Corporate Governance Report

CORPORATE GOVERNANCE AIR WATER INC.

Last Update: July 31 2026

AIR WATER INC.

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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)

<Policy on relational shareholdings>

We hold relational shareholdings for the purpose of creating business opportunities, expanding transactions, and maintaining relationships with business partners.

The criteria to determine whether new acquisitions and continued holdings are appropriate are whether business relationships, alliances, collaborations, and other cooperative relationships with the target companies will contribute to the Group’s corporate value over the medium- to long-term.

We have a policy of continuously reducing these holdings, taking into consideration the risk of stock price fluctuations, holding costs, capital efficiency, and other factors.

<Examination of relational shareholdings>

The Board of Directors closely examines each individual relational shareholding every year to review whether the benefits and risks of the holding worth capital costs as well as whether such holding is aligned with our goal of improving corporate value over the medium- to long-term.

For holdings where significance and rationality cannot be confirmed, we proceed with reduction through sales and other means as appropriate, taking into consideration the circumstances of the Company, stock prices, market trends, and other factors. In FY2025, as in the previous year, we continued to sell some of its shares.

<Voting rights exercise criteria for relational shareholdings>

Regarding the exercise of voting rights for relational shareholdings, the Company makes a decision on each proposal by considering whether the content of the proposal contributes to the sustainable growth and medium- to long-term improvement of the corporate value of the investee company, and whether there is a risk of damaging the value of the Group's shareholders.

<Supplementary explanation >

(1) Number and balance sheet amounts of relational shareholdings (as of Mar. 31, 2026)

Number of issues : 24 (stocks) , Total amount recorded on balance sheet：51,950 (million yen)　*listed stock

(2) Number of listed relational shareholding (end of the FY)

2019	2020	2021	2022	2023	2024	2025
82	79	72	58	44	31	24

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

At the Company, any transactions involving conflicts of interest or competing business activities conducted by corporate directors must obtain prior approval from the Board of Directors in accordance with the Companies Act and other relevant laws and regulations, as well as the Company's Board of Directors Regulations. 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]

We will strengthen recruitment and training of female employees and foster a working environment that respects diversity to promote the empowerment of female employees and various other groups of employees to secure talented human resources and achieve business growth.

<Promotion of empowerment of women>

As a key initiative for achieving further growth of the Company, we have set a goal of building a diverse organization and increasing the ratio of female managers to at least 10% (actual ratio in FY2025: 5.9%). While we have been continuing efforts to support career building through the mentoring system and enhance our female leader development program, we will also introduce new efforts to change the awareness of those around female employees through training and lectures for supervisors of candidates for female managers.

In addition, as part of our efforts to promote women to management positions in the future, we are actively recruiting new female graduates and appointing female assistant managers and senior staff members. The ratio of women among all new graduate hires is more than 40% (54.5% in FY2025). In our selection process for employment, female applicants are interviewed by our female employees to answer and address their questions and concerns. We are actively disseminating information about the Company’s working environment and systems to empower women through our website and recruitment platform.

<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. Thanks to our efforts involving not only eligible employees but also those around them, such as explaining the system to eligible employees and their supervisors, encouraging them to take the leave/absence, conducting individual interviews with them, and promoting workstyle reforms, we are achieving steady progress in fostering a culture within the Company that encourages male employees to take childcare leave/absence. In fiscal 2025, the acquisition rate was 83.3% (50.1 days on average).

<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. (37 mid-career hires in FY2025 (including 6 in management positions), 22 foreign national employees (including 3 in management position))

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

As of October 1, 2021, the Company has transitioned all of its corporate pension plans to defined contribution (DC) plans. Since the DC plan is a system in which participants themselves direct investment decisions, the Company is committed to providing ongoing investment education and comprehensive information to ensure that participants can manage their assets appropriately.

[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 2nd stage,” covering the three-year period from fiscal 2025 to 2027. For details, please see our website.

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

Going forward, the Company plans to review its management strategies and management plans under the new management structure and intends to disclose the results promptly following a formal decision by the relevant bodies.

(ii) Basic views on corporate governance

Please refer to I-1. “Basic Views” of this Report.

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

Regarding the total amount of compensation for corporate directors, the Board of Directors decided at its meeting in June 2025, based on a proposal prepared after thorough deliberation by the Nomination and Compensation Committee—a voluntary advisory body to the Board of Directors in which independent outside directors constitute a majority—within the compensation limit previously approved by the General Meeting of Shareholders. It was decided that the specific timing and allocation of

