

**Last Update: May 16, 2024****AIR WATER INC.**

Chairman, Chief Executive Officer Kikuo Toyoda

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Securities code: 4088

<https://www.awi.co.jp/en/index.html>

The corporate governance of [AIR WATER INC] (the “Company”) is described below.

## I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

The Company believes that conducting fair corporate activities in accordance with social common sense and earning the trust of all stakeholders, including shareholders, customers, local communities, and employees, is essential to the sustainable development of a company and maximization of its corporate value. We also recognize that the enhancement of our corporate governance, including internal control systems, is the most important management issue in earning the trust of stakeholders and fulfilling its corporate social responsibility.

We will build a management system that fully functions for proper management decision-making, appropriate and prompt business execution based on such decision-making, as well as supervision and monitoring of such business execution. Along with that, we will enhance corporate governance by ensuring management transparency through disclosure of a wide range of information.

### Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company complies with all of the principles of Japan’s Corporate Governance Code.

### Disclosure Based on the Principles of the Corporate Governance Code **[Update]**

[Principle 1-4] (Strategically held shares)

The Company holds shares for the purpose of maintaining relationships, expanding transactions, and creating business opportunities with business partners. The Company’s decision to acquire new shares or to continue to hold such shares is made based on whether the business relationship, partnership, collaboration, or other cooperative relationship with individual issuers will contribute to the enhancement of the Group’s corporate value over the medium- to long-term.

<Verification of strategically held shares>

Every year, the Company’s Board of Directors closely examines strategically held shares per individual issuer to determine whether the benefits and risks associated with holding such shares are worth the capital cost of the Company and whether holding such shares serves the purpose of contributing to the Group’s corporate value over the medium-to long-term. If significance or

rationality of holding an issue is not recognized, such shares are sold and reduced, or reviewed by other means.

<Criteria for exercising voting rights attached to strategically held shares>

As to whether or not to exercise voting rights attached to strategically held share, the Company makes decisions on a per-proposal basis taking into consideration whether the content of the proposal will contribute to the sustainable growth and medium-to long-term enhancement of corporate value of the investee and whether there is any risk of damaging the Group's shareholder value.

[Principle 1-7] (Transactions between related parties)

In accordance with the Companies Act and other applicable laws and regulations as well as the Company's "Rules of the Board of Directors," any competing transactions and conflict-of-interest transactions by directors require approval of the Company's Board of Directors. If any of these transactions is conducted, such material fact shall be reported to the Board of Directors without delay. With regard to transactions between the Company and related parties, the Company investigates the details of each transaction and, in accordance with applicable laws and regulations, discloses the details of such transactions, if any, in the notes to its financial statements and in the Securities Report.

[Supplementary Principle 2-4-1]

The Company's action policy for fiscal years of 2021 to 2024 sets out the promotion of empowerment of female employees by offering more opportunities for their activities through strengthening recruitment and supporting their training, as well as the enhancement of the organizational strength by diversifying the human resource base.

<Recruitment Plan>

We aim to raise the ratio of women to 40% or more of all new graduate hires through active public relations for job seekers that emphasize our working environment in which women can play an active role. (FY2023 actual average 53.8%)

<Support for training>

To increase the ratio of female managers (5.1 % in FY 2022, target 10 %), we are planning and implementing a female leader development program, a mentoring system, and career vision interviews.

<Acquisition rate of male employees taking childcare leave/absence>

In order to establish a workplace culture in which employees can achieve work-life balance regardless of gender, we aim to increase the combined rate of male employees taking childcare leave and absence to 40% or more. (33.3% acquisition rate and 30.9 days on average in FY2022)

<Promotion of women, foreign nationals, and mid-career hires to management positions>

We evaluate performance and abilities of women, foreign nationals, and mid-career hires and assign them to managerial positions in the same manner as other employees, based on the principle of placing the right person in the right job. (53 mid-career hires in FY2022 (including 14 in management positions), 21 foreign national employees (including 2 in management positions))

[Principle 2-6] (Fulfilling functions as owner of corporate pension assets)

The Company has a system in place to fulfill its expected role in managing reserves in corporate pension funds (DB plan) by assigning personnel with expertise to the Administrative Board, an executive body, and the Secretariat.

In addition, the Asset Management Committee is composed of personnel with expertise in such functions from the human resources, accounting, and finance divisions, and a system is in place to confirm sound management of pension funds from the

perspective of expertise and protection of beneficiaries.

All pension funds have been transferred to the defined contribution pension system (DCPS) after October 1, 2021.

[Principle 3-1] (Enhancement of information disclosure)

(i) Our goals, Management strategy and Management plan

We have set and disclosed our Group's Management Philosophy. For details, please see our website.

(<https://www.awi.co.jp/en/company/idea.html>)

We have also formulated and announced a new medium-term management plan, "terrAWell30 1st stage," covering the three-year period from fiscal 2022 to 2024. For details, please see our website.

(<https://www.awi.co.jp/en/ir/management/plan.html>)

(ii) Basic view on corporate governance

Please refer to I-1. "Basic Concept" of this Report.

(iii) Policies and procedures for determining remuneration of senior management and directors

As for remuneration of individual directors, the proportion of base remuneration, performance-linked remuneration, and non-monetary rewards for directors is set at 7:2:1 as a guide, based on the remuneration range of other companies in the same industry or the same scale of operation.

In addition, the remuneration of directors is determined by the Board of Directors based on a proposal prepared by the Nomination and Compensation Committee, a voluntary advisory body to the Board of Directors, after thorough deliberation, within the range of the amount preliminarily resolved at the General Meeting of Shareholders. The decision on the specific timing of payment and proportion of remuneration for each director shall be entrusted to Kikuo Toyoda, Chairman and Representative Director, Chief Executive Officer (CEO).

Regarding the policies and procedures for determining remuneration of directors and corporate auditors, please refer to II-1. "Organizational Composition and Operation [Remuneration of directors]" of this Report.

(iv) Policies and procedures for appointing/dismissing senior management and nominating candidates for directors and corporate auditors

With respect to the appointment/dismissal of senior management and the nomination of candidates for directors and corporate auditors, the Company's policy is to nominate suitable candidates, regardless of gender, age, or nationality, who can fulfill their roles and responsibilities toward the sustainable growth of the Group as well as the enhancement of its corporate value over the medium-to long-term, after comprehensively evaluating their personality, insights, abilities, and other factors.

The Company also factors in "the importance of fulfilling responsibilities entrusted by shareholders in corporate management as director" when nominating director candidates and "the importance of auditing and the functions of corporate auditors in corporate management" when nominating candidates for corporate auditors.

As for the appointment/dismissal procedure, the Board of Directors, members of which include independent outside directors with expertise and experience, discusses a wide range of opinions and makes decisions after thorough deliberation. In the event that any significant lack of qualification is observed in light of the above policy, etc., the Company considers dismissal by a resolution of the Board of Directors.

The Company has established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors. The Nomination and Compensation Committee deliberates on the appointment and dismissal of senior management and the nomination of director candidates, and then the Board of Directors makes decisions based on the report of the Nomination and Compensation Committee.

(V) Explanation of individual appointments/dismissals and nominations of candidates for directors and corporate auditors when appointing/dismissing senior management and nominating candidates for directors and corporate auditors

Reasons for the individual appointments, dismissals and nominations of candidates for directors and corporate auditors are disclosed in the reference materials of Notice of Convocation to General Meeting of Shareholders. For details, please refer to pages 3-6 of the reference materials for the “Notice of Convocation to the 23rd Ordinary General Meeting of Shareholders” posted on our website.

(<https://www.awi.co.jp/en/ir/stock/investor/main/00/teaserItems1/0114/linkList/0/link/syousyuutsuuchisyo23c.pdf>)

[Supplementary principle 3-1-3]

(1) Our sustainability initiatives

Please refer to our website and Integrated Report for more information on our sustainability philosophy, policies, and initiatives.

(<https://www.awi.co.jp/en/sustainability.html> Integrated Report: <https://www.awi.co.jp/en/ir/library/report.html>)

(2) Investment in human capital, etc.

