

February 14, 2022

Evaluation of the Effectiveness of the Board of Directors (FY2021)

EBARA CORPORATION

Board of Directors

1. Purpose of Board Evaluation

Effectiveness of corporate governance is essential for continuous growth and enhancement of value of the EBARA Group. The roles and responsibilities of the Board of EBARA CORPORATION, which is the core of the Group, must be effective in order to achieve this. In line with this intent, the Board conducts an evaluation of its own effectiveness every year, conducting a self-review, identifies issues and resolving them, for the purpose of aiming toward continuous governance reform.

2. Background and Process of Introduction of Board Evaluation in the Company

The Company made the transition to a Company with Three Committees (Nomination, Compensation and Audit) and began board evaluation in 2015. The transition to a Company with Three Committees (Nomination, Compensation and Audit) resulted in the clarification that “the role of Directors (Board of Directors) is oversight” and a strong awareness of the necessity to check and govern not only outward aspects such as the number and composition of members of the Board, but also its effectiveness. This is because the Board recognized the importance of a PDCA cycle of continuously reflecting the results of self-evaluation of effectiveness while proceeding with governance reform for the Board to be effective.

In particular, priority consideration has been given to the four following points over the past few years.

1) Agenda setting and quality of discussion in the Board:

The Board must conduct self-review of whether it adequately fulfills its role as the highest decision-making body in management, such as the appropriateness of agenda setting, respect for the opinions of individual Directors and the provision of necessary and sufficient materials for discussion in resolutions, deliberation and reporting.

2) Size and composition of the Board:

From the perspective of separation of oversight and management execution, governance reform must be implemented through board evaluation by reviewing the number of Executive Directors, the percentage, number and diversity of Independent Directors, and the requirements for the role of Chairman of the Board to be assumed by an Independent Director.

3) Effectiveness of the Nomination, Compensation and Audit Committees:

It must be confirmed whether the committees perform their required functions through self-evaluation or peer review by individual Directors. In particular, it must be possible to explain the nomination process of candidates for Director and candidates for Representative Executive Officer to the Board.

4) Effectiveness of Directors:

The roles and qualification requirements required of each Director must be clarified, and after mutual confirmation, based on this, individual Directors must perform self-review or peer evaluation, and promote the improvement of the capabilities of the Board as a whole and individual Directors. Furthermore, these must be utilized as the screening criteria when nominating candidates for Director, and the content must be disclosed and confirmed to newly appointed candidates for Director when they are nominated.

For this reason, the evaluation of effectiveness is carried out by conducting a survey using a questionnaire with over 100 items including not only outward items such as the total number of Directors and the number and composition of Independent Directors, but also whether it is an environment in which each Director can easily voice opinions, whether the meetings of Independent Directors held prior to board meetings are functioning, whether the committees have provided adequate reports to the Board, and whether the Chairman of the Board fulfills his role. Furthermore, the Company has established the board evaluation process having interviews of individual Directors conducted by external independent experts (“external experts”), verifying and ascertaining the actual conditions through comparisons with Japanese and overseas standards or benchmark companies, and spending adequate time to discuss these in the Board. Improvements have been made every year while accumulating a cycle of self-review by the Board over the six years since the commencement of board evaluation.

3. Governance Reform Based on Directors’ Awareness of Board Evaluation

The board evaluation conducted over the past six years has led to a diverse range of cases of the Board gaining a deeper understanding and leading to reform. An excerpt of the major points included among these is shown below.

[Main points leading to reform through board evaluation]

Item	Details
1) Agenda and discussion in the Board:	
(i) Strengthening of discussion of medium- to	Based on the awareness that weight on discussion of medium-to long-term issues should be further increased, the Board has included

long-term issues	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.
(ii) 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) Size and composition of the Board	
(i) 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.
(ii) 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.
(iii) Appointment of Chairman of the Board	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) Evaluation of effectiveness of committees	
(i) 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.
(ii) 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. For this reason, this will continue to be evaluated in the evaluation of effectiveness to review its effectiveness.
4) Effectiveness of Directors	
(i) 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 Chairman, 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.

