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April 3, 2026

To All Concerned Parties

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Notice Concerning the Formulation of Recurrence Prevention Measures (Detailed Version)

As announced in our press release dated March 31, 2026, entitled “Notice Concerning the Receipt of the Investigation Report from the Special Investigating Committee and Future Responses,” the investigation conducted by the Special Investigating Committee revealed that, in addition to the fact that inappropriate accounting treatments had been carried out within the Company Group, the involvement of top management and members of the management team was recognized in part.

As previously announced on February 13, 2026 in the “Notice Concerning the Formulation of Recurrence Prevention Measures (Outline),” We disclosed the outline of our recurrence prevention measures.

Taking seriously the analysis of causes and the proposed recommendations for recurrence prevention measures pointed out in the investigation report, and after repeated consideration and deliberation by the Management Reform Committee, an advisory body to the Board of Directors, we resolved at a meeting of the Board of Directors held today to adopt the Recurrence

Prevention Measures (Detailed Version), and hereby announces the same as set forth below.

1. Details and Progress of the Recurrence Prevention Measures

We position these recurrence prevention measures as the highest management priority, and will promote the following four initiatives—“Reform of Corporate Culture,” “Governance Reform,” “Reconstruction of the Management Infrastructure and Internal Control Systems,” and “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.

<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
<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

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

- 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”

[Cause of Occurrence]

The occurrence of this matter involved structural issues whereby management decisions and actions involving the management layer had an impact, resulting in the formation of an unhealthy corporate culture. Under a strong top-down management style led by top management, an environment persisted in which dissenting opinions and problem identification were difficult to raise, and internal checks and corrective functions within the organization did not function sufficiently. In addition, insufficient awareness of compliance among both management and operational sites dulled recognition of the seriousness of the issues, which became one of the factors allowing inappropriate practices to be overlooked.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives.

i. Expression and penetration of top management’s determination toward company-wide reform

• Reaffirmation of the management philosophy and purpose, and penetration throughout the Group through direct dialogue with employees

Top management will deliver messages to all Group employees on a monthly basis. Top management itself will continuously clarify its reflection on this matter, management responsibility, determination toward recurrence prevention and corporate culture reform, and a management stance that places the highest priority on “doing what is right,” and will consistently communicate these messages to all Group employees, thereby ensuring penetration of management attitudes and the effectiveness of recurrence prevention.

The content of these communications will focus on the ongoing expression of reflection and accountability regarding this matter, progress and perspectives on recurrence prevention measures and management reform, fundamental stances toward governance, internal control systems, and compliance, reaffirmation of the management philosophy and purpose, and the standards of conduct and judgment expected of employees, with themes set as appropriate each time.

This initiative is not intended to be a one-time response, but rather aims to continuously demonstrate top management’s leadership in advancing corporate culture reform. By linking this initiative with opportunities for direct dialogue with employees, we will work to ensure firm establishment throughout the Group.

ii. Clarification of organizational roles and responsibilities

• Clarification of organizational roles, areas of responsibility, and accountability, and reconstruction of reporting processes

As of March 16, 2026, we established a Chief Accounting and Finance Officer who oversees the Accounting Department, Finance & IR Strategy Department, Business Management Department, and AI & DX Promotion Department, thereby clarifying the roles and responsibilities of these functions.

By July 1, 2026, we will review headquarters administrative departments as well as business groups and unit organizations not included above. Specifically, we will reorganize business groups and units into an organizational structure that enables sufficient oversight by headquarters administrative functions, and will clarify the roles and responsibilities of each headquarters administrative department and each business division under the new organizational structure. These clarifications will be reflected in the rules on division of duties, rules on authority, and rules on approval and reporting of decision-making authority.

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 layer

In order to reaffirm that management bears ultimate responsibility for compliance, we will, within fiscal 2026, establish mechanisms that enable top management and the management layer to demonstrate exemplary conduct. These mechanisms include making compliance-related items mandatory in business policies, ensuring accountability to the Executive Management Committee and the Board of Directors in the event of incidents, and incorporating compliance indicators into evaluation criteria for management. In addition, in March 2026, we will conduct education and training for executive officers on corporate ethics management and compliance, and will roll out such training to all Group employees. A cascading education approach will also be adopted, whereby executive officers themselves serve as instructors to provide training to the employees under their supervision.

• Continuous communication emphasizing compliance as the highest priority by top management and the management layer toward the entire Group, and sharing intentions through direct dialogue with Group company employees to enhance compliance awareness

Top management will continuously communicate to all Group employees the importance of placing the highest priority on compliance. In addition, by June 2026, top management and executive officers will visit a total of 37 companies, including us and Group companies where inappropriate accounting cases were identified (with online participation also used for overseas subsidiaries), and will conduct small-group, interactive dialogues (town hall meetings). Using the management philosophy and purpose as themes, candid discussions will be held on topics such as “how to make judgments when faced with uncertainty” and “what occurred in the past.”

iv. Improvement of communication

- Development of an organizational culture that ensures psychological safety, where everyone respects one another and can freely express opinions

In order to clearly define and share the concept of psychological safety, we will formalize, by March 2026, guidelines stipulating that “employees will not suffer any disadvantage for expressing dissenting opinions or raising questions.” In addition, in order to visualize cases in which “those who speak up are protected,” we will, from April 2026, share internally through posters and Group publications examples in which raising issues led to improvements.

We conducted an employee awareness survey in February 2026 and will confirm changes in psychological safety by conducting the next survey six months later, in August 2026 (thereafter to be conducted annually). Based on these results, we will evaluate progress in corporate culture reform and reflect the findings in further improvements and strengthening of its initiatives.

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

[Cause of Occurrence]

Within the Company Group, under a management policy that emphasized expansion of sales scale, the achievement of performance targets became an end in itself, and a corporate culture in which excessive pressure was placed on frontline operations continued over many years. In particular, high-level targets were set without sufficient consideration of the external environment, which resulted in “excessive performance pressure” and became a motivating factor for inappropriate accounting treatments.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives.

- **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)**

With regard to the fiscal 2026 budget meetings (covering the period from April 2026 to March 2027), we communicated that budgeting would be based on themes such as portfolio / process orientation / ROIC / feasibility, and conducted budget meetings while emphasizing to business divisions that the budgets should focus more on processes and narratives than on numerical figures alone. We will fundamentally revise these meetings into forums for comprehensive review and discussion of performance targets, taking into account the external environment surrounding each business, competitive conditions, and our business environment, based on information gathered from each business unit and operating company, while considering feasibility and risks. In doing so, we will distinguish between initiatives with a high degree of certainty and more challenging initiatives, and will present different performance targets for each, thereby visualizing stretch targets. In addition, by using formats that identify potential risks arising from changes in

the external environment, their likelihood and potential impact, and the feasibility of countermeasures, we will advance discussions to enable the setting of comprehensive performance targets that also take risk factors into account.

