



Notice of the 154th 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 7, 2019

**To Those Shareholders with Voting Rights**

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

**Notice of the 154th Ordinary General Meeting of Shareholders**

We hereby inform you of the 154th 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 Wednesday, March 27, 2019.

**1. Date and Time:** 10 a.m., Thursday, March 28, 2019  
(Reception of attendees will begin at 9 a.m.)

**2. Location:** Event Hall, B2F, Belle Salle Nihonbashi  
Tokyo Nihonbashi Tower, 2-7-1, Nihonbashi, Chuo-ku, Tokyo, Japan  
\*Please note that the venue is changed from the last year’s meeting.

**3. Purpose of the Meeting:**

**Matters to be reported:**

1. The Business Report and the Consolidated Financial Statements for the 154th Fiscal Year (from January 1, 2018 to December 31, 2018) 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 154th Fiscal Year (from January 1, 2018 to December 31, 2018)

**Matters to be resolved:**

**Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of Eleven (11) 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 the 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 Net Assets in the Consolidated Financial Statements

(2) Notes to the Consolidated Financial Statements

(3) Non-consolidated Statement of Changes in Net Assets in the Non-consolidated Financial Statements

(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/about/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 total payout ratio of 30% or more.

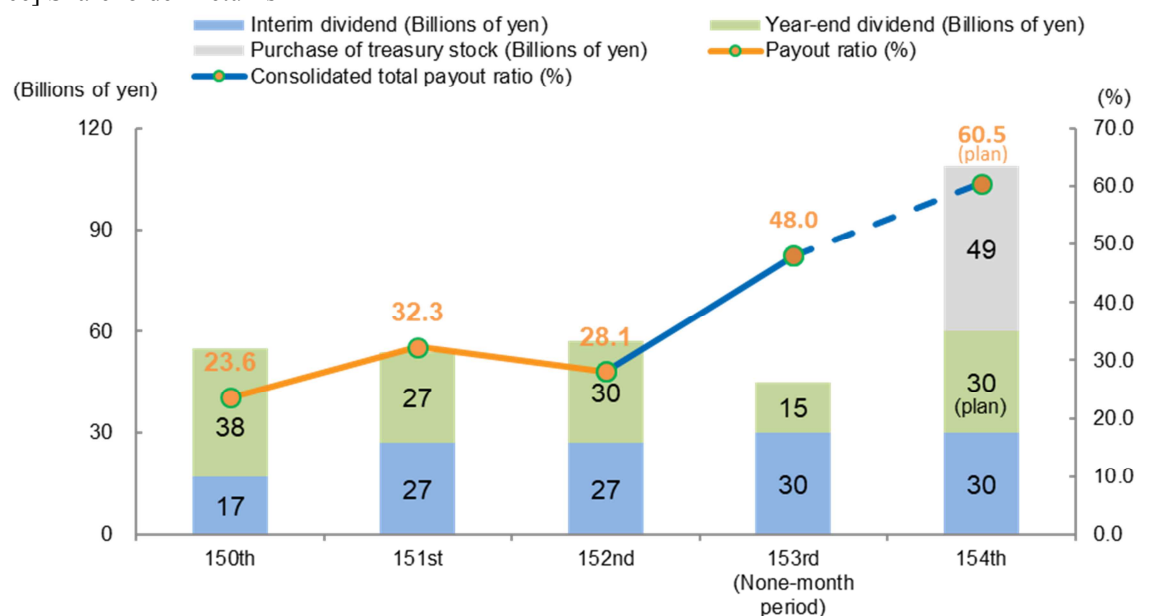
Based on this policy, we would like to pay a year-end dividend of ¥30 per share as follows for the 154th fiscal year.

As a result, including the interim dividend of ¥30 per share, the annual dividend will be ¥60 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  
¥30.00 per share of common stock of the Company    Total amount: ¥3,000,732,900
3. Effective date of dividends of surplus  
March 29, 2019

#### [Reference] Shareholder Returns



Interim dividend per share	18.75	30.00	30.00	30.00	30.00	(Yen)
Year-end dividend per share	41.25	30.00	30.00	15.00	30.00 (plan)	(Yen)

\* On October 1, 2016, during the 152nd fiscal year, the Company implemented a consolidation of shares at a ratio of one share for each five common shares. The above chart displays figures based on the assumption that the consolidation of shares took place at the start of the 150th fiscal year.

## Proposal 2: Election of Eleven (11) Directors

The term of office of all thirteen (13) current Directors will expire at the conclusion of this 154th Ordinary General Meeting of Shareholders. Therefore, we ask you to elect eleven (11) Directors, lowering the number of Directors by two (2).

If the nominees for Director are elected as stated in this proposal, the number of Directors concurrently serving as Executive Officers will be reduced from three (3) to one (1), and independent Directors will make up seven (7) of the eleven (11) Directors. Furthermore, an independent Director will serve as the Chairman of the Board of Directors, and we believe that this will enable supervisory functions with greater transparency and fairness.

The nominees for Director are determined by the Nomination Committee. It has been confirmed that all 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 21 and 22) established by the Company. The nominees for Director are as follows:

Nominee No.	Name (Age)	Current position and primary area of responsibility in the Company	Attendance at Board of Directors meetings	Nominee for Director		
				Attribute		
1	Toichi Maeda (Age: 63)	Director President, Representative Executive Officer	100% (14/14)	Re-election	Non-executive	
2	Masao Asami (Age: 58)	Managing Executive Officer (New Nominee for Director)	—% (—/—)	New election	Executive	
3	Sakon Uda (Age: 63)	Director Chief Outside Director Chairperson of the Nomination Committee Member of the Compensation Committee	100% (14/14)	Re-election	Outside	Independent
4	Shiro Kuniya (Age: 62)	Director Chairperson of the Compensation Committee	86% (12/14)	Re-election	Outside	Independent
5	Hajime Sawabe (Age: 77)	Director Member of the Compensation Committee	100% (14/14)	Re-election	Outside	Independent
6	Shozo Yamazaki (Age: 70)	Director Member of the Audit Committee	93% (13/14)	Re-election	Outside	Independent
7	Hiroshi Oeda (Age: 62)	Director Member of the Nomination Committee	100% (10/10)	Re-election	Outside	Independent
8	Masahiro Hashimoto (Age: 70)	Director Member of the Audit Committee	100% (10/10)	Re-election	Outside	Independent
9	Junko Nishiyama (Age: 62)	(New Nominee for Director)	—% (—/—)	New election	Outside	Independent
10	Tetsuji Fujimoto (Age: 66)	Director Chairperson of the Audit Committee (Full-Time Member)	100% (14/14)	Re-election	Non-executive	
11	Shusuke Tsumura (Age: 62)	Director Member of the Audit Committee (Full-Time Member)	100% (14/14)	Re-election	Non-executive	

### Notes:

1. Ages are as of the time of this Ordinary General Meeting of Shareholders.
2. As both Hiroshi Oeda and Masahiro Hashimoto were newly elected at the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018, 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
Nomination Committee:	Nominee for Member of the Nomination Committee
Compensation Committee:	Nominee for Member of the Compensation Committee
Audit Committee:	Nominee for Member of the Audit Committee
Chief Outside Director:	Nominee for Chief Outside Director

<<Composition of the Board of Directors>>

To ensure the Board of Directors effectively fulfills its roles and responsibilities, the Company shall make up the Board of personnel with sufficient knowledge and experience inside and outside the Company in areas related to business management. Knowledge and experience expected to be important to the Company from the perspective of company management are defined as the areas of “legal affairs and risk management,” “personnel and human resource development,” “finance, accounting and capital policy,” “auditing,” “management of individual businesses (in the Company),” “corporate management and management strategy,” “research and development,” “the environment,” “social” and “internal control and governance.” In addition to having appropriate knowledge in all of these areas, the Company has appointed nominees for Director by specifying areas in which the Company particularly expects them to perform. In particular, the Audit Committee shall include several people with appropriate knowledge of finance and accounting. Note that these areas shall be revised as appropriate based on the external environment and the condition of the Company. See Articles 9, 11, 12, 13 and 17 of the EBARA Corporate Governance Basic Policy for details. See the Company’s website at the following address for information on the Basic Policy.

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

Nominee No.	Name (Age)	Committees and Positions to be Appointed	Areas in which the nominee for Director (Outside and Non-executive) is 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	Research and development	Environment	Social	Internal control and governance
1	Toichi Maeda (Age: 63)	Chairman, Nomination Committee					*	*	*	*	*
2	Masao Asami (Age: 58)	President, Representative Executive Officer	-	-	-	-	-	-	-	-	-
3	Sakon Uda (Age: 63)	Chairman of the Board of Directors, Nomination Committee		*			*			*	*
4	Shiro Kuniya (Age: 62)	Chief Outside Director, Compensation Committee	*			*				*	*
5	Hajime Sawabe (Age: 77)	Compensation Committee		*	*		*			*	*
6	Shozo Yamazaki (Age: 70)	Audit Committee			*	*				*	*
7	Hiroshi Oeda (Age: 62)	Nomination Committee		*	*		*			*	*
8	Masahiro Hashimoto (Age: 70)	Compensation Committee, Audit Committee			*	*	*			*	*
9	Junko Nishiyama (Age: 62)	Audit Committee				*		*	*	*	*
10	Tetsuji Fujimoto (Age: 66)	Audit Committee			*	*				*	*
11	Shusuke Tsumura (Age: 62)	Audit Committee			*	*				*	*

\* The above table does not represent all of the knowledge of the nominees.

Nominee No.

1

**Toichi Maeda**

Date of birth: December 24, 1955 (Age: 63)

Attendance rate  
(FY ended December 31, 2018)Board of  
Directors

100% (14/14)

Re-election  
Non-executive  
Nomination Committee  
Chairman

### ■ Message to shareholders

Fiscal 2019 is the final year of the medium-term management plan entitled “E-Plan 2019” with the slogan of “unlimited challenge toward growth.” Various measures have proceeded as planned over the two years of “E-Plan 2019,” but the improvement of profitability has generally not reached the targeted level.

In this fiscal year, which is the final fiscal year of the plan, we have revised the plan and made the necessary corrections based on this general assessment, and started to execute business accordingly. All members of the Group will make an effort to improve profitability, which is our goal, and I would like to ask for your ongoing understanding and support.

### ■ 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 (to present)
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 (to present)

Number of the Company’s shares held	15,700 shares
-------------------------------------	---------------

Number of years served as Director	7 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

The nominee was appointed as President after supervising the Fluid Machinery & Systems Business. In addition to exhibiting powerful leadership with the aim of enhancing corporate value, in the transition to a company with three committees, he strived to create the business execution system, and endeavored to promote dynamic management through rapid decision-making and the strengthening of competitiveness.

The Nomination Committee found that he is expected to utilize his management experience in the Company and abundant knowledge and experience related to business, and particularly be able to contribute to the areas of “corporate management and management strategy,” “research and development” and “the environment.” It also found that he would be able to fairly supervise management and exhibit leadership with the aim of further strengthening the governance structure as a Non-executive Director concurrently serving as Chairman of the Board of Directors. For these reasons, the Nomination Committee asked him to continue to be a nominee for Director.

Nominee No.

2

**Masao Asami**

Date of birth: April 7, 1960 (Age: 58)

Attendance rate  
(FY ended December 31, 2018)Board of  
Directors

-% (-/-)

New election

Executive

President, Representative

Executive Officer

**■ Message to shareholders**

While the business environment is undergoing significant changes such as increased use of information technology such as IoT, AI and self-driving technology, the expansion of trade friction and the intensification of competition in the development of technologies, efforts to make everything smarter to realize a sustainable society are also creating significant business opportunities. I will meet the expectations of shareholders by contributing to the realization of a rich society through the provision of the technologies and services required for the creation of social infrastructure and manufacturing infrastructure that are the mission of EBARA CORPORATION.

**■ 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
June 2015	Managing Executive Officer of the Company (to present)
April 2016	President, Precision Machinery Company of the Company (to present)

Number of the Company's shares held	10,600 shares
-------------------------------------	---------------

Number of years served as Director	— years
	* 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**

After serving in the sales division of the Precision Machinery Business for a long period and exhibiting significant accomplishments in the expansion of sales and the receipt of orders in overseas subsidiaries, the nominee has engaged in spreading business philosophy and management commitment as the person responsible for the business, in addition to exhibiting strong leadership by actively exploring new technologies and new markets.

The Nomination Committee asked him to be a nominee for Director because it was determined that he would continue aiming for further growth by taking lead from the front in the execution of business as Director concurrently executing business as President, Representative Executive Officer, and would be able to play an appropriate role for matters to be resolved and to be reported in meetings of the Board of Directors in the aspects of both supervision and execution.



Nominee No.

3

**Sakon Uda**

Date of birth: May 22, 1955 (Age: 63)

Attendance rate

(FY ended December 31, 2018)

Board of Directors	100%	(14/14)	Re-election Outside Independent Director Nomination Committee Chairman of the Board of Directors
Nomination Committee	100%	(13/13)	
Compensation Committee	100%	(6/6)	
Outside Directors' Meeting	100%	(14/14)	

#### ■ Message to shareholders

The effectiveness of the Board of Directors is called into question in corporate governance. The Board of Directors will not function if it has Outside Directors simply making up the numbers or Outside Directors unable to voice objections to top executives. Since EBARA CORPORATION made the transition to a company with three committees, the seven (7) independent Outside Directors have given their utmost attention to ensuring the effectiveness of the Board of Directors. I will continue to do my best to meet the expectations of shareholders by utilizing the diverse viewpoints of the Directors to back up the execution of strategy by President Asami, who will be appointed in this fiscal year, and ensure the effectiveness.

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

April 1981	Joined Nippon Kokan K.K. (currently JFE Holdings, Inc.) (Retired in July 1989)
August 1989	Joined McKinsey & Company (Retired in February 2006)
February 2006	Executive Officer, Japan Post Holdings Co., Ltd.
October 2007	Senior Managing Executive Officer, Japan Post Holdings Co., Ltd. (Retired in June 2008)
	First Executive Officer, Japan Post Service Co., Ltd. (currently Japan Post Co., Ltd.) (Retired in June 2010)
May 2010	Professor, Kenichi Ohmae Graduate School of Business (to present)
July 2010	Executive Officer, Chief Operating Officer, The Tokyo Star Bank, Limited (Retired in June 2011)
June 2011	Director of the Company (to present)
September 2012	Counselor, Nuclear Damage Liability Facilitation Fund (currently Nuclear Damage Compensation and Decommissioning Facilitation Corporation) (Retired in May 2017)
April 2014	Dean, Faculty of Business Administration, Professor, Business Breakthrough University (to present)
June 2014	Director, Business Breakthrough, Inc. (to present)
June 2015	Director, Public Utility Fund Japan-North America Medical Exchange Foundation
	Chairperson of the Nomination Committee of the Company (to present)
July 2015	Chief Outside Director of the Company (to present)
April 2016	Vice President, Business Breakthrough University (to present)
September 2016	Advisor, Tokyo Metropolitan Government (Retired in March 2018)
	Special advisor, the Tokyo Metropolitan Government Political Reform Headquarters (Retired in March 2018)
June 2017	Member of the Compensation Committee of the Company (to present)
July 2017	Executive Director, Public Utility Fund Japan-North America Medical Exchange Foundation (to present)

Number of the Company's shares held 600 shares

Number of years served as Director 7 years and 9 months  
\* At the conclusion of this general meeting

#### ■ Important concurrent positions

Professor, Kenichi Ohmae Graduate School of Business  
Vice President, Dean, Faculty of Business Administration, Professor, Business Breakthrough University  
Director, Business Breakthrough, Inc.\*  
Executive Director, Public Utility Fund Japan-North America Medical Exchange Foundation  
(\* 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 Outside Director

The nominee has been involved in numerous companies as an expert in management strategy, etc. and as a company manager, and provides advice on management strategy and improvement of operations, etc. He has actively spoken from the perspective of general management in important meetings including the Outside Directors Meeting and the Board of Directors, in addition to endeavoring to lead the Outside Directors Meeting as the Chief Outside Director and increase the quality of discussion in meetings of the Board of

Directors. Furthermore, he has assumed leadership of the activities of the Nomination Committee, such as the selection of nominees for Director as the Chairperson of the Nomination Committee, in addition to contributing to activities such as the determination of compensation of Directors and Executive Officers as a Member of the Compensation Committee.

The Nomination Committee asked him to continue to be a nominee for Outside Director to reflect his broad knowledge and high level of perception in the supervision of management, particularly in the areas of “personnel and human resource development” and “corporate management and management strategy,” and because he is expected to lead the Board of Directors as Chairman of the Board of Directors in order to further increase the effectiveness of the Board of Directors by utilizing his past experience within the Company.

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

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

The following information is provided as attribute information on the nominee on the independent Director notification submitted in accordance with the Enforcement Rules for Securities Listing Regulations stipulated by the Tokyo Stock Exchange concerning the annual transactions between the EBARA Group and the Japan Post Service Co., Ltd. (currently Japan Post Co., Ltd.) where the nominee was involved in the execution of business in the past.

Subject of transaction, etc.	Recipient of consideration for transaction	Provider of consideration for transaction	Ratio in transaction value	Subject of comparison	Remarks
Handling of mail, etc.	Japan Post Co., Ltd.	The Group	Less than 0.1% (Less than 20 million yen)	Consolidated operating revenue of Japan Post Co., Ltd. for the six months ended September 30, 2018	The nominee retired from Japan Post in June 2010.
The Group’s products and after-sale service, etc.	The Group	Japan Post Co., Ltd.	Less than 0.1% (Less than 60 million yen)	Consolidated net sales of the Company for the year ended December 31, 2018	He retired from his office as Senior Managing Executive Officer of Japan Post Co., Ltd. in June 2010.

Nominee No.

4

**Shiro Kuniya**

Date of birth: February 22, 1957 (Age: 62)

Attendance rate (FY ended December 31, 2018)			Re-election
Board of Directors	86%	(12/14)	
Compensation Committee	100%	(6/6)	Compensation Committee Chief Outside Director
Outside Directors' Meeting	93%	(13/14)	

■ Message to shareholders

By sufficiently recognizing the importance of securing and developing human resources capable of implementing research and development for producing competitive products and services and conducting business globally, I would like to focus on the creation of a compensation system suitable for developing the business we aspire to, making social contributions through the support of social infrastructure, and ensuring compliance.

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

April 1982	Registered as an attorney (to present) Joined Oh-ebashi Law Offices (currently Oh-ebashi Lpc & Partners)
May 1987	Registered as an attorney at law, New York Bar Association (to present)
June 1997	Outside Audit & Supervisory Board Member, Sunstar Inc. (Retired in June 2000)
August 2002	Managing Partner, Oh-ebashi Lpc & Partners (to present)
June 2006	Outside Audit & Supervisory Board Member, Nidec Corporation (Retired in June 2010)
March 2012	Outside Director, NEXON Co., Ltd. (to present)
June 2012	Director of the Company (to present)
June 2013	Outside Director, Sony Financial Holdings Inc. (to present) Outside Audit & Supervisory Board Member, Takeda Pharmaceutical Company Limited (Retired in June 2016)
June 2015	Chairperson of the Compensation Committee of the Company (to present)
June 2016	Outside Director, Takeda Pharmaceutical Company Limited (to present)

Number of the Company's shares held 600 shares

Number of years served as Director 6 years and 9 months  
\* At the conclusion of this general meeting

■ Important concurrent positions

Attorney at Law  
Attorney at Law, New York Bar Association  
Managing Partner, Oh-ebashi Lpc & Partners  
Outside Director, NEXON Co., Ltd.\*  
Outside Director, Sony Financial Holdings Inc.\*  
Outside Director, Takeda Pharmaceutical Company Limited\*  
(\* 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	4

\* In the event the proposal is approved.