4. The Process of Evaluation of Effectiveness in FY2021

1) Preparation

In early August 2021, the Chairman of the Board discussed the awareness of problems, the current conditions and issues, etc. in the Company's Board with the external experts, and established the direction and method of review of board evaluation for FY2021.

2) Data collection (questionnaire, individual interviews, benchmarking analysis)

A survey was conducted by questionnaire in September 2021, and written responses were obtained from all Directors. In addition to conducting analysis of the responses, the external experts conducted individual interviews with all of the Directors in October to directly confirm the thoughts of each Director based on the results of responses to the questionnaire. Two types of benchmarking analysis were also conducted.

3) Reporting and discussion of results

In early December, the Chairman received a report on the results obtained from the questionnaires, individual interviews and benchmarking analysis described in 2) above along with a draft report summarizing these from the external experts and the Chairman conducted a review. In December, the results were reported by the external experts in a meeting of the Board, and deliberation was carried out among Directors based on this. Evaluation of the Chairman was also carried out.

4) Summary of evaluation of effectiveness and determination of details of disclosure

After deliberation, a summary of the evaluation of effectiveness was carried out by the Company's Board, and after discussion in the January meeting of the Board, a resolution on the final details of disclosure was passed in February.

5. Details of the Survey

1) Questions

At the same time as tracking changes in the same questions every year by means of fixed-point observation, new questions were also added from the perspective of responding to changes in social conditions and the issues surrounding the company, resulting in a total of 104 questions being asked. This year, items on supervision of important matters for sustainability by the Board and items for evaluation of the EBARA Corporate Governance Basic Policy revised in September were added. Furthermore, peer evaluation of each Director was implemented in light of the roles and qualification requirements specified in the EBARA Corporate Governance Basic Policy through interviews with Directors. The specific items in the questionnaire and interviews are as shown at the end of this

document.

2) Benchmarking analysis

Two different forms benchmarking analysis were conducted.

(i) Benchmarking analysis of the corporate governance structure

Benchmarking analysis is conducted every year for the purpose of self-review of the corporate governance structure. The scope of comparison and criteria are as follows:

- Comparison with the content required by three or more of five governance standards in Japan and overseas (International Corporate Governance Network (ICGN), UK Corporate Governance Code, OECD Principles of Corporate Governance, New York Stock Exchange Listing Rules, Japan's Corporate Governance Code)
- Comparison with the content required in items related to corporate governance in the evaluation items of the Dow Jones Sustainability Indices (DJSI), which is a major global sustainability index
- Comparison with the content satisfied by the Company concerning content that two or more of the four overseas benchmark companies have satisfied

(ii) Benchmarking analysis on board approach to sustainability

This fiscal year, as a part of board evaluation, four companies were chosen from among companies evaluated to be companies that conduct management with emphasis on sustainability, companies with good disclosure related to the Board, and companies related to the Company's business, to perform benchmarking based on the disclosure materials on the Board in each company, and use them as a reference for measures aimed at the improvement of handling of sustainability by the Company's Board.

The four companies mentioned above were chosen using two UK companies and two US companies. The UK companies were chosen from among the companies that received the highest evaluation as companies with sustainability integrated into business strategy in a survey conducted for personnel involved in sustainability worldwide (GlobeScan / SustainAbility Survey - 2021 Sustainability Leaders), and one was chosen from the companies selected as the companies with the best disclosure on the board by The Chartered Governance Institute (an organization made up of UK governance professionals including company secretaries). The US companies were chosen from among companies conducting management emphasizing relationships with multiple stakeholders, and one was chosen from among companies related to the Company's business.

3) Deliberation in the Board and evaluation of the Chairman

The results of questionnaire responses, the results of individual interviews conducted by the external experts and the results of the two types of benchmarking analysis were shared with all Directors, a report was received from the external experts and intensive discussion was carried out by all Directors. In addition, evaluation of the Chairman was carried out by all Directors excluding the Chairman based on the results of the evaluation of effectiveness.

6. Evaluation Results

1) Insights from the questionnaire responses and individual interviews

It was confirmed that Directors' evaluations of the current state of the Board and Committees were high, adequate discussion is carried out on significant issues in the Board and Committees, the results of execution aimed at reforms of business and internal systems and the efforts of the management and the Board are leading to improvement of corporate value, and efforts to address the matters brought up as issues last year have progressed.

