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Corporate Governance and Investor Relations: The Case for Improving Corporate Value and Financial Performance of Japanese Listed Companies

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Abstract

Recently, investors have focused on corporate governance reforms, such as appointing independent outside and women directors in listed Japanese companies, and shown interest in disclosing sustainability information. Consequently, such companies must address governance reforms and investor relations. However, empirical examples of corporate value visibly improving as a result of corporate governance reforms are very few. This study examines EBARA CORPORATION, a large publicly traded Japanese company, as a case study that clearly demonstrates such results to fill this gap. The central questions of this study are: how have EBARA's governance reforms progressed, and how have its corporate value improved as a result? This study contributes to the literature by showing how a coaxial and strategic approach to governance reform and disclosure can help investors, managers, and policymakers enhance corporate value and financial performance.

Keywords: *Agency Theory, Critical Mass Theory, board capital, independent outside directors, sustainability, integrated reporting*

1. INTRODUCTION

Recently, investors have focused on corporate governance (CG) reforms, such as appointing women and independent outside directors (IODs) in listed Japanese companies, and shown increasing interest in sustainable information disclosure. There is an urgent need for companies to address governance reforms and investor relations (IR). However, empirical evidence regarding the impact of these efforts on corporate value and financial performance is lacking. This study addresses the gap by examining EBARA Corporation ("EBARA"), a large publicly traded Japanese corporation, as a case study.

This study explores the following questions: how EBARA's governance reforms have evolved; what are the characteristics of the company's governance structure and IR, including sustainability reporting; how has the company's stock price and financial performance changed; and what are the future challenges for the company's governance and IR? This study contributes to the literature by demonstrating investors, company management, and

policymakers how a coaxial and strategic approach to governance reform and disclosure can improve corporate value and financial performance.

This paper is organized as follows: Section 2 examines the theory, Section 3 explains the methodology, Section 4 describes the case study, Section 5 discusses the research questions, and Section 6 concludes the paper.

2. THEORY

2.1. Theory of CG

CG refers to the organizational controls governing management and discretionary powers (Charreaux, 1997). It aims to guarantee maximum return on investment for shareholders and creditors (Shleifer and Vishny, 1997). CG protects the interests of shareholders and stakeholders, such as customers, suppliers, employees, and society, while ensuring transparency and integrity in communications through accurate, comprehensive disclosures (Madhani, 2017).

The impact of good CG on firm value can be explained using the concept of agency, critical mass, and director capital theories as discussed below.

2.2. Agency Theory

Agency Theory (Alchian and Demsetz, 1972; Jensen and Meckling, 1976) addresses agency relationships in which a principal contracts an agent to perform certain services on behalf of the principal. In the context of a stock corporation, shareholders elect directors at shareholders' meetings, and the Board of Directors (BOD) elects executive officers who execute daily business decisions (Abdullah and Valentine, 2009; Madohani, 2017). Agency Theory suggests that resolving conflict of interest between shareholders and management (referred to as agency costs) requires oversight and incentive alignment mechanisms such as CG (Jensen and Meckling, 1976). It holds that internal control and governance functions are the primary activities of the BOD and suggests that outside directors are more effective than internal directors in controlling management and protecting shareholder interests (Boyd, 1990; Pearce and Zahra, 1992). Furthermore, boards with a higher percentage of independent directors enhance corporate value by monitoring management (Cohen et al., 2012; Walsh and Steward, 1990). A higher percentage of independent directors can increase firm value because boards are more independent and objective, reducing agency costs and increasing the likelihood of monitoring (Fama and Jensen, 1983).

2.3. Critical Mass Theory

Critical Mass Theory (Ahmed et al., 2017; Joecks et al., 2013; Konrad et al., 2008) is commonly used in studies examining the relationship between women directors and sustainability performance like carbon issues. Critical mass refers to the threshold required for women directors to influence board decision-making (Torchia et al., 2011). It is critical when at least three women directors are on the board, fostering contributions to corporate innovation (Torchia et al., 2011), influencing ethical decision-making, and promoting disclosure and transparency (Ahmed et al., 2017; Joecks et al., 2013; Konrad et al., 2008; Torchia et al., 2011).

2.4. Concept of director capital

Director capital refers to human, social, and relational capital provided by board members (Hillman and Dalziel, 2003). It includes the actual and potential resources derived from directors' education, professional experience, expertise, knowledge, skills, reputation (Nahapiet and Ghoshal, 1998), and stakeholder networks (Haynes and Hillman, 2010). These resources emerge from director networks with stakeholders (Haynes and Hillman, 2010). This concept is similar to the Resource Dependence Theory (Zahra and Pearce, 1989), which posits that a board's ability to provide resources to a firm depends on the extent of director capital accumulation (Hillman and Dalziel, 2003; Hollindale et al., 2019). Using the concept of director capital, companies with women directors tend to prioritize ethical aspects in their board decisions, particularly those affecting stakeholders (Ben-Amar et al., 2017; Ciocirlan and Pettersson, 2012; Hollindale et al., 2019; Hossain et al., 2017). The board's ability to conduct its oversight function using this concept is determined by the human capital aspects of knowledge, skills, and experience (Hollindale et al., 2019).

3. METHODOLOGY

This study examined how CG reforms have contributed to increasing corporate value through an empirical example. To explore this, we adopted a case study methodology that Yin (2014) describes as "an empirical inquiry that investigates a contemporary phenomenon (the 'case') in depth and within its real-world context, especially when the boundaries between the phenomenon and context may not be clearly evident" (p. 16). Case studies were conducted in a natural context (Benbasat et al., 1987) to understand the nature of current processes in unexplored subjects, providing a holistic understanding of the phenomenon (Creswell, 1998; Eisenhardt 1989). It is effective for addressing the research questions (Yin, 2014). A single case study is considered an appropriate research design because it contributes to a comprehensive understanding of the research subject (Siggelkow, 2007).

The following qualitative research methodology was used to address the research objectives: First, EBARA's recent institutional disclosure documents—including securities reports under the Financial Instruments and Exchange Law; business reports, notices of convocation of general shareholder meetings, and enclosed documents under the Companies Act; financial statements; and CG reports as stipulated by securities markets—were examined. Second, voluntary issuances—including press releases, integrated reports, financial results, briefing materials, corporate brochures, other IR-related materials, and website contents—were referenced and their contents were analyzed by thematic content analysis (Brewster et al., 2014). The above-mentioned public materials and related external information were accessed online and referenced.

In addition, semi-structured interviews were conducted on the afternoon of July 19, 2024, with two executive officers in a conference room at the company's headquarters. Interviews have been recognized as a key data collection method in qualitative research (St. Pierre and Jackson, 2014), providing space for extended conversations that offer the researcher insight into how people think and what they believe. Therefore, this method allows for historical analysis of how governance reforms have developed, how related IR activities and reporting practices have been conducted, and how these factors influenced financial performance.