payments to each corporate director would be entrusted to Kikuo Toyoda, CEO, who previously served as Chairman and CEO. The scope of this authority includes the amounts of each corporate director's base compensation and bonuses, as well as the number of restricted shares. The reason for delegating these authorities was that the CEO was best suited to evaluate each director's area of responsibility and duties while maintaining an overview of the Company's overall performance.
Subsequently, at a Board of Directors meeting held on June 29, 2026, to further enhance the objectivity and transparency of the determination process for director compensation, we changed our practice to one in which the Board of Directors makes individual decisions following deliberation and recommendations by the Nomination and Compensation Committee, which is composed of a majority of independent outside directors.Compensation for corporate directors is determined within the compensation limits approved at the General Meeting of Shareholders, based on the compensation policy and standards established by the Board of Directors. With regard to compensation standards, the Nomination and Compensation Committee drafts a proposal based on comprehensive consideration of external compensation surveys, market levels, the business environment, and the scope of roles and responsibilities, etc. The Board of Directors then makes the final decision.
Compensation for corporate directors consists of base remuneration, performance-based remuneration, and non-monetary (stock-based) remuneration. The ratio of fixed remuneration (base remuneration) to variable remuneration (bonuses and stock-based remuneration) is generally 4:6 for representative directors, generally 6:4 for internal directors other than representative directors, and consists solely of fixed (base remuneration) for outside directors.
The Nomination and Compensation Committee prepares remuneration proposals for each director based on the remuneration policy and standards, and its involvement ensures objectivity and transparency in the remuneration determination process. The Board of Directors has confirmed that the Committee's recommendations are in line with the Company's remuneration policy, and has determined that the individual remuneration details for corporate directors are consistent with said policy.

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

With respect to the appointment/dismissal of corporate directors and the nomination of candidates for corporate directors and corporate auditors, the Company's basic policy is to comprehensively evaluate the personalities, insights, abilities, experience, expertise, and independence, etc. of candidates, regardless of factors such as gender, age, or nationality, in order to realize the optimal management structure and composition of the Board of Directors that will contribute to the sustainable growth of the Group as well as the enhancement of its corporate value over the medium- to long-term.
Corporate director candidates are selected from the perspective of their ability to execute management strategies and enhance the effectiveness of supervisory functions, while auditor candidates are selected from the perspective of ensuring the effectiveness of audit and supervisory functions.
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 the General Meeting of Shareholders. (https://www.awi.co.jp/en/ir/stock/investor.html)

[Supplementary principle 3-1-3]

(1) Our sustainability initiatives

For information on the Company's approach to sustainability, policies, and initiatives, please refer to our website (https://www.awi.co.jp/en/sustainability.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 (https://www.awi.co.jp/en/ir/library/report.html) for more information on our initiatives.

(3) Investment in intellectual property

Under its sustainability vision, "Achieve a recycling-oriented society through coexistence with society and the earth," the Company aims to resolve social issues and enhance corporate value over the medium to long term through its business activities.

In the value creation process aimed at achieving this vision, the Company positions intellectual property as a critical management resource, integral to research and development and human capital. Particularly in the priority areas of global environment and wellness, we are strengthening the allocation of resources to these areas in alignment with our business and technology strategies; driving the strategic creation, acquisition, and utilization of intellectual properties; and working to strengthen our business portfolio. For details on these initiatives, please refer to our website (https://www.awi.co.jp/en/research/intellectual.html).

(4) Disclosure of Information Based on the TCFD and TNFD Frameworks

The Air Water Group has pledged its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB) in August 2021, and joined the TCFD Consortium. The TCFD recommendations require disclosure of information regarding climate change governance, strategy, risk management, and metrics and targets. The Group disclosed information in accordance with the recommendations in March 2022 and updates it annually. In addition, in May 2025, the Company expressed its endorsement of the recommendations of the Task Force on Nature-related Financial Disclosures (TNFD) and joined the TNFD Forum. The Company has been disclosing TNFD-related information since June 2025. For details, please refer to our website. (https://www.awi.co.jp/en/sustainability/environment/tcfd.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 Independence Judgment Criteria for Outside Officers.
(https://www.awi.co.jp/en/sustainability/governance/governance.html)

[Supplementary Principle 4-10-1]
The Company has established a Nomination and Compensation Committee, an advisory body to the Board of Directors, with the aim of enhancing the independence, objectivity, and transparency of decision-making processes regarding the nomination and compensation, etc. of corporate directors and strengthening accountability. As part of governance reforms in response to accounting irregularities, the Committee is conducting a fundamental review of both its membership composition and deliberation processes with the aim of enhancing its effectiveness. Specifically, by removing the Representative Director from the committee and transitioning to a structure composed solely of independent outside directors, the Company has established a deliberation framework that is independent of executive operations.
We have introduced a systematic process for appointing internal executive directors—which involves defining requirements, selecting internal candidates, and conducting multiple interviews and deliberations—and for appointing outside directors—which involves defining requirements, creating long and short lists of candidates, and conducting multiple interviews and deliberations. This has improved the transparency and objectivity of the appointment process compared to previous practices. Furthermore, the committee conducts continuous and systematic operations—including the introduction of a director evaluation system, consideration of CEO succession, and the formulation of an annual deliberation schedule—and operates in a manner that contributes to the effective exercise of oversight functions regarding important matters related to nominations and compensation.
Through these initiatives, the Company aims to further enhance the fairness and transparency of decision-making regarding nominations and compensation. At the same time, by strengthening the Board of Directors’ oversight functions and enhancing our governance framework, we are committed to the sustainable enhancement of corporate value and the restoration of market

trust.

