

Activity Report of the Board of Directors

Major matters discussed by the Board of Directors during the fiscal year ended March 31, 2024

- Updating the basic corporate governance structure of the ANEST IWATA Group
 - Updating the Medium-term Management Policy and Medium-term Business Plan
 - Formulation of the annual management policy and business plan
 - Formulation of the Group's capital policies
 - Promoting new businesses and M&As
 - Review of the countermeasures (Anti-takeover Measures) for large-scale purchase of the Company's shares
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Activity Report of the Audit & Supervisory Committee

The Audit & Supervisory Committee determined the key matters for implementing audits and carried out audits based on the 2024 audit policy. The audit results did not indicate any problems.

Audit policy

Based on the Group Management Policy articulated in the ANEST IWATA Corporate Philosophy and the Basic Policy on Corporate Governance, we will conduct fair and unbiased audits as an independent organization striving to establish and operate a high-quality corporate governance structure that meets the mandate of the shareholders and the trust placed in us by society, in an effort to secure the soundness of the Company, its sustained growth, and the medium- to long-term enhancement of corporate value.

Key matters for implementing audits

Based on the above audit policy, we conducted audits on the following key matters.

- Visited significant domestic locations and conducted monitoring audits
- Visited significant domestic and overseas subsidiaries for audits and also conducted monitoring audits
- Conducted audits on the development and operation of the Group's whistleblowing system
- Confirmed the risk of major changes in business performance and conducted audits on measures taken by Executive Directors to address such risks
- Conducted interviews with the President, Representative Director and Chief Executive Officer, the Executive Directors, and general managers

Evaluation of FY2023

An evaluation was conducted with respect to the effectiveness of meetings of the Board of Directors held between April 2023 and March 2024 (14 meetings in total).

Deliberation by the Board of Directors resulted in the evaluation that appropriate improvements are continuing based on the results of the annual evaluation of the Board's effectiveness,

and that appropriate agendas are being set under the Board proceedings and all Directors are fulfilling their roles and responsibilities to take part in frank discussions. Consequently, while certain issues remain, the Board has demonstrated sufficient effectiveness.

Issues identified in FY2022

- 1 Improvement of the training program as part of the succession plan and holding regular seminars for Independent Directors to deepen their understanding of the Group
- 2 Continuation of deliberation on the composition of Directors based on the skill matrix
- 3 Personal interaction among executives and nurturing managerial thinking skills
- 4 Continuation of discussions to ensure further understanding of the Group's growth strategies including shareholder returns by the stakeholders

Initiatives in FY2023

- 1 Convened briefings on products using core technology and reports on technology under development to deepen the understanding of the Independent Directors of the Group's business and distributed in-house training materials
- 2 Reviewed the number of Directors and continued deliberation on the skill matrix
- 3 Nurtured managerial thinking skills among domestic executives through interviews with internal and Independent Directors and participation in various meetings
- 3 Established key management indicators (EPS) in conjunction with the review of capital policies. Disclosed reports of meetings with investors and presentation materials of financial results, as well as continued discussions to further enhance corporate value

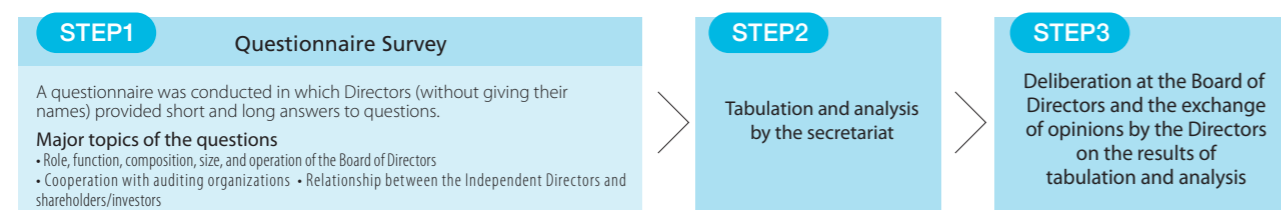
Future initiatives based on the evaluation results of FY2023