The Company places great importance on diversity throughout the Group and is committed to developing human resources to make the most of diverse individuality. Recognizing that diverse human resources are essential for the continued corporate growth through global business activities in a range of domains, we are implementing reforms in the four areas of “recruitment,” “human resource utilization and development,” “treatment and systems,” and “education, training, and health and productivity management.” Please refer to our Integrated Report for more information on our initiatives.

(3) Investment in intellectual property

We have formulated our Sustainable Vision for 2050 toward a recycling-oriented society through coexistence with the earth and society. With the Group Technology Center as the core, we will work on various development themes, especially on “decarbonization and resource recycling technology” and “telemedicine and sensing technology,” which will be elemental technologies that support the environmental systems business and wellness business to be focused on in the future. In addition, the Intellectual Property Strategy Group established within the Group Technology Center is strategically promoting patent application and utilization for new inventions related to these themes. Please refer to our Integrated Report for the details of our initiatives.

(4) TCFD-based disclosure

Recognizing that addressing climate change is an important issue for a company to tackle, in August 2021 we expressed our support for TCFD, an international disclosure framework. Our response to the TCFD recommendations will contribute to the enhancement of our corporate value over the medium to long term. In order to achieve sustainable growth, a company is required

not only to view its response to climate change issues as a “corporate social responsibility” but also link it to “opportunities for growth.” Based on scenario analysis, we will work to assess the financial impact of risks and opportunities posed by climate change and enhance information disclosure.

Please refer to our website for information disclosed in line with the TCFD framework.

(<https://www.awi.co.jp/en/sustainability/environment/tcfid/.html>)

[Supplementary Principle 4-1-1]

The Company has established the “Regulations of the Board of Directors” and the “Agenda Standard of the Board of Directors” to clarify matters to be resolved and reported at the Board of Directors meetings, in addition to matters stipulated by laws and regulations and the Articles of Incorporation. The Board resolution is required for decisions on management plans, establishment or abolition of important organizations, important personnel matters, important investments and loans, business transfers, and other matters. As for the division of duties and decision-making authority of executive directors and heads of organizations, the scope of delegation is clearly defined in the “Organizational Regulations” and the “Regulations on Administrative Authority.”

[Principle 4-9] (Independence criteria and requirements for independent outside directors)

The Company appoints as independent outside directors those who meet the “Criteria for Independence of Outside Officers” established by a resolution of the Board of Directors, in addition to the requirements and standards stipulated by the Companies Act and financial instruments exchanges. In selecting candidates for independent outside directors, the Company places importance on a high level of expertise and a wealth of experience to provide candid and constructive advice, etc. regarding management of the Company.

Please refer to our website for the “Criteria for Independence of Outside Officers.”

(<https://www.awi.co.jp/en/sustainability/governance/governance.html>)

[Supplementary Principle 4-10-1]

The Company established the Nomination and Compensation Committee on August 4, 2022, to increase the independence and objectivity of the Board of Directors’ functions related to the nomination and compensation of directors, strengthen accountability, thereby enhancing the Company’s corporate governance. The Nomination and Compensation Committee maintains its independence and, in consultation with the Board of Directors, reviews particularly important matters, such as nomination and compensation, and reports to the Board of Directors.

[Supplementary Principle 4-11-1]

The Company’s Articles of Incorporation stipulate that the number of directors shall not exceed 20, and currently, the Board of Directors consists of 9 directors, including 3 independent outside directors (including 1 female director). The Company’s Board of Directors has created a skills matrix of seven basic areas of (1) corporate management, (2) finance and accounting, (3) risk management and legal affairs, (4) business strategy and marketing, (5) technology and R&D, (6) human resources management, and (7) globalization, as the experience and skills required to cover each function and business domain of the Company. Using this skills matrix, and from the viewpoint of placing the right person in the right job for proper and prompt decision-making, we appoint multiple numbers of directors who are familiar with the Group’s businesses and independent outside directors who have

extensive experience and knowledge outside the Company, including those with experience in other companies as a manager and certified public accountants, in an effort to ensure that the balance and diversity of the Board of Directors as a whole is optimized for the Company.

For skill matrix of our directors and corporate auditors, please refer to page 17 of the reference documents of the “Notice of Convocation to the 22nd Ordinary General Meeting of Shareholders” posted on our website.

(<https://www.awi.co.jp/en/ir/stock/investor/main/00/teaserItems1/0114/linkList/0/link/syousyuutsuuchisyo23c.pdf>)

[Supplementary Principle 4-11-2]

When our directors and corporate auditors serve concurrently as an officer of other listed companies, the Company confirms that such concurrent positions do not interfere with the performance of their duties as director or corporate auditor of the Company. Concurrent positions held by our directors and corporate auditors as an officer other listed companies of serving concurrently as an officer of other listed companies are disclosed in Notice of Convocation to the General Meeting of Shareholders and Securities Report for information.

Notice of Convocation to the General Meeting of Shareholders: (<https://www.awi.co.jp/en/ir/stock/investor.html>)

Securities Report: (<https://www.awi.co.jp/en/ir/library/report.html>)

[Supplementary Principle 4-11-3]

For the purpose of improving the effectiveness of the Board of Directors as a whole, every year, the Company analyzes and evaluates the effectiveness of the Board of Directors as a whole through self-evaluation conducted by directors and corporate auditors and by other means, and discloses a summary of the results.

In fiscal 2023, we conducted a questionnaire survey targeting all directors and corporate auditors who are members of the Board of Directors as part of the self-evaluation, while obtaining knowledge from external organizations. In the questionnaire, we asked respondents' name, and the main question items included “operation of the Board of Directors”, “discussions at the Board of Directors meetings”, “monitoring functions of the Board of Directors” and “support systems for directors and corporate auditors”. Based on the results of the questionnaire, the Board of Directors analyzed and evaluated the current status and issues regarding the effectiveness of the Board of Directors as a whole.

As a result, the Board of Directors of the Company received generally positive evaluations, including that the Board of Directors has an appropriate size and diversity for deliberations, that it ensures sufficient time for the external directors and corporate auditors to be briefed on the agenda in advance and for the Board of Directors to deliberate, leading to lively discussions, and that the remuneration system for the management team, which was an issue in the previous fiscal year, has been appropriately decided after receiving a report from the Nomination and Remuneration Committee, which was consulted by the Board of Directors.

In view of the above, it has also been confirmed that the Board of Directors as a whole is fulfilling its roles and responsibilities as stipulated in the Corporate Governance Code, and that the effectiveness of the Board of Directors is sufficiently ensured.

Members of the Board of Directors continued to share issues to be considered for further improvement of effectiveness: providing explanations of agenda items and reference materials in a more organized manner, monitoring the Board of Directors resolutions, strengthening support systems for directors and corporate auditors, and other matters.

Based on this effectiveness evaluation, the Company's Board of Directors will implement initiatives on a continual basis to further enhance the functions of the Board of Directors.

[Supplementary Principle 4-14-2]

For directors and corporate auditors to acquire and update the knowledge necessary to properly fulfill their roles and responsibilities, the Company provides them with opportunities to participate in training sessions by outside experts, not only when they take office but also after that, as necessary.

In addition, new outside directors and outside corporate auditors are given an opportunity to receive an explanation about the Company's management philosophy, business description, organization, etc. when they take office.

[Principle 5-1] (Policy on constructive dialogue with shareholders)

We recognize that, in order to achieve sustainable growth and enhance corporate value over the medium to long term, it is essential to build long-term relationships of trust with shareholders and investors by disclosing accurate information on our management, finance, etc. to them in a timely and fair manner and by engaging in constructive dialogue with them.

Administration officer in charge of investor relations oversees dialogue with shareholders and investors, and the Corporate Communications Office, the department in charge of investor relations, plays a central role in organic cooperation with related departments within the Company to provide appropriate information and set up opportunities for dialogue with the management.

In addition to the General Meeting of Shareholders, the Company holds annual financial results briefing attended by representative directors and a teleconference for analysts and institutional investors on the day of the announcement of quarterly financial results.

Plant tours, small meetings, visits to overseas institutional investors, etc. and other events are also held as needed.