[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 8 directors, including 5 independent outside directors (including 2 female director). The Company's Board of Directors has created a skills matrix consisting of seven basic areas of experience and skills covering the Company's various functions and business domains: (1) corporate management and management strategy; (2) finance and accounting; (3) risk management, legal affairs, and compliance; (4) technology and R&D; (5) human capital management; (6) ESG (environment, social, and governance) and sustainability; and (7) global operations. From the perspective of putting the right person in the right position to ensure accurate and prompt decision-making, the Company appoints corporate directors who are well-versed in the Group's operations, as well as independent outside directors with extensive experience and expertise from outside the Company—including those with management experience at other companies, and attorneys—to form the majority of the Board. In this way, we strive to ensure that the overall balance and diversity of the Board of Directors are maintained in a manner that is optimal for the Company.

The skills matrix of our directors and corporate auditors are disclosed in the reference materials of Notice of Convocation to the General Meeting of Shareholders. (https://www.awi.co.jp/en/ir/stock/investor.html)

[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 serving concurrently as an officer of other listed companies are disclosed in the reference materials of Notice of Convocation to the General Meeting of Shareholders and Integrated Report for information.

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

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

[Supplementary Principle 4-11-3]

To enhance the effectiveness of the Board of Directors as a whole, the Company annually analyzes and evaluates the effectiveness of the entire Board through methods such as self-assessments by corporate directors and Audit & Supervisory Board Members, and discloses a summary of the results.

In FY2025, in response to an inappropriate accounting incident within the Group, and while drawing on the expertise of an external organization, we conducted a self-assessment that included not only the questionnaire (signed) previously administered to all corporate directors and Audit & Supervisory Board Members who are Board members, but also interviews.

In this assessment of the Board's effectiveness, many opinions were expressed that, in light of this incident, a more in-depth examination of the Board's structure and functions is necessary. Specifically, it was pointed out that there is room for discussion and improvement regarding the Board's composition (necessary skills, etc.), operation (review of agenda items of the Board of Directors and organizational structure, etc.), internal control and risk management (Group governance, etc.), and nomination and compensation.

In response to the above, we decreased the number of internal directors by 1 and increased the number of outside directors by 1, transitioning the Board of Directors to a structure composed of a majority of outside directors to rebuild the effectiveness of its supervisory function. Accordingly, the Company appointed 8 director candidates (including 5 outside director candidates*).

The Company has determined the candidates for Director, focusing on the following matters:

(1) Can the candidate steadily implement the fundamental strengthening of internal controls and measures to prevent any recurrence of misconduct?
Candidates must possess the knowledge and experience necessary to vigorously drive the rebuilding of internal control systems—including ensuring the reliability of financial reporting—and oversee their effectiveness.

(2) Can the candidate envision the Company's future growth, even in a challenging business environment?
Candidates must possess the strategic vision and execution capabilities necessary to achieve both the Company's turnaround and its medium- to long-term growth, taking into account the current business environment and management challenges.

(3) Can the candidate supervise management from an independent standpoint and demonstrate the necessary oversight without hesitation?
Candidates must be able to provide necessary feedback and corrective measures from a third-party, objective perspective, without being bound by the Company's internal logic, and without hesitation.

In addition to the three perspectives outlined above, the Company also focused on the most important criterion of whether potential candidates could face the task of revitalizing the Company head-on, with responsibility and resolve, in this time of crisis.
With regard to internal directors, we have classified areas of responsibility into three categories—General, Administration, and Business—to clarify their respective roles and supervisory responsibilities, and adhere to the principle of assigning appropriate personnel based on the expertise and experience required for each area. With regard to outside directors, to supplement the expertise lacking on our Board of Directors and to establish a highly effective oversight system, we select candidates based primarily not only on their expertise and independence but also on the time they can dedicate to the Company's management and their experience serving as outside directors at other listed companies.

To strengthen internal control systems in response to inappropriate accounting practices, in addition to enhancing the functions of the existing Internal Auditing Office, the Company has established a new Management Reform Office and a Secretariat of the Board of Directors (Corporate Secretary Function). The Management Reform Office aims to strengthen internal control systems by spearheading measures to prevent recurrence, while the Secretariat of the Board of Directors drives support for enhancements to the Board's supervisory functions. The Internal Auditing Office will build a core framework for strengthening governance through oversight, monitoring, and reform, including efforts to enhance monitoring and internal control functions.
Going forward, the Company's Board of Directors will continue to implement initiatives to further enhance the Board's functions, taking into account the results of this effectiveness assessment.

[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.

The Finance and IR Department

, 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 suitable for the purpose and content of the interview.

In addition to the general meeting of shareholders, we also provide other opportunities for dialogue including facility tours for shareholders, and for analysts and institutional investors, medium-term management plan briefings attended by representative directors and quarterly financial results briefings. We also hold plant tours, small meetings, and visits to overseas institutional investors from time to time. For a record of our IR activities, please visit our website (https://www.awi.co.jp/en/ir.html).

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

Description	Disclosure of actions (update)
Disclosure in English	Available
Last updated	June 30, 2025

Explanation for Applicable Items **[Update]**

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 2027 is disclosed in the medium-term management plan. (https://www.awi.co.jp/en/ir/management/plan.html)

Going forward, the Company plans to review its financial strategies under the new management structure and intends to disclose the results promptly following a formal decision by the relevant bodies.

