit) in FY2015, the Board of Directors conducts an annual evaluation of its own effectiveness to review how the Board of Directors contributes to the effective functioning of corporate governance, to identify issues, and to seek improvements. An overview of the results is then disclosed. In annual assessment, an examination of the state of improvement of matters recognized as issues in the previous fiscal year is carried out, and the next issues are identified based on the results in a continuous PDCA cycle for governance reform.

B. Major initiatives of Governance Enhancement based on the asssement of the effectiveness of the Board of Directors

1) Enhancement of agenda and discussion in the Board	
Strengthening of discussion of medium- to long-term issues	Based on the awareness that weight on discussion of medium-to long-term issues should be further increased, the Board has included the long-term management vision and the medium-term management plan for realizing this into a year-round agenda item, and now spends time discussing the strategies, organizational structures and personnel strategies of each business based on these by incorporating them into agenda items from the outset
Improvement of quality and deepening of discussion	Meetings of Independent Directors were held a few days before board meetings, and upon receiving explanation of the major points on issues presented to the Board by the executive officers in charge, Independent Directors have a deeper understanding and freely discussed these issues. Based on the discussion here, the Board shared the awareness that the quality of discussion in the Board would increase by each of the Independent Directors speaking based on their own perspective and responsibility with an understanding of the issues. The significance of meetings of Independent Directors was also confirmed in the board evaluation.
2) Enhancement of size and composition of the Board of Directors	
Number and Composition of Independent Directors	With regard to the number and composition of Independent Directors, diversity of background and experience is important, and the importance of the free exchange of diverse opinions was confirmed considering unpredictable social environment of the future. The validity of the system in which Independent Directors account for seven of the ten current Directors was also confirmed in the board evaluation.
Internal Directors concurrently involved in the execution of business	The awareness that the current system in which the number of Directors concurrently involved in the execution of business has been reduced to have one Representative Executive Officer promotes the separation of oversight and management execution and has further clarified the responsibility of management team and the role of the Board was shared in the board evaluation.
Appointment of Chairman of the Board of Directors	A system in which an Independent Director serves as the Chairman of the Board has been adopted since 2019 to ensure greater fairness and transparency, and enable the realization of agenda setting from the perspective of shareholders. For this reason, a decision was made to include evaluation of the Chairman in the board evaluation process to check the effectiveness of the system and verify this in the Board every year.
3) Enhancement of evaluation of effectiveness of committees	
Evaluation of effectiveness of committees	The respective functions and roles to be fulfilled by the Nomination, Compensation and Audit Committees were shared, and self-evaluation of whether they have adequate independence and capability to achieve their goals progressed.

Number and composition of the Audit Committee and support system	The Audit Committee has undergone a gradual decrease in the total number of members and the number of Internal Directors, resulting in a structure with four members including one Internal Director from 2020, and a structure with a total of three members including one Internal Director chaired by an Independent Director was adopted from 2021 to ensure further independence and realize audit oversight based on external viewpoints. With the transition to this system, the Audit Committee recognized that it is necessary to strengthen the system for supporting Audit Committee in the evaluation of effectiveness, and the systems and allocation of personnel for this were expanded. Moreover, to inspect the effectiveness of the committee, the Company decided to conduct continuous examinations using an effectiveness evaluation.
4) Effectiveness of Directors	
Clarification of roles and qualification requirements	In the FY2020 evaluation of effectiveness, it was found that the clarification of roles and qualification requirements of each Director and the confirmation based on the clarification through self-evaluation and peer evaluation contribute to the improvement of the capabilities of the Board as a whole and individual Directors. In order to realize this, the roles and qualification requirements required of Directors including attributes (Independent Director, etc.) and positions (Chairman of the Board, Committee Chairperson, etc.) were explicitly stated in the Basic Policy on Corporate Governance (EBARA Corporate Governance Basic Policy) after sufficient discussion in the Board. In the FY2021 evaluation of effectiveness, it was shared that the recognition that the EBARA Corporate Governance Basic Policy is an important policy for future activities of the Board, Committees and individual Directors.

C. Effectiveness of the Board of Directors (FY2021)

In the evaluation of the effectiveness of the Board of Directors for FY2021, the Company added new items from the perspective of responding to changes in social conditions and issues surrounding the Company, as well as items related to the Board of Directors' oversight of important sustainability issues and the evaluation of the Corporate Governance Basic Policy, which was revised in September 2021. In addition to the annual benchmarking analysis*, in FY2021, we selected four companies from among those with high evaluations as companies with sustainability-oriented management, companies with good board-related disclosure, and companies with business-related disclosure.

*Annual benchmarking analysis: every year the Company performs a comparison against corporate governance standards and guidelines in Japan and overseas, with the aim of reviewing its own corporate governance structure.

(a) Evaluation process

The results of the questionnaire responses, individual interviews with outside experts, and benchmarking analysis were shared with all directors and intensively discussed at a board meeting. In addition, based on the results of the effectiveness evaluation, all directors, except the chairman, participated in the meeting. In addition, based on the results of the effectiveness evaluation, all Directors except the Chairman evaluated the Chairman.

(b) Overview of the results

As a result of discussions based on the results obtained from the survey, the Board of Directors confirmed that the Board of Directors and its committees are conducting sufficient discussions on important issues and are operating appropriately, that the results of the execution and Board of Directors' efforts to reform the business and internal systems are leading to the improvement of corporate value, and that the efforts on the issues raised last year are progressing. It was confirmed that the Corporate Governance Basic Policy has been adopted by the Board of Directors. In particular, it was confirmed that the Corporate Governance Basic Policy was revised after sufficient discussions at the Board of Directors meeting, and that it is highly regarded as an important guideline for the Board of Directors and each director to constantly improve their abilities and effectiveness in the future.

(c) Future action

The Board of Directors confirmed that the Company will continue with existing reforms, and also further increase the board effectiveness by continuously discussing the following matters in board meetings, etc.

- Going forward, the Company will select important medium- to long-term issues and create sufficient opportunities to discuss them, while continuing to provide support to enable executives to accelerate the execution of business based on sound judgment. The Company will also continue to periodically verify, evaluate and follow up on the results.
- In addition to confirming and verifying the status of self-evaluation, mutual evaluation, and training by individual directors based on the basic Corporate Governance Basic Policy, it will also be used as a basis for nominating candidates for the Board of Directors.
- The Company will confirm and verify, as appropriate, the status of human resource allocation, human resource development, and internal systems from a medium- to long-term perspective with regard to the diversity of executive officers. In addition, the Board of Directors will share the composition of the Board of Directors and the succession plan for outside directors, based on the discussions at the Nomination Committee.
- Based on benchmarking analysis, the Company will organize important sustainability issues to be discussed by the Board of Directors, and hold discussions to further specify and promote these measures.

See the Company’s website at the following address for the entire text of the “Evaluation of the Effectiveness of the Board of Directors (FY2021).”

https://www.ebara.co.jp/en/ir/governance/information/effectiveness-evaluation.html

(2) Names and other information on Directors and Executive Officers (As of December 31, 2021)

1) Directors

Name	Position	Assignment and important concurrent positions
Toichi Maeda	Chairman, Board of Directors	Member of the Nomination Committee
Asami Masao	Director President, Representative Executive Officer	-
Sakon Uda	Director	Chairman of the Board of Directors Member of the Nomination Committee Professor, Kenichi Ohmae Graduate School of Business Vice President, Dean, Faculty of Business Administration, Professor, Business Breakthrough University Director, Business Breakthrough, Inc.
Hajime Sawabe	Director	Chairperson of the Compensation Committee President, Board of Trustee, Waseda University Adviser to the Executive Board, Value Creation 21 Outside Director, TV TOKYO Holdings
Hiroshi Oeda	Director	Chief Outside Director Chairperson of the Nomination Committee Corporate Special Adviser, Nisshin Seifun Group Inc. President, Seifun Kaikan Inc. Outside Director, SEKISUI CHEMICAL CO., LTD. President, Hitotsubashi University Koenkai Member, The Japanese National Commission for UNESCO
Masahiro Hashimoto	Director	Chairperson Member of the Audit Committee Industrial promotion advisor, Kumamoto Prefecture
Junko Nishiyama	Director	Member of the Audit Committee Outside Director, JACCS CO., LTD Outside Corporate Auditor, Toda Corporation
Mie Fujimoto	Director	Member of the Compensation Committee Attorney at law Partner, TMI Associates Outside Audit & Supervisory Board Member, SEIKAGAKU CORPORATION Outside Audit & Supervisory Board Member, Tokyo Broadcasting System Holdings, Inc. (Audit & Supervisory Board Member, Tokyo Broadcasting System Television, Inc.)
Hisae Kitayama	Director	Member of the Audit Committee Certified Public Accountant Chairman, Kinki Chapter of Japanese Institute of Certified Public Accountants Deputy Chairman, Japanese Institute of Certified Public Accountants Outside Director, Tsubakimoto Chain Co. Representative, Kitayama Public Accounting Office
Akihiko Nagamine	Director	Member Chairperson of the Audit Committee (Full-Time Member)

Notes:

1. Seven Directors, Sakon Uda, Hajime Sawabe, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama, Mie Fujimoto and Hisae Kitayama are Independent Directors as stipulated in Article 2, item 15 of the Companies Act.
2. Seven Directors, Sakon Uda, Hajime Sawabe, Hiroshi Oeda, Masahiro Hashimoto, Junko Nishiyama, Mie Fujimoto and Hisae Kitayama satisfy the qualifications for Independent Directors stipulated by the Tokyo Stock Exchange. The Company has filed notification to the Tokyo Stock Exchange for appointing those seven members as its Independent Directors.
3. Masahiro Hashimoto, a member of the Audit Committee has experience servicing as General Manager of Financial Department, Dainippon Screen Mfg. Co., Ltd. (currently SCREEN Holdings Co., Ltd.). Hisae Kitayama, a member of the Audit Committee is a certified public accountant. Akihiko Nagamine, a member of the Audit Committee has held the position of Division Executive of Finance & Corporate Accounting Division of the Company. They all have respectable knowledge in finance and accounting.
4. Twoe Directors, Hisae Kitayama and Akihiko Nagamine were newly elected at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and assumed their position thereafter.

5. Two Directors, Shozo Yamazaki and Tetsuji Fujimoto completed their term of office at the end of the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and retired from their position.
6. The Company has no special relationship with the organizations at which the Outside Directors hold important concurrent positions.
7. In order to improve the effectiveness of the activities of the Audit Committee, the Company has elected Non-executive Directors Tetsuji Fujimoto from within the Company as a full-time member of the Audit Committee due to the need for continuously and effectively gathering information from executive management by Directors familiar with the Company’s internal controls, receiving reports from the Internal Audit Division, understanding information from audits of subsidiaries, and attending various meetings.

2) Executive Officers

Name	Position	Assignment and important concurrent positions
Masao Asami	President, Representative Executive Officer	
Nobuharu Noji	Executive Officer	President, Fluid Machinery & Systems Company Responsible for Chillers Business, Fluid Machinery & Systems Company Chairman of the Board of Directors, Representative Director, Vansan Makina Sanayi ve Ticaret A.Ş.
Yoshiaki Okiyama	Executive Officer	Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company Chairman, Ebara Machinery (China) Co., Ltd.
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.
Akihiro Kida	Executive Officer	Division Executive, System Business Division, Fluid Machinery & Systems Company
Michael T. Lordi	Executive Officer	Responsible for Compressors and Turbines Business, Fluid Machinery & Systems Company Director CEO, Elliott Group Holdings, Inc. CEO, Elliott Company
Atsuo Ohi	Executive Officer	President, Environmental Engineering Company Chairman and Representative Director, EBARA Environmental Plant Co., Ltd.
Tetsuji Togawa	Executive Officer	President, Precision Machinery Company
Seiji Katsuoka	Executive Officer	Division Executive, CMP Division, Precision Machinery Company
Shu Nagata	Executive Officer	Division Executive, Corporate Strategic Planning and Human Resources Division
Toru Nakayama	Executive Officer	Division Executive, Legal, Internal Control, Risk Management and General Affairs Division
Shugo Hosoda	Executive Officer	Division Executive, Finance & Accounting Division
Hiroyuki Kowase	Executive Officer	Division Executive, Information & Communication System Division
Hiroshi Sobukawa	Executive Officer	Responsible for Technologies, R&D & Intellectual Property Division Executive, Advanced Technology Division, Precision Machinery Company

Note

1. Asami Masao, President, Representative Executive Officer, concurrently serves as a Director.
2. Shugo Hosoda, Executive Officer was newly elected at the meeting of the Board of Directors held on March 26, 2021, and assumed their positions thereafter.
3. Akihiko Nagamine, Executive Officer completed their terms of office at the end of the meeting of the Board of Directors held on March 26, 2021, and retired from their positions.

(3) Overview of the Agreements to Limit Liability for Damages

The Company has stipulated in its Articles of Incorporation that it may enter into agreements with Directors (excluding Executive Directors) to limit their liability for damages as outlined under Article 423, paragraph 1 of the Companies Act in accordance with Article 427, paragraph 1 of the Companies Act, and has entered into agreements limiting liability with all Independent Directors. The limit of liability for damages under the agreement is the minimum liability amount stipulated under Article 425, paragraph 1 of the Companies Act. However, this limit will be applicable only when the performance of duties giving rise to such responsibilities is recognized to have been carried out in good faith and with no gross negligence.

(4) Overview of the Directors and Executive Officers Liability Insurance Policy

The Company has entered a directors and officers liability insurance policy with an insurance company as provided in Article 430-3, paragraph 1 of the Companies Act, with the Directors, Executive Officers, and statutory auditors of the Company and the Group as the insured persons. This policy covers losses that may arise from the insured's assumption of liability incurred in the course of the performance of duties, or the pursuit of such liability. The entire amount of the insurance premiums for the policy is paid by the Company, and the insured persons effectively do not bear any of the premiums.

(5) Amount of Compensation Paid to Directors and Executive Officers

1) Amount of compensation paid to Directors and Executive Officers

Position	Total Amount of Compensation, etc. (Millions of yen)	Total Amount of Compensation, etc. by items (Millions of yen)									
		Base Pay		Short term Performance-linked compensation		Restricted share-based compensation		Performance-linked share-based compensation		Others	
		Number Of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount
Directors (excluding Independent Directors)	140	3	98			3	31	2	9		
Independent Directors	123	8	104			8	19				
Executive Officers	1,310	15	415	14	332	14	80	15	442	1	40
Total	1,574	26	618	14	332	25	131	17	451	1	40

Notes:

1. The above shows the compensation paid to Directors and Executive Officers as of December 31, 2021 according to their term of office for the fiscal year under review, and the compensation paid to two Non-executive Directors who retired at the conclusion of the 156th Ordinary General Meeting of Shareholders held on March 26, 2021 and one Executive Officer who retired at the conclusion of the meeting of the Board of Directors held on the same day, from January 2021 to the time of their retirement.
2. Compensation paid to Executive Officers concurrently serving as Directors is shown in the column for Executive Officers.
3. Amount of compensation paid to Executive Officers includes ¥223 million (Base Pay: ¥91 million, Short term Performance-linked compensation: ¥55 million, Performance-linked share-based compensation: ¥35 million, and Others: ¥40 million) as compensation that subsidiaries paid to Executive Officers who served concurrently as the Corporate Officers of the subsidiaries.
4. Short-term performance-linked compensation for Executive Officers is linked to company-wide or business-level performance, in addition to which individual targets are set, the level of achievement against these targets is evaluated, and an amount for the individual is determined after deliberation by the Compensation Committee.
5. Short-term performance-linked compensation shown is the total amount of short-term performance-linked compensation to be paid (scheduled for March 2022), in relation to Executive Officers serving in those roles as of December 31, 2021, for the fiscal year under review.
6. Restricted share-based compensation shown is the restricted share-based compensation paid in the current fiscal year and the amount of restricted share-based compensation paid in the previous fiscal year to be recorded as an expense in the fiscal year under review.
7. Performance-linked share-based compensation shown is the amount planned to be paid in May 2023 of performance-linked share-based compensation to be recorded as an expense in the fiscal year under review. In

calculating the amount for the fiscal year under review, the Company used the most recent price of the Company's stock and the forecast value for consolidated return on invested capital (ROIC) in the management plan for the period ending December 31, 2022, which is the final year of the medium-term management plan, E-Plan 2022. The difference compared to the amounts recorded for the previous fiscal year is also calculated and added.

8. "Other" shows the total of ¥34 million, consisting of the portion of performance-linked share-based compensation scheduled to be paid by a subsidiary to Michael Lordi in 2023 that was recorded as an expense in the fiscal year under review, and pension contributions of ¥5 million paid in the fiscal year under review.

2) **Amount by category of compensation of officers who received a total amount of ¥100 million or more in compensation, etc.**

Name	Total Amount of Compensation, etc. (Millions of yen)	Company	Total Amount of Compensation, etc. by items (Millions of yen)				
			Base Pay	Short term Performance-linked compensation	Restricted share-based compensation	Performance-linked share-based compensation	Other
Masao Asami President, Representative Executive Officer	200	EBARA Corporation	54	46	16	84	-
Nobuharu Noji Executive Officer	101	EBARA Corporation	31	21	7	40	-
Tetsuji Togawa Executive Officer	106	EBARA Corporation	31	27	7	40	-
Michael T. Lordi Executive officer	31	EBARA Corporation	-	21	-	10	-
	155	Elliott Group Holdings, Inc.	62	37	-	15	40

Notes:
1. Short-term performance-linked compensation shown is the total amount of short-term performance-linked compensation to be paid (scheduled for March 2022), in relation to Directors and Executive Officers serving in those roles as of December 31, 2021, for the fiscal year under review.
2. Restricted share-based compensation shown is the restricted share-based compensation paid in the current fiscal year and the amount of restricted share-based compensation paid in the previous fiscal year to be recorded as an expense in the fiscal year under review.
3. Performance-linked share-based compensation shown is the amount planned to be paid in May 2023 of performance-linked share-based compensation to be recorded as an expense in the fiscal year under review. In calculating the amount for the fiscal year under review, the Company used the most recent price of the Company's stock and the forecast value for consolidated return on invested capital (ROIC) in the management plan for the period ending December 31, 2022, which is the final year of the medium-term management plan, E-Plan 2022. The difference compared to the amounts recorded for the previous fiscal year is also calculated and added.
4. "Other" shows the total of ¥34 million, consisting of the portion of performance-linked share-based compensation scheduled to be paid by a subsidiary to Michael Lordi in 2023 that was recorded as an expense in the fiscal year under review, and pension contributions of ¥5 million paid in the fiscal year under review.

