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May 29, 2026

To All Concerned Parties

Company Name	Air Water Inc.
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Notice Concerning the Policy for Formulation of an Improvement Plan

We hereby announce that, as disclosed in our notice dated May 1, 2026, titled “Notice Concerning Designation as a Security on Alert and Demand for Payment of Listing Agreement Violation Penalty by the Tokyo Stock Exchange,” the Tokyo Stock Exchange determined that there is a high necessity to improve our internal management systems, and accordingly designated our shares as a Security on Special Alert as of May 1, 2026.

In response, the Tokyo Stock Exchange will conduct an examination regarding our internal management systems. In order to have the designation as a Security on Special Alert lifted, we have decided to formulate an improvement plan aimed at enhancing our corporate culture, governance, and internal management systems. We hereby announce that we have determined the basic policy for the formulation of such plan and for the submission of the “Improvement Plan and Status Report,” as set out below.

1. Policy for the Formulation of an Improvement Plan

As disclosed in our notice dated March 31, 2026, titled “Notice Regarding Receipt of Investigation Report from the Special Investigating Committee and Future Actions,” we have confirmed, as a result of the investigation conducted by the Special Investigation Committee, that inappropriate accounting practices had been carried out within our group, and that some of such practices involved the participation of top management and members of the management team.

We sincerely accept the findings on cause analysis and the recommendations for recurrence prevention measures pointed out in the investigation report. As disclosed in our notices dated April 3, 2026, titled “Notice Regarding Disciplinary Actions Against Related Parties” and “Notice Concerning the Formulation of Recurrence Prevention Measures (Detailed Version),” we have accepted voluntary reductions in executive compensation and, following repeated deliberations and discussions by the Management Reform Committee, an advisory body to the Board of Directors, we have formulated detailed recurrence prevention measures and are implementing initiatives to prevent recurrence.

In light of our designation as a Security on Special Alert, we will reexamine whether each of the above recurrence prevention measures is sufficient. In addition, we will formulate an improvement plan, including items not previously covered by the recurrence prevention measures, with respect to corporate culture reform, the appropriateness of our management structure and governance, our executive structure (including directors and Audit & Supervisory Board members) and appointment processes, as well as the development and operation of our internal management systems (including internal audits and subsidiary management). We will formulate such improvement plan through the process and schedule set out below, with the support of external experts, and plan to submit the “Improvement Plan and Status Report.”

Process		Implementation Schedule
1	Formulation of the outline of recurrence prevention measures based on the investigation report of the Special Investigating Committee (as of February 9, 2026), and initiatives toward their implementation and operation	February 13, 2026 (Completed)
2	Formulation of Recurrence Prevention Measures (Detailed Version) based on the investigation report of the Special Investigation Committee, and initiatives toward their implementation and operation	April 3, 2026 (Completed)
3	Reexamination of recurrence prevention measures based on the designation as a Security on Special Alert	From May 1, 2026 to mid-June 2026 (Partially completed)
4	Consideration and drafting of the improvement plan in response to the designation as a Security on Special Alert	From May 1, 2026 to mid-June 2026 (Planned)
5	Submission of the draft “Improvement Plan and Status Report” to Japan Exchange Regulation	Mid-June 2026 (Planned)
6	Timely disclosure of the “Improvement Plan and Status Report”	Late July 2026 (Planned)

2. Improvement Measures Implemented to Date

Based on the causes identified and the recommendations for recurrence prevention measures set forth in the investigation report of the Special Investigating Committee, we have been implementing the following improvement measures, with four key pillars: “Reform of Corporate Culture,” “Governance Reform,” “Rebuilding of the Management Infrastructure and Internal Control Systems,” and “Review of the Company wide Strategy (Review of the Business Portfolio).”

