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To All Concerned Parties

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Notice Concerning the Formulation of Recurrence Prevention Measures (Outline)

As announced in our press release dated February 12, 2026, entitled “*Notice Concerning the Receipt of the Investigation Report of the Special Investigating Committee (as of February 9, 2026)*,” the investigation conducted by the Special Investigating Committee revealed that, in addition to the fact that inappropriate accounting treatments had been carried out within our Group, the involvement of top management and members of the management team was recognized in part.

Taking seriously the analysis of causes and the proposed recommendations for recurrence prevention measures pointed out in the said investigation report, we resolved at a meeting of the Board of Directors held today to adopt the outline of recurrence prevention measures, and hereby announce the same as set forth below.

We position these recurrence prevention measures as the highest management priority, and will

promote reform of corporate culture, governance reform, rebuilding of the management infrastructure and internal control systems, and a review of our Company-wide strategy (including a review of the business portfolio), in order to enhance transparency and soundness in management and to make every effort to restore social trust.

1. Analysis of Causes

In response to this matter, in order to ensure that the recurrence prevention measures are truly effective, we conducted an analysis of the causes through repeated internal discussions and reviews centered on the Management Reform Committee, in addition to the findings of the investigation conducted by the Special Investigating Committee. As a result, we recognized that the inappropriate accounting in this case was not attributable to specific individuals, but rather was caused by an environment that had been formed over many years in which misconduct was likely to be overlooked.

(1) A Corporate Culture that Prioritized the Achievement of Performance Targets and Top-Down Organizational Management

- Beginning in fiscal year 2010, we set forth a long-term growth vision, the “¥1 Trillion Company Vision,” aiming to achieve net sales of ¥1 trillion by fiscal year 2020, and promoted business diversification and overseas expansion. Over time, however, the achievement of performance targets itself tended to become an objective, and high targets were set without sufficient consideration of the external environment, which became a cause of excessive performance pressure being placed on frontline operations.
- Our organizational management was operated through a strong top-down command structure, which generated a sense of unity and execution capability, but also involved management practices that could be perceived as harassment. In addition, as top management possessed strong personnel authority, decision-making processes tended to be prioritized in line with the intentions of top management, which became one of the factors leading to inappropriate accounting treatments.
- Under these circumstances, even when problems or inappropriate matters arose, they were tacitly accepted, which weakened ethical awareness throughout the organization and resulted in the formation of an unhealthy corporate culture.

(2) Insufficient Development of Accounting and Management Functions and Lack of Effectiveness in the Internal Control System

- While we expanded our business scale through aggressive M&A activities, post-acquisition integration and the management of subsidiaries failed to keep pace with the speed of expansion, resulting in distortions in our overall growth strategy. Sufficient measures were not implemented

to improve subsidiary management functions, such as the development of internal regulations, thorough dissemination of rules, or the allocation of authority and monitoring commensurate with the management capabilities of subsidiaries, leaving business processes that enabled inappropriate accounting treatments. In addition, within our administrative departments, insufficient personnel reinforcement and inadequate strengthening of checks and balances resulted in a lack of effective controls.

- Although the internal audit department should serve as the “last line of defense” to safeguard organizational soundness, it was revealed that the head of the internal audit department was involved in inappropriate practices, and that the department failed to exercise sufficient deterrent functions across the Group. Furthermore, adequate identification of risks, execution of audits, and issuance of improvement recommendations did not function properly.

- Although governance-related discussions were conducted at meetings of the Board of Directors mainly by outside directors, it is questionable whether sufficient monitoring and oversight over top management were ultimately exercised. Audits conducted by the Audit & Supervisory Board Members lacked a proactive stance in independently identifying issues, and their activities with respect to internal control issues and fraud risks remained limited.

- Over many years, we were supported by strong past success experiences and a strong orientation toward growth. However, particularly in the areas of management and control, as the level required of us increased, we were unable to adequately respond to such changes, and a significant gap gradually emerged. Although we conducted self-reflective reviews and made partial adjustments from time to time, we did not reach fundamental corrections aligned with changes in our business structure and organizational structure, and circumstances in which inappropriate conduct could occur were left unaddressed.