Opinions and concerns about the Company's management obtained through dialogue with shareholders and investors are reported to the representative directors and other senior management as necessary.

When holding dialogue with shareholders and investors, the Company has set a "quiet period" during which it refrains from dialogue with shareholders and investors prior to the announcement of financial results. Moreover, the Company has adopted strict measures to prevent the leakage of insider information.

[Actions to achieve management conscious of capital cost and stock prices] [Disclosed in English]

Toward fiscal 2030, the Company is committed to increasing its corporate value in terms of both economic value and social value as we create new value by solving social issues. Going forward, with even greater emphasis placed on profitability and capital efficiency, we will strive to achieve an ROE of 12% or more and an ROIC of 8% or more over the medium to long term. We believe that these levels are well above the cost of shareholders' equity, which was estimated based on the characteristics of our business and the current stock market conditions.

With regard to dialogue with the capital market, we will pursue improvements in information disclosure to promote understanding of shareholders and investors to realize more constructive dialogue through disclosure of information on profitability and capital efficiency, in addition to the business lines and areas of interest to the capital market.

The outline of our initiatives up to fiscal 2024 is disclosed in the medium-term management plan. For details, please see below.

[Medium-term management plan on our website]

<https://www.awi.co.jp/en/ir/management/plan.html>

## 2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
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### Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	29,278,200	12.78
Custody Bank of Japan, Ltd. (trust account)	13,388,100	5.84
Sumitomo Mitsui Trust Bank, Limited	7,936,000	3.46
NIPPON STEEL CORPORATION	6,900,000	3.01
Sumitomo Mitsui Banking Corporation	6,259,198	2.73
Air Water Customers' Stockholding	5,999,248	2.62
STATE STREET BANK AND TRUST COMPANY 505001	5,688,854	2.48
National Mutual Insurance Federation of Agricultural Cooperatives	4,951,500	2.16
North Pacific Bank, Ltd.	4,574,473	2.00
Air Water Group Stockholding	4,167,964	1.82

Name of Controlling Shareholder, if applicable  
(excluding Parent Company)

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Name of Parent Company, if applicable

None

### Supplementary Explanation

1. The number of shares held by Sumitomo Mitsui Banking Corporation includes 3,000,000 shares contributed by the bank as trust assets for a retirement benefit trust, for which the bank retains the right to instruct the exercise of voting rights. The name on the shareholder registry for these shares is “SMBC Trust and Banking Corporation (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account).

2. The Change Report to Large Shareholding Report submitted on November 21, 2022 by Mitsubishi UFJ Financial Group, Inc. to the Director-General of the Kanto Local Finance Bureau says that, as of November 14, 2022, MUFG Bank, Ltd. and two other joint holders own the Company’s shares as follows. However, the Company could not confirm the number of shares actually held as of the end of the fiscal year under review, except for MUFG Bank, Ltd. Accordingly, the above “Status of Major Shareholders” indicates the number of shares held based on the shareholder registry.

Name

Address



Number of share certificates, etc. held (thousands of shares)

Percentage of share certificates, etc. held (%)

MUFG Bank, Ltd.

2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

1,349

0.59

Mitsubishi UFJ Trust and Banking Corporation

1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan

6,828

2.97

Mitsubishi UFJ Kokusai Asset Management Co., Ltd. (currently Mitsubishi UFJ Asset Management Co., Ltd.)

1-12-1, Yuraku-cho, Chiyoda-ku, Tokyo, Japan

1,401

0.61

### 3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market, Sapporo Securities Exchange Main Market
Fiscal Year-End	March
Business Sector	Chemicals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥1 trillion or more
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and fewer than 300

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Circumstances which May have Material Impact on Corporate Governance

Air Water Inc. is the parent company of Kawamoto Corporation, a listed company.

Regarding the management policy of Kawamoto after it became a consolidated subsidiary, the Company recognizes the

importance of maintaining its unique corporate culture and autonomy in management for Kawamoto to continue increasing its corporate and stock values through sustainable development.

Regarding the personal relationship between Kawamoto and the Company, one of our advisors concurrently serves as a director (audit and supervisory committee member) of Kawamoto. One director of the Company concurrently serves as a director of Kawamoto, which is less than half of 9 directors comprising the Kawamoto’s Board of Directors, and 3 outside directors who are independent of the Company’s corporate group have also concurrent positions. Judging from the above, we believe that Kawamoto is in a position to secure a certain degree of independence and to make their own management decisions as a listed company.

As for the details of specific measures to be taken in the future, Kawamoto and the Company currently expect business synergies in the following respects.

- (1) Restoration of trust in the Kawamoto brand and rebuilding of Kawamoto’s customer base through Kawamoto’s credit enhancement by the Company
- (2) Kawamoto’s new customer development by selling its products through the Company’s nationwide sales network involving approximately 160 locations of medical-related companies
- (3) Mutual cooperation in the operating room field, including development of advanced medical hygiene products that accurately meet the needs and provision of higher value-added services that combine the services and products of both companies
- (4) Mutual cooperation to expand the product lineup through mutual supply of products by both companies; the Company supplies its food, beverages, and other products and in return Kawamoto supplies its hygiene materials, medical supplies, and nursing care products.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Corporate Governance System	Company with Audit and Supervisory Board
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#### Directors

Number of Directors Stipulated in Articles of Incorporation	20
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairperson (excluding those concurrently serving as President)
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yukiko Sakamoto	Other											
Takao Matsui	CPA								△			
Yoshihiro Senzai	From another company											

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- a. Person who executes business of the Company or a subsidiary
- b. Person who executes business or a non-executive director of a parent company
- c. Person who executes business of a fellow subsidiary
- d. Person/entity for which the Company is a major client or a person who executes business for such person/entity
- e. Major client of the Company or a person who executes business for such client
- f. Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- g. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- h. Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- i. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- j. Person who executes business for an entity receiving contributions from the Company (applies to self only)
- k. Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
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<p>Yukiko Sakamoto</p>	<p>○</p>	<p>—</p>	<p>Ms. Yukiko Sakamoto has successively served in important positions at the Ministry of Health, Labour and Welfare, as Vice Governor of Shizuoka Prefecture and as a member of the House of Councillors. With her extensive experience and deep insight, she provides useful advice, etc. on overall management of the Company, and therefore we believe that she is suitable to serve as an outside director of the Company. Additionally, she does not fall under any of the items that may create conflict of interest with general shareholders stipulated by the Tokyo Stock Exchange and satisfies the “Criteria for Independence of Outside Officers” (see “[Matters Concerning Independent Directors and Statutory Board Members] Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members”) stipulated by the Company. Considering the above, the Company appointed her as an independent director.</p>
<p>Takao Matsui</p>	<p>○</p>	<p>Mr. Takao Matsui once worked for KPMG AZSA LLC, Accounting Auditor of the Company. He retired from the firm in June 2018 and is not in a position to be influenced by the firm’s intentions.</p>	<p>Mr. Takao Matsui has broad experience and thorough knowledge accumulated over many years as a certified public accountant, based on which he provides useful advice, etc. on the Company’s overall management. Therefore, we believe that he is suitable to serve as an outside director. Additionally, he does not fall under any of the items that may create conflict of interest with general shareholders stipulated by the Tokyo Stock Exchange and satisfies the “Criteria for Independence of Outside Officers” (see “[Matters Concerning Independent Directors and Statutory Board Members] Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members”) stipulated by the Company. Considering the above, the Company appointed him as an independent director.</p>

Yoshihiro Senzai	○	—	Mr. Yoshihiro Senzai has long years of experience as a manager and engineer of another company. With his extensive experience and broad insight, he is expected to provide useful advice, etc. on overall management of the Company, and therefore we believe that he is suitable to serve as an outside director of the Company. Additionally, he does not fall under any of the items that may create conflict of interest with general shareholders stipulated by the Tokyo Stock Exchange and satisfies the “Criteria for Independence of Outside Officers” (see “[Matters Concerning Independent Directors and Statutory Board Members] Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members”) stipulated by the Company. Considering the above, the Company appointed him as an independent director.
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Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Committee	3	0	1	1	0	1	Inside Directors
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Compensation Committee	3	0	1	1	0	1	Inside Directors

Supplementary Explanation

One “Other” is an outside corporate auditor of the Company (independent officer).