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%

Status of Major Shareholders [Update]

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	26,508,700	11.56
Custody Bank of Japan, Ltd. (trust account)	8,305,970	3.62
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
STATE STREET BANK AND TRUST COMPANY 505001	6,079,433	2.65
Air Water Customers' Stockholding	6,058,748	2.64
JPMorgan Securities Japan Co., Ltd.	5,920,328	2.58
National Mutual Insurance Federation of Agricultural Cooperatives	4,951,500	2.16
Air Water Group Employees' Stockholding	4,936,864	2.15

Name of Controlling Shareholder, if applicable (excluding Parent Company)	—
Name of Parent Company, if applicable	None

Supplementary Explanation

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).

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 [Update]

Our subsidiary, Ci Medical Co., Ltd. (unlisted), is the parent company of its subsidiary, Shirahato Co., Ltd. (listed on the TSE Standard Market). We consider a parent-subsidiary listing to be a valid option when it can maximize the corporate value of the entire group, including subsidiaries, provided that the subsidiary's unique corporate culture and managerial autonomy are maintained and the rights of minority shareholders are respected—particularly given the benefits such as securing the creditworthiness of business partners.

Furthermore, there are no significant personnel relationships, such as the concurrent holding of executive positions, between the Company and Shirahato Co., Ltd.

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

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 **[Update]**	President
Number of Directors **[Update]**	8
Election of Outside Directors	Elected
Number of Outside Directors **[Update]**	5
Number of Independent Directors **[Update]**	5

Outside Directors' Relationship with the Company (1) **[Update]**

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Yuko Haga	Academic											
Rochelle Kopp	From another company											
Mikihiko Kato	From another company								△			
Mitsutoshi Matsushita	Lawyer											
Shinichi Kawasaki	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) **[Update]**

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Yuko Haga	○	—	In addition to her expertise as a researcher of corporate strategy, including M&A and corporate governance, Ms. Yuko Haga possesses extensive experience and deep insight gained as a management consultant, and has served as an outside director at several companies. We believe that by leveraging this experience and insight to provide valuable advice on the Company’s overall management, she is well-suited 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 Independent Audit and Supervisory 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.
Rochelle Kopp	○	—	Ms. Rochelle Kopp possesses a deep cross-cultural understanding and a global perspective, as well as extensive experience and deep insight gained as a management consultant in both Japan and the United States. She has served as an outside director at several companies. We believe she will be able to apply this expertise to the Company’s management and therefore consider her well-suited 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 Independent Audit and Supervisory 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.
Mikihiko Kato	○	While the Company has a business relationship with Nittera Co., Ltd., the scale of these transactions is minimal. It does not qualify as one of the Company’s major business partners, nor does it have any impact on the Company’s management.	Mr. Mikihiko Kato has extensive experience in global finance and management, having served as Controller and CFO of a U.S. subsidiary of NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.), and as President of a Brazilian subsidiary, where he was responsible for managing overseas operations. He has also been involved in the formulation and promotion of management strategies at that company’s head office, and has experience in management oversight as a director and full-time Audit and Supervisory Committee Member. We believe he can apply this experience to the Company’s management and have determined that he is well-suited 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 Independent Audit and Supervisory 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.

Mitsutoshi Matsushita	○	—	Mr. Mitsutoshi Matsushita possesses extensive experience and deep insight as a lawyer well-versed in corporate legal affairs. Having served as an outside officer at multiple companies, he also possesses sufficient expertise in upervision of corporate management. We believe that he can apply this expertise to the Company’s management, and have therefore determined that he is well-suited 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 Independent Audit and Supervisory 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.
Shinichi Kawasaki	○	While the Company has a business relationship with Osaka Gas Co., Ltd. and its group companies, the scale of these transactions is minimal. It does not qualify as one of the Company’s major business partners, nor does it have any impact on the Company’s management.	Mr. Shinichi Kawasaki has a proven track record of consistently driving initiatives from research and development through to implementation and commercialization. At Osaka Gas Co., Ltd., he was engaged in R&D and commercialization in the gas, energy, and materials sectors at the New Technology Laboratories and other divisions. He subsequently played a central role in shaping technical strategy as Director of the Energy Technology Laboratories. Furthermore, as Representative Director and President of KRI Co., Ltd., he has a proven track record of leading the organization from both technical and managerial perspectives. We believe he can apply this experience to the Company’s management, and have therefore determined that he is well-suited 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 Independent Audit and Supervisory 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.

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) **[Update]**

	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	5	0	0	5	0	0	Outside Directors
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Compensation Committee	5	0	0	5	0	0	Outside 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 **[Update]**	6

Cooperation among Audit and Supervisory Board Members, Accounting Auditors and Internal Audit Departments **[Update]**

Corporate auditors and KPMG AZSA LLC, the Accounting Auditor, meet regularly and exchange opinions whenever necessary. Audit & Supervisory Board Members receive briefings from and exchange opinions with accounting auditors regarding their audit plans, the status of audit implementation, the results of interim reviews, and the results of year-end audits (including audits of internal controls over financial reporting). Corporate auditors explain to the Accounting Auditor the plans, status, and results of auditor’s audit, and exchange opinions.

Regarding coordination between Audit & Supervisory Board Members and the internal audit department, Audit & Supervisory Board Members and the Internal Audit Office—which serves as the internal audit department—hold regular meetings to ensure the effectiveness of their respective audits and exchange information and opinions as needed. Audit & Supervisory Board

Members also receive briefings from the Internal Audit Office on the implementation status of internal audits and audit results, exchange views, and request investigations from the Internal Audit Office as necessary.