The interview subjects were Mr. Shugo Hosoda, the Chief Financial Officer (CFO) overseeing corporate planning/finance/accounting/taxation (who later became the Chief Executive Officer [CEO] and Chief Operations Officer [COO] on March 26, 2025) and Mr. Toru Nakayama (Chief Risk Officer [CRO] in charge of risk management/legal/internal control). These two individuals were selected for being executive officers with substantial authority and responsibility for CG, IR, sustainability initiatives, and disclosure aspects of the target company within their scope of operational control. Each interview lasted approximately one hour (Mr. Hosoda, 13:00–14:00; Mr. Nakayama, 14:10–15:10), and was guided by semi-structured questions. The interview questions were developed based on previous studies (Aldowaish et al., 2024; Jürgens, 2002) to clarify the relationship between sustainability information disclosure and corporate value. The questions were presented to the participants in advance through the company. This method was selected for its ability to generate open-ended responses and gather comprehensive insights. The interviews were conducted by an author, who has audit experience as a certified public accountant and took brief notes during the interview. Ms. Hisae Kitayama, a Certified Public Accountant, who was an IOD and chairperson of the Audit Committee (at the time), and Mr. Akihiro Osaki, the general manager of the Corporate Communications & Finance Division (who later became the Executive Officer and Chief Human Resource Officer [CHRO] on January 1, 2025) joined the interview because they are assumed to play important roles in EBARA's CG based on their positions. Their comments were also recorded and referred to in this study. All interviews were recorded by the author and EBARA, and the recording was transcribed by a professional transcription service. The transcribed transcripts were analyzed using thematic content analysis. The interview sections of this study were verified by relevant persons. The quantitative and qualitative data collected from the materials were compared with the qualitative data gathered from interviews to confirm consistency and validity, and

then organized chronologically with a focus on financial performance and market valuation.

4. CASE STUDY

4.1. Overview of the subject company

4.1.1. Outline

The EBARA Corporation is a manufacturing company listed on the Tokyo Stock Exchange's (TSE) prime market. Headquartered in Haneda, Ota-ku, Tokyo, EBARA had 117 affiliates, with 20,510 (consolidated) and 5,109 (non-consolidated) employees as of December 31, 2024. The company's consolidated financial position for the same period was 1,005 billion yen in total assets and 485.3 billion yen in net assets, and its consolidated operating results were 866.6 billion yen in revenue, 97.9 billion yen in operating income, and 74.4 billion yen in net income. The company has various overseas operations, with revenue and operating profits accounting for approximately 50% of its total sales (EBARA, 2025a).

4.1.2. Businesses and long-term vision

Furthermore, EBARA's businesses are divided into five segments: construction and industry, energy, infrastructure, environment, precision, and electronics, which are operated by the "five-company system." Appendix Table 1 lists the markets of these five business segments and their major products, functions, and assignments. This five-company system is based on one of the basic policies in the long-term vision "E-Vision 2030" announced in February 2020, which is to grow by responding to social issues from a market-in perspective, and was reorganized in the three-year medium-term management plan "E-Plan 2025" starting from the fiscal year ending December 31, 2023.

Regarding the merits of such diversified management of EBARA, Mr. Nakayama said, "Our company is profitable as we do not lose all of our businesses at once because the business cycles of the five companies (in the markets they face) are different (Toru Nakayama, interview, July 19, 2024)."

EBARA's long-term vision, "E-Vision 2030," includes a long-term growth strategy for 2020. The company has set a market capitalization scale of one trillion yen as a guideline for increasing corporate value. The "ideal state in 2030" indicated in this vision is to become a globally excellent company by making sustainable contributions through the realization of five materialities that contribute to solving social issues and increasing corporate value through the simultaneous enhancement of social and environmental as well as economic values (EBARA, 2024a). The achievement targets for social and environmental value include reducing greenhouse gas (GHG) emissions equivalent to approximately 100 million tons of carbon dioxide, providing water to 600 million people worldwide, and taking on the challenge of creating the 14 angstrom (10 billionth of a meter) generation, the most advanced semiconductor device. Additionally, the company has set three goals for economic value: return on invested capital (ROIC) of 10.0% or more, return on equity (ROE) of 15.0% or more, and sales revenue of one trillion yen or more.

One of EBARA's basic policies is to contribute to solving social issues from a market-based perspective (EBARA, 2024a). In 2022, EBARA achieved the goals of its medium-term management plan, and its financial performance steadily increased (EBARA, 2024b).

Furthermore, EBARA decided to introduce a "CxO" (a term that encapsulates all Chief Officer positions within a company) system to optimize the group and enhance group governance by function (EBARA, 2024a). EBARA introduced the CxO system in January 2023, and Mr. Hosoda became the first CFO (Shugo Hosoda, interview July 19, 2024).

4.2. CG

4.2.1. Transition of CG reform

The evolution of EBARA's CG reforms is explained in the "INTEGRATED REPORT 2024," which covers the period from 2002 to the present in five phases: Phase I (2002–2007) is defined as the "start of governance reform efforts," in which the Executive Officer System was introduced, execution and supervision were separated, and the number of directors was reduced from 20 to 12. Phase II (2008–2014) was positioned as the "start of the governance reform" period. In 2008, two

outside directors were invited for the first time, and Nomination and Compensation Committees were voluntarily established. Phase III (2015–2018) was positioned as a period of "reform of governance structure," and in 2015, the company transitioned from a Company with a Board of Company Auditors to a company with a nominating committee, etc. and began "board evaluation." In 2017, the majority of directors were outside directors. Phase IV (2019–2021) is positioned as a period for "further improvement of transparency and effectiveness," and in 2019, an outside director was appointed as the chairperson of the BOD, and the president was appointed as the only director who executes EBARA operations; in 2021, all three Committees (Nomination, Compensation, and Audit) were chaired by outside directors. Three of the ten directors are women, two of whom chair the Compensation and Audit Committees. Note that the operating margin and stock price increased significantly during this period (EBARA, 2024c, p. 97), and after 2022, EBARA is in Phase V.

Regarding the impetus for EBARA's governance reform, according to Mr. Nakayama, "EBARA's CG reforms were caused not only by our company's environmental accident, but also different scandals in governance, such as a violation of the Antimonopoly Law and various social responsibilities and compliance issues in the 2000s. Therefore, in 2008, Mr. Natsunosuke Yago (President from April 2007 to March 2012) took the lead in reforming corporate culture. Reflecting on bitter lessons from past corporate scandals, he strongly instructed his employees that, no matter how profitable a job may be, they should never engage in it if it poses a problem from a governance perspective." Mr. Nakayama also said, "in 2014, I sensed a movement to make the BOD effective. When EBARA increased the number of outside directors and changed to a company with a nominating committee, I strongly realized the will of top management, especially the chairperson and president of the company (Toru Nakayama, interview, July 19, 2024)." Similarly, according to Mr. Hosoda, "There were circumstances that required the company to strengthen its governance. There was a time when the company was involved in scandals and faced some difficulties due to unprofitable businesses. However, in the process of recovering from such a situation, it is important to have external monitoring of the company and to separate the execution and supervision functions and monitor them strictly, as well as to transfer authority firmly to the execution and accelerate management under proper monitoring. The adjustment in the structure of the company's organization was due to the increasing need for transformation from such a perspective, in which the executive was monitored properly and authority was transferred to the executive for effective management. The company has a history of increasing the number of outside directors and eventually changing its institutional design in the midst of a period of very sluggish performance, with operating income falling below 3% until 2015—when it transitioned to a company with a nominating committee—and other scandals." Mr. Hosoda, who was then the general manager of the Governance Promotion Division, proposed a transition to a company with a nominating committee (2015). Regarding the reason why the name "Governance Promotion Division" was created, Mr. Hosoda said, "The name 'Corporate Planning' would seem to be biased toward the executive in the context of a division that straddles supervision and operation (Shugo Hosoda, interview, July 19, 2024)."

