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July 31, 2026

To All Concerned Parties

Company Name	Air Water Inc.	
Representative	Representative Director President and Executive Officer	Yoshihiro Senzai
	（Code Number 4088　Tokyo Stock Exchange Prime Market, Sapporo Stock Exchange Market）	
Contact	General Manager of Corporate Communications Office	Keisuke Fukushima
	（TEL　06-6252-3966）	

Notice Regarding Qualified Opinion in Audit Report on Consolidated Financial Statements for the 26th Fiscal Year (FY Ended March 31, 2026)

We have received an auditor’s report containing a qualified opinion on the consolidated financial statements included in the Annual Securities Report for the 26th fiscal year (fiscal year ended March 31, 2026). Accordingly, we hereby announce the details as described below.

1. Name of the Audit Firm
KPMG AZSA LLC

2. Contents of the Auditor’s Report on the Consolidated Financial Statements
The opinion expressed in the Auditor’s Report on the consolidated financial statements for the fiscal year ended March 31, 2026, is as follows:

＜Qualified Opinion＞
As described in Note 4, “Additional Information (Regarding Inappropriate Accounting Practices),” to the consolidated financial statements, we received an investigation report from the Special Investigating Committee stating that various inappropriate accounting practices had been identified at our Company and a significant number of our subsidiaries and affiliates. These

practices included overstatement of inventory, deferral of asset impairment losses, overstatement and premature recognition of revenue, inflation of sales through unnecessary intermediary transactions, avoidance of the recognition of provisions, and capitalization of expenditures that did not qualify as assets. Based on the findings of the Special Investigating Committee, we conducted voluntary inspections, as a result of which we identified additional issues, including unrecorded impairment losses on fixed assets arising from the correction of inappropriate accounting practices and unrecorded valuation losses on investments in and loans to affiliated companies. We concluded that it was necessary to retrospectively correct the inappropriate accounting practices and related matters. Accordingly, we restated previously issued consolidated financial statements and corrected the misstatements included in the consolidated financial statements for the current fiscal year.

In relation to the inappropriate accounting practices, the audit firm performed audit procedures designed to address the suspected risks of material misstatement due to fraud and engaged forensic specialists and information technology specialists in order to obtain sufficient and appropriate audit evidence regarding the allegations of fraud. However, the audit firm was unable to obtain sufficient and appropriate audit evidence with respect to the matters described in Items 1 and 2 below.

1. Appropriateness of the Period Attribution of Revenue and Cost of Sales of Air Water Safety Service Inc. Prior to the End of the Previous Consolidated Fiscal Year

As described in Note 4, “Additional Information (Regarding Inappropriate Accounting Practices),” to the consolidated financial statements, revenue and cost of sales included in the consolidated statement of profit or loss include revenue of ¥25,176 million and cost of sales of ¥16,722 million for the current consolidated fiscal year, and revenue of ¥23,760 million and cost of sales of ¥16,918 million for the previous consolidated fiscal year presented as comparative information, relating to Air Water Safety Service Inc. (“AW Safety Service”), a consolidated subsidiary of the Company. However, AW Safety Service engaged in inappropriate accounting practices relating to revenue and cost of sales, including the overstatement of work in process, manipulation of the timing of revenue recognition, and profit manipulation through the reallocation of costs. Accordingly, the audit firm conducted inquiries of personnel responsible for sales and accounting at AW Safety Service regarding transaction details and transaction terms, reconciled transactions to supporting documentation such as construction contracts, certificates of completion and delivery, and purchase orders issued to subcontractors, and performed confirmation procedures relating to balances of trade receivables and payables.

However, documentation relating to the completion dates of construction projects and the delivery dates of goods associated with construction-related sales transactions prior to the end of the previous consolidated fiscal year had been falsified, and records necessary to determine the actual circumstances of cost reallocations involving labor costs, subcontracting costs, and other costs were not retained. As a result, sufficient audit procedures could not be performed to verify the appropriateness of the period attribution of revenue and cost of sales of AW Safety Service prior to the end of the previous consolidated fiscal year. Consequently, the audit firm was unable to determine whether adjustments were required to revenue and cost of sales prior to the end of the previous consolidated fiscal year (including the related items in the statement of financial position) and therefore expressed a qualified opinion on the restated consolidated financial statements for the previous consolidated fiscal year. This matter may affect the comparability between the amounts for the current consolidated fiscal year and the corresponding figures. In addition, there remains a possibility that undetected misstatements relating to the period attribution of revenue and cost of sales prior to the end of the previous consolidated fiscal year (that is, prior to the beginning of the current consolidated fiscal year) may affect the amounts reported for the current consolidated fiscal year.