(3) Low Accounting Literacy and a Lack of Ethical Awareness Required of a Listed Company Group

- Because accounting literacy was insufficient across the Group, we did not develop a strong sense of awareness regarding the inappropriateness of the accounting treatments.
- In addition, as conduct that prioritized the achievement of performance targets became entrenched, judgments based on the rules that must be observed, even under strong pressure, were not thoroughly enforced.
- Although internal control mechanisms such as internal audits, the Audit & Supervisory Board, and the internal reporting system existed, we were unable, through our own actions, to cause the internal controls that should have prevented or corrected specific incidents to function sufficiently. The investigation report of the Special Investigating Committee identified serious issues, stating that the internal audit function was “in a state where it could be nullified by the words and actions of top management,” and that the internal reporting system was “not

sufficiently publicized or properly operated."

2. Overview of Recurrence Prevention Measures

Based on the deep reflection and analysis described above, we have established four initiatives as recurrence prevention measures in order to undertake fundamental reforms.

<p>(1) Reform of Corporate Culture</p>	<ul style="list-style-type: none">• A fundamental reform of the corporate culture that places the highest priority on compliance and aims to foster a sound, open, and integrity-driven environment that encourages appropriate conduct.• The appropriate setting of performance targets and the elimination of excessive performance pressure• A fundamental strengthening of education and training, including ethics and accounting literacy• The strengthening of the internal reporting system and
<p>(2) Governance Reform</p>	<ul style="list-style-type: none">• Strengthening of the supervisory function of the Board of Directors• Strengthening of the audit function of the Audit & Supervisory Board• Strengthening the role of the Nomination and Remuneration Committee
<p>(3) Rebuilding of the Management Infrastructure and Internal Control Systems</p>	<ul style="list-style-type: none">• The establishment of executive officers responsible for management and finance• The strengthening of the functions of the management departments, centered on the accounting department• The rebuilding of internal control systems from a Group-wide perspective• The strengthening of the internal audit function
<p>(4) Review of the Company-wide Strategy (Review of the Business Portfolio)</p>	<ul style="list-style-type: none">• The redefinition of core competencies• The selection and concentration of businesses• The optimization and restructuring of Group companies

(1) Reform of Corporate Culture

① Fundamental reform toward a corporate culture that places the highest priority on compliance and is “sound, open, and encourages proper conduct”

- i. Expression and dissemination of the determination of top management (the Representative Director) toward company reform
 - Reaffirmation of the management philosophy and purpose, and dissemination thereof throughout the Group through direct dialogue with employees
- ii. Clarification of organizational roles and areas of responsibility
 - Clarification of organizational roles, areas of responsibility, and the responsibilities associated therewith, and rebuilding of reporting processes
- iii. Establishment of a management structure that places the highest priority on compliance
 - Enhancement and strengthening of compliance awareness among top management and the management team
 - Continuous communication to the entire Group by top management and the management team emphasizing that compliance is the highest priority, sharing of intent through direct dialogue with employees of Group companies, and enhancement of employees' compliance awareness
- iv. Improvement of communication
 - Development of an organizational environment in which psychological safety is ensured, and fostering of a culture in which everyone respects one another and can freely and openly express opinions

② Appropriate Setting of Performance Targets and Elimination of Excessive Performance Pressure

- Verification and improvement of the process for setting performance targets, including appropriate consideration of bottom-up perspectives and the external environment, and revision of operations so as not to impose excessive performance targets (with an emphasis on KPIs from a medium- to long-term perspective and from the standpoint of enhancing corporate value)
- The review of evaluation methods for employees who bear responsibility for performance

③ Fundamental Strengthening of Education and Training (Ethics and Accounting Literacy)

- Institutionalization of corporate ethics management training for top management and the management team
- Implementation of continuous education and training on professional ethics and accounting literacy for all Group employees

④ Strengthening of the Internal Reporting System

- Strengthening of the operational framework of the internal reporting system (establishment

of external reporting channels and reporting channels to outside Audit & Supervisory Board Members to ensure independence)