4.2.2. Features of CG system

EBARA's CG system has three characteristics (EBARA, 2024c, p. 98). First, IDOs are vital, and the BOD is mainly composed of non-executive directors, including IODs, to strengthen the supervisory function and ensure transparency. As of March 27, 2024, IODs have chaired the BOD and the Nomination, Compensation, and Audit Committees. Seven of the ten directors are IODs, and the majority of the three committees are chaired by IODs. The Nominating Committee consists of two IODs and a non-executive chairperson, excluding the current president. By adopting this structure, EBARA strives to strengthen management supervision from the perspective of independence and objectivity and ensure transparency (EBARA, 2024c, p. 98). The company is also characterized in terms of gender because three of the seven IODs are women, accounting for 30% of the BOD, and two of them chair the Compensation and Audit

Committees (EBARA, 2024c, p. 104; 107).

Second, by separating the roles and responsibilities of supervision and execution, the company promotes flexible management and strengthens competitiveness by extending broad business execution authority to the executive organization (EBARA, 2024c, p. 98).

Third, the company established Independent Directors' Meeting consisting solely of IODs. The meeting is held monthly, a few days before the BOD meeting, in which the executive officers in charge provide preliminary and additional explanations of the BOD meeting agenda, and subsequently discuss the agenda. Through this meeting, IODs become aware of the necessary agendas and issues that contribute to improving the quality of the directors' discussions (EBARA, 2024c, p. 98).

4.3. IR and disclosure response

4.3.1. IR promotion structure

Until the end of December 2024, EBARA's IR promotion system was characterized by three departments (Corporate Planning Division, Group Corporate Communications & Finance Division, and Group Accounting Division) assigned under Mr. Hosoda, CFO, and management information from each department was constantly shared and consolidated in the Group Corporate Communications & Finance Division. At that time, Mr. Hosoda was in charge of executions with regard to finance, accounting, and taxation, as well as the corporate planning department. Mr. Hosoda said, "'This function is different from the so-called accounting and finance directors of Japanese ordinary companies and same position as the general definition of a CFO of global companies." Mr. Hosoda has experience in the corporate planning department and management of overseas subsidiaries. He said, "A person who was not from the accounting and finance department became the head of that department and was able to advance straight to the CFO position." He also said, "The CFO function in EBARA's CG is unique. Since the secretariat of the BOD is under my control, I have been involved in establishing a kind of CG framework while serving as the secretariat for the executive and supervisory (Shugo Hosoda, interview, July 19, 2024)."

Under the Corporate Planning and Control Division, a Corporate Planning Department existed that handled information on the long-term vision, medium-term management plan, Executive Committee, Sustainability Committee, and a Governance Promotion Department that handled information on the BOD and CG reports. Subsequently, under the Corporate Communications and Finance Management Department, the Finance Department, IR, and Public Relations (PR) Department handled the external communication functions and served each stakeholder group. The PR Section handled media relations and news releases, and this information was centralized in the IR and shareholder relations (SR) Section; which was responsible for publications other than the CG Report, aiming for consistent disclosure. The Group Accounting Control Division handled information on financial results and budgets, which were shared with the aforementioned IR and SR sections. The above promotion system was partially changed as a result of the reorganization in January 2025. The IR and PR functions that had been under the Group Corporate Communications and Finance Management Department were consolidated and reorganized into the IR and PR Management Department, under which the IR and PR departments were newly established. The Group Accounting Control Department was renamed and reorganized into the Accounting and Finance Control Department by absorbing its financial functions, and the Finance, Accounting, as well as Tax and Administration departments were established under it (EBARA, 2024f).

4.3.2. IR activities

EBARA's IR activities have three characteristics: the first characteristic can be considered the strong commitment of the top management. This can be attributed to the formal post of director in charge of IR which was created in 2018, and Mr. Masao Asami, President, took office the following year in 2019, and since then, EBARA has actively developed IR activities aiming to increase its corporate value (EBARA, 2024b).

The second characteristic is the diversity and frequency of activities, such as financial result announcements, in-person meetings, small presidential meetings, conferences hosted by securities

companies, IR for domestic and overseas markets, and events for institutional investors (e.g., small meetings attended by outside directors, factory tours, environmental, social, and governance [ESG] briefings, and IR Day), publication of integrated reports (published in both Japanese and English), events for individual investors and shareholders (e.g. company briefings and factory tours), and annual general shareholders' meetings (EBARA, 2024b).

Top management is committed to these events, and in some cases, business managers and personnel from related divisions participate in dialogue with investors. Major IR events in 2023 include approximately 321 in-person meetings (including 14 overseas), 36 conferences (six days), and four financial results presentations (EBARA, 2024b).

The third characteristic of EBARA's IR activities is that it shares reports on IR activities and other related information with internal stakeholders quarterly or more frequently. These activities include IR activity reporting, securities analyst reporting, stock price reporting, feedback from interviews, information sharing on trends in other companies' financial results, investor interview reporting, and securities reporting. These activities are shared by the BOD, executive officers, business units, accounting departments and IR departments. For example, information on IR activities (stock ownership, IR events, market consensus, and IR coverage) is shared with the BOD quarterly. These activities prepare the company for the next round of responses and are related to its commitment to market-conscious management (EBARA, 2024b).

4.3.3. Sustainability reporting/integrated reporting

The EBARA sustainability report has four main characteristics. The first is the recognition of the usefulness of non-financial information. EBARA has issued CSR Reports since 2008 and has been issuing integrated reports (annual reports) since 2015. Regarding this background, Mr. Hosoda, who is responsible for issuing the integrated reports, said, "Within the general trend in which we are not in a situation to discuss financial and non-financial separately anymore, and have to consider the non-financial as well as financial situations, since we thought that thinking in this manner was right, we transitioned to integrated reporting (Shugo Hosoda, interview, July 19, 2024)."

EBARA strengthens the non-financial disclosures to demonstrate how sustainability leads to improved corporate value. The company fosters growth by linking disclosures to its long-term vision and medium-term management plans, with cooperation between the IR and sustainability promotion departments. For example, EBARA has sustainability promotion department staff participating in external interviews related to ESG, whereas the IR Department shares information regarding the content of discussions with the Sustainability Committee, chaired by the CEO (EBARA, 2024b).