■ Reasons for selecting the nominee for Outside Director

The nominee is an attorney specializing in corporate law, international transactions and intellectual property, and has actively commented in important meetings such as those of the Board of Directors from a legal perspective. As Chairperson of the Compensation Committee, he provides leadership in the activities of the Compensation Committee such as the determination of the compensation of Directors and Executive Officers with broad horizons including a global perspective.

The Nomination Committee asked him to continue to be a nominee for Outside Director to reflect his specialized knowledge and high level of perception in the supervision of management, particularly in the areas of "legal and risk management" and "auditing," and because he is expected to lead the Outside Directors' Meeting as Chief Outside Director in order to further increase the quality of discussion in the Board of Directors by utilizing his past experience within the Company. Although he has not been directly involved in corporate management, we have determined that he will be able to fulfill his duties as an Outside Director for the aforementioned reason.

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

There are no special interests between Shiro Kuniya and the Group. With regard to the standards of independence, there is no business relationship between the nominee and the Group, and the nominee meets the Company's standards of independence.

Nominee No.  
**5**

## Hajime Sawabe

Date of birth: January 9, 1942 (Age: 77)

Attendance rate  
(FY ended December 31, 2018)

Board of Directors	100%	(14/14)	Re-election Outside Independent Director Compensation Committee
Compensation Committee	83%	(5/6)	
Outside Directors' Meeting	93%	(13/14)	

### ■ Message to shareholders

I will conduct monitoring on behalf of shareholders and other stakeholders to ensure that EBARA CORPORATION is working to achieve sustained expansion of corporate value while resolving social issues in accordance with the Company's basic philosophy even in a rapidly changing environment. I will also utilize my own knowledge as necessary in an effort to maximize 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. (to present)
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 (to present)
July 2014	Vice President, Board of Trustees, Waseda University
June 2015	Outside Director, Japan Display Inc. (Retired in June 2017)
	Director of the Company (to present)
	Member of the Compensation Committee of the Company (to present)
July 2018	President, Board of Trustees, Waseda University (to present)

Number of the Company's shares held 600 shares

Number of years served as Director 3 years and 9 months  
\* At the conclusion of this general meeting

### ■ Important concurrent positions

Outside Audit & Supervisory Board Member, Nikkei Inc.  
Executive Advisor, TDK Corporation  
Vice President, Board of Trustees, Waseda University

### 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 Outside Director

The nominee has been involved in the management of a listed company representative of the electronic components industry for many years, and has abundant experience in general corporate management, in addition to being well-versed in corporate planning, etc. Besides, he has an abundance of experience as an Outside Officer, has a broad range of knowledge in a variety of industries, and actively speaks in important meetings such as the Board of Directors. Furthermore, as a member of the Compensation Committee, he has made contributions based on such knowledge in the consideration of the Company's compensation system and the activities of the Compensation Committee related to decisions on the compensation of Directors and Executive Officers.

The Nomination Committee asked him to continue be a nominee for Outside Director to reflect his broad knowledge and high level of perception in the supervision of management, particularly in the areas of "personnel and human resource development," "finance, accounting and capital policy" and "corporate management and management strategy."

### ■ 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 business relationship between the Group and TDK Corporation in which the nominee serves as an Executive Advisor is 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	Matter indicated by the transaction amount (Relevant independence standard*)
Precision parts, etc.	TDK Corporation	The Group	Less than 0.1% (Less than 300 million yen)	Consolidated net sales of TDK Corporation for the nine months ended December 31, 2018	The transaction amount is minor from the perspective of said company as a whole, and it is not a level that presents a problem for independence (2) ii)
The Group's products and after-sale service, etc.	The Group	TDK Corporation	Less than 0.1% (Less than 5 million yen)	Consolidated net sales of the Company for the year ended December 31, 2018	The transaction amount is minor from the perspective of the Group as a whole, and it is not a level that presents a problem for independence (2) i)

\* See the "Role and Standards for Independence of Outside Directors" on page 22.

Nominee No.

6

## Shozo Yamazaki

Date of birth: September 12, 1948 (Age: 70)

Attendance rate (FY ended December 31, 2018)		Re-election Outside Independent Director Audit Committee
Board of Directors	93% (13/14)	
Audit Committee	93% (13/14)	
Outside Directors' Meeting	86% (12/14)	

### ■ Message to shareholders

As Outside Director and a member of the Audit Committee, I will strive to support the development of EBARA's business by maintaining governance of the Company based on my own specialized knowledge.

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

November 1970	Entered Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
September 1974	Registered as a certified public accountant (to present)
July 1991	Representative Partner, Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC) (Retired in June 2010)
July 2010	Chairman and President, The Japanese Institute of Certified Public Accountants
July 2013	Advisor, The Japanese Institute of Certified Public Accountants (to present)
April 2014	Professor, Tohoku University Accounting School (Retired in March 2018)
February 2015	Outside Audit & Supervisory Board Member, Tohoku University Venture Partners Co., Ltd. (to present)
June 2015	Director of the Company (to present) Member of the Audit Committee of the Company (to present) Outside Audit & Supervisory Board Member, Regional Economy Vitalization Corporation of Japan (to present)
June 2017	Outside Director, Sumitomo Mitsui Financial Group, Inc. (to present)

Number of the Company's shares held 600 shares

Number of years served as Director 3 years and 9 months  
\* At the conclusion of this general meeting

### ■ Important concurrent positions

Certified Public Accountant  
Advisor, The Japanese Institute of Certified Public Accountants  
Outside Audit & Supervisory Board Member, Tohoku University Venture Partners Co., Ltd.  
Outside Audit & Supervisory Board Member, Regional Economy Vitalization Corporation of Japan  
Outside Director, Sumitomo Mitsui Financial Group, 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	2

\* In the event the proposal is approved.

### ■ Reasons for selecting the nominee for Outside Director

The nominee has abundant knowledge of accounting as a certified public accountant. He also has international awareness such as having experience working overseas and being involved in compliance with International Financial Reporting Standards (IFRS). In addition to actively commenting in important meetings such as the Board of Directors in the past, he conducts a broad range of auditing activities from the specialized perspective of a certified public accountant in his capacity as a member of the Audit Committee.

The Nomination Committee asked him to continue to be a nominee for Outside Director to reflect his specialized knowledge and high level of perception in the supervision of management, particularly in the areas of "finance, accounting and capital policy" and "auditing." Although he has not been directly involved in corporate management, we have determined that he will be able to fulfill his duties as an Outside Director for the aforementioned reason.

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

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

The following information is provided as attribute information on the nominee on the independent Director notification submitted in accordance with the Enforcement Rules for Securities Listing Regulations stipulated by the Tokyo Stock Exchange concerning the annual transactions between the EBARA Group and the Tohmatsu Audit Corporation (currently Deloitte Touche Tohmatsu LLC), where the nominee was involved in the execution of business in the past.

Subject of transaction, etc.	Recipient of consideration for transaction	Provider of consideration for transaction	Ratio in transaction value	Subject of comparison	Remarks
Participation fees for seminars held by Deloitte Touche Tohmatsu LLC, magazine purchase expenses, etc.	Deloitte Touche Tohmatsu LLC	The Group	Less than 0.1% (Less than 50,000 yen)	Operating revenue of Deloitte Touche Tohmatsu LLC for the year ended May 31, 2018	The nominee retired from Deloitte Touche Tohmatsu LLC in June 2010.

Nominee No. <b>7</b>	<b>Hiroshi Oeda</b> Date of birth: March 12, 1957 (Age: 62)	Attendance rate (FY ended December 31, 2018)		Re-election Outside Independent Director Nomination Committee
		Board of Directors*	100% (10/10)	
		Audit Committee*	100% (12/12)	
		Outside Directors' Meeting*	100% (10/10)	

■ 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, and actively contribute to further growth and development of EBARA CORPORATION in the areas of personnel and human resource development as a member of the Nomination Committee.

■ 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 (to present)
March 2018	Director of the Company (to present) Member of the Nomination Committee of the Company (to present)
June 2018	Outside Director, SEKISUI CHEMICAL CO., LTD. (to present)

Number of the Company's shares held 600 shares

Number of years served as Director 1 years  
\* At the conclusion of this general meeting

■ Important concurrent positions

Member of Management Council, Hitotsubashi University  
Corporate Special Adviser, Nisshin Seifun Group Inc.  
President, Seifun Kaikan Inc.  
Member, The Japanese National Commission for UNESCO  
Outside Director, SEKISUI CHEMICAL CO., LTD.\*  
(\* 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 Outside Director

The nominee has been involved in the management of a listed company representative of the flour-milling and food industry, and has abundant experience in general corporate management, in addition to being well-versed in global business. He has also accomplished improving business performance in the position of top management in a manufacturer. Furthermore, he has contributed to the activities of the Nomination Committee based on his knowledge, such as the selection of nominees for Director as a member of the Nomination Committee.

The Nomination Committee asked him to continue to be a nominee for Outside Director to reflect his abundant experience and high level of perception in the supervision of management, particularly in the areas of "personnel and human resource development," "finance, accounting and capital policy" and "corporate management and management strategy."

■ 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, there is no business relationship between the nominee and the Group, and the nominee meets the Company's standards of independence.

\* Hiroshi Oeda was newly elected and appointed as Director and member of Nomination Committee at the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018 and the meeting of the Board of Directors held on the same day, and his attendance to meetings of the Board of Directors and each committee, etc. held since that date is provided above.



Nominee No. <b>8</b>	<b>Masahiro Hashimoto</b> Date of birth: August 28, 1948 (Age: 70)	Attendance rate (FY ended December 31, 2018)		Re-election Outside Independent Director Nomination Committee Audit Committee	
		Board of Directors*	100%		(10/10)
		Audit Committee*	100%		(10/10)
		Outside Directors' Meeting*	100%		(10/10)

■ Message to shareholders

As uncertainty about the future increases in the global economy in 2019 due to trade friction between the United States and China, and concerns about the deceleration of the Chinese economy, a variety of effects are expected to impact the business of EBARA CORPORATION both directly and indirectly. In such an environment, I will strive to contribute to decisions on business risks aimed at sustained growth, the strengthening of corporate governance and the enhancement of corporate value as an Outside Director, a member of the Compensation Committee and a member of the Audit Committee.

■ 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 Perdanja (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 (to present)
March 2018	Director of the Company (to present) Member of the Audit Committee of the Company (to present)

Number of the Company's shares held 600 shares

Number of years served as Director 1 years  
\* At the conclusion of this general meeting

■ Important concurrent positions

Industrial promotion advisor, Kumamoto Prefecture

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 Outside Director

The nominee has detailed knowledge of the international finance sector and abundant knowledge concerning finance, in addition to a high level of knowledge on management due to involvement in the top management in a listed company representative of the semiconductor manufacturing equipment industry for many years. Furthermore, he conducts a wide range of audits of the businesses of the Company and the Group as a member of the Audit Committee, and contributes to the activities of the Audit Committee.

The Nomination Committee asked him to continue to be a nominee for Outside Director to reflect his broad knowledge and high level of perception in the supervision of management, particularly in the areas of "finance, accounting and capital policy," "auditing" and "corporate management and management strategy."

■ 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. Supplementary information on his independence is as follows.

[Sale of cross-shareholdings]

SCREEN Holdings Co., Ltd., which previously employed the nominee, and the Company previously cross-held shares, but that company and the Company both sold all of their shareholdings in 2016.

[Reason the nominee is not considered to be from a bank with which the Company does business]

Although the nominee worked at The Daiwa Bank, Limited until June 2001 (prior to the establishment of the current Resona Holdings, Inc.), the nominee is not considered to be from a bank with which the Company does business because the Company did not have any loans from that bank.

\* Masahiro Hashimoto was newly elected and appointed as Director and member of the Audit Committee at the 153rd Ordinary General Meeting of Shareholders and the meeting of the Board of Directors held on the same day, and his attendance to meetings of the Board of Directors and committee, etc. held since that date is provided above.

Nominee No.

9

**Junko Nishiyama**

Date of birth: January 10, 1957 (Age: 62)

Attendance rate

(FY ended December 31, 2018)

New election

Outside Independent Director

Board of  
Directors

—% (—/—)

Audit Committee

**■ Message to shareholders**

I am Junko Nishiyama, a new nominee for Outside Director and member of the Audit Committee. I will utilize the knowledge and experience I have gained in a healthcare company proposing products that are useful for people's everyday health and comfortable lifestyles to contribute to the sound growth and further enhancement of corporate value of EBARA CORPORATION. Further, I will strive to engage in further initiatives to enhance the corporate governance system with the belief and sense of ethics governed by the three perspectives to be held by a member of the Audit Committee (perspective of shareholders, perspective of the law and perspective of society).

**■ 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 (Scheduled to retire in March 2019)

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**

Standing Corporate Auditor, Lion 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	1

\* In the event the proposal is approved.

**■ Reasons for selecting the nominee for Director**

The nominee has been involved in the management of a listed company representative of the healthcare industry, has engaged in research and development, promotion of the environmental initiatives, and the like, has been involved in auditing of the entire company's business as a standing corporate auditor, and has abundant experience in general corporate management.

The Nomination Committee asked her to be a nominee for Outside Director to reflect her abundant experience and high level of perception in the supervision of management, particularly in the areas of "auditing," "research and development" and "the environment."

**■ 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 annual transactions between the Group and Lion Corporation in which the nominee serves as Standing Corporate Auditor is 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	Matter indicated by the transaction amount (Relevant independence standard*)
The Group's products and after-sale service, etc.	The Group	Lion Corporation	Less than 0.1% (Less than 1 million yen)	Consolidated net sales of the Company for the year ended December 31, 2018	The transaction amount is minor from the perspective of the Group as a whole, and it is not a level that presents a problem for independence (2) i)

\* See the "Role and Standards for Independence of Outside Directors" on page 22.

Nominee No.

10

**Tetsuji Fujimoto**

Date of birth: January 9, 1953 (Age: 66)

Attendance rate (FY ended December 31, 2018)		Re-election
Board of Directors	100% (14/14)	Non-executive Audit Committee
Audit Committee	100% (14/14)	

#### ■ Message to shareholders

Since it was founded, the EBARA Group has continued to provide products and services that contribute to society at large for more than a century. In a constantly changing world, we must continue to create new value by anticipating the times to actively conduct research and development and the globalization of business.

I will utilize my experience as a Director and a member of the Audit Committee in charge of auditing business executing divisions, encourage management to face challenges while adequately managing risks to produce results that lead to the enhancement of shareholder value to fulfill the mandate given to me by shareholders.

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

April 1976	Joined the Company
April 2004	Executive Officer of the Company Division Executive, Financing & Corporate Accounting, Corporate Group of the Company
June 2007	Director of the Company (to present)
April 2008	Managing Executive Officer of the Company
April 2011	Responsible for Group Management, Finance & Accounting and Internal Control of the Company
April 2012	President and Representative Director, Ebara Environmental Plant Co., Ltd. (Retired in April 2013)
June 2012	Senior Managing Executive Officer of the Company
April 2013	President, Environmental Engineering Company of the Company
June 2015	Chairperson of the Audit Committee of the Company (to present)

Number of the Company's shares held 55,800 shares

Number of years served as Director 11 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

The nominee has abundant experience in the Company's Finance & Accounting Division and has overseen Finance & Accounting and Group Management, in addition to playing a part in management as the Head of the Environment Engineering Company.

He has specialized knowledge particularly in the areas of "finance, accounting and capital policy" and "auditing," and as the Chairperson of the Audit Committee he is displaying leadership in its activities. The Nomination Committee asked him to continue to be a nominee for Director because it was determined that he will utilize his specialized knowledge and experience in the execution of business to serve as a Non-executive Director and a member of the Audit Committee well-versed in the conditions within the Company, and is able to fairly and objectively conduct supervision of management.

Nominee No.

11

**Shusuke Tsumura**

Date of birth: April 5, 1956 (Age: 62)

Attendance rate (FY ended December 31, 2018)		Re-election
Board of Directors	100% (14/14)	Non-executive Audit Committee
Audit Committee	100% (14/14)	

#### ■ Message to shareholders

As the business environment surrounding the Company rapidly changes, it is essential to strengthen group governance while conducting global business development aimed at growth. I see increasing the maturity of the company and speedily building robust internal control systems as important issues for the Company to be a company that continues to be required by society. I will utilize my experience in an effort to conduct fair and highly effective monitoring and supervision.

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

April 1981	Joined the Company
July 2009	General Manager, Finance & Accounting Department, Finance & Corporate Accounting Division of the Company
April 2012	General Manager, Group Management Department of the Company
April 2013	Deputy Division Executive, Finance & Accounting Division of the Company
June 2014	Full-Time Audit & Supervisory Board Member of the Company
June 2015	Director of the Company (to present) Member of the Audit Committee of the Company (to present)

Number of the Company's shares held 12,146 shares

Number of years served as Director 3 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

The nominee has abundant experience in the Finance & Accounting divisions of the Company and its affiliates, and has served in a role of monitoring and supervising management from an independent position of a Full-Time Audit & Supervisory Board Member when the Company was a company with an Audit & Supervisory Board. He currently makes contributions such as supporting the operation of the Audit Committee as its member based on his specialized knowledge particularly in the areas of "finance, accounting and capital policy" and "auditing."

The Nomination Committee asked him to continue to be a nominee for Director because it was determined that he will conduct fair supervision of management as a Non-executive Director and is able to promote appropriate committee operation as a member of the Audit Committee from within the Company.

Notes:

1. No nominee has any special interest in the Company.
2. Notable matters relating to the nominees for Outside Directors of the board are as follows:
  - (1) The Company has notified the Tokyo Stock Exchange of the designation of Sakon Uda, Shiro Kuniya, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda and Masahiro Hashimoto as independent Directors as stipulated by the exchange. In the event that the reelection 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 Junko Nishiyama is approved, she will newly become independent Director.
  - (2) During the service of Sakon Uda, Shiro Kuniya, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda and Masahiro Hashimoto since they were last appointed, there were no violations of law at the Company.
  - (3) During the past five (5) years, when Sakon Uda, Shiro Kuniya, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda, Masahiro Hashimoto and Junko Nishiyama were in the post of Director at other companies, there were no violations of law, etc., at those companies.
  - (4) Independence as candidate for Outside Director
    - 1) No nominee for Outside 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 Outside 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 five (5) years.
    - 3) No nominee for Outside 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 Outside 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 Outside Director was a business executor of a company with which the Company has merged for the past two (2) years.
3. An overview of the agreements to limit liability for damages is provided below.
  - (1) The Company has entered into agreements with Sakon Uda, Shiro Kuniya, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda and Masahiro Hashimoto 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 reelection of the six nominees above is approved at the General Meeting of Shareholders, similar agreements will be continued.
  - (2) If the election of Junko Nishiyama 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.
4. In the event the proposal is approved, the Nomination, Compensation and Audit Committees will be made up of the following members.