• **The review of evaluation methods for employees who bear responsibility for performance**

With regard to the evaluation of business and organizational leaders, we will adopt a collective evaluation process conducted by the Personnel Committee for the evaluation of units and subsidiaries that form the basis of such evaluations, thereby ensuring transparency.

As basic data for evaluation, in addition to quantitative performance-related information, qualitative comments provided by the Corporate Planning Office, the Internal Audit Office, and the director in charge will be incorporated, and from the evaluations conducted in April 2026, evaluations will be carried out using multiple perspectives.

Specifically, evaluation criteria will be expanded to include the degree of challenge undertaken, the strengthening of management foundations, human resource development, and the action processes and outcomes related to the improvement of workplace culture.

With regard to the evaluation for fiscal year 2026 to be conducted in April 2027, we will place the effectiveness of appropriate target setting—taking into account business characteristics and the external environment—at the core of the evaluation framework, and will further refine the evaluation methods to enhance fairness and acceptability.

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

[Cause of Occurrence]

Within the Company Group, insufficient education in basic ethical awareness and accounting knowledge, from top management down to each individual employee, combined with an inadequate development of shared standards for judgment—such as “what constitutes appropriate conduct” and “how decisions should be made”—resulted in a failure to ensure appropriate monitoring, checks, and corrective actions. As a result, this situation became one of the factors leading to the occurrence of inappropriate accounting treatments.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives.

- 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

We will conduct education and training for all members of the management layer on corporate ethics management and compliance (including “ethical awareness required of executives,” “the impact that inappropriate accounting can have on corporate value and social trust,” and “management responsibility for internal control systems and governance”). We will then roll out

such education and training to all Group employees, including those at Group companies. In doing so, we will also adopt a cascading education approach, whereby executive officers themselves serve as instructors to provide training to the employees under their supervision, thereby fostering a sense of unity across the Group. These education initiatives will be continued on an ongoing basis from fiscal year 2027 onward.

The timing and frequency are planned as follows: training will begin with executive officers in March 2026, and will be conducted for (1) executive officers (five times per year in fiscal year 2026; the session conducted in March 2026 will be counted as one, and four times per year thereafter), (2) managers (five times per year in fiscal year 2026; four times per year thereafter), and (3) general employees (at least twice per year; in fiscal year 2026, additional sessions are being considered as part of a series; at least twice per year thereafter).

In addition, from July to September 2026, we will conduct workshop-style training for executive officers with “integrity (sincerity, honesty, and earnestness)” as the theme. Using actual judgment cases as materials, the training will involve dialogue regarding values and standards for judgment, and following the training, executive officers themselves will serve as instructors to roll out similar training to managers within fiscal year 2026.

From March 2026: We will conduct compliance training for all employees, including the entire management layer, and will continue to implement such training four times per year (for general employees, at least twice per year). (In fiscal year 2026, executive officers and managers will receive such training five times per year.)

From July to September 2026: We will conduct workshop-style training for executive officers with “integrity” as the theme, using actual judgment cases as materials to facilitate dialogue regarding values and standards for judgment.

Within fiscal year 2026: we will conduct training for all managers with “integrity” as the theme. (Executive officers themselves will serve as instructors in rolling out such training.)

In addition, from April 2026 onward, focusing mainly on improving accounting literacy, we will conduct training in phases up to six times per year for all Group employees (including domestic and overseas), by the following layers:

- Management: the relationship between management decision-making and accounting, and decision-making responsibility
- Managers: utilization of accounting figures and judgment in business operations and departmental management
- General employees: basic understanding of accounting, and the relationship between one’s own work and accounting and fraud risks

④ Strengthening of the Internal Audit Function

[Cause of Occurrence]

Within our Group, an organizational culture in which it was difficult to express opinions or raise issues had been formed. In addition, insufficient development and dissemination of “mechanisms,” including organizational and workplace environments that ensure psychological safety—where “employees will not suffer any disadvantage for expressing dissenting opinions or raising questions”—as well as internal reporting systems, became one of the factors that

weakened deterrent functions, preventing the early detection and correction of inappropriate accounting treatments.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives:

- **Strengthening the operational framework of the internal reporting system (including the 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**

We position the strengthening of the internal reporting system as one of the major reforms under our recurrence prevention measures. As outlined above, we will improve the operation and strengthen the framework of the internal reporting system by establishing “external reporting channels that ensure independence” and “reporting channels to outside Audit & Supervisory Board Members,” among other measures. In addition, we will promote understanding that “the internal reporting system exists to protect the organization,” thereby enhancing employee trust and ensuring the effective functioning of the system.

Corresponding Items	Implementation Details	Implementation Schedule
1. Development of the operational framework	(1) Establishment of an additional reporting channel handled by outside Audit & Supervisory Board Members	From April 2026
	(2) Establishment of an additional reporting channel operated by an external third party (outsourced reception)	From July 2026
	(3) Revision and enhancement of operational guidelines (including disclosure of response workflows)	From April 2026
	(4) Establishment of reporting channels at all subsidiaries (assignment of personnel, finalization of procedures, and training of personnel)	Completed across the Group by the end of December 2026
2. Promotion of awareness of reporting channels	(1) Distribution of updated posters clearly indicating reporting channels and whistleblower protection	From April 2026
	(2) Update of information posted on the internal intranet	From April 2026
	(3) Introduction of case examples and disclosure of operational status	From July 2026 (to be disclosed sequentially)
3. Functional enhancement and verification	(1) Fact-finding surveys on awareness and trust (conducted through employee awareness surveys)	From February 2026 (conducted on a regular basis)
	(2) Training for personnel engaged in reporting channels (including pledge procedures), linked with item 1.(4)	From April 2026 (to be implemented sequentially)

	(3) Mock whistleblowing training	From July 2026 (to be implemented sequentially)
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*In addition, the Compliance Committee will discuss and review the implementation status and effectiveness of the above measures.

(2) Governance Reform

① Strengthening of the supervisory function of the Board of Directors

[Cause of Occurrence]

The Board of Directors is responsible for supervising the execution of duties by management, identifying material risks, and implementing appropriate corrective actions. However, we recognize that these responsibilities were not fully fulfilled, resulting in insufficient monitoring, checks, and corrective actions, which became one of the factors preventing the prevention or early detection of inappropriate accounting treatments.