The second characteristic is that the company has responded appropriately to the system of disclosure of sustainability reports, and that the BOD is committed to disclosure. Regarding the impact of the system of disclosure of "concepts and initiatives regarding sustainability" in regulatory securities reports since 2023, Mr. Hosoda said, "The Sustainability Committee originally reported on its activities, the systemization has not changed in our thinking or decision-making, and the decision-making procedures used by the executive side have not changed much." However, he stressed that the institutionalization of sustainability disclosures may result in stricter checks by the BOD compared to voluntary disclosures (Shugo Hosoda, interview, July 19, 2024). Mr. Nakayama also said, "I believe that the level of decision-making has improved in that the Sustainability Committee, which all directors attend, and BOD as they properly decide and discuss such (information disclosure) themes for the year. Specifically, the Sustainability Committee reports on the situation quarterly, and BOD discusses it once or twice a year without executive officers. Therefore, the directors' level of commitment increased (CRO Toru Nakayama, interview, July 19, 2024)." Similarly, according to Ms. Kitayama, Chairperson of the Audit Committee, "In the BOD, directors have been informed regarding the relevant regulations and disclosure requirements as well as EBARA's disclosure contents approximately three times. The BOD then monitors the company to ensure that it is working on what it has disclosed and that it is properly disclosing what it is working

on (Hisae Kitayama, interview, July 19, 2024)."

The third feature is the common disclosure of non-financial targets (non-financial KPIs) in regulatory and voluntary documents. EBARA's medium-term management plan, "E-Plan2025," comprehensively indicates non-financial targets (non-financial KPIs) to be achieved in fiscal 2025 in quantitative and qualitative terms, and also discloses them in the integrated report. The main non-financial KPIs include GHG emissions (Scope 1, 2), CDP evaluation, global engagement survey score, ratio of non-Japanese employees to women positions, ratio of women managers to disabled employees, and ratio of male employees going for childcare leave (nonconsolidated base). The integrated report also shows graphs of each quantitative target and the progress of quantitative indicators relevant to the KPIs over a five-year period (EBARA, 2024c). The disclosure content of the KPI is consistent on the company website, securities, and integrated reports (EBARA, 2024b).

Fourth, EBARA's integrated report received a high external evaluation. First, the "INTEGRATED REPORT 2023" won the "Excellent Award" at the 3rd NIKKEI Integrated Report Awards sponsored by the Nikkei Inc. in February 2024 (Nikkei Inc., 2024) and was also selected as the "Excellent Integrated Report" for the sixth consecutive year by the domestic equity management agency of the Government Pension Investment Fund (GPIF) (GPIF, 2024). The "INTEGRATED REPORT 2024" was also selected by GPIF's domestic equity management institutions as an "Excellent Integrated Report" for the seventh consecutive year and has also received high praise from more than four investment management institutions (EBARA, 2025e; GPIF, 2025b). The reasons for the selection include EBARA's focus on increasing corporate value while cherishing its founding spirit; its continuous evolution from governance excellence to creating shared value (CSV); investor disclosure; detailed reporting across all aspects; a persuasive message from the president; industry-leading measures to expand ROIC-WACC spreads by segment; emphasis on governance strengths; detailed explanation of ROIC management practices; unique disclosures such as intellectual property ROIC, production innovation ROIC, and TSR (Total Shareholder Return) logic trees; and visualization of intangible assets such as technology and human resources (GPIF, 2025b).

Other improvements to EBARA's integrated reports include the following: First, it explains the EBARA Group's value creation story focusing on the relationship between sustainability and business (connectivity), and as outlined in the "E-Plan 2025," the medium-term management plan starting in 2023. Second, it revises EBARA's unique "Technology Element Table," which received a great response from readers in the previous year's integrated report, and includes a dialogue between the BOD and stock market regarding the company's governance. Third, it describes efforts to reflect on dialogues and opinions with stakeholders in management, leading to increased corporate value (EBARA, 2024b). Fourth, it improves the next integrated report from various perspectives, based on opinions obtained from dialogues with investors and briefing sessions. For example, in the "INTEGRATED REPORT 2024," various contents such as the value creation story have been improved, the disclosure timing has been proposed from the end of July to the end of June, and the format has been changed to A4 landscape size in anticipation of an increase in online users (EBARA, 2024b).

4.3.4. Sustainability (ESG) initiatives

A distinctive feature of EBARA's sustainability efforts is their alignment with corporate value, aiming to achieve Sustainable Development Goals and address key ESG issues based on its long-term vision and medium-term management plan (EBARA, 2024e).

To increase the effectiveness of the initiatives, Mr. Nakayama said, "Sustainability elements have been incorporated into 10% of executive compensation, including for directors, and engagement surveys and climate change assessments are conducted (Toru Nakayama, interview, July 19, 2024).

Regarding the positioning of sustainability initiatives at the company, Mr. Hosoda said, "Sustainability is positively related to management, and as a whole, it is an idea that cannot be avoided as a responsibility of a large company that exists in this day and age, and as an important matter of management. There is a sense of resolution that the

kind of talk of doing it because we have the budget, or not doing it because we do not, is no longer happening." He also said, "The transition to a Company with a Nomination Committee, etc., and the governance system centered on outside directors, has had an impact, and the long-term requirement has become more straightforward (Shugo Hosoda, interview, July 19, 2024)."

According to Mr. Nakayama, among EBARA's three ESG aspects, "G (governance) is proportional to the amount of time we have spent on it, and we have received the Governance Grand Prize. We have made significant advances in this regard. Moreover, it is in the social aspect that we have been working particularly hard recently (Toru Nakayama, interview, July 19, 2024)."

Regarding this social aspect, Mr. Hosoda reflected that, "I think we have a lot of spirit in S (social), but it is a little more elusive and difficult than E (environment) and G (governance). However, we have been able to make disclosures." He also carefully analyzed the current situation, saying, "We have not yet reached a stage in which we can present to the press that our S (social) is what we intend do in this course with our own definition (Shugo Hosoda, interview, July 19, 2024)."

Below is a summary of how efforts have been made in the three ESG aspects.

<*CG*>

Among the three ESG aspects, EBARA spent a considerable amount of time working on CG. According to Mr. Hosoda, "China has always been at the forefront of CG. We have been designing and creating systems that are not just formal, but full of content and soul, such as transitioning to a Company with a Nomination Committee. The CxO system was useful to clarify the function of properly managing and governing the entire group separately from the business axis (Shugo Hosoda, interview, July 19, 2024)." Mr. Nakayama also said, "The CxO system was introduced in January 2023 as a mechanism for cross-cutting management functions (Toru Nakayama, interview, July 19, 2024)."

The "INTEGRATED REPORT 2024" also devotes a considerable amount of space to reports on governance, providing detailed descriptions. For example, on governance topics, such as the president's term of office and criteria for reappointment, the chairperson of the BOD and chairperson of the Compensation Committee summarizes the content of the dialogue with institutional investors (EBARA, 2024c).

Regarding sustainability-related governance, there is a Sustainability Committee in which Mr. Nakayama reports on the current situation once every quarter (Toru Nakayama, interview, July 19, 2024).

Regarding the relationship between CFO duties and sustainability, Mr. Hosoda said that, when it comes to fundraising and capital management, "I incorporate elements of sustainability, but more than that, I always think about it as a fundamental part of management, and it feels like it has become an inseparable part of it." He explained some specific examples of his jobs relevant to sustainability, including disclosures in integrated reports, fund management such as how much cash should be allocated to environmental investments within capital investments, such as installing solar panels, and fundraising decisions, such as sustainability-linked bonds (Shugo Hosoda, interview, July 19, 2024)."