3) **Policies regarding Determination of Compensation for Corporate Officers**

The company has shifted to a company with a nominating committee as of June 24, 2015. The amount of Compensation Paid to Directors and Executive Officers is determined in the Compensation Committee, which consists solely of three independent directors.

A. Compensation for Directors

(a) Purpose and Basic Policy on the Compensation System

The compensation levels and compensation system reflect the roles of each Director in the Board of Directors and each Committee to ensure that Directors promote and supervise the execution of business by Executive Officers in conformance with the Company's management philosophy and management strategy for the purpose of sustained growth of the Company and increasing corporate value in the medium to long term.

(b) Compensation system

a. Non-executive Directors

Compensation for Non-executive Directors is comprised of basic compensation and long-term incentive since they are expected to take on the role and responsibility of supervision from a standpoint that is independent from business execution to see that business execution is carried out lawfully, and it is determined by the Compensation Committee. The long-term incentive shall be in the form of restricted share-based compensation (RS) to promote the sustainable improvement of corporate value and to encourage the Directors to share values with shareholders through the ownership of shares. Furthermore, the Company pays allowances to the Chairman of the Board of Directors, the Lead Independent Director, and the Chairpersons of the Committees based on the extent of their roles and responsibilities and the number of hours spent on their execution of duties. Moreover, up until fiscal 2020, the Company paid short-term performance-linked compensation and granted performance-linked share-based compensation to Non-executive Directors (excluding Outside Directors); however, this was abolished from fiscal 2021.

b. Executive Directors

The Company pays compensation as Executive Officers to Executive Directors concurrently serving as Executive Officers, and does not pay them compensation as Directors.

(c) Combination of compensation

The combination of Directors' compensation is as follows.

	Monetary compensation		Share-based compensation (long-term incentives)	
	Base Pay	Short term Performance-linked compensation	Restricted share-based compensation	Performance-linked share-based compensation
Non-Executive Directors	1.0	-	0.3	-

B. Compensation for Executive Officers

(a) Purpose and Basic Policy on the Compensation System

The compensation system for Executive Officers is linked to short-term and medium- to long-term performance to encourage the execution of business in line with the management philosophy and management strategies and to provide strong motivation for the achievement of management targets.

This system also provides an appropriate level of compensation when targets are met for the purpose of sustained growth of the Company and medium- to long-term enhancement of corporate value.

(b) Compensation system

The compensation for Executive Officers comprises basic compensation according to the role of President and Representative Executive Officer or each Executive Officer, a short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation, and is determined by the Compensation Committee. As the Executive Officers are expected to play key roles in the achievement of numerical targets in their business execution, the compensation system is designed that the portion of the short-term performance-linked compensation may be larger than the portion of the basic compensation if performance targets are achieved.

With respect to Mr. Michael Lordi's compensation, it will comprise his basic compensation, short-term performance-linked compensation, long-term incentive, and pension contribution.

As for the companywide index of the short-term performance-linked compensation, the ROIC and consolidated operating income, which are consistent with the management goal of profitability improvement, will be adopted for Executive Officers except for President and Representative Executive Officer. In addition to the Group-wide business results, individual targets are set, and the achievement rate against the target will be evaluated, and the pay rate will be determined through discussion at the Compensation Committee.

Also, as for the index of the performance-linked stock compensation, the ROIC of the Company for the year ended December 31, 2022, the last Fiscal Year of the medium-term management plan E-Plan 2022, will be adopted.

(c) Combination of compensation

The combination of Executive Officers' compensation is as follows.

[Ratio of Compensation of Executive Officers (If 100% of the target for performance-linked compensation is achieved)]

	Monetary compensation		Share-based compensation (long-term incentives)	
	Base Pay	Short-term Performance-linked compensation	Restricted share-based compensation	Performance-linked share-based compensation
President, Representative Executive Officer	1.0	0.6	0.3	0.3
Executive Officers	1.0	0.6	0.2-0.25	0.2-0.25

Notes:

1. Short-term Performance-linked compensation is paid within the range of 0 to 200% based on the level of achievement of companywide performance targets and the individual performance targets

of each Executive Officer.

2. Performance-linked compensation is paid within a range of 0 to 200% based on the level of achievement of performance targets.
3. Among Executive Officers, Mr. Michael Lordi's compensation consists of Base Pay: 1, Short-term Performance-linked compensation: 0.6, Restricted share-based compensation: 0.5 and Pension contribution: 0.1.

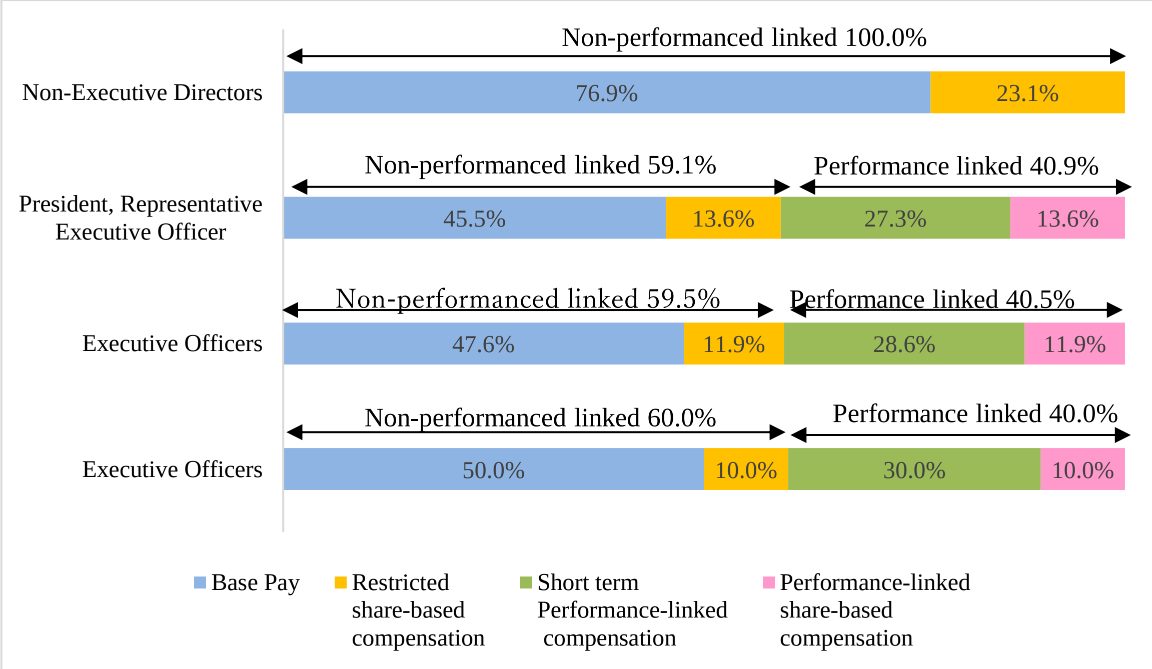
(d) Compensation Levels

The basic compensation is aimed at a level that is comparable with competing companies assumed to have similar businesses and human resources (hereinafter referred to as "peers"). The compensation levels of domestic peers shall be regularly checked and, at the same time, compensation levels according to the roles of each Executive Officer shall be adjusted and determined with attention also given to employees' compensation levels (such as disparity with officers, deviation from publicly accepted levels, etc.).

By implementing these measures, the level of total compensation (the sum of the basic compensation, short-term performance-linked compensation, restricted stock compensation, and performance-linked stock compensation) for Executive Officers of the Company shall be designed to be higher than the level of domestic Peers if the targets of strategies and business performance have been successfully achieved and be lower than the compensation level of officers of domestic Peers if such performance targets fail to be achieved.

With respect to Mr. Michael Lordi's compensation, the compensation level has been set with consideration of competitors' businesses and human resources.

[Composition of Compensation Paid to Directors and Executive Officers (If 100% of the target for performance-linked compensation is achieved)]



C. Reason that the Compensation Committee judges that the individual compensation, etc. of Directors and Executive Officers for the fiscal year under review is in accordance with the determination policy

The Compensation Committee determined the individual compensation, etc., for Directors and Executive Officers for the fiscal year under review based on (a) Purpose and Basic Policy on the Compensation System described under A. Compensation for Directors and B. Compensation for Executive Officers, after careful consideration of the following points: (1) for basic compensation, whether the amount is commensurate with the role based on levels of domestic peer companies and employee wage levels (for Michael Lordi, a level set with consideration of competitors' businesses and human resources), (2) for short-term performance-linked compensation, whether the individual amounts are commensurate with the degree of achievement of Companywide performance targets and individual targets for the fiscal year under review, and (3) for restricted share-based compensation, whether the prescribed number of shares for the role has been granted. Accordingly, the Compensation Committee judged that the content of the individual compensation, etc. of Directors and Executive Officers for the fiscal year under review is in accordance with the determination policy.

4) Procedures for the determination of compensation

As the organization that determines the policy on compensation of Directors and other officers, the Compensation Committee is comprised of three Independent Directors, so as to emphasize an objective perspective and transparency. Specifically, the members have been selected from among the Outside Directors for their experience in corporate management and expertise in corporate legal affairs.

The purpose of the Compensation Committee is to take a strategic approach to supervising the compensation system for Directors and Executive Officers. Specifically, the Compensation Committee is in charge of examining and determining the compensation systems prepared in line with the management policy of the Company, and in addition to determining the compensation policy, it also deliberates not only compensation for the Company's Directors and Executive Officers but also the compensation systems for officers of Group companies, and provides its opinions to the Board of Directors. The Committee may collectively request the external opinion of an expert such as a compensation consultant, if it is deemed necessary for the activities of the Committee. When such consultants are selected, attention is taken and checks are made in order to ensure independence.

To engage in such activities, the Committee holds regular meetings, as well as extraordinary meetings as the need arises and the results of Compensation Committee deliberations are reported to the Board of Directors by the Committee Chairperson.

Newly appointed members of the Compensation Committee are provided with explanations of the rules stipulated by the Compensation Committee (Basic Policy on Officers' Compensation), the business performance of the Company, and the background and history of the Company's compensation systems. A full-time Committee secretariat has been established, which provides appropriate support for the operation of the Committee by providing information on such matters as laws and regulations, rules, and standards.

The Compensation Committee met nine times in fiscal 2021. It resolved the compensation policy as well as amounts of basic compensation and short-term performance-linked compensation for individual Directors and Executive Officers based on the compensation policy, along with the content and number of shares to be granted for restricted share-based compensation and performance-linked share-based compensation.

5) Payment Items

A. Short-term performance-linked compensation

The mechanism of the short-term performance-linked compensation focuses on incentives for achieving the medium-term management plan, directly determining compensations according to Companywide performance or business performance and to the degree achievement of targets by individuals. However, in cases such as profit attributable to owners of parent being extremely low or no dividends being paid, the Compensation Committee shall decide on measures such as reducing the short-term performance-linked compensation.

Target and Resault of Business Performance Indicator of the Company in 2021

Performance Indicator	Weight	2021 Target	2021 Resault
Return on Invested Capital (ROIC)	40%	6.8%	10.7%
Operating Profit	40%	¥41,800 million	¥61,300 million
Service & Support Revenue	20%	¥215,100 million	¥228,400 million

B. Long-term incentives (Share-based compensation)

Long-term incentives are share-based compensation linked to the Company's share price from the perspective of preventing shortsighted management behavior and ensuring interests match with those of shareholders.

(a) Restricted share-based compensation

As a principle, certain numbers of restricted shares will be given to Corporate Officers and subsidiaries corresponding to their roles per year. Because the objectives are to promote shareholding by Corporate Officers, and increase value sharing with shareholders, the transfer restricted period is from the share giving date to the day of retirement; thus the transfer restriction will be released when he/she retires from the position of Corporate Officers

(b) Performance-linked share-based compensation (PSU)

The Company has set return on invested capital (ROIC) as its performance indicator for Performance-linked Stock Compensation. Under the performance-linked share-based compensation

(PSU) plan, the Company delivers its common shares to Corporate Officers in accordance with the extent to which consolidated ROIC targets have been achieved in the final fiscal year of the medium-term management plan. In addition, the Company will make a monetary payment to the Corporate Officers, of an amount corresponding to 40% of the above allotted shares.

The Company have adopted consolidated return on invested capital (ROIC) as an indicator for performance-linked share-based compensation. Depending on the degree of achievement of the consolidated return on invested capital (ROIC) target (IFRS 7.6%) for the fiscal year ending December 31, 2022, which is the final year of the medium-term management plan E-Plan 2022, the payment rate will be 0% to 200%. The ROIC for the fiscal year ended December 31, 2021 was 10.7%.

Performance-linked share-based compensation is calculated at follows: in the first fiscal year of the medium-term management plan, the Company presets the standard number according to the roles of Corporate Officers eligible to receive payment, and a number of shares of the Company is granted to eligible Corporate Officers in accordance with the degree of achievement of consolidated ROIC in the final fiscal year of the medium-term management plan, the fiscal year ending December 31, 2022. In addition, the Company will make a monetary payment to the Corporate Officers of an amount corresponding to 40% of the above granted shares.

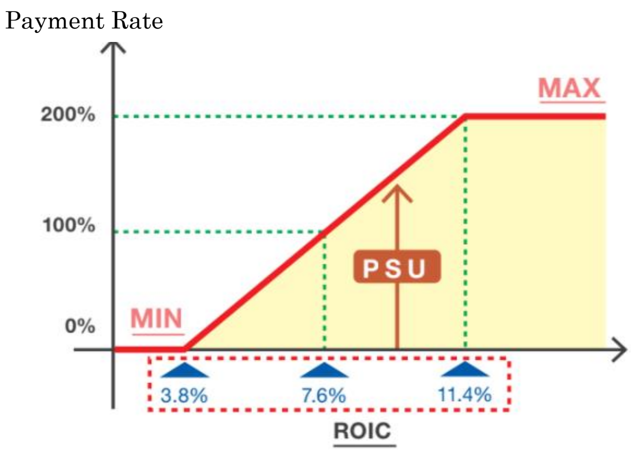
<<Method of calculation of the number of shares for payment and individual payment amounts>>

・Number of Performance-linked Stock Compensation payments by shares (rounded down to less than one)
Standard number × payment rate × 60%
1 unit = 100 shares of the Company's common stock

・Payment amount of Number of Performance-linked Stock Compensation by money (rounded down to less than 100 yen)
Standard number × payment rate × 40% × share price of our common stock*
1 unit = 100 shares of the Company's common stock
* Simple average of the closing prices of our common stock on the Tokyo Stock Exchange for the month two months before the Board of Directors meeting to resolve the allotment for the final year of the medium-term management plan

<<Payment rate>>
Payment rate (%) = Consolidated return on invested capital (ROIC) × 500 ÷ 19-100
Rounds the second decimal point. However, if the result of the calculation is 0% or less, it should be 0% (non-payment), and if it is more than 200%, it should be 200%.
Consolidated return on invested capital (ROIC) = profit attributable to owners of parent ÷ {interest-bearing debt (average of balances at beginning and end of period) + equity attributable to owners of parent (average of balances at beginning and end of period)}

[Payment rate according to level of achievement of ROIC]



Company aligns the interests of recipients of such compensation with those of shareholders by establishing guidelines that encourage a certain level of the shares of the Company to be held.

(6) Matters Related to Independent Directors

1) Important other positions held concurrently and their relationship with the Company

As stated in the table, "(2) Names and other information on Directors and Executive Officers."

2) Specific relationships with major business partners and others

None

3) Principal activities during the fiscal year under review

Name	Attendance					Status of statements
	Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	Independent Directors' Meeting	
Sakon Uda	100% (15/15)	100% (14/14)	—	—	100% (13/13)	Mr. Uda attended the Board of Directors meetings and other such important meetings and expressed his opinions from the viewpoint of general management based on his extensive knowledge and high-level insight as a professional specializing in management strategy, etc. and corporate executive. He also led the Board of Directors as the Chairman of the Board. Mr. Uda also served as a member of Nomination Committee and fulfilled his responsibilities by actively expressing his opinion on selection of Director nominees, President's succession plan and training of candidates, etc.
Hajime Sawabe	100% (15/15)	—	100% (9/9)	—	100% (13/13)	Mr. Sawabe attended the Board of Directors meetings and other such important meetings and expressed his opinions from the viewpoint of general management based on his ample experience and a wide range of knowledge of corporate management at a listed company. Mr. Sawabe also served as the Chairperson of Compensation Committee and fulfilled his responsibilities by leading deliberations at the Committee to review the compensation systems and decide compensation levels of Directors and Executive Officers, etc.
Hiroshi Oeda	100% (15/15)	100% (14/14)	—	—	100% (13/13)	Mr. Oeda attended the Board of Directors meetings and other such important meetings and expressed his opinions from the viewpoint of general management based on his ample experience and a wide range of knowledge of corporate management at a listed company. Mr. Oeda also served as the Chairperson of Nomination Committee and fulfilled his responsibilities by actively expressing his opinion and leading deliberations at the Committee to select management personnel and train candidates, etc., including President's succession plan, etc.
Masahiro Hashimoto	100% (15/15)	—	100% (2/2)	100% (20/20)	100% (13/13)	Mr. Hashimoto attended the Board of Directors meetings and other such important meetings and expressed his opinions from the viewpoint of general management based on his ample experience and a wide range of knowledge of corporate management at a listed company. Mr. Hashimoto also served as the Chairperson of Audit Committee and fulfilled his responsibilities by conducting audits of the Company and Group businesses from independent standpoint based on his knowledge and experiences, and leading deliberations at the Committee.

Name	Attendance					Status of statements
	Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	Independent Directors' Meeting	
Junko Nishiyama	100% (15/15)	—	100% (7/7)	100% (4/4)	100% (13/13)	Ms. Nishiyama attended the Board of Directors meetings and other such important meetings and expressed her opinions from the viewpoint of general management based on her ample experience and wide range of knowledge of corporate management at a listed company. Ms. Nishiyama also served as a member of Compensation Committee and fulfilled her responsibilities by actively expressing her opinion at the Committee to review the compensation systems and decide compensation levels of Directors and Executive Officers.
Mie Fujimoto	93% (14/15)	—	100% (9/9)	—	85% (11/13)	Ms. Fujimoto attended the Board of Directors meetings and other such important meetings and expressed her opinions from the viewpoint of general management based on her extensive knowledge and high-level insight as an attorney. Ms. Fujimoto also served as a member of Compensation Committee and fulfilled her responsibilities by actively expressing her opinion at the Committee to review the compensation systems and decide compensation levels of Directors and Executive Officers.
Hisae Kitayama	100% (11/11)	—	—	100% (16/16)	100% (10/10)	Ms. Kitayama attended the Board of Directors meetings and other such important meetings and expressed her opinions from the viewpoint of general management based on his extensive knowledge and high-level insight as a certified public accountant. Ms. Kitagawa also served as a member of Audit Committee and fulfilled her responsibilities by conducting audits of the Company and Group businesses from independent standpoint based on her knowledge and experiences

Note:

1. Masahiro Hashimoto was retired from the position of the member of the Compensation Committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and his attendance to meetings of the committee held before that date is provided above.
2. Junko Nishiyama was was retired from the position of the member of the Audit Committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and her attendance to meetings of the committee held before that date is provided above. She was newly appointed as a member of the Compensation Committee, and her attendance to meetings of the committee held since that date is provided above.
3. Hisae Kitayama was newly elected and appointed as Director and member of each committee at the 156th Ordinary General Meeting of Shareholders held on March 26, 2021, and the meeting of the Board of Directors held on the same day, and their attendance to meetings of the Board of Directors and each committee, etc., held since that date is provided above.

