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October 28, 2026

To All Concerned Parties

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

**Notice Regarding the Publication of the Improvement Plan and Status Report
(Revised Version)**

We have been implementing various improvement measures aimed at preventing recurrence based on the Improvement Plan and Status Report announced on July 31, 2026, with a focus on “Corporate Culture Reform,” “Governance Reform,” “Rebuilding Management Foundations and Internal Controls,” and “Review of the Business Portfolio.”

Subsequently, on September 17, 2026, we announced the “Direction of Management Reform.” In addition, following approval at the Extraordinary General Meeting of Shareholders held on September 22, 2026, we transitioned to a Company with an Audit and Supervisory Committee and implemented measures to strengthen the oversight function of the Board of Directors and enhance management transparency. At the same time, we have been promoting Corporate Culture Reform through continuous messages from top management and dialogue with employees. We have also been working to rebuild our management foundation and internal controls through the separation of management and execution, Review of the Business Portfolio, revisions to the budget management process, and the enhancement of internal audit functions.

We have prepared the Revised Improvement Plan and Progress Report reflecting the details of these initiatives and the progress of corrective measures as of today, and have submitted it today to Tokyo Stock Exchange, Inc. We will continue to steadily implement the

measures set forth in the Improvement Plan, verify their effectiveness, and pursue continuous improvement, while working to strengthen our internal management framework and restore trust.

Improvement Plan and Status Report (Revised Version)

AIR WATER INC.
October 28, 2026

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I. Background

1. Background to the Establishment of the Special Investigating Committee

In July 2025, through a voluntary internal review, we identified inappropriate accounting practices involving inventory at Nippon Helium Co., Ltd. (hereinafter, “Nippon Helium”), one of our consolidated subsidiaries. Specifically, these practices involved the deferral of losses.

Subsequently, during the course of our internal investigation, in September 2025 we discovered similar inappropriate accounting practices involving inventory and supplies, including the deferral of losses, at Air Water Ecoroca Inc. (hereinafter, “Ecoroca”), Air Water Mechatronics Inc. (hereinafter, “AWMX”), both of which are consolidated subsidiaries, as well as within our Plant Gas Division. These accounting practices were also identified and pointed out by our accounting auditor during the audit process.

In response to these circumstances, we had been conducting an internal investigation under the leadership of our Outside Audit & Supervisory Board Members, with support from external legal counsel and certified public accountants. However, as the possibility emerged that our officers and employees may have been involved in the four cases described above, and as further investigation became necessary to determine whether similar incidents had occurred within the Company or other consolidated subsidiaries, we concluded that a broader and more in-depth investigation was required.

Accordingly, we determined that it would be appropriate to conduct an investigation that ensured independence and objectivity, rather than continuing under the existing framework led by Outside Audit & Supervisory Board Members. Based on this determination, our Board of Directors resolved on October 9, 2025, to establish a Special Investigating Committee composed of external experts.

An overview of the investigation conducted by the Special Investigating Committee is provided below.

Chairperson	Masatoshi	Attorney-at-Law
	Ohara	Partner, Kikkawa Law Office Former President of the Osaka Bar Association and Former Vice President of the Japan Federation of Bar Associations
Member	Wataru	Attorney-at-Law
	Nakamori	Partner, Kitahama Partners
Member	Mamoru	Certified Public Accountant
	Honda	Partner, PwC Risk Advisory LLC

The objectives of the investigation conducted by the Special Investigating Committee were as follows:

- ① Investigation of the relevant facts
- ② Investigation of the existence of similar incidents
- ③ Quantification of the financial impact
- ④ Identification of root causes and recommendations for recurrence prevention measures
- ⑤ Other matters deemed necessary by the Committee

Investigation Period

October 9, 2025, to March 27, 2026

The Supplementary Investigation Report covered the period through June 12, 2026.

Period Subject to Investigation

Fiscal years ended March 31, 2021, through March 31, 2026

(up to September 30, 2025)

Investigation Procedures

- ① Review of relevant documents and materials
- ② Interviews with relevant personnel
- ③ Digital forensic investigations
- ④ Questionnaire surveys
- ⑤ Introduction of an internal leniency program
- ⑥ Workshops

Investigation Results

The results of the investigation were disclosed in three stages in accordance with the progress of the investigation.

In parallel with the external investigation, we also conducted a voluntary internal review covering our Company and our consolidated subsidiaries throughout the Group, through which we comprehensively examined whether similar incidents existed. The facts identified through these investigations at our Company and our consolidated subsidiaries are described below.

With respect to the course of the investigation, we would like to note that Air Water Safety Service Inc. (hereinafter, “AW Safety Service”) was subsequently added to the scope of the investigation. During the course of its investigation, the Special Investigating Committee identified the possibility of significant inappropriate accounting practices at AW Safety Service, including overstatement of work in process, issues relating to the period attribution and existence of revenue, and profit manipulation through the reallocation of costs. As a result, AW Safety Service was added as a significant investigation target in addition to Nippon Helium, Ecoroca, AWMX, and our Plant Gas Division.

The investigation conducted by the Special Investigating Committee covered multiple subsidiaries and business divisions. As the investigation progressed, the Committee sequentially identified the existence of inappropriate accounting practices at various entities. In addition, the introduction of an internal leniency program resulted in a large number of reports being submitted by employees. At the same time, acts that obstructed the investigation, including document falsification and data tampering, were identified. Consequently, a considerable amount of time was required to ensure the comprehensiveness of the investigation and the accuracy of fact-finding.

Under these circumstances, while recognizing that certain investigative procedures remained ongoing, we determined that priority should be given to timely disclosure and the prompt presentation and implementation of recurrence prevention measures. Accordingly, we received a report summarizing the investigation findings as of February 9, 2026, and publicly disclosed the report on February 13, 2026.

Thereafter, the Special Investigating Committee continued its investigation, expanded the scope of review, and addressed the remaining unresolved matters. As a result, we received the Investigation Report dated March 31, 2026, and publicly disclosed it on April 3, 2026. The

report comprehensively summarized the findings of the Special Investigating Committee and presented, in a comprehensive manner, the principal inappropriate accounting practices identified up to that date, together with their causes and related matters.

Subsequently, with respect to matters involving NIHON KAISUI CO., LTD. (hereinafter, "NIHON KAISUI"), which had remained under investigation at the time of the April 2026 report, the Special Investigating Committee completed its additional investigation. The results were compiled in a Supplementary Investigation Report dated June 19, 2026, which we publicly disclosed on June 22, 2026.

We consider that the series of investigations conducted by the Special Investigating Committee was concluded upon the issuance of the Supplementary Investigation Report.

In addition, in parallel with the investigation conducted by the Special Investigating Committee, we conducted a voluntary internal review. Through this review, we examined whether similar incidents had occurred across the Group and identified matters that could potentially affect financial reporting.

The voluntary internal review also served as a means of validating the appropriateness of the investigation scope selected by the Special Investigating Committee and the comprehensiveness of its verification procedures. Furthermore, the results of the voluntary internal review complemented the findings of the Committee's investigation and were reflected in our efforts to identify the overall extent of inappropriate accounting practices and quantify their financial impact.

In addition, the voluntary internal review functioned as a process directly linked to the correction of prior years' Annual Securities Reports and other securities filings, as well as the finalization of financial results. We recognize that the voluntary internal review played an indispensable role in enabling us to understand the full scope of the issues and ensure the appropriateness of our financial reporting.

For details of the investigation results, please refer to the following disclosures:

- "Notice Regarding the Publication of the Investigation Report of the Special Investigating Committee (as of February 9, 2026) (Public Version)," dated February 13, 2026;
- "Notice Concerning the Publication of the Investigation Report by the Special Investigating Committee," dated April 3, 2026;
- "Notice Regarding Receipt of Supplementary Investigation Report by the Special Investigating Committee and Future Actions," dated June 22, 2026; and
- Fiscal year 2025 Full Year Financial Results Explanatory Material (Supplementary Materials for Self-Inspection) , dated July 31, 2026.

Based on the findings contained in these reports and the results of our voluntary internal review, we believe that, with respect to periods up to and including the fiscal year ended March 31, 2026, we have identified and thoroughly examined all matters suspected of involving inappropriate accounting practices, particularly those involving material accounting issues.

Nevertheless, we intend to continue our voluntary internal review activities. Should any additional matter requiring disclosure be identified during the fiscal year ending March 31, 2027, we will make timely disclosure.

—In light of these circumstances, we have taken seriously the full scope of the facts uncovered, as well as the root cause analysis and recommendations for recurrence prevention measures contained in the Investigation Reports. We are accelerating efforts to renew our governance framework, including the elimination of excessive performance pressure. In addition, in order

to clarify management accountability and determine appropriate disciplinary measures for officers, we established the Responsibility Investigation Committee on June 22, 2026. Through these efforts, we are fully committed to restoring the trust of market authorities, including the Tokyo Stock Exchange, Inc. (hereinafter, the “TSE”), as well as our shareholders and investors.

Introduction of an Internal Leniency Program and Implementation of Workshops

During the course of the investigation, it became evident that inappropriate accounting practices had existed across a wide range of business areas within our Group. In the early stages of the investigation, there were numerous instances in which the relevant facts could not be sufficiently identified through conventional investigative methods centered on digital forensic reviews, questionnaires, and interviews.

In response to these circumstances, the Special Investigating Committee implemented various measures to ensure a thorough understanding of the facts. The core elements of these measures were the internal leniency program introduced in December 2025 (a program providing possible mitigation of internal disciplinary actions in exchange for cooperation with the investigation) and a series of workshops conducted in conjunction with the program. These workshops were designed to encourage voluntary disclosure of inappropriate accounting practices known to employees and were held with multiple participants under the facilitation of external experts.

Generally, a leniency program is a mechanism under which individuals involved in violations may receive consideration for reduced sanctions if they voluntarily report the relevant facts and cooperate with an investigation. Such programs are introduced for the purpose of facilitating the early detection of misconduct and obtaining a comprehensive understanding of the underlying facts. In this case, the program was operated under the supervision of the Special Investigating Committee with the expectation that it would bring to light facts that had previously not been sufficiently identified.

We did not limit the scope of the leniency program to the company that was initially the focus of the investigation, namely AW Safety Service. Instead, we expanded its coverage to the entire Group and conducted a program directed at managerial employees requiring them to report all inappropriate accounting practices of which they were aware. Between January 20 and March 21, 2026, a total of 238 sessions were conducted, covering 3,136 participants across 201 Group companies. Through these efforts, we implemented a Group-wide and comprehensive initiative to collect information.

Furthermore, during the process of introducing the leniency program, Mr. Kikuo Toyoda, who was serving as Representative Director and Chairman at the time, resigned, and a new management structure was established, under which an environment encouraging full cooperation with the investigation was developed throughout our Group.

As a result, the number of leniency applications received throughout our Group reached 875 as of March 20, 2026. This enabled us to identify a substantial amount of information that would have been difficult to uncover through conventional internal reporting channels or the ordinary investigation process alone. We believe that the program functioned effectively in enabling us to establish the relevant facts.

However, the leniency program was introduced as a special measure specifically intended to facilitate a comprehensive identification of facts in connection with the investigations conducted by the Special Investigating Committee and our voluntary internal review. It was

not designed to be maintained as a permanent program.

Through the implementation of the program, we believe that we were able to substantially identify and assess the relevant facts. Going forward, we believe it is important to strengthen the effectiveness of measures for the prevention and early detection of inappropriate accounting practices through improvements to our ordinary whistleblowing system, enhancement of audit functions, and reform of our corporate culture.

2. Designation as Securities on Special Alert

As disclosed in our notice entitled “Notice Concerning Designation as a Security on Alert and Demand for Payment of Listing Agreement Violation Penalty by the Tokyo Stock Exchange,” dated May 1, 2026, we received a notification from the TSE on April 30, 2026, that our shares were designated as Securities on Special Alert effective May 1, 2026 and that we would be required to pay a listing agreement violation penalty.

In connection with this designation, the TSE stated that “the Company had failed to appropriately establish and operate the systems necessary to ensure the proper conduct of business operations, thereby violating the provisions of the Code of Corporate Conduct relating to matters required to be observed (the establishment of systems necessary to ensure the proper conduct of business operations), and that there was a high degree of necessity for improvement in our internal management system and related controls.”

List of Major Abbreviations

Abbreviations	Full Name
The Company	Air Water Inc.
Group	The entire corporate group consists of the Company, its subsidiaries, and its affiliated companies.
Group Companies	Companies belonging to the Air Water Group other than the Company.
AWBD	AIR WATER BIODESIGN INC.
AWMX	Air Water Mechatronics Inc.
AW Agri & Foods	Air Water Agri & Foods Co., Ltd.
AW Electronics	Air Water Electronics Inc.
AW Engineering	AIR WATER ENGINEERING INC.
AW Gas Products	AIR WATER GAS PRODUCTS INC.
AW West	Air Water West Japan Inc.
AW Performance Chemical	AIR WATER PERFORMANCE CHEMICAL INC.
AW East	Air Water East Japan Inc.
AW Safety Service	Air Water Safety Service Inc.
AW Hokkaido	Air Water Hokkaido Inc.
AW Plant & Engineering	Air Water Plant & Engineering Inc. (currently AIR WATER ENGINEERING INC.)
AW Mach	Air Water Mach Inc.
AW Materials	Air Water Materials Inc.
AW Medi-Eichi	Air Water Medi-Eichi Inc.
AW Realize	Air Water Realize Inc.
D&I Group	Our Digital & Industry Group
Air Gas Div.	Air Gas Division, Industrial Gas Unit, Digital & Industry Group, Global Environment Fld.
Ecoroca	Air Water Ecoroca Co., Ltd.
Kitakyushu Ekisan	Kitakyushu Ekisan Co., Ltd. (currently AIR WATER GAS PRODUCTS INC.)
Kyushuya	KYUSYUYA Co., Ltd.
AW Industrial & Medical Gas	Air Water Industrial & Medical Gas Inc.
Tateho Chemical Industries	Tateho Chemical Industries Co., Ltd.
Tomiichi Kyushu	Tomiichi Kyushu Co., Ltd.

Abbreviations	Full Name
Nippon Helium	Nippon Helium Inc.
Nihon Dennetsu	Nihon Dennetsu Co., Ltd.
Bulk Gas Div.	Bulk Gas Div., Digital B.U., Digital & Industry Group, Global Environment Fld. of Our Company
Printec	Printec Corporation
Plecia	Plecia Co., Ltd.
Hokkaido AW Agri	Hokkaido Air Water Agri Co., Ltd.
Kanda Biomass Power	NIHON KAISUI TTS Kanda Power Co.,Ltd.
ONAHAMA BIOMASS ELECTRIC POWER	AIR WATER ONAHAMA BIOMASS ELECTRIC POWER COMPANY LIMITED
AW India	Air Water India Private Limited
AW Link	Air Water Link Inc.
Hokkaido Body	Hokkaido Body Co.,Ltd.
AW VIETNAM	AIR WATER VIETNAM CO., LTD.
Earth Techno	Earth Techno Co., Ltd.
IGM	IGM Corporation
AQUAINTEC	AQUAINTEC CORPORATION
AKENO KYUSYUYA FARM	AKENO KYUSYUYA FARM CO., LTD
Assist	Assist Co., Ltd.
Inami industry,	Inami industry,Co.Ltd
Iwate Ekisan	Iwate Ekisan Co., Ltd.
AW Aeras Bio	Air Water Aeras Bio Inc.
AWNV	Air Water NV Inc.
AWMFK	Air Water MFK,Co.Ltd
AW Green Design	AIR WATER GREEN DESIGN INC.
AWK&O	AIR WATER K&O CO.Ltd.
AW SERVICE	AIR WATER SERVICE INC.
AW Smile	Air Water Smile Co., Ltd.
AW DIGITAL	AIR WATER DIGITAL INC.
AW West Japan Medies	Air Water West Japan Medies Co.,Ltd.
AW Farm	Air Water Farm Agricultural Production
AW East Japan Medies	Air Water East Japan Medies Co.,Ltd.
AW Logistics	Air Water Logistics Co., Ltd.
AW Mirai	Air Water Mirai Co., Ltd.
AW Medical	Air Water Medical Inc.

Abbreviations	Full Name
AW Lifesolution	Air Water Life Solutions Inc.
AWLINE	Air Water LINE Co., Ltd.
AW Lab and Foods	Air Water Lab and Foods Inc.
AWS Tsukuba Gas Center	AWS Tsukuba Gas Center, Inc.
AW Jade	AW Jade Co., Ltd.
AW Farm Chitose	AW Farm Chitose Co., Ltd.
ATN Graphite Technology	ATN Graphite Technology Co., Ltd.
AT Electrode	AT ELECTRODE CO.,LTD.
EcoTech	EcoTech Co., Ltd.
MCSERVICE	MCSERVICE Co., Ltd.
Autotec	Autotec Co., Ltd.
Omori-medical	Omori-medical Co., Ltd.
Okinawa AW	Okinawa Air Water Inc.
Ogino Express	Ogino Express Co., Ltd.
Orion Radsafe Medical	Orion Radsafe Medical Co., Ltd.
Gas Products Logistics	Gas Products Logistics INC.
Kameyama Ekisan	Kameyama Ekisan Co., Ltd.
Kawanakajima Gas Center	Kawanakajima Gas Center Co., Ltd.
KAWAMOTO CORPORATION	KAWAMOTO CORPORATION
Kankyou Gijyutu Center	Kankyou Gijyutu Center Co., Ltd.
Kyushu Industrial Gas	Kyusyu Industrial Gas Inc.
Kyodo Carbonic	Kyodo Carbonic Co., Ltd.
Kumamoto Ekisan	Kumamoto Ekisan Co., Ltd
CLUBMEDIA	CLUBMEDIA Co., Ltd.
Creus	Creus Co.,Ltd.
Global9	Global9 Co.,Ltd.
Kurosu Kogyo	Kurosu Kogyo Co., Ltd
Genki	Genki Co., Ltd.
GOLD PAK	GOLD PAK CO.,LTD.
SAKAKI L&E WISE	SAKAKI L&E WISE Co.,Ltd.
Sagamihara Ekisan	Sagamihara Ekisan Co., Ltd.
Sakura Dental Laboratory	Sakura Dental Laboratory Co., Ltd.
Sapporo Dental Laboratory	Sapporo Dental Laboratory Co., Ltd.
Sapporo Ryutsu Kako Service	Sapporo Ryutsu Kako Service Co., Ltd.
Sun Chemical	Sun Chemical Co., Ltd.

Abbreviations	Full Name
Ci Energy	Ci Energy Co., Ltd.
Ci Medical	Ci Medical Co.,Ltd.
Ci Logistics Center	Ci Logistics Center Co., Ltd.
Shizuoka Ekisan	Shizuoka Ekisan Co., Ltd.
SHIMATA KOGYO	SHIMATA KOGYO CO.,LTD.
Shirohato	Shirohato Co.,Ltd.
Shinko AirTech	Shinko AirTech,Ltd.
SHINKO AIR WATER GAS	SHINKO AIR WATER GAS CO.,LTD.
Seibu Tokki Kogyo	Seibu Tokki Kogyo Co., Ltd.
Senboku Oxygen	Senboku Oxygen Co.,Ltd.
DAISENHAM	DAISENHAM INC.
Takenaka Unyu	Takenaka Unyu Co., Ltd.
TDS	TDS Co., Ltd
Demiline	Demiline Co., Ltd.
DENKEN-HIGHDENTAL	DENKEN-HIGHDENTAL CO.,LTD
Dental Fit	Dental Fit Co., Ltd.
Tokai Ekisan	Tokai Ekisan Co., Ltd.
Nike Dental Laboratory	Nike Dental Laboratory Co., Ltd.
Nagasaki Ekisan	Nagasaki Ekisan Co., Ltd
Niigata Ekisan	Niigata Ekisan Co., Ltd.
Niigata Gas Kogyo	Niigata Gas Kogyo Co., Ltd.
Nichino Unyu	Nichino Unyu Co., Ltd.
Nichinoki	Nichinoki Co., Ltd.
Nichinokiseiko	Nichinokiseiko Co., Ltd
Nissen	Nissen Co., Ltd.
Nissen Holdings	Nissen Holdings Co., Ltd.
Nissen Life	Nissen Life Co.,Ltd.
Nissen LINX	Nissen LINX Co., Ltd.
Nihon Iryo Kankyo Service	Nihon Iryo Kankyo Service Inc.
NIHON KAISUI	NIHON KAISUI CO.LTD.
PTX	PTX Inc.
FILWEL	FILWEL Co., Ltd.
Fukushima Ekisan	Fukushima Ekisan Co., Ltd.
Fukuyama Ekisan	Fukuyama Ekisan Co., Ltd.
PLUS	PLUS CO.,LTD.

Abbreviations	Full Name
HOKUEI	HOKUEI CO., LTD
Hokkaido Sogo Gas Center	Hokkaido Sogo Gas Center Co., Ltd.
Matsuo Kankyo	Matsuo Kankyo Co.,Ltd
Matsuo Gumi	Matsuo Gumi Co.,Ltd.
Matsuo Doro	Matsuo Doro Co.,Ltd.
Matsuo Toshikaihatsu	Matsuo Toshikaihatsu Co.,Ltd.
Matsuo Holdings	Matsuo Holdings Co.,Ltd.
Matsuyama Oxygen	Matsuyama Oxygen Inc.
Marron Style	Marron Style Co., Ltd.
Minami Kyushu Gas Center	Minami Kyushu Gas Center Co., Ltd.
Mechatro Associates	Mechatro Associates Co.,Ltd
Yamagata Ekisan	Yamagata Ekisan Co.,Ltd.
Yamanashi Gas Center	Yamanashi Gas Center Co., Ltd.
u&n	u&n Co. Ltd.
Reprowork	Reprowork Co.,Ltd.
Remohab	Remohab.Inc.
RayVision	Ray Vision Co.,Ltd.

II. Analysis of Causes

As described in our “Notice Regarding the Establishment of the Special Investigating Committee,” dated October 9, 2025, following the establishment of the Special Investigating Committee, we received a series of investigation reports at multiple stages, including the interim report issued on February 9, 2026, the final report issued on March 31, 2026, and the supplementary report concerning NIHON KAISUI issued on June 19, 2026. In analyzing the causes that led to the designation of our shares as Securities on Special Alert, we did not rely solely on the findings contained in these reports. Rather, while carefully considering the facts and issues identified through the series of investigation reports received from the Special Investigating Committee and through the voluntary internal review, we also revisited the circumstances and background surrounding these events and conducted our own in-depth assessment of the specific causes that resulted in the designation. Based on this analysis, we identified the following underlying causes.

1. Corporate Culture Prioritizing Performance Targets Above All Else and a Weakening Awareness of Accounting Compliance (Tolerance of Inappropriate Accounting Practices)

Within our Group, a corporate culture that prioritized the achievement of performance targets above all else developed over many years.

We believe that this culture stemmed from a combination of factors, including our long-standing success in achieving increases in both revenue and profit, management policies focused on business expansion, and a strong commitment to ambitious numerical targets,

including the achievement of consolidated net sales of ¥1 trillion. While these aspirations had a certain degree of rationality in that they were intended to enhance corporate value, the excessive emphasis placed on their achievement resulted in the implicit assumption becoming deeply ingrained throughout the organization that performance targets must be achieved at all costs. As a result, a shared mindset emerged in which failure to achieve performance targets or declines in earnings were difficult to accept, and behaviors prioritizing the achievement of performance results gradually became entrenched throughout the organization.

The performance targets themselves were also established and managed in a manner that was rigid and excessive, creating circumstances in which discrepancies between targets and actual business conditions were likely to arise. We recognize that the continuation of such target-setting practices was attributable to a management philosophy that strongly emphasized securing and expanding performance beyond the previous fiscal year's results, and that policies based on this philosophy were heavily reflected in both the establishment and operation of performance targets. Specifically, after each operating company prepared its budget proposal based on factors such as the business environment and order conditions, headquarters requested further upward revisions and the incorporation of additional growth measures at budget meetings and other forums, resulting in performance targets being revised to levels exceeding the initial forecasts. In addition, once established through this process, such targets were ultimately treated as plans proposed by the operating companies themselves. When actual performance fell short of those plans, the companies were repeatedly required to explain the reasons for the shortfall and present measures to achieve recovery.

Furthermore, because the achievement of budget targets was closely linked to personnel evaluations, we recognize that those responsible were placed under significant psychological pressure. Furthermore, in this environment, combined with a level of ethical awareness and understanding of accounting matters that had not been sufficiently developed, conditions emerged in which, when discrepancies arose between performance targets and actual business conditions, individuals were more likely to prioritize actions that aligned reported results with target achievement rather than appropriately recognizing and correcting such discrepancies.

As another contributing factor, we recognize that, across all levels of our Group, both management and employees did not necessarily possess a sufficient level of ethical awareness or adequate knowledge and understanding of accounting matters. As a result, awareness of, and commitment to correcting, inappropriate accounting practices was not necessarily shared throughout the organization. (Further details are provided in Cause 6 below.) We also confirmed that some inappropriate accounting practices were carried out with the involvement of top management. While an emphasis by top management on achieving business performance targets is not, in itself, inappropriate, we believe that there was not always sufficient recognition of its responsibility to actively promote the establishment and maintenance of internal controls. Attitudes and actions that could be perceived as placing insufficient emphasis on compliance were transmitted throughout the organization and influenced the judgment of officers and employees. As a result, an environment was created in which inappropriate accounting practices could be justified and encouraged.

At the same time, many of the inappropriate accounting practices identified were not

necessarily carried out under the direct involvement of management. Rather, they were implemented and continued at individual sites and operational levels. We therefore recognize this as an extremely serious issue, as it was not limited to isolated incidents but had become widespread across the organization.

In this matter, it was determined that inappropriate accounting practices had been carried out extensively across our Company and 37 Group companies (42 Group companies when those identified through the voluntary internal review are included) through a variety of methods intended to inflate revenue or profit. These included the overstatement of inventory, the deferral of asset valuation losses, the overstatement or premature recognition of revenue, the inflation of consolidated net sales through the involvement of unnecessary intermediary counterparties, the avoidance of recording provisions, and earnings adjustments through the capitalization of expenditures that lacked asset value.

Specifically, among the companies, incidents, and contributing factors associated with the inappropriate accounting practices, we believe that the principal examples included those described below.

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
Nippon Helium	Overstatement of Inventory	• Inappropriate segregation of duties in inventory management operations (overreliance on specific individuals and regulations delegating inventory management authority exclusively to the General Manager) • Failure to conduct physical inventory counts, resulting in inventory discrepancies that were neither properly addressed nor corrected • Inadequate loss accounting procedures for helium raw materials • Deferral of loss recognition (absence of preventive and monitoring controls)
	Adjustments through Revisions to Sales Prices Applied to Transactions with Our Company	• Revisions to sales prices within the consolidated group that lacked economic rationality
	Deferral of Loss Recognition on the Disposal of a Factory Building	• Failure to record the retirement of the factory building in the fixed asset ledger upon demolition, with the related loss recognized in a lump sum in the following fiscal year after the sale of the land

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
Ecoroca	Occurrence of Inventory Discrepancies and Related Issues	• Failure to conduct physical inventory counts • Inappropriate segregation of duties in inventory management operations (overreliance on specific individuals) • Inappropriate adjustment of, or failure to address, inventory discrepancies arising from the failure to conduct physical inventory counts and other inventory verification procedures • Failure to revise excessively high standard costs for finished goods and work in process • Inappropriate changes to inventory accounting units • Failure to recognize valuation losses on obsolete and slow-moving inventory • Recording expenditures that should have been recognized as expenses as construction-in-progress • Failure to recognize losses on advances paid relating to transactions that were subsequently abandoned
	Deferral of Loss Recognition Following the Discovery of Inventory Discrepancies and Other Issues	• Consideration, involving the management of our Company and its subsidiaries as well as our Internal Audit Department, of a policy to recognize the relevant expenses over multiple accounting periods
	Overstatement of Revenue	• Revenue recognition involving transactions lacking economic substance, including the insertion of entities into the transaction flow solely for accounting purposes, recognition of revenue from pass-through transactions, and gross recognition of revenue in agency transactions • Purchase of materials from a counterparty and subsequent resale

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
AWMX		to the same counterparty with an added handling fee • Double recognition of revenue relating to consignment transactions • Double recognition of revenue through a multi-tiered transaction structure involving third-party intermediaries (overseas transactions) • Premature recognition of construction revenue that did not accurately reflect the actual percentage of completion of construction projects • Revenue recognition in export transactions that was inconsistent with the applicable contractual trade terms • Billing and recognition of revenue relating to costs associated with employee secondments • Recognition of deposits received as revenue and the recording of fictitious construction costs in connection with subsequent refunds
	Deferral of Recognition of Losses on Slow-Moving Inventory	• Deferral of inventory write-downs due to the refusal of approval by a Director of AWMX who concurrently served as the executive overseeing the Electronics Unit of our Digital & Industry Group, for the purpose of achieving budget targets
	Cancellation of Provisions for Bonuses	• Deferral of bonus-related expenses from the first half of fiscal 2025 to the second half of fiscal 2025 following instructions from our Company to postpone the recording of provisions for bonuses
	Premature Recognition of Revenue	• Revenue recognition prior to completion of agreed acceptance procedures • Failure to establish processes for verifying the economic substance of transactions and the appropriateness of period recognition by the second line of defense

Company Name	Inappropriate Accounting Practices Other Inappropriate Accounting Practices	Related Circumstances and Factors
Plant Gas Division		• Deferral of recognition of expenses exceeding approved budget allocations charged to our Company • Double recognition of revenue through a multi-tiered transaction structure involving third-party intermediaries • Profit manipulation through cost reallocations and labor-hour adjustments • Manipulation of inventory valuation and inventory issuance unit costs for imported products to avoid the impact of foreign exchange fluctuations
	Deferral of Loss Recognition for Stores and Supplies Deferral of Impairment Losses on Equipment Installed at a Customer's Site	• Exclusion of unusable inventory from inventory disposal targets • Deferral of impairment losses on the carrying amount of customer-site equipment despite the recognition of a contract termination payment following the customer's withdrawal from its petroleum refining business
	Deferral of Recognition of Losses on Disposal of Fixed Assets and Removal Costs for Equipment Installed at a Customer's Site	• Deferral to the second half of fiscal 2024 of losses on disposal of equipment and removal costs borne by our Company under customer contracts for the purpose of improving financial performance
AW Safety Service	The "M Number Item Issue" (Overstatement of Inventories and Deferral of Cost Recognition)	• Inventory discrepancies in work in process and deferral of related expense recognition • Guidance on inappropriate accounting practices by an officer responsible for a subsidiary's administrative functions (failure of the second line of defense) • Override of internal controls by the subsidiary's top management, resulting in the deferral of loss recognition despite instructions from our management to apply appropriate accounting treatment
	Inappropriate Recognition of Electric Power Sales	• Premature recognition of revenue and profit through the recording of

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
	(Premature Revenue Recognition Using the Percentage-of-Completion Method) Other Inappropriate Accounting Treatments	costs based on budgets lacking economic substance and the procurement of materials and equipment before specifications had been finalized • Avoidance of provision for construction losses through cost reallocations and labor-hour adjustments • Improper acceleration or deferral of revenue recognition • Distortion of period attribution of construction revenue for projects accounted for under the percentage-of-completion method • Improper reclassification of accounts receivable to conceal previously recorded fictitious or overstated revenue • Profit manipulation through cost reallocations utilizing the ease of reallocating labor hours used as the basis for recording design and related expenses in AW Safety Service's systems • Recognition and subsequent reversal of estimated unrecorded costs based on performance achievement status • Profit manipulation through inventory write-downs by manipulating the usability assessment of inventory • Inadequate assessment of future economic benefits and post-capitalization impairment when considering capitalization of research and development expenses

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
		- Improper manipulation of the timing of expense recognition by the Corporate Management Department - Off-book storage of unused inventory - Creation of off-book fixed assets resulting from erroneous approval requests based on inadequate recognition of fixed assets within business divisions - Failure to identify and record off-book assets due to insufficient monitoring of material purchases made outside the Corporate Management Department and fixed asset inspections that did not take off-book assets into account
Energy Unit	Premature Recognition of Revenue Prior to Formal Order Receipt and Shipment	Improper recording of accounts receivable at fiscal year-end despite no clear delivery prospects
Global Environment Division	Capitalization of Periodic Overhaul Costs	Deferral of expense recognition through capitalization of repair and labor costs
Industrial Equipment Department	Failure to Recognize Impairment Losses	Failure to recognize impairment losses on idle assets that were no longer reusable
Bulk Gas Department, Digital Unit, Digital & Industry Group	Reversal of Repair Expenses	Manipulation of the timing of expense recognition through reversals of periodic repair expenses and repair provisions
Industrial Gas Business Division and Niigata Ekisan	Deferral of Recognition of Asset Retirement Losses (Subsidiary under Supervisory Responsibility)	Deferral of asset retirement losses associated with renewal projects
Industrial Gas Related Business Division, Industrial Unit, Shinano Ekisan	Capitalization of Periodic Overhaul Costs	Capitalization of periodic overhaul costs as capital expenditures

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
Accounting Department & Planning & Administration Department, Industrial Company	Avoidance of Impairment Loss Recognition	Avoidance of impairment losses through inappropriate estimates of recoverable amounts
Air Gas Department, Industrial Gas Unit Business Division, Digital & Industry Group, Global Environment Domain	Capitalization of Repair Expenses	Capitalization of repair expenses through manipulation of estimates provided to subsidiaries
Consolidated Accounting Office	Failure to Record Disposal of Certain Assets Associated with the Sale of the Head Office Building	Failure to record the disposal of assets managed by certain departments in connection with the sale of assets administered across multiple departments
Consolidated Accounting Office & Shin-Nikka AW	Failure to Record Disposal of Certain Assets Associated with the Sale of the Head Office Building	Failure to record the disposal of assets managed by certain departments in connection with the sale of assets administered across multiple departments
	Overstatement of Revenue and Cost of Sales by a Joint Venture (Agent Transactions)	Gross recognition of revenue relating to agent transactions
The Company	Avoidance of Impairment Loss Recognition Premature Recognition of Revenue	- Deferral of impairment losses on idle assets - Revenue recognized prior to receipt of inspection completion notices

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
Wellness Development Center, Technology Development Promotion Department, Health & Safety Group	Capitalization of Research and Development Expenses	Inadequate assessment of future economic benefits and post-capitalization impairment when considering capitalization of research and development expenses
Consolidated Accounting Office, Energy Solutions Group	Failure to Recognize Losses on Damaged Assets	Deferral of loss recognition related to disasters and accidents
Accounting Department, Corporate Management Department & Kyushu Industrial Gas	Failure to Correct Double Counting of Revenue in Consolidated Financial Statements	Failure to correct double-counted revenue
Consolidated Accounting Office & AW Electronics	Double Recognition of Revenue through Participation in a Sales Transaction Flow	Double recognition of revenue through a multi-tiered transaction structure involving third-party intermediaries
Human Resources Department, Accounting Department	Failure to Recognize Retirement Benefit Obligations	Failure to recognize obligations related to retirement benefits, bonuses, and other personnel-related liabilities
AW East	Failure to Assess the Need for Inventory Write-Downs	Failure to Record Inventory Write-Downs
	Deferral of Revenue Due to Non-application of the Revenue Recognition Over Time	Improper period attribution of construction revenue resulting from an inappropriate determination of the applicability of revenue recognition over time
	Double Recognition of Revenue through a Multi-Tiered Transaction Structure	Double recognition of revenue through a multi-tiered transaction structure involving third-party intermediaries

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
AW West	Double Recognition of Revenue through Participation in Transaction Flows	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions
	Double Recognition of Revenue through Participation in Transaction Flows	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions
	Double Recognition of Revenue through Participation in Transaction Flows	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions
	Reallocation of Revenue and Expenses among Departments	Groundless reallocation of revenue and expenses among departments
	Planned Recognition of Asset Retirement Losses by AW West Japan for Assets with No Expected Future Use by Our Company	Deferral of impairment losses on idle assets
	Failure to Record Cost of Sales	Groundless reallocation of revenue and expenses among departments
	Inflation of Revenue and Compensation of Related Losses	Recognition of Revenue without Economic Substance
	Fictitious Revenue Recognition through Participation in Transaction Flows	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and agent transactions
	Recognition of Revenue without Economic Substance	Recognition of revenue without underlying business substance
	Reallocation of Revenue and Expenses among Departments	Groundless reallocation of revenue and expenses among departments
AW Mach	Failure to Record Cost of Sales	Failure to transfer the cost of sold molds to cost of sales
	Failure to Record Losses on Disposal of Fixed Assets	Failure to retire fixed assets upon warehouse relocation

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
Nihon Dennetsu AW Performance Chemical	Deferral of Repair Expenses	• Deferral of repair expenses based on performance achievement status
	Understatement of Depreciation Expense	• Understatement of depreciation expense due to incorrect asset classification and useful life settings
Tateho Chemical Industries	Failure to Record Losses on Disposal of Assets Replaced in Renewal Projects	• Failure to recognize losses on disposal associated with renewal projects
	Deferral of Profit Recognition through Failure to Make Consolidation Adjustments	• Intentional failure to adjust differences arising from consolidation elimination entries
	Avoidance of Consolidation Eliminations on Sales to Consolidated Subsidiaries	• Avoidance of consolidation eliminations through transaction-flow manipulation and resulting overstatement of revenue and profit
	Revenue Recognition in Transactions Involving Materials Provided for Consideration	• Double recognition of revenue and understatement of inventory through transactions involving trading companies and repurchase arrangements
	Inappropriate Accounting for Construction in Progress	• Recording of design and related costs as construction in progress for projects not yet commercialized
	Inappropriate Inventory Write-Downs	• Deferral of profit recognition through inappropriate inventory write-downs or reversals
	Deferral of Loss Recognition on Defective Inventory	• Partial deferral of losses on defective inventory without reasonable basis
	Failure to Eliminate Unrealized Profits	• Overstatement of profit through inappropriate reversal of unrealized profit eliminations
Printec	Reversal of Valuation Losses on Raw Materials	• Overstatement of profit through reversal of inventory valuation losses without reasonable basis
	Overstatement of Inventories	• Overstatement of inventories due to discrepancies between book and physical inventory
	Profit Adjustment through Fictitious Inventory	• Overstatement of inventories and profit through recognition of fictitious inventory