EBARA's governance challenges include supply chain management. Mr. Nakayama said, "When we intend to purchase a company within Japan, it seems that due diligence—for instance, regarding what kind of partner companies the company uses and whether it is able to manage its supply chain—has not yet been fully carried out (Toru Nakayama, interview, July 19, 2024)."

<*Environment*>

EBARA's environmental initiatives are characterized by an extensive connection to its business. Mr. Hosoda said, "The nature of our business is related to the environment, such as water and air, and waste incineration. In our company, people with a high level of environmental awareness come collaborate and we are working hard on our activities, including setting goals (Shugo Hosoda, interview, July 19, 2024)."

EBARA has been working on environmental risk management for several years. According to Mr. Nakayama, "Since the leakage of dioxin at the

Fujisawa Plant more than twenty years ago, which caused a great deal of social inconvenience, we have been very sensitive regarding environmental management since then, and have actively obtained ISO certifications. EBARA has extended such efforts to energy conservation and shifted from energy conservation to carbon dioxide reduction. Currently, climate change, water usage reduction, and waste recycling promotion are the three major themes of EBARA's environmental management (Toru Nakayama, interview, July 19, 2024)."

At EBARA, Mr. Nakayama oversees the implementation of sustainability aspects, including the environmental aspect. Mr. Nakayama's job scope includes internal control, risk management, management audits, legal, and general affairs. He oversees various departments, such as branches and business offices. Concerning information disclosure, Mr. Nakayama said, "My job is to create the content to be disclosed for sustainability information, and I am in charge of all planning, drafting, and presenting issues related to sustainability. The quite large issues are still environmental measures, building relationships with the surrounding (local residents), waste disposal, and recycling." Recently, he was involved in setting carbon-neutral goals for the entire group, proposing tools to achieve them, and considering purchasing renewable energy (Toru Nakayama, interview, July 19, 2024).

Among EBARA's environmental information disclosures, the disclosure of information related to climate change was highly valued by external parties. EBARA was one of the first to join the "TCFD Supporters" established under the Ministry of Economy, Trade and Industry, Government of Japan in May 2019. Regarding this background, Mr. Nakayama said, "Since the issue of climate change is an aspect that the company will have to address sooner or later, we started preparing data and that we need to start studying how to think regarding Scopes 1, 2, and 3, and started doing it ourselves, which allowed us to take the lead three or four years before sustainability disclosure was institutionalized (Toru Nakayama, interview, July 19, 2024)." EBARA also implemented climate-related information disclosure based on TCFD recommendations in 2021, analyzed issues within the company and dialogue with investors, and conducted a climate-related scenario analysis for each face-to-face market. In June 2024, EBARA updated some of its disclosure information with reference to the International Financial Reporting Standards (IFRS) Sustainability Disclosure Standard S2 Climate-Related Disclosure. Consequently, EBARA was selected as a company with "Excellent TCFD Disclosure" by 20 investment management institutions that are entrusted with the management of domestic stocks, sponsored by GPIF (GPIF, 2025a). In addition, EBARA received an "A- (A minus)" rating for the first time in two aspects, "climate change" and "water security," in the 2024 corporate sustainability survey by CDP, an international non-profit organization that promotes the disclosure of sustainability information (EBARA, 2025d).

EBARA published the "Sustainability Linked Finance Framework" (EBARA, 2024d) in August 2024, and consistently determined the issuance terms of the Sustainability Linked Bond (unsecured bond of 10 billion yen) in September of the same year (EBARA, 2024e). The framework obtained a second opinion from Rating Investment Information, Inc., which is consistent with relevant domestic and international principles, including the "Sustainability Linked Bond Principles 2024" of the International Capital Market Association (ICMA) (2024) and "Green Bond and Sustainability Linked Bond Guidelines 2022 Edition" of the Ministry of the Environment, Government of Japan (2022). Another feature of this bond is that depending on the achievement of EBARA's Sustainability Performance Target (SPT), "Reduce Scope 1+2 emissions by 55% in FY2030 compared to FY2018," if the SPT is not achieved (including cases in which achievement cannot be confirmed), EBARA will donate an amount equivalent to 0.1% of the bond issuance amount or purchase emission credits/certificates by the time of redemption of the bond (EBARA, 2024e).

Regarding the Sustainability-Linked Bond, Mr. Hosoda said, "Whether there is a bond or not, there are goals that have been set that we believe need to be achieved, and this bond is a mechanism that links those goals to the conditions of fundraising, thereby linking additional conditions for fundraising to the sustainability goal targets." "If we do

not procure a sustainability-linked bond, it does not mean that we cannot take action toward that goal, but it is a statement of intent to take action in an outward direction, and meaningful from the perspective of showing the seriousness of the project (Shugo Hosoda, interview, July 19, 2024)." Mr. Nakayama also predicted that "We will probably be able to achieve the 2030 target (Toru Nakayama, interview, July 19, 2024)."

<*Social*>

In the social aspect, EBARA focuses on human resource management (HRM). According to Mr. Nakayama, "Recently, the ratio of new graduates to career hires has changed rapidly, and probably more than 40% of the company is career hires. In our corporate department, the majority are career hires. After all, we are a technology company, so we have created a technology talent map that shows what kind of technical background we currently have and what fields we need, which is related to intensive recruitment. We are also promoting human resource exchanges with other companies and are trying to publicize such efforts proactively to the world" (Toru Nakayama, interview, July 19, 2024). EBARA's HRM faces challenges in recruiting special experts such as lawyers, certified public accountants, and first-class architects In February 2025, it received significant external evaluations, including a Special Award from the Japan Digital Transformation Promotion Association (JDX), an award program that recognizes innovative HR strategies combining digital technology and talent management.

4.3.5. Future challenges for IR

EBARA faces several key challenges in its IR activities (EBARA, 2024b). First, the top management has been proactively involved in IR activities, and the IR department has changed to a proactive implementation system. Second, while adapting to regulatory and institutional changes, such as the TSE's CG Code (published in 2015, revised in 2018 and 2021), the Fair Disclosure Rules introduced by the amendment to the Financial Instruments and Exchange Act (2018), and the Systematic Disclosure of Sustainability Information (2023), the company has become more proactive and considers dialogue with investors. Third, since transitioning to a company with a nomination committee in 2015 and since 2017, the majority of the BOD have been outside directors, and EBARA has been conscious of the perspective of external shareholders even within the company, which has led to improved transparency. Fourth, based on the contents of its long-term vision, "E-Vision 2030," announced in 2020, the company has been working to promote investor understanding of its business, disclose sustainability information, and explain its business from a long-term perspective (EBARA, 2024b).