4) Amount of compensation received as Corporate Officer of a subsidiary of the Company during the fiscal year under review

None

5. Independent Auditors

(1) Name of Independent Auditors

Ernst & Young ShinNihon LLC

(2) Outline of Contracts Limiting Responsibility

None

(3) Amount of Compensation Paid to the Independent Auditors

1)	Compensation to be paid by the Company to the Independent Auditors	¥161 million
2)	Other monetary and other payments to be paid by the Company and its subsidiaries	¥198 million

Notes:

1. In the agreement between the Company and the Independent Auditor, the amount of compensation is determined as a lump-sum payment without breakdown for the audit etc., in accordance with the Companies Act and the Financial Instruments and Exchange Act. Accordingly, etc., the amount shown in 1) above represents the total amount of compensation.
2. Elliott Company and 16 other companies, among the Company's principal overseas subsidiaries, are subject to audits by those other than the Company's Independent Auditors (certified public accountants overseas or those who have any qualification equivalent to the qualification that audit firms have).

(4) Reason for the Audit Committee Consenting to the Compensation Paid to the Independent Auditors

As a result of considering the Independent Auditors' audit team arrangement, audit plan, state of implementation of auditing, establishment of an audit firm quality control system, the estimation of audit compensation, and other matters, the Company's Audit Committee determined that the compensation to be paid to the Independent Auditors was at a reasonable level, and provided the consent under Article 399, paragraph 1 of the Companies Act.

(5) Description of Other Services Provided by the Independent Auditors

The Company has not entrusted the Independent Auditor with any services other than the audit certification services stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(6) Policy Regarding Dismissal or Nonrenewal of the Contract with the Independent Auditors

1) Dismissal policy

When it is recognized that the provisions of Article 340, paragraph 1 of the Companies Act are applicable, the Audit Committee will dismiss the Independent Auditors by unanimous approval.

2) Nonrenewal policy

If based on the results of the assessment whether or not to renew the appointment of the Independent Auditors conducted each fiscal year, it is determined that an audit is clearly inadequate in light of the qualifications, independence, and overall capabilities of the Independent Auditors, a proposal for the nonrenewal of the appointment of the Independent Auditors will be submitted to the General Meeting of Shareholders by the Audit Committee.

As a restriction on renewal, if the Independent Auditors serve for ten years in succession, the Audit Committee conducts a tender offer to select the next Independent Auditors regardless of the assessment of the Independent Auditors (hereinafter referred to as "Renewed Independent Auditors"). The Renewed Independent Auditors are not prohibited from participating in the tender, but if the Renewed Independent Auditors serve for a further five years in succession, another tender offer will be made.

However, the same Independent Auditors may only serve for a period of twenty years in succession. Also, fourteen years will have elapsed since Ernst & Young ShinNihon LLC was appointed as the Company's Independent Auditors in the 157th fiscal year under review.

3) Procedures for the reappointment of Independent Auditors

As a result of evaluation of the reappointment of the Accounting Auditor based on the "(ii) Nonrenewal policy," the Audit Committee decided to reappoint Ernst & Young ShinNihon LLC as the Independent Auditors for the 157th period under review.

6. The Company's Systems and Policies

(1) System for Ensuring Appropriate Operations and the State of Operation of the System

An overview of the content resolved by the Company in the Board of Directors as a system for ensuring appropriate operations (basic policy) and the state of operation of the system is provided below.

Every year, Executive Officers perform self-evaluations on the establishment and operation of internal controls, and the areas that should be improved are reflected in the next year's plan based on the results, and we will continue to make improvements in the future.

Basic Policies for Internal Control	Overview of Operation
1. System to Ensure that the Execution of Duties by Executive Officers and Employees of the Company and Directors, Audit & Supervisory Board Members and Employees of Subsidiaries Complies with Laws and Regulations and the Articles of Incorporation	
Develop, maintain and operate systems to realize the EBARA Group CSR Policy and the EBARA Group Code of Conduct.	(1) The Company has established a division for promoting compliance, which supports the creation of systems for raising awareness of compliance and preventing misconduct and the establishment of a friendly and open work environment in the Company and its subsidiaries. (2) Disciplinary provisions on violations of the "EBARA Group Code of Conduct" and internal rules are stipulated in the service rules and employment regulations, etc., of the Company and its subsidiaries. (3) The Sustainability Committee, chaired by the President and Representative Executive Officer, deliberates on policies, strategies, targets and KPIs for activities that contribute to society, the environment and the Group's sustainability, and confirms and reviews the results. The Committee also monitors the compliance status of the Company and its subsidiaries and gives instructions for corrective actions and improvements as appropriate. Four meetings of the committee were held in the fiscal year under review. (4) The Compliance Consultation Counter that can be used by the Company and domestic subsidiaries and the "Regulations for the Operation of the Compliance Consultation Counter" has been established to promptly address any reports or inquiries on violations of the "EBARA Group Business Ethics Framework," internal regulations and laws, etc. in the Ebara Group. Furthermore, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) are established for a total of twenty subsidiaries in nine countries overseas. (5) The EBARA Group Compliance Network periodically holds meetings in accordance with the "Regulations for the Operation of the EBARA Group Compliance Network" to share compliance information between the Company and its subsidiaries. Overseas, Compliance Network meetings are periodically held for Chinese subsidiaries. (6) The Company has established an Internal Audit Division, which conducts activities in accordance with the annual audit plan in accordance with the "I Internal Audit Rules". It conducts audits and monitoring of the operations of the Company and its subsidiaries independent of the business execution departments. We have our subsidiaries establish internal auditing and monitoring systems, and the status of implementation of these systems is confirmed by Internal Audit Division. Due to restrictions on movement to prevent the spread of the new coronavirus infection, remote audits using outside experts were conducted for overseas subsidiaries.

Basic Policies for Internal Control	Overview of Operation
2. Systems for Storage and Management of Information concerning the Execution of Duties by Executive Officers	
Develop, maintain and operate a system for appropriately storing and managing information concerning the execution of duties by Executive Officers in accordance with laws, regulations, and internal rules.	(1) Information concerning the execution of duties by Executive Officers is appropriately stored and managed in accordance with "Information Security Basic Rules" and related regulations. (2) The "Five Principles of EBARA Group on the Handling of Important Information" stipulating measures for the prevention of information leaks and countermeasures to take in the event of a leak have been established in the "Information Security Basic Rules" of the Company and its subsidiaries. (3) The Company confirms the level of information management of the entire EBARA Group and conduct a survey of the actual situation in order to make improvements.
3. Systems for Reporting to the Company on Matters concerning the Execution of Duties by Directors of its Subsidiaries	
Develop, maintain and operate appropriate rules for reporting to the Company on matters concerning the execution of duties by Directors of its subsidiaries.	(1) Matters established throughout the EBARA Group and matters that the Company requires a review in advance or report to the Company after the fact are stipulated in the "Group Administration Basic Rules" and related regulations, and material matters pertaining to the execution of duties by Directors of subsidiaries are reported to the Company. (2) The "Crisis Management Rules" have been established in subsidiaries as a system for reporting to the Company in the event a crisis occurs or an event that may lead to a crisis occurs in subsidiaries, which are required to provide reports.
4. Regulations and Other Systems Related to Management of the Risk of Losses at the Company and Its Subsidiaries	
Establish policies on risk management in the Company and its subsidiaries as well as rules pertaining to their operation. Also develop, maintain and operate systems for implementing risk management.	(1) Authority responsibilities, and procedures are set out in the "Authority Rules," etc., of the Company and its subsidiaries, whereby risk management is conducted. (2) Departments responsible for promoting risk management activities are in place, while policies and systems for risk management at the Company and its subsidiaries are set out under the "Risk Management Regulations," whereby risk management activities are carried out. (3) The Risk Management Panel (hereinafter referred to as "RMP") for the overall Group is in place as a body responsible for coordinating risk management activities while carrying out deliberation, guidance for improvement, and support. The RMP is chaired by the President, Representative Executive Officer, and made up of all Executive Officers. In addition to quarterly meetings, meetings are held as required. A total of twelve meetings were held in the fiscal year under review. (4) With regard to the spread of the new coronavirus infection, we have set up a task force in accordance with the regulations and are continuing activities such as collecting information and deploying countermeasures to the EBARA Group. (5) The Company continues to strengthen the information security management system of the entire EBARA Group in preparation for cyber attacks from outside.

Basic Policies for Internal Control	Overview of Operation
5. Systems to Ensure the Efficient Execution of Duties by Executive Officers of the Company and by Directors of Its Subsidiaries	
(1) The administrative authority of Executive Officers of the Company and Directors of its subsidiaries in the execution of operations is clarified. (2) Develop, maintain and operate systems to enable efficient execution of duties by the Company's Executive Officers and Directors of its subsidiaries through the formulation of basic management policies and the monitoring of their progress.	(1) The Board of Directors of the Company entrusts the authority and responsibility for the execution of business to Executive Officers and ensures the efficient execution of duties by Executive Officers by supervising the execution of duties by Executive Officers. (2) The administrative authority of Executive Officers of the Company and Directors of its subsidiaries is set out in the "Regulations on the Division of Duties" of the Company and its subsidiaries. (3) The Company's Board of Directors formulates basic management policies, and these policies are reflected in the annual management plans of the Company and its subsidiaries. As for return on invested capital (ROIC), the most important management indicator (KPI), we confirm the progress at KPI monitoring meetings. (4) Executive Officers of the Company review the progress of annual management plans and measures for their achievement on a quarterly basis in the Management Planning Committee. (5) The Management Meeting made up of all Executive Officers is in place as a meeting structure for deliberation necessary for facilitating prompt decision making by the President and Representative Executive Officer. The Management Meeting is held once every month.
6. Systems for Shutting Out Anti-social Elements	
The Company establishes, maintains, and operates systems for preventing the Company and its subsidiaries from engaging in any activities that may provide profits to anti-social forces in whatever name.	The Anti-social Forces Countermeasure Headquarters has been established to oversee countermeasures against anti-social forces in the Company and its subsidiaries, a manual has been established for cases in which there has been contact from anti-social forces, and a system has been developed for handling cases as an entire company in coordination with legal counsel and external expert organizations in the event there has been contact. Furthermore, investigations of business partners, internal education, and the like are conducted based on the "Guidelines on Shutting Out Anti-social Elements," in addition to periodically holding liaison meetings attended by personnel responsible for preventing undue claims in the Company and domestic subsidiaries. One meeting was held in the fiscal year under review.
7. Systems to Ensure the Appropriate Operations of the EBARA Group, Comprising the Company and Its Subsidiaries	
Establish a policy on the operation of the EBARA Group comprising the Company and its subsidiaries, and develop, maintain and operate systems for ensuring appropriate operations of the Group.	(1) An internal control system is in place according to the scale and characteristics of the business of the Company and its subsidiaries. The Executive Officers of the Company are responsible for the establishment of internal control systems in subsidiaries. (2) The Company performs evaluations on the state of maintenance and operation of internal controls in the Company and its subsidiaries, and corrections are made when problems are found.
8. Systems for Assigning Employees to Assist the Audit Committee in the Execution of Its Duties	
Establish a division that assists the Audit Committee in the execution of its duties.	(1) The Audit Committee Office has been established as a department that assists the Audit Committee in the execution of its duties. (2) The Company appoints employees who are to assist the Audit Committee in its duties (hereinafter referred to as "assistant employees of the Audit Committee" or "assistant employees") and assign them to the Audit Committee Office. In the fiscal year under review, 15 employees belonged to the Audit Committee Office, of which 5 were engaged in administrative work related to the Audit Committee as full-time assistant employees. The other 10 employees were mainly engaged in the internal audit division or as auditors of subsidiaries, and were concurrently employed by the Audit Committee Office as assistant employees. The assistant employees of the Audit Committee may also serve as auditors of subsidiaries for the purpose of ensuring the internal control of the corporate group.

Basic Policies for Internal Control	Overview of Operation
9. Matters Related to the Independence from Executive Officers of the Employees Who Assist the Audit Committee's Execution of Its Duties, and Matters Related to Ensuring the Effectiveness of the Instructions by the Audit Committee to Such Employees	
(1) Appoint assistant employees to the Audit Committee subject to the consent of the Audit Committee. (2) Full-time assistant employees shall not concurrently perform duties related to the execution of the duties of the executive officers of the Company, and the independence of the assistant employees to the Audit Committee from the executive officers shall be ensured. (3) In the case that instructions from the Audit Committee conflict with instructions from the Executive Officers or the general manager of the department in which the concurrent assistant employees serves, the instructions from the Audit Committee shall take precedence, thereby ensuring the effectiveness of the Audit Committee's instructions. (4) With the prior consent of the Audit Committee, assistant employees to the Audit Committee shall be engaged by the auditors of Group companies. (5) Personnel transfer, appraisal, and the like of the assistant employees to the Audit Committee shall be determined upon obtaining the consent of the Audit Committee.	(1) The appointment of assistant employees to the Audit Committee is determined with the consent of the Audit Committee. (2) Full-time Assistant employees to the Audit Committee are not concurrently engaged in business operations concerning the execution of duties by Executive Officers of the Company. Assistant employees to the Audit Committee act under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee. (3) In case the instructions from the Audit Committee conflict with the instructions from the Executive Officers or the general manager of the department to which they are concurrently assigned, the internal rules stipulate that the instructions from the Audit Committee shall take precedence, thereby ensuring the effectiveness of the instructions from the Audit Committee. (4) With the prior consent of the Audit Committee, assistant employees to the Audit Committee are engaged by the auditors of Group companies. (5) Personnel transfer, appraisal, and the like of the assistant employees to the Audit Committee are determined upon obtaining the consent of the Audit Committee.

Basic Policies for Internal Control	Overview of Operation
10. Systems for Reporting to the Audit Committee of the Company by Executive Officers and Employees, etc., of the Company and by Directors, Audit & Supervisory Board Members and Employees, etc., of Its Subsidiaries, and Other Reporting to the Audit Committee of the Company	
(1) Develop, maintain and operate a system whereby the Audit Committee members are able to attend important meetings of departments engaging in business execution, and to receive reports from Executive Officers and employees, etc. (2) Develop, maintain and operate a system whereby Directors, Audit & Supervisory Board Members and employees, etc., of subsidiaries in addition to persons receiving reports therefrom report to the Audit Committee. (3) Any person having made a report under the two preceding paragraphs shall not be subject to disadvantageous treatment because of such reporting.	(1) Audit Committee members view important documents and receive reports on the execution of duties from Executive Officers and employees, etc., by attending important meetings of departments engaging in business execution such as the Management Meeting, the Sustainability Committee, and the RMP. (2) Executive Officers promptly report to the Audit Committee pursuant to the “Executive Officer Rules” in the event they discover a fraudulent act in the course of executing their duties, and such act is not redressed immediately. (3) In the course of audits by the Audit Committee, the Company and its subsidiaries provide information on the handling of management tasks and the legality and appropriateness of their business operations upon the request of the Audit Committee. (4) The Compliance Consultation Counter that can be used by the Company and domestic subsidiaries and the “Regulations for the Operation of the Compliance Consultation Counter” has been established to promptly address any reports or inquiries on violations of the framework of corporate ethics, internal regulations, and laws, etc. in the EBARA Group. Furthermore, in the fiscal year under review, whistleblowing contacts via external law firms (Overseas EBARA Group hotlines) have been established for a total of twenty subsidiaries in nine overseas countries. Reports on the state of implementation of these are made to the Audit Committee as appropriate. (5) The Audit Committee established the Audit Committee helpline, allowing reports to be received on the violation of laws and regulations in the Company and its subsidiaries, in addition to other issues concerning corporate ethics, and a system is in place for employees, etc. of the Company and its subsidiaries to report to the Audit Committee if the Company’s Directors, Executive Officers, or Directors of its subsidiaries commit fraud, violate laws, regulations or the Articles of Incorporation, conduct improper accounting practices, have corporate ethics issues or are otherwise found to be grossly inappropriate for management of the Company. (6) The Company thoroughly ensures a system whereby any person having reported to the Audit Committee is not subject to disadvantageous treatment because of such reporting.

Basic Policies for Internal Control	Overview of Operation
11. Other Systems for Ensuring the Effectiveness of Audits by the Audit Committee	
(1) Ensure the effectiveness of audits by exchanging opinions and collaborating as necessary with the departments in charge of Internal Control, Risk Management and Compliance, the Internal Audit division and the Corporate Auditors of affiliated companies. (2) In case of request by the Audit Committee, the head or a member of the Internal Audit Division or Corporate Auditors of affiliates shall serve concurrently in a department under the control of the Audit Committee. In addition, candidates for Corporate Auditors of affiliated companies shall be determined with the consent of the Audit Committee. (3) Establish a policy concerning the handling of expenses and debts arising from the execution of duties by the Audit Committee and ensure that the Audit Committee's audits are conducted effectively.	(1) The President, Representative Executive Officer and Executive Officers in charge of the Fluid Machinery & Systems, Environmental Plant, and Precision Machinery Companies regularly exchange information and opinions with the Audit Committee. (2) Departments responsible for internal controls, risk management, and compliance, the Internal Audit Division, and corporate auditor of affiliated companies regularly exchange information and opinions with the Audit Committee and also exchange information on important matters as needed in an effort to promote collaboration. (3) At the request of the Audit Committee, the head of the Internal Audit Division or a member of the division, or a corporate auditor of subsidiaries, concurrently serves in a department established under the control of the Audit Committee. In addition, when nominating candidates for corporate auditors of affiliated companies, decisions are made only after obtaining the consent of the Audit Committee. (4) The Company has established a policy regarding the handling of expenses and debts arising from the execution of duties by the Audit Committee to ensure that the Audit Committee's audits are conducted effectively.
12. Systems for Ensuring the Credibility of Financial Reports	
Internal controls to ensure the reliability of financial reporting shall be established and operated in accordance with the "Standards for Assessment and Audit of Internal Control over Financial Reporting" and the "Implementation Standards for Assessment and Audit of Internal Control over Financial Reporting.	(1) To ensure the credibility of consolidated financial reports, the “Standards for the Enforcement of Internal Controls over Financial Reporting” have been established for the purpose of maintaining and operating internal controls based on the Financial Instruments and Exchange Act, and their effectiveness is assessed every fiscal year. (2) In the assessment, the scope of assessment is set each fiscal year in consideration of the impact on financial reporting, management importance, etc., and the assessment is conducted by an assessment team independent of operations to improve and promote internal control. We have adopted International Financial Reporting Standards (IFRS) from the current fiscal year, but this has had no impact on the subject, scope, or method of internal control evaluation.