Specifically, we recognize the following factors as contributing causes:

- Insufficient monitoring and checks on top management
- An inadequate composition of the Board, including the absence of directors overseeing administrative functions
- Excessive concentration of authority, including personnel authority, in top management
- Insufficient supervisory and checking functions of outside directors
- Inadequate institutional design and operation for compliance and risk management, including the effectiveness of internal controls
- Insufficient strengthening of the Board's supervisory function through coordination with Audit & Supervisory Board Members
- Insufficient awareness of our responsibility for the preparation of our financial statements and our accountability to investors

[Recurrence Prevention Measures]

As measures to prevent recurrence, we will implement the following initiatives.

i. Rebuilding of the governance framework aimed at identifying, understanding, and improving issues related to internal controls across the Group

• At our Company, a strong top-down command-and-control structure was in operation, and information necessary for the Board of Directors to exercise appropriate supervisory functions (including decision-making processes and the basis for judgments) was not sufficiently provided. Going forward (from February of this year), in order to enable the Board to fully exercise its supervisory role and enhance discussions on management strategy, we will proactively request and share information necessary for such purposes—such as materials and minutes submitted to key executive meetings (including the Executive Management Committee and budget meetings), information on the basic policies and strategies underlying budget formulation as considered by management, the status of progress of business plans, risk information, the effectiveness of internal controls over financial reporting, and risk information related to financial statements—examine the appropriateness of such information, and thoroughly follow up on matters deliberated. In addition, we will establish a supporting secretariat structure

(approximately two personnel) by April 2026.

- In order to enhance the quality of discussions, it will also be necessary to reduce deliberation on execution matters of relatively low importance. Accordingly, we will review the criteria for matters submitted to the Board by analyzing and revising the Board Regulations and the agenda and operation of the Executive Management Committee, as well as reviewing the scope of authority of each department and subsidiary, and will commence operation under the new framework from July 2026.

ii. Supervision and checks on important decision-making by top management

- In the past, the Chair of the Board was held by top management with decision-making authority, and as a result, the Board of Directors did not operate in an environment in which supervision and checks on the decision-making of top management functioned sufficiently.

- On January 30, 2026, we changed the Chair of the Board to an independent outside director, Director Chitose, thereby strengthening the supervisory and checking functions of the Board of Directors. In addition, in order to enable the independent outside director to fully exercise the authority of the Chair, we will establish a supporting secretariat structure (as described above).

iii. Review of the composition of the Board of Directors with the aim of strengthening supervisory functions

• Appointment of directors overseeing administrative functions to promote stronger management and supervisory capabilities

At present, we do not have a director overseeing the Company's administrative functions. In order to strengthen management supervision and checks at the Board level, will appoint, subject to approval at the shareholders' meeting scheduled to be held in June this year, a director possessing the skills necessary to enhance supervisory and checking functions of we the Board of Directors.

In light of the recent inappropriate accounting issues, we appointed Mr. Karato, Senior Executive Officer, as Chief Officer in charge of Finance and Accounting effective March 16, 2026, assigning him responsibility for the Accounting Department, Finance & IR Strategy Department, Business Management Department, and AI & DX Promotion Department.

• Increase in the number or ratio of independent outside directors

Currently, we have four independent outside directors. In order to further strengthen the supervisory and checking functions of the Board, we will, subject to approval at the shareholders' meeting scheduled to be held in June this year, appoint two additional independent outside directors with expertise in financial accounting and business strategy that complements the Board's skills matrix, or otherwise increase the ratio of outside directors.

• Consideration of future changes to the governance structure

We will examine and determine the optimal governance structure for the Company—whether as a company with an Audit & Supervisory Board, a company with an Audit & Supervisory Committee, or a company with a Nominating Committee, etc.—no later than the end of December 2026.

In January this year, we already held a seminar conducted by an external consultant at a meeting of the Board of Directors and initiated discussions among directors and Audit & Supervisory

Board Members, and we will continue to reconsider the appropriate form of the Company's Board of Directors.

iv. Establishment of systems to prevent excessive concentration of personnel authority in top management

• Development of systems and operational practices intended to decentralize authority

To prevent excessive concentration of personnel authority in top management, we will redefine, by July 2026, appointment rules and related frameworks for key personnel matters, including executive officers and presidents of subsidiaries, and revise our systems and operations to promote the decentralization of personnel authority.

v. Strengthening of the monitoring and checking functions of outside directors

• Regular exchange of opinions between outside directors and top management

From April 2026, we will establish opportunities, outside the framework of Board meetings, for quarterly regular exchanges of opinions between outside directors and top management

• Participation in key executive meetings, such as the Executive Management Committee and budget meetings

Through such participation, we will monitor materials and minutes submitted to these meeting bodies and the status of discussions, and share information regarding basic policies and strategies formulated by the executive side, as well as the progress of business plans and risk information.

• Strengthening of information gathering and identification of issues through enhanced interaction with executive officers and other senior management

From July 2026, we will set, on a quarterly basis, opportunities for interaction between outside directors and executive officers and other senior management regarding key themes and risk factors in our business strategy, thereby enabling issue identification and strengthening checking functions. Based on information obtained through these opportunities, outside directors will confirm with the executive side the current issues and countermeasures, taking into account their own expertise and information from other companies, and will provide instructions as necessary

• Appointment of an outside director as Chair of the Board of Directors (already implemented)

As described in item (ii) above, this has already been implemented.

vi. Strengthening of responses to compliance and risk management, including the effectiveness of internal controls

• Reaffirmation of the importance of compliance and risk management

At the next regular meeting of the Board of Directors (April 2026), we will discuss and share recognition of the importance of compliance and governance, including the effectiveness of internal controls, across the entire Group including subsidiaries. In addition, we will conduct director training in July 2026 to enhance directors' awareness and accumulation of knowledge regarding these matters

• Reconstruction of internal control systems from a Group-wide perspective

As described below, we will rebuild internal control systems from a Group-wide perspective and ensure that information regarding Group-wide compliance and governance is provided to the

Board of Directors on a monthly basis. As directors and as the Board, we will conduct thorough fact-finding investigations of fraud and fraud risks detected, identify governance and internal control issues, formulate and implement Group-wide recurrence prevention measures, and carry out periodic monitoring.

· **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**

To strengthen directors' supervisory functions, we will review the roles and functions of each advisory body and, as appropriate, make changes to their composition, including internal members centered on directors and executive officers and external members who are outside experts, so that these bodies can deliberate from their respective professional perspectives and provide appropriate recommendations to the Board of Directors

· **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**

With regard to the scope of matters to be discussed, the composition of members and attendees, the frequency of meetings, and the methods for reporting discussion outcomes to the Board of Directors for the Compliance Committee and the Risk Management Review Meeting, we will finalize the outline by the end of March 2026. From April 2026, we will proceed with phased implementation, and from July 2026, we will launch a new committee framework.

Both committees will, at a minimum, be held quarterly (four times per year) and will also be convened on an ad hoc basis as necessary when significant matters arise. Members and attendees will include business executive officers and heads of business divisions (unit heads) (with such participation already in place for the Compliance Committee), and depending on the agenda, presidents of subsidiaries may be invited, thereby enabling flexible meeting operations aligned with the actual conditions of Group management.

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**

From March 2026, on a quarterly basis, we will hold offsite meetings between Board members and the executive side and conduct site visits by outside directors, and strengthen information sharing centered on outside directors. We will discuss insights obtained through these activities at Board meetings and, where necessary, conduct additional investigations and follow-up, thereby strengthening supervisory functions.

In addition, in March 2026, we will conduct a Board effectiveness evaluation by an external organization, promptly address identified issues and external recommendations, and build a renewed Board framework.