Nomination Committee: Sakon Uda, Hiroshi Oeda, Toichi Maeda  
Compensation Committee: Shiro Kuniya, Hajime Sawabe, Masahiro Hashimoto  
Audit Committee: Shozo Yamazaki, Masahiro Hashimoto, Junko Nishiyama, Tetsuji Fujimoto, Shusuke Tsumura

The Chairpersons of each of the committees are determined by the members thereof from among themselves.

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 downside risks of 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 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 in their respective fields, 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.

Furthermore, the Board of Directors must be able to clearly divide responsibilities of supervision and execution in order to be able to effectively supervise the execution of business and also be able to objectively assess and comment on the progress and results of execution of business by management from a position that is independent from the execution of business. As an organizational design to achieve this, it is desirable for the Company to a company with three committees enabling the authority and responsibility of business execution to be delegated to Executive Officers, and in addition to establishing the Nomination, Compensation and Audit Committees within the Board of Directors to form the essence of corporate governance, Directors concurrently serving as Executive Directors should be kept to a minimum to the extent that is realistic, while effectively utilizing Non-executive Directors including independent Outside Directors\*.

From this perspective, consideration is given to the balance of independent Outside Directors, Non-executive Directors from within the Company and Executive Directors in the composition of the Board of Directors, with independent Outside Directors accounting for at least half of all Directors, and Non-executive Directors including independent Outside Directors accounting for a majority of all Directors.

Furthermore, the Nomination, Compensation and Audit Committees established within the Board of Directors are made up of only Non-executive Directors to maintain their independence and objectivity, and a majority of each committee is made up of independent Outside Directors.

\* Independent Outside Directors: Outside 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 Outside Directors are independent Outside Directors.

Composition of the Board of Directors

The Board of Directors will have the following composition after this proposal is approved for election based on the above “Standards for Election of Directors.”



One of the principal roles of Outside 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 Outside 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 from 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.

[Standards for Independence of Outside Directors]

Independent persons with no material interests in the Company are to be selected as Outside 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 does not meet the requirements for Outside Directors stipulated in Article 2, item 15 of the Companies Act.
- 2) A person who has been a Director (excluding Outside Director), Audit & Supervisory Board Member (excluding outside Audit & Supervisory Board Member), Executive Officer, Senior Officer or employee executing business of a company with a material business relationship with the Company and its consolidated subsidiaries (hereinafter referred to as the "EBARA Group" or "the Group") in the past five years. "A company with a material business relationship with the EBARA Group" refers to any of the following.
  - i. A company to which sales were made accounting for 2% or more of consolidated sales of the EBARA Group in any of the fiscal years in the past three years.
  - ii. A company which made sales to the EBARA Group accounting for 2% or more of its consolidated sales in any of the fiscal years in the past three years.
  - 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 Director, Executive Officer, Senior Officer, manager or other employee of a shareholder holding 10% or more of the total shares issued within the two years preceding the selection of Director nominees, or a company representing the interests thereof.
- 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 person of another degree of relationship who resides with the relative.
  - 7) A person who currently services as a Director, Audit & Supervisory Board Member, Executive Officer or Senior Officer of a company that has accepted a Director or Audit & Supervisory Board Member from the EBARA Group.

**Business Report for the 154th Period**  
**(From January 1, 2018 to December 31, 2018)**

**EBARA CORPORATION**

To provide a more timely and appropriate disclosure of the Group's performance and other financial information in the advancing globalization of the Group's business, the Group has unified the fiscal year-end to December 31, effective from the previous fiscal year ended December 31, 2017. In order to unify the fiscal year-end, Ebara Corporation and the consolidated subsidiaries whose former fiscal year ended at March 31 have changed the fiscal year-end from March 31 to December 31.

Changes displayed hereinafter are based on the comparison between "the same period of the previous fiscal year" and the actual results. ("The same period of the previous fiscal year" refers to the period corresponding to the same period during the current fiscal year (January 1, 2017 to December 31, 2017).)

**1. Condition of the Corporate Group**

**(1) Business Developments and Results**

**1) Overall Review of Operations**

During the fiscal year ended December 31, 2018, the global economy has recovered modestly overall, although risks were seen due to a slowdown in the Chinese economy and US trade issues. Regarding the Group's business environment, there were several concerns such as trade issues, lower oil prices and postponements of investments by semiconductor memory companies. However, willingness of investment continuously recovered in the petrochemical industry, and investment appetite remained relatively strong as well in the semiconductor industry.

As a result, overall orders received increased compared to the same period of the previous fiscal year in all the segments – the Fluid Machinery & Systems ("FMS") Company, Environmental Plants ("EP") Company and Precision Machinery ("PM") Company. Sales increased compared to the same period of the previous fiscal year due to increases in the FMS Company and the PM Company despite a decrease in the EP Company. Operating income decreased compared to the same period of the previous fiscal year mainly due to a decrease in the FMS Company.

Consolidated net sales for the fiscal year ended December 31, 2018 amounted to ¥509,175 million (an increase of 0.3% from the same period of the previous fiscal year), operating income amounted to ¥32,482 million (a decrease of 11.4% from the same period of the previous fiscal year), ordinary income amounted to ¥31,281 million (a decrease of 11.8% from the same period of the previous fiscal year), profit attributable to owners of parent amounted to ¥18,262 million (a decrease of 19.9% from the same period of the previous fiscal year) due to impairment loss, etc.

Financial Highlights			
Net Sales	Operating Income	Ordinary Income	Profit attributable to Owners of Parent
¥509,175 million	¥32,482 million	¥31,281 million	¥18,262 million
Up 0.3% from the same period of the previous FY	Down 11.4% from the same period of the previous FY	Down 11.8% from the same period of the previous FY	Down 19.9% from the same period of the previous FY



## 2) Financial Results

Item \ Fiscal Year (FY)	151st Period (FY ended March 31, 2016)	152nd Period (FY ended March 31, 2017)	153rd Period (FY ended December 31, 2017)	153rd Period (FY ended December 31, 2017) (same period of the previous FY)	154th Period (FY ended December 31, 2018) (FY under review)
Orders Received (Millions of yen)	491,280	477,956	413,569	506,082	575,576
Net Sales (Millions of yen)	486,235	476,104	381,993	507,809	509,175
Operating Income (Millions of yen)	38,011	29,995	18,115	36,649	32,482
Ordinary Income (Millions of yen)	36,471	28,464	16,529	35,481	31,281
Profit Attributable to Owners of Parent (Millions of yen)	17,254	20,587	9,531	22,785	18,262
Net Income per Share (Yen)	37.12	213.71	93.84	224.35	179.94
Total Assets (Millions of yen)	579,860	588,457	612,919	–	591,592
Net Assets (Millions of yen)	250,444	277,509	284,788	–	286,778
ROIC (%)	4.8	5.6	2.5	–	4.9
ROE (%)	7.2	8.0	3.5	–	6.6

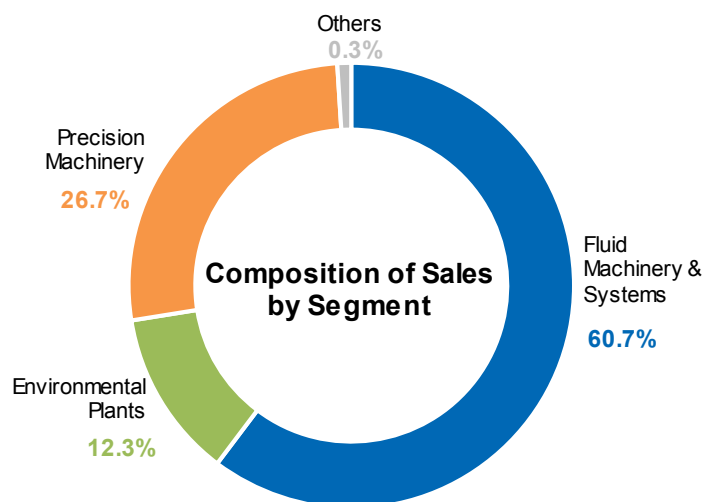
Notes:

1. Due to the change of the fiscal year-end, the 153rd fiscal year was the nine months from April 1, 2017 to December 31, 2017.
2. On October 1, 2016, the Company implemented a consolidation of shares at a ratio of one share for each five common shares. Net income per share has been calculated based on the assumption that the consolidation of shares took place at the start of the 152nd fiscal year.  
Net income per share calculated based on the assumption that the consolidation of shares took place at the start of the 151st fiscal year is as follows.

Item \ Fiscal Year (FY)	151st Period (FY ended March 31, 2016)	152nd Period (FY ended March 31, 2017)	153rd Period (FY ended December 31, 2017)	153rd Period (FY ended December 31, 2017) (same period of the previous FY)	154th Period (FY ended December 31, 2018) (FY under review)
Net Income per Share (Yen)	185.58	213.71	93.84	224.35	179.94

3. The provisional accounting treatment concerning business combinations implemented in the 151st fiscal year was finalized in the 152nd fiscal year, and the finalized details of the provisional accounting treatment have been reflected in total assets for the 151st fiscal year.

### 3) Review by Business Segment



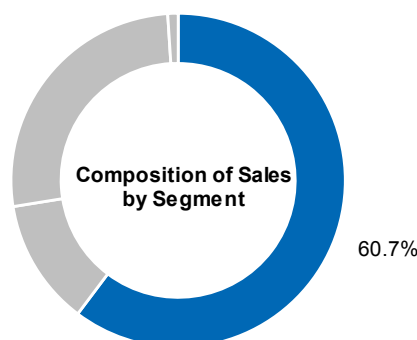
#### Sales by Segment

	153rd Period (same period of the previous FY)	154th Period (FY under review)	Year-on-year change
Fluid Machinery & Systems	¥304,167 million	¥308,999 million	Up 1.6%
Environmental Plants	¥69,973 million	¥62,812 million	Down 10.2%
Precision Machinery	¥132,015 million	¥135,709 million	Up 2.8%

## Fluid Machinery & Systems

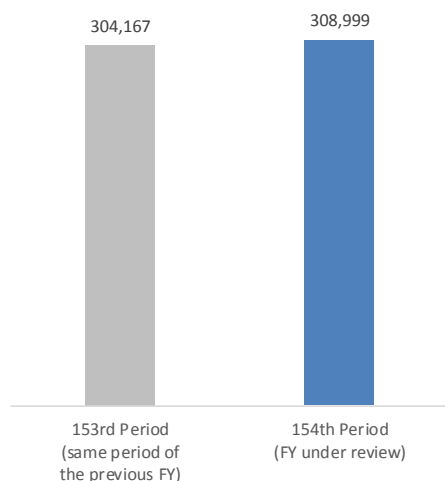
### Main Items

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



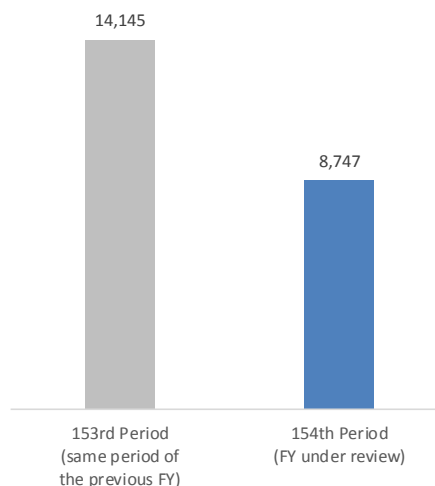
### ■ Net Sales

(Millions of yen)



### ■ Segment Income

(Millions of yen)



### Pumps

The number of new building construction starts in Japan was about the same level as the same period of the previous fiscal year, but investment in the renovation and maintenance of social infrastructure decreased compared to the same period of the previous fiscal year. Overseas, electric power-related orders received were about the same level as the same period of the previous fiscal year, but orders received in the oil and gas market were strong due to the recovery of investment sentiment of customers and the receipt of large orders for water infrastructure.

### Compressors & Turbines

Although the level of investment has recovered for new products, there continues to be intense price competition in large projects. The level of investment in services is also recovering, and movements have been particularly active in India and the Middle East.

### Chillers

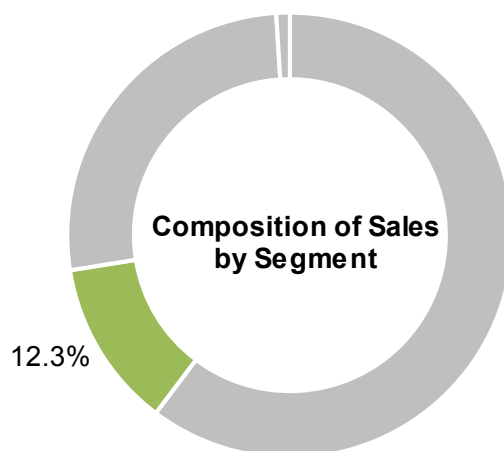
Market conditions in Japan were about the same level as the same period of the previous fiscal year. Although market conditions in China was in a declining trend, orders received increased compared to the same period of the previous fiscal year due to the introduction of new products, etc.

Sales in the FMS Company for the fiscal year ended December 31, 2018 amounted to ¥308,999 million (an increase of 1.6% from the same period of the previous fiscal year). The segment income amounted to ¥8,747 million (a decrease of 38.2% from the same period of the previous fiscal year).

## Environmental Plants

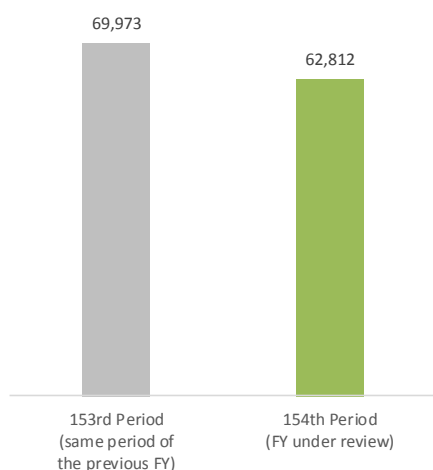
### Main Items

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



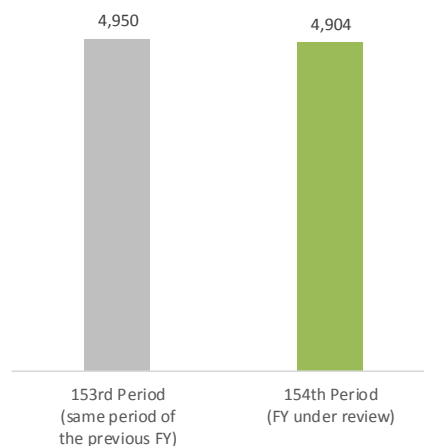
#### ■ Net Sales

(Millions of yen)



#### ■ Segment Income

(Millions of yen)



## Environmental Plants

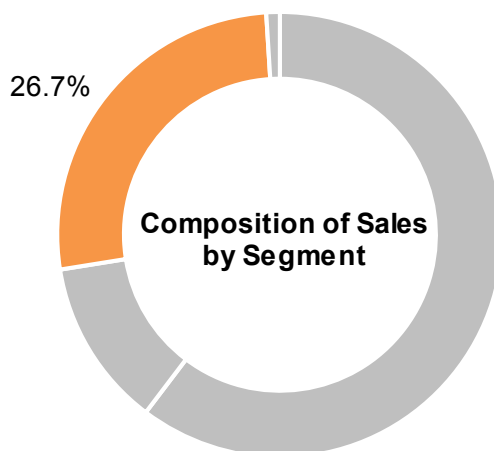
The amount of public-sector orders for engineering, procurement, and construction (EPC) decreased compared to the same period of the previous fiscal year, but those for operating and maintenance (O&M) for existing facilities were at the same level as other years. Furthermore, demand for the construction of power generation facilities using biomass fuel continued in the private sector. Amid such market conditions, orders received increased significantly compared to the same period of the previous fiscal year due to the steady accumulation of mainly large projects for the public sector.

Sales in the EP Company for the fiscal year ended December 31, 2018 amounted to ¥62,812 million (a decrease of 10.2% from the same period of the previous fiscal year). The segment income amounted to ¥4,904 million (a decrease of 0.9% from the same period of the previous fiscal year).

## Precision Machinery

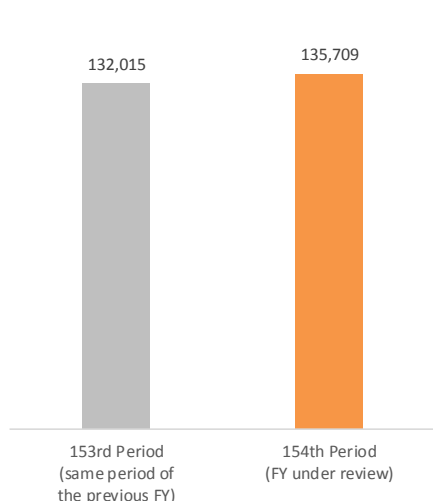
### Main Items

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



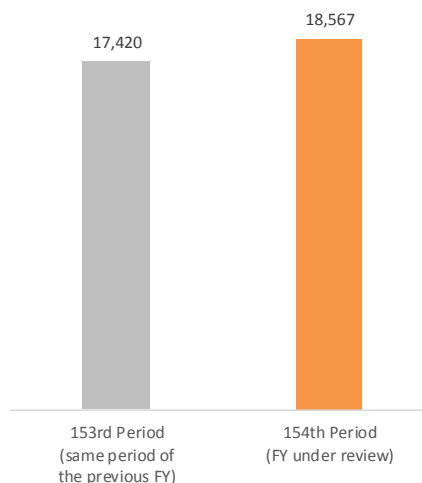
#### ■ Net Sales

(Millions of yen)



#### ■ Segment Income

(Millions of yen)



## Precision Machinery

Some customers adjusted semiconductor-related capital investment toward the end of the fiscal year, but the level of investment remained high, particularly driven by investment in memory. As a result, orders received remained at the same high level as the same period of the previous fiscal year.

Sales in the PM Company for the fiscal year ended December 31, 2018 amounted to ¥135,709 million (an increase of 2.8% from the same period of the previous fiscal year). The segment income amounted to ¥18,567 million (an increase of 6.6% from the same period of the previous fiscal year).

**(2) Capital Expenditures**

Regarding investments, during the fiscal year the Group implemented capital investments amounting to ¥19,364 million. These were primarily for the expansion of production capability and the installation of equipment to enhance productivity. Note that the investment amount includes tangible fixed assets and also investment in 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)	Breakdown of Capital Expenditures
Fluid Machinery & Systems	10,645	Investments were made primarily for the maintenance and enhancement of production capability and the improvement of productivity.
Environmental Plants	788	Investments were made principally for information equipment and the development of technology aimed at upgrading products.
Precision Machinery	6,740	Investments were made principally for the enhancement of production capacity.