(2) Policy on the Determination of the Distribution of Surplus

The Company regards returning a portion of its income to its shareholders as one of its most important management policies and has set a policy of linking dividends to performance and is aiming for a consolidated payout ratio of 35% or more and set a minimum of 2.0% for consolidated dividend on Equity Attributable to Owners of Parent (DOE). In addition, the Company will flexibly implement share repurchases.

Dividends

Fiscal Year (FY) / Item	154rd Period (FY ended December 31, 2018)	155th Period (FY ended December 31, 2019)	156th Period (FY ended December 31, 2020)	**157th Period (FY ended December 31, 2021) (FY under review)**
Annual dividend per share (yen)	60.0	60.0	90.0	**163.0 (planned)**
Annual dividends (Millions of yen)	6,052	5,730	8,582	**15,127 (planned)**
Consolidated total payout ratio (%)	33.3	24.8	35.4	**35.2 (planned)**
Purchase of treasury stock (Millions of yen)	4,999	14,999	-	**19,999**

Note:
1. “Annual dividend per share” and “Annual dividends” for the 157th period are amounts assuming the approval of Proposal 1 “Appropriation of Surplus” by the 157th Ordinary General Meeting of Shareholders.
2. The Group has adopted International Financial Reporting Standards (IFRS) since the 157th period, and the consolidated dividend payout ratio for the 156th period is also presented in accordance with IFRS.

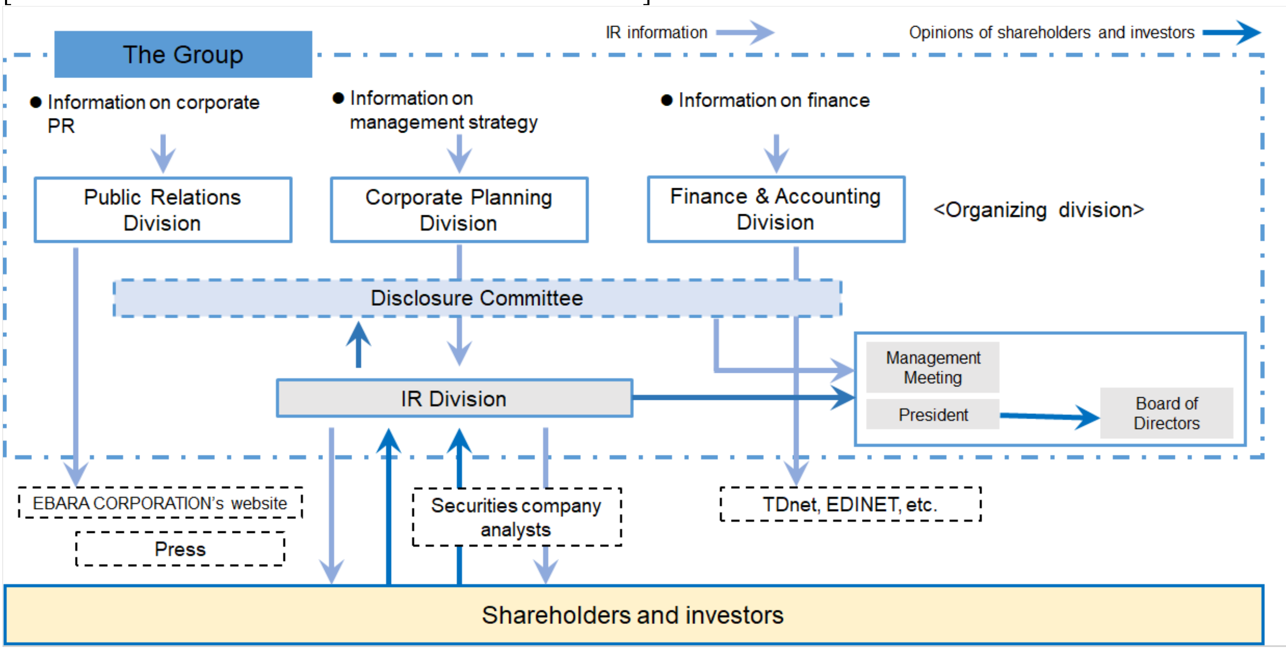
(3) Dialogue with Shareholders and Investors

The Group positions building long-term relationships of trust with shareholders and investors as one of the most important matters in management. In addition to appropriately providing corporate information required for investment decisions, an effort is made to continually foster relationships of trust by conducting IR activities that contribute to the enhancement of corporate value through constructive dialogue.

To enable the Board of Directors to appropriately oversee dialogue with shareholders and investors as an important matter related to management, the responsible departments report to the Board of Directors on IR activities each quarter, and the Board of Directors provides advice, etc., as needed.

The President and Representative Executive Officer heads the Group’s IR structure, and IR is basically implemented by the Executive Officer in charge of IR and the division in charge of IR. Furthermore, opportunities for Directors (including Independent Directors), Executive Officers, and other management executives to directly dialogue with shareholders and investors are provided as needed.

[Flow of communication with shareholders and investors]



* TDnet: The timely disclosure information viewing system operated by the Tokyo Stock Exchange.
EDINET: The electronic disclosure system on disclosure documents such as annual securities reports based on the Financial Instruments and Exchange Act

[State of implementation of IR and SR activities]

Details of Activities	Actual status in 157th Period
Individual meetings	255 times
Conferences held by securities companies	38 times
Shareholder Relationship meetings	6 times
Financial results briefings	4 times
Management meeting	2 times
IR Day	1 time
ESG presentation	1 time
Presentation for indivisual investors held by securities companies	2 times

(4) Sustainability

Guided by the core of the "EBARA Way," 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 over 100-year history. The Group will further build on these strengths while advancing business activities based on our desired vision for EBARA. This is how the Group will continue to support the globe into the future and ensure growth over the next century.

In February of 2020, the Group unveiled E-Vision 2030, a new long-term management policy that illustrates its vision for the Group a decade from now, and the value creation story that will serve as the roadmap toward realizing this vision. Under the slogan of E-Vision 2030, "Technology. Passion. Support our Globe," E-Vision 2030 identifies five material issues to be addressed leading up to 2030. By addressing these material issues through our business activities, we will enhance our corporate value by improving both our social and environmental value and our economic value.

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.
   (For people and society)
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.
   (For industry)
3. Conduct comprehensive environmental management
   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.
   (For our business activities and supply chain)
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.
   (For our employees)
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 sustainable management)

1) Environmental Initiatives

The EBARA Group has identified "Conduct comprehensive environmental management" as one of the five materiality issues in its long-term vision "E-Vision 2030" and CO2 reduction as an important issue in its management strategy. The EBARA Group 2030 Environmental Targets were announced for the year

ending December 31, 2020, setting environmental performance targets in terms of CO_2, water and resource circulation.
In order to achieve both business growth and contribution to the realization of a carbon-free society, the EBARA Group as a whole aims to achieve the environmental targets by further promoting low-carbon electricity procurement, upgrading energy-intensive facilities, and expanding the introduction of renewable energy, especially solar power.
In addition, E-Vision 2030 sets the target of reducing CO_2 emissions from the use of our products by approximately 100 million tons in real terms by developing products with higher energy efficiency and expanding sales of products that contribute to the reduction of greenhouse gases, such as exhaust gas treatment equipment used in semiconductor manufacturing processes. We will continue to contribute to the decarbonization of society through our business.

<2030 Environmental Targets>

I. Reduce total greenhouse gas emissions from business activities within the Group by 26% compared to FY2018.
II. We will maximize the rational use of water in the Group's business activities and ensure that the water consumption per unit of production does not exceed the previous fiscal year's level.
III. To contribute to resource recycling and the establishment of a circular economy society, we will maintain a domestic waste recycling rate of 95% or higher.

< Climate Change Response Measures>

Recognizing that climate change is a serious challenge facing the world, the EBARA Group signed a petition in support of the TCFD in 2019, and in the fiscal year ending December 31, 2020, we will conduct a scenario analysis of the impact on our business of multiple scenarios, including a sub-2°C scenario, focusing on climate change factors, in line with the TCFD framework. In the fiscal year ending December 31, 2020, we conducted a scenario analysis of the impact on our business of multiple scenarios, including scenarios below 2°C, focusing on climate change factors in accordance with the TCFD framework. For details, please refer to "Disclosure of Information on TCFD Recommendations" on our corporate website.
https://www.ebara.co.jp/en/sustainability/think/information/tcfd.html

At the same time that we expressed our support for the TCFD, the EBARA Group was considering its long-term vision for 2030, which was announced as E-Vision 2030 in February 2020. The E-Vision 2030 is based on a scenario analysis that captures all the factors that affect business activities, and recognizes that addressing climate change is an important issue. In line with the TCFD recommendations, we analyzed the impact of climate change factors on our business under several scenarios, including a 2°C or lower scenario. The results of the analysis were discussed at the Sustainability Committee meeting held in December 2020 and reported to the Board of Directors.

In April 2021, the Japanese government clearly stated that it aims to reduce greenhouse gas emissions by 46% in 2030 compared to 2013. In Europe, the United States, China, and other countries in which the Group operates, policies toward decarbonization are progressing rapidly. In light of these trends, we will continue to analyze climate change scenarios, analyze their financial impact, and disclose the results. We will also evaluate the results and reflect them in our business strategies to enhance our business resilience.

Disclosure Timeline in line with the TCFD

2019:	TCFD signature
2020:	Scenario analysis implementation
2021:	Disclosure of governance, strategy, risk management, metrics and targets Deepening the scenario analysis of businesses for oil and gas markets and Precision Machnery with looking ahead to 2050
2022:	Plan to disclose the scenario analysis results of businesses for oil and gas markets and Precision Machnery (qualitative and quantitative)
2023-:	Evaluate, review, and reflect in business strategy

2) Social Initiatives

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 co-creating value with stakeholders for society, industry, and everyday life and supplying safe, reliable, and convenient 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.

A) Respecting Human Rights

EBARA Group has clearly stated and practiced in its CSR Policy that it respects the human rights and diversity of its stakeholders. In addition to endorsing and signing the United Nations Global Compact, we respect the International Bill of Human Rights, the International Labour Organization's (ILO) ILO Declaration on Fundamental Principles and Rights at Work, and the United Nations Guiding Principles on Business and Human Rights.

In 2019, the Group formulated “the EBARA Group Human Rights Policy” as a top commitment; along with the three basic policies, it sets forth the corresponding policies to put them into practice. As a system for human rights, the EBARA Group Human Rights Committee has been established for the purpose of continuously improving the human rights management system in accordance with the Human Rights Policy. The committee is chaired by the executive officer in charge of Group corporate strategy and human resources, and operated by the executive officer in charge of legal affairs, general affairs, internal control and risk management as vice chair.

With regard to human rights due diligence for employees, we will continue to conduct it through the global engagement survey conducted for domestic and overseas EBARA Group employees. In addition, through dialogue with institutional investors, the Human Rights Committee will share the fact that human rights in the supply chain is an issue and consider measures to address it.

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

B. Human Resource Management Strategy

Promoting the active roles of human resources is one of the important issues in E-Vision 2030. In order for the EBARA Group to contribute to society through its business and continue to grow sustainably, it is necessary for each and every employee to constantly take on new challenges with originality and ingenuity. By 2030, we aim to be a company that proactively takes on new challenges and produces tangible results by thinking independently and with a sense of speed, regardless of nationality or gender.

[Main initiatives]

(a) Promoted the One EBARA HR project to strengthen human resource management in the Group and globally, and expand the HR system globally

(b) Conducted a global engagement survey of all employees of the Group companies in Japan and overseas from 2019, and formulate and implement an action plan to improve engagement based on the results.

(c) Implemented Succession management (succession planning) and review for section managers by the president.

(d) Provided tablet terminals to employees at manufacturing sites

(e) Launched Ebara Innovation 5, which uses approximately 5% of working hours to promote new challenges outside of existing work.

C. Promotion of diversity

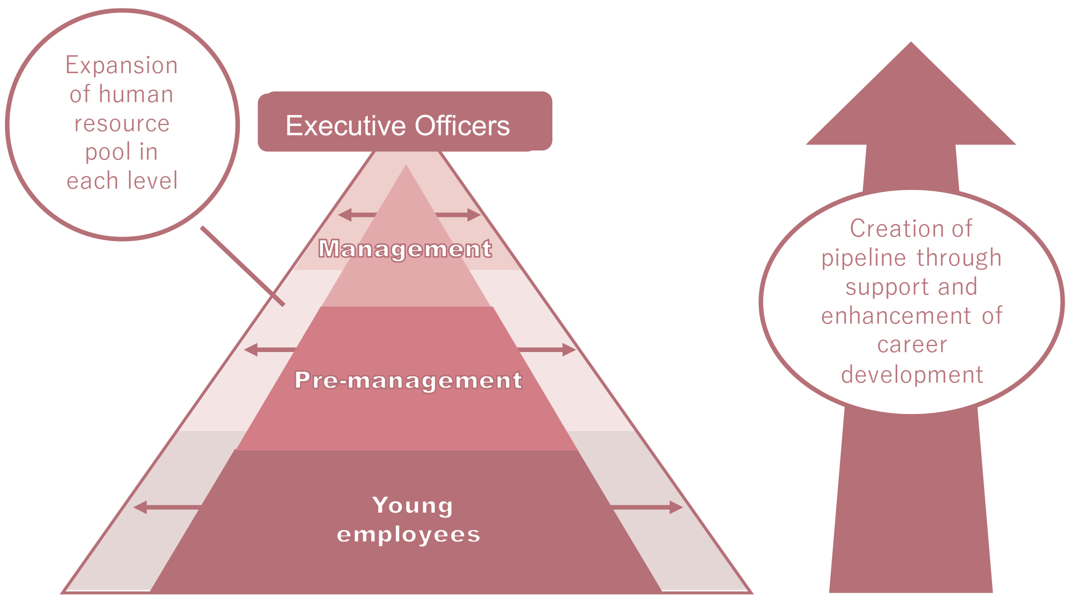
The EBARA Group is committed to "becoming a corporate group where diverse employees feel motivated and comfortable in their work and can play an active role" as part of materiality issue 4, "Promotion of human resources" of our long-term vision E-Vision 2030. In order to create a working environment where diverse human resources can play an active role regardless of gender, nationality, etc., and where each employee can make the most of his or her individuality and demonstrate his or her abilities to the fullest, we are implementing initiatives in three directions: "reform of awareness and culture," "improvement of systems and environment," and "reform of operations and visualization of operations. In January 2022, we launched the Diversity Project under the direct control of the president to further accelerate the realization of the project. Based on the idea that inclusion of not only visible differences such as nationality and gender, but also invisible differences such as experience and type of work is essential for the growth of both employees and the company as a whole, we will implement various measures in the future.

(a) Promotion of Women's Participation

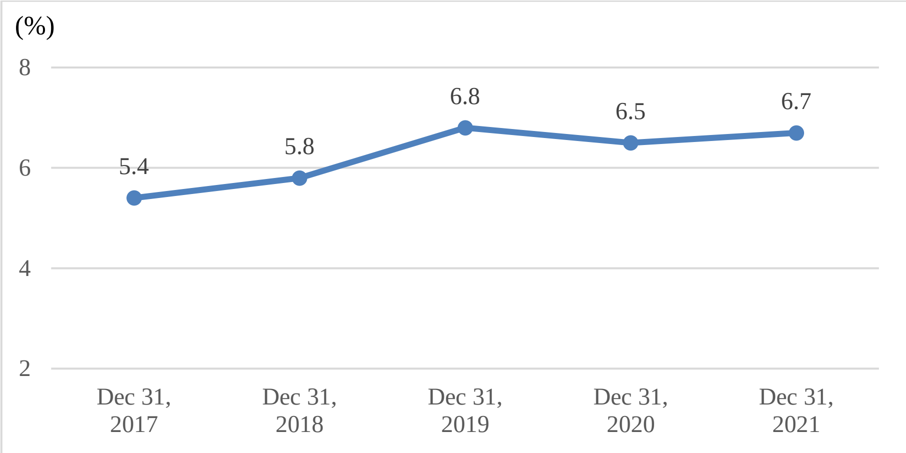
Our goal is to become a company where female employees can work with a sense of growth through their work and feel that they are able to demonstrate their abilities. In light of the current issue of the small number of women in key positions and the small number of female candidates for management positions, we have set a goal of increasing the percentage of women in management positions to over 7% by April 2023 and over 8% by April 2025.

As part of our efforts to achieve this goal, we will actively provide educational opportunities, such as sending employees to external training programs, to create opportunities for career advancement. In addition, as there are many women who are concerned about their career development upon marriage and childbirth, which are major life events for both men and women, we hold roundtable discussions for employees on childcare leave to share information on balancing work and childcare and their future careers. We are working to create and support an environment where employees can continue their careers with peace of mind even after life events.

[Image of the female human resource pyramid]



[Ratio of female employees in management positions (Ebara Corporation, Full-time employees)]



In recognition of these activities, on May 21, 2018, the Company obtained the third and highest level of the “Eruboshi” certification granted by the Minister of Health, Labour and Welfare to companies with excellent initiatives for promoting participation by women based on the Act on Promotion of Women’s Participation and Advancement in the Workplace.