(1) Reform of Corporate Culture

- We have been communicating messages from top management to all group employees at a frequency of once per month since the initial communication on February 16, 2026. In addition, at briefing sessions regarding this matter, we have shared responses to employees’ questions on our internal intranet, thereby directly conveying the views of top management. Through these initiatives, we have continuously clarified and consistently communicated to all group employees our reflection on this matter, our management responsibility, our commitment to recurrence prevention and corporate culture reform, and our management stance that places the highest priority on doing what is right, with the aim of ensuring the penetration of our management stance and the effectiveness of recurrence prevention measures.
- We have been conducting town hall meetings with the aim of promoting two-way dialogue between top management, executives, and employees, including those of group companies. These meetings have been held primarily at our Company and 38 group companies where inappropriate accounting practices were identified, and as of May 29, 2026, they have been conducted at 24 companies. At these meetings, we have engaged in candid discussions on topics such as “what occurred in the past,” “how we will prevent recurrence going forward,” and “how to make decisions when in doubt.”
- We have strengthened the operation of our internal whistleblowing system. In response to the recognition that a corporate culture had developed within our Group in which it was difficult to express opinions or raise concerns, we formulated guidelines to ensure psychological safety so that employees would not suffer any disadvantage even if they express dissenting opinions or raise questions, and disclosed such guidelines internally on March 31, 2026. In addition, we have positioned the enhancement of the internal whistleblowing system as one of the key reforms for recurrence prevention, and from March to April, we newly established reporting channels handled by outside Audit & Supervisory Board members and external third parties. At the same time, we have promoted improvements in the operation of the system by providing group-wide communication and holding briefing sessions.
- We have been conducting training programs for all management-level employees across our Group from March to May 2026, focusing on corporate ethics management and compliance. In addition to e-learning, in order to foster a sense of unity across the entire Group, we have also adopted a cascading workshop approach in which managers themselves act as instructors and provide training to employees within their respective organizations, with the aim of ensuring the effective dissemination of the training.
- In addition, in April 2026, we commenced group-wide training programs for all employees, organized by employee level, with a focus on enhancing accounting literacy (e.g. The first session out of a total of six sessions planned annually).

(2) Governance Reform

- In order to ensure that the Board of Directors appropriately exercises its supervisory function, we have, since February 2026, commenced the participation of outside directors in important executive meetings (such as budget meetings), while also strengthening the provision of necessary information to enable more effective supervision based on a deeper understanding. In addition, we established a two-person secretariat structure in April to support these initiatives.

- In order to clarify the director nomination process and evaluation system, and to review the remuneration system in which responsibilities and roles are clearly defined, we have, on April 3, 2026, changed the composition of the Nomination and Remuneration Committee, an advisory body to the Board of Directors, with the aim of further enhancing the fairness and objectivity of the process for the nomination of director candidates.

- We hereby announce that, at a meeting of the Board of Directors held on May 22, 2026, we resolved changes in Corporate Directors and Audit & Supervisory Board Members, as well as organizational changes, in connection with a review of our management structure. Under the new structure, we will renew the Corporate Directors responsible for business execution and clarify the separation between execution and supervision, while increasing the number of Independent Directors from four to five, thereby making Independent Directors a majority. In addition, we will strengthen the Audit & Supervisory Board by increasing the number of Standing Statutory Auditors and appointing new external professionals. (These changes are scheduled to be formally approved at the Annual General Meeting of Shareholders to be held on June 29, 2026, as well as at the subsequent meeting of the Board of Directors.)

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

- We established the position of Chief Accounting and Finance Officer on March 16, 2026, in order to prevent the occurrence of inappropriate accounting practices, and have developed a framework to oversee and provide checks on accounting-related operations, identify material risks, and ensure the implementation of appropriate corrective measures.

- We increased the headcount of our headquarters accounting department by 19 personnel (including 13 concurrent employees) from March 2026 through internal transfers and the recruitment of personnel with specialized expertise, in order to strengthen our accounting structure commensurate with the scale of the Group, thereby establishing a structure comprising 35 members.

- We commenced regular meetings with our major subsidiaries from April 2026 to share information on financial results and accounting matters. On April 17, we held meetings with 28 major domestic subsidiaries. At the initial session, we reconfirmed the recent inappropriate accounting practices, explained our approach to preventing recurrence and the procedures for the fiscal year-end closing for FY2025, and conducted a Q&A session. We will continue to hold these meetings on a monthly basis while selecting specific themes. We also held a similar meeting with 11 overseas subsidiaries on April 30 (covering a total of 39 domestic and overseas subsidiaries).

- In the Internal Auditing department, we are strengthening our staffing, and increased headcount by one person from March to May 2026. We currently operate with a 16-member structure while receiving external support. In addition, through the J-SOX audit practices for FY2025, we are enhancing skills and experience based on the expertise of external specialists.

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

- We plan to hold a company-wide business strategy meeting following discussions with each business group in April 2026 and deliberations by internal Directors in May, aimed at redefining our core competencies. Thereafter, following a resolution by the Board of Directors, we will proceed with preparations for external communication.
- We have held the Portfolio Management Committee multiple times since February 2026 (on February 19 and March 26), where we have been examining the evaluation criteria for reviewing our business portfolio, and completed two business transfers as of March 31.

3. Future Outlook

As described above, we will continue to develop and implement improvement plans and measures to prevent recurrence. In the event of any changes to or delays in the above schedule, we will promptly disclose such developments.

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