**(3) Fund-Raising and Capital Resources**

During the fiscal year ended December 31, 2018, the Group raised funds through long-term loans payable amounting to ¥689 million and short-term loans payable totaling ¥23,347 million.

Meanwhile, the redeemed ¥10,000 million of straight bonds in December 2018, and also repaid long-term loans payable amounting to ¥2,462 million and short-term loans payable totaling ¥45,845 million.

**(4) Issues Being Addressed**

The EBARA Group will implement the “unlimited challenge toward growth” with the objective of thoroughly improving profitability of all businesses to aim for further development as an industrial machinery manufacturer expanding business and growing on a global scale based on the three-year medium-term management plan entitled “E-Plan 2019” with fiscal 2019 as its target year.

The Group will also reform the corporate culture including reforms of personnel system, organizations and working culture to provide the foundation to achieve this.

(Reference) Medium-Term Management Plan “E-Plan 2019”

Under the following five basic policies, the period of E-Plan 2019 has been positioned as a period for “unlimited challenge toward growth” and we focused on measures for improving profitability of all businesses.

1. Basic Group Policies

Five Basic Group Policies were established in E-Plan 2019.

**Structure of the Basic Group Policies**

<b>Basic Policy 1</b> Solidify the profit foundation of the Group so that it does not rely on market fluctuations, and aim for further growth	⇐ Basic policy to surely achieve results during E-Plan 2019
<b>Basic Policy 2</b> Strengthen product competitiveness and improve profitability by introducing innovative production processes and business processes with the fully-automated plants at the core	⇐ 2 more specific policies to achieve Basic Policy 1
<b>Basic Policy 3</b> Expand the Service & Support (S&S) business to improve and stabilize profitability	
<b>Basic Policy 4</b> Utilize M&As as effective means, in business which are expected to generate stable growth and profits, for the purpose of increasing the Group’s share in the overseas markets and enhancing product lineup; and in business which are highly susceptible to market fluctuations, for the purpose of expanding the domain of the S&S business	⇐ Basic policy for M&A
<b>Basic Policy 5</b> In order to shore up the global expansion of each business, reinforce corporate headquarters’ strategic functions while at the same time making Groupwide efforts to consolidate ongoing operations and enhance their efficiency	⇐ Basic policy of corporate divisions which provide a backbone to business

2. Progress of the Plan and Targets to Be Achieved in the Final Year

(1) Key management indicator: Return on Invested Capital (ROIC)

Fiscal Year( FY)	153rd Period (FY ended December 31, 2017)	154th Period (FY ended December 31, 2018) (FY under review)	155th Period (FY ending December 31, 2019) (Planned)	E-Plan 2019 Target
Entire Group	2.5%	4.9%	5.6%	8.0% or more

(2) Key management indicator to assess business execution: Operating Income Ratio

In order to achieve an ROIC of 8.0% or more of the entire group, each business will set operating income ratio as a key management indicator to assess business execution.

Fiscal Year(FY)	153rd Period (FY ended December 31, 2017)	154th Period (FY ended December 31, 2018) (FY under review)	155th Period (FY ending December 31, 2019) (Planned)	E-Plan 2019 Target
Entire Group	4.7%	6.4%	6.5%	9.0% or more
Fluid Machinery & Systems Business	0.6%	2.8%	4.8%	8.5% or more
Pumps	0.9%	3.5%	5.7%	8.0% or more
Compressors & Turbines	1.6%	2.2%	3.2%	11.0% or more
Chillers	3.8%	1.2%	6.1%	7.0% or more
Environmental Plants	6.6%	7.8%	8.2%	11.0% or more
Precision Machinery	12.7%	13.7%	10.0%	12.0% or more

**(5) 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 INTERNATIONAL CORPORATION	U.S.A.	US\$35,250 thousand	100.0*	Manufacture and sale of cryogenic submersible pumps
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
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
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.



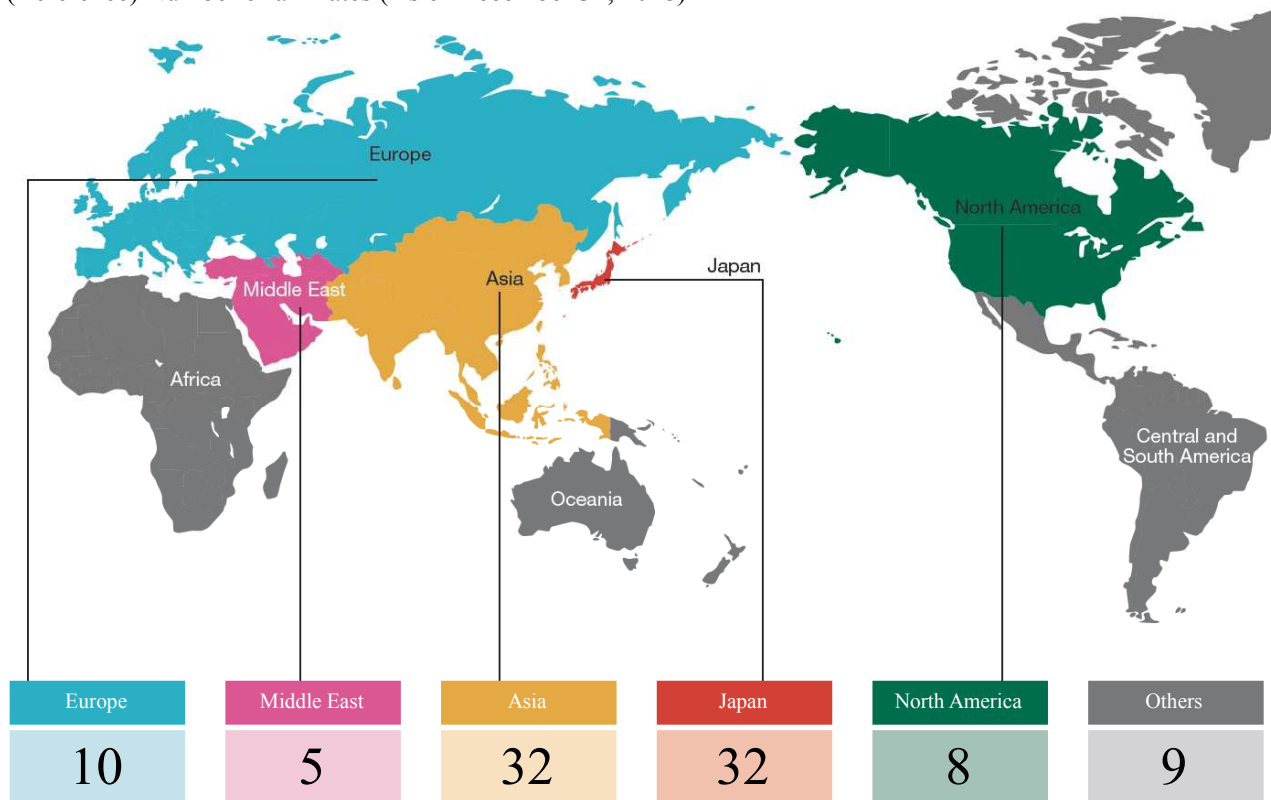
**3) Specific Wholly-owned Subsidiaries**

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, 2018)



**(6) Main Lines of Business (As of December 31, 2018)**

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

**(7) Principal Business Offices and Factories (As of December 31, 2018)****1) EBARA CORPORATION**

Name	Location	Name	Location
Head Office	Ota-ku, Tokyo	Nakasode Office	Sodegaura, Chiba
Hokkaido Branch	Shiroishi-ku, Sapporo	Futtsu District	Futtsu, Chiba
Muroran Office	Muroran, Hokkaido	Fujisawa District	Fujisawa, Kanagawa
Tohoku Branch	Miyagino-ku, Sendai	Chubu Branch	Nishi-ku, Nagoya
Hokuriku Branch	Chuo-ku, Niigata	Suzuka District	Suzuka, Mie
Haneda Office	Ota-ku, Tokyo	Osaka Branch	Kita-ku, Osaka
Haneda East 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.

**(8) Employees by Business Segment (As of December 31, 2018)**

Business Segment	Number of Employees	Change from the end of Previous Fiscal Year
Fluid Machinery & Systems	10,972	+175
Environmental Plants	2,588	-34
Precision Machinery	2,260	+193
Corporate Departments, etc.	736	+3
Total	16,556	+337

Note:

The number of employees shown is the number of workers.

**(9) Principal Lenders (As of December 31, 2018)**

Principal Lenders to the Group	Outstanding Loans (Millions of yen)
Mizuho Bank, Ltd.	19,686
MUFG Bank, Ltd.	14,533
Development Bank of Japan Inc.	7,000
The Shoko Chukin Bank, Ltd.	3,500
Sumitomo Mitsui Banking Corporation	2,918
Sumitomo Mitsui Trust Bank, Limited	1,947

Note:

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

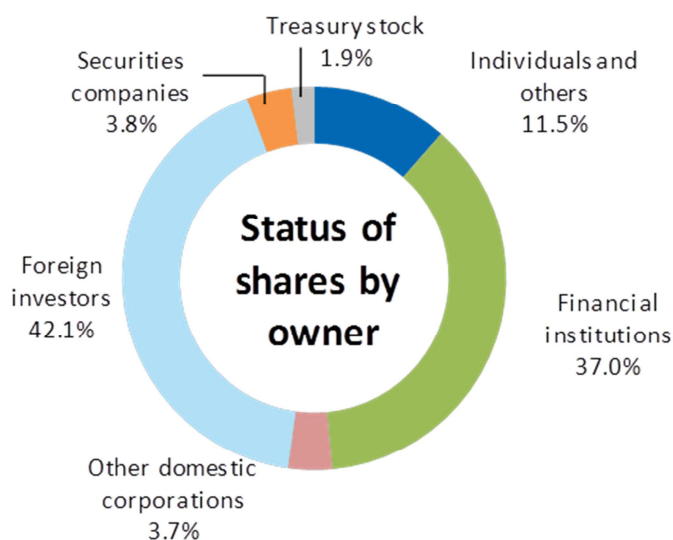
**(10) Other Important Matters Related to the Condition of the Corporate Group**

The Company has completed the vacation of the land where the Company's former Headquarters and its Haneda Plant were located in accordance with the transfer agreement with Yamato Transport Co., Ltd. However, slate fragments containing asbestos were later found in the course of the construction of Yamato Transport's logistics terminal, and Yamato Transport filed a lawsuit claiming compensation for damages on March 28, 2012 demanding the payment of ¥8,505 million and delay damages on the grounds of default or defect liability based on the transfer agreement. The Tokyo District Court issued a judgment acknowledging part of Yamato Transport's claim on April 28, 2016, ordering the Company to pay ¥5,618 million and delay damages, and dismissing the remainder of Yamato Transport's claims. Later, an appeal was filed against the judgment on May 17, 2016, but the Tokyo High Court partially dismissed the Company's appeal on June 28, 2018, issuing a judgment ordering the Company to pay ¥5,952 million and delay damages. The Company filed a final appeal as well as a petition for acceptance of the final appeal to the Supreme Court on July 11, 2018, and Yamato Transport Co., Ltd. filed a petition for acceptance for a final appeal. However, on January 29, 2019, the Supreme Court rejected the Company's final appeal and also decided not to accept either of the petitions for acceptance of the final appeals by the Company and Yamato Transport. Accordingly, the Tokyo High Court's judgment was finalized, and the lawsuit was closed.

## 2. Shares of the Company (As of December 31, 2018)

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

- 1) Number of shares authorized 200,000,000 shares
- 2) Total number of shares issued 101,957,853 shares  
(Change from the previous year: +174,600 shares)  
(Including 1,933,423 shares of treasury stock)
- 3) Paid-in capital ¥79,066,812,923  
(Change from the previous year: +¥251,092,000)
- 4) Number of shareholders 22,234 (Change from the previous year: +813)



### 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)	10,347	10.3
Ichigo Trust Pte. Ltd.	7,961	8.0
Japan Trustee Services Bank, Ltd. (Trust Account)	6,536	6.5
THE BANK OF NEW YORK MELLON 140042	4,189	4.2
National Mutual Insurance Federation of Agricultural Cooperatives	2,054	2.1
Mizuho Bank, Ltd.	2,000	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,737	1.7
HSBC TRINKAUS AND BURKHARDT AG RE: DE-CLTS A/C RE AIF	1,651	1.7
Japan Trustee Services Bank, Ltd. (Trust Account 7)	1,537	1.5
JP MORGAN CHASE BANK 385151	1,527	1.5

Notes:

1. The Company owns 1,933 thousand treasury shares, but has been excluded from the principal shareholders above.
2. Treasury shares are eliminated from total number of shares issued in calculating the percentage.

### 6) Important notes on other shareholdings

#### A. 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 new 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 9, 2018 to issue new shares

as restricted share-based compensation, and issued 104,600 common shares on May 8, 2018. Based on this, the capital and legal capital surplus increased by ¥194,294,500 each.

**B. Issuance of new shares through exercise of subscription rights to shares**

The total number of issued shares increased by 70,000 shares and capital and legal capital surplus increased by ¥56,797,500 each as a result of the exercise of subscription rights to shares during the fiscal year under review.

**C. Purchase of treasury shares**

(a) The Company resolved in the meeting of the Board of Directors held on November 13, 2018 to purchase treasury shares pursuant to Article 459, paragraph 1 of the Companies Act and Article 38 of the Articles of Incorporation.

- |  |   |
|--|---|
| - Type of shares purchased                   | Common stock of the Company                 |
| - Total number of shares purchased           | 1,742,100 shares                            |
| - Total amount of purchase of treasury stock | ¥4,999,765,874                              |
| - Purchase period                            | From November 14, 2018 to December 14, 2018 |
| - Reason for purchase                        | To improve capital efficiency               |

(b) The Company resolved in the meeting of the Board of Directors held on February 13, 2019 to purchase treasury shares pursuant to Article 459, paragraph 1 of the Companies Act and Article 38 of the Articles of Incorporation.

- |  |  |
|--|--|
| - Type of shares to be purchased             | Common stock of the Company                  |
| - Total number of shares to be purchased     | 7,000,000 shares (maximum)                   |
| - Total amount of purchase of treasury stock | ¥15,000 million (maximum)                    |
| - Purchase period                            | From February 14, 2019 to September 20, 2019 |
| - Reason for purchase                        | To improve capital efficiency                |

**(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 is important and it is necessary to maintain that relationships.
- B. The returns and risks associated with the shareholding match the capital cost.

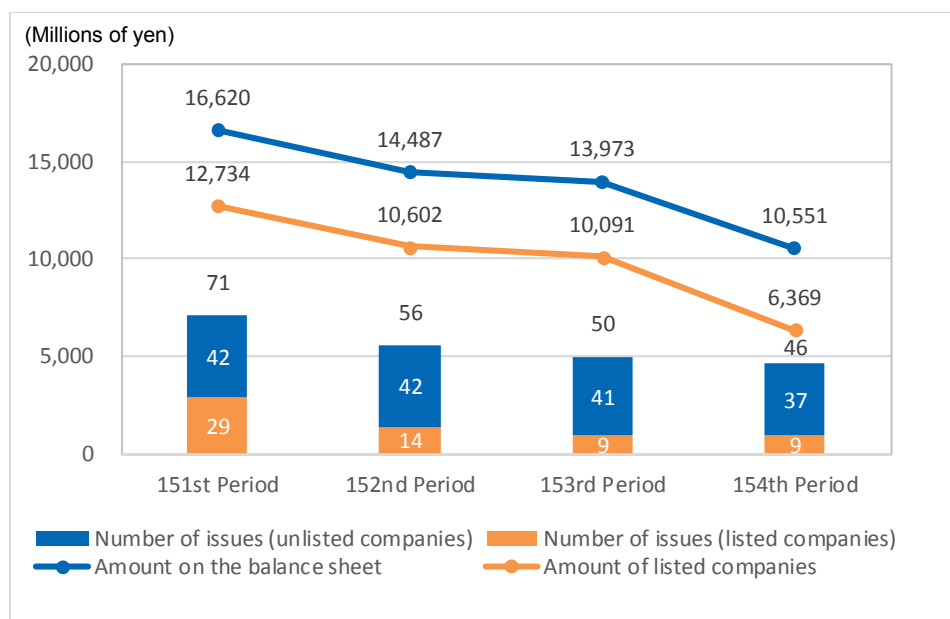
**2) Standard for the Exercise of Voting Rights in Cross-shareholdings**

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)	151st Period (FY ended March 31, 2016)	152nd Period (FY ended March 31, 2017)	153rd Period (FY ended December 31, 2017)	154th Period (FY ended December 31, 2018) (FY under review)
Number of issues		71 issues	56 issues	50 issues	46 issues
Number of issues of listed companies		29 issues	14 issues	9 issues	9 issues
Amount on the balance sheet (Millions of yen)		16,620	14,487	13,973	10,551
Amount of listed companies (Millions of yen)		12,734	10,602	10,091	6,369



### 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, 2018)

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 [Note 2]	Amount to be paid upon exercise of rights	Period during which rights may be exercised	Conditions for exercising rights [Note 3]
		Directors (excluding Outside Directors) [Note 1]	Outside Directors	Executive Officers [Note 1]				
1st Subscription Rights to Shares (November 5, 2009)	Yes	59 (1 person)	—	79 (4 persons)	Common stock of the Company 27,600 shares	¥1.00 per share	July 1, 2011 to November 5, 2024	(a)
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	(a)
3rd Subscription Rights to Shares (September 27, 2011)	Yes	102 (1 person)	—	319 (9 persons)	Common stock of the Company 84,200 shares	¥1.00 per share	July 1, 2014 to June 30, 2026	(a)
4th Subscription Rights to Shares (October 1, 2012)	Yes	0 (0 persons)	—	18 (1 person)	Common stock of the Company 3,600 shares	¥1.00 per share	July 1, 2014 to June 30, 2026	(b)
5th Subscription Rights to Shares (October 1, 2013)	Yes	34 (1 person)	—	37 (3 persons)	Common stock of the Company 14,200 shares	¥1.00 per share	July 1, 2014 to June 30, 2026	(b)
6th Subscription Rights to Shares (October 1, 2014)	Yes	44 (1 person)	—	299 (8 persons)	Common stock of the Company 68,600 shares	¥1.00 per share	July 1, 2017 to June 30, 2029	(b)
7th Subscription Rights to Shares (October 1, 2015)	Yes	0 (0 persons)	—	49 (5 persons)	Common stock of the Company 17,200 shares	¥1.00 per share	July 1, 2017 to June 30, 2029	(b)
	No	27 (1 person)	10 (5 persons)	—			October 1, 2018 to June 30, 2029	
8th Subscription Rights to Shares (October 1, 2016)	Yes	0 (0 persons)	—	31 (3 persons)	Common stock of the Company 21,000 shares	¥1.00 per share	July 1, 2017 to June 30, 2029	(b)
	No	64 (3 persons)	10 (5 persons)	—			October 1, 2019 to June 30, 2029	

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 [Note 2]	Amount to be paid upon exercise of rights	Period during which rights may be exercised	Conditions for exercising rights [Note 3]
		Directors (excluding Outside Directors) [Note 1]	Outside Directors	Executive Officers [Note 1]				
9th Subscription Rights to Shares (October 1, 2017)	Yes	25 (3 persons)	—	271 (12 persons)	Common stock of the Company 38,400 shares	¥1.00 per share	April 1, 2020 to March 31, 2032	(c), (d)
	No	78 (3 persons)	10 (5 persons)	—			October 1, 2020 to March 31, 2032	(c)

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 each 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. The following are the conditions for exercise of the subscription rights to shares:
    - (a) Holders of the subscription rights to shares can exercise the rights during the period in which they serve as Directors, Executive Officers and/or Senior Officers of the Company or within five years after their retirement.
    - (b) Holders of the subscription rights to shares can exercise the rights during the period in which they serve as Directors, Executive Officers and/or Senior Officers of the Company or subsidiaries of the Company, or within five years after their retirement.
    - (c) 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.
    - (d) If the Company's actual performance (consolidated rate of return on invested capital (ROIC)) for the last fiscal year in the three-year medium-term management plan entitled "E-Plan 2019" with fiscal 2019 as its target year reaches the target (8.0%), then all of the rights allotted may be exercised, but if the actual performance does not reach the target achievement, the number of exercisable rights shall be defined by multiplying the number of allotted rights by the degree of achievement which shall be the number obtained by dividing the actual performance by the target performance and not be less than 0.5.
- (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.