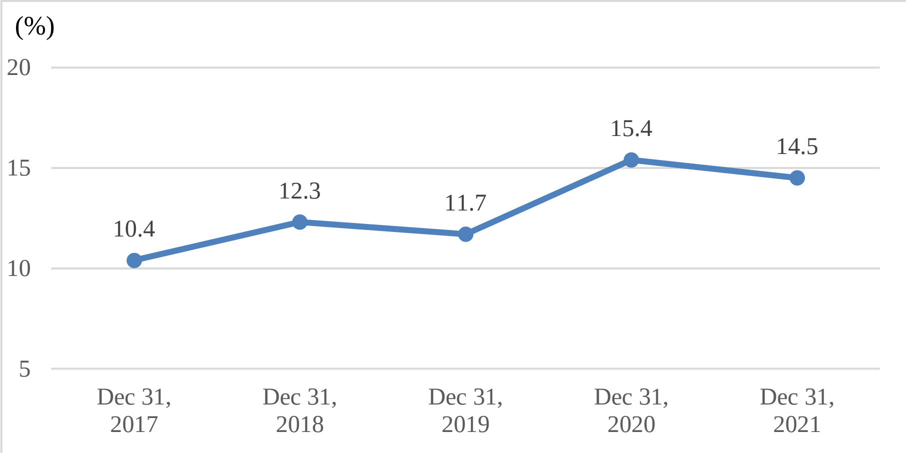
(b) Hiring of international employees

The establishment of a support system was a challenge to retain talented international employees who contribute to global competitiveness.

To ensure that international employees in Japan and overseas can work safely and securely even in the face of the prolonged Corona disaster, we regularly interview them to find out if they have any problems with communication and internal networks, including measures to prevent infectious diseases and information sharing for the smooth execution of work. The company will continue to provide the following services. In addition, interviews in the native language of international employees up to their second year with the company have been outsourced in order to understand and respond to the process of retention and growth, as well as challenges they are facing.

[Hiring and development of international employees]

[Ratio of international employees to new graduates hires (Ebara Corporation)]

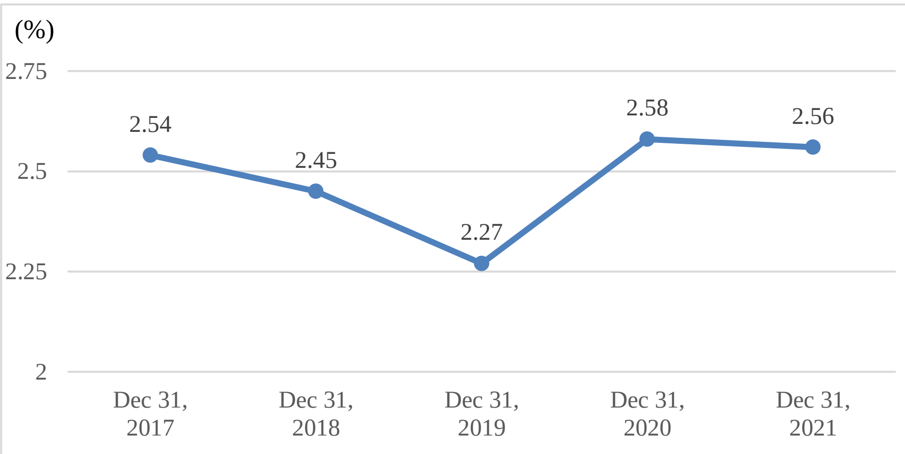


(c) Hiring of people with disabilities

The Company are working together with the community and society to create opportunities for vocational independence and social participation for people with disabilities, and to improve the employment rate of people with disabilities in our Group. As part of these efforts, in FY2012, we established a special subsidiary, Ebara Ernest Corporation, to promote and stabilize the employment of people with disabilities. The employees play a part in the EBARA Group's operations according to their abilities and aptitudes, contributing to the enhancement of corporate value by increasing the operational efficiency and productivity of the entire group.

In May 2021, the Company joined The Valuable 500, an international movement that promotes the advancement of people with disabilities. The Valuable 500 is a network organization that aims to gain the support and participation of 500 companies around the world in order to promote the creation of a society in which people with disabilities can demonstrate their potential value to society and the economy. Through its membership in The Valuable 500, EBARA will promote the development of an environment in which each individual can play an active role, and will continue to promote the expansion of job areas and employment of people with disabilities.

[Ratio of employees with disabilities (EBARA Group)]



Reference: ESG-related External Evaluations

The Company has been selected by various ESG evaluation organizations as a constituent stock of ESG indexes in Japan and overseas.

FTSE4Good Index Series

FTSE Blossom Japan Index

MSCI Japan Empowering Women Index

MSCI Japan ESG Select Leaders Index

⋆The inclusion of the Company 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 the Company by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI, MSCI Index names and logos are trademarks or service marks of MSCI or any of its affiliates.

S&P/JPX Carbon Efficient Index

SOMPO Sustainability Index

Eruboshi (the highest/third level)

MSCI ESG Ratings

Nikkei Smart Work

Nikkei SDGs

SUSTAINA ESG AWARDS

Consolidated Statement of Financial Position

December 31, 2021

(Millions of yen)

Assets		Liabilities	
Account	**Amount**	**Account**	**Amount**
Current assets	**499,934**	**Current liabilities**	**327,357**
Cash and cash equivalents	136,488	Trade and other payables	162,558
Trade and other receivables	130,121	Contract liabilities	49,771
Contract assets	86,887	Bonds, borrowings and lease obligations	56,578
Inventories	121,389	Income taxes payable	6,337
Income taxes receivable	605	Provisions	14,769
Other financial assets	3,267	Other financial liabilities	98
Other current assets	21,173	Other current liabilities	37,243
Non-current assets	**219,801**	**Non-current liabilities**	**70,723**
Property, plant and equipment	161,392	Bonds, borrowings and lease obligations	55,467
Goodwill and intangible assets	23,204	Retirement benefit liability	8,413
Investments accounted for using equity method	7,153	Provisions	2,488
Deferred tax assets	12,665	Deferred tax liabilities	402
Other financial assets	6,241	Other financial liabilities	123
Other non-current assets	9,144	Other non-current liabilities	3,829
		Total liabilities	**398,080**
		Equity	
		Share capital	79,643
		Capital surplus	76,566
		Retained earnings	171,720
		Treasury shares	(20,189)
		Other components of equity	4,569
		Total equity attributable to owners of parent	312,310
		Non-controlling interests	9,345
		Total equity	**321,655**
Total assets	**719,736**	**Total liabilities and equity**	**719,736**

Consolidated Statement of Profit or Loss

From January 1, 2021
to December 31, 2021

(Millions of yen)

Account	Amount
Revenue	**603,213**
Cost of sales	**424,571**
Gross profit	**178,641**
Selling, general and administrative expenses	120,553
Other income	4,131
Other expenses	847
Operating profit	**61,372**
Finance income	416
Finance costs	2,687
Share of profit (loss) of investments accounted for using equity method	1,200
Profit before tax	**60,302**
Income tax expense	13,873
Profit	**46,428**
Profit attributable to:	
Owners of parent	43,616
Non-controlling interests	2,812

Non-consolidated Balance Sheet

December 31, 2021

(Millions of yen)

Assets		Liabilities	
Account	**Amount**	**Account**	**Amount**
Current assets	**264,744**	**Current liabilities**	**177,435**
Cash and deposits	77,903	Notes payable - trade	1,510
Notes receivable - trade	7,464	Accounts payable - trade	20,318
Accounts receivable - trade	70,557	Electronically recorded obligations - operating	65,380
Electronically recorded monetary claims - operating	19,328	Short-term borrowings	31,168
Finished goods	1,641	Current portion of long-term borrowings	3,156
Work in process	32,597	Current portion of bonds payable	10,000
Raw materials and supplies	24,918	Income taxes payable	4,008
Other	30,840	Provision for bonuses	3,965
Allowance for doubtful accounts	(508)	Provision for bonuses for directors (and other officers)	210
Non-current assets	**230,041**	Provision for warranties for completed construction	2,107
Property, plant and equipment	**87,807**	Provision for product warranties	3,335
Buildings and structures	39,330	Provision for loss on construction contracts	1,434
Machinery and equipment	22,750	Other	30,837
Land	18,535	**Non-current liabilities**	**40,499**
Construction in progress	3,702	Bonds payable	10,000
Other	3,488	Long-term borrowings	26,945
Intangible assets	12,483	Provision for retirement benefits	15
Software	12,175	Other	3,538
Other	308	**Total liabilities**	**217,934**
Investments and other assets	**129,750**	**Net assets**	
Investment securities	1,865	**Shareholders' equity**	**276,266**
Shares of subsidiaries and associates	93,872	**Share capital**	**79,643**
Investments in capital of subsidiaries and associates	21,804	**Capital surplus**	**83,572**
Long-term loans receivable	513	Legal capital surplus	83,571
Prepaid pension costs	3,483	Other capital surplus	0
Deferred tax assets	6,108	**Retained earnings**	**133,082**
Other	5,145	Other retained earnings	133,082
Allowance for doubtful accounts	(3,041)	Retained earnings brought forward	133,082
		Treasury shares	**(20,031)**
		Share acquisition rights	**585**
		Total net assets	**276,851**
Total assets	**494,785**	**Total liabilities and net assets**	**494,785**

Non-consolidated Statement of Income

From January 1, 2021
to December 31, 2021

(Millions of yen)

Account	Amount	
Net sales		**264,707**
Cost of sales		**192,575**
Gross profit		**72,131**
Selling, general and administrative expenses		**56,170**
Operating profit		**15,960**
Non-operating income		
Interest income	161	
Dividend income	22,650	
Foreign exchange gains	261	
Other	160	23,233
Non-operating expenses		
Interest expenses	366	
Fees for repurchase of treasury shares	117	
Commisson for commitment line	165	
Other	93	743
Ordinary profit		**38,451**
Extraordinary income		
Gain on sale of non-current assets	1,209	
Gain on sale of investment securities	35	1,244
Extraordinary losses		
Loss on sale of non-current assets	0	
Loss on retirement of non-current assets	68	
Impairment losses	198	
Loss on sale of investment securities	1,069	
Loss on valuation of investment securities	9	
Loss on valuation of investments in capital	0	1,347
Profit before income taxes		**38,349**
Income taxes - current	3,852	
Income taxes - deferred	(1,157)	2,695
Profit		**35,654**

Copy of the Report of the Accounting Auditor's Audit Report on Consolidated Financial Statements (translation)

Independent Auditor's Report

The Board of Directors
EBARA CORPORATION

Opinion
We have audited the accompanying consolidated financial statements of EBARA CORPORATION and its consolidated subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of profit or loss and changes in equity for the year then ended, and notes to the consolidated financial statements pursuant to Article 444, Paragraph 4 of the Companies Act.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance for the year then ended in accordance with accounting principles, with partial omission of the disclosure items required under the designated international accounting standards, pursuant to the provisions of the second clause of Article 120, Paragraph 1 of the Regulations on Corporate Accounting of Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with accounting principles, with partial omission of the disclosure items required under the designated international accounting standards, pursuant to the provisions of the second clause of Article 120, Paragraph 1 of the Regulations on Corporate Accounting of Japan and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing matters related to going concern, as required by accounting principles, with partial omission of the disclosure items required under the designated international accounting standards, pursuant to the provisions of the second clause of Article 120, Paragraph 1 of the Regulations on Corporate Accounting of Japan.

The Audit Committee is responsible for overseeing the Group's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles with partial omission of the disclosure items required under the designated international accounting standards, pursuant to the provisions of the second sentence of Article 120, Paragraph 1 of the Regulations on Corporate Accounting of Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest
We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC
Tokyo, Japan
February 17, 2022

Mineo Kamibayashi
Designated Engagement Partner
Certified Public Accountant

Kiomi Horikoshi
Designated Engagement Partner
Certified Public Accountant

Takayuki Ando
Designated Engagement Partner
Certified Public Accountant

Copy of the Report of Independent Auditors (translation)

ndependent Auditor's Report

The Board of Directors
EBARA CORPORATION

Opinion
We have audited the accompanying non-consolidated financial statements of EBARA CORPORATION (the Company), which comprise the non-consolidated balance sheet as at December 31, 2021, and the non-consolidated statements of income and changes in net assets for the year then ended (the 157th period), notes to the non-consolidated financial statements and the related supplementary schedules (the non-consolidated financial statements, etc.) pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act.

In our opinion, the accompanying non-consolidated financial statements, etc. present fairly, in all material respects, the non-consolidated financial position of the Company as at December 31, 2021, and its non-consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements, etc.
Management is responsible for the preparation and fair presentation of non-consolidated financial statements, etc. in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, etc., management is responsible for assessing the Company's ability to continue as a going concern and disclosing matters related to going concern, as required by accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, etc.
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements, etc..

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material

uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements, etc. or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

· Evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the disclosures, and whether the non-consolidated financial statements, etc. represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest
We have no interest in the Company which should be disclosed in accordance with the Certified Public Accountants Act.

Ernst & Young ShinNihon LLC
Tokyo, Japan
February 17, 2022

Mineo Kamibayashi
Designated Engagement Partner
Certified Public Accountant

Kiomi Horikoshi
Designated Engagement Partner
Certified Public Accountant

Takayuki Ando
Designated Engagement Partner
Certified Public Accountant

Copy of the Audit Committee's Audit Report (translation)

Audit Report

The Audit Committee conducted an audit of the duties of the Directors and Executive Officers in the fiscal year from January 1, 2021 to December 31, 2021. The method and results thereof are as follows.

1. Method and Content of Audit

The Audit Committee periodically receives reports from Directors, Executive Officers and employees, etc. on resolutions of the Board of Directors concerning matters listed in Article 416(1) (i) (b) and (e) of the Companies Act, and the development and implementation of systems developed based on such resolutions (internal control systems), and asked for explanations and expressed opinions as necessary, in addition to conducting audits using the following methods.

(i) In accordance with the audit policy and the segregation of duties established by the Audit Committee, the Committee worked with the Company's Internal Control Division, attended important meetings and received reports from Directors and Executive Officers, etc. on the execution of their duties, requested explanations as necessary, examined documents related to the approval of important matters, and investigated the condition of operations and finances in EBARA's Head Office and major business locations. Furthermore, regarding subsidiaries, the Audit Committee communicated with the Directors, Audit & Supervisory Board Members, and others in these subsidiaries, worked to exchange information, and, as necessary, received reports from these companies.

(ii) The Audit Committee ensured whether the Independent Auditors maintained its independent status and conducted its auditing activities appropriately. The Audit Committee received reports from the Independent Auditors regarding the performance of its duties and results of the audits, and requested explanations as necessary. In addition, the Audit Committee has received notices from the Independent Auditors that they have set up systems for ensuring that their duties are conducted appropriately and requested explanations as necessary.

Based on the previously described methods, the Audit Committee considered the business report and appended documents, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and the notes to the non-consolidated financial statements), and the annexed detailed statement, as well as the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and the notes to the consolidated financial statements).

2. Results of the Audit

(1) Results of the Audit of the Business Report and other Documents

i. In our opinion, the Business Report and the Appended Documents have been prepared in accordance with relevant laws and EBARA's Articles of Incorporation and present the condition of EBARA fairly.

ii. We found no instances of improper behavior in the conduct of duties by the Directors and Executive Officers and no major facts regarding violations of laws or the Articles of Incorporation.

iii. We found the content of decisions made by the Board of Directors regarding internal control systems to be appropriate. Moreover, no notable matters were found with regard to the content of the business report and the execution of duties by the Directors and Executive Officers related to such internal control systems.

(2) Results of the Audit of the Non-Consolidated Financial Statements and the Annexed Detailed Statement

We found the methods used and the results of the audit conducted by the Independent Auditors, Ernst & Young ShinNihon LLC, to be appropriate.

(3) Results of the Audit of the Consolidated Financial Statements

We found the methods used and the results of the audit conducted by the Independent Auditors, Ernst & Young ShinNihon LLC, to be appropriate.

February 18, 2022

The Audit Committee of EBARA CORPORATION
Masahiro Hashimoto, Audit Committee Member
Hisae Kitayama, Audit Committee Member
Akihiko Nagamine, Audit Committee Member

(Note) Audit Committee Members Masahiro Hashimoto and Hisae Kitayama are Independent Directors as provided by Article 2(xv) and Article 400(3) of the Companies Act.

(Translation)
Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

March 9, 2022

Matters Disclosed on the Internet Pursuant to Laws, Regulations and the Articles of Incorporation When Providing Notice of the 157th Ordinary General Meeting of Shareholders

157th Period

(From January 1, 2021 to December 31, 2021)

EBARA CORPORATION

Of the documents to be provided with Notice of the 157th Ordinary General Meeting of Shareholders, the Consolidated Statement of Changes in Equity and the Notes to the Consolidated Financial Statements, along with the Non-consolidated Statement of Changes in Net Assets and the Notes to the Non-consolidated Financial Statements are provided to shareholders on the Company’s website (https://www.ebara.co.jp/en/ir/stock/shareholdersmeeting/index.html) in accordance with laws and regulations and Article 15 of the Articles of Incorporation.

Consolidated Statement of Changes in Equity

From January 1, 2021
to December 31, 2021

(Millions of yen)

	Equity attributable to owners of parent					
					Other components of equity	
	Share capital	Capital surplus	Retained earnings	Treasury shares	Exchange differences on translation of foreign operations	Net change in fair value of financial assets designated as measured at fair value through other comprehensive income
As of January 1, 2021	**79,451**	**75,987**	**136,629**	**(178)**	**(1,746)**	**(520)**
Changes during the period						
Comprehensive income						
Profit	–	–	43,616	–	–	–
Other comprehensive income	–	–	–	–	5,926	77
Total	**–**	**–**	**43,616**	**–**	**5,926**	**77**
Transactions with owners						
Dividends	–	–	(10,455)	–	–	–
Purchase of treasury shares	–	–	(88)	(20,010)	–	–
Disposal of treasury shares	–	0	–	0	–	–
Share-based payment transactions	191	578	–	–	–	–
Change in scope of consolidation	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	2,018	–	–	795
Total transactions with owners	**191**	**578**	**(8,525)**	**(20,010)**	**–**	**795**
As of December 31, 2021	**79,643**	**76,566**	**171,720**	**(20,189)**	**4,179**	**351**

(Millions of yen)

	Equity attributable to owners of parent			Total equity attributable to owners of parent	Non-controlling interests	Total
	Other components of equity		Total			
	Cash flow hedges	Remeasurements of defined benefit plans				
As of January 1, 2021	**(56)**	**–**	**(2,324)**	**289,564**	**7,312**	**296,877**
Changes during the period						
Comprehensive income						
Profit	–	–	–	43,616	2,812	46,428
Other comprehensive income	94	2,814	8,912	8,912	678	9,591
Total	**94**	**2,814**	**8,912**	**52,529**	**3,490**	**56,020**
Transactions with owners						
Dividends	–	–	–	(10,455)	(1,458)	(11,914)
Purchase of treasury shares	–	–	–	(20,099)	–	(20,099)
Disposal of treasury shares	–	–	–	0	–	0
Share-based payment transactions	–	–	–	770	–	770
Change in scope of consolidation	–	–	–	–	0	0
Transfer from other components of equity to retained earnings	–	(2,814)	(2,018)	–	–	–
Total transactions with owners	**–**	**(2,814)**	**(2,018)**	**(29,784)**	**(1,458)**	**(31,242)**
As of December 31, 2021	**38**	**–**	**4,569**	**312,310**	**9,345**	**321,655**

Notes to the Consolidated Financial Statements

Significant Accounting Principles

1. Standards for the preparation of the consolidated financial statements
   Starting from the fiscal year under review, the consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared based on International Financial Reporting Standards (IFRS) pursuant to Article 120, Paragraph 1 of the Regulations on Corporate Accounting of Japan. In accordance with the latter clause of the said paragraph, some of the disclosure items required by IFRS have been omitted from these consolidated financial statements.