Established on August 4, 2022 as a voluntary advisory body to the Board of Directors, The Nomination and Compensation Committee performs the functions of both the Nomination Committee and the Compensation Committee aiming to enhance the independence and objectivity of the Board’s functions related to the nomination and compensation of directors, as well as to

strengthen accountability, thereby enriching the Company’s corporate governance.

[Composition of the Nomination and Compensation Committee]

- (1) The Committee shall consist of at least three (3) directors or corporate auditors elected by the Board of Directors.
- (2) A majority of the Committee members shall be outside directors or outside corporate auditors (all of whom shall be independent officers).

[Main roles of the Nomination and Compensation Committee]

The Committee shall deliberate and report to the Board of Directors on the following matters in response to consultations from the Board of Directors.

- (1) Matters related to the proposals of election/dismissal of directors (general shareholder meeting agenda item)
- (2) Matters related to the proposals of election/dismissal of representative directors (board meeting agenda item after general meeting of shareholders)
- (3) Matters related to the remuneration system and evaluation of directors
- (4) Matters related to succession planning

### Audit and Supervisory Board Member\*

\*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Audit and Supervisory Board	Established
Number of Audit and Supervisory Board Members Stipulated in Articles of Incorporation	6
Number of Audit and Supervisory Board Members	5

#### Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments

Corporate auditors and KPMG AZSA LLC, the Accounting Auditor, meet regularly and exchange opinions whenever necessary. Corporate auditors receive explanations from and exchange opinions with the Accounting Auditor regarding its audit plan, audit implementation status, quarterly review results, and year-end audit results (including internal control audits related to financial reporting). Corporate auditors explain to the Accounting Auditor the plans, status, and results of auditor’s audit, and exchange opinions.

Corporate auditors and the CSR Promotion Office Audit Group (hereinafter, the “Audit Group”), which is an internal audit department, meet regularly and exchange opinions to ensure the effectiveness of their respective audits whenever necessary. In addition, corporate auditors receive explanations from the Audit Group regarding the status of internal audits and audit results, exchange opinions, and when necessary, request the Audit Group for investigations.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board	3

Members	
Number of Independent Audit and Supervisory Board Members	3

#### Outside Audit and Supervisory Board Members' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kunihiko Tsuneyoshi	From another company							△						
Atsushi Hayashi	Lawyer													
Nobuo Hayashi	Academic													

\*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- An Audit and Supervisory Board Member of a parent company of the Company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

#### Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Kunihiko Tsuneyoshi	○	Mr. Kunihiko Tsuneyoshi previously worked as an operating officer of Sumitomo Mitsui Trust Bank, Limited, a major lender to the Group. After retiring from the bank in March 2012, he worked as an operating officer at a group company of the bank until March 2019. He is not in a position to be influenced by the intentions of Sumitomo Mitsui Trust Bank, Limited, as a considerable period of time has passed since he retired from the bank which he worked for once. Although Sumitomo Mitsui Trust Bank,	Mr. Kunihiko Tsuneyoshi has professional knowledge and experience obtained while working for a financial institution and based on which he fully performs the auditing function as we expect by making useful suggestions and proposals to ensure the appropriateness of business execution in the Company. We believe that he is qualified to serve as an outside corporate auditor of the Company. Additionally, he does not fall under any of the items that may create conflict of interest with general shareholders

		<p>Limited holds shares of the Company, it does not fall under the category of a major shareholder (a shareholder holding 10/100 or more of the outstanding shares with voting rights as defined in the Financial Instruments and Exchange Act).</p> <p>In addition, although the Group has a business relationship with Sumitomo Mitsui Trust Bank, Limited, including borrowing of funds, the management of the Company is not affected by the bank because the Group has transactions with multiple financial institutions and is not prominently dependent on the bank.</p>	<p>stipulated by the Tokyo Stock Exchange and satisfies the “Criteria for Independence of Outside Officers” (see “[Matters Concerning Independent Directors and Statutory Board Members] Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members”) stipulated by the Company. Considering the above, the Company appointed him as an independent officer.</p>
Atsushi Hayashi	○	———	<p>Mr. Atsushi Hayashi has abundant experience and deep insight as a judge and lawyer and based on which he fully performs the auditing function as we expect by making useful suggestions and proposals to ensure the appropriateness of business execution in the Company. We believe that he is qualified to serve as an outside corporate auditor of the Company. Additionally, he does not fall under any of the items that may create conflict of interest with general shareholders stipulated by the Tokyo Stock Exchange and satisfies the “Criteria for Independence of Outside Officers” (see “[Matters Concerning Independent Directors and Statutory Board Members] Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members”) stipulated by the Company. Considering the above, the Company appointed him as an independent officer.</p>



Nobuo Hayashi	○	_____	<p>Mr. Nobuo Hayashi has extensive experience and deep insight accumulated over many years as a researcher and university professor and based on which he fully performs the auditing function as we expect by making useful suggestions and proposals to ensure the appropriateness of business execution in the Company. We believe that he is qualified to serve as an outside corporate auditor of the Company. Additionally, he does not fall under any of the items that may create conflict of interest with general shareholders stipulated by the Tokyo Stock Exchange and satisfies the “Criteria for Independence of Outside Officers” (see “[Matters Concerning Independent Directors and Statutory Board Members] Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members”) stipulated by the Company. Considering the above, the Company appointed him as an independent officer.</p>
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### Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members

6

#### Other Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

<Criteria for Independence of Outside Officers>

The Company deems an outside director and outside corporate auditor (hereinafter collectively referred to as “outside officer”) or a candidate for outside officer to have sufficient independence against the Company, if none of the following attributes applies to.

1. A person who is a business executive<sup>1</sup> of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) or a person who was a business executive of the Group within the last 10 years
2. A person who was a non-executive director or corporate auditor of the Group within the last 10 years and also served as an executive of the Group within 10 years prior to his/her appointment as the aforementioned non-executive post
3. A person to whom the Company is a major business partner<sup>2</sup>, or a business executive of that person

4. A major business partner of the Company<sup>3</sup>, or its business executive
5. A major shareholder of the Company (a person who directly or indirectly holds 10% or more of the total number of voting rights. The same applies hereinafter.), or its business executive
6. A business executive of a person for which the Company is a major shareholder
7. A person who belongs to an auditing firm that is the accounting auditor of the Group
8. A legal professional, certified public accountant, tax accountant, consultant, etc. who receives a large amount of money<sup>4</sup> or any other financial benefits from the Group other than executive remuneration  
(If the person receiving such financial benefits is an organization, such as corporation or association, a person who belongs to such organization.)
9. A person who receives a large amount<sup>4</sup> of donation or grant from the Group, or a business executive of that person
10. When a business executive of the Group serves as an outside director of another company, the business executive of that company or its parent company or subsidiary
11. A person who has fallen under any of the above 3. through 10. in the last three years
12. A spouse or a relative within the second degree of kinship of a person who falls under any of the above 1. through 11. and is an important business executive<sup>5</sup>

Please note that, even in cases where none of the above attributes apply, an outside officer may not be designated as an independent officer if there is sufficient ground for judging that he/she cannot fulfill his/her responsibilities as an independent officer.

End

- 1 A business executive refers to an executive director, operating officer, executive officer, executive member, administration officer, or any other person who executes the business of a person equivalent to these officers and employees.
- 2 A person to whom the Group is a major business partner refers to a person who has received 2% or more of its annual consolidated net sales from the Group in any of the last three fiscal years.
- 3 A person who is a major business partner of the Group refers to a person who has paid 2% or more of its annual consolidated net sales to the Group in any of the last three fiscal years, or a person who has provided the Group a loan worth 2% or more of the Company's consolidated total assets as of the end of the most recent fiscal year.
- 4 A "large amount" refers to an average amount of at least ¥10 million per year over the last three fiscal years for an individual, or in the case of an organization, such as corporation or association, an amount equivalent to 2% of the consolidated net sales or gross income of that organization or ¥10 million per year, whichever is higher.
- 5 An "important business executive" refers to a business executive who executes important business such as executive director, operating officer, executive officer, and department head.