Appointment of Outside Audit and Supervisory Board Members	Appointed
Number of Outside Audit and Supervisory Board Members	3
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
Atsushi Hayashi	Lawyer													
Atsushi Iwasaki	Certified Public Accountant													
Tateshi Higuchi	Other													

*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. A non-executive director or an accounting advisor of the Company or its subsidiaries
c. Person who executes business or a non-executive director of a parent company
d. An Audit and Supervisory Board Member of a parent company of the Company
e. Person who executes business of a fellow subsidiary
f. Person/entity for which the Company is a major client or a person who executes business for such person/entity
g. Major client of the Company or a person who executes business for such client
h. 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
i. Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
j. 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)
k. Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
l. Person who executes business for an entity receiving contributions from the Company (applies to self only)
m. Other

Outside Audit and Supervisory Board Members' Relationship with the Company (2) **[Update]**

Name	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Atsushi Hayashi	○	—	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 Independent Audit and Supervisory 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.
Atsushi Iwasaki	○	—	In addition to his many years of practical auditing experience at an audit firm as a certified public accountant, Mr. Atsushi Iwasaki has served as an outside auditor and outside director at several companies, giving him extensive experience and a high level of specialized knowledge in finance, accounting, and internal control. He also possesses experience and insight gained as the head of a certified public accounting firm. He is expected to utilize this knowledge and experience to provide useful observations and recommendations to ensure the appropriateness of the Company’s business operations, and we have therefore determined that he is well-suited to serve as an outside 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 Section 4. “Supplementary Explanation”) stipulated by the Company. Considering the above, the Company appointed him as an independent director.
Tateshi Higuchi	○	—	Mr. Tateshi Higuchi has been involved in police administration for many years, holding key positions at administrative agencies and other organizations, and has a proven track record of serving as an outside auditor and outside director at multiple companies. We believe he is well-suited to serve as an outside auditor of the Company, as we expect him to draw on this knowledge and experience to provide useful observations and recommendations to ensure the appropriateness of the Company’s business operations. 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 Section 4. “Supplementary Explanation”) stipulated by the Company. Considering the above, the Company appointed him as an independent director.

Matters Concerning Independent Directors and Independent Audit and Supervisory Board Members

Number of Independent Directors and Independent Audit and Supervisory Board Members	8

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 executive1 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 partner2, or a business executive of that person
4. A major business partner of the Company3, 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 money4 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 amount4 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 executive5

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.

1 A business executive refers to an executive director, operating officer, executive officer, executive member, or any other person who executes the business of a person equivalent to these officers and employees of a corporation or other organization.

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

Supplementary Explanation for Applicable Items

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

Persons Eligible for Stock Options	

Supplementary Explanation for Applicable Items

—

Director Remuneration

Status of Disclosure of Individual Directors’ Remuneration	Disclosure for Selected Directors

Supplementary Explanation for Applicable Items **[Update]**

The amount of remuneration, etc. paid to directors (10 persons) and corporate auditors (5 persons) in the immediately preceding fiscal year (fiscal 2025) was 524 million yen and 99 million yen, respectively. Of which, the amount of remuneration, etc. paid to outside directors (7 persons) was 97 million yen.

(Note 1) The above amount of remuneration, etc. for directors includes 49 million yen of monetary remuneration claims provided to 6 directors as remuneration, etc. related to restricted stock, which was recorded as expenses for the current fiscal year.
(Note 2) The number of corporate directors covered by the above includes two corporate directors who retired on December 3, 2025, and February 13, 2026, respectively.
(Note 3) The non-monetary compensation listed above excludes 16,592 shares (36 million yen) granted during the current fiscal year from the total value of 69,989 shares of restricted stock compensation received without consideration from Mr. Kikuo Toyoda (position and responsibilities at the time of retirement: Chairman and CEO) upon his retirement on December 3, 2025.
(Note 4) In addition to the above, the Company paid 27 million yen in compensation to Mr. Kikuo Toyoda as a Senior Advisor, who resigned as Chairman and CEO of the Company on December 3, 2025, and assumed the position of Senior Advisor on the same date. Mr. Kikuo Toyoda resigned from his position as Senior Advisor on March 31, 2026.
(Note 5) For the purpose of addressing the inappropriate accounting practices in question, the Company has implemented measures since April 2026 requiring corporate directors and Audit & Supervisory Board Members to voluntarily return all or part of their monthly compensation.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof **[Update]**	Established

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

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 22nd Annual General Meeting of Shareholders held on June 28, 2022, to be 1,130 million yen or less per year (including 80 million yen or less for outside directors) (not including employee salaries of directors who also serve as employees.). As of the close of this Annual General Meeting of Shareholders, the number of directors was 11 (including 4 outside directors).

(2) Aside from the maximum amount of remuneration for directors stated in (1) above, the 19th Annual General Meeting of Shareholders held on June 26, 2019 resolved that the stock-based remuneration to be paid to directors (excluding outside directors) should not be more than 100 million yen per year and the number of shares not more than 125,000 shares per year. As of the close of this Annual General Meeting of Shareholders, the number of directors (excluding outside directors) was 18.