The effects of this matter are limited to the period attribution of revenue and cost of sales of AW Safety Service (including the related items in the statement of financial position). Accordingly, the possible effects on the consolidated financial statements are material but not pervasive.

2. Appropriateness of the Period Attribution of Revenue Prior to the End of the Previous Consolidated Fiscal Year

As described in Note 4, “Additional Information (Regarding Inappropriate Accounting Practices),” to the consolidated financial statements, inappropriate accounting practices, including the overstatement and premature recognition of revenue and the inflation of sales through unnecessary intermediary transactions, were conducted at the Company and a significant number of its subsidiaries. As a result of the investigation by the Special Investigating Committee and the voluntary inspections conducted by the Company (the “Investigation and Voluntary Inspections”), the Company identified numerous misstatements. Accordingly, the Company restated previously issued consolidated financial statements and corrected the misstatements included in the consolidated financial statements for the current consolidated fiscal year. A large number of misstatements were identified, and the amounts of adjustments relating to the period attribution of revenue for the current consolidated fiscal year and the previous consolidated fiscal year are as follows:

	Previous Consolidated Fiscal Year	Current Consolidated Fiscal Year
Revenue recognized in the consolidated statement of profit or loss	¥1,013,070 million	¥1,066,795 million
Adjustments relating to the period attribution of revenue	△ ¥5,880 million	¥557 million

In response to the matters described above, the audit firm performed audit procedures including a re-examination of transaction flows, reconciliation of revenue transactions to supporting documentation, attendance at physical inventory counts conducted at the end of the current consolidated fiscal year, and confirmations of trade receivable balances.

However, inappropriate accounting practices relating to the period attribution of revenue were identified at multiple consolidated subsidiaries. In addition, supporting documentation necessary to assess the appropriateness of the period attribution of revenue prior to the end of the previous consolidated fiscal year had not been properly retained at certain consolidated subsidiaries. As a result, sufficient audit procedures could not be performed to verify the appropriateness of the period attribution of revenue recognized prior to the end of the previous consolidated fiscal year (including the related cost of sales and statement of financial position items). Consequently, the audit firm was unable to determine whether adjustments were required to revenue recognized prior to the end of the previous consolidated fiscal year (including the related cost of sales and statement of financial position items) and therefore expressed a qualified opinion on the restated consolidated financial statements for the previous consolidated fiscal year. This matter may affect the comparability between the amounts reported for the current consolidated fiscal year and the corresponding figures. In addition, there remains a possibility that undetected misstatements relating to the period attribution of revenue prior to the end of the previous consolidated fiscal year (that is, prior to the beginning of the current consolidated fiscal year) may affect the amounts reported for the current consolidated fiscal year.

Considering the effects of the corrections of misstatements relating to the period attribution of revenue identified through the investigations, voluntary inspections, and audit procedures performed by the audit firm to date, any undetected misstatements that may exist at consolidated subsidiaries could have a material effect in the aggregate, even if individually they are not material. However, even if such undetected misstatements exist, their effects are limited to the period attribution of revenue recognized prior to the end of the previous consolidated fiscal year (including the related cost of sales and statement of financial position items). Accordingly, the possible effects on the consolidated financial statements are material but not pervasive.

The effects of the matters described above in “1. Appropriateness of the Period Attribution of Revenue and Cost of Sales of Air Water Safety Service Inc. Prior to the End of the Previous Consolidated Fiscal Year” and “2. Appropriateness of the Period Attribution of Revenue Prior to the End of the Previous Consolidated Fiscal Year,” whether considered individually or in aggregate, are limited in relation to the revenue and cost of sales recognized in the consolidated statement of profit or loss (including the related statement of financial position items). Except for the possible effects of these matters, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of the end of the consolidated fiscal year and its financial performance and cash flows for the fiscal year then ended. Accordingly, the possible effects of these matters on the consolidated financial statements are material but not pervasive.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our auditor’s report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements applicable in Japan (including those applicable to audits of financial statements of public interest entities), and we have fulfilled our other ethical responsibilities as auditors in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

3. Date of Receipt of the Audit Reports

July 31, 2026

4. Future Actions

We take seriously the circumstances that resulted in the issuance of the qualified opinions and will address them appropriately.

We sincerely apologize to our shareholders, investors, and all other concerned parties for the significant inconvenience and concern this matter may have caused.

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