(Note) "Fiscal year" above shall be read as the year for which income tax is calculated in the case of individuals.

## Incentives

Implementation Status of Measures related to  
Incentives Granted to Directors

Introduction of Performance-linked Remuneration Scheme, Other

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#### Supplementary Explanation for Applicable Items

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For details, please refer to “Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof” below.

Persons Eligible for Stock Options

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#### Supplementary Explanation for Applicable Items

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### Director Remuneration

Status of Disclosure of Individual Directors’  
Remuneration

Disclosure for Selected Directors

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#### Supplementary Explanation for Applicable Items

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The amount of remuneration, etc. paid to directors (9 persons) and corporate auditors (5 persons) in the immediately preceding fiscal year (fiscal 2021) was 629 million yen and 93 million yen, respectively. Of which, the amount of remuneration, etc. paid to outside directors (6) was 78 million yen.

(Note) The above amount of remuneration, etc. for directors includes 44 million yen of monetary remuneration claims provided to six directors as remuneration, etc. related to restricted stock, which was recorded as expenses for the current fiscal year.

Policy on Determining Remuneration Amounts and  
the Calculation Methods Thereof

Established

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#### Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

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1. The maximum amount of remuneration for directors and corporate auditors is as follows.

- (1) The maximum amount of remuneration for directors was resolved at the 17th Ordinary General Meeting of Shareholders held on June 28, 2017 to be 1,130 million yen or less per year. Of which, the maximum amount of remuneration for outside directors approved at the 22nd Ordinary General Meeting of Shareholders held on June 28, 2022 is 80 million yen per year.
- (2) Aside from the maximum amount of remuneration for directors stated in (1) above, the Company resolved at the 19th Ordinary General Meeting of Shareholders held on June 26, 2019 that the total amount of monetary remuneration claims to be paid to the Company’s directors (excluding outside directors) as remuneration for restricted stock should not be more than 100 million yen per year.
- (3) The maximum amount of remuneration for corporate auditors was resolved at the 7th Ordinary General Meeting of Shareholders held on June 28, 2007 to be 98 million yen per year.

2. Matters concerning the policy for determining the amount of remuneration, etc. of directors and the calculation method thereof

Based on the resolution of the Board of Directors, the Company has set a basic policy to build a remuneration system for its directors that functions sufficiently as an incentive for each director to play a maximum role in his/her duties and enables to attract and retain excellent human resources for the continuous improvement of its corporate value. Under this policy, remuneration of each director shall be determined at an appropriate level in light of his/her role, responsibility, and business performance. Specifically, directors' remuneration consists of base remuneration as fixed remuneration, performance-linked remuneration, and stock-based remuneration (excluding outside directors).

Base remuneration is a monthly fixed remuneration, and is determined by taking into comprehensive consideration of the Company's business lineup and various fundamentals of the management environment, other companies' standards in terms of position and duties, the Company's business performance, and employee's pay standard.

Performance-linked remuneration shall be cash remuneration that reflects performance indicators as a short-term incentive to achieve business targets for each fiscal year. The Company pays an amount calculated based on the achievement percentage against consolidated revenue, operating profit, each division's targets (divisional operating profit and mission), etc. for each fiscal year, as a bonus at a designated time each year. Target performance indicators and their values are set to be consistent with the management plan at the time the plan is formulated, and are reviewed as needed to reflect changing circumstances.

As non-monetary rewards shall be paid in the form of restricted stock. The Company's common shares are issued after a designated period during which the transfer is restricted, for the purpose of promoting efforts to enhance corporate value over the medium to long term and further pursuit of value sharing with shareholders.

The restricted stock shall be the Company's common shares issued every year, in principle, and the number of which is determined according to the grantee's position after a transfer restriction agreement (a restricted stock allotment agreement) is concluded between the Company and the grantee. In order to realize the sharing of shareholder value over the medium to long term, the transfer restriction period starts from the share issuance date and ends on the date when a director retires or resigns both the offices of director and any other position specified by the Board of Directors of the Company.

With respect to the ratio of director's remuneration by type, the representative directors shall, based on the appropriateness of the range of remuneration levels of other companies in the same industry or of the same size, discuss and prepare a draft of the remuneration amount for each director. The Board of Directors then seeks opinions of the independent outside directors and leaves entirely all decisions up to the Chairman, Chief Executive Officer. The standard ratio of remuneration by type is 7:2:1 for base remuneration, performance-linked remuneration, and non-monetary rewards, respectively.

The remuneration for outside directors and corporate auditors is limited to base remuneration only. The amount of remuneration for each corporate auditor is determined through discussions among the corporate auditors within the range of the total amount of remuneration determined resolved by the General Meeting of Shareholders.

3. Matters concerning delegation of decisions on the content of individual directors' remuneration, etc.

The total amount of remuneration for each individual director shall be determined by the Board of Directors based on a proposal prepared by the Nomination and Compensation Committee, a voluntary advisory body to the Board of Directors, after thorough deliberation, within the range of the amount preliminarily resolved at the General Meeting of Shareholders. The decision on the specific timing of payment and proportion of remuneration for each director shall be entrusted to Kikuo Toyoda, Chairman and Representative Director, Chief Executive Officer (CEO). The scope of such authority shall be the amount of base remuneration and bonus and the number of shares of restricted stock for each director.

The reason for delegating such authority is that the Chairman and Representative Director is best suited to evaluate the areas of responsibilities and duties of individual directors while keeping a bird's-eye view of the Company's overall performance.

The details of remuneration, etc. for each individual director for the current fiscal year were determined considering the above, and the Board of Directors believes that such details are in line with the policy for determining remuneration resolved by the Board of Directors.

### Support System for Outside Directors and/or Outside Audit and Supervisory Board Members

Governance Office, the Secretariat of the Board of Directors, distributes materials related to agenda items and reporting items at the Board of Directors meetings to outside directors in advance and, if necessary, provides explanations of the contents of such materials in advance.

Corporate information and materials that are requested by outside corporate auditors or deemed necessary to be shared among corporate auditors are mainly communicated or submitted to outside corporate auditors by standing statutory auditors.

### Status of persons who retired from the position of President and Representative Director, etc.

Names, etc. of (senior) advisors, etc. who have served as President and Representative Director, etc.

Name	Position / Status	Duties and Responsibilities	Working style and conditions (full-time or part-time, with or without compensation, etc.)	Retirement date of President, etc.	term
Masahiro Toyoda	Honorary Senior Advisor	Advice to current management	Part-time, remunerated	2023/03/31	1 year update
Shirai Kiyoshi	Senior Advisor	Advice to current management	Part-time, remunerated	2023/03/31	1 year update
Masato Machida	Advisor	Advice to current management	Part-time, remunerated	2023/03/31	1 year update

Total number of (senior) advisors, etc. who

3

have served as President and Representative Director, etc.

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Other matters

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Mr. Masahiro Toyoda, Mr. Kiyoshi Shirai, and Mr. Masato Machida provide advice, etc. to the incumbent management making use of their knowledge accumulated through long years of experience in the management of the Company, but they do not have any authority regarding managerial judgment or business execution of the Company.

## **2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)**

The Company's Board of Directors makes important management decisions and supervises the execution of business operations, and as a company with auditors, our corporate auditors audit the directors' performance of duties by attending the Board of Directors meetings and other important meetings.

The following summarizes each organization and department in the Company's corporate governance system.

### (1) Directors / Board of Directors

The Company's Board of Directors consists of seven (7) inside directors (no female directors) and four (4) outside directors (including 1 female director), totaling 11 members. The Board of Directors makes decisions and reports on important matters related to the Group's management and business execution, in addition to matters stipulated by laws and regulations or the Articles of Incorporation, and fulfills the function of mutual supervision and monitoring of directors. Furthermore, the Company has appointed four (4) outside directors who provide useful advice to the Company's management from an objective outsider's perspective, thereby strengthening the management supervisory function.

The term of office of directors is one year so we can flexibly build an optimal management structure in a rapidly changing business environment and further clarify the management responsibilities of directors for each fiscal year.