2. Scope of consolidation
   (1) Number of consolidated subsidiaries and names of significant consolidated subsidiaries

Number of consolidated subsidiaries	103
Names of significant consolidated subsidiaries	Elliott Ebara Turbomachinery Corporation EBARA REFRIGERATION EQUIPMENT & SYSTEMS CO., LTD. EBARA DENSAN LTD. EBARA FAN & BLOWER CO., LTD. Ebara Environmental Plant Co., Ltd. EBARA FIELD TECH. CORPORATION EBARA AGENCY CO., LTD. EBARA BOMBAS AMÉRICA DO SUL LTDA. Ebara Machinery (China) Co., Ltd. EBARA MACHINERY ZIBO CO., LTD. EBARA GREAT PUMPS CO., LTD. Ebara Engineering Singapore Pte. Ltd. Vansan Makina Sanayi ve Ticaret A.Ş. Ebara Pumps Europe S.p.A. Elliot Company Elliott Ebara Singapore Pte. Ltd. EBARA REFRIGERATION EQUIPMENT & SYSTEMS (CHINA) CO., LTD. EBARA QINGDAO CO., LTD. Ebara Technologies Incorporated SHANGHAI EBARA PRECISION MACHINERY CO., LTD. Ebara Precision Machinery Korea Incorporated Ebara Precision Machinery Taiwan Incorporated Ebara Precision Machinery Europe GmbH

   (2) Change in scope of consolidation
   Ciğli Su Teknolojileri A.Ş. and its subsidiaries, Vansan Makina Sanayi ve Ticaret A.Ş. and Vansan Makina Montaj ve Pazarlama A.Ş., have been newly included in the scope of consolidation due to acquisition. In addition, newly established EBARA Environmental Engineering (China) Co., Ltd., and three other companies have been included in the scope of consolidation.

   (3) Names of significant non-consolidated subsidiaries
   None

3. Equity method
   (1) Number and name of non-consolidated subsidiaries and affiliates accounted for by equity method
   Number of non-consolidated subsidiaries accounted for by equity method
   None
   Number of affiliates accounted for by equity method 1
   Swing Corporation

   (2) Names of major non-consolidated subsidiaries and affiliates not accounted for by equity method
   Non-consolidated subsidiaries not accounted for by equity method
   None
   Non-consolidated affiliates not accounted for by equity method
   Ebara Philippines Landholdings, Inc.

Reason for not applying the equity method

The non-consolidated affiliate is not accounted for by equity method owing to insignificance in volume of profit or loss and retained earnings.

(3) Fiscal year-end of affiliates accounted for by equity method

As the fiscal year-end of the equity method affiliate is on March 31, the consolidated financial statements are prepared using its non-consolidated financial statements based on a provisional settlement of accounts implemented on the consolidated fiscal year-end.

4. Fiscal year-end of consolidated subsidiaries

Among the consolidated subsidiaries, the fiscal year-end of EBARA MACHINERY INDIA PRIVATE LIMITED and 20 other companies is March 31.

The consolidated financial statements are prepared using their non-consolidated financial statements based on a provisional settlement of accounts implemented on the consolidated fiscal year-end.

5. Significant accounting policies

(1) Foreign currency translation

1) Foreign currency transactions

Foreign currency transactions are translated into each functional currency of the Group companies using exchange rates as of the transaction date. Monetary assets and monetary liabilities denominated in foreign currency are translated into functional currency at exchange rates as of the reporting date. Non-monetary assets and non-monetary liabilities measured at fair value in foreign currency are translated into functional currency at exchange rates as of the fair value measurement date. Non-monetary items measured at cost denominated in foreign currency are translated at exchange rates as of the transaction date. The amount of exchange differences on foreign currency translation are normally recognized in profit or loss and presented as finance costs. If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

2) Financial statements of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into the presentation currency at exchange rates as of the end of the reporting period. Revenue and costs of foreign operations are translated at the average rate for the reporting period, except for when exchange rates fluctuate significantly. Exchange differences on translation of foreign currency are recognized in other comprehensive income and accumulated in translation adjustments except for the component allocated to non-controlling interests. When all or part of foreign operations are disposed of and control, significant influence or joint control is lost, the cumulative amount of foreign currency translation adjustments related to such foreign operations are reclassified to profit or loss as part of a gain or loss on disposal. When the Group partly disposes of equity in a subsidiary but retains control, part of the cumulative amount is redistributed to non-controlling interests as appropriate. When the Group only partly disposes of an affiliate or a joint venture while retaining control, part of the cumulative amount is reclassified to profit or loss as appropriate.

(2) Financial instruments

1) Non-derivative financial assets

The Group initially recognizes trade receivables on the date when they arise. The Group initially recognizes other financial assets on the transaction date when the Group becomes a party to the contractual provisions of these financial instruments.

The Group derecognizes a financial asset if the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive the cash flows of the financial asset by transferring substantially all the risks and rewards of ownership of the financial asset. In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, and does not retain control of the financial asset, the Group derecognizes the asset.

The classification of financial assets and the measurement models are outlined as follows:

i) Financial assets measured at amortized cost
Financial assets which satisfy both of the following conditions are classified as financial assets measured at amortized cost:

- The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, financial assets measured at amortized cost are measured at their fair value plus transaction costs that are directly attributable to the acquisition. After initial recognition, impairment losses are deduced from the gross carrying amount to which the effective interest method is applied.

ii) Financial assets measured at fair value through profit or loss
Financial assets except for those measured at amortized cost are classified as financial assets measured at fair value.

Of financial assets measured at fair value, financial assets except for those classified as financial assets measured at fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

At initial recognition, the financial assets measured at fair value through profit or loss are measured at their fair value with the transaction costs that are directly attributable to the acquisition being recognized in profit or loss as incurred. After initial recognition, the financial assets are measured at fair value with any subsequent changes recognized in profit or loss.

iii) Financial instruments measured at fair value through other comprehensive income
Of debt instruments measured at fair value, those which satisfy both of the following conditions are classified as financial assets measured at fair value through other comprehensive income.

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, financial assets measured at fair value through other comprehensive income are measured at their fair value plus transaction costs that are directly attributable to the acquisition. Interest, foreign exchange gain or loss and impairment losses are recognized in profit or loss, and other changes in fair value are recognized in other comprehensive income.

At initial recognition, entities are permitted to make an irrevocable election to present in other comprehensive income any subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. Accordingly, the Group makes such a designation on an instrument-by-instrument basis and classifies it as an equity instrument measured at fair value through other comprehensive income.

At initial recognition, equity instruments measured at fair value through other comprehensive income are measured at their fair value plus transaction costs that are directly attributable to the acquisition. After the initial recognition, the equity instruments are measured at fair value with any subsequent changes recognized in other comprehensive income. If amounts measured and recognized through other comprehensive income are derecognized (or its fair value declines significantly), the accumulated amount is reclassified to retained earnings instead of profit or loss. Dividends received are recognized in profit or loss unless they clearly indicate the recovery of costs of investments.

2) Impairment of financial assets
The Group recognizes a provision for bad debts corresponding to expected credit losses on financial assets measured at amortized cost. The Group determines at the end of the reporting period whether or not credit risk has increased significantly since initial recognition. If the credit risk of a financial instrument has increased significantly since initial recognition, a provision for bad debts for such financial assets is measured at the amount equal to lifetime expected credit losses. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month

expected credit losses. Notwithstanding the above, the Group always measures the amount of provision for bad debts equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component.

The Group judges whether or not there is any significant increase in credit risk based on changes in the risk of a default. A default is defined as a situation where all or part of a financial asset is not reasonably expected to be collected because a debtor has a significant issue with the payment of contractual cash flows. To determine whether the risk of a default has changed or not, the Group mainly takes into account credit ratings by outside credit rating agencies and past-due information. If the Group determines the credit risk of a financial instrument is low at the end of the reporting period, the risk is deemed not to have significantly increased since the initial recognition. The Group determines that credit risk has increased significantly if the payment is in principle more than 30 days overdue. To determine changes in credit risk, the Group takes into account reasonable and supportable information available without undue cost or effort. The Group determines that there is no significant increase in credit risk if the presumption is rebuttable based on the said information.

The Group determines that the receivables are credit impaired if the debtor's financial position deteriorates considerably, and if the debtor commences legal liquidation proceedings primarily due to bankruptcy. For any debt found to be uncollectible in the future, the Group directly reduces the carrying amount of the financial asset, and also reduces the corresponding amount in the provision for bad debts. The provision for bad debts for financial assets is recognized in profit or loss. When an event occurs that reduces the provision for bad debts, its reversal is recognized in profit or loss.

The Group measures expected credit losses of a financial instrument in a way that reflects:

i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
ii) time value of money, and
iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

3) Non-derivative financial liabilities

The Group initially recognizes financial liabilities on the date when they arise, and measure them at amortized cost. At initial recognition, the financial liabilities are measured at their fair value minus transaction costs that are directly attributable to the issue of the liabilities. After initial recognition, they are measured at amortized cost based on the effective interest method.

Financial liabilities are derecognized when financial debts are extinguished; in other words, when debts specified in the contracts are discharged, canceled or expired.

4) Derivatives and hedge accounting

The Group utilizes derivative transactions such as forward exchange contracts and interest rate swaps to hedge risks of fluctuation in foreign exchange and interest rates.

The Group formally designates and documents risk management objective and strategy regarding hedging relationships and hedge transactions at their inception. The document identifies the hedging instruments, items or transactions to be hedged, nature of risks to be hedged, and the methods to evaluate effectiveness of hedging instruments to offset the exposure of hedged items to changes in fair value or cash flows attributable to the risks being hedged. While the Group deems these hedging transactions are extremely effective to offset changes in fair values or cash flows attributable to the risks being hedged, assessment will be continued to determine whether they were in effect extremely effective throughout the accounting period they were designated as hedge instruments.

Derivatives are initially recognized at fair value. After initial recognition, they are measured at fair value with any subsequent changes being accounted for as follows:

i) Fair value hedges

Changes in fair value of derivatives as a hedging instrument are recognized in profit or loss. Changes in fair value of a hedged item attributable to the risk being hedged are recognized in profit or loss by adjusting the carrying amount of the hedged item.

ii) Cash flow hedges
The portion of changes in fair value of derivatives as a hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income.

The amount recognized in other comprehensive income is transferred from other components of equity to profit or loss in the reporting period when the transaction being hedged affects profit or loss. However, if a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the amount recognized in other comprehensive income is accounted for as an adjustment to the initial carrying amount of the non-financial asset or non-financial liability.

If a hedging instrument expires or is sold, terminated or exercised, and the instrument no longer meets the qualifying criteria for hedge accounting even after adjusting the hedge ratio, the Group discontinues hedge accounting prospectively. If a forecast transaction is no longer expected, the amount recognized as other comprehensive income is immediately reclassified from other components of equity to profit or loss.

iii) Derivatives not designated as a hedge
Changes in fair value of such derivatives are recognized in profit or loss.

5) Offsetting financial assets and financial liabilities
A financial asset and a financial liability are presented on a net basis after offsetting only when the Group has a legally enforceable right to set off the recognized amounts, and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(3) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments that are readily convertible to cash with a maturity of three months or less from the date of acquisition, and are subject to an insignificant risk of changes in value.

(4) Inventories
Inventories are measured at the lower of cost or net realizable value. The cost of inventories includes all costs of purchase, manufacturing and processing costs, and other costs incurred in bringing the inventories to their present location and condition and allocated based mainly on the weighted average method (or the moving average method for Precision Machinery). Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(5) Property, plant and equipment (excluding right-of-use assets):
1) Recognition and measurement
The Group adopts the cost model for the measurement of property, plant and equipment after recognition. It is presented at cost less any accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment comprises any costs directly related to the acquisition, estimated costs for dismantling and removing the asset and restoring the site on which it is located, and borrowing costs attributable to a qualifying asset.

Of the expenditures incurred after the acquisition of property, plant and equipment, those for ordinary repairs and maintenance are expensed as incurred, whereas those for major replacements and improvements are capitalized only when the expenditure is expected to bring future economic benefits to the Group.

2) Depreciation
Property, plant and equipment excluding land and construction in progress are depreciated from the time when they are available for use on a straight-line basis over their respective estimated useful lives. The estimated useful lives of major property, plant and equipment are as follows:

Buildings and structures:	2 to 60 years
Machinery, equipment and vehicles:	2 to 38 years

The depreciation method, estimated useful lives and residual values are reviewed at the end of each reporting period, and revised as necessary.

(6) Goodwill and intangible assets
1) Goodwill
The Group accounts for business combinations using the acquisition method.

If the total amount of fair value of consideration paid, the amount of non-controlling interests of the acquiree, and, in case of a step acquisition, the acquisition-date fair value of equity held by the Company in the acquiree pre-acquisition exceeds the net value of identifiable assets and liabilities assumed at the acquisition date, the excess is recognized as goodwill. On the other hand, if the total amount of consideration is lower than the net value of identifiable assets and liabilities, the difference is recognized as a gain in profit or loss.

Goodwill is not amortized but tested for impairment at the same time every year and whenever there is any indication that it may be impaired. While impairment losses on goodwill are recognized in profit or loss, they are not reversed.

After initial recognition, goodwill is presented at cost less any accumulated impairment losses.

2) Intangible assets (excluding right-of-use assets):
Intangible assets acquired separately are measured at cost. The costs of intangible assets acquired through business combinations are measured at fair value on the date of the business combination.

The Group adopts the cost model for the measurement of intangible assets after recognition. It is presented at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets with a finite useful life are amortized on a straight-line basis over their respective estimated useful lives. The estimated useful lives of major intangible assets are as follows:

Software for internal use	5 years

Intangible assets with an indefinite useful life and those not yet available for use are not amortized, but their estimated recoverable amount is estimated at the same time every year and whenever there is an indication of impairment.

The depreciation method and useful lives are reviewed at the end of each reporting period, and revised as necessary.

(7) Leases
(Lessee)
The Group recognizes right-of-use assets and lease obligations at the commencement date of the lease. The Group assesses whether the contract is, or contains, a lease based on the substance of the contract even if it does not have a legal form of a lease. The lease term is determined as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Right-of-use assets are initially measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease obligation adjusted for any lease payments made at or before the commencement date, less any lease incentives received, with the addition of any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the underlying asset or the site on which it is located.

After initial measurement, the right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the underlying asset or the end of the lease term. The estimated useful life of the right-of-use asset is determined in the same way as for property, plant and equipment held by the Company.

Lease obligations are initially measured at the present value of the lease payments that are not paid at the commencement date discounted at the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the Group as lessee uses its incremental borrowing rate. Generally, the Group uses the incremental borrowing rate as a discount rate.

Lease obligations are remeasured if there is a change in future lease payments resulting from a change in an index or a rate, if there is a change in the amounts expected to be payable under a residual value guarantee, or if there is a change in the assessment on whether to exercise an option to purchase the underlying asset, to extend or terminate the lease. In these remeasurements of lease obligations, corresponding adjustments are made to the carrying amount of right-of-use assets, or recognized in profit or loss if the carrying amount of right-of-use assets is reduced to zero.

Right-of-use assets and lease obligations are presented in the consolidated statement of financial position under “Property, plant and equipment” and under “Bonds, borrowings and lease obligations,” respectively.

Short-term leases and leases of low-value assets
The Group has elected not to recognize right-of-use assets or lease obligations for short-term leases with a lease term of 12 months or less and leases of low-value assets. The Group expenses lease payments for these leases on a straight-line basis over the lease term.

(Lessor)
For operating lease transactions, the Group recognizes underlying assets in the consolidated statement of financial position, and recognizes lease payments received as profit in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(8) Impairment of non-financial assets
The Group assesses whether there is any indication of impairment on property, plant and equipment as well as intangible assets.

If there is an indication of impairment, the Group measures the recoverable amount of each individual asset or cash-generating unit. Further, the Group does not amortize goodwill, intangible assets with indefinite useful lives, or intangible assets not yet available for use, but instead performs an impairment test at the same time every fiscal year and whenever there is an indication of impairment.

In performing the impairment test, the Group aggregates the assets to the smallest group of assets that generates cash inflows from continuing use that are largely independent of those from other assets or groups of assets. As the Group’s corporate assets do not generate independent cash inflows, if there is an indication that a corporate asset may be impaired, the recoverable amount is estimated for the cash-generating unit that includes the corporate asset.

The recoverable amount is determined at the higher of its value in use and its fair value less costs of disposal. The value in use is determined at the present value of the estimated future cash flows discounted at the pre-tax discount rate that reflects the time value of money and the risks specific to the asset.

If the carrying amount of an individual asset or a cash-generating unit exceeds the recoverable amount, an impairment loss is recognized in profit or loss, and the carrying amount of the asset is reduced to the recoverable amount. An impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill included in the cash-generating unit, and then the carrying amount of other assets in the cash-generating unit is reduced proportionately.

An impairment loss for goodwill is not reversed. An impairment loss for non-financial assets other than goodwill is reversed if there is an indication that the impairment loss may no longer exist or may have been reduced and the recoverable amount exceeds the carrying amount after write-down. In reversing the impairment loss, the difference between the recoverable amount and the carrying amount is recognized in profit or loss within a range that does not exceed the carrying amount had no impairment losses been recognized for the asset in prior periods.

(9) Employee benefits

1) Post-employment benefits

(Defined benefit plans)

The Group calculates defined benefit obligations by estimating the amount of future benefits which employees earned as consideration for services provided in the prior and current fiscal years, and then discounting the estimated amount to the present value. The discount rate is determined by reference to market yields at the end of the fiscal year on high quality corporate bonds with more or less the same maturity as the Group's defined benefit obligations.

Retirement benefit asset or retirement benefit liability is recognized at the present value of defined benefit obligations less the fair value of plan assets. Service cost and net interest on net defined benefit liability are recognized in profit or loss.

