

ESG Meeting: Questions and Answers

<Summary of Q&A at ESG Meeting on October 26, 2020>

Questioner 1

**Q:** What are EBARA's essential issues from an Independent Director's perspective?

**A:** (Uda) We see the path to the future to some extent. It is important to build solid results in line with the path. The future path will be more difficult than ever, but there are several domains where EBARA is in need. It is necessary to consider how to link these domains with profit and management KPIs. The Board of Directors deliberates on various issues in detail, together with Independent Directors. I think there will be drastic changes over the next two to three years.

**Q:** President Asami said in EBARA's Integrated Report that "I cannot deny that there are entrenched feelings that make us sometimes prioritize contributions to society to the detriment of profitability (because of EBARA's corporate culture)." Do you feel the Company needs to change that way of thinking?

**A:** (Uda) I do not believe that "profit is not important as long as EBARA is being useful to the society," however, we also are not pushing that "EBARA should mindlessly pursue only profits," either, of course. Currently, EBARA is undergoing a major transformation. I believe that continuing to conduct business in the areas where there is a need for what EBARA provides will also be useful to society. I believe that more and more of such domains will emerge, and that is why EBARA must be able to constantly and firmly invest in the next stage to be sustainable.

**Q:** Given the global trend toward decarbonization, please tell us more about the future scenarios being considered for EBARA. For example, what EBARA will look like when energy structures change, and so on.

**A:** (Asami) The situation will get tougher as crude oil consumption declines in the upstream of the oil and gas industry. In the downstream, EBARA's business is more impacted by the demand of the chemical industry which is not predicted to fall as sharply and is believed to continue to rise in the future. EBARA's long-term challenges include responding firmly to the decarbonization trend and answering the demand for renewable energy and hydrogen. As for chemical recycling, we plan to review the commercialization of the internally circulating fluidized-bed gasification (ICFG) system, EBARA's original technology, during the period of E-Plan 2022. Another new business area we have entered is inland aquaculture. We have set a target for these businesses to make up approx. 5% of EBARA's overall sales by

2030. We must increase our profitability first and build the strength to take on challenges in these new businesses in parallel.

Questioner 2

**Q:** To what extent have you discussed future financial impact from a sustainability perspective? To what extent do ESG-related initiatives affect future financial value?

**A:** (Asami) The Sustainability Committee is taking the lead to discuss both TCFD-related risks and opportunities. External advisors and all Independent Directors attend the Committee meetings and give comments. Our next steps include quantifying the extent of the impact. We plan to announce the financial impact when prepared.

(Uda) We are all keenly aware that EBARA is a company that can contribute to sustainability through its core business. Currently, we are discussing broad frameworks such as E-Vision 2030 and E-Plan 2022, and after that, we will be applying those frameworks to specific strategies and quantified targets individually. We will continue further discussions on how much social impact our core businesses can bring about through our efforts to solve social issues.

**Q:** Please do show us EBARA's competitiveness with some kind of benchmarking indicators, such as against other global companies or industry averages. How about referring to SASB (U.S. Sustainability Accounting Standards Board) approach?

**A:** (Asami) We will consider that.

**Q:** Please tell us in detail the process of continuously bringing about innovations and commercializing them as a new business. For example, regarding the new business idea competition (E-Start 2020), it says that "winning ideas will be specifically reviewed for future commercialization." Exactly how are these specific reviews conducted? Is it possible to incubate them successfully?

**A:** (Asami) Five projects were awarded at E-Start 2020, and the Company has already issued official appointments to start three of them as in-house projects. Necessary personnel has been recruited from within the Company. The other two projects have started taking place on the divisional side.

E-Start 2020 was implemented to encourage people not only to do their job as they are told but also to encourage ambitious new challenges to demonstrate EBARA's strengths together in line with the direction of E-Vision 2030. It is not about simply motivating people, but encouraging them to start something and see what happens regarding commercialization.

### Questioner 3

**Q:** I had the impression that talent development and diversity from the standpoint of conducting business overseas were not well-highlighted in this meeting material as well as in the Integrated Report. How does top management view the current situation regarding talent development and diversity to expand business overseas, and what measures are being taken? Please let us know if specific measures are underway, such as HR training and setting up internal benchmarks and KPIs.

**A:** (Asami) Approx. 20% of new employees hired at EBARA are foreign nationals and also recently approx. 20% are female. This is the result of a conscious effort to achieve these levels. However, the percentage of female management is trending at approx. 5%, Companywide and remains an issue. We are taking countermeasures, including increasing mid-career recruitment and talent development, as well as identifying and developing talent who may be lagging in their career path due to certain life events such as childbirth.

(Nagata) With regard to global personnel, we have changed our HR system by defining applicable roles and grades in Japan, and are beginning to deploy that same system to all group companies worldwide. Our first step currently underway is to implement a grade system enabling us to review all employees on the same global scale. We plan to enhance talent mobility so that once we identify excellent talent who is capable of taking key positions, we can place them in suitable positions, within or outside of their country of origin, to demonstrate their strength regardless of borders. To this end, we are taking measures to increase talent visibility through succession management and other means, to identify who at where has what type of competency and how to best utilize them.

(Asami) For example, coverage of "delivering water to 600 million people" is a worldwide goal we have set. Since global deployment is not something we can achieve solely through the efforts of Japanese employees, we intend to make efforts to hire and nurture excellent personnel worldwide.

**Q:** What were the reasons why EBARA was having difficulty recruiting non-Japanese personnel until now?

**A:** (Asami) Company began actively recruiting foreign nationals approx. ten years ago. We have just started to see these foreign-national employees demonstrate the capabilities to manage overseas sites.

**Q:** We would like to see EBARA be a company where people, including foreign-national employees, can share a sense of excitement.

**A:** (Asami) Through COVID-19 pandemic, we realized that EBARA still has a lot to do and a lot to change, such as improvement of support for foreign-national employees.

We intend to continue to create working environments in which a diverse range of employees can continue to play an active role, and we will continue to hire diverse people as well.

#### Questioner 4

**Q:** Page 12 of the material states EBARA has "shifted to a performance-based system." What and how do you think you need to do to retain excellent personnel, including those overseas, and produce further profit? What are the challenges for that?

**A:** (Asami) Implementing an achievement-linked HR system is one of them. Achievement-linked bonuses have been applied to managerial positions, but not to union employees, as of now. We plan to review this issue going forward. In addition, the seniority-based personnel system has been abolished, but not completely. In this regard, we will use opportunities, such as succession planning, to make sure to observe how managers are viewed by their supervisors, colleagues, and subordinates, and also if they have a mindset of continuous improvement.

(Nagata) In HR, we are implementing year-round recruitment in order to give opportunities to join the Company to more people. Just the other day, several employees, mostly foreign nationals, joined the Company during October. To further recruitment activities, we have also implemented a referral system where incumbent employees can introduce people they think may fit in the Company to us. We are working to offer opportunities for a wider range of people to join the Company while enhancing our systems, such as increasingly hiring *daini-shinsotsu* (people with only a short experience of working after graduation).

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