Update on Inappropriate conduct

Marine Engine Business

- The number of engines in Categories B and C is decreasing as the investigation progresses.
- Certificate renewals for one HZME and three IMEX units are complete; renewals for Category A engines are underway.

(Unit: Number of engines)

Company name	Classification	As of March 25, 2025	As of July 16, 2025
HZME	Classification A※1	951	956
	Classification B※2	8	3
	Classification C※3	0	0
IMEX	Classification A※1	384	401
	Classification B※2	13	13
	Classification C※3	19	2

*1 Engines evaluated to be compliant with the NOx emission regulatory limits.
*2 Engines for which there are concerns regarding compliance with NOx emission regulatory limits and for which further verification is needed.
*3 Engines for which the fuel consumption necessary for recalculating the NOx emissions has not been identified.

Mukaishima Works

- Conducting follow-up monitoring to check for any signs of damage or deformation as required by national guidelines.

Certain Water Treatment Facilities and WtE Facilities

- Implementing measures like equipment improvements and rule changes upon reaching customer agreement.

Wakasa Office and the Development & Manufacturing Business for Specialty Valves, etc.

- Applications for 4M* changes have been submitted to customers, with discussions now underway.

* 4M: Man, Machine, Material, Method

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Status of Implementation of Recurrence Prevention Measures for Quality Misconduct

Top Management Commitment

(1) Establishment of the Quality Misconduct Recurrence Prevention Department

- We have established the Quality Misconduct Recurrence Prevention Department, reporting directly to the President. Its purpose is to follow up on the progress of recurrence prevention measures, report regularly to the Board of Directors, explain the misconduct to stakeholders, manage customer responses, and disseminate information both internally and externally.

(2) Employee Briefing Sessions

- Briefing sessions are being held at each site for all Group employees to report the findings of the Special Investigation Committee.
- These sessions are led directly by executives—including the President and the heads of the Quality and Business divisions—with a focus on direct dialogue with employees.
- To ensure full understanding*, employees are encouraged to attend multiple sessions, and recordings of the briefings are also provided.

Location	Date	Attendees (incl. duplicates)
Head Office	7/4	Approx. 1,600
Ariake Works	7/9	Approx. 600
Mukaishima Works	7/10	Approx. 300
Sakai Works	7/16	Approx. 300
Chikko Works	7/17	Approx. 1,000
Wakasa Works	7/18	Approx. 200
Tokyo Head Office	8/19	-
Maizuru Works	8/20	-



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Status of Implementation of Recurrence Prevention Measures for Quality Misconduct

Top Management Commitment

(3) Initiatives at Group Companies

At affected Group companies, management is visiting each site to hold direct meetings with staff, improving communication.

Organizational Culture and Mindset Reform

(1) Defining and Instilling Our Ideal State

- Executive discussions on our "Ideal State" were held (July 5 & 11) to promote the Group's corporate philosophy.

Further measures to instill this philosophy are under consideration.

(2) Employee Redeployment and Training

- Proceeding with employee redeployment to prevent over-specialization of tasks; planning ethics training to reinforce a culture of integrity.



Executive Training Session (July 5, 2025)

Securing Personnel for Quality Assurance Divisions

- Reviewing the Quality Assurance (QA) organizational structure at each site to strengthen our QA framework.

Kanadevia: QA staff increased by 16 to 152(July 1, 20245) since the central QA organization launch (Oct 1, 2024).

HZME: Separated commissioning/service operations from QA to strengthen its core function (Apr 1, 2025).
Reorganized and expanded the engine performance evaluation team (July 1, 2025).

IMEX: Significantly increased QA division staff (Apr 1, 2025).

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