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

From April 2026, we will establish opportunities for semiannual exchanges of opinions between outside directors and Audit & Supervisory Board Members

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

[Cause of Occurrence]

The Audit & Supervisory Board is responsible for auditing the execution of duties by directors from an independent standpoint to ensure the appropriateness of business execution, and also for auditing and verifying the effectiveness of internal control systems that are designed and operated by the Board of Directors. However, we recognize that the functions and responsibilities of our Audit & Supervisory Board were not sufficiently fulfilled, which resulted in insufficient monitoring, checks, and corrective actions, and became one of the factors preventing the prevention or early detection of inappropriate accounting treatments.

Specifically, we recognize the following matters as contributing causes:

- Insufficient proactive deliberation and recommendations
- Insufficient information gathering necessary for deliberation and recommendations
- Lack of mechanisms enabling early identification of risk indicators
- Insufficient strengthening of supervisory functions through collaboration with the internal audit department and the audit firm
- Insufficient consideration of skill balance in selecting Audit & Supervisory Board Members, and insufficient clarification and transparency of selection criteria

[Recurrence Prevention Measures]

As recurrence prevention measures, we will promptly implement the following initiatives.

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**

From the fiscal 2026 plan onward, we will formulate audit plans based on risk indicators proactively identified through our own information gathering, and will also focus audits on fraudulent schemes and on errors with a higher likelihood of occurrence that were identified through the investigation into the inappropriate accounting in this matter.

With respect to audit plans and significant findings from important audits, we will report not only at regular meetings of the Audit & Supervisory Board but also periodically or in a timely manner to the Representative Director and the Board of Directors, share various issues within the Group, encourage discussions from the perspectives of governance and compliance, and work toward establishing an effective response framework.

In addition, we will review the selection and allocation of audit assistants (including the relevant department), expand functions that support the collection of internal information and the identification of issues, and, as necessary, utilize external fraud and accounting experts (such as attorneys and certified public accountants) to address any gaps in perspectives or skills.

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**

We will expand attendance at key meetings such as the Executive Management Committee and budget meetings, which had previously been attended only by the Chair of the Audit & Supervisory Board. Full-time Audit & Supervisory Board Members will also attend risk-focused meetings such as the Compliance Committee and the Risk Management Review Meeting that they had not attended previously. In addition, we will revitalize communication with leaders of business divisions, administrative divisions, and representatives of Group companies, and rebuild reporting lines so that important matters—particularly risk information—are promptly communicated to Audit & Supervisory Board Members.

Furthermore, in addition to existing opinion exchanges with the Representative Director (at least semiannually) and interviews with division heads, we will conduct interviews with representatives of major subsidiaries (at least once per year).

As an implementation plan through June 2026, we expect to target approximately 10 companies, mainly those for which the Company's Audit & Supervisory Board Members concurrently serve as outside part-time Audit & Supervisory Board Members. Thereafter, for the first year (April 2026 to March 2027), we expect to target 30 to 40 companies. Target selection will be based primarily on sales scale, while also taking into account company-specific risks evaluated when formulating audit plans (selection based on risk assessment using the latest data after the finalization of results for the fiscal year ended March 2026).

In addition, we will establish opportunities for information sharing involving, in principle, all Audit & Supervisory Board Members of subsidiaries (a "Subsidiary Audit & Supervisory Board Liaison Meeting" (tentative name)), with the first meeting planned for October in fiscal 2026. Through this forum, we will confirm audit methodologies, share subsidiary audit results and issue awareness, and, together with relevant departments, promote continuous improvement in the quality of Audit & Supervisory Board audits across the Group, while also gaining a cross-sectional and multifaceted understanding of the actual conditions of subsidiary management.

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**

From fiscal 2026, in order to understand the management environment and changes thereto, and our corresponding responses, structures, and issues, we will request expansion of the scope of matters reported to the Board of Directors, such as business performance and progress of investment projects. We will also expand communication to include officers other than the Representative Director and senior management, while visiting operational sites of the parent

company and Group companies to identify issues from on-site practices. By assessing risks from both a comprehensive perspective and an on-the-ground perspective, we will provide pointed feedback and improvement recommendations to the executive side and track follow-up.

In audit practice, we will identify priority issues through risk analysis, verify and review (in principle annually) the execution status of audit plans, and conduct interviews with management and surrounding personnel to deter management override of internal controls and identify warning signs (to be implemented from on-site audits starting in May 2026). In addition, through the internal audit department and other functions, we will confirm the status and operation of rule development and business process improvements and evaluate the effectiveness of internal reporting systems at subsidiaries, thereby promoting initiatives focused particularly on fraud risks.

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

From April 2026, we will lead efforts to ensure reliable development and operation by conducting, at least quarterly, discussions among Audit & Supervisory Board Members, the Internal Audit Office, and the accounting auditor regarding confirmation of the status of internal control development.

In addition, at monthly meetings of the Internal Audit Office, we will promote two-way communication such as sharing specific errors and risk conditions recognized by Audit & Supervisory Board Members, proactively utilize information collected by the Internal Audit Office, and conduct timely alignment of risk assessments, thereby strengthening audit functions.

v. Clarification of criteria for the appointment of Audit & Supervisory Board Members and enhancement of transparency in the selection process

With respect to candidates for Audit & Supervisory Board Members, we will conduct necessary investigations and deliberations within 2026, clarify appointment criteria taking into account the skill balance of the Audit & Supervisory Board, and enhance transparency of the decision-making process leading to candidate recommendations, including reporting to the Board of Directors. In addition, in order to verify the results of recurrence prevention measures for the fiscal year ending March 2027, we will conduct an effectiveness evaluation of the Audit & Supervisory Board.

We will also review the selection of Audit & Supervisory Board Members of subsidiaries as an effective function of Group governance, and will make recommendations to the executive side regarding more effective structures and selections.

③ Strengthening the role of the Nomination and Remuneration Committee

[Cause of Occurrence]

At the Company, circumstances such as the excessive concentration of authority in certain directors, the absence of directors overseeing administrative functions, and unclear processes for the appointment of outside directors resulted in a situation that was not necessarily

appropriate for fulfilling the Board of Directors' responsibility to identify material risks and implement appropriate corrective actions. As a result, insufficient monitoring, checks, and corrective actions were taken, which became one of the factors preventing the prevention or early detection of inappropriate accounting treatments.

In addition, we recognize that insufficient training for directors regarding the responsibilities expected of them hindered the effective functioning of governance, and consequently contributed to the occurrence of inappropriate accounting treatments and a weakening of deterrent functions for early correction.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives.

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**

In fiscal year 2025, we designed the following systems (items (1) through (5)); however, the execution and effectiveness based on these designs will be realized from fiscal year 2026 onward.