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
AW Agri & Foods	Inappropriate Reclassification of Accounts	Overstatement of inventories and accounts receivable through unsupported account reclassifications
	Participation in Transaction Flows Related to a Capital and Business Alliance Partner	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions
	Participation by Kyushuya in Transaction Flows Related to a Capital and Business Alliance Partner	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions
	Fictitious Revenue Recognition through the Use of Inventory Data for Disposed Inventory and Disguised Internal Transfers	Creation of fictitious sales targets from inventory records as of March 31 to support fictitious inventory withdrawals associated with revenue recognition
Plecia	Deferral of Unidentified Inventory Discrepancies	Occurrence and deferral of unidentified inventory discrepancies resulting from processing errors due to unfamiliarity with a new sales management system
	Overstatement of Inventory at the Fukuoka Plant (2016–2020)	Overstatement of inventory through inflated inventory quantities recorded in inventory reports
	Failure to Record Losses on the Sale of a Plant	Failure to record losses on the sale of a plant, including possible omissions in IFRS transition adjustments
	2024 Cost Adjustment Journal Entries	Journal entries allocating cost variances under standard costing to inventories
	Overstatement of Inventory at the Head Office and Saitama Plants (June 2024–September 2025)	Overstatement of inventory through inflated inventory quantities recorded in inventory reports
	Improper Reversal and Failure to Record Rebate Accruals	Profit adjustment through improper reversals and failure to record rebate accruals

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
	Failure to Recognize Bonus Provisions and Improper Reversals	• Profit adjustment through failure to recognize bonus provisions and improper reversals
	Installment Recognition of Training Expenses	• Installment recognition of training expenses based on unsupported forecasts
Tomiichi Kyushu	Avoidance of Provision Recognition for Subsidy Repayment Obligations	• Avoidance of provision recognition based on an incorrect assessment of subsidy repayment obligations and contingent liabilities
Hokkaido AW Agri Kyushuya	Inventory Valued Above Selling Prices	• Inventory recorded at unit costs exceeding selling prices
	Reallocation of Personnel Expenses at the Nishifunabashi Store	• Avoidance of impairment losses through reallocation of personnel and related expenses among asset groups
AW Realize	Improper Revenue Recognition through Price Manipulation	• Improper revenue recognition through the preparation of internal invoices and manipulation of billing unit prices
	Failure to Record Cost of Sales	• Failure to recognize costs due to omission of inventory withdrawal processing for ancillary materials
AWBD (Resolution for Dissolution adopted on June 27, 2025)	Deferral of Impairment Losses on Goodwill and Other Assets	• Deferral of impairment losses on goodwill and other assets (AWBD)
	Inventory Impairment and Profit Manipulation through Below-Cost Transactions with Our Company	• Inventory impairment at a non-consolidated subsidiary and profit manipulation at the consolidated level through below-cost transactions with our Company (AWBD)
AW Medi-Eichi	Avoidance of Inventory Valuation Losses	• Failure to record write-downs on obsolete and slow-moving inventory
AW Engineering	Compressed Accounting for Subsidies Related to Fixed Asset Acquisitions	• Failure to defer subsidy income and deviation from Group policy regarding compressed accounting for fixed assets
AW Industrial & Medical Gas	Double Recognition of Revenue through a Multi-Tiered Transaction Structure	• Double recognition of revenue through a multi-tiered transaction structure involving third-party intermediaries

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
	Recognition of Ancillary Charges as Revenue in Product Sales (Agent Transactions)	Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions
Yonezawa Seika	Failure to Recognize Bonus Provisions	Improper manipulation of the timing of expense recognition through failure to recognize provisions and inappropriate reversals
NIHON KAISUI	Premature Recognition of Revenue through Consignment Inventory Transactions Revenue Recognition through Other Consignment Inventory Transactions and Subsequent Repurchases Earnings Adjustments through Purchasing Transactions Revenue Recognition in Through Transactions and Gross Recognition of Revenue in Agency Transactions Capitalization of Periodic Maintenance Expenses and Labor Costs for Plant Facilities Recognition of Revenue Prior to Completion of Performance Testing for Leachate Treatment Facility Installation Projects Deferral of Revenue and Expenses Across Quarterly and Semi-Annual Reporting Periods	- Premature or fictitious recognition of revenue through repurchase transactions and consignment inventory transactions - Manipulation of profits through adjustments to purchase prices - Involvement in distribution channels without economic substance, recognition of revenue in through transactions, and gross recognition of revenue in agency transactions - Deferral of expense recognition through the capitalization of maintenance expenses and labor costs - Acceptance processing and premature recognition of revenue before completion of the agreed inspection and acceptance procedures - Inappropriate deferral of revenue recognition

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
Kanda Biomass Power AW India ONAHAMA BIOMASS ELECTRIC POWER Hokkaido Body	Avoidance of Recording Inventory Valuation Losses	- Off-book storage of unused inventory - Manipulation of profits through inventory write-downs by influencing assessments of inventory usability
	Avoidance of Loss Recognition on Disposal of Shares Resulting from the Exclusion of an Equity-Method Affiliate	Avoidance of recognizing losses related to share disposal transactions
	Failure to Recognize Impairment Losses or Understatement of Impairment Losses	Failure to perform impairment testing in accordance with the Group's accounting policies
	Adjustment of Expenses	Adjustment of expenses based on business performance
AW Vietnam	Misappropriation of Assets and Accounting Treatments Disguised as Ordinary Transactions to Conceal Such Misappropriation	- Misappropriation of assets through the falsification of remittance recipients or duplicate payment requests relating to the same invoice - Journal entries recorded to disguise transactions as ordinary business activities through the use of personal bank accounts or bank accounts of companies managed by the individual concerned
AW Link	Inappropriate Management of Replacement Products and Related Issues	Failure to distinguish replacement products provided free of charge by manufacturers from ordinary inventory for inventory management purposes
	Temporary Unrecorded Inventory Arising from Timing Differences Between Inventory Issue Processing and Revenue Recognition in the Sales Management System	Temporary Unrecorded Inventory Arising from Timing Differences Between Inventory Issue Processing and Revenue Recognition in the Sales Management System and Failure to Conduct Physical Inventory Counts

Company Name	Inappropriate Accounting Practices	Related Circumstances and Factors
	Physical Inventory Counts of inventory held at branches Without Reasonable Supporting Evidence and Failure to Conduct Physical Inventory Counts of Inventory Held at Hospitals	• Physical inventory counts of inventory held at branches without reasonable supporting evidence and failure to conduct physical inventory counts of inventory held at hospitals
	Recognition of Purchases in Deviation from the Purchase Recognition Standard Prescribed in the Accounting Regulations (Inspection Basis)	• Recognition of purchases in deviation from the purchase recognition standard (inspection-based recognition) stipulated in the accounting regulations for direct shipment transactions from suppliers to customers (hospitals)

2. Organizational Management by Powerful Top Management and a Corporate Culture of Anticipating Such Management's Intentions

We believe that, underlying the pervasive and long-standing occurrence of inappropriate accounting practices throughout our Group, there was a corporate culture in which excessive authority was concentrated in specific members of top management, particularly under a structure in which the Chairman and CEO effectively served as the center of decision-making, and the organization as a whole tended to follow the intentions and instructions of such top management in a one-sided manner.

While successive members of top management achieved rapid growth of our Group through strong leadership, their authority within the organization became virtually absolute. The top-down management style and organizational culture strongly oriented toward the achievement of business performance targets, which had been formed under past management structures, were maintained without fundamental review even after Mr. Hiroshi Aoki, who had served for 31 years, was succeeded by Mr. Masahiro Toyoda in 2015, and subsequently by Mr. Kikuo Toyoda in 2019.

The Investigation Report by the Special Investigating Committee pointed out, among other matters, that the top management at the time possessed overwhelming authority within the organization and operated the business in a manner that did not tolerate dissent; that substantive decision-making authority over personnel treatment for senior officers and employees was concentrated in top management; and that high-handed management methods caused psychological intimidation within the organization, creating an atmosphere in which unfavorable information was difficult to report to directors. We recognize that the top-down corporate culture that had existed for some time, together with behavioral patterns of excessively anticipating the intentions of top management, was further amplified after Mr. Kikuo Toyoda assumed office as Representative Director and Chairman. As a result, an inward-looking logic that placed the highest priority on "instructions from top management" was further reinforced.

Under such circumstances, against the backdrop of the conduct of top management, senior

officers and employees were widely observed to have anticipated the intentions of top management and either led or tolerated inappropriate accounting practices. Specifically, we confirmed a case in which, in 2020, our General Manager of the Accounting Department, while considering how to respond to approximately ¥900 million of non-existent work-in-process inventory at AW Safety Service, referred to as “M-Number” inventory, following instructions from the Chairman, developed a plan to defer loss recognition and was involved in considering methods that would avoid detection by the audit firm.

Under these circumstances, the escalation of information and expression of opinions necessary for early identification of issues and implementation of corrective measures did not function sufficiently, and a situation continued in which the organization’s autonomous corrective function was not effectively exercised. Furthermore, we recognize that these aspects of our corporate culture also affected the supervisory function of the Board of Directors. Discussions at the Board of Directors remained formal in nature, and effective verification and checks on the decision-making of top management did not function sufficiently.

As described above, within our Group, the decision-making structure originating from the management structure that had existed since our establishment, and the corporate culture premised on that structure, continued and were amplified over a long period of time. As a result, behavioral patterns that prioritized the intentions of top management became widespread throughout the organization, giving rise to structural issues that made it difficult for audit and supervisory functions to operate effectively. We recognize this as a root cause of our inability to prevent the occurrence and expansion of inappropriate accounting practices.

3. Excessive Performance Pressure on Frontline Operations

As described in Section 1 above, in the formulation of budgets and the evaluation of business performance through comparisons between budgets and actual results, budgets were prepared based on a medium-term management plan that could be regarded as exceeding actual capabilities and on the premise that they would exceed the budgets of the previous fiscal year, without necessarily giving appropriate consideration to the business environment surrounding the relevant businesses or companies or changes in that environment. When first-half budgets were not achieved, second-half budgets were revised on the premise that the shortfall would be recovered in the second half.

In the course of performance management, including comparisons between budgets and actual results, conducted through meetings such as the Corporate Management Committee and Budget Meetings, as well as through individual meetings, we believe that the heads of each division constantly felt considerable pressure to achieve their budgets. We recognize that this pressure, combined with the lack of ethics and accounting literacy described below, contributed to the occurrence of this matter.

In addition, important meetings such as the Corporate Management Committee and Budget Meetings were attended by the Representative Director and Chairman, full-time directors including internal directors, major executive officers, and administrative departments, but outside directors did not attend. We believe that the absence of an environment that could have served as a brake on this matter was also one contributing factor.

Furthermore, excessive performance pressure cascaded from top management to the management level, and a justification permeated the organization that inappropriate accounting practices were unavoidable in order to achieve business performance targets. At

meetings such as the Corporate Management Committee and Budget Meetings, it had become routine for top management to issue extremely severe reprimands for failures to achieve budgets and performance targets, and personnel who failed to meet targets were individually summoned to the Chairman's office. As a result, a strong sense of fear took root within the organization.

We believe that this rigid, target-achievement-at-all-costs mindset fostered a culture in which unfavorable facts were concealed and created an atmosphere in which personnel felt unable to speak up, preventing timely sharing of risk information such as deterioration in business performance. As a result, we believe that responsible personnel at frontline operations fell into a self-protective mindset in which they viewed it as more rational to make the current period's figures look acceptable than to report the truth and face severe reprimand. Specifically, even when engaging in inappropriate accounting practices at period-end, such as premature recognition of revenue, including cutoff errors, or overvaluation of inventories, including deferral of recognition of valuation losses, frontline personnel appear to have acted based on an overly optimistic assumption that, if they could get through the current period, the shortfall could be recovered through actual business performance in subsequent periods. In this way, a mechanism operated in which such actions were conveniently justified not as fraud, but merely as temporary "adjustments of figures."

We recognize that, at the root of the domino-like spread of these individual justifications throughout Group companies, there existed excessive concentration of authority in specific members of management and the hollowing out of the checking functions of our headquarters' accounting and internal audit departments. In a closed environment lacking objective oversight, pressure felt by frontline operations became linked with opportunities created by weak governance, and the continued justification of such conduct within the organization led to a significant weakening of compliance awareness throughout the Group.

4. Weaknesses in the Management Infrastructure and Internal Control Framework

(1) Absence of an Executive Officer Responsible for Finance and Accounting

We recognize that no executive officer was specifically assigned responsibility for finance and accounting at our Company, and that operations were carried out under the direct instructions of top management. We recognize that an executive officer responsible for finance and accounting should ordinarily oversee accounting-related operations, provide appropriate checks and balances, identify significant risks, and implement appropriate corrective measures in response to such risks. We further recognize that the absence of such a position at our Company contributed to inadequate oversight, insufficient checks and balances, and a lack of timely corrective measures, thereby creating an environment in which inappropriate accounting practices could occur.

(2) Weaknesses in Corporate Functions, Particularly within the Accounting Department

We recognize that, while our Group expanded through M&A and other initiatives to comprise more than 200 Group companies, the accounting function at headquarters did not adequately evolve either staffing levels or sophistication. For example, the headquarters accounting department consisted of only eight personnel responsible for non-consolidated financial reporting and eight personnel responsible for consolidated financial reporting, for a total of

sixteen personnel. We recognize that both quantitative and qualitative shortages within the accounting function became chronic.

We recognize that, as a result, the effectiveness of quality assurance relating to consolidated financial reporting and disclosures, as well as the effectiveness of oversight and support provided to Group companies, declined. Consequently, appropriate accounting treatments were not always implemented or effectively challenged, contributing not only to the occurrence of inappropriate accounting practices but also to the need for prior-period corrections and adjustment entries.

Specifically, we recognize the following factors as contributing causes:

①The headquarters accounting department and the accounting departments of subsidiaries lacked a sufficient sense of responsibility and accounting knowledge expected of accounting functions at a listed company, resulting in insufficient awareness of our responsibility for ensuring proper financial reporting.

②The headquarters accounting department, which is responsible for consolidated financial reporting and disclosure practices, was not sufficiently aware that it serves as the organization ultimately responsible for ensuring the appropriateness of financial reporting across the Group and constitutes a key component of internal control over financial reporting.

③Within the headquarters accounting department, operations had become highly dependent on specific individuals, resulting in a concentration of responsibilities among particular personnel.

④For accounting processes involving significant judgment and evaluation, operational procedures, decision-making criteria, and other relevant standards were unclear, and such standards were not sufficiently communicated throughout the organization.

⑤The headquarters accounting department did not engage in sufficient coordination and dialogue with the accounting departments of subsidiaries, resulting in an inadequate understanding of business operations and transaction details. In addition, accounting treatments were carried out despite insufficient review and challenge of the appropriateness of individual financial statements prepared by each subsidiary based on its respective accounting standards, inadequate identification of significant and comprehensive issues arising from conversion to International Financial Reporting Standards ("IFRS") for consolidated financial reporting, and insufficient development, communication, and implementation of Group accounting policies and internal controls over financial reporting reflecting the actual circumstances of the Group.

5. Insufficient Effectiveness of Internal Controls, Including Organizational Roles and Responsibilities

We recognize that unclear organizational roles and responsibilities, together with insufficient or dysfunctional internal controls from a Group-wide perspective, contributed not only to the occurrence of errors and inappropriate accounting practices but also to the deterioration of monitoring functions that should have enabled such matters to be identified and corrected at an early stage.

Specifically, we recognize the following factors as contributing causes:

- Although basic regulations were intended to be common across all Group companies, there was insufficient centralized management to ensure the development, appropriate updating, and thorough communication of such common regulations, including the inventory management regulations that gave rise to numerous inappropriate accounting practices.

- In areas where inappropriate accounting practices could occur, such as inventory management and sales management, operational workflows designed to ensure the accuracy of processing were not adequately established or effectively implemented, including the standardization of processing procedures and checks and balances by personnel independent of those directly responsible for the processing.
- Many directors and Audit & Supervisory Board Members dispatched by our Company to subsidiaries lacked sufficient accounting literacy. In addition, because many of them were responsible for performance management within the businesses under their supervision or were positioned within the same reporting line, and because our corporate culture tended to prioritize business performance over compliance, this resulted in deficiencies in both the execution of appropriate accounting treatments and monitoring functions.
- Under the Unit Management System, as performance pressure on unit heads, business division executives, and subsidiary officers increased, units (including their subsidiaries) lacked monitoring and checking functions capable of ensuring appropriate business execution from a perspective independent of business performance considerations. As a result, functions intended to deter fraudulent or improper conduct did not operate sufficiently.
- We did not provide sufficient frontline education, establish adequate management structures, or develop operational workflows necessary to ensure the accuracy of operational processing and accounting treatments.

6. Operational Workflows that Enabled Inappropriate Practices and Inadequate Inventory Management within Business Divisions and Group Companies

We recognize that, throughout our Group, management structures, operational procedures, and operational workflows designed to prevent the occurrence of fraud or errors and inappropriate accounting practices, or to detect and correct them at an early stage, did not function effectively.

For example, at Nippon Helium and Ecoroca, inventory management responsibilities were entrusted to specific individuals over extended periods, and the results of inventory-related activities performed by those individuals were used directly as part of financial reporting figures without review or verification by supervisory personnel.

We also recognize that, in a variety of other business operations, inadequate management practices and deficient operational workflows failed to ensure the accuracy of operational processing. Furthermore, deficiencies were not limited to operational workflows within business divisions. Necessary reviews, analyses, and verification procedures were also insufficient within the accounting departments of individual subsidiaries.

We recognize that these circumstances not only gave rise to errors but also created opportunities for misconduct. As a result, the following inappropriate accounting practices occurred.

Inadequate Management Practices and Operational Procedures Inventory	Inappropriate Accounting Practices Arising from Inadequate Management Practices and Operational Deficiencies (Company where the issue occurred)
	• Inappropriate segregation of duties in inventory management

Inadequate Management Practices and Operational Procedures Management	Inappropriate Accounting Practices Arising from Inadequate Management Practices and Operational Deficiencies (Company where the issue occurred)
	operations (overdependence on specific individuals) (Nippon Helium, Ecoroca)
	• Failure to conduct physical inventory counts (Nippon Helium, Ecoroca) • Inadequate procedures for processing helium raw material losses (Nippon Helium) • Inadequate adjustment of, or failure to address, inventory discrepancies (Nippon Helium, Ecoroca, AW Safety Service) • Failure to correct excessive standard costs for finished goods and work in process (Ecoroca) • Inappropriate changes to inventory recording units (Ecoroca) • Off-book storage of unused inventory (AW Safety Service, NIHON KAISUI) • Overstatement of inventories due to discrepancies between book inventory and physical inventory (Printec) • Exclusion of inventory designated for fictitious sales from inventory records as of March 31 in order to conceal fictitious inventory withdrawals associated with revenue recognition (AW Agri & Foods) • Inventory recorded at unit costs exceeding selling prices (Hokkaido AW Agri) • Occurrence and deferral of unidentified inventory discrepancies resulting from processing errors due to unfamiliarity with a new sales management system (AW Agri & Foods) • Overstatement of inventory through inflated inventory quantities recorded in inventory reports under instructions from the Production Control Manager or accounting personnel (Plecia) • Failure to recognize costs due to omission of inventory withdrawal processing for ancillary materials (AW Realize)

Inadequate
Management
Practices and
Operational
Procedures

Inappropriate Accounting Practices Arising from Inadequate
Management Practices and Operational Deficiencies
(Company where the issue occurred)

- Exclusion of unusable inventory from inventory disposal targets (Plant Gas Division of Air Water)
- Profit manipulation through inventory write-downs by manipulating the usability assessment of inventory (AW Safety Service, NIHON KAISUI)
- Failure to assess the necessity of inventory write-downs (AW East Japan)
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- Physical Inventory Counts of Branch Inventory Without Reasonable Supporting Evidence and Failure to Conduct Physical Inventory Counts of Inventory Held at Hospitals (AW Link)
- Failure to Conduct Physical Inventory Counts of Temporarily Unrecorded Inventory Arising from Timing Differences Between Inventory Issue Processing and Revenue Recognition in the Sales Management System (AW Link)
- Failure to distinguish replacement products provided free of charge by manufacturers from ordinary inventory for inventory management purposes
- Recording of Purchases for Direct Delivery Transactions from Suppliers to Customers (Hospitals) in Deviation from the Purchase Recognition Standard (Inspection-Based Recognition) Prescribed in the Accounting Regulations (AW Link)

Revenue
Management

- Revision of sales prices lacking economic rationale within the consolidated Group (Air Water, Nippon Helium)
- Revenue recognition involving transactions lacking economic substance, including pass-through transactions and gross recognition of revenue in agent transactions (Ecoroca, NIHON KAISUI, Air Water, AW East Japan, AW West Japan, Shin-Nikka AW, AW Industrial & Medical Gases, AW Agri & Foods)
- Double recognition of revenue through a multi-tiered transaction structure involving third-party intermediaries (Ecoroca, AWMX, AW Electronics/Consolidated Accounting Office, AW East Japan, Air Water Consolidated Accounting Office, AW Electronics, AW Industrial & Medical Gases)
- Avoidance of consolidation eliminations through transaction-flow manipulation and resulting overstatement of revenue and profit (Tateho Chemical Industries)
- recognition of revenue and understatement of inventories through transactions involving trading companies in buy-sell arrangements and repurchase transactions (Tateho Chemical Industries)
- Premature recognition of construction revenue that did not accurately reflect the stage of completion (Ecoroca)
- Revenue recognition inconsistent with the terms and conditions of export transactions (Ecoroca)
- Completion processing and premature recognition of revenue prior to the completion of inspection procedures (AWMX, NIHON KAISUI, Air Water, AW West Japan)
- Revenue recognition of deposits received and recognition of fictitious construction costs associated with refunds (Ecoroca)
- Billing and revenue recognition relating to employee secondment expenses (Ecoroca)
- Improper acceleration and deferral of revenue recognition (AW Safety Service, NIHON KAISUI)
- Premature recognition of revenue prior to formal order receipt and shipment (Air Water Energy Unit)

Inadequate
Management
Practices and
Operational
Procedures

Inappropriate Accounting Practices Arising from Inadequate
Management Practices and Operational Deficiencies
(Company where the issue occurred)

- Premature recognition of costs through the application of revenue recognition over time, and improper acceleration and period attribution of revenue and profit (AW Safety Service, NIHON KAISUI)
- Fictitious revenue recognition through the use of inventory data for disposed inventory and disguised internal transfers as external sales (AW Agri & Foods)
- Premature recognition of costs through budgets lacking economic substance and procurement of materials and equipment before specifications were finalized, resulting in improper acceleration and period attribution of revenue and profit under revenue recognition over time (AW Safety Service)
- Improper period attribution of construction revenue resulting from an inappropriate determination of the applicability of revenue recognition over time (AW East Japan)
- Purchase of materials from, and resale to, the same customer with an added handling margin (Ecoroca)
- Double recognition of revenue relating to consignment transactions (Ecoroca)
- Improper reclassification of accounts receivable to conceal previously recorded fictitious or overstated revenue (AW Safety Service)
- Profit adjustment through improper reversals and failure to record rebate accruals (Plecia)
- Premature or fictitious revenue recognition through transactions involving repurchase arrangements and consigned inventory (NIHON KAISUI)
- Temporary unrecorded inventory arising from timing differences between inventory issue processing and revenue recognition in the sales management system (AW Link)

Inadequate Management Practices and Operational Procedures Cost Management	Inappropriate Accounting Practices Arising from Inadequate Management Practices and Operational Deficiencies (Company where the issue occurred)
	- Recording expenditures that should have been recognized as expenses as construction in progress (Ecoroca) - Recognition of fictitious construction costs associated with the refund of deposits received (Ecoroca) - Cost reallocations and labor-hour manipulation (AWMX, AW Safety Service), and avoidance of recognition of provisions for construction losses resulting therefrom (AW Safety Service) - Deferral of recognition of inventory discrepancies and scrap losses through the use of temporary item codes for make-to-stock products (AW Safety Service) - Premature recognition of costs through the application of revenue recognition over time, and improper acceleration and period attribution of revenue and profit (AW Safety Service) - Manipulation of inventory valuation and inventory issuance unit costs for imported products to avoid the impact of foreign exchange fluctuations (AWMX) - Deferral of recognition of expenses exceeding approved budget allocations charged to Air Water (AWMX) - Profit manipulation through purchase price adjustments (NIHON KAISUI, Tateho Chemical Industries) - Failure to transfer the cost of sold molds to cost of sales (AW Mach)

Fixed Asset
Management

- Failure to record or deferral of losses on disposal of fixed assets, including failure to recognize disposals associated with demolition of plant buildings and renewal projects (Nippon Helium, NIHON KAISUI, AW Performance Chemical, Air Water Industrial Gas Business Division, Niigata Liquid Oxygen, Air Water Public Relations Group, Consolidated Accounting Office)
- Failure to record the disposal of assets managed by certain departments in connection with the sale of assets administered across multiple departments (Air Water Consolidated Accounting Office)
- Deferral of recognition of losses on disposal of fixed assets and removal costs for equipment installed at customer sites (Air Water Plant Gas Division, NIHON KAISUI)
- Creation of off-book fixed assets resulting from erroneous approval requests based on inadequate recognition of fixed assets within business divisions (AW Safety Service)
- Deferral of impairment losses on equipment installed at customer sites, avoidance of impairment losses through inappropriate estimates of recoverable amounts, and failure to recognize impairment losses on idle assets (Air Water Plant Gas Division, Air Water Industrial Equipment Department, Air Water Accounting Department, Industrial Company Planning & Administration Department, Human Resources Department, Consolidated Accounting Office, AW West Japan and Air Water)
- Inadequate assessment of future economic benefits and post-capitalization impairment when considering capitalization of research and development expenses (AW Safety Service)
- Failure to retire fixed assets upon warehouse relocation (AW Mach)
- Understatement of depreciation expense due to incorrect asset classification and useful life settings (AW Performance Chemical)
- Deferral of expense recognition through capitalization of repair expenses and labor costs (NIHON KAISUI, Air Water Earth & Environmental Business Planning & Administration Department, Air Water Industrial Gas Unit, Air Water Air Gas Department, Shinano Liquid Oxygen, AW Gas Products, AW Engineering)

Inadequate Management Practices and Operational Procedures	Inappropriate Accounting Practices Arising from Inadequate Management Practices and Operational Deficiencies (Company where the issue occurred)
Accounting Closing Procedures	• Failure to defer subsidy income and deviation from Group policy regarding compressed accounting for fixed assets (AW Engineering)
	• Recording of design and related costs as construction in progress for projects not yet commercialized (Tateho Chemical Industries)
	• Failure to record write-downs of slow-moving and obsolete inventory (Ecoroca, NIHON KAISUI, AW East Japan, AW Medi-Eichi)
	• Failure to recognize losses on advance payments relating to abandoned transactions (Ecoroca)
	• Deferral of loss recognition (Nippon Helium, Ecoroca)
	• Failure to establish second-line processes for verifying the economic substance of transactions and the appropriateness of period attribution with respect to premature revenue recognition (AWMX)
	• Recognition and subsequent reversal of estimated unrecorded costs based on performance achievement status (AW Safety Service)
	• Improper manipulation of the timing of expense recognition by the Corporate Management Department (AW Safety Service, NIHON KAISUI)
	• Improper manipulation of the timing of expense recognition through failure to recognize provisions and inappropriate reversals (Air Water Bulk Gas Department, Yonezawa Confectionery)
	• Failure to identify and record off-book assets due to insufficient monitoring of material purchases made outside the Corporate Management Department and fixed asset inspections that did not take off-book assets into account (AW Safety Service)

Inadequate
Management
Practices and
Operational
Procedures

Inappropriate Accounting Practices Arising from Inadequate
Management Practices and Operational Deficiencies
(Company where the issue occurred)

- Failure to recognize liabilities relating to transactions that were, in substance, financing arrangements (NIHON KAISUI)
- Avoidance of recognition of losses relating to share sale transactions (NIHON KAISUI)
- Failure to correct double-counted revenue (Air Water Accounting Department / Air Water Corporate Management Department, Kyushu Industrial Gas)
- Deferral of loss recognition relating to disasters and accidents (Air Water)
- Failure to recognize obligations relating to retirement benefits, bonuses, and other personnel-related liabilities (Air Water Human Resources Department)
- Groundless reallocation of revenue and expenses among departments (AW East Japan, AW West Japan)
- Recognition of revenue without underlying business substance (AW West Japan)
- Deferral of expenses based on performance achievement status (Nihon Dennetsu)
- Intentional failure to adjust differences arising from consolidation elimination entries (Tateho Chemical Industries)
- Deferral of profit recognition through inappropriate inventory write-downs or reversals (Tateho Chemical Industries)
- Partial deferral of losses on defective inventory without reasonable basis (Tateho Chemical Industries)
- Overstatement of profit through inappropriate reversal of unrealized profit eliminations (Tateho Chemical Industries)
- Overstatement of profit through reversal of inventory valuation losses without reasonable basis (Tateho Chemical Industries)

Inadequate
Management
Practices and
Operational
Procedures

Inappropriate Accounting Practices Arising from Inadequate
Management Practices and Operational Deficiencies
(Company where the issue occurred)

- Deferral of loss recognition following the discovery of inventory discrepancies (Printec)
- Overstatement of inventories and profit through recognition of fictitious inventory (Printec)
- Overstatement of inventories and accounts receivable through unsupported account reclassifications (Printec)
- Deviation from Group policies regarding revenue recognition and compressed accounting for fixed assets (AW Engineering)
- Journal entries allocating cost variances under standard costing to inventories under instructions from accounting personnel (Plecia)
- Profit adjustment through improper reversals and failure to record rebate accruals (Plecia)
- Failure to recognize bonus provisions and improper reversals (Plecia)
- Failure to record losses on the sale of a plant, including possible omissions in IFRS transition adjustments (Plecia)
- Installment recognition of training expenses based on unsupported forecasts (Plecia)
- Inventory impairment at a non-consolidated subsidiary and profit manipulation at the consolidated level through below-cost transactions with Air Water (AWBD (resolved to dissolve))
- Avoidance of provision recognition based on an incorrect assessment of subsidy repayment obligations and contingent liabilities (Tomiichi Kyushu)
- Avoidance of impairment losses through reallocation of personnel and related expenses among asset groups (stores) (Kyushuya)
- Deferral of impairment losses on goodwill and other assets

Inadequate
Management
Practices and
Operational
Procedures

Inappropriate Accounting Practices Arising from Inadequate
Management Practices and Operational Deficiencies
(Company where the issue occurred)

AWBD (resolved to dissolve)

- Failure to perform impairment testing in accordance with the Group's accounting policies and failure to recognize impairment losses (NIHON KAISUI, Kanda Power, Onahama Biomass Power, and AW India)
- Misappropriation of Assets through the Falsification of Remittance Recipients or Duplicate Payment Requests Relating to the Same Invoice (AW Vietnam)
- Journal Entries Recorded to Disguise Transactions as Ordinary Business Activities through the Use of Personal Bank Accounts or Bank Accounts of Companies Managed by the Individual Concerned (AW Vietnam)

7. Insufficient Understanding of Ethics and Accounting Literacy Resulting in Inappropriate Accounting Practices

We recognize that, throughout our Group, insufficient education regarding fundamental ethical standards and accounting knowledge, from top management to individual employees, together with the inadequate establishment of common standards for determining what constitutes appropriate conduct and how decisions should be made, contributed to inadequate oversight, insufficient checks and balances, and a lack of timely corrective measures. As a result, we recognize that these factors contributed to the occurrence of inappropriate accounting practices.

8. Insufficient Review of the Design and Operation of the Whistleblowing System

We recognize that, within our Group, a corporate culture has developed in which employees found it difficult to express opinions or raise concerns. In such an environment, the mechanisms necessary to ensure psychological safety—namely, an organizational and workplace environment in which employees could express dissenting views or concerns without fear of disadvantage, together with a well-designed and well-communicated whistleblowing system—were not sufficiently established. We recognize that this contributed to the weakening of monitoring functions that should have enabled inappropriate accounting practices to be identified and corrected at an early stage. We further recognize that, had the whistleblowing system functioned effectively in connection with these inappropriate accounting practices, there may have been opportunities to identify and halt the misconduct at an earlier stage through internal reports. Accordingly, in parallel with fostering a stronger culture of compliance throughout the organization, we should have reviewed both the structure and operation of the whistleblowing system and reconsidered how the system was communicated and promoted to officers and employees.

9. Insufficient Supervisory Function of the Board of Directors

We recognize that the Board of Directors is responsible for overseeing management's execution of business operations, identifying significant risks, and ensuring that appropriate corrective measures are taken in response to such risks. However, we also recognize that these responsibilities were not always fulfilled effectively at our Company. As a result, appropriate oversight, checks and balances, and corrective actions were not implemented sufficiently, contributing to our inability to prevent inappropriate accounting practices or identify them at an early stage.

Specifically, we recognize the following factors as contributing causes:

- Insufficient monitoring and checking functions with respect to top management
- An inadequate Board composition to provide effective oversight, including the absence of an executive officer responsible for corporate administrative functions
- Excessive concentration of authority, including authority over personnel matters, in top management
- Insufficient supervisory and monitoring functions exercised by outside directors
- Insufficient institutional design and operation of compliance and risk management frameworks, including those relating to the effectiveness of internal controls
- Insufficient collaboration with the Audit & Supervisory Board Members to strengthen the supervisory function of the Board of Directors
- Insufficient awareness of our responsibility for preparing financial statements and our accountability to investors

10. Insufficient Audit Function of the Audit & Supervisory Board

We recognize that the Audit & Supervisory Board is responsible for independently auditing the execution of duties by directors and ensuring the appropriateness of business operations. The Audit & Supervisory Board is also responsible for auditing and evaluating the effectiveness of internal controls established and operated by the Board of Directors. However, we recognize that the functions and responsibilities of the Audit & Supervisory Board were not always fulfilled effectively at our Company. As a result, appropriate oversight, checks and balances, and corrective actions were not implemented sufficiently, contributing to our inability to prevent inappropriate accounting practices or identify them at an early stage.

Specifically, we recognize the following factors as contributing causes:

- Insufficient proactive review and recommendations by the Audit & Supervisory Board
- Insufficient information gathering to support review activities and recommendations
- Failure to establish mechanisms capable of identifying warning signs of risk at an early stage
- Insufficient strengthening of audit functions through collaboration with the Internal Audit Department and the audit firm
- Insufficient consideration of the balance of skills and expertise required to fulfill the responsibilities of the Audit & Supervisory Board, together with inadequate clarification and transparency of appointment criteria

11. Insufficient Assessment of Business Risks, Organizational Structures, and Operational Processes

We recognize that, as our Group expanded its business through M&A and other initiatives,

insufficient consideration was given to risks associated with new business partners, business schemes, transaction structures, operational frameworks, and accounting matters, as well as the risk that officers and employees might engage in fraudulent or inappropriate conduct. As a result, although the first line of defense (business functions) and the second line of defense (the Compliance Office, currently the Risk Management and Compliance Department) verified compliance with applicable laws and regulations, they did not sufficiently identify and assess accounting-related risks on a comprehensive basis, nor did they adequately raise awareness of the importance of such risks through internal training and education programs. We also recognize that, when undertaking M&A transactions or establishing new transaction flows and business schemes, neither the first line of defense nor the second line of defense conducted sufficiently comprehensive reviews of potential issues, including accounting implications. Consequently, the Group's review and monitoring processes were inadequate. Furthermore, we recognize that ongoing monitoring of risks following the commencement of operations was insufficient and that periodic reassessments of risks were not conducted appropriately.

12. Weaknesses in the Internal Audit Function

We recognize that the Internal Audit Department did not have an organizational structure capable of effectively completing internal control evaluations, nor did it possess a sufficient awareness of its role as the third line of defense, the necessary knowledge and skills, or adequate frameworks for information sharing and coordination. As a result, the monitoring function that should have been exercised through internal control evaluations did not operate effectively, contributing to the failure to identify and correct inappropriate accounting practices at an early stage.

Specifically, we recognize the following factors as contributing causes:

- Insufficient awareness among Internal Audit Department personnel of their role as the final line of defense responsible for providing independent evaluations
- An internal audit culture in which audits were conducted with an emphasis on avoiding the identification of deficiencies wherever possible, together with insufficient staffing levels, resulting in the Internal Audit Department failing to fulfill its intended role effectively
- Insufficient recognition throughout the Group of the role and responsibilities of the Internal Audit Department
- Inadequate frameworks for the timely verification, evaluation, and reporting of risks and control deficiencies identified through internal audits and other monitoring activities
- Insufficient knowledge and skills within the Internal Audit Department to perform internal audit activities effectively
- Insufficient collaboration among the Audit & Supervisory Board Members, the audit firm, and the Internal Audit Department, together with inadequate frameworks for information sharing and coordination, preventing the Internal Audit Department from fully leveraging the audit knowledge and expertise of all three parties and performing its intended role effectively.

III. Improvement Measures to Prevent Recurrence

The status of the consideration, planning, and implementation of recurrence prevention measures by our Group in response to each of the causes described in "II. Analysis of Causes" is as follows.

For the relationship between each of the causes identified in “II. Analysis of Causes” and the individual recurrence prevention measures described below, please refer to Appendix 1, “Summary Table of Major Correspondence between Causes and Recurrence Prevention Measures.”