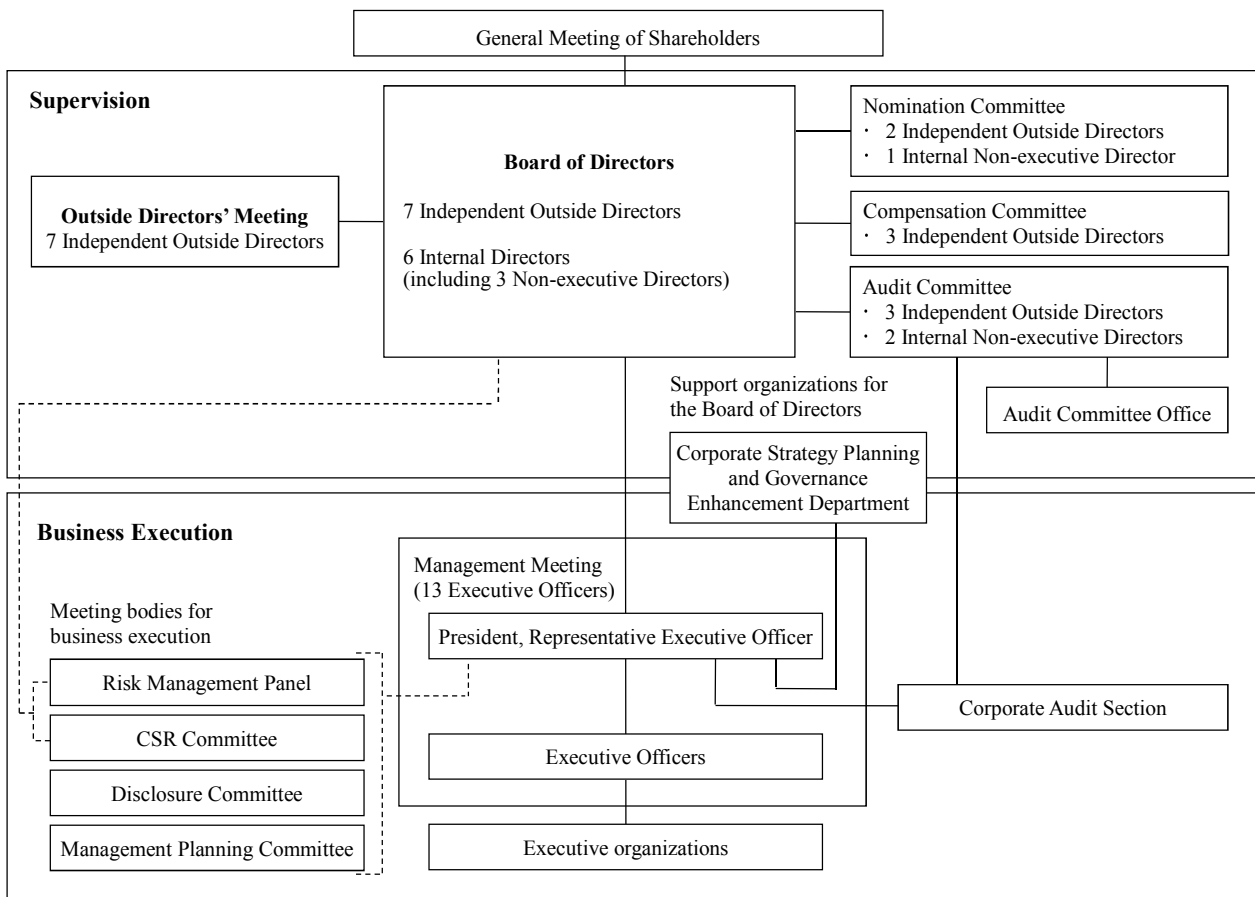
The Company has established the "EBARA Corporate Governance Basic Policy" and is committed to enhancing corporate governance based on the following basic views:

- 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 Outside Directors who play important roles. The Company has adopted the organizational form of a "Company with Three Committees," with the Nomination Committee, the Compensation Committee and the Audit Committee as statutory committees under the Board of Directors, with a view to achieving clear separation between supervision and execution in management.
- 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 Outside Directors: Outside 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 Outside Directors are Independent Outside Directors.

###### **2) Roles and composition of each organ**

The corporate governance framework as of December 31, 2018 is shown below.



## a. Supervision

### (a) Board of Directors

The Board of Directors recognizes three tasks as its principal roles and responsibilities: 1) indicating the general direction of the Company such as corporate strategies, etc.; 2) developing an environment that can support adequate risk-taking in business execution; and 3) carrying out highly effective supervision of business execution from an independent and objective standpoint. Furthermore, the Board of Directors exercises its leadership in developing an environment in which the management can take bold action to prevent the loss of upside opportunities (offensive posture), in addition to the perspective of developing an environment that incorporates controls for preventing downside risks (defensive posture), including the risk of scandals. The Board of Directors is made up of at least one third Independent Outside Directors, and a majority of Directors who are Non-executive Directors to clearly separate supervision and execution of business. Furthermore, a Non-executive Director is appointed as chairman of the Board of Directors, separate from the President and Representative Officer.

As of December 31, 2018, the Board of Directors comprises 13 Directors, ten of whom are Non-executive Directors (seven of whom including one woman are Independent Outside Directors). 14 meetings were held in the fiscal year under review.

### (b) Nomination Committee

The Nomination Committee is mainly responsible for deciding on the proposals submitted to the General Meeting of Shareholders concerning the election and dismissal of Directors, recommendations to the Board of Directors concerning the election and dismissal of Executive Officers, and recommendations to the Board of Directors concerning the appointment and dismissal of Directors and Executive Officers with corporate titles, in addition to formulation of succession plans for the President, Representative Executive Officer. The Nomination Committee is made up of Non-executive Directors and a majority of the committee is made up of independent Outside Directors.

As of December 31, 2018, the Nomination Committee comprises three Non-executive Directors, two of whom are independent Outside Directors. 13 meetings were held in the fiscal year under review.

(c) Compensation Committee

The Compensation Committee is mainly responsible for deciding on the policy on individual compensation, etc., for Directors and Executive Officers along with the individual compensation, etc., for Directors and Executive Officers, in addition to making recommendations to the Board of Directors concerning the officers' compensation system including that for affiliates. The Compensation Committee is made up of Non-executive Directors, and a majority of the committee is made up of independent Outside Directors.

As of December 31, 2018, the Compensation Committee comprises three Non-executive Directors, all of whom are independent Outside Directors. Six meetings were held in the fiscal year under review.

(d) Audit Committee

The Audit Committee is responsible for conducting audits to assess whether or not Directors, Executive Officers, and employees of the Company and its subsidiaries are in compliance with legal obligations and internal regulations. In addition, the committee endeavors to monitor Executive Officers and verify whether they execute their duties in a sound, fair, appropriate and efficient manner in accordance with the basic policies for management and the medium- and long-term management plans, which are formulated by the Board of Directors. The Audit Committee is made up of Non-executive Directors, and a majority of the committee is made up of independent Outside Directors.

As of December 31, 2018, the Audit Committee comprises five Non-executive Directors, three of whom are independent Outside Directors. 14 meetings were held in the fiscal year under review.

(e) Outside Directors' Meeting

The Outside Directors' Meeting, comprising only independent Outside Directors, has been established as a venue for independent Outside Directors to freely discuss matters required for obtaining sufficient information to fulfill their responsibilities and sharing awareness of issues. The Chief Outside Director, who is elected by mutual voting, serves as Chairman of the meeting. 14 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. Four 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. A total of seven meetings were held in the fiscal year under review.

(d) CSR Committee

The CSR Committee deliberates on maintenance, development and issues of activities related to EBARA Group CSR Policy and determines the policy of CSR activities, while determining the key issues (materiality), response policy and Key Performance Indicators (KPI) of CSR and confirming the progress and the status of achievement. It also monitors the status of compliance at the Company and its subsidiaries in accordance with the EBARA Group CSR Policy and the EBARA Group Code of Conduct, while giving instructions for improvement as appropriate. The CSR Committee is chaired by the President, Representative Executive Officer, and Executive Officers serve as members, and the lawyers in charge of the Compliance Consultation Counter participate in the committee meetings as advisors. Furthermore, Non-executive Directors are encouraged to attend meetings of the committee to exhibit supervisory functions contributing to the objectives of the CSR Committee, and Non-executive Directors provide advice and the like as necessary. The CSR 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 CSR Committee periodically holds meetings once every quarter, and four meetings were held in the fiscal year under review.

(e) Disclosure Committee

A 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 reports to the President and Representative Executive Officer. Furthermore, it carries out disclosure procedures after completion of internal authorization procedures. Seven 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 the most important strategic decision 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) Assessment of the Board of Directors**

The Company pursues the best possible corporate governance structure and strives for its further enhancement at all times. The Board of Directors itself annually analyzes and assesses the overall effectiveness of the Board of Directors to review how the Board of Directors contributes to corporate governance functioning effectively, identify issues and make improvements, and an overview of the results is disclosed. In annual evaluations, 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 cycle of improvement.

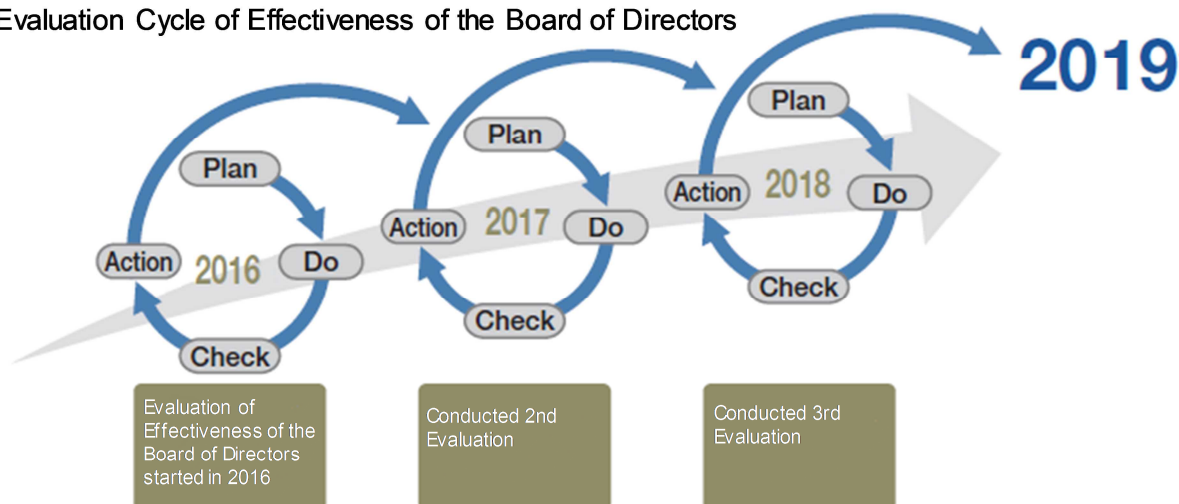
**Assessment of the Board of Directors During the Fiscal Year Under Review**

Following on from the previous fiscal year, the Company’s Board of Directors conducted an analysis of the current status of the Board of Directors as well as the status of improvement of the issues of the Board of Directors in the previous year with the cooperation of a third-party organization based on the results of responses to questionnaires sent to all Directors and individual interviews based on the results of these. Discussions was held in the Board of Directors based on the results of the analysis to assess the effectiveness of the Board of Directors and summarized action to be taken in the future.

See the Company’s website at the following address for an overview of the results of the assessment of the Board of Directors.

<https://www.ebara.co.jp/en/about/ir/library/corporategovernance/index.html>

**Evaluation Cycle of Effectiveness of the Board of Directors**



**(2) Names and other information on Directors and Executive Officers (As of December 31, 2018)**

**1) Directors**

Name	Position	Assignment and important concurrent positions
Natsunosuke Yago	Chairman, Board of Directors	Chairman of the Board of Directors Member of the Nomination Committee
Toichi Maeda	Director President, Representative Executive Officer	
Sakon Uda	Director	Chief Outside Director Chairperson of the Nomination Committee Member of the Compensation Committee Professor, Kenichi Ohmae Graduate School of Business Vice President, Dean, Faculty of Business Administration, Professor, Business Breakthrough University Director, Business Breakthrough, Inc. Executive Director, Public Utility Fund Japan-North America Medical Exchange Foundation
Shiro Kuniya	Director	Chairperson of the Compensation Committee Attorney at Law Attorney at Law, New York Bar Association Managing Partner, Oh-ebashi Lpc & Partners Outside Director, NEXON Co., Ltd. Outside Director, Sony Financial Holdings Inc. Outside Director, Takeda Pharmaceutical Company Limited
Izumi Sato	Director	Member of the Audit Committee Attorney at Law, Izumi Sato Law Office Part-time Director, Japan Iron and Steel Recycling Institute Part-time Instructor, Keio University Law School Councilor, Japan Automobile Recycling Promotion Center Member of the Tokyo Pollution Review Board
Hajime Sawabe	Director	Member of the Compensation Committee Outside Audit & Supervisory Board Member, Nikkei Inc. Executive Advisor, TDK Corporation President, Board of Trustee, Waseda University
Shozo Yamazaki	Director	Member of the Audit Committee Certified Public Accountant Advisor, The Japanese Institute of Certified Public Accountants Outside Audit & Supervisory Board Member, Tohoku University Venture Partners Co., Ltd. Outside Audit & Supervisory Board Member, Regional Economy Vitalization Corporation of Japan Outside Director, Sumitomo Mitsui Financial Group, Inc.
Hiroshi Oeda	Director	Member of the Nomination Committee Member of Management Council, Hitotsubashi University Corporate Special Adviser, Nisshin Seifun Group Inc. President, Seifun Kaikan Inc. Member, The Japanese National Commission for UNESCO Outside Director, SEKISUI CHEMICAL CO.,LTD.
Masahiro Hashimoto	Director	Member of the Audit Committee Industrial promotion advisor, Kumamoto Prefecture
Tetsuji Fujimoto	Director	Chairperson of the Audit Committee (Full-Time Member)
Atsuo Ohi	Director Senior Managing Executive Officer	President, Environmental Engineering Company President and Representative Director, EBARA Environmental Plant Co., Ltd.
Shusuke Tsumura	Director	Member of the Audit Committee (Full-Time Member)
Nobuharu Noji	Director Senior Managing Executive Officer	President, Fluid Machinery & Systems Company Responsible for Chillers Business, Fluid Machinery & Systems Company

Notes:

- Seven Directors, Sakon Uda, Shiro Kuniya, Izumi Sato, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda and Masahiro Hashimoto are Outside Directors as stipulated in Article 2, item 15 of the Companies Act.
- Seven Directors, Sakon Uda, Shiro Kuniya, Izumi Sato, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda and

Masahiro Hashimoto, satisfy the qualification for the independent Directors stipulated by the Tokyo Stock Exchange. The Company has filed notification to the Tokyo Stock Exchange for appointing Sakon Uda, Shiro Kuniya, Izumi Sato, Hajime Sawabe, Shozo Yamazaki, Hiroshi Oeda and Masahiro Hashimoto as its independent Directors.

3. Members of the Audit Committee, Tetsuji Fujimoto and Shusuke Tsumura, have held the position of Division Executive of Finance & Corporate Accounting Division of the Company, and Shozo Yamazaki is a certified public accountant. Furthermore, Masahiro Hashimoto has experience servicing as General Manager of Financial Department, Dainippon Screen Mfg. Co., Ltd. (currently SCREEN Holdings Co., Ltd.), and they all have respectable knowledge in finance and accounting.
4. Three Directors, Hiroshi Oeda, Masahiro Hashimoto and Nobuharu Noji, were newly elected at the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018, and assumed their position thereafter.
5. Three Directors, Masao Namiki, Nobuko Matsubara and Manabu Tsujimura, completed their term of office at the end of the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018, 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. 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 Outside 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.
8. In order to improve the effectiveness of the activities of the Audit Committee, the Company has elected Non-executive Directors Tetsuji Fujimoto and Shusuke Tsumura from within the Company as full-time members 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.
9. The following changes in the status of Directors became effective on January 7, 2019.

Name	Assignment and important concurrent positions	
	After change	Prior to change
Atsuo Ohi	Chairman and Representative Director, EBARA Environmental Plant Co., Ltd.	President and Representative Director, EBARA Environmental Plant Co., Ltd.

## 2) Executive Officers

Name	Position	Assignment and important concurrent positions
Toichi Maeda*	President, Representative Executive Officer	
Manabu Tsujimura	Senior Managing Executive Officer	Responsible for Technologies, R & D and Intellectual Property
Atsuo Ohi*	Senior Managing Executive Officer	President, Environmental Engineering Company President and Representative Director, EBARA Environmental Plant Co., Ltd.
Nobuharu Noji*	Senior Managing Executive Officer	President, Fluid Machinery & Systems Company Responsible for Chillers Business, Fluid Machinery & Systems Company
Norio Kimura	Managing Executive Officer	Division Executive, Custom Pump Division, Fluid Machinery & Systems Company Chairman, EBARA MACHINERY ZIBO CO., LTD.
Masao Asami	Managing Executive Officer	President, Precision Machinery Company
Akihiko Nagamine	Executive Officer	Division Executive, Finance & Accounting Division
Toshihiko Miyashita	Executive Officer	Responsible for Compressor and Turbines Business, Fluid Machinery & Systems Company
Seiji Katsuoka	Executive Officer	Division Executive, CMP Division, Precision Machinery Company
Akihiro Kida	Executive Officer	Division Executive, System Business Division, Fluid Machinery & Systems Company
Yoshiaki Okiyama	Executive Officer	Division Executive, Standard Pump Business Division, Fluid Machinery & Systems Company Chairman, Ebara Machinery (China) Co., Ltd.
Shu Nagata	Executive Officer	Division Executive, Corporate Strategic Planning Division
Toru Nakayama	Executive Officer	Division Executive, Legal, Internal Control, Risk Management and General Affairs Division

### Notes:

- Executive Officers marked with an asterisk indicate that they concurrently serve as Director.
- Three Executive Officers, Yoshiaki Okiyama, Shu Nagata and Toru Nakayama were newly elected at the meeting of the Board of Directors held on March 28, 2018, and assumed their position thereafter.
- Managing Executive Officer Akira Ichihara and Executive Officer Hisashi Iijima completed their term of office at the end of the meeting of the Board of Directors held on March 28, 2018, and retired from their position.
- The following changes in the status of Executive Officer became effective on January 7, 2019.