- Dissemination of the understanding that use of the internal reporting system constitutes an act that protects the organization

(2) Governance Reform

① Strengthening of the supervisory function of the Board of Directors

- i. Rebuilding of the governance framework aimed at identifying, understanding, and improving issues related to internal controls across the Group
- ii. Supervision and checks on important decision-making by top management
- iii. Review of the composition of the Board of Directors with the aim of strengthening supervisory functions
 - Appointment of directors who oversee administrative divisions and promote the strengthening of management and supervisory functions
 - Increase in the number of independent outside directors
 - Consideration of future changes to the institutional design
- iv. Establishment of systems to prevent excessive concentration of personnel authority in top management
 - Development of systems and operational practices intended to decentralize authority
 - v. Strengthening of the monitoring and checking functions of outside directors
 - Regular exchange of opinions between outside directors and top management
 - Participation in key executive meetings, such as the Executive Management Committee and budget meetings
 - Strengthening of information gathering and identification of issues through enhanced interaction with executive officers and other senior management
 - Appointment of an outside director as Chair of the Board of Directors (already implemented)
- vi. Strengthening of responses to compliance and risk management, including the effectiveness of internal controls
 - Strengthening of the functions of advisory bodies to the Board of Directors (the Management Reform Committee, the Compliance Committee, and the Risk Management Committee) and participation of directors therein
 - Consideration of the appointment of an executive officer responsible for efficiently and effectively consolidating governance-related information and for more effectively carrying out corrective actions with respect to identified matters and risks
- vii. Establishment of a framework for the follow-up of the Board of Directors
- Establishment of organizations and structures to specifically follow up on opinions expressed at meetings of the Board of Directors, and enhancement of the effectiveness of such opinions

viii. Regular exchange of opinions with Audit & Supervisory Board Members

② The strengthening of the audit function of the Audit & Supervisory Board

- i. Strengthening of the structure and functions of the Audit & Supervisory Board
 - The review of audit plans based on a risk-based approach
 - Assignment and expansion of audit assistants, and utilization of external fraud and accounting experts
- ii. Proactive information gathering (particularly early identification of risk indicators)
 - Expansion of attendance at key executive meetings, such as the Executive Management Committee and budget meetings
 - Strengthening of interviews with officers (including executive officers and executive directors), managers of key departments (department head level), and representatives of subsidiaries
 - Conduct of in-depth discussions and deliberations among Audit & Supervisory Board Members, and sharing of information and exchange of opinions with outside directors
- iii. In-depth risk-based audits reflecting changes in risks
 - Flexible modification of key audit matters (based on indications arising from M&A companies, compliance cases, and similar matters)
 - Thorough implementation of operational practices involving sufficient verification and questioning regarding the premises of reported matters, the grounds for judgments, and the existence or absence of unreported matters
- iv. Strengthening of collaboration with the internal audit department and the audit firm
 - Sufficient deliberation by the Audit & Supervisory Board on the results of internal audits and identified issues, and implementation of additional investigations and requests for corrective actions as necessary
- v. Clarification of criteria for the appointment of Audit & Supervisory Board Members and enhancement of transparency in the selection process

③ Strengthening the role of the Nomination and Remuneration Committee

- i. Clarification of the director appointment process
 - Discussion of requirement definitions, selection of candidates, and individual evaluations through interviews
 - Clarification of the director evaluation system and enhancement of transparency of the results
 - Re-examination of the compensation system with clearly defined responsibilities and roles
 - ii. Development and implementation of an overall framework for the CEO succession plan
 - iii. Enhancement of the quality of outside directors and executive directors (training and education plans)

(3) Rebuilding of the Management Infrastructure and Internal Control Systems

① The establishment of executive officers responsible for finance and accounting

- The establishment of an executive officer with expertise in finance and accounting in order to strengthen management and checking functions with respect to business divisions

② The strengthening of the functions of the management departments, centered on the accounting department