Although we submitted the Improvement Plan and Status Report on July 31, 2026 (hereinafter, the “Improvement Plan and Status Report Published on July 31”), we subsequently transitioned to a Company with an Audit and Supervisory Committee and implemented certain changes to our officer structure following approval at the Extraordinary General Meeting of Shareholders held on September 22, 2026.

Based on the improvement measures described in the Improvement Plan and Status Report Published on July 31, we reassessed the need for modifications to those measures on the premise of operating as a Company with an Audit and Supervisory Committee, and consequently revised certain improvement measures.

This report describes the implementation and operational status of the improvement measures carried forward from the Improvement Plan and Status Report Published on July 31. In addition, with respect to improvement measures related to the change in corporate governance structure, this report describes both the implementation and operational status prior to the transition and the implementation and operational status after the transition.

1. Corporate Culture Reform (Fostering Compliance Awareness, Including Accounting Compliance, Led by Management)

We regard corporate culture reform not as a one-time initiative but as an ongoing effort. Accordingly, in addition to implementing the measures described below, beginning with the Top Message initiative described in Section (1), we will establish a framework under which the effectiveness of each measure, including the extent to which it has been communicated throughout the organization and the effectiveness of related training programs, will be evaluated by the Board of Directors on a monthly basis and necessary improvements will be made based on the results of such evaluations.

In evaluating the effectiveness of these measures, we will conduct both quantitative and qualitative monitoring, including employee awareness surveys (the first survey was conducted in February 2026, and the second survey was originally scheduled to be conducted from August 31 to September 18, 2026; however, the survey period was extended to October 16, 2026, in order to further improve the response rate. Executive officers are also included in the survey population), trends in the number of whistleblowing reports and consultations, participation in various compliance training programs and the results of comprehension tests, internal audit results, and the occurrence of misconduct and other inappropriate incidents. In addition, we will continuously monitor conditions at Group companies through the newly established Risk Management Committee, the existing Compliance Committee, and other relevant bodies, and will take necessary actions as appropriate.

At present, we do not consider that a sufficient level of compliance awareness has been fully established throughout all Group companies. However, we will continue to disseminate top management messages, strengthen education and training, enhance the effectiveness of the whistleblowing system, and evaluate the effectiveness of our corporate culture reform initiatives. By making continuous improvements based on the results of these efforts, we will work to ensure that these initiatives become firmly embedded throughout the Group.

The details of these measures are described below.

(1) Expression and Dissemination of Top Management's Commitment to Corporate Reform (Addressing Causes 1, 2, and 3)

[Improvement Measures Included in the Improvement Plan and Status Report Published on July 31]

Since February 16, 2026, top management (Matsubayashi until June 29, 2026; Senzai thereafter) has been delivering messages to all Group employees on a monthly basis. Through these communications, top management will continuously and clearly articulate its reflection on this matter, its responsibility as management, its determination to prevent recurrence and reform the corporate culture, and its management philosophy of prioritizing “doing the right thing” above all else. By consistently conveying these messages to all Group employees, we will promote the penetration of this management philosophy throughout the organization and ensure the effectiveness of our recurrence prevention efforts. The content of these messages will be centered on themes such as the ongoing reflection on and responsibility for this matter, the progress and approach regarding recurrence prevention measures and management reform, our fundamental approach to governance, internal controls, and compliance, the reaffirmation of our management philosophy and corporate purpose, and the standards of conduct and judgment expected of employees. Specific themes will be selected and communicated as appropriate on each occasion. In addition, responses to questions raised by employees during explanatory meetings regarding this matter have been made available through our internal information-sharing platform. The objective of these communications is not merely to provide a temporary response to this matter, but to continuously demonstrate that top management is taking the lead in advancing corporate culture reform. We will also seek to embed these initiatives throughout the Group by linking them with opportunities for direct dialogue between management and employees.

Furthermore, in the January 2026 issue of the Group's internal newsletter, the following message was communicated to all employees.

【At the start of 2026】

Happy New Year.

I am truly delighted to welcome this new year together with all of you, and I would also like to express my sincere gratitude to your families for their continued support of your daily work.

【Toward management reform】

First, the issue involving inappropriate accounting practices has resulted in significant anxiety, concern, and an additional burden for many of our employees, and as one entrusted with the management of this company, I take this very seriously. Under our new management structure, we are working to ensure the prompt completion of the Special Investigating Committee's review. At the same time, we are steadily moving forward with the submission of the semiannual report and the announcement of financial results, both of which were unavoidably delayed. Through these efforts, we aim to restore trust and quickly rebuild sound business operations.

Taking this investigation as an opportunity, we must build a highly transparent organizational framework, meet the expectations of our stakeholders, and evolve into a sincere company trusted by society. To that end, I will take the lead. With unwavering

determination, I will rebuild internal controls, implement measures to prevent recurrence, and improve rules and systems, while firmly embedding transparency and sincerity as core elements of our organizational culture. We, the AIR WATER GROUP, are an indispensable presence in society and bear a significant mission and responsibility. Whether we can overcome this incident will be a true test of our worth as a company. At the same time, it is an opportunity for us to transform into an even better organization. Change cannot be achieved by management alone. Only the strong resolve and decisive actions of each and every one of you can drive real change. By prioritizing voices from the front lines, facing facts head-on, welcoming healthy debate, and consistently doing what is right, we take the shortest path to restoring trust. We must go beyond departments and roles, engage in open and active exchanges of ideas, and take on challenges unconstrained by conventional thinking. Even in the face of difficulties, management will fully support all of you who approach your work with pride. I will focus on creating an environment where you can speak up openly and confidently. Together, we will rebuild trust and evolve into a stronger, more sincere corporate group.

【A new challenge begins at AW Group headquarters】

In April, AW headquarters will move to Grand Green Osaka in Umeda, Osaka. This is more than just an office relocation; it represents a step toward management reform and a challenge toward the future. The concept for the new AIR WATER GROUP headquarters is “AIR WATER PORT.” Like an airport or seaport, it will serve as a hub where people, information, and ideas gather to create new values. A collaboration space will be established to encourage discussion and interaction across departments and companies, further advancing integrated Group management. From here, the story of our reform and fresh start begins.

In closing, I sincerely wish you all continued success and good health for your families. I look forward to your continued support this year.

In addition, following his appointment on June 29, 2026, a message from the new President, Yoshihiro Senzai, was posted on Patio (the Company’s intranet) in both text and video formats on July 1, 2026.

Message from Senzai, President of Air Water, to All Group Employees

To everyone in the Air Water Group,
I am Yoshihiro Senzai, newly appointed President of Air Water.

First, I would like to sincerely thank everyone who continues to support our daily operations and works so hard to overcome this difficult situation. Thank you very much.

For the past 4 years, I have been involved in the management of the Air Water Group as Independent Director.

As President, I will make “Compliance First” our top priority by eliminating excessive performance pressure and changing the culture that made it difficult for people to speak up or raise concerns.

I am firmly committed to building a system to prevent recurrence, reforming our culture as the foundation for that system, and achieving business growth on that basis. I fully recognize the heavy burden placed on everyone through more than 6 months of

investigations and audit responses. First, we must overcome this situation together as one team.

As President, I believe that protecting everyone's safety and health is the foundation of everything we do.

Today, I would like to share what I ask of everyone as we work to regain trust in the Air Water Group.

We are now at an important turning point.

The inappropriate accounting issue has seriously damaged public trust.

In May this year, the Tokyo Stock Exchange designated Air Water as Securities on Special Alert.

The future of our company is now being seriously tested.

This is a turning point where we must rethink what kind of company we should be.

We are being asked whether the Air Water Group can continue to be trusted and needed by society.

We will change the company.

And it is each of you, working on the front lines every day, who will drive this reform forward.

I would like to share 3 principles I value and ask everyone to follow.

First, the first and most important thing is to fully follow company rules and social rules.

It is not enough just to know the rules.

One reason for this issue was that rules were not fully put into practice.

Using rules as the basis for daily decisions is the first step toward recovery.

Secondly, base your decisions not on profit or convenience, but on what is right and wrong.

Prioritizing numbers and efficiency led to inappropriate accounting treatment. When you are unsure, choose what is right over short-term numbers or efficiency.

Ask yourself: "Can I be proud of this work in front of my colleagues and family? Can I say it is right for society and the future?"

Finally, do not fear mistakes. Most importantly, do not hide them.

There may have been a culture where people found it difficult to speak up about concerns or problems.

When we take on challenges, failures and mistakes can happen.

What matters is not hiding them, creating a culture where "we can speak up, listen, and correct issues".

If we face failures and mistakes honestly and deal with their causes, we will surely succeed next time.

Each of our daily actions will change our culture and guide the company in the right direction.

The Air Water Group has excellent businesses and technologies that society truly needs.

The problem was that our governance and culture were not strong enough as the foundation to support them.

I believe that by putting compliance first and doing the right things, step by step, will lead to solid results and sustainable growth.
 I will continue to regularly share information on Recurrence Prevention, the Improvement Plan, and the actions I ask of everyone.
 Please use this as a guide for your daily decisions.
 Please first understand the overall picture and use it as a guide for your daily decisions.
 Let us all work together to restore trust in the Air Water Group.
 Thank you.

July 1, 2026
 Air Water Inc.
 Representative Director President and Executive Officer
 Yoshihiro Senzai

We will continue to issue messages from the new President at a frequency of approximately once a month. These messages are communicated through postings on the Company intranet, including both text and video formats.

Responsible Departments: Management Reform Office and Public Relations Department
 Implementation Schedule: Ongoing implementation at a frequency of approximately once a month.

【Implementation and Operational Status】

Senzai, the new President, delivered a message to all Group employees regarding reflection on the incident, management's responsibility, determination to prevent recurrence and reform the corporate culture, and a management approach that places the highest priority on "doing things the right way."

Through this message, we have shared management's thinking and commitment toward recurrence prevention with all employees, while promoting the development of a corporate culture that places the highest priority on compliance and advancing corporate culture reform.

In addition, we will continue to issue messages on an ongoing basis, approximately once a month. By having top management repeatedly communicate its commitment to corporate culture reform, we will strive to ensure that management policies are fully understood and that recurrence prevention measures remain effective.

The status of these communications is as follows.

(Message Content)

Date	Sender	Theme	Key Messages	Communication Channels
Feb. 16, 2026	Matsubayashi	Message and Briefing on Recurrence Prevention Measures	• Responses to questions raised by employees during the briefing session regarding the incident	Live Streaming/ Company Intranet(Video)/ Email
Mar. 24, 2026	Matsubayashi	Year-End Financial Closing and Initiatives	• Continued reflection on the incident and acknowledgment of responsibility	Company Intranet/ Email

		Toward Recurrence Prevention and Corporate Culture Reform	• Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance • Renewed recognition of the Management Philosophy and Purpose • Behavioral and decision-making standards expected of employees	
Apr. 6, 2026	Matsubayashi	Briefing on the Investigation Results of the Inappropriate Accounting Practices and Other Matters, Followed by a Q&A Session	• Responses to questions raised by employees during the briefing session regarding the incident	Live Streaming/ Company Intranet(Video)/ Email
Apr. 17, 2026	Matsubayashi	Changes in the Representative Director and Executive Management Structure	• Continued reflection on the incident and acknowledgment of responsibility • Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance	Company Intranet/ Email
May. 1, 2026	Matsubayashi	Designation as Securities on Special Alert by the Tokyo Stock Exchange	• Continued reflection on the incident and acknowledgment of responsibility • Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance • Behavioral and decision-making standards expected of employees	Company Intranet/ Email

May. 22, 2026	Matsubayashi	Review of the Management Structure and Organizational Changes	• Continued reflection on the incident and acknowledgment of responsibility • Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance	Company Intranet/ Email
Jun. 22, 2026	Matsubayashi	Receipt of the Additional Investigation Report and Reinforcement of “Compliance as Our Top Priority”	• Continued reflection on the incident and acknowledgment of responsibility • Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance • Behavioral and decision-making standards expected of employees • Reflection on the incident and management's responsibility • Approach toward recurrence prevention and corporate culture reform	Company Intranet/ Email
Jul. 1, 2026	Senzai	Message from Yoshihiro Senzai, President of Air Water, to All Members of the Air Water Group	• Approach toward recurrence prevention and corporate culture reform • Basic approach of giving the highest priority to governance and compliance • Specific behavioral and decision-making standards expected of employees • Continued reflection on the incident and acknowledgment of responsibility	Company Intranet(Video)/ Email
Aug. 3, 2026	Senzai	Fiscal Year 2026: A Year of New Beginnings ~ Rebuilding Our Future ~	• Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance • Behavioral and decision-making standards expected of	Company Intranet/ Email

Sep. 10, 2026	Senzai	Reform for the Future Together with Everyone in the AW Group	employees • Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal controls, and compliance • Behavioral and decision-making standards expected of employees • Progress and approach regarding recurrence prevention measures and management reform	Printed Newsletter/ Company Intranet/ Email
Sep. 10, 2026	Senzai	The First Step Toward Restoring Trust Begins with Learning and Practice (Training Message)	• Basic approach to governance, internal controls, and compliance • Behavioral and decision-making standards expected of employees • Progress and approach regarding recurrence prevention measures and management reform	Company Intranet/ Email
Sep. 17, 2026	Senzai	Direction of Management Reform	• Basic approach to governance, internal controls, and compliance • Renewed recognition of the Management Philosophy and Purpose • Behavioral and decision-making standards expected of employees • Declaration of thorough adherence to compliance as the highest priority in order to restore trust	Company Intranet/ Email
Sep. 24, 2026	Senzai	On the Comprehensive Revision of the Group Code of Ethical Conduct	• Fostering a culture in which employees can "Speak Up, Listen, and Correct" • Encouraging employees to put the Code of Ethical Conduct into practice	Company Intranet

Oct 9, 2026	Senzai	One Year Since the Establishment of the Special Investigating Committee	• Progress and approach regarding recurrence prevention measures and management reform • Basic approach to governance, internal control, and compliance • Reaffirmation of the Management Philosophy and Purpose • Standards of conduct and decision-making expected of employees	Company Intranet/ Email
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(2) Strengthening Compliance through the Promotion of Open and Barrier-Free Communication Across Organizational Levels (Addressing Causes 1, 2, and 3)

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

In addition to continuously communicating to all Group employees, through messages from top management, the importance of placing the highest priority on compliance, six members of top management and executive officers (through June 28, 2026: President Matsubayashi, Director Inoue, Senior Executive Officers Nishimura, Doshi, and Aruga, and Executive Officer Tokuya) visited a total of 51 companies, including the Company and Group companies where inappropriate accounting practices had been identified, by June 2026 (with online participation utilized for certain subsidiaries), and conducted small-scale, interactive dialogue sessions (town hall meetings). Using our management philosophy and corporate purpose as discussion themes, these sessions provided opportunities for candid discussions on topics such as “How should we make decisions when faced with uncertainty?” and “What occurred in the past and why?”

Beginning in July 2026, under the new management structure, we plan to hold larger dialogue meetings designed to enable top management and officers to deliver messages directly to a broader range of employees. These meetings will be conducted sequentially across the Company and all consolidated subsidiaries, including those where inappropriate accounting practices had already been identified and where town hall meetings have already been held, and are scheduled to be completed by March 2027.

Thereafter, we will continue these initiatives to promote compliance awareness and foster a corporate culture in which employees can “speak up, listen, and correct issues.” We will also analyze the opinions and issues raised at each meeting and reflect the results in ongoing

improvements to our corporate culture reform initiatives and compliance measures.

Date	Company Name	Executive Officer(s)	Participants
3/25	Air Water	Matsubayashi ・ Inoue	15
4/10	AWMX	Matsubayashi ・ Nishimura	15
4/17	Nippon Helium	Matsubayashi ・ Aruga	8
4/24	Air Water Realize	Matsubayashi ・ Nishimura	14
4/28	AW Safety Service	Matsubayashi ・ Doshi	10
5/7	AW Hokkaido, AW Industrial & Medical Gases, AW Life solution, Hokuei	Matsubayashi	16
5/8	AW Logistics, Hokkaido Body, REPROWORK	Matsubayashi	15
5/14	AW Mach, Nihon Dennetsu	Matsubayashi	14
5/15	AW Engineering, AW Gas Products	Matsubayashi	16
5/19	AW Electronics, AW West	Inoue	15
5/20	AW Link, Denken-Highdental	Doshi	16
5/21	AW Performance Chemical, Printec	Matsubayashi	15
5/22	AW Materials	Matsubayashi	15
5/26	Matsuo Holdings、 Matsuo Gumi、 Matsuo Doro、 SHIMATA KOGYO、 Creus	Doshi	13

Date	Company Name	Executive Officer(s)	Participants
5/28	AW East, Air Water (East Japan Office), AW Green Design,	Matsubayashi	15
6/2	Tateho Chemical Industries	Inoue	13
6/5	Hokkaido AW Agri	Matsubayashi	12
6/9	Orion Radsafe Medical	Doshi	15
6/11	AW Medi-Eichi	Aruga	9
6/23	Fukuyama Ekisan、Niigata Ekisan、Iwate Ekisan、Fukushima Ekisan、Yamagata Ekisan、Sagamihara Ekisan、Shizuoka Ekisan、Tokai Ekisan、Kameyama Ekisan、Kumamoto Ekisan	Doshi	10
6/25	Daisenham, AW Agri & Foods, Kyushuya, Gold-Pak	Nishimura	15
	AW Service, AW Digital	Inoue	15
6/26	TATEHO OZARK TECHNICAL CERAMICS	Executive Officer Tokuya General Manager, Overseas Business Division, Minesaka	6

Furthermore, in order to clearly define and communicate the concept of psychological safety, we formalized in March 2026, through the establishment of guidelines, the principle that employees will not suffer any disadvantage for expressing dissenting opinions or raising questions. We also posted the “Psychological Safety Guidelines Created Together by All of Us” on our intranet on March 31, 2026. In addition, to make visible examples in which “those who speak up are protected,” we have shared, since April 2026, cases in which employees’ concerns or suggestions led to improvements through internal posters, the Group’s internal newsletter, and other communication channels. We conducted an employee awareness survey in February 2026 and will conduct a follow-up survey in August 2026, six months later, to assess changes in perceptions of psychological safety. Thereafter, such surveys will be conducted annually. Based on the results, we will evaluate the effectiveness of our corporate culture reform initiatives and use the findings to further improve and strengthen future corporate culture reform efforts.

Responsible Departments: Human Resources Department, Corporate Communications Department, Risk Management & Compliance Department

Implementation Schedule: Town hall meetings (Dialogue Meetings) are scheduled to be conducted at all Group companies by approximately March 2027.

【Implementation and Operational Status】

Based on the Improvement Plan, we have been implementing various measures aimed at preventing recurrence and reforming our corporate culture. The implementation and operational status of each measure is described below.

a. Implementation of Dialogue Sessions

Under the new management structure, Dialogue Sessions are being conducted for all consolidated subsidiaries, including overseas subsidiaries. Companies for which Dialogue Sessions have not yet been conducted are also scheduled to participate on a sequential basis, and implementation across all companies is expected to be completed within November 2026. Although completion was originally scheduled by the end of March 2027, the schedule has been accelerated to complete implementation across all companies by the end of November 2026 in light of the importance of corporate culture reform.

This initiative was initially conducted as “Town Hall Meetings,” with an emphasis on small-scale, interactive dialogue between management and employees. However, because the small-group format limited the number of employees who could engage directly with management, we reviewed the format in order to deliver management messages directly to a broader range of employees and to secure opportunities to hear a wider range of views from frontline employees.

Specifically, while maintaining two-way communication, we expanded the scale of the meetings to allow broader participation, with approximately 40 to 50 employees attending each session. As this format differs from the original “Town Hall Meetings,” which were premised on small-group dialogue, we have changed the name of the initiative to “Dialogue Sessions” to better reflect its actual format.

Through these Dialogue Sessions, top management and officers directly communicate messages to employees regarding the importance of fostering compliance awareness and building a corporate culture in which employees can “speak up, listen, and correct issues.” In addition, management listens candidly to employees’ views regarding workplace conditions and issues and utilizes this feedback in considering future improvement measures.

Furthermore, for employees who are unable to participate in the Dialogue Sessions, the content of the meetings is shared through the Group newsletters, the intranet, internal columns, and other communication channels. In this way, messages from management and opinions raised by employees are disseminated throughout the Group.

The status of Dialogue Sessions in Japan (including those scheduled to be held) is shown below. Companies where Dialogue Sessions have not yet been conducted are indicated as “(Scheduled).” We are also coordinating schedules so that Dialogue Sessions can be completed at all overseas subsidiaries by the end of November 2026.

(Status of Dialogue Sessions in Japan (Including Scheduled Sessions))

* Some of the sessions scheduled for October 2026 and thereafter are planned.

Date (Actual / Scheduled)	Target Company	Number of Participants (Actual / Planned)
August 31, 2026	The Company AW East (Koshinetsu Branch) AW Smile	48
September 4, 2026	GOLD PAK	58
September 28, 2026	FILWEL	25

October 1, 2026	AW Engineering	42
October 1, 2026	AW Gas Products	66
October 6, 2026	AWNV AWMFK	27
October 13, 2026	AWBD Orion Radsafe Medical AW Safety Service	75
October 13, 2026	The Company AW Hokkaido AW Lab and Foods	58
October 13, 2026	AW Industrial & Medical Gas Inami industry,	39
October 13, 2026	Hokkaido AW Agri AW Jade	22
October 14, 2026	Hokkaido AW Agri AW Jade AW Farm AW Farm Chitose	29
October 14, 2026	AW Medical MCService	29
October 14, 2026	AW Medi-Eichi	32
October 14, 2026	AW Realize	30
October 14, 2026	AW Lifesolution Hokkaido Sogo Gas Center	29
October 14, 2026	AW Performance Chemical Printec Sun Chemical AT Electrode ATN Graphite Technology	48
October 14, 2026	Matsuo Holdings Matsuo Gumi Matsuo Doro Matsuo Kankyo Matsuo Toshikaihatsu Creus SHIMATA KOGYO Autotec Earth Techno	18
October 15, 2026	AW Safety Service Seibu Tokki Kogyo	42
October 15, 2026	HOKUEI	10
October 16, 2026	AW West (Chugoku-Shikoku Branch) Matsuyama Oxygen	55
October 19, 2026	DENKEN-HIGHDENTAL	50

	AW Aeras Bio Remohab	
October 19, 2026	AW Link	13
October 20, 2026	Sapporo Dental Laboratory	20
October 20, 2026	AWLINE	61
October 20, 2026	DAISENHAM	60
October 21, 2026	NIHON KAISUI AQUAINTEC Kanda Biomass Power	40～50
October 21, 2026	AW Agri & Foods	40～50
October 21, 2026	AW West (Kinki Branch) AW West Japan Medies Shinko AirTech Senboku Oxygen Fukuyama Ekisan	40～50
October 21, 2026	KAWAMOTO CORPORATION SAKAKI L&E WISE Kurosu Kogyo	40～50
October 21, 2026	Ogino Express	40～50
October 21, 2026	AW Logistics	40～50
October 22, 2026	Gas Products Logistics	40～50
October 22, 2026	Ci Medical Dental Fit Ci Energy Ci Logistics Center CLUBMEDIA RayVision Demiline TDS Sakura Dental Laboratory Nike Dental Laboratory Global9	40～50
October 23, 2026	The Company	40～50
October 26, 2026	PLUS	40～50
October 27, 2026	AW DIGITAL AW SERVICE PTX	40～50
October 27, 2026	AW West (Kyushu Branch) Nagasaki Ekisan Kumamoto Ekisan Minami Kyushu Gas Center Kyushu Industrial Gas Nihon Iryo Kankyo Service	40～50
October 27, 2026	AWMX Mechatro Associates	40～50

October 28, 2026	AW Electronics	40～50
October 28, 2026	AW East (Kanto Branch) AW East Japan Medies Kankyou Gijyutu Center Sagamihara Ekisan AWS Tsukuba Gas Center EcoTech Nippon Helium	40～50
October 29, 2026	Shirohato	40～50
October 29, 2026	Nissen Holdings Nissen Nissen Life u&n Nissen LINX Marron Style	40～50
October 29, 2026	Tateho Chemical Industries SHINKO AIR WATER GAS	40～50
October 29, 2026	Reprowork Assist	40～50
October 30, 2026	AW Logistics Sapporo Ryutsu Kako Service	40～50
October 30, 2026	Hokkaido Body	40～50
November 4, 2026	AW Materials	40～50
November 4, 2026	The Company／Tokyo	40～50
November 6, 2026	IGM EcoTech Okinawa AW	40～50
November 11, 2026	AW East (Chubu Branch) Shizuoka Ekisan Tokai Ekisan Kameyama Ekisan Omori-medical Genki Takenaka Unyu	40～50
November 12, 2026	Nichinoki Nichinokiseiko Nichino Unyu	40～50
November 13, 2026	AW Mach	40～50
November 13, 2026	Nihon Dennetsu	40～50
November 19, 2026	AW East (Koshinetsu Branch) Niigata Gas Kogyo Niigata Ekisan AW Smile Yamanashi Gas Center Kawanakajima Gas Center	40～50

	AW Mirai	
November 20, 2026	AW East (Tohoku Branch) Yamagata Ekisan Iwate Ekisan Fukushima Ekisan ONAHAMA BIOMASS ELECTRIC POWER	40～50
November 20, 2026	Kyushuya AKENO KYUSYUYA FARM	40～50
November 26, 2026	AW Green Design Kyodo Carbonic AWK&O	40～50

b. Fostering a Culture of “Speak Up, Listen Well, and Do What's Right”

To help ensure that “Speak Up, Listen Well, and Do What's Right” becomes established as a common behavioral guideline throughout the organization, we have created stickers featuring this phrase and distributed them to all employees.

By creating an environment in which employees encounter this message on a daily basis, we are continuously communicating the importance of corporate culture reform and fostering a culture in which employees feel comfortable speaking up and listening to the views of others.



c Employee Awareness Survey

We are currently conducting an employee awareness survey for all employees from August 28 through October 16, 2026. This survey is the second employee awareness survey following the first survey conducted in February 2026.

The purpose of this survey is to understand employees' perceptions regarding psychological safety and corporate culture, confirm changes since the previous survey, and verify the degree of penetration and effectiveness of corporate culture reform initiatives.

Regardless of the existence of the leniency program, we aim to create a corporate culture in which employees feel comfortable raising concerns and expressing their views. Accordingly, through the employee awareness survey, we will continuously monitor and analyze improvements in psychological safety and use the findings to review and strengthen corporate culture reform initiatives.

Furthermore, additional employee awareness surveys are scheduled to be conducted in November 2026 and January 2027. Through these regular surveys, we will continuously monitor changes in psychological safety, verify the effectiveness of various initiatives, and use the results to drive further improvements.

(3) Fostering Compliance Awareness Across the Group (Addressing Causes 3 and 7)

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As recurrence prevention measures, we are implementing the following initiatives:

- Establishing corporate ethics and compliance management training as a regular program

for top management and management personnel

- Providing continuous education and training on professional ethics and accounting literacy to all Group employees

We will provide education and training to all members of management on corporate ethics management and compliance, covering such topics as the ethical standards expected of management, the impact of inappropriate accounting practices on corporate value and public trust, and management's responsibilities with respect to internal controls and governance. Thereafter, education and training will be provided to all employees of Group companies. As part of these efforts, we will also introduce a cascading training approach under which executive officers themselves serve as instructors and provide training to employees within their respective organizations, thereby fostering a sense of unity in addressing these issues across the Group.

These educational programs will continue to be conducted on an ongoing basis beyond FY2027. Training will commence with executive officers in March 2026 and is planned at the following timing and frequency:

- ① Executive officers: Six sessions per year in FY2026 (including the session conducted in March 2026), and four sessions per year thereafter
- ② Managers: Six sessions per year in FY2026, and four sessions per year thereafter
- ③ At least three sessions in FY2026 (with additional sessions currently under consideration as part of a series program), and at least two sessions per year thereafter

In addition, from June through August 2026, we will conduct workshop-based training programs for executive officers on the theme of integrity (sincerity, honesty, and earnestness). Using actual decision-making cases as discussion materials, participants will engage in dialogue regarding values and decision-making criteria. Following the training, executive officers themselves will serve as instructors and provide similar training to managers during FY2026. The first integrity training session was held on June 4, 2026, for 30 members of our management team.

Furthermore, beginning in April 2026, we will conduct training programs focused on improving accounting literacy for all Group employees, both in Japan and overseas, six times per year, tailored to each employee level.

Training Target Level	Scope	Training Content
Executive Level	Representative Directors of Air Water, Directors of Air Water, Executive Officers of Air Water, and Representative Directors of Subsidiaries	Relationship between management decision-making and accounting; accountability for management decisions
Management Level	Managerial employees of Air Water, Directors and Officers of Subsidiaries (excluding Representative Directors), and managerial employees of Subsidiaries	Use of accounting information and decision-making in business operations and departmental management
General Employee Level	Employees other than those listed above	Basic understanding of accounting and the

(temporary agency staff
excluded (tentative))

relationship between
individual job
responsibilities,
accounting, and fraud risks

Departments Responsible: Corporate Ethics Training: Risk Management & Compliance
Department

Accounting Literacy Training: Human Resources Department

Implementation Schedule: The initial cycle of training programs is scheduled to be completed
by March 2027.

【Implementation and Operational Status】

In accordance with the Improvement Plan, we have been conducting the following training
programs to prevent recurrence and foster compliance awareness throughout the Group.
The details and implementation status of each training program are as follows.

Training Program	Target Participants	Start Date	Completion Date
Duty of Care Training	Air Water and Group Companies Executive Level	June 2026	End of October 2026
Basic Compliance Training	Air Water and Group Companies Managers and General Employees	May 2026	End of October 2026
Personal Ownership Training	Air Water and Group Companies Managers	June 2026	End of October 2026
Integrity Training	Air Water and Group Companies Executives and managers	June 2026	October 2026
Risk and Compliance Training	Air Water and Group Companies All Officers and Employees	September 2026	December 2026
Psychological Safety Training	Air Water and Group Companies All Officers and	September 2026	December 2026

	Employees		
Accounting Literacy Training	Air Water and Group Companies All Officers and Employees	September 2026	December 2026

a Duty of Care Training

We are conducting training on “Internal Control Systems to Avoid Breaches of the Duty of Care” for executive-level personnel of Air Water and its Group companies.

b Basic Compliance Training

We are conducting basic compliance training for managerial and general employees of Air Water and its Group companies. The program consists of 3 video modules (approximately 45 minutes in total):

“What Is Compliance? Why Must We Follow It?”

“What Causes Misconduct?”

“Hidden Seeds of Misconduct in Everyday Operations”

After viewing the videos, participants engage in group discussions within their respective workplaces to identify whether similar situations or risks may exist in their own work environment.

c. Personal Ownership Training

We are conducting “[Attorney Commentary Series] Making Compliance Personal: Why ‘You’ Might Also Commit Misconduct” for managerial employees of Air Water and its Group companies as mandatory participants, and for executive-level and general employees as recommended participants.

d Integrity Training

We are conducting workshop-style training programs on the theme of integrity (sincerity, honesty, and earnestness) for executive-level personnel of Air Water and its Group companies.

Following completion of the training, executives who have completed the program serve as instructors and are currently rolling out similar training programs for managerial employees.

All executives except eight newly appointed executives have completed the training. Training for managerial employees is scheduled to be completed by the end of October 2026. Training for newly appointed executives is scheduled to be completed by the end of November 2026.

e Implementation of Risk and Compliance Training

Since September 28, 2026, we have been delivering training videos on risk management and compliance to all officers and employees of Air Water and its Group companies.

Through this training, participants are expected to deepen their understanding of the

importance of risk management and compliance by reviewing the 12 issues (root causes) identified in the Improvement Plan and Status Report submitted on July 31, 2026, together with the corresponding recurrence prevention measures. The objective is to enable each participant to take appropriate action when they become aware of signs of compliance

violations or other risks. With respect to “Enhancement of the Whistleblowing System,” one of the 12 issues, the training provides a detailed explanation in order to raise awareness of the revisions made to the system. In addition, executive officers and managerial employees are provided with an overview of the Company’s risk management and compliance activities for fiscal 2026, centered on the Risk Management Committee.

Furthermore, effectiveness assessments will be conducted following completion of the training to confirm participants’ understanding of the training content and the degree to which it has become embedded throughout the organization. Participation rates will also be continuously monitored, and employees who have not yet completed the training will be encouraged to do so, with the goal of achieving full participation by all employees by the end of December 2026.

f Implementation of Psychological Safety Training

Since September 29, 2026, we have been delivering training videos on psychological safety to all employees.

Based on the “Psychological Safety Guidelines Created Together by All Employees,” which have already been rolled out throughout the Company, this training clearly explains the definition of psychological safety and the behaviors expected by the Company while promoting the understanding that employees should be able to express concerns or opposing views without fear of disadvantage.

In addition to topics relating to the prevention of harassment, the training also covers practical methods of communication that support a culture in which employees can “Speak Up, Listen Well, and Do What’s Right,” including assertive communication and active listening. Through these efforts, we are promoting workplace environments where employees can express their opinions with confidence and engage in respectful dialogue with one another.

Furthermore, effectiveness assessments are conducted following completion of the training to confirm participants’ understanding of the training content and the degree to which it has become embedded throughout the organization. Participation rates are also continuously monitored, and employees who have not yet completed the training are encouraged to do so, with the goal of achieving full participation by all employees by the end of December 2026.

g Implementation of Accounting Literacy Training

Since September 29, 2026, we have been delivering training videos on accounting literacy to executive-level personnel, managerial employees, and general employees of Group companies.

The training covers the importance of financial reporting, the details and causes of the inappropriate accounting practices identified, proper accounting treatments, and the measures necessary to prevent recurrence. Through this program, participants are expected to deepen their understanding of the importance of proper financial reporting, recognize that all employees play a role in the preparation of financial statements, and

understand the actions required at each organizational level, both within administrative and non-administrative functions, to prevent similar incidents from occurring in the future.

Furthermore, following completion of the training, effectiveness assessments will be conducted. General employees will be asked to complete an understanding survey, while executive-level and managerial employees will take comprehension tests. We aim to achieve completion of the training by all employees by the end of December 2026.

In addition, following completion of the Risk and Compliance Training, Psychological Safety Training, and Accounting Literacy Training described above, we plan to launch a Case Study Training Program in late October 2026. Based on the content of these three training programs, participants will work through specific case studies and consider appropriate responses, with the objective of deepening their understanding of the concepts covered in the training programs.

(4) Enhancement of the Whistleblowing System (Addressing Causes 3 and 8)

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As recurrence prevention measures, we are implementing the following initiatives:

- Strengthening the operational framework of the whistleblowing system, including the establishment of external reporting channels and reporting channels to outside Audit & Supervisory Board Members to ensure independence
- Promoting understanding that the whistleblowing system is a mechanism for protecting the organization

We position the enhancement of the whistleblowing system as one of the major reforms among our recurrence prevention measures. As described below, we will improve the operation of the whistleblowing system and strengthen its framework by establishing measures such as external reporting channels that ensure independence and reporting channels to outside Audit & Supervisory Board Members.

In addition, we will promote understanding that the whistleblowing system exists to protect the organization through the training programs described in Section (3), “Fostering Compliance Awareness Across the Group.” We will also assess the level of understanding and penetration of this concept through employee awareness surveys and, where issues are identified based on the survey results, we will take additional corrective measures as necessary. Through these efforts, we will enhance employee trust in the system and improve its effectiveness in practice. Furthermore, in an organizational environment where employees had previously found it difficult to express opinions or raise concerns, we developed the “Psychological Safety Guidelines Created Together by All of Us” in order to ensure psychological safety by reinforcing the principle that employees should not suffer any disadvantage for expressing dissenting views or raising questions. The guidelines were published internally on March 31, 2026.

In April 2026, we established a new reporting channel operated by outside Audit & Supervisory Board Members. Together with revisions and enhancements to the operating procedures, we communicated these changes throughout the Group and held explanatory sessions on April 22, 2026, thereby improving the operation of the system.

In addition, an additional reporting channel operated by an independent external third party will be introduced by the end of August 2026, based on an evaluation of the effectiveness of these operational improvements over an approximately three-month period.

With respect to the establishment of internal reporting channels at all subsidiaries, by the end of July 2026, we completed the development of operating procedures, the establishment of responsible departments for whistleblowing matters, and the designation of personnel responsible for such matters at subsidiaries with 100 or more employees.

For the remaining subsidiaries with 50 or more employees, we will complete the same measures by the end of December 2026. For subsidiaries with fewer than 50 employees, we are considering having their parent companies serve as the reporting channel, ensuring anonymity and maintaining the effectiveness of the system may be challenging.

Furthermore, in order to assess the level of awareness of the whistleblowing system, we plan to utilize the training programs conducted under “1(3) Fostering Compliance Awareness Across the Group” and to conduct employee awareness surveys approximately once every six months beginning in August 2026.

Action Item	Details of Implementation	Timing
1. Strengthening the Operational Framework	(1) Establishment of a reporting channel to outside Audit & Supervisory Board Members	Completed in April 2026
	(2) Establishment of an additional reporting channel operated by an independent external third party (outsourced hotline service)	Scheduled for introduction by the end of August 2026
	(3) Revision and enhancement of operational guidelines (including disclosure of response procedures)	Revised in April 2026
	(4) Establishment of reporting channels at all subsidiaries (assignment of responsible personnel, establishment of response procedures, and training of personnel)	To be established at all subsidiaries by December 2026
2. Promotion of Awareness of the Reporting Channels	(1) Distribution of updated posters (clearly identifying reporting channels and whistleblower protection)	Implemented in April 2026 Updated in August 2026 Scheduled for update in October 2026
	(2) Revision of information posted on the internal intranet	Completed in April 2026 Revised again in August 2026.
	(3) Sharing of case studies and disclosure of operational status	Beginning in July 2026 (to be released sequentially))
	(4) Training programs	To be conducted through the training initiatives described in Section 1(3), “Fostering Compliance Awareness Across the Group”

3. Enhancement and Verification of Effectiveness	(1) Employee awareness survey to assess awareness and trust in the whistleblowing system	Conducted in February 2026 (thereafter conducted every six months)
	(2) Training for Reporting Channel Personnel (including pledge procedures) *Linked with 1.(4)	Commenced in July 2026 (to be implemented sequentially from July onward)
	(3) Training for General Employees *Linked with 1.(4)	Commenced in July 2026 (to be implemented sequentially from July onward)

Responsible Departments: Risk Management & Compliance Department

Implementation Schedule: Implementation is scheduled to be completed by approximately December 2026

【Implementation and Operational Status】

With respect to measures aimed at enhancing the whistleblowing system, we have improved the operation of the whistleblowing system and strengthened its framework, including the establishment of a reporting channel operated by Outside Audit & Supervisory Board Members (currently Outside Directors who are Audit and Supervisory Committee Members). An additional whistleblowing channel operated by an external independent third party had also been established as of August 2026.