An increase or a decrease arising from remeasurements of defined benefit plans is recognized at a lump sum in other comprehensive income for the period it was incurred and immediately transferred to retained earnings. Past service cost is fully recognized in profit or loss as incurred.

(Defined contribution plans)

The Group expenses the amount of contributions payable to defined contribution plans when the employees provide relevant services.

2) Short-term employee benefits

The Group expenses short-term employee benefits at the time when the employees provide relevant services, without discounting them.

The Group recognizes bonuses and paid leave costs as a liability at an estimated amount payable under these plans if it has legal or constructive obligations and the amount can be reliably estimated.

3) Other long-term employee benefits

Net obligation to the Group's long-term employee benefit is the amount of future benefits which the employees earned as consideration for services provided in prior and current fiscal years. The amount is discounted to the present value. The difference arising from remeasurements is recognized in profit or loss in the period incurred.

(10) Share-based payment transactions

The Company adopts the following share-based payment plan as an incentive to its Directors, Executive Officers and employees.

(Stock option plan)

Stock options are calculated based on the fair value as of their dates of grant. They are expensed over the vesting period reflecting the final number of stock options expected to be vested, and the same amount is recognized as an increase in equity. The fair value of a stock option is computed using the Black-Scholes model.

(Restricted stock compensation and performance-linked stock compensation scheme)

The Company has introduced share-based compensation schemes that are equity-settled and cash-settled with the aim of raising the motivation for contributing to the sustainable growth of corporate value and sharing value with the shareholders.

For equity-settled share-based compensation, the consideration for services received is measured by reference to the fair value of shares of the Company to be granted. The amount of consideration for services determined is recognized as an expense in profit or loss with the corresponding amount recognized as an increase in equity.

For cash-settled share-based compensation, the fair value of payment is recognized as a liability, and the change in fair value of the liability is recognized in profit or loss over the period up to the vesting of an unconditional right to receive payments.

(11) Provisions

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

The amount of a provision is determined by discounting the estimated future cash flows to the present value at the pre-tax rate that reflects the time value of money and the risks specific to the liability. Any increase in the provision reflecting the effect of the passage of time is recognized as finance costs.

(12) Revenue

For contracts with customers, the Group recognizes revenue based on the following five-step approach.
Step 1: Identify the contract(s) with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies performance obligations

The Group is engaged in manufacturing, sales, construction, maintenance, and other activities in its Fluid Machinery & Systems (FMS) Business, which specializes in rotary machinery such as pumps and compressors; the Environmental Plants (EP) Business, which includes municipal waste incineration facilities and other environmental plants; and the Precision Machinery (PM) Business, which manufactures machinery and equipment for semiconductor manufacturing equipment.

1) Fluid Machinery & Systems Business

Engages in manufacturing, sales, construction and maintenance services related to custom and standard pumps, compressors, turbines, chillers, cooling towers and related systems, blowers, and control equipment for electricity, telecommunications, and energy.

For the manufacture and sale of products in the FMS Business, based on a comprehensive assessment of indicators of the transfer of control, such as legal title of the product, physical possession of the product, transfer of significant risks and rewards of ownership of the product to a customer, and the right to receive payment from a customer, the Group determines that control of the products is transferred to the customer and the performance obligation is satisfied primarily at the time of delivery or inspection of the products.

For construction and maintenance contracts in the FMS Business, the Group recognizes revenue primarily if one of the following criteria is met and as performance obligation is satisfied over time, because control of the product or service is transferred over time.

(i) The customer simultaneously receives and consumes the benefits provided by the Group’s performance at the same time as the Group performs;
(ii) the Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group’s performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

If the result of the performance obligation can be reasonably measured, revenue is recognized over the construction period based on the progress rate for fulfillment of the performance obligation estimated as of the end of the reporting period. The progress rate is calculated based on the ratio of the actual cost to the estimated total cost (input method). If the outcome of the performance obligation cannot be reasonably measured, but the Group expects to recover the cost of satisfying the performance obligation, the Group faithfully depicts its performance by recognizing sales only to the extent of the cost incurred.

2) Environmental Plants Business
The EP Business is engaged in manufacturing, sales, construction, and maintenance services related to waste treatment facilities.

For the manufacture and sale of products in EP Business, based on a comprehensive assessment of indicators of the transfer of control, such as legal title of the product, physical possession of the product, transfer of significant risks and rewards of ownership of the product to a customer, and the right to receive payment from a customer, the Group determines that control of the products is transferred to the customer and the performance obligation is satisfied primarily at the time of delivery or inspection of the products.

For construction and maintenance contracts in the EP Business, the Group transfers control of a product or service over time and, therefore, satisfies a performance obligation over a certain period of time and recognizes revenue over time, if one of the following criteria is met.

(i) The customer simultaneously receives and consumes the benefits provided by the Group's performance at the same time as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(iii) the Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

If the result of the performance obligation can be reasonably measured, revenue is recognized over the construction period based on the progress rate for fulfillment of the performance obligation estimated as of the end of the reporting period. The progress rate is calculated based on the ratio of the actual cost to the estimated total cost (input method). If the outcome of the performance obligation cannot be reasonably measured, but the Group expects to recover the cost of satisfying the performance obligation, the Group faithfully depicts its performance by recognizing sales only to the extent of the cost incurred.

3) Precision Machinery Business
Engages in manufacturing, sales, and maintenance services related to dry vacuum pumps and CMP systems.

For the manufacture and sales of products in the PM Business, based on a comprehensive assessment of indicators of the transfer of control, such as legal title of the product, physical possession of the product, transfer of significant risks and rewards of ownership of the product to a customer, and the right to receive payment from a customer, the Group determines that control of the products is transferred to the customer and the performance obligation is satisfied primarily at the time of delivery or inspection of the products.

Revenue is measured at the amount of consideration promised in the contract with a customer, by deducting discounts, late fees, and other charges. For variable consideration, including variable discounts, the amount of consideration is estimated using all reasonably available information, and revenue is recognized only to the extent that it is highly probable that a significant reversal will not occur. Furthermore, the Group does not adjust the interest rate component of the consideration because it expects that, at the inception of the contract, the period between the time when the goods or services are transferred to the customer and the time when the customer pays the consideration is one year or less, applying practical expedients under IFRS 15 "Revenue from Contracts with Customers."

If multiple performance obligations are identified in the contract, the transaction amount is allocated to each performance obligation, mainly at a ratio of observable standalone selling price.

(13) Income taxes

Income tax expense is shown as the aggregate amount of current tax and deferred tax.

Current tax is measured at the amount expected to be paid to, or recovered from the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period. These are recognized under the profit or loss of the fiscal year under review, excluding items associated with a business combination and those recognized directly under equity or other comprehensive income.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are measured based on a temporary difference which is the difference between the carrying amount of assets and liabilities, and the tax base of assets and liabilities, and based on losses carried forward. Deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which the deductible temporary differences, tax loss carried forward and tax credit carried forward, can be utilized.

Deferred tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or taxable income. Further, deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Taxable temporary differences related to investments in subsidiaries and affiliates are recognized as deferred tax liabilities. However, deferred tax liabilities are not recognized if the Group can control the timing of the reversal of temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets are also recognized for deductible temporary differences associated with investments in subsidiaries and affiliates, but only to the extent that the Group is able to control the timing of the reversal of the differences, and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

(14) Borrowing costs

For an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, borrowing costs directly attributable to acquisition, construction or production of such asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

(15) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the parent, by the weighted average number of common shares outstanding during the period, adjusted for treasury shares during the period. Diluted earnings per share is calculated after adjusting for the effect of dilutive potential shares.

Notes to Accounting Estimates

1. Revenue recognition

Revenue is recognized mainly for construction and maintenance contracts of the Pumps, Compressors & Turbines, and Chillers businesses of the FMS segment as well as the EP segment, as control of goods or services is transferred over time and therefore performance obligation is satisfied over time. The input method is used to measure progress towards complete satisfaction of a performance obligation, if the outcome of a performance obligation can be reliably determined and measured at the ratio of costs incurred relative to total estimated costs.

Preconditions in estimates and measurement are reviewed as necessary, and the initial estimate may be amended as a result of incurring additional cost, changes in contract amounts, or for other reasons, and may significantly impact the amount recognized in the consolidated financial statements.

As of December 31, 2021, the carrying amount of contract assets was ¥86,887 million.

2. Recoverability of deferred tax assets
Recoverability of deferred tax assets are regularly examined and deferred tax assets are recorded reflecting future estimated taxable income and feasible tax planning, to the extent that it is probable that taxable income will be available against which deductible temporary differences, tax losses carried forward and tax credit carried forward can be utilized. The timing of incurring future taxable income and its amount for assuming estimates are measured based on the business plan approved by the management, but such assumptions may fluctuate due to factors such as the business results at that time. Therefore recoverability will be reviewed to adjust deferred tax assets in the event of any factors that affect these estimates, and may significantly impact the amount of deferred tax assets recognized in the consolidated financial statements.
As of December 31, 2021, the carrying amount of deferred tax assets was ¥12,665 million.

3. Accounting procedure and evaluation of provisions
The Group records provisions such as those for warranties on completed construction and for loss on construction contracts. These provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.
Assumptions used to measure such provisions may be affected by changes in uncertain economic conditions in the future, and may significantly impact the amount of provisions recognized in the consolidated financial statements over the future.
As of December 31, 2021, the carrying amount of provisions was ¥17,257 million.

4. Defined benefit liability
The Group calculates defined benefit obligations by estimating the amount of future benefits which employees earned as consideration for services provided in the prior and current fiscal years, and then discounting the amount to the present value. The discount rate is a significant actuarial assumption determined by reference to market yields at the end of the fiscal year on high quality corporate bonds with more or less the same maturity as the Group's defined benefit liability.
Other actuarial assumptions include estimated rates of retirement, mortality and salary increase. Such actuarial assumptions may be affected mainly by changes in the future economic environment or social trends, and any reviews of the assumptions may significantly impact the value of defined benefit liability recognized in the consolidated financial statements.
As of December 31, 2021, the carrying amounts of retirement benefit assets and liabilities were ¥7,497 million and ¥8,413 million, respectively.

5. Impairment of non-financial assets
The Group assesses property, plant and equipment as well as goodwill and intangible assets for indication of impairment. If there is an indication of impairment, the Group measures the recoverable amount of each individual asset or cash-generating unit. Further, goodwill or intangible assets with indefinite useful lives and those not yet available for use are tested for impairment at the same time every fiscal year and whenever there is an indication of impairment. The Group uses certain assumptions on factors such as future cash flows, discount rates and growth rates for calculating recoverable amounts in impairment testing.
Although these assumptions are determined by the management's best estimate and judgment, it may be affected by factors such as changes in uncertain economic conditions in the future and changes in the business plan, and any reviews to the plans may significantly impact the consolidated financial statements.
As of December 31, 2021, the carrying amounts of property, plant and equipment as well as goodwill and intangible assets were ¥161,392 million and ¥23,204 million, respectively.

The spread of COVID-19 continues worldwide. It is still a major threat, and the situation remains unpredictable. On the other hand, thanks to increasingly active efforts to balance infection prevention measures and economic activities envisaging life with COVID-19, demand for social and industrial infrastructure is recovering.

The Group made accounting estimates assuming that COVID-19 will have only limited impact on the Group's business and that in the following fiscal year, the business environment will remain steady as well.

However, if the impact of the spread of COVID-19 diverges from this assumption, the Group's financial position and operating results may be affected.

Notes to the Consolidated Statement of Financial Position

1. Pledged assets and related liabilities
   (1) Pledged assets

Buildings and structures	¥3,693 million
Others	¥1,003 million
Total	¥4,696 million

   (2) Liabilities related to the collateral

Short-term borrowings	¥13 million

2. Accumulated depreciation of property, plant and equipment ¥248,428 million

3. Commitments and contingent liabilities
   (1) Loans guaranteed to employees ¥23 million

   (2) Loans guaranteed to non-consolidated subsidiaries and affiliates

   None

   (3) Loans guaranteed to The Ebara Hatakeyama Memorial Foundation (a public interest incorporated foundation) ¥900 million

4. Bad debt expense directly deducted from balances of assets
   (1) Trade receivables and other receivables ¥2,718 million
   (2) Other financial assets ¥5,061 million

Notes to the Consolidated Statement of Changes in Equity

1. Type and number of shares outstanding

Type of shares	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Common shares	95,391,453	122,180	–	95,513,633

Note: Increase of 122,180 shares outstanding consists of an increase of 81,500 shares due to the exercise of share acquisition rights and an increase of 40,680 shares due to the issuance of new shares as restricted share-based payment transactions.

2. Dividends

(1) Payment of dividends

Date of resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
March 26, 2021 at the Ordinary General Meeting of Shareholders	Common shares	5,722	60	December 31, 2020	March 29, 2021
August 13, 2021 at the Board of Directors meeting	Common shares	4,733	50	June 30, 2021	September 14, 2021

(2) Dividends with record dates falling in the fiscal year under review but whose effective dates falls in the following fiscal year

The Company plans to propose dividends on common shares as follows at the Ordinary General Meeting of Shareholders to be held on March 29, 2022:

Date of resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share (Yen)	Record date	Effective date
March 29, 2022 at the Ordinary General Meeting of Shareholders	Common shares	10,393	Retained earnings	113	December 31, 2021	March 30, 2022

3. Type and number of shares underlying share acquisition rights (excluding those prior to arrival of exercise period)

Share acquisition rights Common shares 242,500 shares

Notes to Financial Instruments

1. Status of financial instruments

   The Group is exposed to financial risks (credit risk, liquidity risk, and market risk) that may arise in the course of its business activities. In order to avoid or mitigate such financial risks, we manage risks in accordance with certain policies. In addition, the Group's policy is to use derivatives to avoid risk, and not to for speculative purposes.

   (1) Management of credit risk

   The Group's trade receivables are exposed to customer credit risk. In order to mitigate such risk, the Company and its consolidated subsidiaries follow their internal regulations, regularly monitor the conditions of principal counterparties and manage the collection status and balances by entity to early identify and mitigate collectability concerns due to a decline in their financial condition. The Group secures collateral for transactions with some of the counterparties. The Group manages credit risk so that it is not excessively concentrated on a specific counterparty.

   (2) Management of liquidity risk

   The Group manages liquidity risk, which is the risk of default in fulfilling obligations under financial liabilities by cash or other financial assets, by having the Company's finance division prepare and update cash flow plans based on reports from each department as well as maintaining an adequate scale of liquidity on hand in accordance with the status of its business. In addition, to cover financial risk, we secure alternative liquidity mainly by executing commitment line contracts. To improve funding efficiency in the Group, funds are concentrated to the Company under a cash management system (CMS).

   (3) Management of market risk

   1) Foreign exchange risk

   The Company operates business globally, and the resulting trade receivables and payables denominated in foreign currencies are exposed to foreign exchange risk. The Group hedges the exposure to risk mainly of the net position of foreign currency-denominated receivables and payables by using derivatives such as foreign currency forward contracts.

   The Group manages exposure to risks including those of its consolidated subsidiaries based on internal Financial Instruments Management Regulations.

   2) Interest-rate risk

   The Group's interest-bearing debts that have floating interest rates are exposed to interest-rate risk. To mitigate the interest-rate risk, the Group balances the fixed and floating interest rates of borrowings appropriately and uses derivatives such as interest-rate swaps as necessary.

   3) Stock price fluctuation risk

   Equity financial instruments held by the Group are principally stocks in business partners and are exposed to market price fluctuation risk. For equity financial instruments, the Group regularly confirms the market prices and the financial condition of the issuers (counterparties). In addition, for bonds other than those held to maturity, the Group constantly reviews the rationale of holding them based on the relationship with the counterparty.

2. Fair value of financial instruments

The carrying amount and fair value of financial instruments as of December 31, 2021, the Group's closing date in the fiscal year under review, are as follows:

(Millions of yen)

	Carrying amount	Fair value
(1) Cash and cash equivalents	136,488	136,488
(2) Trade and other receivables	130,121	130,092
(3) Other financial assets	9,550	9,309
(4) Trade and other payables	162,558	162,558
(5) Bonds and borrowings	90,304	89,934
(6) Other financial liabilities	221	220

Note: Methods of measuring the fair value of financial instruments

(1) Cash and cash equivalents

Because these items are settled within short periods, their carrying amounts approximate their fair values.

(2) Trade and other receivables

Trade receivables are categorized into certain periods and discounted per item taking into account the period to maturity and credit risk.

Because other receivables are settled within short periods, their carrying amounts approximate their fair values.

(3) Other financial assets

1) Other financial assets measured at amortized cost

The fair values of non-current financial assets are calculated by estimating their future cash flows and discounting them to their present value using a discount rate that takes into account credit risk. Because current financial assets are settled within short periods, their carrying amounts approximate their fair values.

2) Other financial assets measured at fair value

(i) Shares

Shares are included in other financial assets and are classified as equity instruments measured at fair value through other comprehensive income. As for shares, those classified as Level 1 of the fair value hierarchy are quoted prices of listed shares in active markets. Those classified as Level 2 are unlisted shares and are evaluated using observable market data. Those classified as Level 3 are unlisted shares measured mainly using the equity valuation model (a method to measure corporate value based on the equity of the issuer adjusted for any corrections arising from market value evaluation) or using fair values based on recently obtained appraisal reports by external appraisers.

(ii) Membership rights

Membership rights are included in other financial assets and are classified as financial assets and financial liabilities measured at fair value through profit or loss. Their fair value is mainly based on quoted market prices.

(iii) Investment limited partnerships

Investment in investment limited partnerships is included in other financial assets and is calculated based on the amount equivalent to equity held in the partnership assets.

(iv) Derivative assets

Derivative assets are included in other financial assets and are classified as financial assets measured at fair value through profit or loss. Derivatives are mainly transactions related to foreign exchange contracts and interest rate swaps, and their fair values are calculated based on observable market data presented by counterparty financial institutions.

(4) Trade and other payables

Because these items are settled within short periods, their carrying amounts approximate their fair values.

(5) Bonds and borrowings

The fair values of bonds and long-term borrowings with a contract term of over one year are calculated based on the present value which is the total amount of principal and interest discounted at an assumed interest rate for a similar new borrowing.

(6) Other financial liabilities

1) Other financial liabilities measured at amortized cost

The fair values of non-current liabilities are calculated by estimating their future cash flows and discounting them to their present value using a discount rate that takes into account credit risk. Because current liabilities are settled within short periods, their carrying amounts approximate their fair values.

2) Other financial assets measured at fair value
Derivative liabilities are included in other financial liabilities and are classified as financial liabilities measured at fair value through profit or loss. Derivatives are mainly transactions related to foreign exchange contracts and interest rate swaps, and their fair values are calculated based on observable market data presented by counterparty financial institutions.