Name	Assignment and important concurrent positions	
	After change	Prior to change
Atsuo Ohi	Chairman and Representative Director, EBARA Environmental Plant Co., Ltd.	President and Representative Director, EBARA Environmental Plant Co., Ltd.



### (3) 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		Bonus		Stock Options		Restricted share-based compensation		Performance-linked share-based compensation	
		Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount	Number of Persons	Amount
Directors (excluding Outside Directors)	177	3	131			3	14	3	28	3	3
Outside Directors	98	9	92			7	1	7	5		
Executive Officers	610	15	310	13	172	14	37	13	47	13	42
Total	886	27	533	13	172	24	53	23	80	16	45

#### Notes:

1. Compensation paid to Executive Officers concurrently serving as Directors is shown in the column for Executive Officers.
2. Amount of compensation paid to Executive Officers includes ¥79 million as compensation that subsidiaries paid to Executive Officers who served concurrently as the Corporate Officers of the subsidiaries.
3. The base pay (limited to performance-linked portion) of Non-executive Directors (excluding Outside Directors) and bonuses of Executive Officers are calculated based on the performance of the EBARA Group, the performance of the relevant division and an evaluation of the individual's performance in the fiscal year under review, and amounts are determined individually after deliberation in the Compensation Committee.
4. Base pay shown is the total amount of base pay paid to Directors and Executive Officers in office as of December 31, 2018 according to the term of office of each Director and Executive Officer for the fiscal year under review, and base pay paid to two Non-executive Directors out of three Directors who retired at the conclusion of the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018 and two Executive Officers who retired at the conclusion of the meeting of the Board of Directors held on the same day according to their terms of office during the fiscal year under review.
5. Bonuses shown are the total amount of bonuses to be paid to Executive Officers in office as of December 31, 2018 (to be paid in March 2019) for the fiscal year under review.
6. The stock option system was abolished in the fiscal year ended December 31, 2017, and a restricted share-based compensation system and a performance-linked share-based compensation system were introduced from the fiscal year ended December 31, 2018.
7. No new stock options were granted in the fiscal year under review, but the amount of those granted in the previous fiscal year to be recorded as an expense in the fiscal year under review is shown.
8. Stock options shown is the total amount of stock options granted in the previous fiscal year to Directors and Executive Officers in office as of December 31, 2018 according to the term of office of each Director and Executive Officer for the fiscal year under review, and stock options granted the previous fiscal year to two Non-executive Directors out of three Directors who retired at the conclusion of the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018 and two Executive Officers who retired at the conclusion of the meeting of the Board of Directors held on the same day according to their terms of office during the fiscal year under review. Stock options are calculated at the fair value of subscription rights to shares, and shown as the amount to be recorded as an expense in the fiscal year under review.
9. Restricted share-based compensation shown is the amount of restricted share-based compensation to be paid to Directors and Executive Officers in office as of December 31, 2018 to be recorded as an expense in the fiscal year under review.
10. Performance-linked share-based compensation shown is the amount planned to be paid in May 2020 of performance-linked share-based compensation to be paid to Directors and Executive Officers in office as of December 31, 2018 to be recorded as an expense in the fiscal year under review.
11. No Directors or Executive Officers received a total amount of ¥100 million or more in compensation, etc. during the fiscal year under review.

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

The amount of Compensation Paid to Directors and Executive Officers is determined in the Compensation Committee.

**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

The compensation of Directors is made up of base pay and share-based compensation (restricted share-based compensation and performance-linked share-based compensation) enabling the continued enhancement of corporate value and better sharing of value with shareholders. Furthermore, the Chairman of the Board of Directors, the Chief Outside Director and the Chairpersons of the Committees are paid allowances based on the degree of their roles and responsibilities, the number of hours spent performing such duties, and the like.

a. Outside Directors

The Outside Directors who comprise the majority of Directors are paid base pay and restricted share-based compensation not linked to performance because they are expected to fulfill their roles in a position that is completely independent from the execution of business.

b. Non-executive Directors (excluding Outside Directors)

Non-executive Directors (excluding Outside Directors) are elected from among people within the Company who are able to actively collect information on the state of the Company based on their experience and knowledge. They are expected to perform the necessary monitoring of the execution of business for fulfilling the supervisory function of the Board of Directors, provide appropriate supervision of the execution of important matters based on their knowledge, and in the process provide advice to enable the legitimate and efficient execution of business to an extent that is not involved in decision-making.

Because they fulfill such roles and responsibilities, they are paid in base pay (partially linked to performance), restricted share-based compensation and performance-linked share-based compensation in light of the impact of the quality of supervision of execution of business on performance in each fiscal year.

c. Executive Directors

The Company pays the three Executive Directors compensation as Executive Officers and does not pay them compensation as Directors.

(c) Combinations of compensation

The combinations of Directors’ compensation are as follows.

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

	Monetary compensation		Share-based compensation (long-term incentives)	
	Base Pay	Annual bonus	Restricted share-based compensation	Performance-linked share-based compensation
Outside Directors	1.0	0.0	0.1	0.0
Non-executive Directors (excluding Outside Directors)	1.0*	0.0	0.35	0.05*

Notes:

1. An asterisk (\*) indicates compensation linked to performance.
2. 20% of base pay of Non-executive Directors (excluding Outside Directors) is linked to performance.
3. Performance-linked compensation of Non-executive Directors (excluding Outside Directors) is paid within a range of 0 to 100% based on the level of achievement of performance targets.

## 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-term performance, and provides a level of compensation appropriate for officers of the Company if targets are met in order to encourage the execution of business conforming with the Company's management philosophy and management strategy and to provide powerful motivation for achieving the Company's targets for the purpose of sustained growth of the Company and the improvement of medium- to long-term corporate value.

### (b) Compensation system

Compensation for Executive Officers is made up of base pay in accordance with their executive position such as President, Representative Executive Officer, and Senior Managing Executive Officer, performance-linked annual bonus, restricted share-based compensation and performance-linked share-based compensation, and is determined by the Compensation Committee. Because Executive Officers are expected to fulfill important roles in the achievement of numerical targets in the execution of business, annual bonuses may be larger than the base pay portion if performance reaches performance targets.

### (c) Combinations of compensation

The combinations of Executive Officers' compensation are as follows.

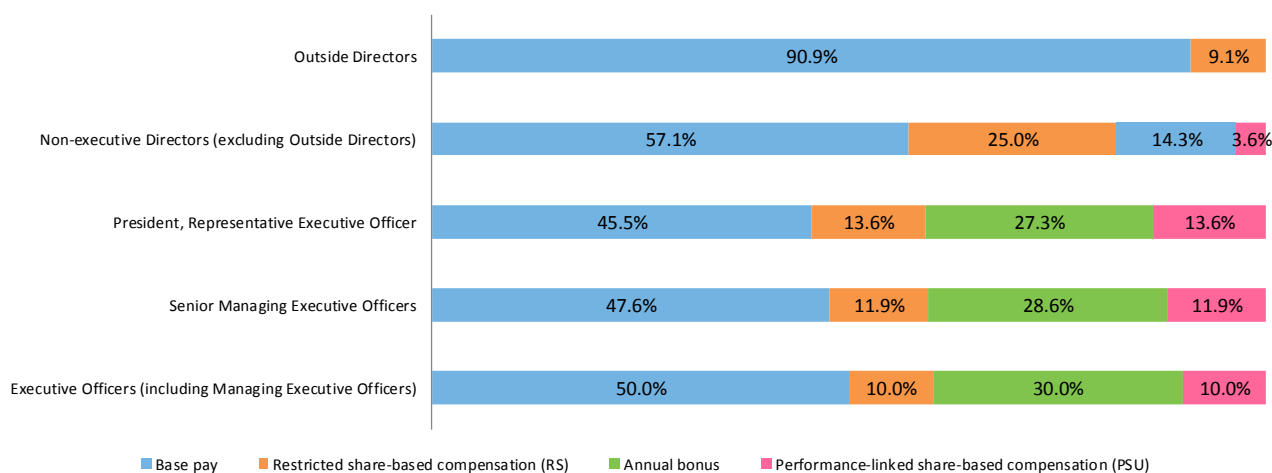
[Ratio of Compensation of Executive Officers (If 100% of the target for performance-linked compensation is achieved)]

	Monetary compensation		Share-based compensation (long-term incentives)	
	Base Pay	Annual bonus*	Restricted share-based compensation	Performance-linked share-based compensation*
President, Representative Executive Officer	1.0	0.6	0.3	0.3
Senior Managing Executive Officers	1.0	0.6	0.25	0.25
Executive Officers (including Managing Executive Officers)	1.0	0.6	0.2	0.2

Notes:

1. An asterisk (\*) indicates compensation linked to performance.
2. Annual bonuses are 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.
3. Performance-linked compensation is paid within a range of 0 to 100% based on the level of achievement of performance targets.

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



### 3) **Compensation Levels**

The base pay is aimed to be at a level comparable with competing companies for the envisaged business and personnel (hereinafter referred to as “domestic peer companies”). While periodically checking the levels of domestic peer companies, attention is also given to employee wage levels (discrepancy with officers, divergence from national average level, etc.) to adjust and determine pay levels including differences between positions.

By doing so, total compensation (sum of base pay level, annual bonus, restricted share-based compensation and performance-linked share-based compensation) is determined to be higher than domestic peer companies when strategies and business targets are achieved, and lower than domestic peer companies when not achieved.

### 4) **Payment Items**

#### **A. Annual Bonus**

The mechanism of the annual bonus focuses on accountability to stakeholders, including shareholders, and incentives for Executive Officers, tying bonuses directly to the performance of the Company and to the degree that individuals achieve their targets. However, if profit attributable to owners of parent is extremely low or no dividends are paid, the Compensation Committee may decide to reduce the annual bonus.

#### **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

In principle, restricted share-based compensation is granted in the first year of the medium-term management plan based on the period of the medium-term management plan with a certain period of restriction on the transfer of the shares. This enables officers to have the same perspective and share values with shareholders because they hold the shares from the time they are granted. Two years of shares were granted in the fiscal year ended December 31, 2018 because the system was introduced in the fiscal year ended December 31, 2018, which is midway through the medium-term management plan.

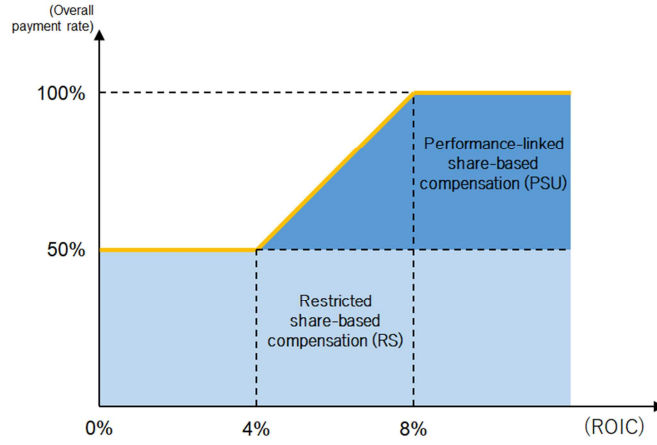
##### (b) Performance-linked share-based compensation

The performance-linked share-based compensation system uses the period of the of the Company’s medium-term management plan as the evaluation period, and grants a number of common shares of the Company equivalent to the amount calculated based on the position of the relevant officer according to the level of achievement of the performance evaluation indicator specified in advance at the end of the evaluation period.

The main purpose of the compensation system is to provide an incentive to Executive Officers to achieve the medium-term management plan. However, at the same time, a similar system has been introduced for the Company’s Non-executive Directors (excluding Independent Outside Directors) considering that the quality of oversight by Non-executive Directors (excluding Independent Outside Directors) also affects the Company’s performance.

[Payment rate according to level of achievement of ROIC]

ROIC for the last fiscal year in "E-Plan 2019"	0-4%	4-8%	8% or more
Long-term incentives			
Restricted share-based compensation (RS)	100%	100%	100%
Performance-linked share-based compensation (PSU)	0%	0-100%	100%
Share-based compensation (RS + PSU)	50%	50-100%	100%



**(4) Matters Related to Outside 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****A. Attendance at Board of Directors meetings and Committee meetings, etc. and statements made:**

Name	Attendance					Status of statements
	Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	Outside Directors' Meeting	
Sakon Uda	100% (14/14)	100% (13/13)	100% (6/6)	—	100% (14/14)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based on his extensive knowledge and high-level insight as a professional specializing in management strategy, etc. and corporate management.
Shiro Kuniya	86% (12/14)	—	100% (6/6)	—	93% (13/14)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based on his extensive knowledge and high-level insight as lawyer.
Izumi Sato	100% (14/14)	—	—	100% (14/14)	100% (14/14)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based on his extensive knowledge and high-level insight as lawyer.
Hajime Sawabe	100% (14/14)	—	83% (5/6)	—	93% (13/14)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based on his ample experience and a wide range of knowledge of corporate management at a listed company.

Name	Attendance					Status of statements
	Board of Directors	Nomination Committee	Compensation Committee	Audit Committee	Outside Directors' Meeting	
Shozo Yamazaki	93% (13/14)	—	—	93% (13/14)	86% (12/14)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based his extensive knowledge and high-level insight as a certified public accountant.
Hiroshi Oeda	100% (10/10)	100% (12/12)	—	—	100% (10/10)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based on his ample experience and a wide range of knowledge of corporate management at a listed company.
Masahiro Hashimoto	100% (10/10)	—	—	100% (10/10)	100% (10/10)	He attended the Board of Directors meetings and other such important meetings, and expressed his opinions from the view point of general management based on his ample experience and a wide range of knowledge of corporate management at a listed company.

Note:

Hiroshi Oeda and Masahiro Hashimoto were newly elected and appointed as Director and member of each committee at the 153rd Ordinary General Meeting of Shareholders held on March 28, 2018 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.

**B. Company policies that were changed as a result of opinions expressed by Outside Directors:**

None

**C. Outline of their responses to the Company's violations of the law, etc.:**

None

**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

Note:

On July 1, 2018, Ernst & Young ShinNihon LLC, the Independent Auditor of the Company, changed its Japanese corporate name from *ShinNihon Yugen Sekinin Kansa Hojin* to *EY ShinNihon Yugen Sekinin Kansa Hojin* but left its English name unchanged.

### (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	¥135 million
2)	Other monetary and other payments to be paid by the Company and its subsidiaries	¥183 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 15 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 entrusts the Independent Auditors with advisory work pertaining to matters such as the transition to International Financial Reporting Standards that are services other than those under Article 2, paragraph 1 of the Certified Public Accountants Act (non-audit services), and pays for the service.

### (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 Outside 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 20 years in succession.

#### 3) Procedures for the reappointment of Independent Auditors

Because ten years elapsed since Ernst & Young ShinNihon LLC was appointed as the Company's Independent Auditors in the 153rd fiscal year, the Audit Committee decided to hold a tender to select the reappointment of Independent Auditors from the 154th fiscal year pursuant to "2) Nonrenewal policy" and decided to reappoint Ernst & Young ShinNihon LLC.



## 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.	<ul style="list-style-type: none"> <li>(1) The Company has established a division for promoting compliance, which supports the creation of systems for preventing risk based on raising awareness of compliance, and the establishment of a friendly and open work environment in the Company and its subsidiaries.</li> <li>(2) Disciplinary provisions on the violation 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.</li> <li>(3) A CSR Committee chaired by the President and Representative Executive Officer has been established to determine the activity policies, key issues (materiality), response policies and Key Performance Indicators (KPI) of CSR and to check the progress and the status of achievement. The committee also monitors the status of compliance at the Company and its subsidiaries, and gives instructions for correction and improvement as appropriate. Four meetings of the committee were held in the fiscal year under review.</li> <li>(4) Employee compliance awareness surveys are conducted in the Company and domestic subsidiaries every year, and the state of penetration of compliance awareness are tracked to identify issues in compliance activities to reflect in the activities of the following fiscal year.</li> <li>(5) 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" have been established to promptly address any reports or inquiries on violations of the framework of corporate ethic, 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) were established for a total of five subsidiaries in China, Indonesia and the Philippines.</li> <li>(6) 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 meetings are periodically held for Chinese subsidiaries.</li> <li>(7) The Internal Audit Division is in place, carrying out audits and the monitoring of business operations of the Company and its subsidiaries in accordance with the "Internal Audit Rules." A system for auditing and monitoring has been established by subsidiaries, and the state of implementation is checked by the Company's Internal Audit Division.</li> </ul>
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.	<ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> </ul>

Basic Policies for Internal Control	Overview of Operation
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.	<p>(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.</p> <p>(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.</p>
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.	<p>(1) Authority, responsibilities and procedures are set out in the “Authority Rules,” etc., of the Company and its subsidiaries, whereby risk management is conducted.</p> <p>(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.</p> <p>(3) 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. In addition to quarterly meetings, meetings are held as required. A total of seven meetings were held in the fiscal year under review.</p>
5. Systems to Ensure the Efficient Execution of Duties by Executive Officers of the Company and by Directors of Its Subsidiaries	
<p>(1) The administrative authority of Executive Officers of the Company and Directors of its subsidiaries in the execution of operations is clarified.</p> <p>(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.</p>	<p>(1) The Board of Directors of the Company entrusts the authority and responsibility for the execution of business to Executive Officers, and ensure the efficient execution of duties by Executive Officers by supervising the execution of duties by Executive Officers.</p> <p>(2) The administrative authority of Executive Officers of the Company and Directors its subsidiaries is set out in the “Regulations on the Division of Duties” of the Company and its subsidiaries.</p> <p>(3) The Board of Directors of the Company formulates basic management policies, reflects the basic policies in the annual management plans of the Company and its subsidiaries.</p> <p>(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.</p> <p>(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, Representative Executive Officer. The Management Meeting is held once every month.</p>
6. Systems for Shutting Out Antisocial 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.	<p>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.</p> <p>Furthermore, investigations of business partners, internal education, and the like are conducted based on the “Guidelines on Shutting Out Antisocial 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.</p>