In particular, it was confirmed that the EBARA Corporate Governance Basic Policy is highly regarded as an important policy for the future for the Board and Directors to constantly increase their capabilities and exhibit effectiveness by being revised based on sufficient discussion by the Board.

With regard to the size and composition of the Board, it was confirmed that it has an appropriate size and composition with the current number of ten Directors including seven Independent Directors, and that high-quality discussion is being realized through the current composition of Independent Directors centered on people with management experience along with legal and accounting experts. Furthermore, it was confirmed that Independent Directors gaining an adequate understanding of issues in meetings of Independent Directors before participating in board meetings has contributed to improving board effectiveness, and that the proceedings of the Board by the Chairman, who is an Independent Director, are highly evaluated.

With regard to the Nomination, Compensation and Audit Committees, it was confirmed that the roles of each committee have been clearly defined as a Company with Three Committees (Nomination, Compensation and Audit), and that sufficient discussion is carried out based on these. It was confirmed that the size and composition of each are appropriate for fulfilling their respective roles, and that adequate discussion is carried out in the committees. In the committee system that underwent the transition from FY2021 to a system in which Independent Directors chair committees, it was confirmed that it will continue to be necessary for the Audit Committee to carefully check how to maintain

effectiveness of audits under the current system.

As a result of discussion in the Board based on these analyses, the Company's Board found that the board effectiveness was fully ensured.

2) Insights from two forms benchmarking analysis

(i) Corporate governance structure

In comparisons with corporate governance standards, DSJI standards and overseas benchmark companies conducted as fixed-point observation every year, it was confirmed that all are generally at an equivalent level.

(ii) Approach to sustainability in the Board

To serve as a reference for discussion on increasing the effectiveness of the Board, evaluation analysis was conducted by selecting companies highly evaluated to be companies that conduct management with emphasis on sustainability, companies with good disclosure related to the Board, and companies related to the Company's business. The boards of these companies are implementing a variety of actions for important matters related to sustainability, and are making efforts to increase trust from shareholders and other stakeholders by externally disclosing the details of these actions. Although adequate disclosure is carried out in the Company on the basic approach to sustainability in the Board, it was confirmed that there are inadequate points in disclosure of specific initiatives compared to overseas companies, and there were points that will serve as a reference in the sustainability action taken by the companies used for comparison this time.

7. Future Action

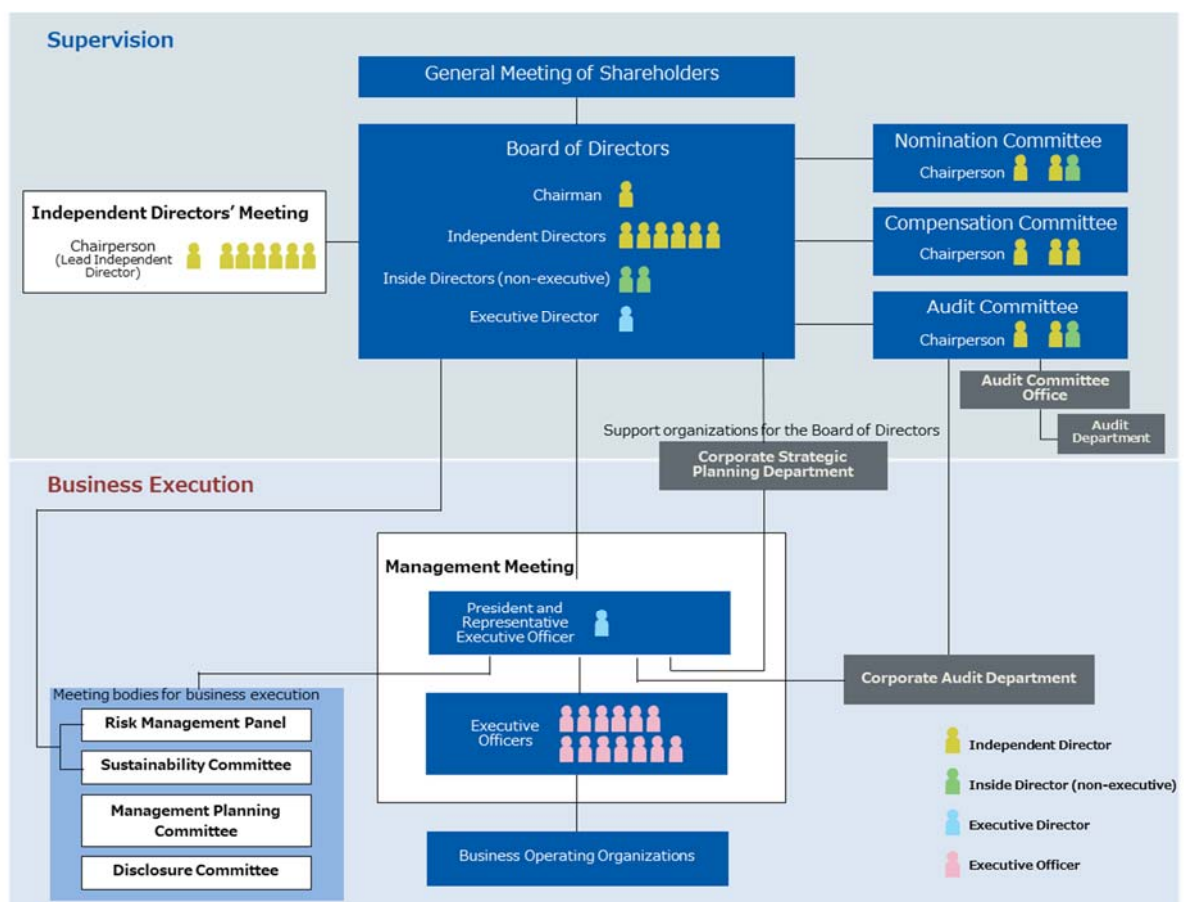
Through discussion in the Board, the Company will continue with existing reforms, and also further increase the board effectiveness by continuously discussing the following matters in the board meetings, etc.