Notes to Per Share Data

1.	Equity attributable to owners of parent per share	¥3,395.50
2.	Basic earnings per share	¥463.44

Notes on Revenue Recognition

Details of revenue recognition are as described in “Significant Accounting Principles, 5. Significant accounting policies, (12) Revenue.”

Additional Information

(Business Combination through Acquisition)

Based on a stock purchase agreement concluded on December 21, 2020, the Group has acquired all outstanding shares of Çiğli Su Teknolojileri A.Ş. and its subsidiaries, Vansan Makina Sanayi ve Ticaret A.Ş., a Turkish pump manufacturer, and Vansan Makina Montaj ve Pazarlama A.Ş.

(1) Overview of the Business Combination

(i)Name and business of acquired companies

Names of acquired companies

Çiğli Su Teknolojileri A.Ş.
Vansan Makina Sanayi ve Ticaret A.Ş.
Vansan Makina Montaj ve Pazarlama A.Ş.

Business description

Manufacture and sale of deep well motor pumps and vertical-type pumps

(ii) Date of acquisition: April 12, 2021

(iii) Percentage of voting rights acquired: 100.0%

(iv) Primary reason for the business combination
To enhance the Company’s global supply chain by strengthening access to markets in Europe, Central Asia, the Middle East and Africa in order to further expand its Standard Pumps Business.

(v) Legal form of the business combination:
Cash acquisition of shares

(2) Consideration paid, fair value of assets acquired and liabilities assumed, and amount of goodwill as of the date of business combination

(Millions of yen)

	Amount
Fair value of acquisition costs	
Cash	10,768
Total	10,768
Fair value of acquired assets	
Cash and cash equivalents	392
Trade and other receivables	2,865
Inventories	2,232
Property, plant and equipment	1,108
Intangible assets	4,499
Other assets	757
Fair value of assumed liabilities	
Trade and other payables	2,683
Borrowings and lease obligations	4,022
Other liabilities	1,688
Fair value of acquired assets and assumed liabilities (net)	3,460
Goodwill	7,307
Total	10,768

Notes:

1. The fair value of ¥2,865 million in trade and other receivables (mainly accounts receivable-trade) comprises the total contract amount of ¥2,912 million less ¥47 million, the estimate as of the acquisition date of contractual cash flows that are expected to be irrecoverable.
2. Goodwill generated by this business combination is recorded in the FMS Business and mainly comprises impacts of synergies with existing businesses and excess earning power expected from the acquisition that do not meet the requirements for recognition individually. No amount of this goodwill is expected to be deductible for tax purposes.

(3) Acquisition-related costs

Acquisition-related costs related to this business combination amount to ¥176 million, all of which are recorded as selling, general and administrative expenses.

(4) Effect on the financial results

(i) Revenue and profit included in the consolidated statement of profit or loss for the fiscal year under review

Revenue ¥6,531 million
Profit ¥(885) million

(ii) Effect on revenue and profit in consolidated statement of profit or loss assuming that the business combination was implemented at the beginning of the period (unaudited)

Revenue ¥8,202 million
Profit ¥(1,392) million

Notes on Significant Subsequent Events

Cancellation of treasury shares

At the meeting of the Board of Directors held on May 14, 2021, the Company resolved to cancel its treasury shares in accordance with Article 178 of the Companies Act, and completed it as follows.

(1) Type of shares cancelled
    Common shares of the Company

(2) Number of shares cancelled
    3,513,400 shares
    (3.68% of the total number of issued shares as of the end of December 2021)

(3) Date of cancellation
    January 31, 2022

Non-consolidated Statement of Changes in Net Assets

From January 1, 2021
to December 31, 2021

(Millions of yen)

	Shareholders' equity					
		Capital surplus			Retained earnings	
					Other retained earnings	
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	**79,451**	**83,379**	**–**	**83,379**	**107,883**	**107,883**
Changes during period						
Issuance of new shares	191	191	–	191		
Dividends of surplus			–		(10,455)	(10,455)
Profit			–		35,654	35,654
Purchase of treasury shares			–			
Disposal of treasury shares			0	0		
Total changes during period	**191**	**191**	**0**	**192**	**25,198**	**25,198**
Balance at end of period	**79,643**	**83,571**	**0**	**83,572**	**133,082**	**133,082**

(Millions of yen)

	Shareholders' equity		Share acquisition rights	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of period	**(20)**	**270,693**	**765**	**271,459**
Changes during period				
Issuance of new shares		383	(180)	203
Dividends of surplus		(10,455)		(10,455)
Profit		35,654		35,654
Purchase of treasury shares	(20,010)	(20,010)		(20,010)
Disposal of treasury shares	0	0		0
Total changes during period	**(20,010)**	**5,572**	**(180)**	**5,391**
Balance at end of period	**(20,031)**	**276,266**	**585**	**276,851**

Notes to the Non-consolidated Financial Statements

Significant Accounting Principles

1. Valuation standards and valuation methods of assets
   (1) Valuation standards and valuation methods of securities
   Securities
   Held-to-maturity securities
   Amortized cost method (Straight line method)
   Shares of subsidiaries and associates
   Gross average cost method
   Other securities
   Other securities with market value
   Securities with a market value are stated at market value, and unrealized gains or losses, net of tax, are credited or debited to net assets as shown in the balance sheet. Cost of securities sold is determined using the gross average cost method.
   Other securities without market value
   Gross average cost method

   (2) Valuation standards and valuation methods of derivatives
   Derivatives
   Fair value method

   (3) Valuation standards and valuation methods of inventories
   Inventories
   Merchandise and finished goods as well as raw materials and supplies
   Gross average cost method, except for in the Precision Machinery Business, which employs the moving average method. (Book value is written down in line with decline in profitability.)
   Work in process
   Specific identification cost method. (Book value is written down in line with decline in profitability.)

2. Depreciation method of non-current assets
   (1) Property, plant and equipment (except leased assets)
   The straight-line method is used.
   Minor assets acquired at prices ranging from ¥100,000 to less than ¥200,000 are amortized in a lump sum equally over a three-year period as specified in the Japanese Corporation Tax Act.

   (2) Intangible assets (except leased assets)
   Intangible assets are amortized on a straight-line basis, according to the criteria specified in the Japanese Corporation Tax Act.
   Software used in the Company is amortized on a straight-line basis for the estimated useful life of five years.

   (3) Leased assets
   Leased assets under finance lease transactions that do not transfer ownership of the asset to the lessee are depreciated on a straight-line basis over the lease term with a residual value of zero.

3. Standards for allowances and provisions
   (1) Allowance for doubtful accounts
   Allowance for doubtful accounts is provided based on past experience for normal receivables and on a separate estimate of the collectability of receivables from individual companies in financial difficulty.

   (2) Provision for bonuses
   A provision for bonuses is recorded based on the expected amount to be paid.

   (3) Provision for bonuses for directors (and other officers)
   A provision for bonuses for directors (and other officers) is recorded in an amount deemed to be incurred

at the fiscal year-end.

(4) Provision for retirement benefits

To cover retirement benefits for employees, the Company provides an amount deemed to be incurred at the fiscal year-end based on an estimate of retirement benefit obligations and plan assets at the fiscal year-end.

Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service period of employees at the time of accrual.

Actuarial differences are recorded in an amount at the fiscal year-end of accrual prorated using the declining-balance method over a certain number of years within the average remaining service period of employees, and amortized starting from the following fiscal year.

However, if the amount of plan assets to be recognized at the fiscal year-end exceeds the amount of retirement benefit obligations less actuarial differences, it is recorded in investments and other assets, as prepaid pension costs.

(5) Provision for warranties for completed construction

To cover liability for defect warranty on completed construction, the Company provides an estimated amount of guarantee expenses obtained by multiplying the amount of completed construction contracts by a reasonably computed rate of incidence.

(6) Provision for product warranties

To cover liability for defect warranty on sales contracts, the Company provides and estimated amount of guarantee expenses obtained by multiplying the amount of product sales by a reasonably computed rate of incidence.

(7) Provision for loss on construction contracts

To cover possible losses on contracted construction projects, the Company provides an estimated amount of losses for uncompleted projects deemed to have a high possibility of incurring losses which can be reasonably estimated at the fiscal year-end.

4. Recognition standard of revenue and expenses

The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 30, 2018) and the “Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018), and recognizes revenue at the amount expected to be received in exchange for its goods or services when control of the promised goods or services is transferred to a customer.

5. Significant accounting principles

(1) Consumption tax

Consumption taxes are accounted for using the net-of-tax method.

(2) Hedging transactions

1) Hedging transactions

Gains or losses and evaluation differences related to hedging transactions accounted for at fair value are deferred as assets or liabilities until recognized. Evaluation gains and losses on foreign exchange contracts and currency options that qualify are allocated to settlement periods throughout the period of the contract of underlying monetary claims and liabilities denominated in foreign currencies. Interest rate swaps that qualify are treated as special exceptions.

2) Hedging instruments and hedged items

Hedging instruments	Foreign exchange forward contracts, foreign currency swap contracts and interest rate swap agreements
Hedged items	Monetary claims and liabilities denominated in foreign currencies

3) Hedging policy

The Company hedges currency exchange rate risk and interest rate risk based on an internal risk management policy.

4) Assessing hedge effectiveness

Interest rate risk	Hedge effectiveness is assessed by comparing cumulative changes in cash flows of hedging instruments and hedged items over the duration of the hedge transaction up to the time of assessment, except for interest rate swaps that qualify as special exceptions, for which assessment is omitted.
Currency exchange rate risk	As long as one hedging instrument and one hedged item correspond, the hedge is considered effective.

(3) Consolidated taxation system

The Company applies the consolidated taxation system.

Adoption of tax effect accounting upon the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system established in the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020) and the items for which non-consolidated taxation system was reviewed in conjunction with the transition to the group taxation system, the Company and some of its consolidated subsidiaries do not apply the provisions of paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) in accordance with paragraph 3 of the "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020). The amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision.

Notes to Changes in Presentation

(Statement of income)

In the previous fiscal year, commission for commitment line was included in "Others" under non-operating expenses. Due to increased materiality in amount, it is presented separately from the fiscal year fiscal year under review.

(Adoption of "Accounting Standard for Disclosure of Accounting Estimates")

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the fiscal year under review, and provides notes to accounting estimates below.

Notes to Accounting Estimates

1. Revenue recognition

Contract assets included in accounts receivable-trade ¥22,537 million

Details on accounting estimates are as described in "Notes to the Consolidated Financial Statements – Notes to Accounting Estimates – Revenue Recognition."

2. Recoverability of deferred tax assets

Details on accounting estimates are as described in "Notes to the Consolidated Financial Statements – Notes to Accounting Estimates – Recoverability of deferred tax assets."

The book value of deferred tax assets at the end of the fiscal year under review is described in "Notes to the Non-consolidated Financial Statements – Notes to Income Taxes."

3. Measurement of prepaid pension costs

Prepaid pension costs ¥3,483 million

Details on accounting estimates are as described in "Notes to the Consolidated Financial Statements – Notes to Accounting Estimates – Defined benefit liability."

4. Allowances and provisions

Provision for warranties for completed construction	¥2,107 million
Provision for product warranties	¥3,335 million
Provision for loss on construction contracts	¥1,434 million

Details on accounting estimates are described in "Notes to the Consolidated Financial Statements – Notes to Accounting Estimates – Accounting procedure and evaluation of provisions."

5. Impairment losses for non-current assets
   Property, plant and equipment ¥87,807 million
   Intangible assets ¥12,483 million
   In assessing the recoverability of impairment of non-current assets, assets are grouped for each segment, and for asset groups whose profitability has declined significantly, the book value of non-current assets is reduced to the recoverable amount, and the decrease is recorded as an impairment loss. As the recoverable value of non-current assets is calculated based on assumptions such as future cash flows, discount rates, and net selling price, if revenue is not generated as initially expected, or if changes are made to assumptions on future cash flows, or for other reasons, non-current assets may be written down, and significantly impact the non-consolidated financial statements.

6. Evaluation of shares of subsidiaries and associates and investments in capital of subsidiaries and associates
   Shares of subsidiaries and associates ¥93,872 million
   Investments in capital of subsidiaries and associates ¥21,804 million
   In the event that substantive value of the shares of subsidiaries and associates without market value and investments in capital of subsidiaries and associates declined by about 50% or more compared to the acquisition price, the Company records a loss on valuation, unless the entity's business plan provides sufficient evidence of recoverability. Some shares of subsidiaries and associates are evaluated by adding the excess earning power at the time of acquisition of the entity to the substantive value. Although business plans are determined by the management's best estimate and judgment, it may be affected by factors such as changes in uncertain economic conditions in the future and changes in the business plan, and any reviews to the plans may significantly impact the non-consolidated financial statements.

The impact of COVID-19 is as described in "Notes to the Consolidated Financial Statements – Notes to Accounting Estimates."

Notes to the Non-consolidated Balance Sheet

1. Accumulated depreciation of property, plant and assets	¥118,691 million
2. Commitments and contingent liabilities	
(1) Loans guaranteed to employees for housing	¥22 million
(2) Loans guaranteed to subsidiaries and associates	¥7,741 million
Consolidated subsidiaries	
ELLIOTT COMPANY	¥7,536 million
Ebara Thermal Systems (Thailand) Co., Ltd.	¥205 million
Total	¥7,741 million
(3) Loans guaranteed to The Ebara Hatakeyama Memorial Foundation (a public interest incorporated foundation)	¥900 million
3. Monetary claim and liabilities to subsidiaries and associates	
Short-term monetary claim to subsidiaries and associates	¥59,812 million
Long-term monetary claim to subsidiaries and associates	¥708 million
Short-term monetary liabilities to subsidiaries and associates	¥30,823 million

Notes to the Non-consolidated Statement of Income

Amount of transactions with subsidiaries and associates	
Amount of operating transactions	
Amount of net sales	¥80,812 million
Amount of purchases	¥25,020 million
Amount of non-operating transactions	¥23,391 million

Notes to the Non-consolidated Statement of Changes in Net Assets

Treasury shares

Type of shares	Number of shares at the beginning of the fiscal year	Increase	Decrease	Number of shares at the end of the fiscal year
Common shares	20,422	3,515,732	81	3,536,073

Notes:

1. The increase of 3,515,732 treasury shares is due to an increase of 2,129 shares from the purchase of odd-lot shares and an increase of 3,513,603 shares from the repurchase of own shares following the resolution at the meeting of the Board of Directors.
2. The decrease of 81 treasury shares is due to a decrease of 81 shares from the sale of odd-lot shares.

Notes to Income Taxes

Significant components of deferred tax assets and deferred tax liabilities

Deferred tax assets:	
Provision for bonuses	¥1,214 million
Loss recognized on a percentage-of completion basis	¥514 million
Provision for retirement benefits	¥1,551 million
Tax loss carried forward	¥593 million
Loss on valuation of investment securities	¥50 million
Loss on valuation of shares of subsidiaries and associates	¥2,403 million
Loss on valuation of inventories	¥3,099 million
Loss on retirement of non-current assets	¥646 million
Depreciation	¥561 million
Provision for warranties for completed construction	¥2,134 million
Excess allowance for doubtful accounts	¥1,087 million
Accounts payable-other	¥701 million
Others	¥2,567 million
Subtotal	¥17,125 million
Valuation allowance	¥(10,333) million
Total deferred tax assets	¥6,792 million
Deferred tax liabilities:	
Others	¥684 million
Total deferred tax liabilities	¥684 million
Net deferred tax assets	¥6,108 million

Notes to Related Parties

Transactions with subsidiaries and associates

Attribute	Name	Investment ratio	Nature of relationship	Details of the transaction	Amount of the transaction (Millions of yen)	Accounting item	Year-end balance (Millions of yen)
Subsidiary	EBARA FIELD TECH. CORPORATION	Ownership Directly 100%	- The entity provides sale and after-sales service for the Company's component devices and semiconductor manufacturing equipment - The Company lends buildings and plants - The Company borrows money from the entity - One interlocking director	Sales	24,471	Accounts receivable-trade Electronically recorded monetary claims - operating	5,076 9,475
Subsidiary	Ebara Environmental Plant Co., Ltd.	Ownership Directly 100%	- The Company sells pumps and pump parts - The Company procures electricity for its plants from the entity - The Company lends buildings - The Company borrows money from the entity - One interlocking director	Borrowing of money (Note 3) Interest expenses	(568) 34	Short-term borrowings	11,113
Subsidiary	Ebara Technologies Incorporated	Ownership Indirectly 100%	- The entity provides sale and after-sales service for the Company's component devices and semiconductor manufacturing equipment and manufactures component devices	Sales	10,408	Accounts receivable-trade	5,386
Subsidiary	ELLIOTT COMPANY	Ownership Indirectly 100%	- The Company purchases its compressors and turbines - The Company guarantees its bank loan - The Company lends money - Three interlocking directors	Bank loan guarantee (Note 4)	7,536	–	–

Terms and conditions of transactions and policies for determining them

Notes:

1. Terms and conditions of transactions such as prices are determined upon negotiation after the Company presents its preferred price taking into account prevailing market prices.
2. Interest rates for lending and borrowing money are determined by reference to market rates.
3. Money is lent and borrowed under the cash management system (CMS), and the amount of the transaction shows changes from the balance at the beginning of the fiscal year under review.
4. The Company provides guarantees of bank loans of related parties and receives guarantee fees.

Notes to Per Share Data

1. Net assets per share	¥3,003.62
2. Net income per share	¥378.84

Notes on Revenue Recognition

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018) and the "Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018), and recognizes revenue at the amount expected to be received in exchange for its goods or services when control of the promised goods or services is transferred to a customer.

Please see "Notes to Consolidated Financial Statements – Revenue recognition" for further details.

Additional Information

(Business Combination through Acquisition)

Based on a stock purchase agreement concluded on December 21, 2020, the Company has acquired all outstanding shares of Çiğli Su Teknolojileri A.Ş. and its subsidiaries, Vansan Makina Sanayi ve Ticaret A.Ş., a Turkish pump manufacturer, and Vansan Makina Montaj ve Pazarlama A.Ş.

Further details are as described in "Notes to Consolidated Financial Statements – Additional Information (Business Combination through Acquisition)."

Notes on Significant Subsequent Events

Cancellation of treasury shares

At the meeting of the Board of Directors held on May 14, 2021, the Company resolved to cancel its treasury shares in accordance with Article 178 of the Companies Act, and completed it as follows.

(1) Type of shares cancelled
Common shares of the Company

(2) Number of shares cancelled
3,513,400 shares
(3.68% of the total number of issued shares as of the end of December 2021)

(3) Date of cancellation
January 31, 2022