### (2) Corporate Management Committee

As an organization that supports right and prompt decision-making in the Group's extensive business areas, the Corporate Management Committee, which is composed of inside directors and managers of each business division, meets once a month in principle. The Committee conducts prior deliberates on matters to be discussed at the Board of Directors meetings from a broad and diverse perspective, and also deliberates on important matters related to the execution of the Group's business operations.

### (3) Corporate Auditors / Audit & Supervisory Board

The Company's Audit & Supervisory Board (14 meetings were held in fiscal 2022) consists of two (2) inside corporate auditors (no female directors) and three (3) outside corporate auditors (no female directors), totaling five (5) members. The Company is committed to strengthening the monitoring and supervisory functions of management by receiving useful advice, etc. on its audit from the three (3) outside corporate auditors from an objective outsider's perspective. In accordance with the audit policy, audit standards, and so on established by the Audit & Supervisory Board, corporate auditors are striving to grasp and monitor the status of management execution by attending the Board of Directors meetings and other important meetings. They also monitor and

verify the status of the development and operation of internal control systems, including internal control over financial reporting, to ensure that the execution of duties by directors is in compliance with laws, regulations, and the Articles of Incorporation, and that the Company’s business is being executed appropriately. Additionally, corporate auditors regularly receive explanations from the Accounting Auditor and the Internal Audit Department regarding the status and results of their audits, and exchange information and opinions with them.

(4) Internal Audit Department

Regarding internal audit, the CSR Center Audit Group (hereinafter, the “Audit Group”) comprising 23 members in total periodically audits the status of compliance with laws and regulations, as well as the appropriateness and validity of business process of the Group. The “Audit Group” monitors and supervises the construction and operation status of the internal control system to ensure the reliability and appropriateness of financial reporting. It also serves as the department in charge of the evaluation of the system’s effectiveness under the responsibility and direction of representative directors. In addition to the “Audit Group,” the Company has established the “CSR Center Compliance Group” comprising 11 members in total as a dedicated department that manages and controls compliance, security and disaster prevention, and environmental protection across the Group. If any fact that may have a significant impact on the Company’s management is confirmed through each internal audit, the Company has a system in place to report it to its corporate auditors and representative directors as appropriate.

(5) Accounting Auditor

The Company has signed an audit contract with KPMG AZSA LLC, which conducts audit of the Company. In fiscal 2021, accounting audits of the Company were performed by three certified public accountants (designated limited liability partners and executive partners): Mr. Masashi Kanda, Mr. Tatsuya Kido, and Mr. Hiroto Fujimoto.

Currently, the Company has concluded contracts with each outside director and each corporate auditor to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act up to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act if they have performed their duties in good faith and without gross negligence.

**3. Reasons for Adoption of Current Corporate Governance System**

We have adopted a company with auditors system because we believe that it enables us to ensure prompt and agile management in a rapidly changing business environment and to sufficiently ensure objectivity and neutrality in our management monitoring and supervisory functions through the corporate governance system described in 2. above.

**III. Implementation of Measures for Shareholders and Other Stakeholders**

**1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights**

	Supplementary Explanation
Electronic Exercise of Voting Rights	In addition to the conventional written ballot, the Company has introduced a system that allows exercise of voting rights via the Internet (Electronic Voting System).
Participation in a Platform for the Electronic	

Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company participates in the Electronic Voting Platform for institutional investors operated by ICJ, Inc.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The English version of the Convocation Notice (summary) is posted on the Electronic Voting Platform.
Other	Convocation Notices, Notices of Resolutions, and the aggregate results of the exercise of voting rights are posted on the Company's website. Convocation Notice is posted on the Company's website seven days before it is sent by post.

## 2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	In addition to holding a financial results briefing attended by representative directors once a year, the Company conducts teleconferences, etc. for analysts and institutional investors on the day of quarterly financial results announcements, as well as plant tours, small meetings, etc. as needed.  Financial results briefing for fiscal 2022 was implemented by integrating it in the teleconference on the day of financial results announcement, from the perspective of preventing the spread of the COVID-19.	Held
Regular Investor Briefings held for Overseas Investors	About once a year, our director in charge of IR makes individual visits to overseas institutional investors to explain the progress of our medium-term management plan and financial results.  About once a year, our director in charge of IR makes individual visits to overseas institutional investors to explain the progress of our medium-term management plan and financial results.  In fiscal 2022, overseas IR activities were carried out by attending IR conferences held by securities firms in Japan and through web conferences and teleconferences from the viewpoint of preventing the spread of COVID-19.  In fiscal 2021, overseas IR activities were carried out by means of web conference and teleconference from the	Held



	viewpoint of preventing the spread of the COVID-19.	
Online Disclosure of IR Information	<p>IR-related URL (<a href="https://www.awi.co.jp/en/ir/">https://www.awi.co.jp/en/ir/</a>)</p> <p>The Company's website contains financial results presentation materials, medium-term management plans, financial highlights, IR news, IR calendar, earnings summaries, annual securities reports, quarterly reports, integrated reports, information on general meetings of shareholders, shareholder returns and dividends, shareholder reports, etc.</p> <p>The Company's website contains financial results presentation materials, medium-term management plans, financial highlights, IR news, IR calendar, earnings summaries, annual securities reports, quarterly reports, integrated reports, information on general meetings of shareholders, shareholder returns and dividends, shareholder reports, etc.</p>	
Establishment of Department and/or Placement of a Manager in Charge of IR	<p>Department in charge: Corporate Communications Office</p> <p>Responsible person: Koichi Nakai, Executive Officer, General Manager, Corporate Communications Office</p>	

### 3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	As the Group-wide code of corporate ethics, we have established the "Air Water Group Code of Ethical Conduct" which stipulates that each and every employee, including officers, shall act in a manner that respects and earns the trust of shareholders, customers, business partners, employees, and other stakeholders.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	In its Basic Environmental Policy, the Group has established the corporate vision "a group to preserve our natural environment" and contributes to the global environment through its business activities by manufacturing and selling products with reduced environmental impact and by making efforts to conserve resources and energy. Moreover, we prepare integrated report once a year on our basic stance on the environment, efforts to reduce environmental impact, CSR activities, and other matters, which are introduced on our website.
Formulation of Policies, etc. on Provision of Information to Stakeholders	As the Group-wide code of corporate ethics, we have established the "Air Water Group Code of Ethical Conduct", which stipulates that information related to the Company and its stakeholders be disclosed proactively in a fair, equitable and timely manner.

## IV. Matters Concerning the Internal Control System

### 1. Basic Views on Internal Control System and Status of Development

The Company has set the following basic policy on the establishment of “systems to ensure that the execution of duties by directors complies with the laws and regulations and the Articles of Incorporation, and other systems to ensure the appropriateness of operations of a company and operations of corporate group comprising the company and its subsidiaries” in accordance with the Companies Act. Under the systems established based on this basic policy, the Company is striving to ensure the appropriateness and efficiency of operations executed by itself and its subsidiaries.

- (1) System to ensure that the execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation
  - a. As the basis of the compliance system, the Company shall establish the “Air Water Group Code of Ethical Conduct” as a code of conduct for the Group’s officers and employees to comply with laws and regulations and to respect social ethics in their activities, provide training and raise the awareness of social ethics and legal compliance, and develop rules regarding legal compliance.
  - b. The “CSR Promotion Office Compliance Group” (hereinafter, the “Compliance Group”), an organization under the direct control of Representative Directors, shall be established as a controlling department to centrally manage compliance issues within the Group. The Compliance Group shall appoint a responsible person from among directors, executive officers, or administration officers. In addition, the “Compliance Committee” shall be established as a body to discuss important compliance-related matters, and a whistleblower system shall be established and operated for officers and employees of the Group to report directly to the “Compliance Group” and outside attorneys, etc. and consult with them when they become aware of any act suspected of violations of compliance, etc., without having to go through ordinary reporting lines.
  - c. Directors shall report on the execution of their duties at the Board of Directors meetings held regularly or as necessary and supervise the execution of one another’s duties. In addition, corporate auditors shall attend meetings of the Board of Directors and other important meetings in accordance with the auditing standards for corporate auditors established by the Audit & Supervisory Board, and conduct audits of business execution by directors of the Group through examinations of the business execution in the Group including its subsidiaries.
  - d. The “CSR Center Audit Group” (hereinafter, the “Audit Group”), an internal audit department, shall conduct internal audits to ensure the compliance of the Group’s business activities with internal regulations and laws and regulations, etc., in accordance with the internal audit regulations and internal audit plan. The results of internal audits shall be reported to Representative Directors and Corporate Auditors.
  - e. With respect to compliance with the Antimonopoly Law, the Group shall regularly receive advice from outside experts, continuously provide its officers and employees with training regarding the Antimonopoly Law, thoroughly control contacts with other companies in the same industry. The “Compliance Group” shall regularly monitor the Group’s operation of internal

rules and regulations concerning compliance with the Antimonopoly Law as well as the status of compliance with such rules and regulations.