(3) The maximum amount of remuneration for corporate auditors was resolved at the 25th Annual General Meeting of Shareholders held on June 26, 2025 to be 120 million yen per year. As of the close of this Annual General Meeting of Shareholders, the number of corporate auditors was 5.

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 sales 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.
Regarding the composition of corporate directors' compensation, taking into account its appropriateness relative to the compensation ranges of other companies in the same industry or of similar size, the Company has established the breakdown of basic remuneration, performance-based remuneration, and non-monetary compensation, as described in [Disclosure Based on the Principles of the Corporate Governance Code], [Principle 3-1] (Enhancement of information disclosure), (iii) Policies and procedures for determining remuneration of senior management and directors. The compensation for outside directors and Audit & Supervisory Board Members consists solely of base remuneration. Furthermore, the amount of compensation for each Audit & Supervisory Board Member is determined through consultation among the Audit & Supervisory Board Members, within the total compensation limit established by resolution of the General Meeting of Shareholders.

3. Matters concerning delegation of decisions on the content of individual directors' remuneration, etc.
The total amount of individual compensation, etc., for each corporate director 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—following thorough deliberation, within the scope of compensation limit previously approved by a resolution of the General Meeting of Shareholders. The specific timing and allocation of payments to each director shall be determined based on a draft prepared by the Nomination and Compensation Committee and approved by the Board of Directors. 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 these authorities is that this approach is best suited to ensuring objectivity and transparency regarding nominations and compensation within the Board of Directors.
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 [Update]

For outside directors, the Secretariat of the Board of Directors (corporate secretary function) distributes materials related to agenda items and reports to be submitted to the Board in advance, and provides advance explanations of their content as necessary. To enable the Board of Directors to effectively exercise its supervisory function and to enrich discussions on management strategy, the Secretariat also provides necessary information (such as materials submitted to and minutes of key executive meetings, including the Executive Committee and budget meetings; information regarding executive management's basic policies and strategies for budget formulation; progress on business plans; risk information; the effectiveness of internal controls related to financial reporting; and risk information concerning financial statements).
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.

Furthermore, we have appointed audit assistants (attached to auditors and dedicated staff) to strengthen our internal information gathering capabilities and expand functions that support the identification of issues.

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 an Audit and Supervisory Board, 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) Board of Directors
To restructure the Company's Board of Directors to ensure that its oversight function is effective, the Board has adopted a policy to transition to a structure where outside directors constitute a majority by reducing the number of inside directors by one and increasing the number of outside directors by one. Under this policy, the Board consists of a total of eight members: three inside directors (none of whom are women), and five outside directors (including two women), for a total of eight members. In addition to matters stipulated by law or the Company's Articles of Incorporation, the Board makes decisions and reports on important matters concerning the Group's management and business operations, and fulfills the functions of mutual supervision and monitoring among the directors. Furthermore, the Company has appointed five (5) 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 consists of three (3) inside corporate auditors (including 1 female corporate auditor) and three (3) outside corporate auditors (no female corporate auditors), totaling six (6) 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 Auditing Office regarding the status and results of their audits, and exchange information and opinions with them. To ensure that Audit & Supervisory Board Members can promptly grasp key risk information, a system has been put in place across each business division, department, and operating company to facilitate their attendance at and/or observation of important meetings, and to ensure the prompt reporting of significant matters to them.

(4) Internal Auditing Office

Regarding internal audit, the Internal Auditing Office (16 members as of April 1, 2026) periodically audits the status of compliance with laws and regulations, as well as the appropriateness and validity of business process of the Group. The Internal Auditing Office also serves as the department in charge of the evaluation of effectiveness of the construction and operation status of the internal control system to ensure the reliability and appropriateness of financial reporting.

The Company also has the Risk Management and Compliance Department (10 members as of April 1, 2026)) as a dedicated department that manages and controls compliance, security and disaster prevention, environmental protection, food safety, etc. 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. In addition, the Corporate Management Committee and the Board of Directors receive regular reports twice a year on the results of operational audits and compliance issues.

(5) Accounting Auditor

The Company has signed an audit contract with KPMG AZSA LLC, which conducts audit of the Company. The certified public accountants (designated limited liability partners and executive partner) who performed the Company’s accounting audit in fiscal year 2025 were Mr. Yoshinori Tatsuta, Mr. Ryosuke Koike, and Mr. Shingo Esaki.

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 Annual General Meeting of Shareholders 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 Annual General Meeting of Shareholders in English	The English version of the Convocation Notice (summary) is posted on the Electronic Voting Platform.
Other	Convocation Notices and Notices of Resolutions are posted on the Company's website. To strengthen communication with shareholders who are unable to come to the venue of the general meeting of shareholders, questions are accepted in advance of the meeting.