(1) Development of an annual schedule

(2) Establishment of a six-year term for outside directors whose terms had not previously been defined (based on this arrangement, one outside director is scheduled to retire in June 2026)

(3) Establishment of the process for appointing outside directors for the following fiscal year and selection of candidates for outside directors in accordance with that process

(4) Review of the remuneration system for internal directors and reconstruction of evaluation methods

(5) Establishment of the process for appointing internal directors for the following fiscal year and selection of candidates for internal directors in accordance with that process

ii. Development and implementation of an overall framework for the CEO succession plan

We will conduct discussions on the capabilities and leadership required of the Company's CEO and define the relevant requirements. As the requirements for the CEO may vary depending on the circumstances faced by the Company at any given time, in light of the inappropriate accounting issues, members of the Nomination and Remuneration Committee are currently discussing the requirements and profile of the CEO necessary for the Company, in connection with directors to be elected at the shareholders' meeting to be held in June this year.

After a CEO is selected through these discussions, we will continue, on an annual basis, to select appropriate candidates for the CEO position several years ahead (while a five-year horizon is generally used, the appropriate period itself will also be subject to discussion in light of the Company's circumstances), formulate development plans, and develop such candidates

accordingly.

iii. Enhancement of the quality of outside directors and executive directors (training and education plans)

In order to ensure that directors understand their roles and responsibilities, we will require current and newly appointed internal and outside directors to continuously participate in training programs provided by the Japan Association of Directors (web-based or in-person programs, consisting of seven sessions for outside directors and eight sessions for internal directors).

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

① The establishment of executive officers responsible for finance and accounting

[Cause of Occurrence]

At the Company, there was no executive officer responsible for finance and accounting, and operations were carried out under direct instructions from top management.

In principle, an executive officer responsible for finance and accounting should monitor and check matters relating to accounting treatments, identify material risks, and implement appropriate corrective actions. However, we recognize that the absence of such an executive officer resulted in insufficient monitoring, checks, and corrective actions, and became one of the factors leading to the occurrence of inappropriate accounting treatments.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives.

• 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

From March 2026, we will establish an executive officer responsible for finance and accounting with expertise in finance and accounting, and build a framework to implement “correct accounting treatments” from a position independent from business operations.

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

[Cause of Occurrence]

While our Group has come to have more than 200 Group companies through M&A and other means, increases in personnel and the upgrading of accounting functions did not progress sufficiently, and quantitative and qualitative shortages became chronic. This reduced the quality assurance of consolidated financial statements and disclosure and weakened the effectiveness of monitoring and support for Group companies. As a result, “correct accounting treatments” that should have been implemented were not adequately executed or checked, which became one of the factors that led not only to the occurrence of inappropriate accounting treatments but also to the implementation of prior-period corrections (adjusting journal entries).

Specifically, we recognize the following matters as contributing causes:

- Insufficient accounting knowledge at the head office and subsidiary accounting departments as departments responsible for accounting at a listed company
- Dependence on specific individuals and concentration of work on particular personnel in the head office accounting department
- Insufficient coordination and dialogue between the head office and subsidiary accounting departments, resulting in cases where accounting treatments were conducted without sufficient understanding of business realities and transaction details
- Unclear processes and criteria for judgment in accounting-critical operations requiring judgment and evaluation, and insufficient dissemination and thorough implementation thereof
- Insufficient awareness of our own responsibility to ensure appropriate financial reporting, including the mindset that accounting treatments would be considered acceptable so long as they were not explicitly rejected by, or subject to significant doubt from, the audit firm
- Insufficient awareness that the head office accounting department, which is responsible for consolidated accounting and disclosure practices, is the organization bearing ultimate responsibility for the appropriateness of Group-wide financial reporting and is a cornerstone of internal controls over financial reporting

[Recurrence Prevention Measures]

As recurrence prevention measures, we will promptly implement the following initiatives.

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**

The head office accounting department currently consists of 16 members in total (eight in the standalone accounting team and eight in the consolidated accounting team). We recognize that this structure is insufficient, given the scale of our Group formed by approximately 200 subsidiaries, to ensure the quality of consolidated accounting and disclosure and to secure the effectiveness of monitoring and support for Group companies, and that this became one of the factors leading to inappropriate accounting treatments.

To address this, we will rebuild internal controls in the business divisions as the “first line,” and, as the “second line,” strengthen the head office accounting department’s Group-wide function to control accounting overall (rule design, support, and checks), thereby ensuring the appropriateness of the Group’s financial statements.

Specifically, from March 2026, as strengthening of the first line, we will promote changes in compliance awareness at subsidiaries and improve accounting literacy, review the division of duties and authority holders in each organization, and rebuild workflows based on those reviews. As strengthening of the second line, we will support the rebuilding of internal controls and strengthen monitoring frameworks through financial analysis and other means. As the scope of

support is expected to expand through stabilization of operations, we will establish a structure within the head office accounting department to assign each person responsibility for 5 to 7 subsidiaries for focused support and checks.

To realize these measures, we will increase personnel by approximately 20 within one year through internal transfers and recruitment of personnel with specialized knowledge, expanding to a structure of approximately 40 personnel, and increase the consolidated accounting team from the current eight to approximately 30 personnel (an increase of approximately 10 personnel has already been implemented in March and April 2026, or has been confirmed). Internal transfers will center on personnel with accounting experience from departments such as planning and administration divisions of business units and the corporate planning function, while also transferring personnel with less accounting experience from a broader range of departments, including as part of education aimed at future increases in accounting personnel.

Through internal transfers from business divisions, we will deepen business understanding within the accounting function and strengthen early identification of issues through dialogue with subsidiaries and business divisions. Through external hiring, we will enhance expertise by strengthening reviews of important accounting matters. By pursuing both approaches, we will resolve quantitative and qualitative shortages in accounting functions.

If internal transfers and external hiring do not proceed as planned and resources become insufficient, we will secure required capacity during that period through outsourcing and support by external experts.

【Schedule】

- March–April 2026: Completion of an increase of approximately 10 personnel through internal transfers
- March 2026–March 2027: Completion of an increase of approximately 5 to 10 personnel through external hiring

• Rebuilding of business processes with properly established segregation of duties, approval, and checking functions

Within the head office accounting department, we will clarify the segregation of duties, backup structure, and decision-making processes, and shift from a “structure dependent on specific individuals” to a “structure that functions stably as an organization.”

Specifically, in April 2026, we will separate roles into: (i) preparers of materials and originators of vouchers, (ii) reviewers who check the appropriateness of figures and key accounting issues, and (iii) approvers who bear final responsibility for decisions. We will also differentiate approval routes by materiality level; for example, for treatments that may have a significant impact on financial statements, such as impairment losses and provisions, we will require multiple-person confirmation and approval processes, including internal departmental meetings and CFO approval.

In addition, to ensure that judgments are consistent regardless of who makes them, we will proceed by June 2026 with the documentation of judgment criteria, operating procedures, and manuals. In an environment where rules and workflows have been formalized and job rotation is facilitated, we will conduct periodic rotations according to the nature of work—such as

approximately annually for minor tasks like journal entry posting and aggregation, and approximately every three years for advanced accounting tasks such as selecting accounting treatments and changing estimates—thereby eliminating over-reliance on individuals and building and maintaining a structure in which multiple personnel can perform the same work.