- Deepen discussion on the compensation system for Directors
- Continue discussions on the system for educating Corporate Officers who are candidates for Directors and senior management
- Develop a system to facilitate the sharing of information to encourage even more candid discussions
- Conduct discussions on the issues that have been clarified through audits to further improve the systems and practices to enable Independent Directors and the Audit and Supervisory Committee to fulfill the roles expected of them

Evaluation of effectiveness of the Board of Directors

To improve the functions of the Board of Directors, the Company conducts analysis and evaluation of its effectiveness each year. Regarding the issues raised, we will further improve the deliberations by the Board of Directors and raise its effectiveness by utilizing the Board of Directors and the Board of Directors Opinion Exchange Meeting held before and after the Board meetings, through the planning and proposals of the secretariat of the Board of Directors.

Analysis and Evaluation Process



Policy for the Determination of Compensation for Directors

The basic policy of compensation upholds a compensation system that motivates executives to improve business performance and contribute to the long-term increase in corporate value. The Company's compensation system comprises a regular same-amount salary (basic compensation), performance-linked bonus (short-term incentives), and performance-linked stock remuneration (medium- to long-term incentives). Compensation is decided within the limit resolved by the General Meeting of Shareholders, based on the recommendation by the Nominating/Compensation Committee, which is chaired by an Independent Director who is an Audit

and Supervisory Committee Member, comprehensively taking into account the Company's business performance and the responsibilities and achievements of each Director, and upon deliberation of the recommendation by the Board of Directors.

Compensation for Independent Directors comprises exclusively of fixed compensation in order to make them effectively fulfill their management supervision function in consideration of their roles and independence. Compensation for Directors who are Audit and Supervisory Committee Members is determined based on discussions by Directors who are Audit and Supervisory Committee Members.

Compensation System

		Regular Same-amount Salary	Performance-linked Compensation	Performance-linked Stock Remuneration
Objective		Basic compensation	Short-term incentives	Medium- to long-term incentives
Form		Fixed compensation	Variable compensation	
Performance Evaluation Indicators		—	Consolidated ordinary profit	Achievement rate of consolidated operating profit and profit attributable to owners of parent targeted in the final year of the Medium-term Business Plan
Type of Payment		Cash		Stocks and cash
Recipients	Director	Internal	○	○
		Independent	○	×
	Director, Audit and Supervisory Committee Member	Internal	○	×
		Independent	○	×
Maximum amount	Director	300 million yen per year (including 40 million yen for Independent Directors)		Maximum contribution by the Company to the Trust: 130 million yen for 3 fiscal years Number of shares to be delivered: 44,000 points per fiscal year (1 point = 1 share)
	Director, Audit and Supervisory Committee Member	Up to 60 million yen per year	—	—

Conceptual diagram of the composition of the compensation of Directors (excluding Independent Directors and Directors who are Audit and Supervisory Committee Members) (FY2023)



Regular Same-amount Salary

The amount to be paid to each Director as basic compensation is determined within the limit of the total amount of compensation resolved by the General Meeting of Shareholders, according to the position of the responsibilities of the Director and paid as a monthly salary each month.

Performance-linked Bonuses

The Company pays a performance-linked bonus once a year to the Representative Director and Executive Directors. As an index for calculating the performance-linked bonus, the Company has selected consolidated ordinary profit for the purpose of assessing the actual status of profit/loss and raising their awareness

to contribute to the enhancement of corporate value through the improvement of business performance over the medium- to long-term as well as the improvement of common interests with shareholders. Of note, the performance-linked bonus is paid in the amount calculated based on the following equation.

Calculation method (FY2024)

The amount of the performance-linked bonus paid to each Director, etc. is determined by multiplying the consolidated ordinary profit for the relevant period by the following ratios.

Position	Ratio
Representative Director	1.10% × (1.0÷2.3)
Director and Senior Managing Executive Officer	1.10% × (0.5÷2.3)
Director and Managing Executive Officer	1.10% × (0.4÷2.3)