Regarding the establishment of internal whistleblowing channels at subsidiaries, we have made such channels mandatory not only for subsidiaries with 301 or more employees, which is the threshold required under the Whistleblower Protection Act, but also for subsidiaries with 100 or more employees. Among the remaining subsidiaries, those with 50 or more employees are scheduled to complete the establishment of their channels by December 2026. For subsidiaries with fewer than 50 employees, we determined that it would be difficult to ensure sufficient effectiveness, including the protection of anonymity. Accordingly, whistleblowing functions for such subsidiaries are entrusted to the responsible management department or supporting management department of the relevant subsidiary.

To promote awareness of the system, we have displayed posters entitled “Air Water Group Whistleblowing and Consultation Hotline – Whistleblowing Protects You and the Company” and distributed a training video entitled “The Amended Whistleblower Protection Act and the Air Water Group Whistleblowing Program Guidelines” to all employees.

We are also promoting the understanding that the whistleblowing system exists to protect the organization through ongoing awareness activities, including the display of posters. Furthermore, the degree to which this understanding has been embedded within the organization is being assessed through the employee awareness survey currently conducted as of October 2, 2026. Based on the survey results, we will implement necessary improvements to enhance employee confidence in the system and improve its effectiveness.

In addition, awareness and understanding of the whistleblowing system are being reinforced through the Risk Management and Compliance Training currently being conducted, in which the system is explained again, and participants’ understanding is assessed. We also intend to continue monitoring the level of awareness through employee awareness surveys

conducted approximately every six months.

The specific implementation status of each measure is shown on the table below.

Action Item	Implementation Details	Implementation Timing
1. Enhancement of the Operational Framework	(1) Establishment of an Additional Reporting Channel Operated by Outside Audit & Supervisory Board Members	Established in April 2026
	(2) Establishment of an Additional Reporting Channel Operated by an Independent Third Party (Outsourced Intake Function)	Japan: Established by the end of July 2026 Overseas: Established by the end of August 2026
	(3) Revision and Enhancement of Operational Guidelines (Including Publication of Response Procedures)	Revised in April 2026
	(4) Establishment of Internal Reporting Channels at All Subsidiaries (Assignment of Personnel, Finalization of Response Procedures, and Training of Personnel)	To be completed by December 2026 for subsidiaries with 50 or more employees
2. Promotion of Awareness of the Reporting Channels	(1) Distribution of Updated Posters (Clarifying Reporting Channels and Whistleblower Protection)	Completed in April 2026; Updated in August 2026; Scheduled for update in October 2026
	(2) Updates to Information Posted on the Intranet	Completed in April 2026 and revised again in August 2026
	(3) Publication of Case Examples and Operational Status	Since July 2026 (published on an ongoing basis)
	(4) Training Programs	Video Training for All Employees: "The Amended Whistleblower Protection Act and the Air Water Group Whistleblowing Program Guidelines" Since September 2026 Implemented as part of the "Risk and Compliance Training

		Program”
3. Enhancement and Verification of Effectiveness	(1) Employee Awareness Survey (Awareness and Trust Levels)	First Survey: Conducted in February 2026 Second Survey: Currently being conducted from August 2026 (Additional surveys scheduled for November 2026 and January 2027)
	(2) Training for Reporting Channel Personnel (Including Commitment Procedures) (Linked to Item 1.(4))	Started in July 2026 (being conducted sequentially since then)
	(3) Training for General Employees (Linked to Item 1.(4))	Started in July 2026 (being conducted sequentially since then)

(5) Review of Appointment and Performance Evaluation Criteria (Addressing Cause 3)

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

With respect to the evaluation methodology for business divisions and subsidiaries, which serves as the basis for evaluating business and organizational leaders, we have adopted a collective evaluation process conducted by the Human Resources Committee in order to ensure transparency. In addition to quantitative performance data, the information used as the basis for evaluation incorporates qualitative comments provided by the Corporate Planning Office, the Internal Audit Department, and the director responsible. Beginning with the evaluations conducted in April 2026, personnel will be assessed using multiple evaluation criteria that take into account not only business performance but also behavioral and management processes. As part of the behavioral process evaluation, we have established “efforts to foster a healthy corporate culture” as a specific evaluation item, and assessments include initiatives undertaken at each company to enhance compliance. Specifically, evaluation criteria have been expanded to include both processes and outcomes relating to the degree of challenge undertaken, the strengthening of management foundations, human resource development, and initiatives to improve workplace culture. For the FY2026 evaluations to be conducted in April 2027, we plan to further enhance the evaluation framework by placing greater emphasis on assessing the effectiveness of goal settings that appropriately reflect business characteristics and external environmental factors, thereby creating a more transparent and widely accepted evaluation system.

Responsible Department: Human Resources Department

Implementation Schedule: Implemented from April 2026.

【Implementation and Operational Status】

For the Company's Executive Officers, evaluations are conducted through a process of self-evaluation, followed by evaluation by their superior and then by the president. For the Presidents of Group companies, evaluations are likewise determined through a process of

self-evaluation, followed by evaluation by their superior, and then deliberation and final determination by the Personnel Committee. We are continuing discussions on the evaluation criteria and considering improvements so that they reflect not only short-term business performance but also the strengthening of governance, contributions to society over the medium to long term, and the enhancement of corporate value.

Specifically, in addition to income statement items, the criteria will include balance sheet targets, medium- to long-term business growth, initiatives to foster a sound corporate culture, the strengthening of governance, and investment in human capital. In parallel, we are developing compensation levels based on a grouping that evaluates Group companies from multiple perspectives, such as scale and profitability. This framework will be introduced as the Group Executive Personnel System at major Group companies starting in July 2027, further strengthening Group governance.

2. Governance Reform (Ensuring Management Transparency)

(1) Strengthening the Board of Directors (Addressing Causes 1, 2, 3, and 9)

Since July 31, 2026, we have been advancing efforts to establish a framework that gives substantive effect to the oversight function of the Board of Directors, with the transition to a Company with an Audit and Supervisory Committee as a core initiative. Specifically, we have sequentially implemented measures including the selection of director candidates, the appointment of a dedicated Chief Accounting & Finance Officer, the appointment of an Independent Outside Director as Chairperson of the Board of Directors, revisions to the Board of Directors Regulations and agenda submission criteria, the transition from the Corporate Management Committee to the Management Committee, and the establishment of the Audit and Supervisory Committee Secretariat. We will not treat these measures as isolated institutional changes. Rather, we will operate them in an integrated manner to enhance oversight by the Board of Directors while delegating authority to management execution, thereby clarifying the respective roles of oversight and execution and continuously verifying the effectiveness of the Improvement Plan.

① Rebuilding the Governance Framework for Identifying, Understanding, and Addressing Internal Control Issues Across the Group

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

At our Company, a strong top-down chain of commands had been in operation, and the Board of Directors was not provided with sufficient information (including information regarding decision-making processes and the basis for management decisions) necessary to effectively perform its supervisory function. Accordingly, beginning in February 2026, we have actively requested, shared, and reviewed information necessary to enhance the supervisory function of the Board of Directors and deepen discussions regarding management strategy. Such information includes materials and minutes relating to important management meetings, such as the Corporate Management Committee and Budget Meetings; information regarding management's basic policies and strategies for budget formulation; updates on the progress of business plans; risk information; information concerning the effectiveness of internal controls over financial reporting; and risk information relating to financial statements. We have also strengthened follow-up activities with respect to matters discussed by the Board. In addition, to support these efforts, we established a

dedicated secretariat structure (approximately two personnel) in April 2026. Subsequently, on July 1, 2026, the structure was reorganized into the Board of Directors Secretariat, consisting of nine personnel. In order to further enhance the quality of discussions, it is also necessary to reduce the number of business execution matters of lesser importance brought before the Board of Directors. Accordingly, we reviewed the criteria for matters to be submitted to the Board by identifying, analyzing, and revising issues relating to the Board of Directors Regulations and the Corporate Management Committee Regulations. We also reviewed the scope of authority delegated to each department and subsidiary. Operations under the revised framework will commence in October 2026.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Implementation will commence in October 2026, in conjunction with organizational changes that require revisions to the relevant regulations and rules.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described above, we revised the structure of the Board of Directors Secretariat effective July 1, 2026, and have been carrying out secretariat functions to support information gathering and agenda preparation for discussions aimed at enhancing the oversight function of the Board of Directors and deliberations on management strategy. In addition, as part of the improvement measures set forth in the Improvement Plan and Status Report published on July 31, 2026, we proceeded with reviews aimed at clarifying the respective roles of the Board of Directors and management execution, as well as revising the criteria for matters to be submitted to the Board of Directors.

(Status Following the Change in Corporate Governance Structure)

To enhance the effectiveness of the Improvement Plan formulated in response to the inappropriate accounting practices and to further strengthen the audit and oversight functions of the Board of Directors by granting voting rights to Directors who are Audit and Supervisory Committee Members, as well as to further enhance corporate governance, we transitioned from a company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee at the Extraordinary General Meeting of Shareholders held on September 22, 2026. At the same time, we implemented certain changes to our officer structure.

Furthermore, in the Board Effectiveness Evaluation conducted in March 2026, we received recommendations that the Board of Directors should further strengthen its role as a forum for oversight and discussions on management strategy. Taking the change in corporate governance structure as an opportunity, we decided to shift to a Board of Directors framework that places greater emphasis on oversight functions and will operate the governance structure as described below.

First, with respect to the management execution structure, three bodies had been positioned as key executive decision-making forums: the Corporate Management Committee, the Budget Committee, and the Company-wide Business Strategy Committee. Among these, the Corporate Management Committee was abolished in order to delegate part of the authority for business execution to the management side, and the Management Committee was established as the decision-making body for management execution. In addition, because the Company-wide Business Strategy Committee primarily serves as a forum for discussions

on management strategy, its name was changed to the Management Strategy Committee.

Since July 31, 2026, we have positioned the Management Reform Committee, the Nomination and Remuneration Committee, and the Risk Management Committee as advisory bodies to the Board of Directors, as described in Section ⑥ c below. The Management Reform Committee focuses primarily on monitoring the progress of improvement measures and discussing additional actions. The Nomination and Remuneration Committee deliberates on the selection of director candidates, evaluations of directors, and director remuneration. Under the oversight of the Board of Directors, the Risk Management Committee identifies and assesses Company-wide risks, deliberates on response policies, monitors the implementation of countermeasures, and reviews the status of improvements, reporting or making recommendations to the Board of Directors on its findings.

Based on these governance enhancements, at the meetings of the Board of Directors held following the Extraordinary General Meeting of Shareholders on September 22, 2026, and on October 8, 2026, we revised the Board of Directors Regulations (including matters requiring resolution, reporting matters, and agenda submission criteria) from the perspective of delegating part of the authority for business execution and strengthening audit and oversight functions in connection with the transition to a Company with an Audit and Supervisory Committee. In addition, in order to replace the Corporate Management Committee with the Management Committee, we carried out a comprehensive revision of the Management Committee Regulations.

As a result, decisions on individual business execution matters of relatively lower significance will be made by the Management Committee and other key executive decision-making bodies, enabling the Board of Directors to devote more time to the exercise of its oversight function and discussions on important management issues.

Specifically, we are transforming the Board of Directors from a body primarily responsible for approving individual business execution matters into one that focuses on deliberating and overseeing management strategy, business portfolio management, major investments, group governance, internal controls, risk management, and the progress of the Improvement Plan. Matters submitted to the Board of Directors are limited to those of significant financial importance, while other business execution decisions are delegated to the Management Committee and other key executive decision-making bodies. Through this approach, we aim to strengthen monitoring functions that contribute to the enhancement of corporate value.

In addition, the role of the Board of Directors Secretariat has been enhanced beyond merely supporting the administration of Board meetings. The Secretariat is now responsible for an integrated set of functions, including the development of the annual agenda, information gathering relating to discussion topics, advance briefings, management of deliberation results and recommendations, and follow-up on the status of responses. Through these enhancements, we have established a framework that ensures discussions at the Board of Directors lead to concrete improvement actions by management execution functions.

②Strengthening Oversight and Checks on Key Decisions Made by Top Management

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

At our Company, the Chairperson of the Board of Directors has traditionally been the top management executive with decision-making authority. As a result, the environment was not

conducive to the effective exercise of oversight and checks on decision-making by top management at meetings of the Board of Directors.

On January 30, 2026, we appointed Director Senzai, an Independent Outside Director, as Chairperson of the Board of Directors in order to strengthen the Board's oversight and check-and-balance functions. Subsequently, following the appointment of Senzai as Representative Director, President and Chief Executive Officer on June 29, 2026, we plan to appoint a new Independent Outside Director as Chairperson of the Board of Directors by September 2026. In addition, we established a supporting secretariat structure (as described above) to ensure that the Independent Outside Director serving as Chairperson is able to fully exercise his or her authority and responsibilities in that role.

Responsible Department:

Board of Directors Secretariat Implementation Schedule: Completed.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in the Improvement Plan and Status Report published on July 31, 2026, Yoshihiro Senzai, then Chairperson of the Board of Directors, had served as Chairperson of the Board of Directors since January 30, 2026.

(Status Following the Change in Corporate Governance Structure)

Following the changes in the officer structure approved at the Extraordinary General Meeting of Shareholders held on September 22, 2026, the position of Chairperson of the Board of Directors was transferred from Yoshihiro Senzai to Mikihiro Kato, an Independent Outside Director.

By having an Independent Outside Director serve as Chairperson of the Board of Directors, we are enhancing the independence of Board operations from management execution in areas such as agenda setting, meeting administration, and ensuring opportunities for discussion, while also strengthening objective review and oversight of important management decisions made by executive management.

In addition, by appropriately reflecting the knowledge, experience, and perspectives of Outside Directors and Directors who are Audit and Supervisory Committee Members in Board discussions, and by encouraging the exchange of views from diverse perspectives, we have established a governance framework that enables important issues, including minority views and risk-related information, to be discussed thoroughly.

Through these initiatives, we aim to further enhance the effectiveness of the Board of Directors' oversight function and improve the quality of deliberations on management strategy, group governance, internal controls, and risk management.

③Review of the Board Composition to Strengthen the Supervisory Function

a. Appointment of Director Responsible for Corporate Administrative Functions and the Enhancement of Management and Supervisory Functions

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

At present, our Company did not have a director responsible for overseeing the corporate administrative functions as a whole. Accordingly, in order to strengthen the management, supervisory, and monitoring functions of the Board of Directors, we resolved at the shareholders' meeting held in June 2026 to appoint a director possessing the skills and

experience necessary to perform such functions effectively.

In response to the inappropriate accounting practices identified in this matter, we appointed Karato, Senior Managing Executive Officer, as Chief Accounting & Finance Officer on March 16, 2026. In this role, he has overseen the Accounting Department, the Finance & IR Strategy Office, the Business Management Office, and the AI & DX Promotion Office.

Effective June 29, 2026, Karato was appointed Representative Director and Executive Vice President, while concurrently serving as the officer responsible for corporate functions and Chief Accounting & Finance Officer.

Going forward, the Nomination and Remuneration Committee for fiscal 2026, which was established on July 9, 2026, will select a candidate for a director dedicated exclusively to serving as Chief Accounting & Finance Officer. The appointment will then be submitted to the Board of Directors for approval prior to a shareholders' meeting (the format, timing, and other details of which are scheduled to be discussed by the Board of Directors on July 31, 2026).

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Operation under the new structure commenced in July 1, 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in the Improvement Plan and Status Report published on July 31, 2026, at the Nomination and Remuneration Committee established on July 9, 2026, candidates were selected and interviewed from both inside and outside the Company in light of the qualifications and attributes expected of directors of Air Water. As a result, Hirotaka Shiraiwa was selected as a director candidate for the position of Chief Accounting & Finance Officer pursuant to the resolution of the Board of Directors on August 17, 2026.

(Status Following the Change in Corporate Governance Structure)

Following election as a director at the Extraordinary General Meeting of Shareholders held on September 22, 2026, Hirotaka Shiraiwa assumed the position of Chief Accounting & Finance Officer.

Accordingly, Yu Karato was relieved of the concurrent responsibility as Chief Accounting & Finance Officer and now serves as Representative Director, Executive Vice President Executive Officer, and Director in Charge of Corporate Functions.

The reasons for the appointment of Hirotaka Shiraiwa are as follows.

Hirotaka Shiraiwa held a number of senior positions at Sumitomo Trust & Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited) and possesses extensive experience in financial strategy, capital efficiency, risk management, and related fields.

Since joining Air Water in 2025, Hirotaka Shiraiwa has promoted the strengthening of financial discipline, the improvement of asset efficiency, and engagement with the capital markets in positions including General Manager of Finance and Investor Relations.

In addition to extensive expertise in finance and financial management, Hirotaka Shiraiwa has a proven track record of leading management control, capital policy, and investor relations activities from an investor perspective.

We nominated Hirotaka Shiraiwa as a director candidate because we expect that, as Chief Accounting & Finance Officer, he will contribute to enhancing corporate value through the promotion of financial strategy and capital policy, the strengthening of financial discipline, and constructive dialogue with the capital markets.

b Increasing the Number of Independent Outside Directors and the Proportion of Outside Directors

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Our Board of Directors consists of four Independent Outside Directors. In order to strengthen the supervisory and monitoring functions of the Board, we increased the proportion of outside directors to a majority through a resolution adopted at the shareholders' meeting held in June 2026, by appointing additional Independent Outside Directors with expertise in finance and accounting, as well as business strategy, thereby complementing the skills matrix of our Board of Directors.

Specifically, we appointed Mikihiro Kato, Mitsutoshi Matsushita, and Shinichi Kawasaki as new Independent Outside Directors.

The areas of expertise of each individual are as follows.

Name	Expertise
Mikihiro Kato	Mr. Mikihiro Kato has extensive experience in global finance and management, having served as Controller and CFO of a U.S. subsidiary of NGK SPARK PLUG CO., LTD. (currently Niterra Co., Ltd.), and as President of a Brazilian subsidiary, where he was responsible for managing overseas operations. In addition, he served as General Manager of the Corporate Planning Department and Executive Officer in charge of corporate strategy at the headquarters of NGK SPARK PLUG CO., LTD., where he was involved in the formulation and implementation of management strategies. He also has experience in management oversight as a Director and Full-time Audit and Supervisory Committee Member.
Mitsutoshi Matsushita	Mr. Mitsutoshi Matsushita possesses extensive experience and deep insight as an attorney specializing in corporate law. He possesses extensive knowledge regarding corporate governance, having served as Outside Director and Audit and Supervisory Committee Member of a company currently listed on the Tokyo Stock Exchange Prime Market, as well as an Outside Auditor of a company that was listed on the Standard Market.

Shinichi Kawasaki

Mr. Shinichi Kawasaki has a proven track record of consistently driving initiatives from research and development through to implementation and commercialization. At Osaka Gas Co., Ltd., he was engaged in R&D and commercialization in the gas, energy, and materials sectors at the New Technology Laboratories and other divisions. He subsequently played a central role in shaping technical strategy as Director of the Energy Technology Laboratories. Furthermore, as President and Representative Director of KRI Co., Ltd., he managed the R&D business and led the organization from both technical and managerial perspectives.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Implementation is scheduled to commence on June 29, 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in the Improvement Plan and Status Report published on July 31, 2026.

(Status Following the Change in Corporate Governance Structure)

At the Extraordinary General Meeting of Shareholders held on September 22, 2026, we transitioned to a Company with an Audit and Supervisory Committee (see Section c below) and implemented changes to our officer structure. As a result, one Director (excluding Directors who are Audit and Supervisory Committee Members) retired and two new Directors were appointed. In addition, six Directors who are Audit and Supervisory Committee Members, including four Outside Directors, were newly appointed.

The composition of the Board of Directors is as shown below. We continue to maintain both the number of Outside Directors and the ratio of Outside Directors at a majority level.

		Prior to the Extraordinary General Meeting of Shareholders Held on September 22, 2026	Following the Extraordinary General Meeting of Shareholders Held on September 22, 2026
Directors (Excluding Directors Who Are Audit and Supervisory Committee Members)	Number	8	9
	Of Which, Outside Directors	5	5
Directors Who Are Audit and Supervisory Committee Members	Number	—	6
	Of Which, Outside Directors	—	4

(Reference) Audit & Supervisory Board Members	Number	6	—
	Of Which, Outside Directors	3	—
Total	Directors	14	15
	Of Which, Outside Directors	8	9

c. Consideration of Future Changes to the Corporate Governance Structure

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As described in the “Notice Regarding the Transition to a Company with an Audit and Supervisory Committee,” scheduled to be disclosed on July 31, 2026, we plan to resolve to transition from a Company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee, subject to approval at the extraordinary shareholders’ meeting scheduled to be held on September 22, 2026. The purpose of this transition is to prevent the recurrence of inappropriate accounting matters and to strengthen corporate governance. By making directors who serve as Audit and Supervisory Committee Members voting members of the Board of Directors, we will transition to a framework under which audit and supervisory functions can be exercised from the stage of deliberation and decision-making by the Board of Directors, thereby enhancing the effectiveness of the Board of Directors’ oversight and check-and-balance functions over business execution.

Furthermore, pursuant to Article 399-13, Paragraph 6 of the Companies Act, we intend to delegate a portion of authority relating to business execution to the executive’s side. This will enable the Board of Directors to devote greater attention to deliberation and oversight of important matters, including medium- to long-term management strategies, Group governance, risk management, and the establishment and operation of internal controls, without spending excessive time on deliberating individual business execution matters.

Through these measures, we will clarify the respective roles of oversight and execution and achieve both enhanced effectiveness of the Board of Directors’ oversight functions and improved management agility. In doing so, we aim to enhance sustainable corporate value and restore the trust of shareholders and investors.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Scheduled for implementation by approximately September 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

In preparation for the change in corporate governance structure following the Extraordinary General Meeting of Shareholders held on September 22, 2026, we proceeded with preparations to revise the relevant regulations and other rules to facilitate the delegation of part of the authority for business execution to the executive side and a smooth transition to more substantive deliberations and oversight by the Board of Directors. (See Section ① above.)

(Status Following the Change in Corporate Governance Structure)

As described in Section ① above, in order to enhance the effectiveness of the Improvement Plan formulated in response to the inappropriate accounting practices, strengthen the audit

and oversight functions of the Board of Directors by granting voting rights at Board meetings to Directors who are Audit and Supervisory Committee Members, and further enhance corporate governance, we changed our corporate governance structure to a Company with an Audit and Supervisory Committee pursuant to the resolution to amend the Articles of Incorporation adopted at the Extraordinary General Meeting of Shareholders held on September 22, 2026.

Furthermore, as set forth in the improvement measures described in the Improvement Plan and Status Report published on July 31, 2026, we will clarify the respective roles of oversight and execution by delegating part of the authority relating to business execution to the executive side. By seeking both to enhance the effectiveness of the Board of Directors' oversight function and to improve management agility, we aim to sustainably enhance corporate value and restore the trust of shareholders and investors.

Specifically, at the meeting of the Board of Directors held following the Extraordinary General Meeting of Shareholders on September 22, 2026, we revised the Board of Directors Regulations and the criteria for matters to be submitted to the Board of Directors in order to accommodate the governance structure following the transition to a Company with an Audit and Supervisory Committee. We also reviewed matters requiring resolutions by, or reports to, the Board of Directors and clarified the scope of authority delegated to the executive side. In addition, we revised the Management Committee Regulations and other related regulations in order to abolish the former Corporate Management Committee and establish the Management Committee as the decision-making body for the executive side.

As a result, the operation of the Board of Directors will shift from a primary focus on approving individual business execution matters to a focus on deliberating and overseeing management strategy, the business portfolio, major investments, group governance, internal controls, risk management, and other important matters, thereby enhancing the effectiveness of its oversight function.

④ Establishing a Framework to Prevent Excessive Concentration of Personnel Authority in Top Management

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

–In light of the Special Investigating Committee's finding that "excessive performance pressure" was one of the causes of the inappropriate accounting matter, we reviewed the evaluation and appointment/dismissal system for key personnel in order to prevent the excessive concentration of personnel authority in top management and to improve the objectivity and transparency of the evaluation, appointment, and dismissal of management personnel.

We revised the previous performance-focused evaluation system to one that evaluates not only financial performance, but also behavioral factors, including responses to changes in the business environment, the strengthening of internal controls and compliance, human resource development, and efforts to foster a healthy corporate culture. In addition, revisions to the evaluation and appointment/dismissal processes were deliberated by the Human Resources Committee in May and July 2026, and the related operating policies were determined.

With respect to the evaluation process, we introduced a process of "self-assessment → supervisor evaluation → president evaluation" for Executive Officers, and "self-assessment

→ supervisor evaluation → review by the Human Resources Committee” for Presidents of Group companies. Through these processes, we have strengthened check-and-balance functions to prevent personnel authority from becoming concentrated in top management with respect to personnel evaluations and appointment/dismissal decisions.

Furthermore, president evaluation of Group companies for fiscal 2025 have already been conducted under the new evaluation system.

Going forward, we will move away from evaluations that place excessive emphasis on financial performance alone and implement comprehensive management evaluations that encompass governance, compliance, organizational management, and human resource development. Through the operation of fair and transparent evaluation processes, we will work to strengthen governance and foster a healthy corporate culture.

Responsible Departments: Board of Directors Secretariat, Human Resources Department
Implementation Schedule Implemented from July 2026

【Implementation and Operational Status】

As described in the Improvement Plan and Status Report published on July 31, 2026, the evaluation targets are the presidents and directors of the Group’s domestic consolidated subsidiaries.

The evaluation consists of two components: performance evaluation and behavioral evaluation, each accounting for 50% of the total evaluation. The behavioral evaluation component is further divided into initiatives relating to the establishment of and efforts toward challenge targets for medium- to long-term business growth, initiatives relating to investment in human capital with a view toward the future, initiatives to foster a sound corporate culture, and initiatives to strengthen governance, including business management. Performance is evaluated based on the degree of achievement of these objectives, and different performance-bonus multipliers are applied according to the score range achieved, with the results reflected in performance-based bonuses.

In addition, these score ranges are also used as a reference in appointment and dismissal decisions. From the perspectives of role performance and governance, a score of 71–100 is classified as “Continue” (no material concerns overall), a score of 51–70 is classified as “Continue with Conditions” (there is room for improvement, but continuation is appropriate), and a score of 50 or below is classified as “Further Review Required” (significant concerns exist and the individual is not considered to have earned sufficient confidence). These classifications are used as a reference in decisions regarding appointments and dismissal.

The evaluation period is, in principle, from April through March of the following year, and evaluations are conducted between March and May of the following year.

⑤Strengthening the Monitoring and Checking Functions of Outside Directors

a. Regular Dialogue Between Independent Outside Directors and Representative Directors

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Beginning in April 2026, we will establish a forum for regular exchanges of views between Outside Directors and top management on a quarterly basis, separate from meetings of the Board of Directors.

Responsible Department: Board of Directors Secretariat
Implementation Schedule: Implemented from April 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

Following the commencement of the initiative described above, dialogue sessions were held in June and September 2026. At the session held on June 4, 2026, former Representative Director, President and CEO Ryosuke Matsubayashi and Outside Directors Yuko Haga, Rochelle Kopp, Yoshihiro Senzai, and Takao Matsui participated.

At the session held on September 17, 2026, Representative Director and President Yoshihiro Senzai and Outside Directors Yuko Haga, Rochelle Kopp, Mikihiro Kato, Mitsutoshi Matsushita, and Shinichi Kawasaki participated.

(Status Following the Change in Corporate Governance Structure)

Following the change in the officer structure, these dialogue sessions will continue to be held on a quarterly basis. Future sessions are currently scheduled for December 9, 2026, and March 10, 2027.

b. Participation in Key Executive Management Meetings, Including the Corporate Management Committee and Budget Meetings

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

In order to enable the Board of Directors to effectively perform its oversight function, Independent Outside Directors have participated in key executive management meetings, including Budget Meetings, since February 2026. In addition, we have enhanced the provision of information necessary to strengthen oversight based on a deeper understanding of management activities. The participating Independent Outside Directors are listed in the table below.

Through participation in these meetings and monitoring the materials submitted to them, the meeting minutes, and the content of discussions, we will facilitate the sharing of information regarding the basic policies and strategies formulated by management, as well as information concerning the progress of business plans and related risks.

In addition, in April 2026, we established a dedicated secretariat structure consisting of two personnel to support these initiatives. Subsequently, on July 1, 2026, the structure was reorganized into the Board of Directors Secretariat and expanded to nine personnel.

Responsible Department: Corporate Planning Office

Implementation Schedule: Implemented from April 2026

*Details of the key management meetings, including their purpose, frequency, participants, and the attendance status of Outside Directors, are provided in the table below.

Meeting Name	Purpose	Frequency	Participants	Rules for Attendance by Independent Outside Directors
Corporate Management	A management-level forum in	Held monthly in principle.	President, Executive	Independent Outside Directors

Committee	which company-wide management policies, key initiatives, cross-group issues, risks, internal control matters, and other important issues are deliberated, shared, and resolved. The Committee also serves to organize matters to be submitted to or reported to the Board of Directors.	Extraordinary meetings are convened as necessary.	Vice President, executive directors, key Executive Officers, and heads of relevant departments. Additional participants attend depending on agenda items.	are not permanent members of this Committee. However, in order to ensure that they can timely identify important management issues, investment projects, risk matters, and significant internal control issues from the execution stage and effectively exercise their oversight and check-and-balance functions, a framework has been established under which they may attend meetings on an ongoing basis. In addition, at least one Independent Outside Director is designated in advance to attend each key management meeting. Information obtained and issues identified through these meetings are shared and discussed at regularly held meetings of Independent Outside Directors and, where appropriate,
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				recommendations and reports are submitted to the Board of Directors, thereby strengthening the Board's oversight functions and enhancing the effectiveness of Group governance.
Budget Meetings	A forum for reviewing the annual budget, alignment with the medium-term management plan, earnings forecasts, key KPIs, business profitability, and investment allocation, and for confirming the effectiveness of budget formulation and performance management.	Held intensively during the annual budget preparation process. In addition, budget revisions and progress reviews are conducted semi-annually or as necessary.	In addition to the participants of the Corporate Management Committee, heads of the Corporate Planning, Accounting, Finance, and Human Resources departments attend	Same as above.
Company-wide Business Strategy Meetings	A forum for reviewing company-wide and business-specific growth strategies, the competitive environment, profitability improvement initiatives, priority measures, risk response activities, and the status of Group	Held as necessary.	In addition to the participants of the Corporate Management Committee, heads of the Corporate Planning, Accounting, Finance, and Human Resources departments attend.	Same as above.

	company management in order to enhance alignment between business execution and overall corporate strategy.			
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【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

Following the commencement of the initiative described above, Outside Directors have continued to attend the key executive meetings described above as observers, even after the publication of the Improvement Plan and Status Report on July 31, 2026.

(Status Following the Change in Corporate Governance Structure)

The attendance rules for key meetings have not been changed following the change in the corporate governance structure. As the Company transitioned to a Company with an Audit and Supervisory Committee and Outside Directors who are Audit and Supervisory Committee Members joined the Board, a total of nine individuals, consisting of five Outside Directors and four Outside Directors who are Audit and Supervisory Committee Members, are designated as attendees at such meetings. Attendance is coordinated in advance for each meeting, and the framework is designed to ensure that at least one Outside Director participates in each meeting. Of these, one representative from each group attends in person, while the others participate online. Following the change in the officer structure, one attendee participates in person, while the others may attend online. Even when they do not attend a meeting, relevant materials and minutes are subsequently shared to ensure that they remain informed. We will continue to operate this framework to enable Outside Directors to gain an understanding of the status of discussions at the execution stage, the underlying assumptions regarding strategic alignment and profitability, and management risks.

In addition, as described in Section (1) ① above, following the transition to a Company with an Audit and Supervisory Committee, the Board of Directors held after the Extraordinary General Meeting of Shareholders on September 22, 2026, and the Board of Directors held on October 8, 2026 resolved to abolish the Corporate Management Committee and establish the Management Committee as the decision-making body for the executive side in order to delegate part of the authority for business execution to management. At the same time, the Management Committee Regulations were comprehensively revised as part of the transition from the Corporate Management Committee to the Management Committee.

In addition, the name of the Company-wide Business Strategy Committee was changed to the Management Strategy Committee, reflecting its primary role in deliberating on management strategy.

Outside Directors and Directors who are Audit and Supervisory Committee Members attend the Management Committee and the Management Strategy Committee meetings (with one representative from each group attending in person and the others participating online), and we will continue to operate this framework to enable them to understand the status of discussions at the execution stage, underlying assumptions, risk recognition, and alternative options.

Important matters identified through these meetings will be reported or submitted to the Board of Directors, thereby strengthening information sharing so that the Board of Directors can oversee not only the outcomes of decisions but also the decision-making process itself.

c. Strengthening Information Gathering and Issue Identification through Enhanced Communication with Executive Officers and Other Senior Management Personnel

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Beginning in July 2026, we have established, on a quarterly basis, opportunities for exchanges between Independent Outside Directors and Executive Officers as well as other members of senior management regarding strategically important business matters and key risk factors. These opportunities are intended to facilitate the identification of issues and strengthen check-and-balance functions.

Based on the information obtained through these exchanges, Independent Outside Directors confirm with management the current issues and related countermeasures from the perspective of their respective areas of expertise and with reference to practices and information from other companies, and provide guidance as necessary.

In July 2026, we held an exchange meeting between Independent Outside Directors and the Senior Executive Officer of the Human Resources Department, at which information was shared and discussions were held regarding the Group's human resource development framework, including succession planning, as well as the education framework and implementation plans for recurrence prevention measures, and related future challenges.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Commenced in July 2026

Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

In August 2026, briefings on the Group's businesses were provided to promote Outside Directors' understanding of the Company's businesses. On August 7, 2026, the heads of the Industrial Business Group, Medical Business Group, and Agriculture & Foods Business Group provided business briefings to all Outside Directors. On August 28, 2026, Kawasaki, an Outside Director, received an explanation of the Company's technology strategy from Matsubayashi, Senior Managing Executive Officer, followed by a question-and-answer session. The minutes of the meeting were shared with all officers.

(Status Following the Change in Corporate Governance Structure)

Under the new officer structure, during October and November 2026, Takahashi, Director and Senior Managing Executive Officer, is scheduled to provide briefings on overseas businesses to all Outside Directors, while Inagaki, Senior Executive Officer, is scheduled to provide briefings on the logistics business. Thereafter, opportunities for briefings aimed at deepening understanding of the Company's business and identifying management issues are scheduled to be provided, in principle, once a month.

d. Appointment of an Outside Director as Chairperson of the Board of Directors

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As described in Section 2(1)② above” Strengthening Oversight and Checks on Key Decisions Made by Top Management”, we plan to implement this change by approximately September 2026.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Scheduled for implementation in September 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in Section 2(1)②, “Oversight and Checks on Important Decision-Making by Top Management.”

(Status Following the Change in Corporate Governance Structure)

As described in Section 2(1)②, “Oversight and Checks on Important Decision-Making by Top Management,” following the changes in the officer structure approved at the Extraordinary General Meeting of Shareholders held on September 22, 2026, Yoshihiro Senzai was succeeded by Mikihiro Kato, an Independent Director, as Chairperson of the Board of Directors at the meeting of the Board of Directors held on the same day following the Extraordinary General Meeting of Shareholders.

⑥ Strengthening Compliance and Risk Management, Including the Effectiveness of Internal Controls

a. Reaffirming the Importance of Compliance and Risk Management

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

At the Board of Directors meeting held in April 2026, discussions were conducted and a common understanding was reached regarding the importance of compliance and governance, including the effectiveness of business operations and internal controls throughout the Group. In addition, in June 2026, we conducted integrity training for newly appointed Directors, Audit & Supervisory Board Members, and senior management personnel at the Executive Officer level and above in order to enhance their awareness and deepen their understanding of these matters. Furthermore, with the objective of enhancing Directors’ knowledge and awareness of compliance and risk management, we will conduct continuing training programs for Directors.

Going forward, in addition to the training programs described in “1(3) Fostering Compliance Awareness Across the Group,” we will conduct quarterly training sessions on topics including “Governance and Internal Controls Learned from the Inappropriate Accounting Matter,” “Strengthening the Oversight Functions of the Board of Directors,” “Group Governance and Subsidiary Management,” “Risk Management and Crisis Response,” “Whistleblowing Systems and Corporate Ethics,” and “Accounting and Financial Literacy.” These programs will incorporate lectures by external experts and case studies. We will also formulate an annual training plan and continuously review its content in light of amendments to laws and regulations, misconduct cases, and other developments, thereby continuously enhancing the effectiveness of the Board of Directors and strengthening internal controls and compliance systems.

Responsible Department: Risk Management and Compliance Department

Implementation Schedule: To be implemented sequentially from July 2026 onward.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in the Improvement Plan and Status Report published on July 31, 2026.

(Status Following the Change in Corporate Governance Structure)

Additional Integrity Training will be provided to directors who did not attend the Integrity Training conducted in June 2026 and to directors newly appointed at the Extraordinary General Meeting of Shareholders.

