



July 9, 2025

Company name: AIR WATER INC.
 Name of representative: Kikuo Toyoda, Chairman and Representative Director
 (Securities code: 4088; Prime Market of Tokyo Stock Exchange /Sapporo Securities Exchange)
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Notice Concerning Disposal of Treasury Shares as Restricted Stock Compensation

AIR WATER INC. (the “Company”) hereby announces that it resolved, at a meeting of the Board of Directors held on July 9, 2025, to dispose of treasury shares as restricted stock compensation (hereinafter, the “Disposal of Treasury Shares”). The details are described below.

1. Overview of disposal

(1)	Deadline for payment	August 1, 2025
(2)	Class and number of shares to be disposed of	60,673 shares of common stock of the Company
(3)	Disposal price	2,191.5 yen per share
(4)	Total amount of disposal	132,964,880 yen
(5)	Scheduled allottees	6 Directors of the Company (*), 41,977 shares 9 Executive Officers with responsibility and Executive Officers, etc. equivalent to Executive Officers with responsibility, of the Company, 11,400 shares 10 Directors of the Company’s subsidiaries, 7,296 shares * Excluding Outside Directors
(6)	Other	With respect to the Disposal of Treasury Shares, the Company has submitted an extraordinary report under the Financial Instruments and Exchange Act

2. Purposes and reason for disposal

At the 19th Annual General Meeting of Shareholders held on June 26, 2019, the Company obtained approval to introduce a restricted stock compensation plan (hereinafter the “Plan”). The purpose of the Plan is for Directors of the Company (excluding Outside Directors; hereinafter “Eligible Directors”) to share with our shareholders the benefits and risks of fluctuations in the stock price and to further raise their motivation to contribute to the stock price appreciation and the enhancement of corporate value. It was also approved that, under the Plan, the total amount of monetary compensation receivables to be granted to Eligible Directors as compensation, etc. related

to restricted stocks shall be set at an amount not to exceed 100 million yen per annum, the maximum number of restricted stocks allocated to Eligible Directors in each fiscal year shall be 125,000 stocks, and the transfer restriction period of the restricted stock shall be 30 years.

Today, the Board of Directors resolved to pay a total of 132,964,880yen in monetary compensation receivables as restricted stock compensation to 6 Eligible Directors, 9 Executive Officers with responsibility and Executive Officers, etc. equivalent to Executive Officers with responsibility, of the Company, and 10 Directors of the Company's subsidiaries, who are scheduled allottees (hereinafter, collectively "Eligible Allottee(s)").

This compensation corresponds to the period from the Company's 25th Annual General Meeting of Shareholders held on June 26, 2025 to the Company's 26th Annual General Meeting of Shareholders scheduled to be held in June 2026 for Eligible Directors, Executive Officers with responsibility, and Executive Officers, etc. equivalent to Executive Officers with responsibility, of the Company, and to the period from each subsidiary's annual general meeting of shareholders held in June 2025 to its annual general meeting of shareholders scheduled to be held in June 2026 for Directors of the Company's subsidiaries. The Eligible Allottees will receive an allocation of ● shares of common stock of the Company as specified restricted stock by furnishing the entire quantity of those monetary compensation receivables as contribution in kind.

The amount of monetary compensation receivables to be granted to each Eligible Allottee is determined based on comprehensive consideration of various factors, including the degree of contribution by each Eligible Allottee to the Company or the Company's subsidiaries.

In addition, the scale of dilution as a result of the Disposal of Treasury Shares is calculated to be 0.03% (values rounded to the nearest second decimal place) of the total number of shares outstanding of 229,755,057 shares as of March 31, 2025. As it is insignificant, the Company believes that it is reasonable in light of the purposes of the Plan.

The monetary compensation receivables will be granted on the condition that each Eligible Allottee enters into a restricted stock allocation agreement (hereinafter the "Allocation Agreement") with the Company, which will include the following contents as an outline.

3. Outline of the Allocation Agreement

(i) Transfer restriction period

From August 1, 2025 to July 31, 2055

During the transfer restriction period set forth above (hereinafter, the "Transfer Restriction Period"), Eligible Allottees may not transfer, pledge, assign as mortgage, provide as aninter vivos gift, bequeath, or otherwise dispose of (hereinafter "Transfer Restrictions") the restricted stock allocated to the Eligible Allottees (hereinafter, the "Allocated Stocks") to a third party.