(2) System concerning storage and management of information on the execution of duties by directors

Information on the execution of duties by directors, such as minutes of the Board of Directors meetings and approval documents, shall be recorded in documents or electromagnetic media, and shall be stored and managed appropriately and securely in accordance with the internal rules for document management. Additionally, a system shall be put in place to immediately submit such documents, etc. when requested by a director, corporate auditor, or Internal Audit Department for inspection.

(3) Regulation on the management of risk of loss and other systems

- a. For the risks related to compliance, safety and disaster prevention, and environmental preservation, which are recognized as particularly important in the Group's business activities, The "Compliance Group" shall serve as the controlling department in managing such risks across the Group.
- b. For individual risks related to information security, quality control, intellectual property, and contracts, the Company shall establish a department in charge of each of these risks, establish internal rules, prepare manuals, provide training, and manage such risks within the Group through preliminary reviews and approval systems.
- c. The Company shall periodically hold a "Risk Management Review Meeting" with the "Compliance Group" as Secretariat, to grasp the state of risk management and promote the strengthening of risk management within the Group.
- d. In the event of the occurrence of a risk that is likely to have a significant impact on its business activities, the Company shall immediately establish a Crisis Management Committee within the Company in accordance with the "Crisis Management Regulations" to promptly and appropriately address the risk that has occurred.

(4) System to ensure the efficient execution of duties by directors

- a. The Company shall specify the division of duties and decision-making authority in the Organizational Regulations and the Regulations on Administrative Authority to ensure proper and efficient execution of duties, and clarify the authority and responsibilities of each director, executive officer, and administration officer. A system according to the above shall be established at its subsidiaries as well.
- b. The Company shall expedite decision-making and clarify responsibilities for business execution in a wide range of businesses and business areas by delegating authority to executive officers and administration officers appointed by the Board of Directors. In order to build a flexible management structure that can quickly respond to changes in the business environment, the terms of office of directors, executive officers, and administration officers shall be one year, respectively.
- c. For businesses of a certain size or above, the Business Unit system shall be introduced, whereby the head of each unit shall be

delegated the authority to execute the business and shall also be responsible for the consolidated business results, including those of related subsidiaries.

- d. The Board of Directors shall formulate a medium-term management plan and set major management goals based on the plan. Along with that, the Board shall set business strategies and profit plans for each fiscal year by business unit, business division, and subsidiary, and manage the results on a monthly basis to ensure the efficient execution of duties by directors.

(5) System to ensure the appropriateness of operations executed by the corporate group consisting of the Company and its subsidiaries

- a. Corporate auditors and the "Audit Group," which is an internal audit department, shall periodically conduct audits of subsidiaries in cooperation with corporate auditors of subsidiaries to ensure the appropriateness of business execution in the Group.

- b. The Company shall have its subsidiaries ensure the appropriateness of business execution and the effectiveness of supervisory function by, in principle, dispatching its director(s) and corporate auditor(s).

- c. In the Affiliated Companies Regulations, the Company shall clearly specify the departments in charge of each subsidiary as well as the matters that each subsidiary should report to and request prior approval from the Company, and establish a reporting system from subsidiaries to the Company. Certain important matters relating to subsidiaries shall also be deliberated at the Company's Board of Directors meetings.

- d. Pursuant to the Financial Instruments and Exchange Act, in order to ensure the reliability and appropriateness of the Group's financial reporting, the Company shall formulate a basic plan to establish an internal control system for financial reporting, and based on this plan, establish and appropriately operate an internal control system that facilitates effective and appropriate evaluation.

(6) Matters related to employees when corporate auditors request the assignment of such employees for the assistance in the performance of their duties, matters related to the independence of such employees from directors, and matters related to ensuring the effectiveness of instructions given to such employees

The Company shall assign employees to assist the duties of corporate auditors. Such employees shall follow the instructions and orders of the corporate auditors without following the chain of command in the execution of business, and the appointment, transfer, appraisal, etc. of such employees shall be determined with the prior consent of the Audit & Supervisory Board.

(7) System for reporting to corporate auditors by directors and employees of the Company and its subsidiaries, and other systems for reporting to corporate auditors

- a. The Company shall put in place a system whereby corporate auditors can attend the Board of Directors meetings and other important meetings in order to gain a detailed understanding of important decision-making processes and the state of business execution, inspect approval documents and other documents related to business execution at any time, and request reports from directors and employees on the state of execution of their duties as needed.

- b. Directors and employees shall promptly report to corporate auditors or the Audit & Supervisory Board, in addition to legally required matters, on the facts that may have a significant impact on the management of the Group, the implementation status of internal audits, and the state of execution of duties reporting of which was requested in the course of audit.
- c. Directors and employees of the Group who report to the Company’s corporate auditors shall not receive detrimental treatment by reason of such reporting.

(8) Matters concerning procedures for prepayment or indemnification of expenses incurred in the execution of duties by corporate auditors, and policies concerning the treatment of other expenses or debts incurred in the execution of duties by them

When a corporate auditor requests prepayment or indemnification of expenses incurred in the performance of his/her duties, the Company shall promptly process the request, except in cases where such expenses or debts are not deemed necessary for the corporate auditor’s execution of duties.

(9) Other system to ensure the effective execution of audits by corporate auditors

To ensure the effectiveness of audits, the Company shall establish a system for corporate auditors to regularly exchange opinions with representative directors, Accounting Auditor, Internal Audit Department, and corporate auditors of subsidiaries, and exchange audit opinions and information.

## 2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

In the “Air Water Group Code of Ethical Conduct,” the Company clearly declares its policy to take a resolute attitude against antisocial forces that pose a threat to the order and safety of civil society and to have no relations with such forces.

Additionally, as the controlling department in charge of measures to cut off relationship with antisocial forces, the department in charge of general affairs is building close cooperative relationships with outside professional organizations such as attorneys and police, collects information on antisocial forces, and, as necessary, call attention to relevant departments within the Group, and provides education on how to deal with such forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation for Applicable Items

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### 2. Other Matters Concerning the Corporate Governance System

(1) Please refer to [Reference Material 1] for a schematic diagram of our corporate governance system, including an overview of

the internal control system.