- i. The strengthening of the functions of the management departments, with a focus on accounting, performance management, and subsidiary management
- Assignment and increase of personnel with sufficient knowledge and experience in accounting and disclosure practices
- Rebuilding of business processes with properly established segregation of duties, approval, and checking functions
- Enhancement of coordination and dialogue between the accounting departments of the head office and subsidiaries, and realization of appropriate accounting treatments based on an understanding of the business
- ii. Education and training for members of the accounting department
- Thorough dissemination of the awareness that the accounting department is the organization bearing ultimate responsibility for consolidated financial statements and disclosure practices, and is also a cornerstone of internal controls over financial reporting
- Continuous education and training to ensure sufficient accounting knowledge

③ Rebuilding of internal control systems from a Group-wide perspective

- i. Strengthening of internal controls within subsidiaries
- Development of internal regulations and related rules
- Development of business workflows, and thorough implementation of operational improvements
- ii. Strengthening of governance of subsidiaries and the like
- Assignment and increase of personnel with sufficient knowledge and experience, in order to perform appropriate accounting operations as subsidiaries of a listed company
- Education and training for on-site personnel regarding business processing and accounting processing, and improvement of accounting literacy
- Periodic verification of appropriateness and monitoring of areas where inappropriate accounting treatments may occur, such as inventory and sales management

④ Strengthening of the Internal Audit Function

- i. Strengthening of the functions of the Internal Audit Office

- Assignment and increase of personnel with sufficient knowledge and experience to appropriately carry out internal audit activities
- Clarification of roles that contribute to monitoring and oversight, and thorough dissemination thereof
- Verification and evaluation of risk factors and deficiencies identified through internal audits, internal reporting, and other means, and prompt sharing of information with relevant organizations

ii. Education and training for members of the Internal Audit Office

- Thorough dissemination of the awareness of acting as the final safeguard for evaluation from an independent perspective
- Implementation of continuous training in accounting and auditing with sufficient depth

iii. Strengthening of collaboration with Audit & Supervisory Board Members and the audit firm

- Strengthening of collaboration by providing opportunities to explain and exchange opinions with Audit & Supervisory Board Members and the audit firm regarding important audit results, risk perceptions, identified deficiencies, and the status of improvements

(4) Review of the Company-wide Strategy (Review of the Business Portfolio)

① Redefinition of core competencies

- Reanalysis of all businesses and redefinition of current core competencies

② Selection and concentration of businesses

- Promotion of business portfolio reform with a focus on the “deepening of existing businesses” and the “evolution of new businesses,” leveraging core competencies

③ Optimization and restructuring of Group companies

- Optimization and restructuring conducted not only from the perspective of business viability, but also from the perspective of governance across the Group as a whole

3. Disciplinary Actions Against Related Parties

We take the current matter very seriously, and as part of the recurrence prevention measures, we will appropriately address disciplinary actions against the related parties. Based on the results of the investigation, the details of such disciplinary actions will be promptly disclosed once they are determined.

4. Future Actions

Centered on a newly established Management Reform Committee chaired by the Representative Director, we will clarify execution plans as a Group-wide initiative and proceed with their implementation in sequence. We also recognize that these recurrence prevention measures must be implemented and promoted through our unwavering determination and

continuous efforts, and, in order to enhance their effectiveness, we will verify their impact, make necessary revisions in response to changes in circumstances, and continue to consider additional measures as appropriate.

5. Conclusion

As indicated by our company name “Air Water” and our purpose, “Meeting society’s needs with nature’s blessings.”, our origin lies in utilizing irreplaceable global resources such as air and water to provide indispensable products and services and to contribute to people’s lives and industries.

By combining these invaluable natural resources with Air Water’s technologies and know-how, we create new value that only Air Water can deliver. This is, by its very nature, a noble endeavor of which we can be proud, and there is no room therein for misconduct or deception.

Returning once again to this origin, under these recurrence prevention measures, each member of our Group’s management and employees will think independently, act correctly, and transform the Company into one with high ethical standards.

Once again, we extend our deepest apologies to our shareholders, investors, and all stakeholders for the great inconvenience and concern that we have caused.

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