In addition, as described in the improvement measures set forth in the Improvement Plan and Status Report published on July 31, 2026, Executive Responsibility Training will be conducted in three sessions between October 2026 and March 2027. The training will cover the themes of “Governance and Internal Controls Learned from the Inappropriate Accounting Practices,” “Strengthening the Oversight Function of the Board of Directors,” “Group Governance and Subsidiary Management,” “Risk Management and Crisis Response,” “Whistleblowing System and Corporate Ethics,” and “Accounting and Financial Literacy.”

b. Rebuilding Internal Controls from a Group-wide Perspective

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As described in Section 2(3) below, we will rebuild internal controls from a Group-wide perspective. In order to ensure that information relating to compliance and governance throughout the Group is reported to our Board of Directors on a monthly basis, Audit & Supervisory Board Members of subsidiaries will review the agenda materials and minutes of the Board of Directors meetings of their respective Group companies. In addition, the Affiliates Management Department will monitor the situation as appropriate through close coordination with the Audit & Supervisory Board Members of subsidiaries.

Based on such information, the Directors and the Board of Directors will conduct thorough investigations into identified misconduct and misconduct risks, identify issues relating to governance and internal controls, formulate and implement recurrence prevention measures for the Group as a whole, and carry out periodic monitoring of such measures.

Responsible Departments: Board of Directors Secretariat; Risk Management & Compliance Department; General Affairs Department; Accounting Department; Affiliates Department; Internal Audit Department

Implementation Schedule: Scheduled to commence in July 2026.

【Implementation and Operational Status】

The Affiliates Department and the Risk Management and Compliance Department have instructed all consolidated subsidiaries of the Air Water Group to establish “Compliance Reports” and “Risk Management Reports” as regular reporting items at each meeting of their respective Boards of Directors and, where applicable, to record the details of such reports in the meeting minutes.

In addition, on September 2, 2026, all subsidiaries were instructed to continuously submit the minutes and related materials of Board of Directors meetings held since July 2026 in order to continuously verify the implementation status of these reporting items and the operational status of the governance framework at each company. The Affiliates Department has commenced monitoring the contents of the Board of Directors meeting minutes collected

for July 2026.

At the same time, the status of each subsidiary is being monitored through the subsidiaries' Part-Time Corporate Auditors. Beginning in August 2026, meetings of Part-Time Corporate Auditors have been held on a quarterly basis to collect and consolidate information, and following September 22, 2026, coordination with the Company's Audit and Supervisory Committee is planned.

In addition, since August 2026, the Risk Management and Compliance Department has been compiling and reviewing compliance- and governance-related matters identified in the monthly business reports submitted by each department and major Group company.

c. Strengthening the Functions of the Board Committees (Management Reform Committee and Nomination and Remuneration Committee) and Participation of Directors

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

In order to strengthen the management, supervisory, and monitoring functions of Directors, it is important that the Board committees deliberate on matters from their respective areas of expertise and provide appropriate recommendations to the Board of Directors. Accordingly, we will review the roles and structures of the respective Board committees and, as appropriate, revise their composition by appointing or replacing internal members, primarily Directors and Executive Officers, as well as external members with specialized expertise.

Responsible Department: Management Reform Committee: Management Reform Office
Nomination and Remuneration Committee: Board of Directors Secretariat

Implementation Schedule: Scheduled for implementation by approximately September 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in Section (2) a. "Clarification of the Director Selection Process" below, the Nomination and Remuneration Committee selected director candidates in accordance with the director selection process in order to submit the new director structure following the change in corporate governance structure for approval at the Extraordinary General Meeting of Shareholders scheduled to be held on September 22, 2026.

The first meeting of the Risk Management Committee was held on August 12, 2026. At the meeting, the purpose of establishing the Committee and its operating framework were confirmed, the risk management policy for fiscal 2026 was approved, and candidate priority risks requiring proactive management and response were deliberated.

(Status Following the Change in Corporate Governance Structure)

Following the change in the officer structure, Hayashi, who served as Chairperson of the Management Reform Committee, retired from the Committee upon his retirement as an Outside Audit & Supervisory Board Member, and Nishimura, who served as a member of the Committee, retired from the Committee upon their retirement as directors. Subsequently, Mitsutoshi Matsushita, an Independent Director, was newly appointed as Chairperson of the Committee, and Takahashi was newly appointed as a member.

The Nomination and Remuneration Committee previously consisted of five Independent Directors who were not Directors, who are Audit and Supervisory Committee Members.

However, from the perspective of monitoring the deliberations regarding the nomination and remuneration of directors by the Audit and Supervisory Committee Members, Tateshi Higuchi, a director who is an Audit and Supervisory Committee Member, was newly appointed as a committee member, resulting in a six-member structure.

The second meeting of the Risk Management Committee is scheduled to be held on October 20, 2026.

Following the change in the corporate governance structure, the Management Reform Committee, Nomination and Remuneration Committee, and Risk Management Committee have been positioned as important bodies that supplement the oversight function of the Board of Directors. Each Committee deliberates from a professional and independent perspective on matters including the progress and effectiveness of the Improvement Plan, the nomination, evaluation, and remuneration of directors, and the assessment of company-wide risks and the status of response measures, and reports or makes recommendations to the Board of Directors on the results. Based on these reports, the Board of Directors instructs any additional actions deemed necessary and continuously monitors the status of their implementation.

In addition, at the Board of Directors meeting held on September 22, 2026, in addition to the five Outside Directors, namely Yuko Haga, Rochelle Kopp, Mikihiro Kato, Mitsutoshi Matsushita, and Shinichi Kawasaki, Tateshi Higuchi, an Outside Director who is an Audit and Supervisory Committee Member, was appointed as a member of the Nomination and Remuneration Committee, bringing the total number of committee members to six.

Furthermore, at the meeting of the Nomination and Remuneration Committee held on October 8, 2026, Shinichi Kawasaki, who possesses extensive experience and broad expertise as the management executive of an operating company and is expected to exercise objective judgment from an independent standpoint, was appointed as Chairperson of the Committee.

Through this appointment, we will further enhance the independence, objectivity, and effectiveness of the Committee and continue to strengthen its deliberation functions regarding the appointment and dismissal of Directors, evaluations and remuneration, and the CEO Succession Plan.

d. Consideration of the Appointment of a Responsible Executive Officer to Facilitate More Efficient and Effective Consolidation of Governance Information and More Effective Corrective Actions in Response to Identified Issues and Risks

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

By the end of March 2026, we finalized the basic framework regarding the scope of matters to be discussed by the Compliance Committee and the Risk Management Committee, the composition of committee members and attendees, the frequency of meetings, and the method of reporting discussion results to the Board of Directors. Beginning in April 2026, these frameworks were introduced on a phased basis, and a new committee structure will commence operation from July 2026.

The executive officer responsible for these matters will be Tsutsumi, Senior Managing Executive Officer and Chief Administrative Officer.

Both committees will meet at least four times annually on a quarterly basis and additionally whenever significant matters arise. Their membership and attendees will include Executive

Officers responsible for business operations and business unit heads, while subsidiary presidents may also be invited to attend depending on the agenda. Through this approach, we will operate the committees in a more flexible manner that reflects the actual management structure and business operations of the Group.

Responsible Department: Risk Management & Compliance Department

Implementation Schedule: Completed in July 2026.

【Implementation and Operational Status】

(Status Prior to the Change in Corporate Governance Structure)

As described in the Improvement Plan and Status Report published on July 31, 2026, the consolidation of governance-related information and the appointment of an officer responsible for effectively managing risks and corrective activities were implemented.

In addition, with respect to information relating to the Compliance Committee and the Risk Management Committee, we established a Group Portal site accessible only to our directors (the “Group Portal”). By uploading the minutes and materials of both committees to the Group Portal, we established a mechanism for efficiently consolidating compliance- and risk-related governance information and reporting such information to the Board of Directors, and commenced operation of this mechanism in August 2026.

(Status After the Change in Corporate Governance Structure)

Following the change in the corporate governance structure, we have continued to consolidate the materials and proceedings of the Compliance Committee and the Risk Management Committee on the Group Portal and maintain a system under which Directors and Directors who are Audit and Supervisory Committee Members can access necessary information in a timely manner.

In addition, through reports to the Board of Directors by the responsible officer and each committee, identified risks, response policies, corrective measures, and monitoring results are centrally consolidated and monitored, and the Board of Directors confirms whether any additional responses are required.

⑦ Establishing a Follow-up Framework for the Board of Directors

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

In order to establish an organization and framework for following up on matters discussed by the Board of Directors and to enhance the effectiveness of opinions expressed at Board meetings, we have conducted, on a quarterly basis since March 2026, off-site meetings between members of the Board of Directors and the executive management team, as well as site visits by Independent Outside Directors. Through these activities, we have enhanced information sharing, particularly among Independent Outside Directors. The insights gained through these activities are discussed at meetings of the Board of Directors, and where necessary, additional investigations and follow-up actions are conducted in order to strengthen the Board's oversight function. In addition, in March 2026, we conducted a Board effectiveness evaluation by an external organization. The issues identified through this evaluation included the need to deepen discussions on the business portfolio and significant investment projects in order to strengthen the Board's oversight function, enhance oversight of Group governance and internal control and risk management systems, advance nomination and compensation functions including succession planning, improve the

provision of information to Outside Directors, and strengthen the incorporation of feedback obtained through dialogue with shareholders and investors into management decisions. Going forward, through governance reforms, including the transition to a Company with an Audit and Supervisory Committee, we will continue to enhance the effectiveness of the Board of Directors and ensure the implementation and sustainability of our recurrence prevention measures. In addition, we will promptly address the issues identified and recommendations received through the Board effectiveness evaluation and establish a new Board structure. Furthermore, beginning in July 2026, Independent Outside Directors will conduct site visits to Group companies and hold dialogue sessions with management in a planned and sequential manner as outlined below. The initial companies selected for these visits have been chosen primarily from the perspective of recurrence prevention and the strengthening of internal controls in response to the inappropriate accounting practices identified in the Special Investigating Committee's report. Through direct dialogue with management, Independent Outside Directors will gain a deeper understanding of each company's business operations, risk management, internal control practices, and management challenges.

Beginning in July 2026, Independent Outside Directors will conduct site visits to Group companies and hold dialogue sessions with management in a planned and sequential manner as outlined below.

The initial companies selected for these visits have been chosen primarily from the perspective of recurrence prevention and the strengthening of internal controls in response to the inappropriate accounting practices identified in the Special Investigating Committee's report. Through direct dialogue with management, Independent Outside Directors will gain a deeper understanding of each company's business operations, risk management, internal control practices, and management challenges.

Month	Company to Be Visited	Participants
July 2026 (Completed)	AW Safety Service	Kato, Kawasaki
August 2026	NIHON KAISUI	Three participants planned
September 2026	Nippon Helium	Three participants planned

*In addition, site visits and dialogue sessions with management are scheduled to be conducted by March 2027 at a further 34 companies (or 39 companies in total, including those scheduled to be identified in the descriptions of material weaknesses that should be disclosed in the amended Internal Control Reports to be filed on July 31, 2026, based on the results of the voluntary inspections).

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Being implemented sequentially from March 2026.

[Implementation and Operational Status]

(Status Prior to the Change in Corporate Governance Structure)

With respect to off-site meetings between members of the Board of Directors and the management team, such meetings were not held as priority was given to examining changes to the corporate governance structure and executive officer structure, as well as to implementing other improvement measures.

With respect to site visits by Independent Directors to Group companies, on August 26, 2026, Independent Directors, including Haga, Kato, and Kawasaki, as well as Audit &

Supervisory Board Members, including Hayashi and Yoshida, visited the Ako Plant of Tateho Chemical Industries and NIHON KAISUI where they conducted site inspections and exchanged views with directors, executive officers, plant personnel, and other relevant parties.

(Status After the Change in Corporate Governance Structure)

With respect to off-site meetings, following the transition to a Company with an Audit and Supervisory Committee and the partial revision of the executive officer structure, a new management framework has been established. Accordingly, such meetings will commence on a quarterly basis. With respect to site visits to Group companies by Independent Directors and exchanges of views with management, the original schedule for September was revised due to the Extraordinary General Meeting of Shareholders being held in Hokkaido. As a result, three Independent Directors, including Haga, Kato, and Matsushita, and four Directors who are Audit and Supervisory Committee Members, including Mikoshiba, Yoshida, Higuchi, and Kikuchi, visited Hokkaido Sangyo Medical Gas, AW Life Solution, and Hokuei, where they exchanged views with directors and senior management. Until site visits to all 39 Group companies referred to above have been completed, visits to Group companies are scheduled to be conducted once each month from October onward. Thereafter, such visits are planned to be conducted once every quarter.

⑧ Regular Exchanges of Views with Audit & Supervisory Board Members

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Beginning in April 2026, we will establish opportunities for quarterly exchanges of views between Outside Directors and Audit & Supervisory Board Members.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Being implemented sequentially from March 2026.

[Implementation and Operational Status]

(Status Prior to the Change in Corporate Governance Structure)

On July 27, 2026, an opportunity was arranged for Independent Directors and Audit & Supervisory Board Members to exchange views, during which discussions were held primarily regarding the nomination of director candidates to be proposed at the Extraordinary General Meeting of Shareholders scheduled for September 22, 2026.

(Status After the Change in Corporate Governance Structure)

This initiative will continue to be implemented following the change in the officer structure and, together with the commencement of the regular opinion exchange meetings among Independent Outside Directors described in the following section, will be held semiannually.

⑨ Regular Exchange of Views Among Independent Outside Directors

A forum will be established to facilitate frank exchanges of views among Independent Outside Directors and to share constructive discussions regarding management issues.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Being implemented sequentially from October 2026 onward.

[Implementation and Operational Status]

An exchange-of-views meeting among the nine Independent Outside Directors (Yuko Haga, Rochelle Kopp, Mikihiro Kato, Mitsutoshi Matsushita, Shinichi Kawasaki, Mikoshiba, Iwasaki, Tateshi Higuchi, and Kikuchi) was held on October 7, 2026.

Such meetings will continue to be held semiannually.

(2) Establishment of Director Candidate Selection Criteria, Review of the Selection Process, and Strengthening of the Role of the Nomination and Remuneration Committee (Addressing Causes 1, 2, and 4(1))

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

a. Clarification of the Director Selection Process

- **Discussion and definition of selection requirements, selection of candidates, and individual evaluation through interviews**
- **Clarification of the director evaluation system and enhancement of transparency regarding evaluation results**
- **Review of the compensation system to clearly align responsibilities and roles with Remuneration**

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Although the systems described in items (1) through (5) below were designed during FY2025, their implementation and effectiveness will be realized from FY2026 onward.

- (1) Establishment of an annual schedule for the Nomination and Remuneration Committee
- (2) Establishment of a six-year term limit for Independent Outside Directors, for whom no term limit had previously been prescribed (based on this policy, one Independent Outside Director retired in June 2026)
- (3) Establishment of the selection process for Independent Outside Directors for the following fiscal year and selection of candidates in accordance with that process
- (4) Review of the compensation system for Internal Directors and reconstruction of the evaluation methodology
- (5) Establishment of the selection process for Internal Directors and selection of candidates for the following fiscal year in accordance with that process

As early as the first meeting of the Nomination and Remuneration Committee for FY2025 held on July 9, 2025, a resolution was adopted establishing an internal rule limiting the term of Outside Directors to six years. As a result, with the retirement of one Outside Director scheduled to occur one year later, we defined the requirements for Outside Directors for FY2026 and prepared a skills matrix and initially planned to appoint two additional Outside Directors.

The requirements included experience as an Outside Director or Executive Director at a Prime Market-listed company with an Audit and Supervisory Committee or a Nominating Committee structure, a sound understanding of supervisory responsibilities, and personal integrity and honesty. Based on these requirements, a long list of candidates was prepared, followed by the creation of a short list through discussions and candidate interviews. Prior to the establishment of the Special Investigating Committee in 2025, two candidates had already been provisionally selected.

One of those candidates was Mr. Mikihiro Kato, the current nominee. The other candidate declined the appointment after the investigation report had been submitted, and an additional

candidate was subsequently selected. Accordingly, reform of the Nomination and Remuneration Committee commenced in FY2025, not only at the design stage but also in actual operation.

More recently, with a view to clarifying the director nomination process and evaluation system and reviewing the compensation system by clearly defining responsibilities and roles, we changed the composition of the Nomination and Remuneration Committee, an advisory body to the Board of Directors, on April 3, 2026, in order to further enhance the fairness and objectivity of the process for nominating director candidates.

Furthermore, on May 22, 2026, the Board of Directors resolved changes in Directors and Audit & Supervisory Board Members, as well as organizational changes, in connection with a review of the management structure. Under the new structure, the Directors responsible for business execution were completely renewed and their roles were clearly separated from supervisory functions. In addition, the number of Outside Directors was increased from four to five, resulting in Outside Directors constituting a majority of the Board. The Audit & Supervisory Board structure was also strengthened through the appointment of additional full-time Audit & Supervisory Board Members and new external professionals. (These changes were formally approved at the Annual General Meeting of Shareholders and the Board of Directors meeting held on June 29, 2026.)

Furthermore, with regard to Director Nishimura, who assumed office in June of the same year, the investigation report of the Special Investigation Committee found that he was involved in the inappropriate accounting. We take these facts very seriously. To clarify responsibility for this matter and based on the recommendations of the Responsibility Assessment Committee, Nishimura has voluntarily returned 30% of his monthly compensation for three months. We then examined Nishimura's suitability as a director. Through interviews with Nishimura and deliberations by the Responsibility Assessment Committee, it considered the facts found, the nature of his involvement, the degree of responsibility, his understanding of and remorse for this matter, and his commitment to recurrence prevention. Having taken into account the facts, his remorse, and his commitment to recurrence prevention, the Company has determined that Nishimura is still suitable to serve as a Director at this time.

We will go beyond general training for Director Nishimura and have arranged the following: ① individual training sessions on financial reporting, internal controls, and compliance conducted by external experts (see Recurrence Prevention Measure 1(3)); ② regular meetings with the Audit & Supervisory Board, including follow-up on the implementation status of the recurrence prevention measures; and ③ regular reports to the Board of Directors on his initiatives related to internal controls and compliance.

In addition, the Company will provide ongoing training on financial reporting, internal controls, and compliance to all Directors, including Director Nishimura. The Board of Directors will also regularly review and oversee the progress and implementation of the recurrence prevention measures to make sure they are effective.

In addition, in preparation for the extraordinary shareholders' meeting scheduled for September 2026, at which amendments to the Articles of Incorporation associated with a change in our governance structure and the new post-transition Board structure will be submitted for approval, we plan to hold four meetings of the Nomination and Remuneration Committee beginning on July 21, 2026. At these meetings, we will deliberate and determine the candidate selection policy, selection process, candidate evaluations and interviews, and

proposed compensation arrangements, and submit the relevant proposals to the Board of Directors meeting scheduled for August 6, 2026, for resolution and submission to shareholders.

Responsible Department: Board of Directors Secretariat

Implementation Schedule: Scheduled for implementation by approximately September 2026.

[Implementation and Operational Status]

(Status Prior to the Change in Corporate Governance Structure)

As described in the Improvement Plan and Status Report published on July 31, 2026, the new Board of Directors structure following the change in the governance structure was approved at the Extraordinary General Meeting of Shareholders held on September 22, 2026. In preparation for this, the Nomination and Remuneration Committee met six times, on (i) July 9, (ii) July 14, (iii) July 21, (iv) July 26, (v) August 3, and (vi) August 5, and selected director candidates in accordance with the director selection process described in the Improvement Plan and Status Report published on July 31, 2026.

As a result, on the premise of the transition to a Company with an Audit and Supervisory Committee, of the directors elected at the General Meeting of Shareholders held on June 29, 2026, Director Nishimura was to retire, the other directors were to be elected as Directors who are not Audit and Supervisory Committee Members, and Takahashi and Shiraiwa were newly to be elected as Directors who are not Audit and Supervisory Committee Members.

As described in the Improvement Plan and Status Report published on July 31, 2026, Nishimura was determined to be qualified to serve as a director, and a proposal for his election was submitted to and approved at the General Meeting of Shareholders held on June 29, 2026. However, from the perspective of reviewing the executive officer structure in accordance with the Improvement Plan, Nishimura was to retire at the Extraordinary General Meeting of Shareholders to be held on September 22, 2026. As a director responsible for overseeing business operations in place of Nishimura, Takahashi was selected as a director candidate responsible for overseeing the business divisions. In addition, as described in (1) ③ a above, Shiraiwa was newly selected as a candidate for Director who is not an Audit and Supervisory Committee Member to serve as Chief Accounting & Finance Officer.

Similarly, on the premise of the transition to a Company with an Audit and Supervisory Committee, Mori, Yoshida, Iwasaki, and Higuchi, the four Audit & Supervisory Board Members elected at the General Meeting of Shareholders held on June 29, 2026, together with Mikoshiba and Kikuchi, the two newly added candidates, were selected as the six candidates for Directors who are Audit and Supervisory Committee Members.

At the meeting of the Board of Directors held on August 17, 2026, the above director candidates were resolved upon as the proposals for the election of directors to be submitted to the aforementioned Extraordinary General Meeting of Shareholders.

Furthermore, the matters described in the Improvement Plan and Status Report published on July 31, 2026, referred to above, and the director selection process prior to the change in the corporate governance structure described above were formalized and compiled into a draft of the Detailed Operating Rules for the Appointment, Evaluation, and Remuneration of Directors.

(Status After the Change in Corporate Governance Structure)

At the Extraordinary General Meeting of Shareholders of the Company held on September

22, 2026, the proposal for the election of directors, together with the change in the corporate governance structure to a Company with an Audit and Supervisory Committee, was approved and adopted, and the revised executive officer structure has commenced.

Under the new structure, the composition of the Board of Directors has been reviewed in light of the skills and independence required for the supervisory function, while ensuring that the Board of Directors as a whole possesses expertise in finance and accounting, business management, legal affairs and compliance, and auditing and internal controls. Going forward, we will operate a PDCA cycle under which the results of evaluations of the effectiveness of the Board of Directors and reviews of its skills and composition will be reflected in the candidate requirements, appointment policy, training plans, and succession plans for the following fiscal year.

In addition, the above-mentioned Detailed Operating Rules for the Appointment, Evaluation, and Remuneration of Directors are scheduled to be approved by the Nomination and Remuneration Committee to be held on October 8, 2026.

b. Development and Implementation of a Comprehensive Succession Plan for the President

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will discuss and define the competencies and leadership qualities required of the CEO of our Company. As the qualifications expected of the CEO vary depending on the circumstances facing us at a given time, the Nomination and Remuneration Committee is currently discussing the qualifications, attributes, and profile required of the CEO needed by our Company in light of the inappropriate accounting issue.

Furthermore, even after the CEO has been selected through these discussions, we will annually identify and develop candidates who may be suitable to serve as future CEO. We will also formulate and implement succession and development plans for such candidates. While a five-year horizon is generally considered standard, the appropriate timeframe will also be discussed in light of our circumstances.

Responsible Nomination and Remuneration Committee

Implementation Schedule: Scheduled for implementation by approximately September 2026.

[Implementation and Operational Status]

(Status Prior to the Change in Corporate Governance Structure)

At the Nomination and Remuneration Committee, discussions have been conducted, with the advice of external experts, regarding the requirements and desired profile for the Company's next CEO and senior management, as well as the selection of candidates and the development process. Based on these discussions, a draft outline of the CEO Succession Plan was prepared, while the selection of candidates was advanced in parallel.

(Status After the Change in Corporate Governance Structure)

In the Nomination and Remuneration Committee under the new Board structure, the basic policy for the CEO succession plan, including the qualifications required of the CEO, the selection of a pool of candidates, and the methods for evaluation and development, will be reconfirmed. The duration of the succession plan will also be determined, following a

recommendation to be submitted to the Board of Directors in November 2026, with the aim of achieving implementation earlier than the generally accepted five-year time frame in light of the Company's current circumstances.

Following the determination of the basic policy, beginning in January 2027, the Company will sequentially undertake the formation of a pool of candidates, evaluations and analyses utilizing third-party assessments, the identification and implementation of development objectives for each candidate, the formulation of individual development plans, and the assignment of key responsibilities. Through these initiatives, the Company will promote the identification, development, and evaluation of candidates in an integrated manner.

Following the formation of the candidate pool, the Nomination and Remuneration Committee will, in principle, review development progress and evaluation results on a semiannual basis and, as necessary, revise development objectives, key responsibilities, and the composition of the candidate pool. Through these periodic reviews, candidates will be narrowed down in stages. Taking into account the Company's business conditions, the development progress of candidates, and the procedures required for succession, the next CEO candidate will be selected at an appropriate time, and preparations will be made to ensure a smooth succession process.

Progress at each stage will be reported regularly by the Nomination and Remuneration Committee to the Board of Directors, and the Board of Directors will oversee the implementation and effectiveness of the plan. This process will be operated not as a temporary procedure conducted only when selecting a CEO, but as an ongoing governance process for the continuous identification, development, and evaluation of candidates. Through this process, the Company aims to ensure management continuity and systematically develop management talent capable of supporting the sustainable enhancement of corporate value.

c. Enhancing the Quality of Outside Directors and Executive Directors (Training and Education Programs)

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

To ensure that Directors fully understand their roles and responsibilities, all current and newly appointed Directors, both internal and external, will participate on an ongoing annual basis in training programs provided by the Japan Association of Directors, including web-based and in-person courses (seven sessions for Outside Directors and eight sessions for Internal Directors).

In FY2026, newly appointed Independent Outside Directors will participate in a structured training program from June to September 2026 utilizing the "Outside Director Training Program" provided by the Japan Association of Directors. The program covers topics including Board effectiveness evaluations, management indicators and financial knowledge, corporate governance, corporate value enhancement, investor perspectives, and the exercise of oversight functions. In addition, supplementary training will be provided on subjects such as governance structures, succession planning, and ESG management. Following completion of the program, continuous follow-up will be provided through internal briefings, visits to Group companies, and topic-specific study sessions.

In addition, newly appointed Internal Executive Directors will participate in training from

October 2026 through February 2027 utilizing the “Corporate Governance Program for Senior Executives” provided by the Japan Association of Directors. The program will provide systematic instruction on the Companies Act, the Corporate Governance Code, the legal responsibilities of Directors, investor and shareholder perspectives, financial and accounting knowledge required for management decision-making, and leadership. Through this program, we aim to enhance the governance awareness and management capabilities expected of senior executives.

Details of the program are as set out below.

No.	Title	Category	Instructor	Organizer	Date	Participants
1	Board Effectiveness Evaluation and the Role of Outside Directors	Outside Director Training 2026	Hideaki Tsukuda, President and Representative Director, Board Advisors Inc.	Japan Association of Directors	Jun. 22, 2026,	Kato, Matsushita, Kawasaki
2	Key Management Metrics: Understanding the Performance Indicators Required of Directors	Outside Director Training 2027	Kiyoshi Shimada, CPA, Head of Capital Markets Group, Deloitte Touche Tohmatsu LLC / Kazuhisa Otsuka, Managing Director, US CPA (Washington State)	Japan Association of Directors	Jul. 9, 2026,	Kato, Matsushita, Kawasaki
3	Corporate Governance and the Monitoring Model	Outside Director Training 2028	Hidetaka Iida, Professor, Graduate Schools for Law and Politics, The University of Tokyo	Japan Association of Directors	Jul. 29, 2026,	Kato, Matsushita, Kawasaki
4	Business Strategy and Corporate Value Maximization	Outside Director Training 2029	Minoru Aoshima, Fellow, Nomura Research Institute, Ltd	Japan Association of Directors	Aug. 25, 2026,	Kato, Matsushita, Kawasaki
5	Corporate Value from an Investor Perspective and the Role of Outside Directors	Outside Director Training 2030	Hiroaki Sato, Managing Director, Engagement Investment Division, Misaki Capital Inc.	Japan Association of Directors	Sep. 9, 2026,	Kato, Matsushita, Kawasaki
6	Oversight of Directors' Execution by the Board of Directors and Audits of Directors'	Outside Director Training 2031	Hiyoo Kambayashi, Senior Managing Director, Protiviti LLC	Japan Association of Directors	Sep. 16, 2026	Kato, Matsushita, Kawasaki

No.	Title	Category	Instructor	Organizer	Date	Participants
	Execution by Audit & Supervisory Board Members					
7	Lessons from Serving as Board Chair and Outside Director: Exercising Effective Oversight Functions	Outside Director Training 2032	Masatoshi Matsuzaki, Honorary Advisor, Konica Minolta, Inc.	Japan Association of Directors	Sep. 25, 2026	Kato, Matsushita, Kawasaki
8	Management Based on Corporate Philosophy and Corporate Governance / What Is Expected of Directors	Corporate Governance Program for Senior Executives	Yoshihito Yamada, Chairperson of the Board, OMRON Corporation / Hideaki Tsukuda	Japan Association of Directors	Oct. 2, 2026	Senzai, Karato, Nishimura
9	Resona's Corporate Governance Reform and Succession Planning / What Is the Monitoring Model?	Corporate Governance Program for Senior Executives	Masahiro Minami, Director, Representative Executive Officer, President and Group CEO, Resona Holdings, Inc. / Minoru Sawaguchi, Attorney-at-Law, Mori Hamada & Matsumoto	Japan Association of Directors	Oct. 28, 2026	Senzai, Karato, Nishimura
10	What Makes an Excellent Company Different? / Ebara's "Governance to Value" Journey toward Corporate Value Maximization	Corporate Governance Program for Senior Executives	Tetsuo Tsuneishi, Director, Tokyo Electron Device Ltd. (Former Chairman of the Board, Tokyo Electron Ltd.) / Masao Asami, Chairman of the Board, Ebara Corporation	Japan Association of Directors	Nov. 13, 2026	Senzai, Karato, Nishimura

No.	Title	Category	Instructor	Organizer	Date	Participants
11	What Constitutes an Ideal Board of Directors?	Corporate Governance Program for Senior Executives	Shinichi Hirota, Professor, Faculty of Commerce, Waseda University	Japan Association of Directors	Nov. 26, 2026	Senzai, Karato, Nishimura
12	Management Indicators Directors Should Understand and Corporate Value Enhancement	Corporate Governance Program for Senior Executives	Daisuke Tsuchiya, Partner, Advisory Division / Sustainable Value Division, KPMG AZSA LLC	Japan Association of Directors	Dec. 17, 2026	Senzai, Karato, Nishimura
13	Understanding the Investor Perspective: Institutional Investors' Perspectives and Expectations of Long-Term Engagement Investors	Corporate Governance Program for Senior Executives	Noriyuki Sugihara, President and Representative Director, Asset Management One Co., Ltd. / Hiroaki Sato, Managing Director, Engagement Investment Division, Misaki Capital Inc.	Japan Association of Directors	Jan. 18, 2027	Senzai, Karato, Nishimura
14	Enhancing the Oversight Function of the Board of Directors / Hitachi's Corporate Governance Framework and the Role of the Board Secretariat Office	Corporate Governance Program for Senior Executives	Masatoshi Matsuzaki, Honorary Advisor, Konica Minolta, Inc. / Eiji Nishiwaki, General Manager, Board Secretariat Office, Hitachi, Ltd.	Japan Association of Directors	Feb. 2, 2027	Senzai, Karato, Nishimura
15	What Does It Mean to Be a Director in an Era of Disruption and Crisis?	Corporate Governance Training Program for Senior Executives	Kazuhiko Toyama, Chairman and Representative Director, Japan Platform for Industrial Transformation (JPiX) / Kazumasa Miyashita, Representative Attorney, IGPI Law	Japan Association of Directors	Mar. 2, 2027	Senzai, Karato, Nishimura

No.	Title	Category	Instructor	Organizer	Date	Participants
			Office; General Counsel, Industrial Growth Platform, Inc. (IGPI)			
16	Comparison of the Three Governance Structures Available to Listed Companies	Common E-Learning Program for Senior Executives and Outside Directors	Yamato Nozawa, Partner, Nishimura & Asahi	Japan Association of Directors	As Needed	Senzai, Karato, Nishimura Kato, Matsushita, Kawasaki
17	Board Succession Planning	Common E-Learning Program for Senior Executives and Outside Directors	Yasuharu Inoue, Senior Principal, Organization & Workforce Transformation Consulting, Leader of the Executive Compensation and Corporate Governance Practice, Mercer Japan Ltd.	Japan Association of Directors	As Needed	Senzai, Karato, Nishimura Kato, Matsushita, Kawasaki
18	Overview of ESG Management	Common E-Learning Program for Senior Executives and Outside Directors	Keiichi Ushijima, Climate Change and Sustainability Services (CCaSS) Leader, EY Japan; Principal, Ernst & Young ShinNihon LLC	Japan Association of Directors	As Needed	Senzai, Karato, Nishimura Kato, Matsushita, Kawasaki
19	A Practical Guide to Management Indicators and the Cost of Capital	Common E-Learning Program for Senior Executives and Outside Directors	Kentaro Shimizu, Partner and Head of Assurance Learning & Education, PwC Aarata LLC	Japan Association of Directors	As Needed	Senzai, Karato, Nishimura Kato, Matsushita, Kawasaki

Responsible Department: Board of Directors Secretariat

Implementation Schedule: The initial cycle of training programs is scheduled to be completed by approximately February 2027.

[Implementation and Operational Status]

(Status Prior to the Change in Corporate Governance Structure)

Training has been undertaken in accordance with the training plan described in the Improvement Plan and Status Report published on July 31, 2026.

(Status After the Change in Corporate Governance Structure)

With respect to the existing internal directors, training has been undertaken in accordance with a revised version of the training plan described in the Improvement Plan and Status Report published on July 31, 2026, as set out below, due to constraints such as capacity limitations on the part of certain training providers and revisions to certain training themes.

In addition, Director Takahashi and Director Shiraiwa, who were newly appointed as internal Directors who are not Audit and Supervisory Committee Members at the Extraordinary General Meeting of Shareholders held on September 22, 2026, as well as Director Mikoshiba, Director Mori, Director Yoshida, Director Iwasaki, Director Higuchi, and Director Kikuchi, who were appointed as Directors who are Audit and Supervisory Committee Members, have also attended various training programs in accordance with the training plan set out below.