(2) Overview of timely disclosure system

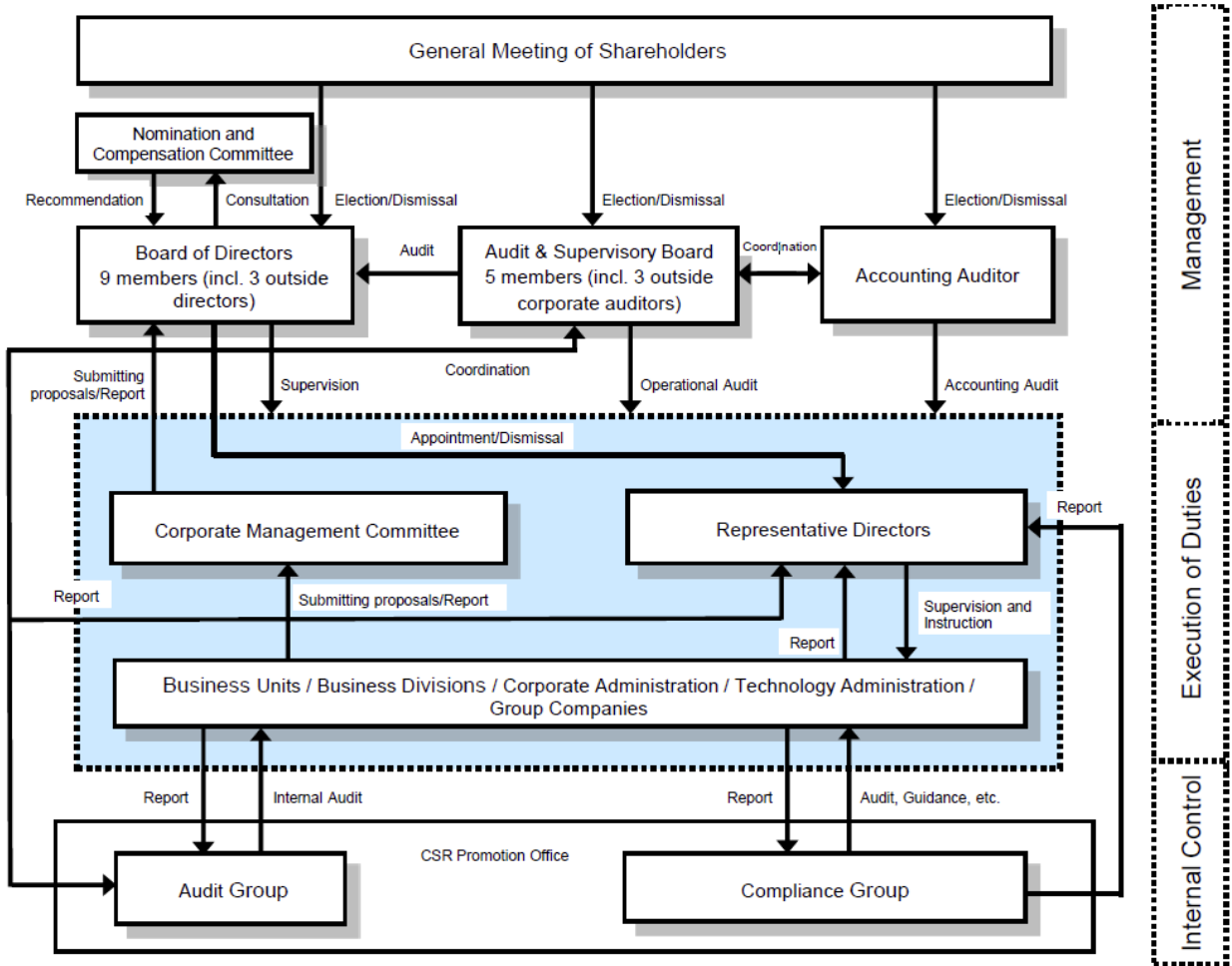
With respect to the management and disclosure of inside information, and the management of stock transactions by officers and employees of the Company and its subsidiaries, etc., the Company has established the “Regulations for Management of Inside Information and Insider Trading” as matters to be strictly observed.

The Regulations stipulate the reporting obligations and management responsibilities of the officers and employees of the Company and its subsidiaries regarding inside information (undisclosed decisions, occurrence of material facts, and financial results of the Company and its subsidiaries), as well as how we disclose our corporate information in accordance with the “Securities Listing Regulations” of the Tokyo Stock Exchange. Designation of “Information Management Manager” is also stipulated as responsible person who oversees the internal management of inside information and the timely disclosure of corporate information. The Board of Directors appoints the Head of Legal & Governance Office as “Information Management Manager.”

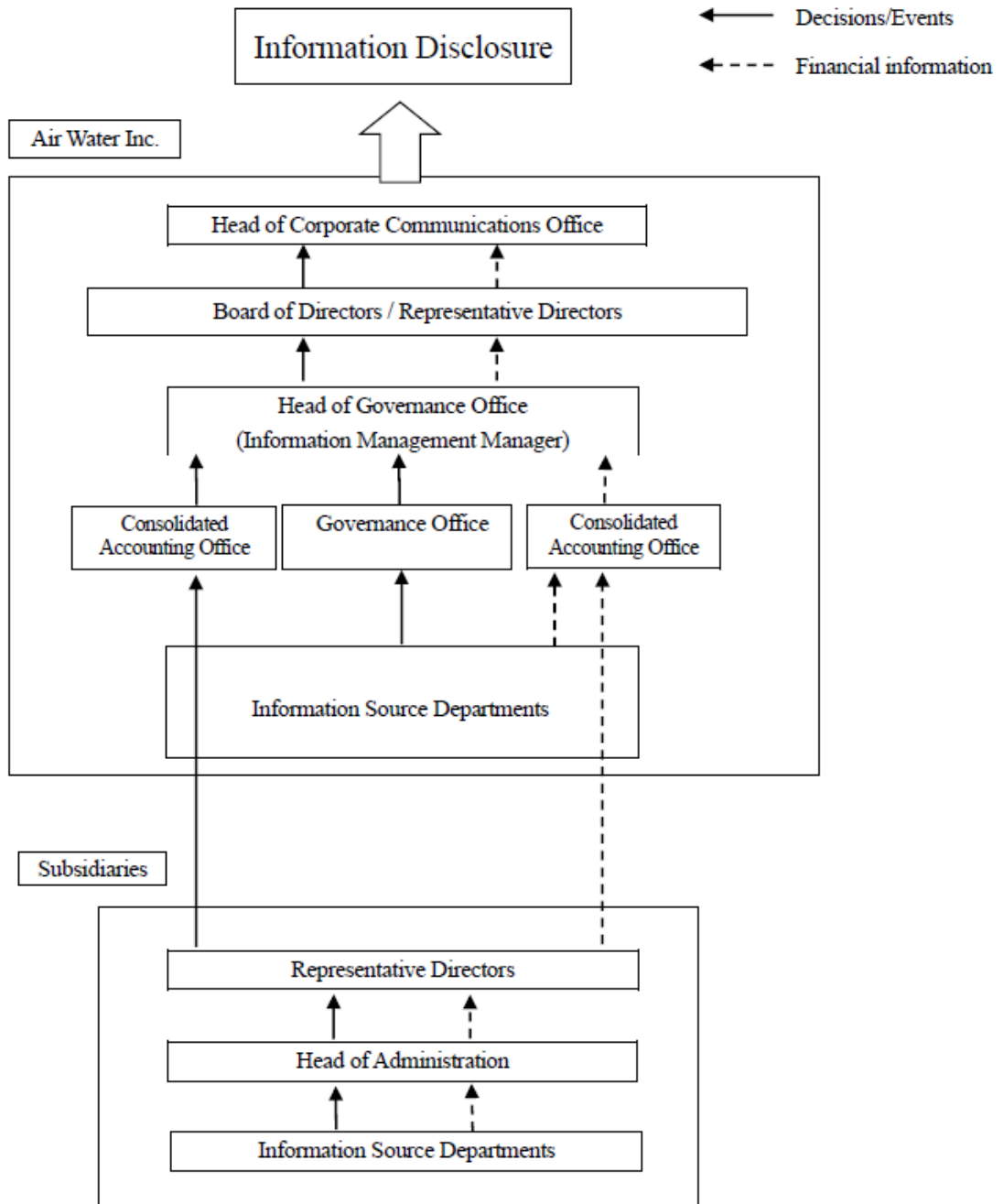
In principle, corporate information is to be disclosed as early as possible by the “Information Management Manager” after the Board of Directors resolves the details and timing of such disclosure. However, in urgent cases where there is no time to pass a board resolution, a representative director shall handle the matter on an ad hoc basis. (Please refer to [Reference Material 2] for a schematic diagram of this system.

Such information is disclosed by the Head of the Corporate Communications Office electromagnetically to the stock exchange and through distribution of materials to the media, and is posted on the Company’s website promptly after disclosure.

**【Reference Material 1: Schematic Diagram】**



**【Reference Material 2: Timely Disclosure System Schematic Diagram】**



END