In parallel, for important operations such as consolidated closing, impairment assessments, and revenue recognition, we will document them in rules and guidelines, and not only define operating procedures but also document decision-making processes and the history of deliberations, accumulate and share them as an organization, and build and operate processes that enable consistent responses based on past decision rationales.

Furthermore, when important accounting issues or doubts regarding accounting treatments arise in business divisions or subsidiaries, we will establish reporting lines to the head office accounting department and develop frameworks that enable early detection and correction of issues.

[Schedule]

- From March 2026: Conduct an inventory of head office accounting department operations; begin operating the documentation of evidence for judgment rationales (position papers).

- From April 2026: Begin operating reporting lines for important accounting issues and doubts regarding accounting treatments.

- **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**

Within our Group, we will establish a framework for continuous two-way communication by creating opportunities for regular information sharing and exchanges of opinions between the head office accounting department and subsidiary accounting departments, where such coordination and dialogue have not been sufficient.

Specifically, we will rank subsidiaries based on company scale (such as net sales, profit, and total assets), qualitative materiality, and control status. Taking business classification into account, for approximately 20 to 30 companies classified in higher ranks, we will hold monthly regular meetings, premised on information sharing from subsidiaries regarding changes in business realities and confirmation of key accounting issues. For other companies, we will hold meetings at least quarterly, and small meetings as needed.

In addition, we will conduct monthly Q&A responses based on financial analysis via email and other means, assign person in charge within the head office accounting department for each subsidiary, publish FAQs to reduce the frequency of repeated questions, and plan to provide overall explanations to confirm policies and thoroughly disseminate system revisions.

Through these measures, we will foster deeper understanding of business content and transaction realities, confirm the appropriateness of accounting treatments, and provide appropriate advice and support to subsidiary accounting departments, thereby building a framework in which accounting treatments aligned with business realities are carried out from a Group-wide perspective.

By June 2026, we will also strengthen the dissemination and sharing with subsidiary accounting

departments of accounting policies and approaches to important accounting treatments, and develop mechanisms for the head office accounting department to appropriately involve itself and support subsidiaries depending on their capabilities. In particular, for important accounting judgments and exceptional transactions, we will proactively take the lead at the head office accounting department to improve the quality of accounting treatments and the effectiveness of internal controls.

[Schedule]

• From June 2026: Establish regular forums for information sharing and exchanges of opinions (regular meetings, etc.) between the head office accounting department and subsidiary accounting departments; in principle, to be held before quarterly closings

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**

We will reaffirm the head office accounting department as the organization bearing ultimate responsibility for Group-wide financial reporting, and aim to become an organization supported by compliance awareness that takes proactive actions to prevent inappropriate accounting treatments.

As consolidated financial statements are prepared based on reported figures from each consolidated entity, we recognize that the cornerstone of internal controls over financial reporting extends not only to the head office accounting department but also to subsidiary accounting departments.

Based on the above, for both head office and subsidiary accounting departments, we will implement continuous education and training on accounting standards, disclosure 制度, and internal controls over financial reporting as a mechanism to transform organizational culture and behavioral patterns, rather than “one-time training.” Specifically, as a Group-wide common initiative, we will conduct education such as case studies using our own inappropriate accounting cases as teaching materials and e-learning training approximately once to twice per year, in order to establish a culture of appropriate accounting treatments as an organization.

Through these efforts, we will, for each member of the accounting function, enhance knowledge and skills, instill a sense of responsibility as the ultimate responsible organization and a high level of ethical awareness, and thoroughly disseminate awareness that the accounting function plays an important role in preventing inappropriate accounting treatments.

[Schedule]

• From April 2026: Hold study sessions and utilize external training and e-learning to establish awareness of internal controls and high ethical standards.

• **Continuous education and training to ensure sufficient accounting knowledge**

For the accounting departments of the head office and subsidiaries, we will strengthen the

accounting framework by implementing continuous and systematic education and training on accounting standards, consolidated financial reporting, and related matters, rather than relying on one-off initiatives.

The training program will focus on enhancing fundamental accounting knowledge through e-learning and other methods. In addition, without placing undue emphasis on abstract theory, training materials will be based on practical operations such as consolidated financial reporting and subsidiary management. By ensuring the acquisition of practical accounting knowledge that enables appropriate accounting judgments in day-to-day operations, we will prevent the uncritical continuation of incorrect practices and past operational approaches.

[Schedule]

- From June 2026: Conduct regular study sessions and training between the head office and subsidiary accounting departments; at least four times per year, in principle before quarterly closings.

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

[Cause of Occurrence]

We recognize that the insufficiency of internal controls from a Group-wide perspective, or the fact that such controls had become dysfunctional, became one of the factors causing errors and inappropriate accounting treatments, and further contributed to weakened deterrent functions that prevented early detection and correction.

Specifically, we recognize the following matters as contributing causes:

- Although basic rules were stipulated to be common across all Group companies, centralized management did not extend to the development, appropriate updating, and thorough dissemination of those common rules, including inventory-count rules that resulted in numerous instances of inappropriate accounting.
- In areas where inappropriate accounting treatments could occur, such as inventory management and sales management, workflows to ensure accuracy—including the formalization of processing procedures and checking activities by persons other than the responsible party—were not sufficiently developed and/or not properly operated in practice.
- Many directors and Audit & Supervisory Board Members dispatched from the Company to subsidiaries lacked sufficient accounting literacy and, being responsible for performance management of the businesses under their jurisdiction or in the reporting line, together with our corporate culture that tends to prioritize performance over compliance, this led to inadequate execution of appropriate accounting treatments and/or weakened checking functions.
- Under the unit-based organizational system, as performance pressure on unit heads and other business division officers and subsidiary officers increased, units (including subsidiaries under their jurisdiction) lacked monitoring and checking functions from a position independent of performance interests to ensure proper business execution, and deterrent functions against fraudulent or improper acts did not function sufficiently.
- On-site training, management structures, and workflow development necessary to ensure the accuracy of business processing and accounting processing were not sufficiently implemented.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will promptly implement the following initiatives.

i. Strengthening of internal controls within subsidiaries

- Development of internal regulations and related rules

With respect to inventory counts, which resulted in numerous instances of inappropriate accounting, we will hold briefing sessions toward the end of March 2026 and have each company introduce inventory procedures, executing this as the highest priority to establish appropriate management conditions for this fiscal year-end closing. Thereafter, by around October 2026, we will develop Group-wide inventory management rules, as well as other accounting-related regulations

• Development of business workflows, and thorough implementation of operational improvements

We will conduct on-site inspections of subsidiaries by the head office accounting department, or by departments that support subsidiary management in coordination with that department, and, in coordination with the Internal Audit Office and other functions, grasp the extent to which regulations are reflected in actual operations and how they are being operated, and implement corrective actions and improvements. In addition, we will develop and operate workflows so that the accuracy of processing is ensured and appropriate monitoring and checking functions work effectively.