Basic Policies for Internal Control	Overview of Operation
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.	<p>(1) An internal control system is in place according to the scale and characteristics of business of the Company and its subsidiaries. The Company provides support for the establishment of internal control systems in subsidiaries.</p> <p>(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.</p>
8. Systems for Assigning Employees to Assist the Audit Committee in the Execution of Its Duties	
Establish the Audit Committee Office as a department that assists the Audit Committee in the execution of its duties.	<p>(1) The Audit Committee Office has been established as a department that assists the Audit Committee in the execution of its duties.</p> <p>(2) Persons who assist the Audit Committee's execution of its duties (hereinafter "assistants to the Audit Committee") are appointed from among the employees of the Company and belong to the Audit Committee Office. At present, four members belong to the Audit Committee Office.</p>
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	
<p>(1) Appoint employees who assist the Audit Committee's execution of its duties (hereinafter "assistants to the Audit Committee") from among the employees of the Company, subject to the consent of the Audit Committee.</p> <p>(2) Assistants to the Audit Committee shall not concurrently engage in business operations concerning the execution of duties by Executive Officers of the Company, thereby ensuring the independence of assistants to the Audit Committee from Executive Officers.</p> <p>(3) Assistants to the Audit Committee shall act only under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee.</p> <p>(4) Notwithstanding the preceding two paragraphs, assistants to the Audit Committee may engage in other business operations, subject to the prior approval of the Audit Committee.</p> <p>(5) The personnel transfer, appraisal, and the like of the employees assisting the Audit Committee shall be determined upon obtaining the consent of the Audit Committee.</p>	<p>(1) The appointment of assistants to the Audit Committee is determined with the consent of the Audit Committee.</p> <p>(2) Assistants to the Audit Committee are not concurrently engaged in business operations concerning the execution of duties by Executive Officers of the Company. Assistants to the Audit Committee act under the instruction of the Audit Committee, thereby ensuring the effectiveness of instructions of the Audit Committee.</p> <p>(3) Assistants to the Audit Committee serve as Audit &amp; Supervisory Board Members of Group companies with the prior approval of the Audit Committee.</p> <p>(4) The personnel transfer, appraisal, and the like of assistants to the Audit Committee are determined with the consent of the Audit Committee.</p>

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	
<p>(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.</p> <p>(2) Develop, maintain and operate a system whereby Directors, Audit &amp; Supervisory Board Members and employees, etc., of subsidiaries in addition to persons receiving reports therefrom report to the Audit Committee.</p> <p>(3) Any person having made a report under the two preceding paragraphs shall not be subject to disadvantageous treatment because of such reporting.</p>	<p>(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 CSR Committee, and the RMP.</p> <p>(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.</p> <p>(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.</p> <p>(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” have 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) were established for a total of five subsidiaries in China, Indonesia and the Philippines. Reports on the state of implementation of these are made to the Audit Committee as appropriate.</p> <p>(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 and Executive Officers, and the Directors of its subsidiaries commit a 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.</p> <p>(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.</p>
11. Other Systems for Ensuring the Effectiveness of Audits by the Audit Committee	
<p>(1) Ensure to maintain effectiveness of audits by establishing an appropriate mutual exchange of opinions and collaboration between the Audit Committee and the departments responsible for internal controls as well as the Internal Audit Division.</p> <p>(2) Establish policies on the treatment of expenses or liabilities incurred in the execution of duties of the Audit Committee in order to ensure the effective execution of audits by the Audit Committee.</p>	<p>(1) The President, Representative Executive Officer regularly exchanges information and opinions with the Audit Committee.</p> <p>(2) Departments responsible for internal controls, risk management and compliance, and the Internal Audit Division regularly exchange information and opinions with the Audit Committee, and also exchange information on important matters as needed, in an effort to promote mutual collaboration.</p> <p>(3) Policies are in place on the treatment of expenses or liabilities incurred in the execution of duties of the Audit Committee in order to ensure the effective execution of audits by the Audit Committee.</p>

Basic Policies for Internal Control	Overview of Operation
12. Systems for Ensuring the Credibility of Financial Reports	
The Company shall develop and operate an Internal Control system to ensure credibility of financial reporting, in accordance with Standards of Assessment and Audit on Internal Control over Financial Reporting, as well as Practice Standards of Assessment and Audit on 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) For the assessment, the scope of assessment is established every fiscal year in consideration of the impact on the financial reporting, significance in terms of management, and the like, for the purpose of an independent assessment team performing an assessment and promoting improvements to internal controls.

### (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. Regarding returns to shareholders, the Company has set a policy of linking dividends to performance and is aiming for a consolidated total payout ratio of 30% or more.

#### Dividends

Fiscal Year (FY) Item	151st Period (FY ended March 31, 2016)	152nd Period (FY ended March 31, 2017)	153rd Period (FY ended December 31, 2017)	154th Period (FY ended December 31, 2018) (FY under review)
Annual dividend per share (yen)	12.0	36.0	45.0	60.0 (planned)
Annual dividends (Millions of yen)	5,580	5,837	4,571	6,052 (planned)
Purchase of treasury stock (Millions of yen)	-	-	-	4,999
Consolidated total payout ratio (%)	32.3	28.1	48.0	60.5 (planned)

Note:

The “annual dividend per share” and “annual dividends” for the 154th fiscal year are amounts assuming the approval of Proposal 1 “Appropriation of Surplus” by the 154th Ordinary General Meeting of Shareholders. On October 1, 2016, the Company implemented a consolidation of shares at a ratio of one share for each five common shares. The annual dividend per share calculated based on the assumption that the consolidation of shares took place at the start of the fiscal year ended March 31, 2016 is as follows.

Fiscal Year (FY) Item	151st Period (FY ended March 31, 2016)	152nd Period (FY ended March 31, 2017)	153rd Period (FY ended December 31, 2017)	154th Period (FY ended December 31, 2018) (FY under review)
Annual dividend per share (yen)	60.0	60.0	45.0	60.0 (planned)

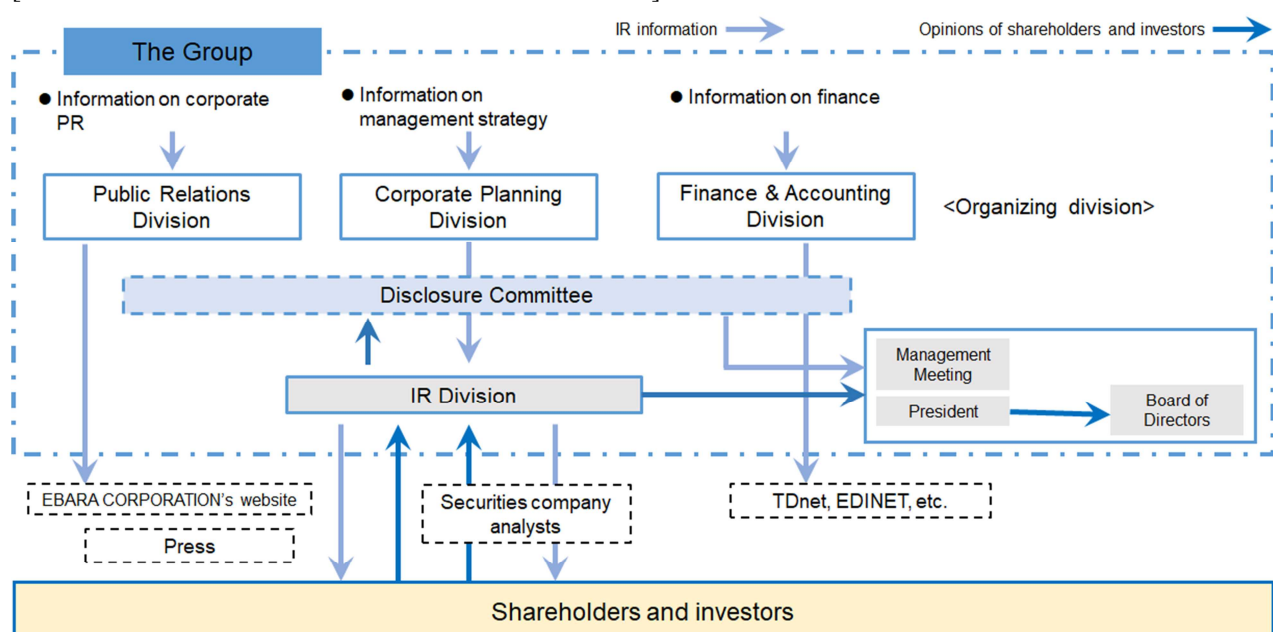
### (3) Dialogue with Shareholders and Investors

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 deepen the relationships of trust by conducting IR activities that contribute to the enhancement of corporate value through constrictive 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 Outside 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 154th Period
IR activities	Individual meetings	229 times
	Conferences held by securities companies	34 times
	ESG briefing	1 time
	Financial results briefing	4 times
	Business briefing (Environmental Plants Business)	1 time
SR activities	Tours for individual shareholders	2 times
	Company briefings for individual shareholders	1 time
	Company briefings for individual investors	4 times

Note:

Financial results briefings held after the announcement of the financial results for the first and third quarters were held by teleconference.

(4) Environmental and Social Initiatives

Since it was founded, the EBARA Group has continued to provide products and services for social and industrial infrastructure such as water and energy supply essential for people's lives. The Company has worked to continually grow its business and enhance corporate value by engaging in solutions to social issues while meeting society's needs at the time through business activities. In order to continue growing with society and further enhance corporate value, eight material ESG issues have been identified as issues to place priority upon, and "Six Action Policies" have been established to resolve these issues. Specific approaches and key performance indicators (KPIs) were also established to check the progress of these policies.

[Eight ESG Material Issues]

- Innovation in the areas of water, air and the environment
- Improvement of social infrastructure,
- Consideration for the environment
- Continuous improvement of corporate governance
- Reliable product quality and responsible customer engagement
- Responsible supply chain
- Secure talented human resources, foster their capabilities, and maximize value
- Risk management

[Six Action Policies]

Action Policy 1	Provide products and services that minimize the use of energy and resources
Action Policy 2	Expand the service and support business, maximize product life, and minimize any product downtime by failure
Action Policy 3	Minimize the amount of energy and resources used in business activities
Action Policy 4	Fulfill social responsibilities to supply chain, deliver reliable product quality throughout the product's life cycle, and achieve responsible customer engagement
Action Policy 5	Continuously improve governance structures, headed by the Board of Directors, practice thorough compliance, and strengthen risk management
Action Policy 6	Enhance diversity, improve work environments to empower employees to develop to their full potential, and provide opportunities to develop necessary skills

**1) Environmental Initiatives (Action Policy 1, Action Policy 3)**

Global climate change and the reduction of biodiversity are progressing, and the stable global environment that is the foundation of our lives and the economy is being lost. The Group contributes to the preservation of the global environment through the key strategies of its environmental policy, namely, consideration for the environment in products, minimization of the environmental impact of production activities, and the expansion of use of renewable energy. We believe the continual improvement of the EMS\* will provide the foundation for this.

\* EMS: Environmental Management System

[Specific Initiative]

Delivery of nine highly efficient energy-saving pumps to the filtration plant of the public water supply company in Da Nang, Vietnam

In this example of replacing existing pumps with those with higher energy efficiency, we contributed to reducing power consumption by 2 million kilowatts per year. This is equivalent to 1,145 tons per year when converted into carbon dioxide.

**2) Social Initiatives (Action Policy 6)**

**A. Work-style reforms**

The Company has made every effort to implement work-style reforms so as to improve operational efficiency and productivity of all businesses and divisions across the Group. In April, 2018, The Company established a Work-style Reform Committee chaired by the President, and the Company has worked on (1) Productivity improvement by operational reform and awareness reform, (2) Support for growth in personal ability and independence, and (3) Improvement of work environment and consideration of diversified work styles.

(a) Conference management improvement

The Company promotes conference efficiency with rule formulation, pre-distribution of papers, etc. In addition, the Company works on developing human resources who can manage high-quality conferences.

(b) Teleworking promotion

The Company provides its employees with opportunities to obtain teleworking experience in participating in "Telework Days" (participation as a special cooperative body) and "Telework Month."

(c) Seminars on balance between work and childcare for male employees

The Company holds seminars aiming to promote understanding of work-life balance and practice work styles which allow male employees to work under time pressure.

**B. Promote active roles for women and diversity**

The EBARA Group CSR Policy states that the Group "respects human rights and diversity above all else" and "sustain a safe workplace and strive for a stimulating work environment." The Group aims to create work environments and establish career plans in which employees with diverse backgrounds including gender, nationality and disability respect each other's individuality and can live up to their full potential.

(a) Supporting the career development of female employees

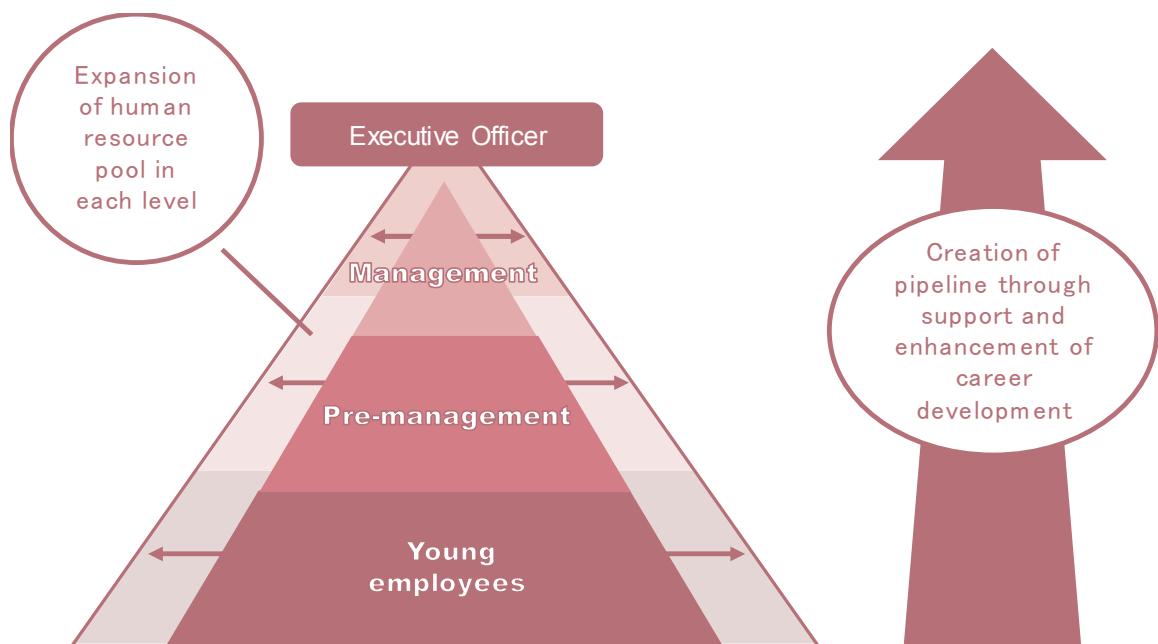
The aim is to become a company in which female employees are able to work while feeling their growth through work and developing their skills to their full potential. The Company also provides support to ensure they are proud of working to that end and are able to develop their careers.

[Specific Initiative]

- Regular issuance of career profile articles by female management\*  
The Company delivers information on diversified career paths through provision of various factors such as work experience, ways of balancing work and family and how to overcome difficult situations.
  - Holding of various exchange meetings  
In order for female employees to reduce worries and anxieties about their careers and establish a network, the Company provides female employees with similar backgrounds with opportunities to discuss one another including listening to personal experience stories of their senior employees.
  - Dispatching for external trainings  
In order to develop the skills of female employees and promote their growth, the Company continuously dispatches them for external trainings.
  - Operational improvement activities by female employees  
Since the fiscal year 2016, the Company has worked on operational improvement activities by female employees in sales offices and plant divisions, and has carried out activities to promote awareness reform for problem-solving operations.
- \* Management: an employee grade equivalent to managerial personnel.

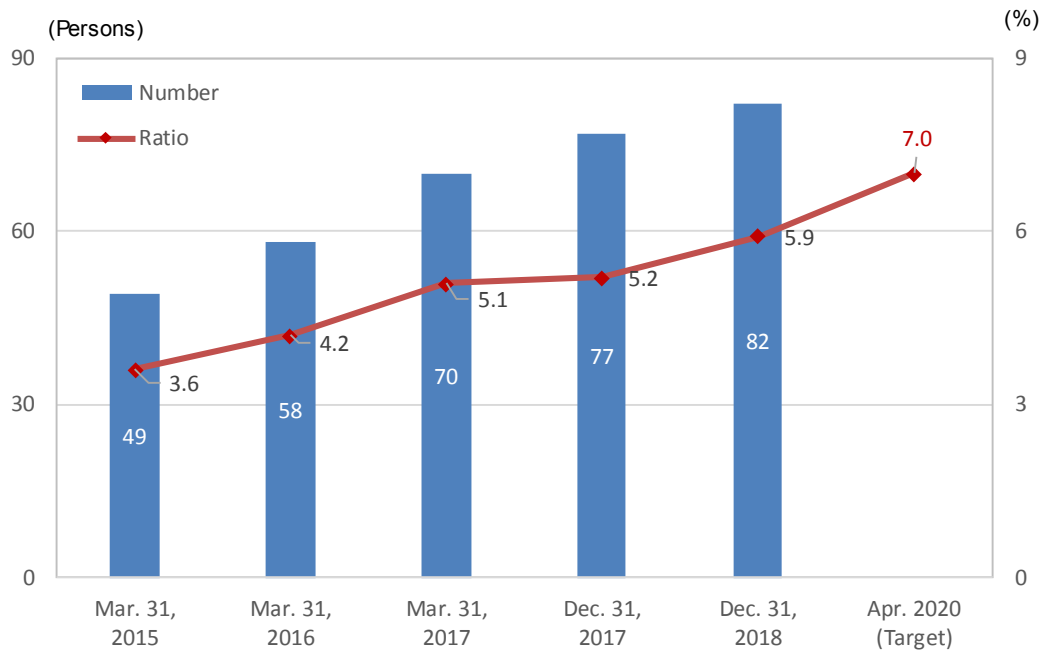
Female employees are categorized into three grades: management, pre-management and young employees, and the Company boosts and accelerates career formation support according to each grade. With a goal to raise the ratio of the number of female management to that of the entire employees to 7% by April, 2020, the Company has prepared a General Employer Action Plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

[Image of the female human resource pyramid]





[Status of Female Key Personnel of the Company]