NO	Title	Category	Instructor	Organizer	Date	Participants
1	Corporate Governance and the Role of Independent Directors	Independent Director Training BASIC 2026 (In-Person / Live Course)	Hideaki Tsukuda, President & CEO, Board Advisors Inc.	Japan Association of Directors	Jun. 22, 2026	Kato, Matsushita
2	Key Financial Metrics for Management: Knowledge of Management Indicators Required of Directors	Independent Director Training BASIC 2026 (In-Person / Live Course)	Sei Shimada / Kazuhisa Otsuka, Deloitte Touche Tohmatsu LLC	Japan Association of Directors	Jul. 9, 2026	Kato, Matsushita
3	Corporate Governance and the Monitoring Model	Independent Director Training BASIC 2026 (In-Person / Live Course)	Hidetaka Iida, Professor, Graduate Schools for Law and Politics, The University of Tokyo	Japan Association of Directors	Jul. 29, 2026	Kato, Matsushita
4	Maximizing Corporate Value and Business Strategy	Independent Director Training BASIC 2026 (In-Person / Live Course)	Minoru Aoshima, Executive Partner, Nomura Research Institute, Ltd.	Japan Association of Directors	Aug. 25, 2026	Kato, Matsushita
5	Current Status and Outlook of Corporate Governance Reform 2026	Governance and Management Enhancement Seminar for Improving Corporate Value	Eiji Yamada, Executive Officer and Head of Management Research Center, Research & Consulting Division, The Japan Research	The Japan Research Institute, Limited	Aug. 31, 2026	Senzai, Karato, Takahashi, Shiraiwa

NO	Title	Category	Instructor	Organizer	Date	Participants
			Institute, Limited			
6	How Independent Directors Can Leverage the Investor Perspective: Based on Experience in Engagement Investing	Independent Director Training BASIC 2026 (In-Person / Live Course)	Hiroaki Sato, Former Managing Director, Misaki Capital Inc.	Japan Association of Directors	Sep. 4, 2026	Kato, Matsushita
7	Purpose-Driven Management and M&A	Governance and Management Enhancement Seminar for Improving Corporate Value	Tsuyoshi Nojiri, Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	The Japan Research Institute, Limited	Sep. 4, 2026	Senzai, Karato, Takahashi, Shiraiwa
8	Enhancing Management Strategy Through Sophisticated Vision and Medium-Term Management Plans	Governance and Management Enhancement Seminar for Improving Corporate Value	Mitsuru Omori, General Manager / Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	The Japan Research Institute, Limited	Sep. 10, 2026	Senzai, Karato, Takahashi, Shiraiwa
9	Oversight by the Board of Directors and Audit by Audit & Supervisory Board Members	Independent Director Training BASIC 2026 (In-Person / Live Course)	Hiyoo Kanbayashi, Representative Partner, ERM Management Institute / Senior Advisor, Protiviti LLC	Japan Association of Directors	Sep. 16, 2026	Kato, Matsushita
10	Company-wide Strategy for Enhancing Corporate Value and Management with Awareness of Capital Costs and Share Price	Governance and Management Enhancement Seminar for Improving Corporate Value	Teruaki Takatsu, General Manager / Senior Manager, Research & Consulting Division, and Riku Gohara, Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	The Japan Research Institute, Limited	Sep. 16, 2026	Senzai, Karato, Takahashi, Shiraiwa
11	From the Experience of Serving as Chairman of the	Independent Director Training BASIC 2026 (In-Person / Live	Masatoshi Matsuzaki, Honorary Advisor, Konica	Japan Association of Directors	Sep. 25, 2026	Kato, Matsushita

NO	Title	Category	Instructor	Organizer	Date	Participants
	Board and Independent Director	Course)	Minolta, Inc.			
12	Understanding Corporate Responses to SSBJ Standards and Cabinet Office Ordinances Through the Latest Securities Reports and Key Sustainability Issues Going Forward	Governance and Management Enhancement Seminar for Improving Corporate Value	Tsutomu Uryu, General Manager / Senior Manager, and Natsuki Ueda, Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	The Japan Research Institute, Limited	Sep. 28, 2026	Senzai, Karato, Takahashi, Shiraiwa
13	Corporate Philosophy Management and Corporate Governance / Expectations for Directors (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Yoshihito Yamada, Chairman of the Board and Chairperson of the Board, OMRON Corporation / Hideaki Tsukuda, President & CEO, Board Advisors Inc.	Japan Association of Directors	Oct.2, 2026	Takahashi
14	Moving Beyond One-Off Human Capital Management Initiatives	Governance and Management Enhancement Seminar for Improving Corporate Value	Hayato Kunisawa, Senior Manager, and Yusuke Shimono, General Manager / Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	The Japan Research Institute, Limited	Oct.2, 2026	Senzai, Karato, Takahashi, Shiraiwa
15	Challenges in Executive Structure and Directions for Enhancement: In Light of Revisions to the Corporate Governance Code	Governance and Management Enhancement Seminar for Improving Corporate Value	Tatsuo Inoue, Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	The Japan Research Institute, Limited	Oct.8, 2026	Senzai, Karato, Takahashi, Shiraiwa
16	AI Transformation Led by Management:	Governance and Management Enhancement	Kenichi Nakase, General Manager /	The Japan Research Institute,	Oct.14, 2026	Senzai, Karato, Takahashi,

NO	Title	Category	Instructor	Organizer	Date	Participants
	Governance Design Beyond Risk Management	Seminar for Improving Corporate Value	Senior Manager, and Shota Hayashi, Senior Manager, Research & Consulting Division, The Japan Research Institute, Limited	Limited		Shiraiwa
17	CASE 1: Portfolio Management (Part 1)	Case Method Learning for Directors 2026	Moderator: Kazumasa Miyashita, Representative Attorney, IGPI Legal Professional Corporation / Commentator: Yuko Haga, Professor, Nagoya University of Commerce & Business Graduate School	Japan Association of Directors	Oct.26, 2026	Takahashi, Kato, Yoshida
18	Resona's Corporate Governance Reform and Succession Plan / What Is the Monitoring Model? (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Masahiro Minami, Director, Representative Executive Officer, President and Group CEO, Resona Holdings, Inc. / Minoru Sawaguchi, Attorney, Mori Hamada & Matsumoto	Japan Association of Directors	Oct.28, 2026	Takahashi
19	Requirements for an Excellent Company and Corporate Culture / The Path Toward Maximizing Corporate Value (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Tetsuo Tsuneishi, Director, TOKYO ELECTRON DEVICE LIMITED / Masao Asami, Chairman of the Board, Ebara Corporation	Japan Association of Directors	Nov. 13, 2026	Takahashi
20	Discussion: "What	Corporate	Shinichi Hirota,	Japan	Nov. 26,	Takahashi

NO	Title	Category	Instructor	Organizer	Date	Participants
	Is the Ideal Board of Directors?"	Governance Training 2026 for Senior Executives	Professor, Faculty of Commerce, Waseda University	Association of Directors	2026	
21	CASE 1: Portfolio Management (Part 2)	Case Method Learning for Directors 2026	Moderator: Kazumasa Miyashita / Commentator: Masatoshi Matsuzaki, Honorary Advisor, Konica Minolta, Inc.	Japan Association of Directors	Nov. 27, 2026	Takahashi, Kato, Yoshida
22	CASE 2: Responding to Activist Shareholders (Part 1)	Case Method Learning for Directors 2026	Moderator: Kazumasa Miyashita / Commentator: Yamato Nozawa, Attorney-at-Law and New York Attorney, Nishimura & Asahi	Japan Association of Directors	Dec. 7, 2026	Takahashi, Kato, Yoshida, Kawasaki
23	Management Indicators Directors Should Understand and Corporate Value Enhancement (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Daisuke Tsuchiya, Partner, KPMG AZSA LLC	Japan Association of Directors	Dec. 17, 2026	Takahashi
24	Understanding the Investor Perspective: Institutional Investors and Long-Term Engagement Investors (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Noriyuki Sugihara, President & Representative Director, Asset Management One Co., Ltd. / Hiroaki Sato, Managing Director, Misaki Capital Inc.	Japan Association of Directors	Jan.18, 2027	Takahashi
25	CASE 2: Responding to Activist Shareholders (Part 2)	Case Method Learning for Directors 2026	Moderator: Kazumasa Miyashita / Commentator: Toshio Tamura, Specially Appointed Professor, Hitotsubashi	Japan Association of Directors	Jan.19, 2027	Takahashi, Kato, Yoshida, Kawasaki

NO	Title	Category	Instructor	Organizer	Date	Participants
			University Graduate School			
26	Exercising the Supervisory Function of the Board of Directors / Hitachi's Governance Structure and the Role of the Board Office (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Masatoshi Matsuzaki, Honorary Advisor, Konica Minolta, Inc. / Eiji Nishiwaki, General Manager, Board Office, Hitachi, Ltd.	Japan Association of Directors	Feb. 2, 2027	Takahashi
27	What Is a "Director" in an Era of Disruption and Crisis? (Tentative Title)	Corporate Governance Training 2026 for Senior Executives	Kazuhiko Toyama, Chairman & CEO, Japan Industrial Solutions Platform, Inc. / Kazumasa Miyashita, Representative Attorney, IGPI Legal Professional Corporation	Japan Association of Directors	Mar.2, 2027	Takahashi
28	CASE 4: Unsolicited Acquisition (Part 1)	Case Method Learning for Senior management 2026	Moderator: Kazumasa Miyashita / Commentator: Yamato Nozawa, Attorney-at-Law and New York Attorney, Nishimura & Asahi	Japan Association of Directors	Mar. 4, 2027	Kato, Kawasaki
29	CASE 4: Unsolicited Acquisition (Part 2)	Case Method Learning for Directors 2026	Moderator: Kazumasa Miyashita / Commentator: Toshio Tamura, Specially Appointed Professor, Hitotsubashi University Graduate School	Japan Association of Directors	Mar. 17, 2027	Kato, Kawasaki
30	Corporate Governance and	Independent Director Training	Hidetaka Iida, Professor,	Japan Association	Available at any	Kawasaki, Mori,

NO	Title	Category	Instructor	Organizer	Date	Participants
	the Monitoring Model	BASIC (On-Demand Video Learning Course)	Graduate Schools for Law and Politics, The University of Tokyo	of Directors	time (access period: 6 months)	Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
31	Maximizing Corporate Value and Business Strategy	Independent Director Training BASIC (On-Demand Video Learning Course)	Minoru Aoshima, Fellow, Nomura Research Institute, Ltd.	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
32	Key Financial Metrics for Management: Knowledge of Management Indicators Required of Directors	Independent Director Training BASIC (On-Demand Video Learning Course)	Sei Shimada, Partner and Certified Public Accountant, Audit Advisory Business Division, Deloitte Touche Tohmatsu LLC	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
33	Oversight of Directors' Execution by the Board of Directors and Audit of Directors' Execution by Audit & Supervisory Board Members	Independent Director Training BASIC (On-Demand Video Learning Course)	Hiyoo Kanbayashi, Senior Managing Director, Protiviti LLC / Representative Partner, ERM Management Institute	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
34	From the Experience of Serving as Chairman of the Board and Independent Director	Independent Director Training BASIC (On-Demand Video Learning Course)	Masatoshi Matsuzaki, Honorary Advisor, Konica Minolta, Inc.	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
35	Board Effectiveness Evaluation and Independent Directors	Independent Director Training BASIC (On-Demand Video Learning Course)	Hideaki Tsukuda, President & CEO, Board Advisors Inc.	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
36	Corporate Value as Viewed by Investors and the Role of Independent Directors	Independent Director Training BASIC (On-Demand Video Learning Course)	Yasunori Nakagami, President & CEO, Misaki Capital Inc.	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi

NO	Title	Category	Instructor	Organizer	Date	Participants
37	Comparison of the Three Corporate Governance Structures Available to Listed Companies	Independent Director Training BASIC (On-Demand Video Learning Course)	Yamato Nozawa, Partner and Attorney-at-Law, Nishimura & Asahi	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
38	Board Succession Planning	Independent Director Training BASIC (On-Demand Video Learning Course)	Yasuharu Inoue, Senior Principal, Career Products, Organization & Workforce Transformation, Mercer Japan Ltd.; Leader, Executive Compensation & Corporate Governance Practice	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
39	Overview of ESG Management	Independent Director Training BASIC (On-Demand Video Learning Course)	Keiichi Ushijima, Japan Climate Change and Sustainability Services (CCaSS) Leader, EY Japan; Principal, Ernst & Young ShinNihon LLC	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi
40	An Easy-to-Understand Explanation of Management Indicators and Cost of Capital	Independent Director Training BASIC (On-Demand Video Learning Course)	Kentaro Shimizu, Partner and Head of Assurance Learning & Education, PwC Aarata LLC	Japan Association of Directors	Available at any time (access period: 6 months)	Kawasaki, Mori, Yoshida, Higuchi, Iwasaki, Mikoshiba, Kikuchi

(3) Review of Internal Rules and Regulations from the Perspective of Strengthening Governance and Compliance Frameworks (Addressing Cause 5)

① Clarification of Organizational Roles, Responsibilities, and Accountability, and Reconstruction of Reporting Processes

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

On March 16, 2026, we established the position of Chief Accounting & Finance Officer, responsible for overseeing the Accounting Department, Finance & IR Department, Business Management Department, and AI & DX Promotion Department, and clarified the roles and responsibilities of this position. Effective July 1, 2026, we reviewed the organizational structure of the remaining head office administrative functions, as well as each business

group and unit organization. In particular, the head office organization was reorganized into business headquarters and business divisions in order to establish a structure under which the management functions of the corporate departments can be exercised more effectively. In addition, in order to clearly define the roles and responsibilities of each corporate department and business division under the new organizational structure, we established the Corporate Planning Department, Accounting Department, Finance & IR Department, AI & DX Promotion Department, Human Resources Department, General Affairs Department, Legal Department, Corporate Communications Department, Risk Management & Compliance Department, Affiliates Department, Logistics Reform Promotion Department, Procurement Department, and Carbon Neutral Promotion Department as organizations responsible for strengthening second-line functions. Through the clarification of the roles of these functions and the strengthening of interdepartmental coordination, we will establish a framework that promotes control, support, and monitoring functions. Specifically, the new structure will be reflected in August 2026 in the Rules on Allocation of Duties, Regulations on Delegation of Authority, and Rules on Approval and Reporting Authority.

Responsible Department: General Affairs Department

Implementation Schedule: Relevant regulations are scheduled to be developed and updated by approximately August 2026.

[Implementation and Operational Status]

On August 31, 2026, pursuant to a resolution of the Board of Directors, the Rules on Division of Duties, the Authority Rules, and the Rules on Approval Authority, Reporting and Decision-Making were revised. These revisions reflected, in the respective rules, the responsibilities of each department, authorities and approval/reporting relationships arising from the review of the organizational structure and the establishment of the Chief Accounting & Finance Officer.

In addition, in order to ensure consistency with the organizational structure and position hierarchy described above, the Organization Rules were also revised in addition to the revisions to the rules specified in the Improvement Plan, and the provisions relating to organizational units and positions were reviewed and revised to align with the new organizational structure.

Currently, operations are being conducted under the new organizational structure and authority framework in accordance with the revised rules.

Furthermore, as a result of the organizational changes implemented on September 22, 2026, the Corporate Planning Department and the AI & DX Promotion Department were positioned as head office departments, while the Accounting Department, Finance & IR Department, and Public Relations Department were reorganized into an Accounting and Finance Division independent from the head office departments. Accordingly, in order to ensure consistency with the organizational structure, departmental responsibilities, and authority relationships following these organizational changes, we plan to conduct a further review of the Rules on Division of Duties, the Authority Rules, the Rules on Approval Authority, Reporting and Decision-Making, and other related rules by December 2026.

②Redesign of Group-wide Rules and Regulations

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on

July 31]

In order to foster a corporate culture that values compliance, it is essential not only to comply with laws, regulations, and accounting standards, but also to establish, communicate, and embed internal rules throughout the organization. Accordingly, in conjunction with the recurrence prevention training programs conducted under Section 1(3), “Fostering Compliance Awareness Across the Group,” the General Affairs Department will lead a comprehensive review of our internal rules and regulations, in cooperation with the departments responsible for such rules, including the Accounting Department and the General Affairs Department, from the perspective of strengthening governance and compliance frameworks.

As part of this review, we will examine whether key processes, including accounting-related, budgeting-related, internal control-related, and risk management-related rules and regulations, are clearly defined, properly documented, effectively operated, and supported by a framework in which responsible individuals and departments are clearly identified and capable of providing appropriate oversight.

The establishment and revision of rules and regulations related to the recurrence prevention measures set forth in this Improvement Plan will be completed by September 2026, while the development and enhancement of other necessary rules and regulations will be completed during December 2026.

The operation of these newly established and revised rules and regulations will be reviewed through internal audits during FY2026, including audits of all subsidiaries. In addition, in order to ensure that the contents of the established and revised rules are properly communicated and consistently implemented, the relevant departments responsible for such rules, together with the Affiliates Department, will incorporate them into the training programs described above and provide education, particularly to managerial personnel, to ensure their effective implementation and integration into daily operations.

Through these efforts, we aim to foster compliance awareness and a strong sense of adherence to rules and ethical standards throughout the Group.

Responsible Department: General Affairs Department, Internal Audit Office Affiliates Department

Implementation Schedule: Board approval is scheduled to be obtained by approximately September 2026, and the development and enhancement of rules and regulations related to the recurrence prevention measures are expected to be completed by that time.

Board approval is scheduled to be obtained by approximately December 2026, and the review of rules and regulations necessary to maintain suitability as a listed company is expected to be completed by that time.

[Implementation and Operational Status]

The General Affairs Department, in cooperation with the departments responsible for the respective rules, has been conducting a comprehensive inventory review and revision of the Company's internal rules. In conducting this review, the Company has been confirming, for each rule, the clarity of the responsible department and responsible officer, the consistency of the related business processes and authorities and responsibilities, consistency among the various rules, and consistency with the actual operational practices.

With respect to the rules related to the recurrence prevention measures, improvements

have been given priority in accordance with the Improvement Plan. On August 31, 2026, pursuant to resolutions of the Board of Directors, the Company revised the rules described in 2(3)① “Clarification of Organizational Roles, Areas of Responsibility and Accountability, and Reconstruction of Reporting Processes,” as well as rules related to governance, compliance, accounting and finance, and other relevant matters.

In addition, following the approval and adoption of the relevant proposals at the Extraordinary General Meeting of Shareholders held on September 22, 2026, the Company transitioned to a Company with an Audit and Supervisory Committee on the same date. In connection with this transition, and from the perspective of strengthening the supervisory and oversight functions of the Board of Directors and clarifying the respective roles of execution and supervision, the Board of Directors and the Audit and Supervisory Committee, at their respective meetings held on the same date, resolved to establish and revise the relevant rules in order to align matters to be submitted to the Board of Directors, the scope of delegation of authority regarding business execution, and the authorities and operation of the Audit and Supervisory Committee with the new corporate governance structure.

In September 2026, the Company continued to establish and revise rules and regulations, with a particular focus on those relating to governance and internal control systems that are closely associated with the recurrence prevention measures. With respect to the rules related to the recurrence prevention measures, the Company has been proceeding with their development on a phased basis, including obtaining the Company's internal approvals in August and September 2026, and plans to submit the remaining target rules and regulations for approval of their establishment or revision at the meeting of the Board of Directors scheduled to be held on October 7, 2026.

In parallel, the Company has been conducting a cross-functional review of all existing rules and regulations applicable to the Company and its consolidated subsidiaries, not only those directly related to the recurrence prevention measures, but also from the perspective of establishing the internal control system and governance framework required of a listed company group. In conducting this review, the Company has been assessing the adequacy and consistency of the current rules and regulations, determining whether new rules and regulations are required, and organizing the scope of application and positioning of each rule and regulation within the Group, taking into consideration the measures set forth in the Improvement Plan, issues relating to material weaknesses in internal controls, and the level of governance expected of a listed company.

Among these rules and regulations, those related to the recurrence prevention measures and those that should be addressed as a priority from the perspective of internal controls and governance are being developed on a priority basis. By October 7, 2026, the Company and the relevant subsidiaries plan to adopt resolutions for the establishment or revision of the necessary rules and regulations.

Through this initiative, rules and regulations that apply only to the Company, rules and regulations established by the Company for the purpose of managing the Group as a whole, rules and regulations commonly observed by all Group companies including the Company, rules and regulations established by each subsidiary based on standards prescribed by the Company and tailored to its own circumstances, and rules and regulations individually established in accordance with the specific circumstances of each company are clearly distinguished, thereby advancing the development of a consistent and integrated regulatory framework across the Group.

Furthermore, during the process of reviewing rules and regulations, any rules, regulations, guidelines, and procedure manuals for which the need for new establishment or revision has been identified are also being added to the scope of development, taking into account the objectives of the Improvement Plan.

In addition, reviews are being conducted, in cooperation with the departments responsible for the respective rules and regulations and with each subsidiary, of rules and regulations necessary to maintain suitability as a listed company, including those relating to industry-specific laws and regulations, and the establishment and revision of such rules and regulations, including those applicable to subsidiaries, are scheduled to be completed by December 2026.

The rules and regulations established or revised will be communicated to the relevant officers and employees on an ongoing basis. In order to ensure that such rules and regulations are fully understood and appropriately implemented, the departments responsible for the respective rules and regulations and the relevant affiliated company departments will work together to provide training, primarily for managers and ultimately for all officers and employees throughout the Group.

Such training will cover the purpose of the establishment or revision of each rule and regulation, the principal changes introduced, the responsibilities and compliance requirements expected of each department and position, and other relevant matters, with the aim of promoting understanding of the contents of the rules and regulations and ensuring their incorporation into daily operations.

In addition, it is planned that the proper implementation and operation of the established or revised rules and regulations in actual business activities will be verified through internal audits, including audits of subsidiaries, during the same fiscal year.

Training on the rules and regulations is also scheduled to be conducted around November 2026.

a. Strengthening Internal Controls and Enhancing Rules and Regulations at Subsidiaries

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

With respect to inventory management, which was the source of many of the inappropriate accounting practices identified in this matter, we conducted explanatory sessions by the end of March 2026 and required each Group company to introduce inventory management procedures during the same month, treating the establishment of appropriate inventory management practices for the current fiscal year-end closing process as the highest priority.

In addition, by October 2026, the Accounting Department, in cooperation with the Affiliates Department, will develop not only Group-wide Inventory Management Regulations but also other accounting-related rules and regulations, as described in Section 3(3)①b, “Rebuilding Business Processes with Clearly Defined Segregation of Duties, Approval Processes, and Check-and-Balance Functions.”

Furthermore, to ensure the development of business workflows and the thorough implementation of operational improvements, the Affiliates Department will conduct on-site reviews at subsidiaries and, in coordination with the Internal Audit Office and other relevant functions, confirm whether the relevant rules and regulations have been appropriately incorporated into actual business operations and are being properly implemented, and will

take corrective and improvement measures as necessary.

In addition, business workflows will be established and operated in a manner that ensures the accuracy of operational processing and enables appropriate monitoring and check-and-balance functions to operate effectively. Specifically, as described in the following section, “b. Strengthening Governance at Subsidiaries and Enhancing the Deployment of Personnel with Sufficient Knowledge and Experience to Conduct Appropriate Accounting Operations as Subsidiaries of a Listed Company,” we will work with the Audit & Supervisory Board Members and officers responsible for accounting and finance assigned to each subsidiary to confirm by the end of November 2026 whether the necessary rules and regulations have been established and whether business workflows have been appropriately reviewed and improved.

These confirmations will focus on major accounting processes, including inventory management, revenue recognition, and cost accounting, and will assess the following:

- ① Status of development of rules, regulations, and manuals
- ② Whether any gaps exist between documented procedures and actual operations
- ③ Effectiveness of approval and verification processes

Based on the results of these reviews, and as described in Section 3(3)①, “Strengthening the Functions of Administrative Departments Centered on Accounting, Performance Management, and Subsidiary Management,” business workflows will be revised through measures including the clarification of roles and responsibilities, the establishment of multi-person review and approval processes, and the clarification of reporting and consultation routes to the head office accounting function for significant transactions and accounting matters, in order to ensure the accuracy of operational processing and the effective functioning of appropriate monitoring and check-and-balance functions.

These reviews, together with any necessary corrective and improvement measures, will be completed promptly and no later than the end of FY2026.

Responsible Departments: Overall, Rules and Regulations: General Affairs Department
Accounting-related Rules and Regulations: Accounting Department

Subsidiary-related Matters: Affiliates Department

Implementation Schedule: Board approval is scheduled to be obtained by approximately September 2026, and the development and enhancement of the relevant rules and regulations are expected to be completed by that time.

The Affiliates Department’s review of the status of rules and regulations,

conducted in cooperation with subsidiary Audit & Supervisory Board Members and officers responsible for accounting and finance, is scheduled to be completed by November 2026.

[Implementation and Operational Status]

The strengthening of internal controls at subsidiaries is being promoted through collaboration among Audit & Supervisory Board Members appointed to subsidiaries (who concurrently serve at the parent company and serve on a part-time basis), the Affiliates Department, and the Internal Audit Office.

As communicated in the briefing session for part-time Audit & Supervisory Board Members entitled “Briefing Session for Part-time Audit & Supervisory Board Members: Roles and Expected Conduct of Audit & Supervisory Board Members,” held on August 6, 2026, the Affiliates Department performs secretariat functions and, in light of the inappropriate accounting issues identified at subsidiaries, has prepared and provided a “Financial Closing

Process Inspection Checklist" to enable subsidiary Audit & Supervisory Board Members to verify whether management has appropriately established and operated financial closing processes.

In addition, through such initiatives as convening the "Part-time Audit & Supervisory Board Members Liaison Meeting" and providing guidelines for audits conducted by subsidiary Audit & Supervisory Board Members, support is being provided to ensure the effectiveness of audit activities.

Furthermore, at the Part-time Audit & Supervisory Board Members Liaison Meeting held on August 6, 2026, explanations were provided regarding the necessity of reviewing financial closing processes as part of efforts to prevent the recurrence of inappropriate accounting practices, as well as an overview of audits conducted by Audit & Supervisory Board Members. In addition, subsidiary Audit & Supervisory Board Members were requested to conduct on-site inspections using the "Financial Closing Process Inspection Checklist" in order to prevent similar deficiencies from occurring at Group companies.

On-site inspections conducted by part-time Audit & Supervisory Board Members commenced in August 2026 and are being carried out with a target completion date of the end of October 2026. During these on-site inspections, part-time Audit & Supervisory Board Members visit subsidiaries to verify the status of the establishment and operation of financial closing processes. Where any deficiencies or matters requiring improvement are identified, improvements are requested and the status of subsequent corrective actions is monitored. In cases where corrective actions or improvements cannot be confirmed, a framework has been established under which such matters are reported not only to the board of directors of the relevant company but also to the secretariat, with the Affiliates Department providing support as necessary.

The "Financial Closing Process Inspection Checklist" includes the following items:

- Inventory (confirmation of the implementation of physical inventory counts and the status of analysis and processing of inventory discrepancies)
- Revenue Recognition (confirmation of whether there have been any fictitious sales transactions, premature recognition of revenue due to incomplete acceptance inspections or split acceptance inspections, or delayed recognition of revenue for projects already completed)
- Cost Accounting (revenue recognition criteria for construction projects)
- Fixed Assets (confirmation of physical inspections, impairment assessments, and whether there have been any omissions in the recognition of asset retirement obligations)
- Financial Analysis

In addition, it is confirmed for each item whether procedures have been clearly established with respect to:

- ① whether the persons responsible for processing and those responsible for review and approval are clearly segregated;
- ② whether the processing procedures have been established as part of the financial closing process; and
- ③ whether the response procedures and reporting lines in the event that any irregularity or issue is identified have been clearly defined.

Through these initiatives, efforts are being made to strengthen appropriate monitoring and

oversight functions with respect to key accounting processes by clarifying the segregation of duties, enhancing verification and approval processes involving multiple individuals, and addressing transactions and accounting matters of significant importance. The above verification and corrective and improvement measures are expected to be completed promptly, and no later than the end of fiscal 2026.

In addition, for the purpose of ensuring the preparation of appropriate consolidated financial statements and fulfilling accountability through appropriate disclosure across the Group, the Basic Guidelines for Group Inventory Management, which prescribe the framework for conducting physical inventory counts, the timing of such counts, and other related matters, were established and put into effect on August 31, 2026.

The Affiliated Company Regulations and Affiliated Company Rules, which prescribe reporting standards to the head office, were also revised on the same date.

The development and revision of other rules and regulations will be carried out in light of corrective and improvement measures and are scheduled to be completed within fiscal 2026.

b. Strengthening Governance at Subsidiaries and Enhancing the Deployment of Personnel with Sufficient Knowledge and Experience to Conduct Appropriate Accounting Operations as Subsidiaries of a Listed Company

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

At our subsidiaries, we will establish a management structure capable of understanding and overseeing accounting, financial reporting, internal controls, and risks. From the perspective of strengthening monitoring and checking functions, we will appoint individuals with sufficient accounting expertise as Audit & Supervisory Board Members and officers responsible for accounting and finance, thereby establishing a framework under which financial results and the effectiveness of internal controls can be appropriately reviewed and challenged from a position independent of business execution. We plan to complete, by April 2026, an assessment of whether candidates for subsidiary officer positions are suitable to assume responsibility for accounting functions, and to complete the necessary appointments by August 2026.

In addition to periodic reporting from subsidiaries, including quarterly Group Audit & Supervisory Board meetings, we will identify issues through on-site visits, an understanding of business operations, numerical analyses, and year-on-year variance analyses, and will conduct timely reviews and corrective actions at subsidiaries as necessary.

Thereafter, based on the circumstances of each company, we will, by approximately November 2026, review and enhance the management framework through the reassignment and expansion of personnel, replacement of responsible officers, and utilization of outsourcing arrangements where appropriate. In addition, we will establish management functions within business divisions that are independent from business execution in order to ensure appropriate operational management.

Responsible Department: Affiliates Department

Implementation Schedule: The personnel reinforcement framework is scheduled to be established by approximately November 2026.

[Implementation and Operational Status]

From the perspective of strengthening governance at subsidiaries and establishing a framework under which appropriate review and oversight can be exercised from a position independent of business execution, individuals with sufficient accounting expertise were appointed as Audit & Supervisory Board Members in August 2026.

As described in a. Strengthening Internal Controls and Establishing Rules and Regulations within Subsidiaries, the Audit & Supervisory Board Members visit subsidiaries, conduct reviews of subsidiaries where issues have been identified, and implement corrective measures in a timely manner.

With respect to the placement and reinforcement of personnel with sufficient knowledge and experience to perform appropriate accounting operations at subsidiaries of a listed company, a survey of staffing adequacy was conducted at each company through a questionnaire regarding its accounting organization and staffing structure. Based on the circumstances of each company, we will continue to enhance management structures through the review of appropriate personnel assignments, increases in staffing levels, and the utilization of outsourced services, as appropriate. As of the end of September 2026, issues requiring personnel reinforcement through recruitment and the utilization of outsourced services had been identified. Accordingly, we plan to develop a personnel reinforcement framework by November 2026 and proceed with the necessary measures in preparation for next year's financial closing. The establishment of management functions within business divisions to ensure appropriate business execution from an independent standpoint is currently under consideration.

With respect to the development of management functions to ensure appropriate business execution, support will continue to be provided by the Affiliates Department, as described in a. Strengthening Internal Controls and Establishing Rules and Regulations within Subsidiaries.

③Education and Training on Business Processes and Accounting Practices, and Enhancement of Accounting Literacy

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

To prevent the recurrence of inappropriate accounting practices, we will implement systematic education and training programs covering both business processes and accounting practices.

With respect to the inappropriate accounting cases identified in this matter, we had already conducted an explanatory session on March 6, 2026, for managerial employees across the entire Group (approximately 440 participants). During this session, the names of the Group companies where inappropriate accounting practices had been identified were disclosed, and all Group companies were instructed to take responsibility for implementing appropriate corrective measures. In addition, recordings of the explanatory session were distributed to managerial employees, and they were requested to ensure understanding and dissemination of the content within their organizations, thereby promoting recurrence prevention education related to inappropriate accounting practices. Furthermore, for general employees, we will provide awareness training and education through e-learning during the first half of FY2026 regarding matters that must not give rise to a recurrence of inappropriate accounting practices. In addition, during FY2026, we will also conduct e-learning programs covering

corporate ethics and accounting literacy more broadly, as described above. To establish a framework that enables each Group company to conduct appropriate self-inspections, we developed a Self-Inspection Checklist on March 27, 2026, and distributed it throughout the Group.

This checklist was prepared with confirmation by an external accounting advisory organization and comprehensively covers the accounting misconduct issues identified in this matter, including document falsification, numerical manipulation, and inventory valuation. Going forward, we will continue to review and update the contents of the checklist in accordance with the status of development of internal controls. Through self-inspections based on the checklist, variance analyses of sales and other key indicators, and the visualization of transaction flows, we will establish a framework that enables each Group company to appropriately perform closing procedures and independently detect inappropriate accounting practices and irregularities in a timely manner, even after the completion of self-inspections.

In addition, quarterly financial closing briefings will be conducted to provide appropriate guidance regarding key points of attention and important review items in the closing process. Through these initiatives, we will continue to support the proper execution of operations across all Group companies.

Responsible Departments: Accounting Department (training administration: Human Resources Department)

Implementation Schedule:

Explanatory Sessions on the Accounting Misconduct Matter: Completed in March 2026

Deployment of the Self-Inspection Checklist: Completed in March 2026

E-Learning Program for General Employees: Scheduled for September 2026

[Implementation and Operational Status]

a. E-Learning for General Employees

E-learning programs for general employees have been conducted since September 2026 to provide awareness and training regarding matters relating to the prevention of the recurrence of inappropriate accounting practices.

b. Education on Corporate Ethics and Accounting Literacy

The implementation and operational status of this initiative are as described in “III.1.(3) Fostering Compliance Awareness Throughout the Group.”

c. Appropriate Execution of Financial Closing Procedures Through Self-Assessment Checklists

Self-assessments have been conducted for the first-quarter and second-quarter financial closings in accordance with the Improvement Plan announced in July 2026.

d. Appropriate Training Through Quarterly Briefing Sessions

The implementation and operational status of this initiative are as described in “III.3.(3)b Reconstruction of Business Processes with Clearly Defined Segregation of Duties, Approval Procedures, and Oversight Functions” and “III.3.(3)②b Continuous Education and Training to Enhance Accounting Knowledge.”

(4) Organizational Change from the Compliance Office to the Risk Management & Compliance Department (Addressing Cause 11)

① Reaffirming the Importance of Compliance and Risk Management

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Effective July 1, 2026, we will reorganize the existing Compliance Office into the Risk Management & Compliance Department. This organizational change is intended to clarify the role of risk assessment within the Group and establish a framework that promotes control, support, and monitoring functions. In addition, at the regular meeting of the Board of Directors held in April 2026, the Board reaffirmed and shared its recognition of the importance of compliance and governance, including the effectiveness of internal controls, with respect to the management and operations of the entire Group, including its subsidiaries. Furthermore, in order to enhance Directors' awareness and deepen their knowledge of these matters, and as described in Section 2(1)⑥a, "Strengthening Responses to Compliance and Risk Management, Including the Effectiveness of Internal Controls – Reaffirming the Importance of Compliance and Risk Management," Director training programs will be conducted on a quarterly basis on an ongoing basis beginning in July 2026.

Responsible Department: Risk Management & Compliance Department

Implementation schedule: Scheduled to be implemented by July 2026.

[Implementation and Operational Status]

The establishment of the Risk Management Committee as an advisory body to the Board of Directors was approved at the Board of Directors meeting held in July 2026. A company-wide risk management framework centered on the Committee was subsequently established, and the first meeting of the Risk Management Committee was held on August 12, 2026. At that meeting, the Committee determined the policy for risk management activities for the current fiscal year and deliberated on candidate risks requiring priority monitoring and response.

The Risk Management & Compliance Department, acting as the secretariat of the Committee, is responsible for collecting, organizing, and analyzing risk information, operating the Committee, and monitoring the status of response measures.

In addition, acting as the secretariat of the Compliance Committee, the Risk Management & Compliance Department consolidates and analyzes compliance cases identified through reporting lines and whistleblowing reports and reports such matters to the Compliance Committee and the responsible executive officer according to their significance. On August 28, 2026, the Compliance Committee received a report on compliance cases and the status of response measures for the first quarter of fiscal 2026.

Director training relating to compliance and risk management is described in 2(1)⑥ "Executive Responsibility Training."

② Rebuilding Internal Controls from a Group-wide Perspective

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As described in Section 2(1) ⑥b, "Strengthening Responses to Compliance and Risk

Management, Including the Effectiveness of Internal Controls – Rebuilding Internal Controls from a Group-wide Perspective,” information relating to compliance and governance across the entire Group will be provided to our Board of Directors on a monthly basis, and the Board will conduct monitoring and other oversight activities based on such information.

Specifically, we plan to revise the agenda of the Board of Directors of our Company and all Group companies to ensure that reports on risk management and compliance are included as standing agenda items. Furthermore, the Risk Management & Compliance Department and the Affiliates Department will manage the information reported through these processes, and the Board of Directors of the Company will receive reports, as appropriate, from the Executive Officer responsible for Risk and Compliance. In addition, the Board of Directors will, as appropriate, consult the Risk Management Committee on matters related to risk management and compliance and will monitor these matters by discussing the Committee's recommendations. As the Risk Management Committee was established in July 2026, the revised operational procedures will be applied beginning in August 2026.

Responsible Departments: Risk Management & Compliance Department; Affiliates Department

Implementation Schedule: Board approval is scheduled to be obtained by approximately August 2026, and the development and enhancement of the Affiliated Companies Management Regulations are expected to be completed by that time.

[Implementation and Operational Status]

The Affiliates Department and the Risk Management & Compliance Department have communicated internally that "Compliance Reports" and "Risk Management Reports" are to be included as standing agenda items for reporting at each meeting of the boards of directors of Air Water Group consolidated subsidiaries, and that the details of such matters, where applicable, are to be recorded in the minutes of the meetings.

In addition, on September 2, 2026, internal notice was provided to each company requesting the continuous submission of board minutes and related materials for meetings of the board of directors held since July 2026 in order to continuously monitor the implementation status of such reporting items and the operation of governance systems at each company. The Affiliates Department has commenced monitoring the matters recorded in the board minutes collected for July 2026.

In addition, the status of each subsidiary is being confirmed through the part-time Audit & Supervisory Board Members of the subsidiaries. Beginning in August 2026, the Part-time Audit & Supervisory Board Members Liaison Meeting has been held on a quarterly basis to collect and consolidate information, and coordination with the Company's Audit and Supervisory Committee is planned.

Furthermore, the Risk Management & Compliance Department has been consolidating risk management and compliance-related matters identified through the monthly business reports submitted by each department and major Group company, and has been reviewing the contents of such matters and the status of response measures since the July 2026 reporting cycle.

(5) Clarification of Responsibilities

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on

July 31]

As described in the “Notice Regarding Disciplinary Actions Against Responsible Parties” dated April 3, 2026, we have taken this matter with the utmost seriousness and, based on the facts identified in the Special Investigating Committee’s report as well as the deliberations and recommendations of external experts, clarified the responsibilities of Directors and Audit & Supervisory Board Members and imposed disciplinary measures on the relevant parties as follows. In addition, disciplinary actions were also taken against officers and employees other than Directors and Audit & Supervisory Board Members (including those of affiliated companies), in accordance with their respective positions and responsibilities.

Representative Director and President	Voluntary forfeiture of 100% of monthly remuneration for three months
Directors	
Full-time Audit & Supervisory Board Member	Voluntary forfeiture of 50% of monthly remuneration for three months
Outside Directors	
Outside Audit & Supervisory Board Members	Voluntary forfeiture of 20% of monthly remuneration for three months

* In addition, the former Chairman and Representative Director, the former Executive Vice President and Director, and one former Corporate Officer had already resigned.

Furthermore, as described in the “Notice Regarding the Establishment of the Responsibility Investigation Committee” dated June 22, 2026, the Board of Directors and the Board of Audit & Supervisory Board Members resolved on June 19, 2026, to establish the Responsibility Investigation Committee. With respect to the inappropriate accounting practices within the Group, the Responsibility Investigation Committee, consisting of external experts who have no conflict of interest with the persons subject to investigation, is conducting an investigation and review of whether the current and former Directors and Audit & Supervisory Board Members of the Company bear any legal responsibility, including whether they breached their duty of care in the execution of their duties.

Based on the results of this review, we plan to clarify where responsibility lies and pursue accountability as appropriate.

The Responsibility Investigation Committee consists of the following members:

Chairperson

Yasuyuki Nakai, Attorney-at-Law (Dojima Law Office)

Member

Toru Muranaka, Attorney-at-Law (Daiichi Law Office)

Member

Masahiro Maeda, Attorney-at-Law (Visiting Attorney, Daiichi Law Office;
Professor, Otemon Gakuin University; Professor Emeritus, Kyoto University)

Scope of Persons Subject to Investigation

Persons who served as Directors or Audit & Supervisory Board Members during the period from FY2020 through the second quarter of FY2025.

[Implementation and Operational Status]

(Status Prior to the Change in Corporate Governance Structure)

The investigation has been conducted as described in the Improvement Plan and Status Report announced on July 31, 2026.

(Status Following the Change in Corporate Governance Structure)

The investigation is currently ongoing and is expected to be completed in December 2026.