Specifically, we will prioritize for inspection subsidiaries where inappropriate accounting treatments occurred, subsidiaries that have previously received internal control findings, and subsidiaries assessed as high risk based on factors such as sales scale and transaction details. From July 2026, we will conduct inspections and confirm (i) the operational status of accounting-related regulations including inventory and sales management, (ii) the status of workflow development, and (iii) the effectiveness of checking functions.

In the inspections, we will verify major accounting processes such as inventory, sales recognition, and cost calculation from the following perspectives:

- (1) Status of rule and manual development
- (2) Whether there are gaps between actual processing and prescribed procedures
- (3) Effectiveness of approval and confirmation processes

Based on these results, we will revise workflows to ensure accuracy and effective monitoring and checking functions, including clarifying segregation of duties, establishing multi-person confirmation and approval processes, and clarifying reporting/consultation routes to the head office accounting department regarding high-materiality transactions and accounting issues. We will complete these inspections and corrective/improvement actions promptly and no later than within fiscal year 2026.

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**

We will build an officer structure at subsidiaries that understands accounting, closing, internal controls, and risks, and is capable of exercising checking functions. From the perspective of

strengthening deterrence, we will assign personnel with sufficient accounting knowledge as Audit & Supervisory Board Members or officers overseeing accounting and finance, so that they can appropriately confirm and check closing contents and the status of internal controls from a position independent from business execution. We will complete an assessment by around April 2026 regarding whether candidates for subsidiary officers can oversee accounting, and will make assignments by around June 2026.

In addition to routine reporting from subsidiaries (e.g., quarterly Group Audit & Supervisory Board meetings), we will identify issues through on-site visits and numerical analyses such as period-on-period variance analysis based on business understanding, and will conduct confirmations and corrective actions for subsidiaries as necessary. Based on the circumstances of each company, by around October 2026, we will proceed with strengthening management structures through reviewing and increasing appropriate personnel allocations, replacing responsible persons, and utilizing outsourcing. We will also establish, within business divisions, management functions from an independent standpoint to ensure proper business execution.

- **Education and training for on-site personnel regarding business processing and accounting processing, and improvement of accounting literacy**

To prevent the recurrence of inappropriate accounting, we will implement systematic education and training regarding business processing and accounting processing. With respect to the fraudulent accounting cases identified, we have already held a briefing session on March 6, 2026 for Group-wide managers (approximately 440 participants), disclosed the names of the Group companies involved, and instructed each company to take responsibility for appropriate corrective actions. We have also distributed recordings of the session to managers and require them to understand and disseminate the content, thereby promoting education for recurrence prevention.

For general employees, by around the first half of fiscal year 2026, we will implement awareness-raising and education via e-learning regarding matters that must not be repeated. In addition, within fiscal year 2026, we will also implement education on corporate ethics and accounting literacy in general via e-learning, as described above.

To enable each company to conduct appropriate self-inspections, on March 27, 2026, we formulated a fraudulent accounting checklist and rolled it out across the Group. With confirmation by an external accounting specialist organization, this checklist covers matters related to fraudulent accounting identified in this case, such as document falsification, numerical adjustments, and inventory valuation. Through self-inspections based on the checklist, anomaly analysis based on fluctuations in sales and other items, and visualization of transaction flows, we will build a framework that enables the appropriate execution of closing procedures.

Furthermore, we will hold quarterly closing briefing sessions to provide appropriate education on matters to note and key points for confirmation in closing procedures, and will continue these efforts so that closing operations at each company are performed appropriately.

- **Periodic verification of appropriateness and monitoring of areas where inappropriate accounting treatments may occur, such as inventory and sales management**

Toward the fiscal year ended March 2026 closing, we held a physical inventory briefing session

for all related companies on March 5, 2026 (555 participants), clarified methods for conducting physical inventories and approaches to evidence management, and, on March 6, 2026, held a briefing session on the fraudulent accounting cases identified, while disseminating and thoroughly implementing sales recognition rules based on the revenue recognition standard.

In addition, for each inappropriate accounting case identified, we will organize, by around March 2026, the measures to be implemented by each company and will proceed sequentially.

Thereafter, at the Company, we will organize monitoring items such as analyses of changes in sales and gross profit around period-end and reviews regarding the application of the percentage-of-completion method, and, from July 2026, after establishing the necessary framework, we will implement monitoring. Meanwhile, at subsidiaries, we will clarify confirmation items necessary for appropriate financial statement preparation—such as checks using revenue recognition standard checklists, consistency checks with collection status, and the clarification and visualization of transaction flows and each company’s role (principal or agent) on a transaction-by-transaction basis—and incorporate them into business workflows.

For high-materiality transactions and exceptional transactions in business divisions and subsidiaries, we will clarify reporting and consultation lines requiring prior consultation with and reporting to the head office accounting department, and establish a rule under which the head office accounting department makes the final judgment. Based on monitoring results and closing responses, including physical inventories, we will proceed step by step with further review and strengthening of internal controls and operations, thereby building a framework that continuously ensures appropriateness.

④ Strengthening of the Internal Audit Function

[Cause of Occurrence]

We recognize that the Internal Audit Office lacked an organizational structure capable of effectively completing internal control evaluations, as well as the mindset required to serve as the “third line,” sufficient knowledge and skills, and well-established and properly operated information-sharing and collaboration frameworks. As a result, the necessary deterrent effect on audited entities through internal control evaluations did not function sufficiently, which became one of the factors preventing the early detection and correction of inappropriate accounting treatments.

Specifically, we recognize the following matters as contributing causes:

- Despite the Internal Audit Office’s important role as the “last line of defense” conducting independent evaluations, its limited staffing and a customary audit approach focused on avoiding the identification of deficiencies, rather than providing necessary deterrence, prevented it from fulfilling its role sufficiently.
- Insufficient recognition of the role of the Internal Audit Office within our Group.
- Inadequate frameworks to promptly and appropriately verify, evaluate, and report risks and deficiencies detected through internal audits and similar activities.
- Insufficient awareness among Internal Audit Office personnel that the office serves as the “last line of defense” conducting independent evaluations.
- Insufficient knowledge and skills within the Internal Audit Office to appropriately perform internal

audit work.

- Insufficient collaboration among Audit & Supervisory Board Members, the audit firm, and the Internal Audit Office, and insufficient establishment and operation of information-sharing and collaboration frameworks, resulting in a failure to conduct the Internal Audit Office's essential activities effectively by leveraging each party's audit expertise.

[Recurrence Prevention Measures]

As recurrence prevention measures, we will implement the following initiatives.

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**

We will place importance on assigning personnel who possess the skills necessary for internal audit work, and will assign individuals with sufficient knowledge and experience to appropriately perform internal audit activities.