EBARA recently focused on three IR activities. First, EBARA has been working to improve the quality of dialogue between securities analysts and investors (EBARA, 2024b). This is because the number of interviews by securities analysts and investors has been increasing since 2019, and EBARA needs to strengthen its interview system. Therefore, EBARA has been working on dividing speakers according to investors, prioritizing interviews, sending company overview and IR disclosure materials in advance, strengthening interview response capabilities by analyzing the interview content, and planning speaker training. Second, EBARA has been working on an adequate response to overseas institutional investors. This is because the percentage of overseas institutional investors in the number of interviews in each overseas quarter was 38% from January to March 2023. However, this ratio increased to 47% from April to June 2024. To help overseas institutional investors understand EBARA's business and establish positive relationships, we are responding to interviews with English speakers, thereby increasing opportunities for small meetings with overseas institutional investors, and devising how to create English IR materials (EBARA, 2024b). Third, EBARA has been working to expand opportunities for dialogue with investors, other than through interviews. The aim is to adequately understand how the capital market evaluates EBARA, address the market gap, and adopt a market-oriented perspective (EBARA, 2024b). As mentioned above, EBARA has received the "IR Excellent Company Award" sponsored by the Japan Investor Relations Association (JIRA), and the company's challenge is to analyze its strengths and weaknesses based on the average and

standard deviation of the evaluation items in such award systems, and to perceive itself from the capital market's perspective. EBARA also interviewed institutional investors and securities analysts to confirm their understanding of the contents of the medium-term management plan and asked questions to understand investor behavior (EBARA, 2024b).

EBARA recognizes three future challenges for IR activities (EBARA, 2024b): reducing information asymmetry between domestic and foreign institutional investors and increasing the ratio of individual shareholders as stable shareholders; disseminating the story of corporate value creation to investors; and enhancing the disclosure of non-financial value to visualize corporate value, make disclosures unique to EBARA, and establish IR functions and systems internationally recognized.

Finally, a future challenge for EBARA's sustainability reports is improve the reliability of the information. Mr. Nakayama said, "Collecting data for disclosure is time-consuming and costly." He emphasized the importance of procedures to monitor the reliability of information, including implementing systems for double-checking incoming data, auditing, and verifying data generation stages, such as conducting periodic audits to ensure accuracy. (Toru Nakayama, interview, July 19, 2024). Mr. Hosoda also highlighted that, on a global Groupwide basis, "collecting and aggregating numerical values that have the same definition based on the same standards is quite a difficult task"; thus, building a system for collecting information and improving its accuracy is an issue. He also recognized that ensuring the reliability of information "so that it can be properly trusted in the form of third-party verification" is also an issue (Shugo Hosoda, interview, July 19, 2024).

4.4. Financial performance

4.4.1. Overview of business segments

By business segment, precision equipment and electronics had the highest revenue, followed by construction and industry, energy, environment, and infrastructure: 278.3, 239.6, 210.8, 87.5, and 51.3 billion yen, respectively (EBARA, 2025a), all demonstrating significant progress. The sales revenue and operating profit over the past three years increased for three consecutive years, and the rate of increase/decrease exceeded 10% (EBARA, 2024a; 2025a) (Appendix Table 2).

EBARA's business is characterized by its wide range of products and services provided in domestic and overseas markets, with overseas sales revenue accounting for approximately 66% of the group's total sales revenue in the fiscal year ending December 2024 (Appendix Table 3).

Another feature of EBARA's business is that it produces products with a high market share. For example, the CMP equipment and dry vacuum pumps of a Precision Machinery Company have the second largest market share in the world. Construction and industry companies' standard pumps and infrastructure companies' pumps for drainage pumping stations have the largest market share in Japan. The Environment Company has operated more than 500 waste treatment facilities in Japan and overseas. The Energy Company provides products and services to various markets, such as water-related facilities, power plants, and oil, gas, and chemical plants (EBARA, 2024b).

4.4.2. Trends of business performance

A notable feature of EBARA's performance trends over the past seven years (from the fiscal year ending December 2018 to December 2024) is that it has continued to post increasing sales and profits during this period (EBARA, 2025a) (Appendix Table 4). EBARA has been preparing its consolidated financial statements using IFRS® because the fiscal year ending December 2021, and its operating results (sales, sales revenue, and operating profit) and financial position (total and net assets) (Appendix Table 5) have increased and expanded significantly since the fiscal year ending December 2020, the period immediately preceding that.

As mentioned above, EBARA is conscious of expanding the ROIC-WACC spread, and ROIC and ROE have been increasing continuously over the past seven years (from the fiscal year ending December 2018 to December 2024) (Appendix Table 6). The ROIC is expected to improve from 4.9 in the fiscal year ending December 2018 to 12.2 in the fiscal year ending December 2024. Additionally, ROE, an indicator of capital efficiency, is expected to improve from 6.6 in the fiscal year ending

December 2018 to 16.2 in the fiscal year ending December 2024. EBARA attributes the improvement in capital efficiency ROE to sustainable sales growth and the implementation of management which emphasizes capital efficiency and recognizes that it has led to increased shareholder returns (EBARA, 2024b).

4.4.3. Trends in stock-related indicators

Book value per share and earnings per share have been increasing continuously for the last seven years (from the fiscal year ending December 2018 to December 2024) (Appendix Table 7).

EBARA's share price has increased significantly over the past decade. On January 5, 2015, it was 490 yen (price book-value ratio: PBR: 0.97 times), but after the announcement of its full-year financial results in February 2024, its market capitalization exceeded 1 trillion yen for the first time, and its share price had increased to 2,017 yen (PBR: 2.08 times) as of August 15, 2024 (EBARA, 2024b). Moreover, its stock price has increased significantly in recent years, increasing four to five times over the past five years (the highest price was 3,065 yen; the lowest price was 2,293 yen in December 2018 and 13,790 yen on March 29, 2024. Additionally, a five-for-one stock split was implemented on July 1, 2024.) (EBARA, 2019; 2024b; 2024c; 2025c). EBARA's end-of-year market capitalization is expected to double from the fiscal year ending December 2019 to December 2023 (Appendix Table 8).

EBARA's PBR has also improved from 0.88 in the fiscal year ending December 2018 to 2.68 in the fiscal year ending December 2024 (EBARA, 2024b). The price-earnings ratio (PER) was slightly lower than the average for the machinery industry, but by strengthening IR functions and sustainability information disclosure, the PER increased to 18.71 as of June 2024, thereby improving to the industry average (EBARA, 2024b).

Analysts' evaluations of EBARA's stock prices improved between 2014 and 2024. On January 6, 2014, the stock price was 671 yen, whereas the market consensus target price was 655 yen, which was lower, and there were more neutral (eight analysts) than buying (three analysts) ratings. However, on August 15, 2024, the stock price was 2,17.5 yen, whereas the market consensus target price was 2,820 yen, 40% higher, and the stock price was recommended to buy (eight analysts) compared to neutral (no one) (EBARA, 2024b).

EBARA attributed these changes to strengthened IR activities and improved confidence in the capital market regarding its business outlook and progress (EBARA, 2024b).