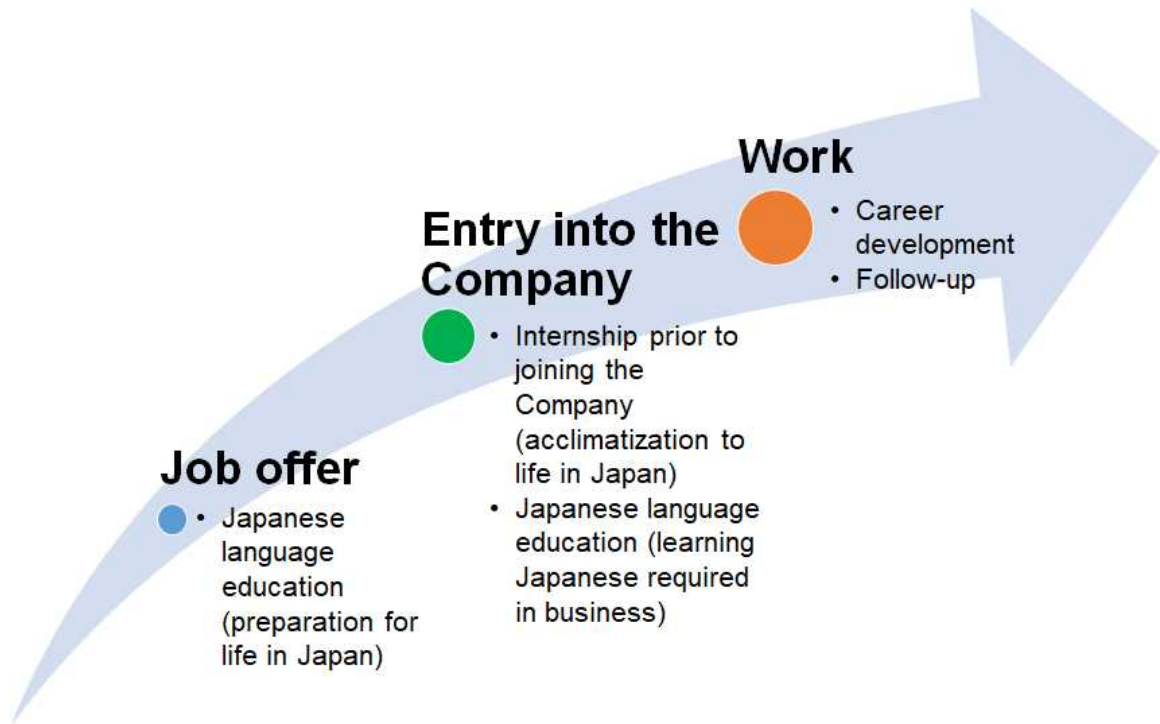
In recognition of these activities, on May 21, 2018, the Company obtained the third and highest level of the “Eruboshi” certification granted by the Minister of Health, Labour and Welfare to companies with excellent initiatives for promoting participation by women based on the Act on Promotion of Women’s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



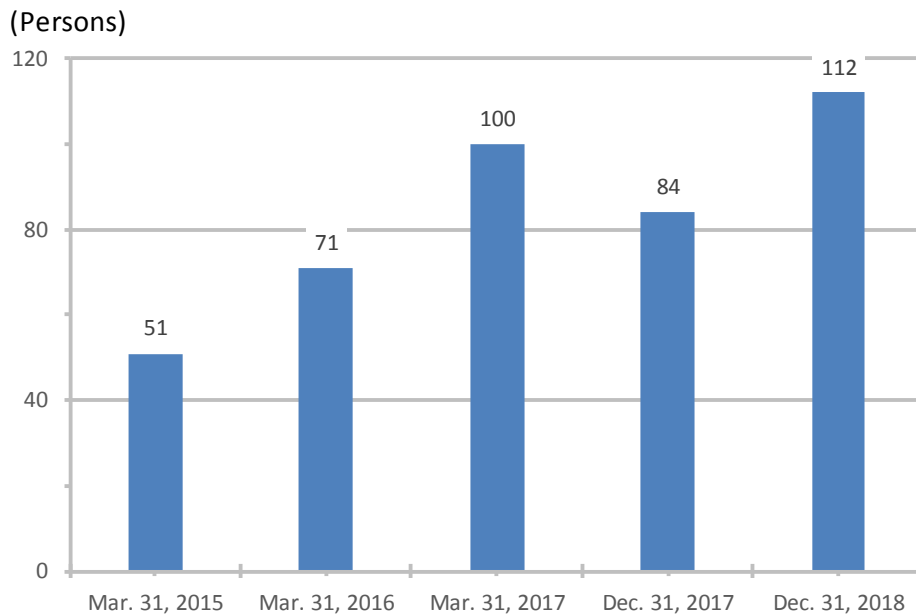
(b) Hiring of international employees

The Company has promoted the active employment of international employees in its Head Office since 2011. The Company promotes the employment and utilization of international employees to enable speedy business execution in response to global competition in accordance with its personnel and human resource development policy.

[Hiring and development of international employees]



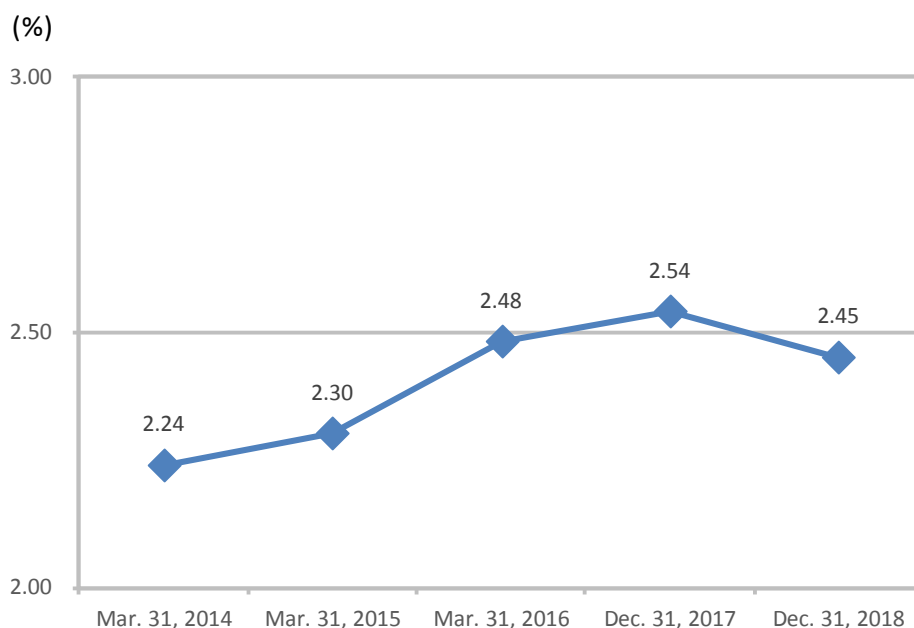
[State of hiring of international employees in EBARA CORPORATION]



(c) Hiring of people with disabilities

The Group works with local communities as well as broader society to promote vocational independence and create opportunities for social participation by people with disabilities, and is also engaged in increasing the ratio of employees with disabilities in the EBARA Group. As part of this, EBARA EARNEST Co., Ltd. was established as a special subsidiary in the fiscal year ended March 31, 2012.

[Ratio of employees with disabilities in EBARA CORPORATION]



**(5) ESG-related External Evaluation**

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

FTSE4Good Index Series



FTSE4Good

FTSE Blossom Japan Index



FTSE Blossom  
Japan

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.

## Consolidated Balance Sheet

December 31, 2018

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
<b>Current Assets</b>	<b>438,540</b>	<b>Current Liabilities</b>	<b>258,550</b>
Cash and deposits	110,610	Notes and accounts payable-trade	63,320
Notes and accounts receivable-trade	176,895	Electronically recorded obligations	62,854
Electronically recorded monetary claims	6,990	Short-term loans payable	46,766
Securities	1,668	Income taxes payable	4,598
Merchandise and finished goods	18,082	Bonus payment reserve	6,263
Work in process	65,845	Directors' bonus payment reserve	344
Raw materials and supplies	38,731	Reserve for losses on construction completion guarantees	4,873
Deferred tax assets	8,309	Reserve for product warranties	5,118
Others	14,714	Reserve for construction losses	12,374
Allowance for doubtful accounts	(3,308)	Reserve for expenses related to the sales of land	254
<b>Fixed Assets</b>	<b>153,052</b>	Others	51,782
<b>Tangible fixed assets</b>	<b>107,879</b>	<b>Long-term Liabilities</b>	<b>46,264</b>
Buildings and structures	44,269	Bonds payable	10,000
Machinery and equipment	28,599	Long-term loans payable	20,730
Land	19,810	Deferred tax liabilities	25
Construction in progress	7,558	Reserve for directors' retirement benefits	116
Others	7,640	Defined benefit liability	10,681
<b>Intangible assets</b>	<b>10,670</b>	Asset retirement obligations	2,245
Goodwill	1,148	Others	2,464
Software	6,584		
Others	2,937	<b>Total Liabilities</b>	<b>304,814</b>
<b>Investments and other assets</b>	<b>34,503</b>	<b>Net Assets</b>	
Investment securities	22,301	<b>Shareholders' Equity</b>	<b>289,639</b>
Long-term loans receivable	153	Common stock	79,066
Defined benefit asset	3,038	Capital surplus	80,296
Deferred tax assets	4,572	Retained earnings	135,715
Others	9,623	Treasury stock	(5,439)
Allowance for doubtful accounts	(5,187)	<b>Accumulated Other Comprehensive Income</b>	<b>(9,999)</b>
		Net unrealized gains (losses) on investment securities	381
		Deferred gains (losses) on hedges	(57)
		Translation adjustments	(1,226)
		Remeasurements of defined benefit plans	(9,096)
		<b>Subscription Rights to Shares</b>	<b>1,152</b>
		<b>Non-Controlling Interests</b>	<b>5,985</b>
		<b>Total Net Assets</b>	<b>286,778</b>
<b>Total Assets</b>	<b>591,592</b>	<b>Total Liabilities and Net Assets</b>	<b>591,592</b>

## Consolidated Statement of Income

From January 1, 2018  
to December 31, 2018

(Millions of yen)

Account	Amount	
<b>Net Sales</b>		<b>509,175</b>
<b>Cost of Sales</b>		<b>376,021</b>
<b>Gross Profit</b>		<b>133,154</b>
<b>Selling, General and Administrative Expenses</b>		<b>100,672</b>
<b>Operating Income</b>		<b>32,482</b>
<b>Non-operating Income</b>		
Interest income	311	
Dividends income	752	
Share of profit of entities accounted for using equity method	565	
Others	1,000	<b>2,629</b>
<b>Non-operating Expenses</b>		
Interest expenses	1,517	
Foreign exchange losses	1,452	
Others	861	<b>3,830</b>
<b>Ordinary Income</b>		<b>31,281</b>
<b>Extraordinary Income</b>		
Gain on sales of fixed assets	401	
Gain on sales of investment securities	804	<b>1,205</b>
<b>Extraordinary Loss</b>		
Loss on sales of fixed assets	319	
Loss on retirement of fixed assets	827	
Impairment loss	2,627	
Loss on sales of investment securities	0	
Loss on valuation of investments in capital	128	
Provision for loss on litigation	1,257	
Others	22	<b>5,183</b>
<b>Income Before Income Taxes</b>		<b>27,303</b>
Income Taxes-current	7,148	
Income Taxes-deferred	468	<b>7,617</b>
<b>Profit</b>		<b>19,685</b>
Profit Attributable to Non-Controlling Interests		1,423
<b>Profit Attributable to Owners of Parent</b>		<b>18,262</b>

## Non-consolidated Balance Sheet

December 31, 2018

(Millions of yen)

Assets		Liabilities	
Account	Amount	Account	Amount
<b>Current Assets</b>	<b>254,072</b>	<b>Current Liabilities</b>	<b>153,847</b>
Cash and deposits	69,843	Notes payable-trade	5,636
Notes receivable-trade	23,812	Accounts payable-trade	19,031
Accounts receivable-trade	67,655	Electronically recorded obligations	50,838
Electronically recorded monetary claims	6,190	Short-term loans payable	44,843
Finished goods	2,044	Current portion of long-term loans payable	1,237
Work in process	36,604	Lease obligations	361
Raw materials and supplies	21,668	Accounts payable-other	4,227
Advance payments-trade	934	Income taxes payable	2,113
Deferred tax assets	3,967	Advances received	3,190
Short-term loans receivable	12,765	Deposits received	3,023
Accounts receivable-other	4,418	Bonus payment reserve	2,249
Others	5,207	Directors' bonus payment reserve	156
Allowance for doubtful accounts	(1,039)	Reserve for losses on construction completion guarantees	1,364
<b>Fixed Assets</b>	<b>191,727</b>	Reserve for product warranties	3,014
<b>Tangible fixed assets</b>	<b>65,932</b>	Reserve for construction losses	8,971
Buildings and structures	28,556	Reserve for expenses related to the sales of land	254
Machinery and equipment	9,865	Others	3,333
Vehicles	37	<b>Long-term Liabilities</b>	<b>32,184</b>
Tools, furniture and fixtures	2,910	Bonds payable	10,000
Land	19,199	Long-term loans payable	19,362
Leased assets	783	Provision for retirement benefits	20
Construction in progress	4,579	Lease obligations	560
<b>Intangible assets</b>	<b>5,517</b>	Long-term accounts payable-other	98
Patent right	63	Asset retirement obligations	2,015
Software	5,309	Others	127
Leased assets	53	<b>Total Liabilities</b>	<b>186,032</b>
Right of using facilities	22	<b>Net Assets</b>	
Telephone subscription right	67	<b>Shareholders' Equity</b>	<b>258,370</b>
<b>Investments and other assets</b>	<b>120,278</b>	<b>Common stock</b>	<b>79,066</b>
Investment securities	10,551	<b>Capital surplus</b>	<b>88,531</b>
Shares of subsidiaries and associates	81,749	Legal capital surplus	82,995
Investments in capital of subsidiaries and associates	20,317	Other capital surplus	5,536
Long-term loans receivable	390	<b>Retained earnings</b>	<b>96,054</b>
Long-term prepaid expenses	269	Other retained earnings	96,054
Prepaid pension cost	1,612	Retained earnings brought forward	96,054
Deferred tax assets	2,882	<b>Treasury stock</b>	<b>(5,281)</b>
Others	5,221	<b>Net Unrealized Gains (Losses)</b>	<b>244</b>
Allowance for doubtful accounts	(2,717)	Net unrealized gains (losses) on investment securities	244
		<b>Subscription Rights to Shares</b>	<b>1,152</b>
		<b>Total Net Assets</b>	<b>259,767</b>
<b>Total Assets</b>	<b>445,799</b>	<b>Total Liabilities and Net Assets</b>	<b>445,799</b>

## Non-consolidated Statement of Income

From January 1, 2018  
to December 31, 2018

(Millions of yen)

Account	Amount	
<b>Net Sales</b>		<b>236,299</b>
<b>Cost of Sales</b>		<b>184,343</b>
<b>Gross Profit</b>		<b>51,956</b>
<b>Selling, General and Administrative Expenses</b>		<b>44,241</b>
<b>Operating Income</b>		<b>7,714</b>
<b>Non-operating Income</b>		
Interest income	210	
Dividends income	13,129	
Others	331	<b>13,671</b>
<b>Non-operating Expenses</b>		
Interest expenses	915	
Interest on bonds	69	
Foreign exchange losses	377	
Provision of allowance for doubtful accounts	19	
Others	399	<b>1,780</b>
<b>Ordinary Income</b>		<b>19,605</b>
<b>Extraordinary Income</b>		
Gain on sales of fixed assets	416	
Gain on sales of investment securities	376	
Gain on sales of shares of subsidiaries and associates	390	<b>1,184</b>
<b>Extraordinary Loss</b>		
Loss on sales of fixed assets	272	
Loss on retirement of fixed assets	711	
Impairment loss	2,540	
Loss on sales of investment securities	0	
Provision for loss on litigation	1,257	
Others	22	<b>4,805</b>
<b>Income Before Income Taxes</b>		<b>15,983</b>
Income Taxes-current	464	
Income Taxes-deferred	986	<b>1,451</b>
<b>Profit</b>		<b>14,532</b>

**Copy of the Report of Independent Auditors on Consolidated Financial Statements (translation)**

**Independent Auditor's Report**

February 15, 2019

The Board of Directors  
EBARA CORPORATION

Ernst & Young ShinNihon LLC

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Hirokazu Sekiguchi  
Certified Public Accountant  
Designated and Engagement Partner

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Kiomi Horikoshi  
Certified Public Accountant  
Designated and Engagement Partner

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Takayuki Ando  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 444, Section 4, of the Companies Act, we have audited the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of EBARA CORPORATION (the "Company") applicable to the fiscal year from January 1, 2018, through December 31, 2018.

**Responsibility of Management of the Company for the Consolidated Financial Statements**

Management of the Company is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with accounting principles generally accepted in Japan. The responsibility includes establishment and management of internal control that the management determines to require in order to enable the preparation of consolidated financial statements that are free of material misstatement due to fraud or errors.

**Our Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we implement our audit plan and perform the audit based on the plan to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In the audit, we carry out certain procedures to obtain audit evidence concerning the amounts and disclosures in the consolidated financial statements. The procedures are selected and applied based on the assessment of the risks of material misstatement of the consolidated financial statements due to fraud or errors in accordance with our judgment. In undertaking the risk assessments, we consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



#### Our Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the EBARA Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended December 31, 2017, in conformity with accounting principles generally accepted in Japan.

#### Our Interest in the Company

We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Act.

<p>This document has been translated from a part of the Japanese audited original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company, the independent auditors and the audit &amp; supervisory board members assume no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.</p>
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**Copy of the Report of Independent Auditors (translation)**

**Independent Auditor's Report**

February 15, 2019

The Board of Directors  
EBARA CORPORATION

Ernst & Young ShinNihon LLC

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Hirokazu Sekiguchi  
Certified Public Accountant  
Designated and Engagement Partner

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Kiomi Horikoshi  
Certified Public Accountant  
Designated and Engagement Partner

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Takayuki Ando  
Certified Public Accountant  
Designated and Engagement Partner

Pursuant to Article 436, Section 2, paragraph 1, of the Companies Act, we have audited the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of EBARA CORPORATION (the "Company") applicable to the 154th fiscal year from January 1, 2018, through December 31, 2018.

**Responsibility of Management of the Company for the Financial Statements**

Management of the Company is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in conformity with accounting principles generally accepted in Japan. The responsibility includes establishment and management of internal control that the management determines to require in order to enable the preparation of financial statements and the related supplementary schedules that are free of material misstatement due to fraud or errors.

**Our Responsibility**

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we implement our audit plan and perform the audit based on the plan to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free of material misstatement.

In the audit, we carry out certain procedures to obtain audit evidence concerning the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures are selected and applied based on the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules due to fraud or errors in accordance with our judgment. In undertaking the risk assessments, we consider internal control relevant to the preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. The audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Our Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of EBARA CORPORATION applicable to the 153rd fiscal year ended December 31, 2017, in conformity with accounting principles generally accepted in Japan.

#### Our Interest in the Company

We have no interest in the Company that should be disclosed in compliance with the Certified Public Accountants Act.

<p>This document has been translated from a part of the Japanese audited original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company, the independent auditors and the audit &amp; supervisory board members assume no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.</p>
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## **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 154th fiscal year from January 1, 2018 to December 31, 2018. 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 19, 2019

The Audit Committee of EBARA CORPORATION  
Izumi Sato, Audit Committee Member  
Shozo Yamazaki, Audit Committee Member  
Masahiro Hashimoto, Audit Committee Member  
Tetsuji Fujimoto, Audit Committee Member  
Shusuke Tsumura, Audit Committee Member

(Note) Audit Committee Members Izumi Sato, Shozo Yamazaki and Masahiro Hashimoto are Outside Directors as provided by Article 2(xv) and Article 400(3) of the Companies Act.