In addition, we will increase personnel who meet the above criteria by 12 each year by the end of fiscal year 2028, establishing a 50-person structure (as of April 1, 2026, we have 16 personnel; for fiscal year 2026, as a guideline, we plan an increase of 12 personnel—six mid-career hires and six internal transfers—six in the first half and six in the second half).

As internal audit work is expected to increase significantly from fiscal year 2026, we will supplement resource gaps and accumulate knowledge within Internal Audit Office personnel by obtaining support from external experts with extensive expertise and a strong track record in corporate misconduct response-related work—such as fraud investigations and work ranging from due diligence to post-M&A PMI—at accounting consulting firms whose core members include certified public accountants from major audit firms. Such support will cover internal control support for audits under the Companies Act, remediation support for deficiencies for internal control development and operating effectiveness evaluations, and support for internal control audit responses under the Financial Instruments and Exchange Act (J-SOX). We will also consider reorganizing internal audit functions currently located in subsidiaries to more effectively and efficiently conduct internal audits at the parent company and to make effective use of personnel.

- **Clarification of roles that contribute to monitoring and oversight, and thorough dissemination thereof**

We will expand the scope of internal audits to include headquarters departments and divisions, and conduct subsidiary audits covering all subsidiaries. We will formulate an audit plan to audit all subsidiaries over three years, with priorities determined based on risk, targeting 70 companies in 2026, 80 companies in 2027, and 65 companies in 2028.

For internal control development and operating effectiveness evaluations, in addition to entity-level controls, we will strengthen controls by having all subsidiaries conduct self-checks using checkpoint lists for sales, purchasing, and inventory, and by evaluating their responses. We will formulate audit plans based on an understanding of risks and prioritization determined by risk, referencing both self-check responses and lists of deficiencies for subsidiaries inspected in

connection with this inappropriate accounting matter. As a schedule, we will conduct risk assessments by the end of June 2026 and promptly formulate specific audit plans thereafter.

In addition, by utilizing external experts, we will re-examine audit targets and audit items and expand various audit checklists (including operational audit and J-SOX audit checklists) within the first quarter of fiscal year 2026 to establish a foundation for appropriate monitoring. We will also establish within the Internal Audit Office a consultation desk for internal control matters for the entire Group, creating a framework to prevent internal control deviations in advance and enable early detection

• 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

When the Head of the Internal Audit Office identifies, through internal audits, inappropriate findings or improvement proposals equivalent to such findings that are of high importance, we will promptly report them to the Representative Director and Audit & Supervisory Board Members. As necessary, under the direction of the Representative Director, we will convene relevant units and required stakeholders (including second-line functions) to discuss corrective actions, and will promptly share information with relevant departments and meeting bodies such as the Risk Management Review Meeting and the Compliance Committee, enabling early responses to internal control risks across Group functions.

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

We will thoroughly instill awareness that the Internal Audit Office is the “last line of defense” that independently monitors and evaluates the effectiveness of internal controls. We will promote an awareness reform so that personnel recognize that performing their duties with this mindset helps prevent inappropriate accounting and reduces incentives for misconduct driven by excessive pressure, thereby contributing to a corporate culture that prevents inappropriate incidents and a workplace environment in which our Group employees can work with vitality.

• Implementation of continuous training in accounting and auditing with sufficient depth

We will create, within the first half of fiscal year 2026, an annual curriculum covering accounting, internal controls, audit procedures, and IT audits, and incorporate it into the Internal Audit Office’s medium-term activity plan. We will establish beginner, intermediate, and advanced levels, plan external seminar participation so that skills can be built systematically, budget for such participation, and reflect participation results in individual KPI evaluations to promote these efforts (once per quarter, four times per year).

In addition, we will promote qualification acquisition challenges by establishing tuition support programs for qualifications, utilizing subsidies for EIKEN and multi-language course fees, and reflecting such efforts in individual KPI evaluations.

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**

We will formalize a “Three-way Audit” meeting (Audit & Supervisory Board Members, the audit firm, and the Internal Audit Office) as a regular meeting at least quarterly to strengthen collaboration among the three parties. We will proactively share information not only by passively receiving explanations and reports from the audit firm, but also by actively sharing internal audit plans, audit results, and our perspectives on inappropriate accounting treatments. By ensuring alignment of monitoring perspectives and risk evaluations, we will utilize information and insights obtained through these activities in formulating and revising audit plans to conduct more effective internal audits. We will thoroughly ensure that material deficiencies and risks reported to the Representative Director are immediately shared with Audit & Supervisory Board Members and the audit firm

(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**

[Current Situation]

We originated in the industrial gas business and have pursued diversification by leveraging the broad range of related industrial fields, aiming to achieve stability through all-weather management. On the other hand, with the expansion of diversification and the increase in the number of Group companies, our core competencies have become less clearly defined. Accordingly, we recognize the need to redefine the Group's strengths as part of a review of our Company-wide strategy.

[Measures]

We will hold a Company-wide Business Strategy Meeting as a forum to review our core competencies. The first meeting is scheduled to be held between April and May 2026, and in principle, the meeting will be held once a year, while also considering holding extraordinary meetings as necessary.

At this meeting, we will redefine what constitutes our core and non-core businesses and discuss and determine the Company-wide business strategy from both quantitative and qualitative perspectives. In addition to top management and business leaders, directors including outside directors will participate in the discussions in order to identify and define the core strengths that form the foundation of the Company.

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**

[Current Situation]

To date, our business portfolio has been expanded through the exploration of projects and investments by business segment. However, we recognize that investment has not necessarily

been sufficiently concentrated in highly profitable businesses or businesses that generate strong Group synergies.

[Measures]

We will implement the selection and concentration of businesses by concretely executing the business portfolio strategy disclosed in our Medium-Term Management Plan.

From February 2026, we will establish a Portfolio Management Committee, which will define evaluation criteria for our portfolio and discuss, from perspectives such as business viability, core competencies, and governance, the approach to each business (e.g., growth, improvement, integration) as well as the positioning of each business within the Company-wide strategy going forward.

Based on these discussions, the Committee will also begin deliberations from March 2026 regarding strategic allocation of investment resources, including the setting of investment capacity by business domain and investment frameworks for areas essential to the Company's growth, such as governance enhancement and IT and technology development. We aim to determine the Group's policy by July 2026.

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

[Current Situation]

Since 2010, the number of consolidated subsidiaries in the Group has increased by an average of approximately eight companies per year. While this rapid increase supported continuous growth in sales and operating profit, it also resulted in an expansion of governance risks.

[Measures]

In response to the current issues, we will review the Group's company structure to enable the thorough implementation of Group governance.

We will place the highest priority on ensuring Group governance standards appropriate for a listed company across the entire Group, and as one of the measures to achieve this, we will promote the integration of companies with similar business characteristics. For companies that do not align with the Company's core competencies and for which a decision has been made to exit the business, we will promote the transfer of such businesses to the best owners through appropriate processes, with the aim of completing these actions by the end of fiscal year 2028.

END