2. Status of IR-related Activities [Update]

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	Announced on our corporate website (https://www.awi.co.jp/en/ir/management/disclosurepolicy.html)	
Regular Investor Briefings held for Individual Investors	We hold regular briefings for individual investors through IR exhibitions, company facility tours, and company information sessions.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds quarterly financial results briefings for analysts and institutional investors, as well as regular investor relations (IR) meetings to explain its business policies and other matters.	Held
Regular Investor Briefings held for Overseas Investors	Throughout the year, in addition to participating in conferences, we actively explain our management policies and financial results to overseas investors through individual meetings via web conferences and face-to-face meetings.	Held
Online Disclosure of IR Information	IR-related URL (https://www.awi.co.jp/en/ir.html) The Company's website contains financial results presentation materials, medium-term management plans, financial highlights, IR news and IR event schedules, earnings summaries, annual securities reports, quarterly reports, integrated reports, information on general meetings of shareholders, shareholder returns and dividends, and shareholder reports, etc.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company has established a Finance and IR Department as the department responsible for IR.	

3. Status of Measures to Ensure Due Respect for the Position of 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, CSR Activities, etc.	The Group has established the Basic Environmental Policy 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. In addition, the Company website features information on the Company's basic stance toward the environment, initiatives to reduce environmental impact, and the status of CSR activities.
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 [Update]

The Company has set the following basic policy on the establishment of systems to ensure the appropriateness of operations of the Company and its subsidiaries. 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 “Risk Management and Compliance Department,” 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 department shall appoint a responsible person from among directors or executive officers, etc. 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 Risk Management and Compliance Department and outside attorneys, etc., and consult with them when they become aware of any conduct that raises compliance concerns, 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 through examinations of the business execution in the Group including its subsidiaries.

d. The “Internal Auditing Office,” 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. Furthermore, a system shall be established to report the results of internal audits to Representative Directors and Audit & Supervisory Board Members.

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, and thoroughly control contacts with other companies in the same industry. The Risk Management and Compliance Department 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 risks related to compliance, safety and disaster prevention, and environmental preservation, which are recognized as particularly important in the Group's business activities, the Risk Management and Compliance Department 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 Risk Management and Compliance Department 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 and executive officer, etc. 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, etc., 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 and executive officers, etc. shall be one year, respectively.

c. We will introduce a Business Unit system, under which the heads of each business unit shall be delegated the authority to execute the business and business divisions and centers shall be established under Business Unit to 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 "Internal Auditing Office," which is an internal audit department, shall periodically conduct audits of subsidiaries in cooperation with the Audit & Supervisory Board Members of those subsidiaries to ensure the appropriateness of business execution within 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.

The above provisions are based on a resolution of the Company’s Board of Directors valid through the end of March 2026. Following the discovery of inappropriate accounting practices within the Group and the Tokyo Stock Exchange’s designation of the Company as a “Special Caution Stock,” we have formulated recurrence prevention measures centered on four pillars: “Reform of Corporate Culture,” “Governance Reform,” “Rebuilding of the Management Infrastructure and Internal Control,” and “Review of Group-wide Strategy (Business Portfolio).” The Company will work as a unified Group to implement the recurrence prevention measures centered on the four pillars mentioned above, and will make every effort to enhance the transparency and soundness of management and restore public trust. We will implement these measures with unwavering determination and continuously monitor and disclose their progress and effectiveness.
Furthermore, as stated in the “Notice Concerning the Policy for Formulation of an Improvement Plan” disclosed on May 29, 2026, the Company plans to make a timely disclosure of the improvement plan and status report in late July 2026 (scheduled). Based on the content of that report, the Company also plans to decide on a new framework to ensure the proper execution of business through a resolution of the Board of Directors.
Please refer to the dedicated page on the Company’s website for detailed information, including the incidents of inappropriate accounting practices and measures to prevent recurrence.
https://www.awi.co.jp/ja/company/management-reform.html

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

Supplementary Explanation for Applicable Items

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2. Other Matters Concerning the Corporate Governance System [Update]

(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) Establishment of a Management Reform Committee

As announced in the "Notice Regarding the Establishment of the Management Reform Committee" dated November 13, 2025, in response to the occurrence of the inappropriate accounting practices, the Company has established a "Management Reform Committee" as an advisory body to the Board of Directors to promote fundamental reforms of the management control system and internal controls, and to formulate measures to prevent recurrence.

The Committee is composed of external experts with legal or accounting expertise in corporate governance and internal control, as well as corporate directors, Audit & Supervisory Board Members, and senior executives of the Company.

By integrating internal and external perspectives, the Committee will work to implement highly effective reforms to the management control system and internal controls, and formulate measures to prevent recurrence.

[Overview of the Management Reform Committee]

- Date of Establishment: November 13, 2025
- Committee Composition: Attorneys and certified public accountants with expertise in accounting fraud and corporate governance, as well as outside corporate auditors, corporate directors, senior executives, and the head of the Internal Auditing Department, among others.
- Purpose: Restructuring the management control system and internal controls, preventing the recurrence of inappropriate accounting practices, etc.
- Main activities: Root cause analysis, restructuring of controls, ethical reform, proposals for improving the management control system, and monitoring the implementation status of measures to prevent recurrence, etc.

Based on the recommendations of the Management Reform Committee, the Company will spare no effort to enhance management transparency and soundness and restore public trust.

(3) Rebuilding of the management infrastructure and internal control

(i) Appointment of an executive officer in charge of Accounting and Finance, as well as a corporate director to oversee the administrative department and promote the strengthening of management and supervisory functions

Since the Company did not have an officer in charge of accounting and finance, it established the new position of Chief Accounting and Finance Officer in March 2026 with the aim of preventing the recurrence of inappropriate accounting practices and strengthening and standardizing the management control system. Mr. Yu Karato assumed the role of Chief Accounting and Finance Officer as a Senior Managing Executive Officer.