Finally, one characteristic of EBARA's shareholder composition is its high percentage of foreign shareholders. Compared to the average of 31.8% for all listed companies in Japan, EBARA's are quite high at 47.4%. Regarding this background, Mr. Hosoda said, "EBARA sold all cross-shareholdings and it transitioned to a Company with a Nomination Committee, etc. at an early stage, which created specific circumstance in which it was convenient for foreign investors to determine the high level of governance (Shugo Hosoda, interview, July 19, 2024). In comparison, the percentage of "individuals and others" owners is low at 11.1% for EBARA, compared to the average of 19.3% for all listed companies in Japan (December 2023 period) (EBARA, 2024b). However, Mr. Hosoda said, "EBARA conducted a stock split so that domestic individual investors can purchase EBARA's shares (Shugo Hosoda, interview, July 19, 2024)."

5. DISCUSSION

In response to the research questions, we organized and examined what became explicit based on the content of the case study in the previous section, while referring to the theory presented in Section 2. First, regarding how EBARA's governance reform has changed over time, EBARA's governance reform since 2008, it was not in response to institutional reforms or external market pressures, which is common among Japanese companies. Rather, to adopt an "organizational control system that controls the actions of managers and defines their discretionary authority (Charreaux, 1997)," EBARA voluntary selected such a system to break away from a corporate culture that had led to scandals and poor financial performance, and to increase corporate value. Mr. Nakayama said, "EBARA has been continuously changing its organizational structure since 2008 through the strong will of the chairmen and Mr. Yago, President, who had

intended to change the corporate culture considering scandals such as environmental accidents and sluggish financial performance in the 2000s (Toru Nakayama, interview, July 19, 2024)." EBARA invited two IOD and established a Nomination and Compensation Committee on a voluntary basis in the fiscal year ending March 2008, which could affect its financial performance as its profit margins gradually improved since the fiscal year ending March 2010. Such visible financial effects can be explained in terms of resolving the agency problem. Separation of execution from supervision and expanding monitoring and delegation of authority has gradually resulted in increased efficiency of the Board of Directors, improved management speed, and contributed to increased corporate value in terms of profitability. Second, the main characteristics of EBARA's governance structure as of March 2025 are as follow: an executive officer system since 2008; a company with Nomination Committee and commencement of BOD evaluation since 2015; the majority of the BOD are outside directors since 2017; chairperson of the BOD is an IOD since 2019; and all chairpersons of three Committees (Nomination, Compensation, and Audit) are IOD since 2021. Moreover, as governance reforms have progressed, operating profit margins have been on a steady upward trend since 2017, while stock prices steadily risen since 2019. The percentage of companies with similar BOD structures listed on the TSE Prime Market was only 20.4% (JACD, 2024). Therefore, EBARA is well ahead of the competition. As mentioned above, EBARA's continuing governance reforms have led to sustained improvements in financial performance, which have attracted market attention and resulted in increasing stock evaluations. This cause-and-effect relationship can also be explained by Agency Theory.

Moreover, EBARA's governance mechanisms are substantively in place to ensure that governance functions effectively. First, the chairperson of the BOD is an IOD, and among the ten directors, only the president serves as an executive officer, ensuring separation of execution from supervision. As Agency Theory suggests, EBARA's governance structure is effective in controlling management and protecting shareholder interests, with the board's main activity being governance. As suggested by Cohen et al. (2012), Fama and Jensen (1983), and Walsh and Steward (1990), increasing the percentage of IODs who prioritize shareholder interests increases corporate value, EBARA's financial performance and stock prices have increased accordingly.

Second, the chairpersons of the BOD and the Compensation Committee actively engaged in dialogue with investors and other parties. A summary of this dialogue is published in the integrated report, which indicates that these IODs are strongly committed to their responsibilities.

Third, EBARA has a Nomination Committee, something that only 4.9% of companies listed on the TSE Prime Market possess (JACD, 2024), placing it well ahead of the competition. Its chairperson is an IOD, and the current president is not a member of the committee, which may guarantee objectivity in BOD election and dismissal processes. Additionally, the committee works not only on the selection of the president but also on human resource development.

Fourth, both the chairpersons of the Compensation and Audit Committees are women. Three of the ten directors are women, accounting for 30% of the board. Critical Mass Theory suggests that having three or more women directors on the BOD creates a "critical mass," which may have influenced EBARA's corporate innovation and ethical decision-making and promoted information disclosure and transparency, as suggested by the company's improved financial performance and stock price as well as external awards for IR activities and information disclosure.

Regarding third research question, what are the characteristics of EBARA's IR, such as sustainability reporting? It has been strategically and continuously improved in conjunction with governance reform. Additionally, the CEO's commitment to IR activities, the existence of an IR system that provides consistent information disclosure, enhancement of IR events, and improvements in dialogue with investors and information disclosure. It seems that sustainability initiatives that form the basis of IR and commitment of the BOD are well established. Under these circumstances, EBARA's IR activities and integrated reports won numerous external awards.

Fourth, what is EBARA's financial performance trend? As shown by the business performance of the EBARA Group from 2018 to 2024, especially the trends in sales revenue and operating profit margins, financial performance is improving consistently. Stock-related indicators, such as PBR and end-of-period market capitalization, are continuously improving. One of EBARA's characteristics is its high ratio of foreign shareholders. Considering that Mr. Hosoda indicated that EBARA's governance structure may be easy for foreign investors to understand (Shugo Hosoda, interview, July 19, 2024), a favorable evaluation of the governance system may affect stock prices. EBARA received external recognition for its governance reforms and development process, which shifted from a defensive to an offensive stance, leading to improved financial performance and increased corporate value.

Finally, what are EBARA's future challenges in governance and IR? The different challenges from a long-term perspective were recognized by the BOD and have been made public in the "Evaluation of Effectiveness of Directors by the BOD," (EBARA, 2025b) Furthermore, EBARA has urgent issues that need to be addressed to ensure the effectiveness and validity of governance. On February 2025, the company received a recommendation from the Japan Fair Trade Commission for violating the provisions of the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (JFTC, 2025). EBARA promptly made a board resolution based on this recommendation and announced that it would establish an internal system and work to prevent recurrence (EBARA, 2025f).

Additionally, EBARA's IR challenges include strengthening its engagement with stakeholders, disseminating the history of corporate value creation to investors, enhancing the disclosure of sustainability information, and improving credibility.

Furthermore, the limitations of this study include limited validity and generalizability, as it adopts a single case study because cases where results are clearly visible are rare. These issues often emerge when the research sample is insufficient (Yin, 2013). Thus, future research building on this paper could expand the sample size or employ different methodologies to enhance generalizability.

6. CONCLUSION

This study used EBARA as a case study to clarify how recent CG reforms and IR activities, such as sustainability information disclosure, affect listed companies' financial performance and corporate value.

EBARA, aiming to change its corporate culture during the scandals and sluggish performance in the 2000s, and to enhance corporate value, has pursued CG reforms under strong top management commitment since 2008. Its governance system now includes IODs as the majority on the BOD; all three committees, including the BOD and nomination committee, are chaired by IODs. Furthermore, top management has prioritized IR activities, such as sustainability information disclosures. These efforts have improved financial performance, stock prices, and recognition for IR activities, although EBARA still has issues that need to be addressed to further enhance the effectiveness and validity of governance. The study suggests that companies addressing governance reform and information disclosure in a unified manner can enhance financial performance and corporate value, creating a virtuous cycle. These findings have several implications for investors, corporate managers, and policymakers.