(ii) Acquisition of restricted stock without compensation

In the event of the resignation or retirement by Eligible Allottees from any and all positions of Director, Corporate Auditor, Executive Officer, Executive Officer, etc. equivalent to Executive Officer with responsibility, and employee of the Company and subsidiaries of the Company (hereinafter collectively "Eligible Positions") on or after the date of commencement of the Transfer Restriction Period until the day preceding the date of the first Annual General Meeting of Shareholders of the Company (in the case where an Eligible Allottee is Director of the Company's subsidiary, annual general meeting of shareholders of the Company's subsidiary; the same shall apply hereinafter) to be held after that date, the Company shall rightfully acquire the Allocated Stock without compensation at the point in time of such resignation or retirement,

unless there are reasons deemed legitimate by the Board of Directors of the Company.

In addition, if, at the point in time that the Transfer Restriction Period has expired (hereinafter “Time of Transfer Restriction Period Expiration”), there are any Allocated Stock for which the Transfer Restrictions have not been removed based on the reasons for removal of the Transfer Restrictions in (iii) below, the Company shall rightfully acquire those stock without compensation at the point in time immediately after the Time of Transfer Restriction Period Expiration.

(iii) Removal of Transfer Restrictions

On the condition that the Eligible Allottees have served continuously in any of the positions of Eligible Positions on or after the date of commencement of the Transfer Restriction Period until the date of the first Annual General Meeting of Shareholders of the Company to be held after that date, the Company shall, at the Time of Transfer Restriction Period Expiration, remove the Transfer Restrictions for all of the Allocated Stock held by the Eligible Allottees at that point in time. However, in the event that an Eligible Allottee resigns or retires from any and all positions of Eligible Positions before the expiration of the Transfer Restriction Period due to expiration of term of office, mandatory retirement, death, or other reasons deemed legitimate by the Board of Directors of the Company, the Company shall, at the point in time immediately after such resignation or retirement, remove the Transfer Restrictions on a portion of the Allocated Stock. The number of Allocated Stock subject to the removal of Transfer Restrictions shall be calculated by multiplying the number calculated by dividing the number of months from June 2025 to the month in which the date of the resignation or retirement of the Eligible Allottee from any and all positions of Eligible Positions falls by 12 (however, in the case where the calculation results in a number greater than one, the number shall be one), by the number of the Allocated Stock held by the Eligible Allottee at the point in time of such resignation or retirement (however, in the case where the calculation results in a fraction of less than one stock, the fraction shall be rounded down).

(iv) Management of stock

The Eligible Allottees shall complete the opening of an account to state or record the Allocated Stock at SMBC Nikko Securities Inc. in a manner designated by the Company, and keep and maintain the Allocated Stock in such account until the Transfer Restrictions are removed.

(v) Treatment in the event of organizational restructuring, etc.

In the event that, during the Transfer Restriction Period, a merger agreement whereby the Company will cease to exist, a share exchange agreement or share transfer plan whereby the Company will become a wholly owned subsidiary of another party, or any other matters concerning organizational restructuring, etc. are approved at the General Meeting of Shareholders of the Company (or by the Board of Directors of the Company if such organizational restructuring, etc. does not require approval at the General Meeting of Shareholders of the Company) (only if the effective date of such organizational restructuring, etc. falls prior to the Time of Transfer Restriction Period Expiration; hereinafter “Time of Organizational Restructuring Approval”), and the Eligible Allottees are to resign or retire from any and all positions of Eligible Positions due to such organizational restructuring, etc., the Company shall, based on the resolution of the Board of Directors of the Company, remove the Transfer Restrictions, with the number of Allocated Stocks calculated by multiplying the number calculated by dividing the number of months from

June 2025 to the month in which the date of approval of such organizational restructuring, etc. falls by 12 (however, in the case where the calculation results in a number greater than one, the number shall be one), by the number of the Allocated Stock held by the Eligible Allottees as of the date of approval of such organizational restructuring, etc. (however, in the case where the calculation results in a fraction of less than one stock, the fraction shall be rounded down), at the time immediately prior to the business day immediately preceding the effective date of such organizational restructuring, etc.

In addition, at the Time of Organizational Restructuring Approval, the Company shall, on the business day preceding the effective date of that organizational restructuring, etc., rightfully acquire, without compensation, all of the Allocated Stock for which the Transfer Restrictions have not yet been removed as of that day.

4. Basis for calculation of amount of payment and details thereof

The disposal price per share in the Disposal of Treasury Shares shall be 2,191.5 yen, which is the closing price of common stock of the Company in the Tokyo Stock Exchange on the business day (July 8, 2025) immediately prior to the date of resolution by the Board of Directors of the Company, in order to make it the price eliminating any arbitrariness. The Company believes that the price is reasonable and does not constitute a particularly advantageous price, as the price is the market price of the day immediately prior to the date of resolution by the Board of Directors of the Company.