In addition, since the Company lacked a corporate director in charge of the administrative division as a whole, it has also appointed a corporate director possessing the necessary skills to strengthen the Board of Directors' management, supervision, and checks-and-balances functions through a resolution passed at the Annual General Meeting of Shareholders held in June 2026. Mr. Yu Karato was appointed Representative Director, Executive Vice President in charge of the Corporate Functions, and Chief Accounting and Finance Officer.

(ii) The strengthening of the functions of the management departments, centered on the Accounting Department

To prevent the occurrence of inappropriate accounting practices, as described above, we established the position of Chief Accounting and Finance Officer on March 16, 2026, and established a system to fulfill the responsibility of monitoring and exercising checks and balances over accounting-related operations, identifying significant risks, and taking appropriate corrective measures in response.

To establish an accounting system commensurate with the Group's scale, the Company's head office Accounting Department increased its staff by 19 members (including 13 employees with concurrent roles) starting in March 2026, through internal transfers and the hiring of personnel with specialized expertise, thereby establishing a team of 35 members. We also began sharing information through regular meetings with major subsidiaries regarding financial closing and accounting procedures starting in April 2026. We have once again discussed the recent inappropriate accounting practices with our major domestic subsidiaries, explained our approach to preventing recurrence and the procedures for FY2025 year-end financial closing, and held a Q&A session. We will continue to hold these meetings on a monthly basis, selecting specific topics for each session. Our overseas subsidiaries have also been holding regular meetings since April 2026.

(4) Overview of timely disclosure system

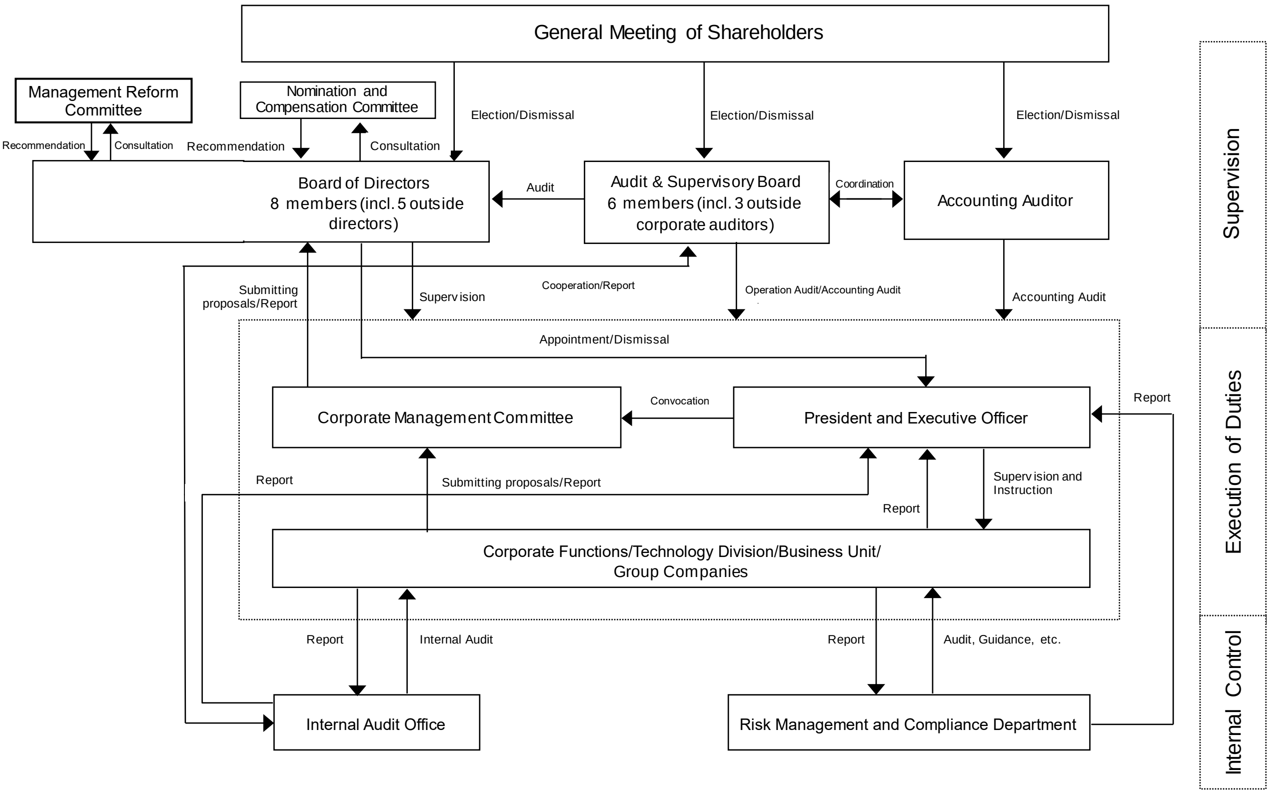
With respect to the management and disclosure of inside information, and the management of stock transactions by officers and employees of the Company and its subsidiaries, etc., the Company has established the "Regulations for Management of Inside Information and Insider Trading" as matters to be strictly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