3. Rebuilding Management Foundations and Internal Controls (Addressing Causes 4, 5, 6, and 7)

(1) Strengthening Internal Controls at Subsidiaries

① Enhancement of Rules and Regulations

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

With respect to inventory management, which gave rise to many of the inappropriate accounting practices identified in this matter, explanatory sessions will be conducted by the end of March 2026, and all Group companies will be required to introduce inventory count procedures. Establishing an appropriate inventory management framework for the current fiscal year-end closing process will be treated as a top priority.

Furthermore, as described in Sections 2(3)② above, by approximately September 2026, we will develop not only Group-wide Inventory Management Regulations but also other accounting-related rules and regulations.

Responsible Department: General Affairs Department (Overall Rules and Regulations), Accounting Department (Accounting-related Matters), and Affiliates Department (Affiliated Company-related Matters)

Implementation Schedule: The necessary arrangements are scheduled to be completed by approximately September 2026.

[Implementation and Operational Status]

With respect to inventory management and other accounting-related rules and regulations, reviews were conducted in accordance with the Improvement Plan, and, pursuant to a resolution of the Board of Directors on August 31, 2026, the necessary establishment and revisions were made to the Accounting and Finance Regulations, Accounting and Finance Rules, Accounts Receivable Balance Confirmation Guidelines, Physical Inventory Count Implementation Guidelines, Fixed Asset Management Guidelines, Cost Accounting Guidelines, Construction Cost Accounting Guidelines, Consolidated Financial Statements Preparation Guidelines, Sales Administration Rules, Basic Guidelines for Group Inventory Management, and Accounting Treatment Reporting Line Operating Guidelines.

Among these, with respect to inventory management, the Basic Guidelines for Group Inventory Management were newly established as a Group Common Rule in order to ensure a consistent management standard throughout the Group. In addition, each company was required to establish its own Physical Inventory Count Implementation Guidelines in accordance with its business activities, organizational structure, and inventory management practices. The establishment and revision of the relevant rules at the Company were completed on August 31, 2026. For subsidiaries, the necessary resolutions regarding the application of the Basic Guidelines for Group Inventory Management and the establishment or revision of Physical Inventory Count Implementation Guidelines tailored to the circumstances of each company are scheduled to be adopted by October 7, 2026.

In addition, with respect to accounting-related rules and regulations other than those relating to inventory management, as described in 2(3)② “Redesign of Group-Wide Rules and Regulations,” the scope of application and positioning of each rule and regulation are being reviewed for the Company and its consolidated subsidiaries from the perspective of ensuring the internal control framework and governance standard required of a listed company group. As part of the review of the Group-wide rules and regulations framework, the necessary establishment and revision of rules and regulations at each subsidiary are being advanced.

②Establishment and Improvement of Business Workflows and Thorough Enhancement of Operational Practices

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As described in 2(3)②a “Strengthening Internal Controls and Establishing Rules and Regulations within Subsidiaries,” the status of the implementation and embedding of recurrence prevention frameworks at each subsidiary will be assessed through reviews conducted by personnel with accounting expertise who have been appointed as Audit & Supervisory Board Members, officers responsible for accounting and finance, or in other relevant positions at all subsidiaries. Based on the results of such assessments, measures will be implemented, as necessary, to further embed the recurrence prevention measures, including additional reviews by the Affiliates Department where appropriate.

To facilitate these reviews, the Affiliates Department will establish a secretariat function to support part-time Audit & Supervisory Board Members and develop a framework for collaboration with Audit & Supervisory Board Members at each subsidiary. In addition, training relating to recurrence prevention measures for inappropriate accounting practices will be provided primarily to Audit & Supervisory Board Members and officers responsible for accounting and finance. This training will promote understanding of the objectives of the recurrence prevention measures, key control areas such as revenue recognition and inventory management, and the methods and perspectives required for conducting self-inspections.

Following these preparations, reviews will be conducted on a phased basis from July 2026, with the majority scheduled to take place between August and November 2026. These reviews will focus on verifying whether the recurrence prevention measures relating to inappropriate accounting practices have been appropriately incorporated into each company’s internal control framework and are being operated on an ongoing basis.

In principle, all subsidiaries will be subject to these reviews. With respect to second-tier subsidiaries, we will assess the effectiveness of the management and supervisory framework implemented by their parent subsidiaries in order to evaluate the extent to which the recurrence prevention measures have been deployed and embedded throughout the Group.

In addition, in cooperation with the Internal Audit Office and other relevant functions, we will assess whether the relevant rules and regulations have been appropriately incorporated into actual business operations and are being properly implemented, and will take corrective and improvement measures as necessary.

Responsible Department: Affiliates Department

Implementation Schedule: The framework was to be established around August 2026.

Approval by the Board of Directors was to be obtained and the relevant rules and regulations were to be developed by around September 2026.

The Affiliates Department's confirmation of the status of the development of rules and regulations, conducted in cooperation with subsidiaries Audit & Supervisory Board Members and officers responsible for accounting and finance, is scheduled to be completed by November 2026.

[Implementation and Operational Status]

The implementation and operational status of this initiative are as described in 2(3)②a "Strengthening Internal Controls and Establishing Rules and Regulations within Subsidiaries" and 3.(1)① "Development of Rules and Regulations."

③Improvement of Business Workflows and Inadequate Management Practices that Gave Rise to Inappropriate Accounting Practices

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

In addition to the establishment of business workflows and the thorough enhancement of operational practices described in Section ② above, we will improve the business workflows, inadequate management structures, and operational procedures that gave rise to the inappropriate accounting practices identified at our Company and certain Group companies, as outlined below.

Improvements to business workflows will be prioritized, with particular focus on strengthening areas that constitute material weaknesses required to be disclosed under the standards for internal control over financial reporting pursuant to the Financial Instruments and Exchange Act, with such measures scheduled to be implemented by around September 2026.

Responsible Departments: Accounting Department, Affiliates Department

Implementation Schedule: Business workflows are scheduled to be reviewed and revised by December 2026.

a. Improvement of Business Workflows Related to Inventory Management

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Companies
• Inappropriate Segregation of Duties in Inventory Management Operations (Over-Reliance on Specific Individuals) • Failure to Conduct Physical Inventory Counts • Inappropriate Loss Processing Procedures for Helium Raw Materials • Inappropriate Adjustment of Inventory Differences or Failure to Address Such Differences • Failure to Correct Excessive Standard Costs for Finished Goods and Work in Process • Inappropriate Changes to Inventory Recording Units • Off-Book Storage of Unused Inventory • Overstatement of Inventory Due to Discrepancies Between Book Inventory and Physical Inventory • Exclusion of Inventory Associated with Fictitious Sales from Inventory Detail Data as of March 31 in Order to Conceal Inventory Withdrawals Related to Revenue Recognition • Financial Closing Treatment Using Inventory Unit Costs Higher Than Selling Prices	• Establishment of Accurate Recording and Calculation Methods for Inventory Quantities, Withdrawals, and Period-End Unit Costs (Including Standard Cost Settings) Appropriate to Each Company, and Development of Business Workflows and Monitoring Frameworks to Support Them • Establishment and Continuous Operation of Regular Physical Inventory Count Procedures • Securing Appropriate Check-and-Balance Functions Through the Review of the Segregation of Duties in Inventory Management Operations • Incorporating Verification of Consistency between Inventory Management System Balances and Accounting System Balances into Financial Closing Check Procedures	Nippon Helium Ecoroca AW Safety Service Printec AW Agri & Foods Hokkaido AW Agri AW Link

Purchases recorded for direct shipment transactions from suppliers to customers (hospitals) that deviated from the purchase recognition criteria (acceptance inspection basis) prescribed in the accounting regulations	Verification of whether purchase transactions (accounts payable) should be recognized for direct shipment transactions based on purchase order data and delivery records	AW Link
Overstatement of Inventory through Inflation of Inventory Quantities in Inventory Reports at the Direction of the Production Control Manager	Reconstruction of Inventory Verification Procedures and Incorporation into Operational Workflows	Plecia
Occurrence and Carryforward of Unexplained Inventory Differences Due to Processing Errors Caused by Insufficient Familiarity with the New Sales Management System	Development of Operating Procedures and Training for the New Sales Management System	AW Agri & Foods
Failure to Record Costs Due to Omission of Inventory Withdrawal Processing for Auxiliary Materials	Registration of Auxiliary Materials in Cost Components (Completed)	AW Realize
- Exclusion of Unusable Inventory from Disposal Processing - Exclusion of Unusable Inventory from Disposal Processing	Establishment of Business Workflows for Inventory Disposal Processing	Plant Gas Department AW Safety Service
Failure to Assess the Need for Inventory Write-Downs	Establishment and Operation of Inventory Valuation Rules	AW East

b. Improvement of Business Workflows Related to Revenue Management

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
- Revision of Sales Prices within the Consolidated Group Without Economic Rationale - Revenue Recognition for Transactions Involving Intermediary Trading Without Economic Substance, Pass-Through Transactions, and Gross Revenue Recognition for Agency	Establishment of Assessment Criteria for Intermediary Trading, Pass-Through Transactions, Agency Transactions, and Similar Arrangements, Together with Procedures for Verifying Economic Substance and Related Business Workflows	Plant Gas Department Nippon Helium Ecoroca AWMX

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
Transactions • Double Recognition of Revenue through Dual Transaction Flows Involving Third-Party Intermediaries • Avoidance of Consolidation Eliminations through Manipulation of Transaction Flows and Overstatement of Revenue and Profits • Double Recognition of Revenue and Understatement of Inventory Arising from Chargeable Supply Transactions and Buyback Transactions Involving Trading Companies		AW East AW West Tateho Chemical Industries AW Agri & Foods Shin-Nikka AW Consolidated Accounting Office AW Electronics AW Industrial & Medical Gas

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
• Premature Recognition of Construction Revenue That Did Not Accurately Reflect the Actual Percentage of Completion • Revenue Recognition Not Based on the Contractual Terms of Export Transactions • Recording of Acceptance and Premature Revenue Recognition Prior to Completion of Acceptance Procedures • Recognition of Deposits as Revenue and Recording of Fictitious Construction Costs Associated with Refunds • Billing and Revenue Recognition of Employee Secondment-Related Expenses • Inappropriate Acceleration or Deferral of Revenue Recognition	• Establishment of Procedures to Verify the Percentage of Completion, Completion of Acceptance Procedures, Fulfillment of Transaction Conditions, and the Appropriate Accounting Period for Revenue Recognition, and Integration of Such Procedures into Business Workflows • Verification by the Second-Line Function (Management Department), Independent from the First-Line Function (Sales Department), of Supporting Documentation Confirming Customer Acceptance and Other Conditions at the Time of Revenue Recognition • Obtaining Completion Reports from Customers by the Management Department for Transactions Accounted for under the Completed-Contract Method	Ecoroca AWMX AW Safety Service NIHON KAISUI The Company AW West NIHON KAISUI

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
• Premature Revenue Recognition Prior to Formal Order Acceptance and Shipment • Fictitious Revenue Recognition through the Use of Inventory Data for Disposed Inventory and the Disguising of Internal Transfers as External Sales	• Establishment of Procedures to Verify Shipment and Integration of Such Procedures into Business Workflows	Energy Unit AW Agri & Foods
• Improper Revenue Recognition through the Creation of Internal Processing Invoices and Manipulation of Invoice Unit Prices	• Review of Sales Price Setting Procedures (Including Reconciliation with Customer Agreement Documentation)	AW Realize
• Premature Recognition of Costs, Revenue, and Profit, and Improper Revenue Attribution to Accounting Periods, Resulting from the Use of the Percentage-of-Completion Method Based on Budgets Lacking Economic Substance Before Consideration Was Finalized and Procurement of Materials Before Specifications Were Finalized • Improper Attribution of Construction Revenue to Accounting Periods Due to Incorrect Assessment of the Applicability of the Percentage-of-Completion Method	• Establishment and Review of Rules for Determining the Applicability of the Percentage-of-Completion Method and Satisfaction of Performance Obligations, and Reconstruction of Business Workflows to Ensure Compliance with Such Rules • Establishment of a department responsible for reviewing the appropriateness of construction costs, and collection by that department of order acknowledgements from subcontractors.	AW Safety Service AW East
• Purchase of Materials from the Same Counterparty and Resale with an Added Handling Fee • Double Recognition of Revenue in Consignment Transactions	• Establishment of Verification Procedures for Both Purchase and Sales Transactions with the Same Counterparty	Ecoroca

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
Improper Reallocation of Accounts Receivable to Conceal Previously Recorded Fictitious or Inflated Revenue	Establishment of Verification Procedures for Transactions Increasing Accounts Receivable Other Than Revenue Recognition	AW Safety Service
Profit Manipulation through Improper Reversal of Estimated Rebate Accruals and Failure to Record Required Rebate Accruals	Enhancement of Rebate Calculation Methodologies	Plecia
Premature or Fictitious Revenue Recognition in Transactions Involving Repurchase Arrangements and Consigned Inventory	Establishment of Procedures to Verify Transfer of Control, Storage Location, Change of Title, Repurchase Obligations, and Rights of Return in the Following Period for Repurchase Arrangements, Consigned Inventory Transactions, and Quarter-End or Year-End Push Sales	Ecoroca NIHON KAISUI
Inventory for which revenue has not yet been recognized, arising temporarily due to timing differences between inventory issuance processing and sales processing in the sales management system	Periodic generation of a list of unrecognized sales and reconciliation of such list with delivery records	AW Link

c Improvement of Business Workflows Related to Cost Management

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Companies
• Recording Expenditures That Should Have Been Expensed as Construction Work in Progress • Recording of Fictitious Construction Costs in Connection with Refunds of Deposits Received • Reallocation of Costs and Manipulation of Labor Hours Resulting in the Avoidance of Recognition of Provision for Construction Losses • Deferral of Recognition of Inventory Differences and Manufacturing Losses using Temporary Product Codes for Anticipated Production Items • Premature Recognition of Costs, Revenue, and Profit, and Improper Revenue Attribution to Accounting Periods, Resulting from the Use of the Percentage-of-Completion Method Based on Budgets Lacking Economic Substance Before Consideration Was Finalized and Procurement of Materials Before Specifications Were Finalized	• Clarification of the Scope of Costs to Be Accumulated for Construction and Other Projects, Establishment of Project Number (PJ Code) Assignment Procedures, Budget Preparation and Management Procedures, and Rules and Business Workflows for Procurement, Acceptance Procedures, and Recording of Costs by Project • Review and Reassessment of the Calculation Method for Provisions for Construction Losses • Establishment of Rules for Managing Labor Hours Related to Construction Projects and Allocating Them to Projects, Together with Business Workflows for Verifying Labor Hours and System Controls over Labor Hour Reallocations • Establishment of a department responsible for verifying the appropriateness of construction costs, and collection by that department of order acknowledgements from subcontractors.	Ecoroca AWMX AW Safety Service
• Manipulation of Inventory Valuation and Inventory Withdrawal Unit Costs of Imported Products for the Purpose of Avoiding Foreign Exchange Impacts	• Establishment of Calculation Methodologies and Business Workflows for the Adopted Inventory Withdrawal Unit Cost Method	AWMX

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Companies
Deferral of Recognition of Costs Charged to the Company in Excess of Approved Budget Limits	Implementation of Procedures to Verify Whether Costs Included in Construction Work in Progress Balances at Quarter-End Should Be Expensed	AWMX
Profit Manipulation through Adjustments to Purchase Prices	Establishment of Procedures to Verify the Contractual Basis and Economic Rationale for Purchase Price Revisions, Discounts, and Settlements	NIHON KAISUI Tateho Chemical Industries
Failure to Transfer the Cost of Sold Molds to Cost of Sales	Establishment of Business Workflows for the Transfer of the Cost of Sold Inventory to Cost of Sales and for Determining the Appropriate Asset Classification of Molds	AW Mach

d. Improvement of Business Workflows Related to Fixed Asset Management

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
• Failure to record or deferral of loss on disposal of fixed assets, including failure to record asset retirements in connection with factory building demolitions and renovation projects • Failure to dispose of assets under the responsibility of certain departments in connection with the sale of assets managed by multiple departments • Deferral of the recognition of loss on disposal of fixed assets and removal costs relating to Company-owned equipment installed at customer sites • Generation of off-book fixed assets due to incorrect approval requests based on insufficient recognition of fixed assets within business divisions • Failure to dispose of fixed assets upon warehouse relocation • Understatement of depreciation expense due to incorrect asset classification and useful life settings	• Establishment of Business Workflows for the Identification of Impairment Indicators, Recognition, Measurement and Allocation of Impairment Losses, Recording in the Fixed Asset Ledger and Accounting Records, and Related Verification Procedures • Establishment of Business Workflows for Assessing the Potential to Generate Future Economic Benefits When Considering the Capitalization of Research and Development Costs and Software, and for Determining and Recording Periodic Impairment Losses after Capitalization	Nippon Helium Plant Gas Department AW Safety Service Industrial Gas-Related Business Division Niigata Ekisan Corporate Communications Office Consolidated Accounting Office AW Safety Service AW Mach AW Performance Chemical

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
• Deferral of impairment losses on Company-owned equipment installed at customer sites, avoidance of impairment loss recognition through inappropriate estimates of recoverable amounts, and failure to recognize impairment losses on idle assets • Insufficient assessment of future economic benefits when determining capitalization of research and development costs and inadequate consideration of impairment after capitalization	• Development of workflows covering the identification of impairment indicators, recognition, measurement and allocation of impairment losses, recording in the fixed asset register, accounting treatment, and related verification procedures • Development of workflows relating to the assessment of future economic benefits when determining capitalization of research and development costs and software, as well as periodic impairment assessments and recognition after capitalization	Plant Gas Department AW Safety Service Industrial Equipment Department Consolidated Accounting Office Planning & Administration Department, Industrial Company, Human Resources Department Consolidated Accounting Office Health & Safety Group Wellness Development Center Technology Development Promotion Department AW West

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
Recording Design Costs and Other Expenditures Related to Projects Not Yet Commercialized as Construction in Progress	Establishment of Procedures to Verify Investment Approval Status When Recording Construction in Progress, Together with Criteria and Business Workflows for Determining Whether Expenditures Should Be Capitalized as Fixed Assets	Tateho Chemical Industries

e Improvement of Business Workflows Related to Accounting and Financial Closing Procedures

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
An organization will be established to support and provide oversight of the accounting and financial closing processes of subsidiaries. During the fiscal year and in connection with quarterly and annual financial closings, the organization will use checklists and other tools to verify the substance of transactions and make accounting treatment determinations, including those described below.		
- Failure to Record Write-Downs for Slow-Moving Inventory and Similar Inventory - Recognition and Reversal of Estimated Costs Based on the Level of Achievement of Business Performance Targets - Deferral of Profit through Inappropriate Recognition or Reversal of Inventory Write-Downs - Partial Deferral of Losses on Obsolete Inventory Without Reasonable Basis - Overstatement of Profit through Reversal of Inventory Valuation Losses Without Reasonable Basis - Overstatement of Inventory and Profit through Recording of Fictitious Inventory - Overstatement of Inventory and Accounts Receivable through	- Completeness and Appropriateness of Period-End Adjusting Entries Relating to Inventory - Appropriateness of Inventory Write-Downs (Including Reversals) for Slow-Moving Inventory - Verification of Consistency Between Obsolete Inventory Balances and Loss Amounts Recognized - Physical Inventory Counts and Inventory Count Results (Including Differences) - Appropriateness of Period-End Accounting Treatment for Cost Variances	Ecoroca AW Safety Service AW East Tateho Chemical Industries Printec Plecia

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
Unsupported Reclassification Entries Journal Entries Allocating Cost Variances Arising from Standard Cost Accounting to Inventory at the Direction of Accounting Personnel		
- Failure to Recognize Losses on Advances Paid for Abandoned Transactions - Failure to Establish a Business Process for Second-Line Verification of the Economic Substance of Transactions and the Appropriateness of Period Attribution Related to Early Revenue Recognition - Revenue Recognition Without Underlying Business Substance	Economic Substance of Revenue Transactions and Appropriateness of Attribution to Accounting Periods	Ecoroca AWMX AW West
Profit Adjustment through Inappropriate Reversal of Estimated Rebate Accruals and Failure to Record Required Estimated Rebate Accruals	Consistency Between Rebate Calculation Results and Amounts Recorded as Rebates	Plecia
- Failure to Detect Off-Book Assets Due to Insufficient Monitoring of Material Purchases Not Processed through the Management Control Department and Fixed Asset Inspections That Did Not Consider Off-Book Assets - Deferral of Loss Recognition Related to Disasters and Accidents - Deviation from Group Policies Relating to Revenue Recognition and Compressed Book Value Accounting for Fixed Assets	- Physical Inspection of Fixed Assets - Verification That Losses Related to Assets Damaged by Disasters and Accidents Have Been Properly Recognized - Verification of Consistency Between Accounting Treatment for Subsidiaries and Group Accounting Policies	AW Safety Service Energy Solutions Group Consolidated Accounting Office AW Engineering
Deferral of Loss Recognition	Past Accounting Treatment Issues	Nippon Helium Ecoroca

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
• Deferral of Loss Recognition After the Discovery of Inventory Differences • Inappropriate Manipulation of the Timing of Expense Recognition through Failure to Record Provisions, Reversal of Provisions, and Similar Treatments • Failure to Recognize Liabilities Related to Transactions that Were Substantially Financing Arrangements • Unsupported Interdepartmental Reallocation of Revenue and Expenses • Deferral of Expenses Based on Business Performance Progress • Failure to Record Bonus Provisions and Inappropriate Reversal of Bonus Provisions • Failure to Recognize a Loss on the Sale of a Factory (Including the Possibility of an Omitted Adjustment from Japanese GAAP to IFRS) • Allocation of Training Expenses Based on Unsupported Forecasts • Profit Manipulation in the Company's Consolidated Financial Statements through Inventory Impairment Processing at a Non-Consolidated Subsidiary and Transactions with the Company at Below-Market Prices	• Verification of Omitted Expense Recognition Based on Approval Documents, Purchase Orders, and Similar Documents • Completeness of Provision Recognition, Including Comparison with the Previous Fiscal Year • Cash Receipts and Disbursements Inconsistent with Business Activities • Verification of the Basis for Period-End Adjusting Entries Relating to Interdepartmental Transfers • Verification of Omitted Expense Recognition for Completed Repairs and Maintenance Work • Consistency Between Supporting Schedules for Changes in Bonus Provisions and the Amounts Recorded in the Balance Sheet and Profit and Loss Statement • Completeness and Appropriateness of Adjustments from Japanese GAAP to IFRS • Consistency Between Amounts Paid and Amounts Recognized as Expenses • Post-Sale Comparison Between the Carrying Amount After Inventory Write-Down and the Actual Selling Price of Impaired Inventory (The Relevant Company Has Resolved to Dissolve)	Bulk Gas Div. AW Safety Service Consolidated Accounting Office Accounting Department AW East AW West Nihon Dennetsu Plecia Yonezawa Seika NIHON KAISUI AWBD (Dissolution Resolved) Hokkaido Body
• Misappropriation of Assets Through Tampering with	• Management of Vendor Bank Account Master Data	AW VIETNAM

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
Payment Beneficiary Information or Submission of Duplicate Payment Requests for the Same Invoice Recording Journal Entries Designed to Appear as Ordinary Business Transactions by Using Personal Bank Accounts or Bank Accounts of Companies Managed by the Individual	and Verification of Cash Receipts and Disbursements Review of Transactions with Suspected Duplicate Payments	
- Failure to Recognize Liabilities Related to Retirement Benefits, Bonuses, and Other Personnel Expenses - Avoidance of Provision Recognition Based on Incorrect Classification of Provisions and Contingent Liabilities Related to Subsidy Repayment - Avoidance of Impairment through the Reallocation of Personnel Expenses and Other Costs within Asset Groups (Stores) - Deferral of Impairment Recognition for Goodwill and Other Assets - Failure to Conduct Impairment Testing and Failure to Recognize Impairment Losses in Accordance with Consolidated Group Policies	- Verification of Consistency Between the Assumptions Used in Recognizing Personnel-Related Liabilities and Actual Payment Practices - Review and Verification of Provisions and Contingent Liabilities Associated with the Completion of Subsidy-Funded Projects - Appropriateness of the Department to Which Expenses Are Recorded - Review of the Assessment of Impairment Indicators, Impairment Tests, and Related Analyses, and Verification of Consistency with Amounts Recorded in the Balance Sheet and Profit and Loss Statement (The Relevant Company Has Resolved to Dissolve) - Establishment of Procedures for Accounting Department Review of Approval Document Lists, Capital Expenditure Plans, Declining Sales Projects, and Other	Human Resources Department Tomiichi Kyushu Kyushuya AWBD (Dissolution Resolved) NIHON KAISUI Kanda Biomass Power ONAHAMA BIOMASS ELECTRIC POWER AW India

Inappropriate Accounting Practices Arising from Inadequate Management and Related Deficiencies	Details of Business Workflows and Other Processes to Be Improved	Applicable Company
	Relevant Matters at the Time of Financial Closing, Including Documentation of Consideration Given to Potential Unrecorded Impairment Losses • Verification of Events Affecting Recoverable Amounts in Applying Impairment Accounting, Including Contract Changes or Terminations and Changes in the Business Environment	
• Failure to Correct Double Recognition of Revenue • Intentional Failure to Adjust Differences Related to Consolidation Elimination Entries • Overstatement of Profit through Inappropriate Reversal of Unrealized Profit Eliminations • Avoidance of Loss Recognition on Share Disposal Transactions	• Analysis of the Causes of Differences Related to Consolidation Elimination Entries and Verification of the Need for Consolidation Adjustments • Verification of the Calculation Method for Unrealized Profit Eliminations, the Profit Margins Used, and the Appropriateness of Any Reversal • Verification of Whether Phased Fixed Asset Sales Should Be Treated as a Single Transaction	Accounting Department Corporate Management Department Kyushu Industrial Gas Tateho Chemical Industries NIHON KAISUI

[Implementation and Operational Status]

For business processes subject to J-SOX, improvements are being made to business workflows, inadequate management structures, and operational procedures through the course of J-SOX evaluations. For business processes not subject to J-SOX, such improvements are being made through the course of operational audits.

Particular priority is being given to strengthening areas that constitute material weaknesses required to be disclosed under the standards for internal control over financial reporting pursuant to the Financial Instruments and Exchange Act.

Specifically, internal controls related to business processes are scheduled to be completed

by approximately the end of October 2026. Internal controls related to the financial closing and financial reporting processes are scheduled to be completed by approximately mid-November 2026, as it is necessary to confirm the status of improvements to business workflows implemented in connection with the second-quarter financial closing.

(2) Strengthening Governance at Subsidiaries and Other Group Companies

① Deployment and Increase of Personnel with Sufficient Knowledge and Experience to Conduct Appropriate Accounting Operations as Subsidiaries of a Listed Company

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will establish a management structure at our subsidiaries that is capable of understanding and overseeing accounting, financial closing, internal controls, and risks.

From the perspective of strengthening monitoring and checking functions, we will appoint personnel with sufficient accounting expertise as Audit & Supervisory Board Members and officers responsible for accounting and finance. In order to establish a framework under which financial results and the status of internal controls can be appropriately reviewed and challenged from a position independent of business execution, we will complete an assessment of candidates for subsidiary management positions regarding their suitability to oversee accounting matters by approximately April 2026 and complete the necessary appointments by approximately August 2026.

In addition to periodic reporting from subsidiaries, including quarterly Group Audit & Supervisory Board meetings, we will identify issues through on-site visits, an understanding of business operations, numerical analyses, and year-on-year variance analyses, and will conduct timely reviews and corrective actions at subsidiaries as necessary.

Thereafter, based on the circumstances of each company, we will, by approximately November 2026, review and enhance the management framework through the reassignment of personnel, personnel expansion, replacement of responsible officers, and the utilization of outsourcing arrangements where appropriate.

In addition, we will establish management functions within business divisions that are independent from business execution in order to ensure appropriate operational management.

Furthermore, as described in Section 2(3)③, we will enhance understanding of accounting literacy not only within our Company but also throughout Group companies through education and training programs relating to operational and accounting procedures.

Responsible Department: Affiliates Department

Implementation Schedule: The necessary arrangements are scheduled to be completed by approximately November 2026.

[Implementation and Operational Status]

The implementation and operational status of this initiative are as described in 2(3)②b “Strengthening the Governance of Subsidiaries and Ensuring the Placement of Personnel with Sufficient Knowledge and Experience to Conduct Appropriate Accounting Operations as Subsidiaries of a Listed Company.”

② Periodic Validation and Monitoring of Areas in Which Inappropriate Accounting

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on

July 31]

Practices May Occur, Including Inventory and Revenue Management

In preparation for the fiscal year ended March 31, 2026, we conducted a physical inventory count briefing session for all affiliated companies on March 5, 2026 (participants: 555). In order to ensure accuracy, we organized and communicated procedures relating to physical inventory counts and the management of supporting documentation.

In addition, on March 6, 2026, we conducted a briefing session regarding the accounting misconduct cases identified in this matter and thoroughly communicated the rules for revenue recognition based on the revenue recognition accounting standard.

Furthermore, for each type of inappropriate accounting practice identified in this matter, we organized the countermeasures to be implemented by each company based on the self-assessment checklist during the period from April to July 2026 and promoted the implementation of such measures on a phased basis.

Thereafter, the Accounting Department will identify monitoring items, including analyses of fluctuations in revenue and gross profit near period-end and reviews of the application of the percentage-of-completion method. After establishing the necessary framework by approximately September 2026, monitoring activities will be conducted as part of the financial closing process for each quarterly closing.

At the same time, all subsidiaries will utilize the self-assessment checklist described in Section 2(3)②, organize and visualize transaction flows and the role of the company in each transaction (principal or agent), verify consistency between revenue recognition and collection status, and clarify review items necessary for the preparation of appropriate financial statements. Such review items will be incorporated into business workflows. In addition, for significant transactions and exceptional transactions within business divisions and subsidiaries, we will establish a clear reporting line requiring prior consultation with and reporting to the head office accounting department, and a rule whereby the head office accounting department will make the necessary accounting determinations.

Based on the results of these monitoring activities and the status of financial closing procedures, including physical inventory counts, we will progressively review and strengthen internal controls and their operation in order to establish a framework that continuously ensures the appropriateness of accounting and financial reporting.

Responsible Departments: Accounting Department; Affiliates Department

Implementation Schedule:

Physical Inventory Count Briefing Session: Completed in March 2026

Accounting Misconduct Case Briefing Session: Completed in March 2026

Implementation of Countermeasures by Each Company for Identified Inappropriate Accounting Practices: During August 2026

Monitoring, Including Analysis of Fluctuations in Revenue and Gross Profit Near Period-End and Reviews of the Application of the Percentage-of-Completion Method: From September 2026, at each quarterly financial closing

[Implementation and Operational Status]

Clarification of review items necessary for the preparation of appropriate financial statements and incorporation thereof into business processes

The implementation and operational status of this initiative are as described in “III.3.(1)③ Improvement of Business Processes and Inadequate Management Practices That Gave Rise

to Inappropriate Accounting Treatment.”

Monitoring of consolidated subsidiaries by the Company’s Accounting Department as part of quarterly financial closing procedures

As part of the self-assessment process conducted in connection with the first-quarter financial closing, financial analyses have been performed. These analyses are conducted as a comprehensive review of the appropriateness of financial results, including confirmation of whether there are unusual increases or decreases in account balances that cannot be reasonably explained. Specifically, the following procedures have been performed:

- Individual Company Analysis

Based on the figures in the consolidated financial statements for the fiscal year ended March 31, 2026, analyses of changes in the balance sheets and statements of profit or loss for the first quarter of the fiscal year ending March 31, 2027 have been conducted, focusing primarily on 76 consolidated subsidiaries with relatively large business operations. Trend analyses have also been performed for key KPIs, including accounts receivable turnover period, inventory turnover period, accounts payable turnover period, gross profit margin, and effective corporate tax rate.

- Consolidated Analysis

Analyses of changes in the consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of cash flows, and segment information for the first quarter of the fiscal year ending March 31, 2027 have been conducted. Trend analyses have also been performed for key KPIs, including accounts receivable turnover period, inventory turnover period, accounts payable turnover period, gross profit margin, and effective corporate tax rate.

- Clarification of Reporting Lines

In order to establish reporting lines for accounting treatment decisions, escalation procedures, and requirements for the preparation and management of position papers, the Accounting Treatment Reporting Line Operating Guidelines were established on August 31, 2026.

These guidelines clarify that business divisions and subsidiaries are required to consult with and report to the head office accounting department in advance regarding transactions of significant importance or exceptional transactions. The guidelines also clearly define the decision-making rules to be applied by the head office accounting department.

(3) Strengthening the Management of Group Companies (Addressing Causes 4(2), 5, and 7)

To strengthen the management and monitoring functions over business divisions, we established an Executive Officer with extensive expertise in finance and accounting in March 2026. Through this appointment, we will establish a framework that ensures the execution of “proper accounting treatment” from a position independent of business operations.

① Strengthening the Functions of Administrative Departments with a Focus on Accounting, Performance Management, and Subsidiary Management

a. Deployment and Increase of Personnel with Sufficient Knowledge and Experience

in Accounting and Disclosure Practices

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

As an improvement to our accounting structure commensurate with a Group consisting of more than 200 companies, we will rebuild internal controls within business divisions, which constitute the first line of defense, while strengthening the functions of the head office accounting department, which serves as the second line of defense, to oversee accounting matters across the Group through rule-setting, support, and monitoring activities, thereby ensuring the appropriateness of the Group's financial statements.

Specifically, beginning in March 2026, as part of strengthening the first line of defense, we have been promoting reforms to compliance awareness at subsidiaries, enhancing accounting literacy, reviewing the allocation of responsibilities and authority within each organization, and rebuilding business workflows based on such reviews.

As the second line of defense, we will support the rebuilding of internal controls and strengthen monitoring through financial analysis in cooperation with each business division, the Management Control Department, and the Affiliates Department.

As the head office accounting department is expected to provide extensive support and oversight of accounting operations at subsidiaries until stable operations have been established, we will establish a framework under which each member of the head office accounting department will be assigned responsibility for approximately five to seven subsidiaries and will provide focused support and review.

To achieve this, we will increase the number of personnel through internal transfers and the recruitment of individuals with specialized expertise. Within one year, we plan to increase personnel by approximately 20 employees and build an organization of approximately 40 personnel. In addition, we will expand the consolidated financial reporting team from the current eight members to approximately 30 members.

The planned increase of approximately 20 personnel will be achieved through internal transfers and external recruitment. Of these, approximately 10 personnel increases had already been completed or confirmed as of March and April 2026.

Through internal transfers, we will primarily relocate personnel with accounting experience from departments such as Planning & Administration Departments within our business units and the Corporate Planning Office. At the same time, personnel with limited accounting experience will also be transferred from various departments as part of a broader effort to develop future accounting personnel.

These internal transfers from business divisions will enhance the head office accounting department's understanding of business operations and strengthen dialogue with subsidiaries and business divisions, as well as facilitate the early identification of accounting issues.

At the same time, through external recruitment, we will increase the number of personnel possessing specialized accounting and financial closing knowledge and practical experience. This will strengthen the review of important accounting issues and enhance the overall level of expertise within the accounting function.

Through these two initiatives, we will address both the quantitative and qualitative shortages in our accounting function.

If internal transfers and external recruitment do not proceed as planned and resource shortages arise, we will temporarily supplement resources through outsourced services and

support from external specialists.

Responsible Departments: Accounting Department (Personnel Assignment and Recruitment: Human Resources Department)

Implementation Schedule:

Formulation of the Head Office Accounting Department Staffing Plan: Completed in March 2026

Review of the Staffing Plan Based on Recruitment Progress, Division of Responsibilities, and Skill Sets: During September 2026

Establishment of an Organizational Framework, Including the Utilization of External Specialists: During January 2027

Designation of Responsible Contact Personnel within the Head Office Accounting Department: From August 2026 (to be reviewed at each semiannual financial closing in accordance with progress in strengthening the staffing structure)

[Implementation and Operational Status]

Reconstruction of Internal Controls in Business Divisions as the First Line of Defense

The implementation and operational status of this initiative are as described in “III.3.(1)③ Improvement of Business Processes and Inadequate Management Practices That Gave Rise to Inappropriate Accounting Treatment.”

Strengthening the Function of the Head Office Accounting Department, as the Second Line of Defense, to Oversee Accounting Across the Group

The implementation and operational status of this initiative are as described in “III.3.(2)② Periodic Validation and Monitoring of Areas Where Inappropriate Accounting Treatment May Occur, Including Inventory and Revenue Management.”

Support for the Accounting Operations of Subsidiaries by the Head Office Accounting Department (Assignment of Dedicated Contacts) Group companies have been categorized according to the level of support and review required based on the risks and issues specific to each company, including the status of their accounting operations framework and progress in addressing areas where deficiencies in internal controls have been identified. Based on this categorization, a framework has been planned and established under which personnel in the head office accounting department are assigned responsibility for approximately two to ten subsidiaries each, taking into consideration their skills and experience.

Review of Personnel Planning Based on Recruitment Status, Segregation of Duties, and Skill Sets

The Accounting Department conducted a review of the work required to be performed and formulated a revised personnel plan in September 2026 based on segregation of duties and required skill sets. Going forward, the necessary personnel identified in this plan will be added in accordance with the methods described in the Improvement Plan announced in July 2026.

b Rebuilding Business Processes with Clearly Defined Responsibilities, Approval Procedures, and Monitoring Functions

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

Within the head office accounting department, we will clarify the division of responsibilities,

backup arrangements, and decision-making processes, and transform the department from a structure that depends on specific individuals to one that functions stably as an organization.