- In order to link the results of governance reforms to the enhancement of corporate value, the Company will select important medium- to long-term issues, provide sufficient opportunities for discussion, and continue to provide support to enable executives to speed up the execution of business. The Company will also continue to periodically verify, evaluate and follow up on the results.

- The EBARA Corporate Governance Basic Policy will play a central role in the confirmation and verification of the condition of self-evaluation, peer evaluation and training by individual Directors and also be utilized as a standard when nominating candidates for Director.
- The state of assignment of personnel, human resource development and internal systems will be checked and verified as needed from a medium- to long-term perspective with respect to maintaining diversity among executives. Based on discussion in the Nomination Committee, the Board will share the details on the composition of the Board and the succession plan for Independent Directors.
- Important matters related to sustainability to be discussed in the Board based on benchmarking analysis will be organized, and discussions will be carried out to more specifically implement and promote these actions.

End

[Reference: Chart of the EBARA Corporation Corporate Governance System (As of January 1, 2022)]



[Major Items in the Questionnaire]

- (i) Roles and functions of the Board
- (ii) Size and composition of the Board
- (iii) Status of operation of the Board
- (iv) Composition and roles of the Nomination Committee
- (v) State of operation of the Nomination Committee
- (vi) Composition and roles of the Compensation Committee
- (vii) State of operation of the Compensation Committee
- (viii) Composition and roles of the Audit Committee
- (ix) State of operation of the Audit Committee (item added this year)
- (x) Support system for Independent Directors
- (xi) Relationships with investors and shareholders
- (xii) Self-evaluation

[Main Items in Individual Interviews]

1. Evaluation of business and management
 - (i) Business in general
 - (ii) Transformation of business structure and improvement of profitability
 - (iii) New businesses, research and development
 - (iv) Governance of the group as a whole
 - (v) Strengthening of corporate functions
 - (vi) Human resource development and promotion of diversity
2. Evaluation of the Board of Directors
 - (i) EBARA Corporate Governance Basic Policy
 - (ii) Composition and succession plan for Independent Directors
 - (iii) Evaluation of Chairman
 - (iv) Succession plan for Chairman
 - (v) Selection of agenda
 - (vi) Discussion on sustainability
 - (vii) Materials and presentation by executives
3. Evaluation of committees
 - (i) Nomination Committee
 - (ii) Compensation Committee
 - (iii) Audit Committee