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Appendix Table 1: EBARA's business

Business Segments	Main Target Markets	Main Products
Building Service & Industrial	Housing, Office buildings, Sports stadiums, Commercial facilities, Hotels, General industrial facilities	Pumps, Fans, Chillers, Cooling towers
Energy	Oil and gas, Electricity, Next-generation energy	Pumps, Compressors and turbines, Cryogenic pumps and expanders
Infrastructure	Water & sewage, Agriculture, Flood control, Tunnel ventilation	Pumps, Blowers
Environmental Solutions	Solid waste treatment, Waste-to-Energy (WTE) plants, Recycling and resource circulation, Renewable energy	Waste treatment plants, Wood biomass power plants, Chemical recycling
Precision Machinery	Semiconductor manufacturing, Solar panels, Chemicals, Pharmaceutical, and Others, Research and development	Dry vacuum pumps, CMP systems, Exhaust abatement systems, Plating systems, Ozonized water generators, Precision chillers

Reference: EBARA (2023a). Partly adjusted by authors.

Appendix Table 2: Revenues and profits by segments

(Billions of yen)

	Year/Month	2022/12	2023/12		2024/12	
		Amounts	Amounts	Percentage change (%)	Amounts	Percentage change (%)
Revenue						
	Building Service & Industrial	193,529	222,181	14.8	238,182	7.2
	Energy	143,605	167,229	16.5	210,434	25.8
	Infrastructure	46,258	50,178	8.5	51,118	1.9
	Environmental Solutions	73,738	71,540	(3.0)	87,438	22.2
	Precision Machinery	222,259	246,998	11.1	278,378	12.7
	Others and adjustment amount	1,478	1,199	(18.8)	1,115	(7.0)
Total revenue		680,870	759,328	11.5	866,668	14.1
Segment profit						
	Building Service & Industrial	11,401	15,737	38.0	10,341	(34.3)
	Energy	16,936	22,347	31.9	28,008	25.3
	Infrastructure	3,924	4,604	17.3	3,697	(19.7)
	Environmental Solutions	3,669	6,933	89.0	8,445	21.8
	Precision Machinery	36,183	38,285	5.8	50,133	30.9
	Others and adjustment amount	(1,541)	(1,882)	—	(2,673)	—
Total segment profit		70,572	86,025	21.9	97,953	13.9

References: EBARA (2024a, p. 39; 2025a, p. 3). Partly adjusted by authors.

Appendix Table 3: Revenues by regions

(Hundreds of millions of yen)

Countries and Regions*	2022/12		2023/12		2024/12	
	Amounts	Percent (%)	Amounts	Percent (%)	Amounts	Percent (%)
Japan	2,538	37.3	2,713	35.7	2,906	33.5
China	1,103	16.2	1,318	17.4	1,902	21.9
Rest of Asia (Taiwan, Korea)	1,371	20.1	1,397	18.4	1,291	14.9
North America (USA, Canada)	576	8.5	809	10.7	1,236	14.3
Others (Saudi Arabia, Brazil)	1,218	17.9	1,355	17.8	1,327	15.3
Total	6,808	100.0	7,593	100.0	8,666	100.0

References: EBARA (2024a, p. 135; 2025c, p. 8). Partly adjusted by authors.

*The countries or regions in parentheses are the main ones.

Appendix Table 4: Changes in business results

(Millions of yen)

Items	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
Net sales/Revenue	509,175	522,424	522,478	603,213	680,870	759,328	866,668
Operating profit	32,482	35,298	37,566	61,372	70,572	86,025	97,953
Operating profit to revenue ratio (%)	6.4	6.8	7.2	10.2	10.4	11.3	11.3
Profit attributable to owners of parent	18,262	23,349	24,236	43,616	50,488	60,283	71,401
Profit for the year to revenue ratio (%)	3.6	4.5	4.6	7.2	7.4	7.9	8.2

References: EBARA (2024c, p. 111; 2025a). Partly adjusted by authors.

Effective from the fiscal year ended December 31, 2021, the Company has adopted IFRS in place of the previously used Japanese GAAP. The financial figures for the fiscal year ended December 31, 2020 are also presented in accordance with IFRS.

Appendix Table 5: Changes in financial position

(Millions of yen)

Items	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
Total assets	591,592	595,239	644,711	719,736	828,049	913,900	1,005,085
Total net assets/Total equity	286,778	291,827	296,877	321,655	369,725	421,572	485,336
Shareholders' equity/Equity attributable to owners of parent	279,640	283,651	289,564	312,310	359,966	409,875	473,277
Equity ratio/Equity attributable to owners of the parent (%)	47.3	47.7	44.9	43.4	43.5	44.8	47.1

References: EBARA (2024c, p. 111; 2025a). Partly adjusted by authors.

Effective from the fiscal year ended December 31, 2021, the Company has adopted IFRS in place of the previously used Japanese GAAP. The financial figures for the fiscal year ended December 31, 2020 are also presented in accordance with IFRS.

Appendix Table 6: Changes in financial indicators

Items	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
Return on invested capital (ROIC) (%)	4.9	6.5	6.4	10.7	11.2	12.2	12.2
Return on equity (ROE) (%)	6.6	8.3	8.6	14.5	15.0	15.7	16.2

References: EBARA (2024c, p. 112; 2025a). Partly adjusted by authors.

Effective from the fiscal year ended December 31, 2021, the Company has adopted IFRS in place of the previously used Japanese GAAP. The financial figures for the fiscal year ended December 31, 2020 are also presented in accordance with IFRS.

Appendix Table 7: Changes in equity indicators -1

Items	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12
Consolidated dividend payout ratio (%)	33.3	24.8	35.4	35.2	35.2	35.0	35.6
Net assets per share/Equity attributable to owners of the parent per share (BPS) (yen)	2,795.72	2,981.91	3,036.19	3,395.50	3,910.07	4,439.60	–
*(See Note)	–	–	–	–	–	887.92	1,024.60
Net income per share/Basic earnings per share (EPS) (yen)	179.94	241.79	254.36	463.44	548.61	653.64	–
*(See Note)	–	–	–	–	–	130.73	154.62

References: EBARA (2023b, pp. 2-3; 2024a, pp. 2-3; 2024c, p. 112; 2025a). Partly adjusted by authors.

Note: The Company carried out a 5-for-1 stock split of the common stock of the Company with a record date of June 30, 2024. The per-share information is based on a pre-split basis. The amounts in the lower rows for the fiscal year ended December 31, 2023 were recalculated assuming that the stock split was conducted at the beginning of the previous fiscal year.

Appendix Table 8: Changes in equity indicators -2

Items	2019/12	2020/12	2021/12	2022/12	2023/12
Price earnings ratio (PER) (times)	13.75	13.25	13.79	8.60	12.77
Price book value ratio (PBR) (times)	1.12	1.11	1.88	1.21	1.88
Total number of shares issued and outstanding (thousand shares)	95,129	95,391	95,513	92,086	92,349
Market capitalization at end of period (hundreds of millions of yen)	3,163	3,215	6,103	4,346	7,709

References: EBARA (2023c, p. 96; 2024a, p. 112). Partly adjusted by authors.

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