Specifically, in April 2026, we will separate responsibilities among preparers responsible for preparing documents and recording journal entries, reviewers responsible for checking the appropriateness of figures and accounting issues, and approvers who bear ultimate responsibility for decisions. In addition, approval routes will be differentiated according to materiality levels. For example, accounting treatments that may have a significant impact on the financial statements, such as impairment losses and provisions, will require review through departmental meetings and approval by the Executive Officer responsible for accounting and finance, thereby ensuring rigorous multi-person review and approval processes

Furthermore, in order to ensure consistent outcomes regardless of who makes the decision, we will revise the Group Accounting Policies and develop explanatory materials for self-assessments and other related documentation by approximately August 2026, thereby formalizing decision criteria, operating procedures, and manuals. In addition, by approximately September 2026, we will establish accounting-related rules and regulations in addition to the Group-wide Inventory Management Regulations.

Furthermore, if significant accounting issues, questions regarding accounting treatment, or uncertainties arising from company-specific business characteristics, non-recurring transactions, or new transactions are identified within business divisions or subsidiaries, we will establish reporting lines that require direct and timely escalation to the head office accounting department, thereby creating a framework that enables the early identification and correction of such issues. In addition, where necessary, we will prepare and centrally manage position papers and other relevant documentation to record decision-making processes and deliberations. Not only operating procedures but also decision-making processes and the rationale underlying such decisions will be documented, accumulated, and shared throughout the organization. We will establish and operate processes that enable consistent decision-making based on historical judgments and their underlying rationale.

Furthermore, in an environment where rules and business workflows have been established and job rotation can be readily implemented, we will conduct periodic job rotations according to the nature of the work. Relatively routine tasks, such as journal entry preparation and data aggregation, will be rotated approximately every year, while more advanced accounting tasks, such as the selection of accounting treatments and changes in accounting estimates, will be rotated approximately every three years. Through these measures, we will eliminate over-reliance on specific individuals and establish and maintain a framework under which multiple personnel can perform the same duties.

Responsible Department: Accounting Department

Implementation Schedule:

Operational Reviews of the Head Office Accounting Department and Establishment of Approval Authority: During August 2026

Review of Group Accounting Policies and Development of Explanatory Materials for Self-Assessments: During August 2026

Development and Communication of Operational Guidelines for Reporting Lines and Escalation Procedures: During August 2026

Development and Communication of Operational Guidelines for Position Papers: During August 2026

Formulation of Job Rotation Plans (Accounting Department and Business Divisions): From January 2027 (to be reviewed at each semiannual financial closing in accordance with progress in strengthening the staffing structure)

[Implementation and Operational Status]

Review of the Head Office Accounting Department's Responsibilities and Establishment of Approval Authorities

For both non-consolidated and consolidated accounting operations, the tasks to be performed as part of the financial closing process have been compiled in tabular form, specifying the responsible personnel, approvers, and schedules for each task.

Review of Group Accounting Policies and Development of Materials for Self-Assessments

In August 2026, the Group accounting policies were reviewed and the necessary resolutions were obtained. In addition, the development of explanatory materials for self-assessments has been advanced.

Furthermore, with respect to the development of Group-wide inventory management rules and other accounting-related rules and regulations, the implementation and operational status are as described in "III.3.(1)① Development of Rules and Regulations."

Development and Communication of Guidelines for Escalation Procedures and Position Papers

The implementation and operational status of this initiative are as described in "III.3.(2)② Periodic Validation and Monitoring of Areas Where Inappropriate Accounting Treatment May Occur, Including Inventory and Revenue Management."

Formulation of a Rotation Plan

The rotation plan is scheduled to be implemented in accordance with the Improvement Plan announced in July 2026.

c Enhancing Collaboration and Dialogue Between the Head Office Accounting Department and Subsidiary Accounting Departments to Achieve Appropriate Accounting Treatment Based on Business Understanding

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

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

Specifically, we first classified subsidiaries according to their size (based on factors such as sales, profit, and total assets), qualitative significance, and control environment. For the 39 companies classified in the higher-ranking categories, we implemented measures aimed at finalizing the financial results for the fiscal year ended March 31, 2026, including providing explanations of key considerations relating to Group accounting policies associated with inappropriate accounting cases identified through the self-inspection process.

Furthermore, reflecting the issues identified during the finalization of the financial results for

the fiscal year ended March 31, 2026, we will, by August 2026, thoroughly communicate and share accounting policies and approaches to significant accounting treatments with subsidiary accounting departments. At the same time, we will establish a framework under which the head office accounting department appropriately participates in and supports subsidiary accounting departments according to their organizational structure and capabilities. In particular, the head office accounting department will take a proactive role in significant accounting judgments and exceptional transactions in order to improve the quality of accounting treatment and the effectiveness of internal controls.

As part of these efforts, there are cases in which the people responsible for each subsidiary within the head office accounting department and the contact people within subsidiary accounting departments have not been clearly identified. Accordingly, we will clarify these roles and establish a framework through clearly defined reporting lines and escalation procedures that enable the head office accounting department to directly obtain information from subsidiaries regarding changes in business operations, significant accounting issues, and other relevant matters.

In addition, under this framework, personnel responsible for subsidiaries within the head office accounting department will respond to inquiries from subsidiaries. The knowledge accumulated through these inquiries will be published in the form of FAQs and incorporated into Group-wide explanatory sessions. Through these measures, we aim to reduce the frequency of individual inquiries and efficiently communicate Group accounting policies and important considerations relating to regulatory and accounting standard changes.

Furthermore, while coordinating with each business division, the Corporate Planning Department, and the Affiliates Department, we will respond to inquiries arising from financial analysis on a monthly basis through email and other communication channels. Through these initiatives, we will deepen the head office accounting department's understanding of the business activities and transaction substance of subsidiaries, verify the appropriateness of accounting treatments, and provide appropriate advice and support to subsidiary accounting departments, thereby establishing a framework that ensures accounting treatments reflecting the actual substance of business operations from a Group-wide perspective.

Responsible Department: Accounting Department

Implementation Schedule: Regular Meetings with High-Ranking Subsidiaries (Domestic and Overseas): Completed in April–May 2026

Publication of FAQs: During January 2027

[Implementation and Operational Status]

The publication of FAQs is planned in accordance with the Improvement Plan announced in July 2026.

② Education and Training for Accounting Department Personnel

a. Thoroughly Instilling Awareness that the Accounting Department Is the Organization Ultimately Responsible for Consolidated Financial Reporting and Disclosure Practices and the Foundation of Internal Controls over Financial Reporting

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will reaffirm the head office accounting department as the organization ultimately

responsible for financial reporting across the Group and establish a compliance-driven organization that actively takes measures to prevent inappropriate accounting practices.

In addition, because consolidated financial statements are prepared based on the financial information reported by consolidated subsidiaries, we recognize that the foundation of internal controls over financial reporting extends not only to the head office accounting department but also to subsidiary accounting departments.

Based on this understanding, we will provide the head office accounting department and subsidiary accounting departments with continuous education and training relating to accounting standards, disclosure requirements, and internal controls over financial reporting, not as a one-time training initiative but as a mechanism for transforming organizational culture and behavior.

Specifically, on a Group-wide basis, we will conduct case studies based on the inappropriate accounting practices identified within our Group and provide training programs, including e-learning courses, approximately once or twice per year in order to establish a culture of appropriate accounting treatment throughout the organization.

Through these initiatives, we will not only enhance the knowledge and skills of each member of the accounting function but also instill a strong sense of responsibility as a function with ultimate responsibility for financial reporting and foster a high level of ethical awareness. We will thoroughly reinforce recognition that the accounting function plays a critical role in preventing inappropriate accounting practices before they occur.

Responsible Department: Accounting Department

Implementation Schedule: Responsibility Awareness Training for Group Accounting Departments: From August 2026, at each semiannual financial closing

[Implementation and Operational Status]

In accordance with the Improvement Plan, various measures aimed at preventing recurrence have been implemented. The implementation and operational status of each measure is as follows.

Responsibility Awareness Training for Group Accounting Personnel

Of the two training video sessions on “Responsibility Awareness Training” for all personnel of the accounting departments of Group companies, the first session is scheduled to be distributed from November 2026 and the second session from February 2027.

This training will cover the importance of financial reporting, the organization and responsibilities of accounting departments, and appropriate approaches to performing accounting duties. It will explain the importance of appropriate financial reporting, the mindset expected of accounting department personnel, and the appropriate organizational structure and framework within accounting departments.

Furthermore, following completion of the training, comprehension tests will be administered as a measure of training effectiveness. The first test is scheduled to be completed by all participants by the end of December 2026, and the second test by the end of March 2027.

b. Continuous Education and Training to Enhance Accounting Knowledge

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will strengthen our accounting organization by providing continuous and systematic

education and training on accounting standards, consolidated financial reporting, and related topics to both the head office accounting department and subsidiary accounting departments, rather than relying on one-time training initiatives.

The content of these training programs will enhance fundamental accounting knowledge through e-learning and other training methods. At the same time, rather than focusing solely on abstract theories, we will use training materials based on practical matters such as consolidated financial reporting and subsidiary management in order to establish practical accounting knowledge that enables appropriate accounting judgments in day-to-day operations. Through these efforts, we will prevent employees from uncritically following inappropriate practices or past operational approaches.

Responsible Department: Accounting Department

Implementation Schedule: Accounting Knowledge Training for Group Accounting Departments: From August 2026, prior to each quarterly financial closing

【Implementation and Operational Status】

Based on the Improvement Plan, various measures aimed at preventing recurrence have been implemented. The implementation and operational status of each measure is as follows.

Accounting Knowledge Training for Group

Of the three training video sessions on “Accounting Knowledge Training” for all personnel of the accounting departments of Group companies, the first session has been distributed since October 13, 2026.

This training focuses on actual cases of inappropriate accounting practices and covers accounting estimates relating to impairment of fixed assets, asset retirement obligations, and the percentage-of-completion method, as well as inventory management and financial closing operations. The training addresses the issues involved in each case, the appropriate accounting treatment, and the actions that accounting personnel should take. Following completion of the training, a comprehension test is being administered to all participants as a measure of training effectiveness, with completion targeted by mid-November 2026 .

In addition, the second and third sessions of the “Accounting Knowledge Training” video series will cover actual cases of inappropriate accounting practices relating to revenue management, cost management, fixed assets, and key considerations in financial analysis for the detection of accounting fraud. The second session is scheduled to be distributed from December 2026 and the third session from February 2027. Comprehension tests will be administered to all participants following each session, with completion targeted by January 2027 for the second session and by March 2027 for the third session.

(4) Review of Company-Wide Strategy (Review of the Business Portfolio) (Addressing Causes 3, 4, 5, and 7)

①Redefinition of Core Competencies

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

While our origins are in the industrial gas business, we have pursued diversification by leveraging the broad range of related industrial fields and have sought stable management

through an all-weather business model.

At the same time, as diversification has expanded and the number of Group companies has increased, our Group's core competencies have become less clearly defined. Accordingly, we recognize that it is necessary to redefine the Group's strengths as we review our company-wide strategy. Finally, we will hold Company-Wide Business Strategy Meetings as a forum for reviewing our core competencies. The first meeting was held on June 3, 2026. In principle, these meetings will be held once a year, although additional meetings may be convened as necessary.

Through these meetings, we will redefine what constitutes our core and non-core businesses and discuss and determine our company-wide business strategy from both quantitative and qualitative perspectives.

These discussions will involve not only Representative Directors and business leaders but also Directors, including Outside Directors, in order to identify and define the core strengths that form the foundation of our Company.

Responsible Department: Corporate Planning Department

Implementation Schedule: Completed in June 2026

【Implementation and Operational Status】

As described in the "Direction of Management Reform" presentation materials dated September 17, 2026, we have disclosed our redefined core competencies and the competitive advantages shared across our Industrial Gas, Medical, and Agriculture & Foods businesses. Specifically, our strengths lie in our proprietary technologies and know-how, particularly in the separation, purification, and recovery of resources, as well as in our integrated supply network that spans the entire value chain from manufacturing to sales.

In addition, our strengths include our concentration of operations in specific geographic areas, our customer base, and our proprietary logistics network that leverages regional characteristics. These strengths enable us to accurately capture the needs of a large number of end customers and translate those needs into the creation of solutions. By providing cross-selling opportunities, we have established high barriers to entry that are common across our Industrial Gas, Medical, and Agriculture & Foods businesses. As a result, we are able to generate stable long-term cash flows.

Furthermore, in connection with the transition to a Company with an Audit and Supervisory Committee, following the Extraordinary General Meeting of Shareholders held on September 22, 2026 and the Board of Directors meeting held on October 8, 2026, we reviewed our decision-making framework in order to delegate a portion of business execution authority to the executive side. Specifically, the Corporate Management Committee was abolished, and the Management Committee was newly established as the executive management decision-making body. At the same time, the Management Committee Regulations were comprehensively revised to effect the transition from the Corporate Management Committee to the Management Committee.

For details regarding the Management Committee Regulations, Management Strategy Committee Regulations, and Meeting Body Regulations under the jurisdiction of the Corporate Planning Department, please refer to "2. Governance Reform, (1) Strengthening the Board of Directors, ③ Revision of the Composition of the Board of Directors Intended to Strengthen the Supervisory Function, c. Change in Corporate Governance Structure."

As part of strengthening the management execution framework, we clarified the role of the Management Committee and aligned authorities and approval processes, accounting, and Group company management. Through these measures, we clarified the roles, authorities, and positioning of decision-making bodies on the executive side. As a result, responsibilities within the three lines of defense framework have been redesigned.

Items to be deliberated by the Management Committee include matters that are to be submitted to the Board of Directors and require prior deliberation, as well as certain matters relating to decisions on business execution that have been delegated to directors by resolution of the Board of Directors, including changes to personnel systems and organizational structures and personnel transfers, which were previously within the authority of the CEO. Through deliberations by the Management Committee, we intend to clarify matters related to agenda items to be submitted to the Board of Directors, including management impact, material risks that may affect conclusions, and the results of examinations conducted by responsible persons and the executive side, and to provide the Board of Directors with information that will support its decision-making.

Responsible Department: Corporate Planning Department

Implementation Schedule:

The redefinition of core competencies was completed in June 2026.

The disclosure of core competencies was completed in September 2026.

②Selection and Concentration of Businesses

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We plan to promote review of the business portfolio with a focus on both the “deepening of existing businesses” and the “evolution of new businesses” by leveraging our core competencies. Specifically, our business portfolio has historically been expanded through the identification and investment of opportunities within each business segment. However, it cannot necessarily be said that investments have been concentrated on highly profitable businesses or businesses that generate strong Group synergies.

Accordingly, we will further develop the business portfolio strategy disclosed in our Medium-Term Management Plan and implement the selection and concentration of businesses.

To this end, we established the Portfolio Management Committee in February 2026. The Committee will establish evaluation criteria for our business portfolio and discuss the management approach for each business from the perspectives of business viability, core competencies, and governance, including whether a business should be positioned for growth, improvement, integration, or other strategic directions. The Committee will also discuss the positioning of each business within our future company-wide strategy.

In addition, with respect to strategic allocation of investment resources, the Committee began discussions in March 2026 regarding the establishment of investment capacity by business domain, as well as investment allocations for areas essential to our future growth, including governance enhancement, information technology, and technology development. We will determine Group-wide policies on these matters by September 2026 and make a timely disclosure thereafter.

Responsible Department: Corporate Planning Department
Implementation Schedule: The Group policy was scheduled to be determined by approximately September 2026.

【Implementation and Operational Status】

As described in “Direction of Management Reform” and the accompanying “Direction of Management Reform Presentation Materials” dated September 17, 2026, we are promoting management reform based on the following management policies: “Pursuing sustainable growth by shifting from quantity to quality,” “Rebuilding a unique model based on our core competence,” “Thorough internal control / governance,” and “Synergies through resource concentration.”

In addition, we have reaffirmed our strengths, cultivated over many years, including proprietary technology & know-how, an integrated production-to-sales supply network, and a customer base, as sources of competitive advantage. By concentrating management resources in areas where these strengths can be effectively leveraged, we aim to achieve sustainable enhancement of corporate value.

Responsible Department: Corporate Planning Department
Direction of Management Reform: Determined and disclosed in September 2026.

③Optimization and Restructuring of Group Companies

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will carry out optimization and restructuring not only from the perspective of business viability but also from the perspective of governance across the Group as a whole. Specifically, the number of consolidated companies in our Group has increased by an average of eight companies per year since 2010. While this rapid increase in the number of companies has supported continuous growth in revenue and operating profit, it has also expanded governance risks.

In light of the issues identified in this matter, we will review our Group structure and establish a company structure in which Group governance can be more effectively implemented. We will place the highest priority on ensuring Group-wide governance standards equivalent to those required of a listed company and, as one means of achieving this, will promote the integration of companies with similar business characteristics. For companies that are determined not to align with our core competencies and for which a decision has been made to withdraw from the business, we will promote business transfers to the most appropriate owners through proper procedures, with the goal of completing such transfers during fiscal year 2028.

Responsible Department: Corporate Planning Department
Implementation Schedule: Group-wide policies are scheduled to be determined by approximately September 2026.

【Implementation and Operational Status】

The implementation and operational status of this initiative are as described in “III. Reconstruction of the Management Foundation and Internal Controls, (4) Review of Company-wide Strategy, (3) Review of Company-wide Strategy, ② Selection and Concentration of Businesses.”

In addition, from 2026 through 2028, we plan to promote the divestiture of businesses that have been classified as Businesses under best-owner review.

Responsible Department: Corporate Planning Department

Direction of Management Reform: Determined and disclosed in September 2026.

Target Completion Timing for the Divestiture of Non-core Businesses: During fiscal 2028.

(5) Review of the Budget Management Process (Addressing Cause 3)

Review and Improvement of the Performance Target-Setting Process, Including Appropriate Consideration of Bottom-Up Perspectives and External Factors, and Revision of Operations to Avoid Excessively Challenging Performance Targets (Emphasizing KPIs from Mid- to Long-Term Perspectives and Enterprise Value Enhancement)

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

With respect to the FY2026 budget meeting (covering the period from April 2026 to March 2027), we communicated that the budget would be formulated based on the themes of portfolio management, process orientation, ROIC, and probability of achievement. We also emphasized to business divisions that the budget should focus not only on numerical targets but also on the underlying processes and business rationale, and conducted the budget meeting accordingly. We will fundamentally revise the budget-setting process by creating a forum in which performance targets are discussed after comprehensively reviewing information obtained from each business unit and operating company regarding the external environment surrounding each business, the competitive landscape, and our business environment, while taking into account feasibility and associated risks. In doing so, we will distinguish between initiatives with a high probability of achievement and more challenging initiatives, and establish separate performance targets for each category in order to clearly identify stretch targets. In addition, we will utilize formats that identify risks that may arise from external factors, assess their likelihood of occurrence and potential financial impact, and evaluate whether countermeasures are available. Based on these assessments, we will promote discussions that enable the establishment of comprehensive performance targets that appropriately incorporate risk considerations.

Responsible Department: Corporate Planning Office

Implementation Schedule: The necessary arrangements are scheduled to be completed by approximately November 2026.

【Implementation and Operational Status】

In the past, excessive performance pressure resulted in the formulation of budgets that were not always supported by specific measures. In light of this issue, we are implementing a transition to a budgeting process based on strategy and optimal resource allocation policies. At the same time, we have reviewed the budget management and budget formulation processes in order to clearly separate supervision from execution, clarify accountability, and improve the effectiveness and rigor of the business execution decision-making process.

We have established the Budget Management Regulations, which prescribe the budget management organization, budget-related responsibilities and authorities, budget formulation policies, and budget controls. Under the Budget Management Regulations, budgets are formulated through a bottom-up process. Specifically, after determining the allocation of management resources for the following fiscal year, budget formulation policies

are communicated to each department and subsidiary. Based on budget proposals prepared by each department and subsidiary, budgets are approved through deliberations at budget meetings, the Management Committee, and the Board of Directors.

Responsible Department: Corporate Planning Department

Budget Management Regulations: Approved by the Company's Board of Directors on October 8, 2026. Development of the Budget Management Process: Scheduled to be completed by the end of November 2026.

4. Strengthening Internal Audit (Addressing Causes 5, 7, and 12)

(1) Strengthening Internal Audit Functions

a. Strengthening the Internal Audit Office and Deploying and Increasing Personnel with Sufficient Knowledge and Experience to Properly Perform Internal Audit Activities

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

In assigning personnel to the Internal Audit Office, we will place emphasis on whether candidates possess the skills required for internal audit activities and will appoint personnel with sufficient knowledge and experience to properly perform internal audit activities.

In addition, we will increase the number of personnel who meet these qualifications by 12 individuals each year through the end of fiscal year 2028, thereby expanding the Internal Audit Office to a total of 52 personnel.

Furthermore, as internal audit activities are expected to increase significantly beginning in fiscal year 2026, we will supplement resource shortages by obtaining support from external specialists. Specifically, we will engage external experts who possess extensive knowledge and a proven track record in due diligence, post-merger integration (PMI), fraud investigations, and corporate misconduct response services and who belong to an accounting consulting firm whose core members are certified public accountants with backgrounds at major audit firms.

Through such support, we will supplement our internal resources while accumulating the related knowledge and expertise within the Internal Audit Office. This support will include assistance with internal control responses relating to audits under the Companies Act, support for addressing deficiencies identified through the development and operational evaluation of internal controls, and support for internal control audits conducted in accordance with the Financial Instruments and Exchange Act.

In addition, in order to conduct internal audits at the parent company more effectively and efficiently, we will reorganize the Internal Audit Offices currently established at subsidiaries and consider the effective utilization of personnel resources.

Responsible Department: Internal Audit Office

Implementation Schedule: The framework for personnel reinforcement has been established by approximately June 2026.

【Implementation and Operational Status】

As of September 30, 2026, the Internal Audit Department consists of 25 personnel with sufficient knowledge and experience to appropriately perform internal audit activities. (Under the original plan, the Internal Audit Department was expected to consist of 29 personnel, including an increase of 12 personnel, by March 31, 2027.) To address the current shortfall

relative to the staffing level contemplated in the original plan, internal audit activities are being carried out with the support of external specialists. The plan to increase the number of personnel by 12 each year and establish a 52-person organization by the end of fiscal 2028 is progressing as scheduled.

In addition, in fiscal 2026, as originally planned, contracts have been concluded with external specialists, and we are proceeding with internal audit activities while receiving support for internal control compliance under audits conducted pursuant to the Companies Act, support for the remediation of deficiencies in preparation for the evaluation of the design and operating effectiveness of internal controls, and support for responding to internal control audits conducted pursuant to the Financial Instruments and Exchange Act. At the same time, efforts are being made to accumulate such expertise within the Internal Audit Department.

Furthermore, by integrating the audit departments of the regional operating companies (AW Hokkaido: 6 personnel, AW East Japan: 3 personnel, and AW West Japan: 2 personnel) into the Air Water Internal Audit Department, internal audits at the parent company are being conducted more effectively and efficiently.

b. Expansion of Audit Coverage and Review of Audit Items

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will expand the scope of internal audits to include all head office divisions and departments and will revise our audit plan so that all subsidiaries are subject to internal audits, including follow-up audits, with the objective of completing one full audit cycle by March 2027. In addition, we will strengthen controls by developing internal audit checklists and requiring all subsidiaries to conduct self-assessments using those checklists. We will evaluate the results of those self-assessments and use them as part of our audit activities. Based on the responses to these self-assessments and the list of J-SOX deficiencies identified at subsidiaries that were subject to on-site inspections following the inappropriate accounting practices identified in this matter, we will identify risk areas, determine priorities based on risk levels, and develop audit plans accordingly. As part of this process, we will complete risk assessments by the end of June 2026 and formulate detailed audit plans as promptly as possible thereafter, beginning in July 2026.

Furthermore, with the support of external specialists, we will review both audit coverage and audit items and expand various audit checklists, including those for operational audits and J-SOX audits, during the first quarter of fiscal year 2026. Through these efforts, we will establish the foundation for appropriate monitoring.

In addition, we will establish a consultation desk within the Internal Audit Office for internal control matters across the Group in order to create a framework that enables the prevention of internal control deficiencies before they occur as well as their early detection.

Responsible Department: Internal Audit Office

Implementation Schedule: The internal audit plan for the fiscal year ending March 31, 2027, was revised by July 2026.

【Implementation and Operational Status】

The internal audit plan was approved by the Board of Directors on July 31, 2026. As part of the internal audit program, compliance with various rules and regulations, including those

newly established in connection with recurrence prevention measures, will be reviewed at all 939 sites of the Group's 198 companies (one parent company, 135 domestic companies, and 62 overseas companies, as of October 1, 2026; a decrease of 3 domestic companies and 2 overseas companies, for a total decrease of 5 companies compared with July 31, 2026, and a decrease of 259 sites compared with July 31, 2026). The review will be conducted from July 2026 through the end of November 2026. In addition, from December 2026 through the end of March 2027, follow-up audits will be conducted to reconfirm compliance with the various rules and regulations, with a particular focus on identifying matters that remain unremedied and confirming the extent to which the new procedures and controls have become embedded in operations.

The J-SOX plan was likewise approved by the Board of Directors on July 31, 2026. Under the J-SOX framework, follow-up reviews are being conducted with a focus on the status of remediation of deficiencies identified in the previous fiscal year. The results of these evaluations are reported regularly by the Internal Audit Department to the Board of Directors and the Audit & Supervisory Board Members (Audit & Supervisory Board) (currently, the Audit and Supervisory Committee Members (Audit and Supervisory Committee)) and are utilized to strengthen governance across the Group.

In addition, the list of identified deficiencies is used as a reference to understand risk characteristics and determine priorities based on the nature of each risk. Based on this assessment, audit targets and audit items are being reassessed, and key controls are also being reviewed.

Furthermore, in August 2026, icreb@awi.co.jp was newly established as a consultation contact point for internal control matters for all Group companies. By posting this contact information on the Internal Audit Department page of Patio, the Company's internal portal site, it has been communicated throughout the Group as a point of contact for consultations regarding internal controls in general.

(Internal Portal Site: Patio)



内部統制相談窓口メールアドレス

icreb@awi.co.jp

c. Verification and Evaluation of Risk Factors and Deficiencies Identified Through Internal Audits and Whistleblowing Reports, and Prompt Information Sharing with Relevant Organization

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

If the General Manager of the Internal Audit Office identifies significant audit findings, or

improvement recommendations equivalent in importance to audit findings, through internal audit activities, such matters will be promptly reported to the Representative Director and Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members). In addition, where necessary, under the direction of the Representative Director, the General Manager of the Internal Audit Office will convene the relevant parties, including the relevant business units and second-line functions, to discuss corrective actions. Furthermore, such information will be promptly shared with the relevant departments, the Risk Management Committee, the Compliance Committee, and other relevant organizations, thereby enabling an early response to internal control risks across the Group.

Responsible Department: Internal Audit Office

Implementation Schedule: Appropriate actions will be taken as necessary, taking into account the progress of internal audits conducted from July 2026 onward and information obtained through whistleblowing reports and other channels.

【Implementation and Operational Status】

The Head of the Internal Audit Department has established a framework under which inappropriate matters and other findings identified through operational audits and J-SOX evaluations are reported promptly to the Representative Directors and Audit & Supervisory Board Members. In addition, procedures have been established to ensure that such matters are promptly shared, as necessary, with the relevant departments, the Risk Management Committee, the Compliance Committee, and other relevant bodies.

(2) Education and Training for Internal Audit Office Personnel

a. Thoroughly Instilling Awareness of the Internal Audit Office's Role as the Last Line of Defense Responsible for Independent Evaluation

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will thoroughly instill awareness that the Internal Audit Office serves as the last line of defense responsible for independently verifying and evaluating the effectiveness of internal controls. We believe that performing internal audit activities with such awareness will contribute not only to the prevention of inappropriate accounting practices but also to preventing incentives for misconduct, including excessive pressure. Through these efforts, we will promote a change in mindset so that Internal Audit Office personnel take pride in contributing to the creation of a corporate culture that prevents inappropriate conduct and fosters a workplace environment in which employees throughout the Group can work with motivation and engagement. When reporting identified internal control deficiencies or cases of misconduct that have already been evaluated within the Internal Audit Office, we will conduct case study training focused on the concepts that "overlooking issues can lead to serious consequences" and that the Internal Audit Office bears "responsibility as the last line of defense." In principle, all members of the Internal Audit Office will participate in these training programs, and attendance records will be reflected in individual KPI evaluations. Through such training, we will promote awareness reform to the greatest possible extent.

Specifically, Internal Audit Office personnel will obtain relevant professional qualifications and/or participate in specialized training programs. First, personnel have been participating in the on-demand Certified Internal Auditor (CIA) training program (24 sessions totaling 48

hours, plus two hours of follow-up training) on a rolling basis during June and July. As this program is primarily intended to provide knowledge input, we will further enhance individual capabilities by conducting comprehension tests (knowledge output) as part of Internal Audit Office training sessions that have been conducted or are scheduled to be conducted once a month since June. These training sessions, which cover topics ranging from the fundamentals of internal auditing to fraud cases, are intended to improve the skills of each participant.

Tentative Timing	Proposed Training Content	Concept / Objective
June 2026	Audit Procedures 1 • Pre-Audit Preparation - Understanding the External Environment - Trend Analysis - Risk Assessment - Understanding Internal Controls (Fitness for Purpose and Identification of IT-Dependent Areas)	To understand the key points of pre-audit preparation, particularly risk assessment, with a primary focus on operational audits and through the use of case studies.
July 2026	Audit Procedures 2 • Inappropriate Accounting Practices - Common Types of Inappropriate Accounting Practices - Indicators of Inappropriate Accounting Practices • J-SOX Audit Planning (Scoping)	To understand the key points of pre-audit preparation, particularly fraud risk assessment, with a primary focus on operational audits and through the use of case studies.
August 2026	Audit Procedures 3 • Inappropriate Accounting Practices - Common Types of Inappropriate Accounting Practices - Indicators of Inappropriate Accounting Practices	To understand the key points of pre-audit preparation, particularly fraud risk assessment, with a primary focus on operational audits and through the use of case studies.
September 2026	Audit Procedures 4 • Field Audits - Walkthroughs (Observation) - Inquiries	To understand the key points of conducting field audits, with a primary focus on operational audits and through the use of case studies.
October 2026	Audit Procedures 5 • Field Audits - Inspection of Supporting Documentation	To understand the key points of conducting field audits, with a primary focus on operational

	- Evaluation of the Operating Effectiveness of Internal Controls	audits and through the use of case studies.
November 2026	Audit Procedures 6 • Preparation of Audit Working Papers - Key Considerations in Preparation - Review Points and Considerations - Follow-up on Audit Findings	To understand the key points in preparing audit working papers, with a primary focus on operational audits and through the use of case studies.
December 2026	Audit Procedures 7 • Evaluation of Audit Results - Conducting Site Surveys - Methods for Following Up on Audit Findings - Incorporation into the Following Year's Audit Plan	To understand the fundamentals of evaluating audit results, with a primary focus on operational audits and through the use of case studies.
January 2027	Audit Procedures 8 • Data Auditing - Introduction to CAATs (Computer-Assisted Audit Techniques) - Digital Forensics - Data Analytics (Duplicate Checks, Exception Analysis, Round-Trip Transaction Checks, Trend Analysis, etc.)	To understand data auditing methodologies.
February 2027	• Reflecting Business Plans in Audit Planning - Analysis of Business Plans and Identification of Risk Information - Explanation of Audit Plans to Management and Obtaining Approval • Case Studies	To understand the strategic direction and operational realities of the Group by using the Group's business plans and to identify matters that should be reflected in operational audits and J-SOX audits.
March 2027	Risk Assessment and Audit Planning • Risk Assessment and Development of Risk Maps • J-SOX Audit Planning (Scoping) • Annual Audit Planning (Operational Audits) • Assessment of the Need to	To develop an annual audit plan based on risk assessment, including fraud risk assessment, through the use of case studies, and to identify locations requiring particular attention, such as recently acquired

	Revise Audit Plans	business sites.
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Responsible Department: Internal Audit Office

Implementation Schedule: The relevant measures are scheduled to be implemented on a phased basis beginning in June 2026.

【Implementation and Operational Status】

In accordance with the original plan, as of September 30, 2026, 14 members of the Internal Audit Department have attended the Certified Internal Auditor training program. In addition, since June 2026, internal training sessions for the Internal Audit Department have been conducted by external instructors on a monthly basis. The training covers topics ranging from the fundamentals of internal auditing to actual fraud cases, with the objective of enhancing the skills of each member. Following each training session, comprehension tests are administered to improve understanding and to foster awareness that the Internal Audit Department serves as the final line of defense in independently verifying and evaluating the effectiveness of internal controls.

Furthermore, a framework has been established under which the acquisition of relevant professional qualifications and attendance at training programs are reflected in KPI evaluations.

(Training Implementation Status)

Training Date	Training Content	Number of Participants	Comprehension Test Results
June 2, 2026	Audit Procedures 1 • Pre-Audit Preparation - Understanding the External Environment - Trend Analysis - Risk Assessment - Understanding Internal Controls (Fitness for Purpose and Identification of IT-Dependent Areas)	25	Primarily focused on conceptual explanations; not yet implemented
July 2, 2026	Audit Procedures 2 • Inappropriate Accounting Practices - Common Types of Inappropriate Accounting Practices - Indicators of Inappropriate Accounting Practices • J-SOX Audit Planning (Scoping)	28	Comprehension test results are currently being compiled by the external specialist who served as the instructor
Jul. 31, 2026	J-SOX Audit Plan (Scoping)	1	The session focused primarily on an explanation of the plan, and no audit procedures had yet been performed.
August 4, 2026	Audit Procedures 3 • Inappropriate	29	Comprehension test results are currently

	Accounting Practices - Common Types of Inappropriate Accounting Practices - Indicators of Inappropriate Accounting Practices		being compiled by the external specialist who served as the instructor
September 1, 2026	Audit Procedures 4 • Field Audits - Walkthroughs (Observation) - Inquiries	29	Comprehension test results are currently being compiled by the external specialist who served as the instructor

b. Continuous Education and Training on Accounting and Auditing

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will strengthen the capabilities of the Internal Audit Office by developing, during the first half of fiscal year 2026, an annual curriculum covering accounting, internal controls, audit procedures, IT audits, and related areas, and incorporating it into the medium-term activity plan of the Internal Audit Office. The curriculum will be structured into beginner, intermediate, and advanced levels to enable the systematic development of skills. Participation in external seminars will be planned accordingly, and attendance records will be reflected in individual KPI evaluations in addition to being budgeted, thereby promoting continuous professional development. Such training will be conducted once per quarter (four times per year). In addition, we will encourage Internal Audit Office personnel to pursue professional qualifications by establishing a subsidy program for examination and course fees, utilizing support programs for English proficiency examinations and multilingual learning, and reflecting such efforts in individual KPI evaluations.

Responsible Department: Internal Audit Office

Implementation Schedule: The relevant measures are scheduled to be implemented on a phased basis beginning in June 2026.

【Implementation and Operational Status】

Based on the professional qualifications and career backgrounds of the members of the Internal Audit Department, a level-based annual curriculum, including training programs and external seminars for beginner-, intermediate-, and advanced-level personnel, has been developed.

In addition, as described above, a framework has been established under which the acquisition of relevant professional qualifications and attendance at training programs are reflected in KPI evaluations. Through this framework, efforts are being made to encourage members of the Internal Audit Department to pursue professional qualifications.

(3) Coordination with Audit & Supervisory Board Members (Currently, Audit and Supervisory Committee Members) and the Audit Firm

[Improvement Measures Set Forth in the Improvement Plan and Status Report Published on July 31]

We will strengthen coordination with Audit & Supervisory Board Members and the audit firm

by establishing opportunities to explain and discuss significant audit results, risk assessments, identified deficiencies, and the status of corrective actions.

In addition, we will hold “Three-Way Audit Meetings” (Audit & Supervisory Board Members, Audit Firm, and Internal Audit Office) on a regular basis at least once every quarter in order to strengthen collaboration among the three parties. Rather than only passively receiving explanations and reports from the audit firm, we will proactively share information regarding internal audit plans, audit results, and our understanding of inappropriate accounting practices. By doing so, we will ensure consistency in monitoring perspectives and risk assessments among the three parties.

Furthermore, the information and insights obtained through these activities will be utilized in the formulation and revision of audit plans, thereby enhancing the effectiveness of internal audit activities. Any significant deficiencies or risks reported to the Representative Director will be promptly shared with the Audit & Supervisory Board Members and the audit firm without delay.

Responsible Department: Internal Audit Office

Implementation Schedule: The relevant measures are scheduled to be implemented on a phased basis beginning in June 2026.

【Implementation and Operational Status】

In order to enhance the effectiveness of the Improvement Plan formulated in response to the inappropriate accounting practices, the Company transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee at the Extraordinary General Meeting of Shareholders held on September 22, 2026.

To enhance the effectiveness of internal audits, the Company has implemented a three-way audit system, which strengthens coordination among the Audit & Supervisory Board Members (currently, the Audit and Supervisory Committee Members), the independent accounting auditor, and the Internal Audit Department.

The Internal Audit Department conducts regular exchanges of views and information sharing with the independent accounting auditor at least once every two months and with the Audit & Supervisory Board Members (currently, the Audit and Supervisory Committee Members) at least once a month. Through these activities, information is actively shared regarding matters such as the recognition of inappropriate accounting treatments. At the same time, consistency is maintained in monitoring perspectives and risk assessments among the respective parties.

By utilizing the information and insights obtained through these activities, the Company is conducting more effective internal audits.

The specific status of the implementation of the three-way audit system is as follows.

(Status of Three-Way Audits)

Implementation Date	Agenda Items	Participants
July 22, 2026	1. Internal Control Evaluation Plan (J-SOX) 2. Operational Audit Plan 3. Site Audit Schedule Review Sheet 4. Review (Site Details) 5. Operational Audit Checklist	• Internal Audit Department • Audit & Supervisory Board Members

	6. List of Audit Findings – Cross-Functional Analysis 7. Three-Way Audit Annual Schedule (FY2026 Version) 8. FY2026 Audit & Supervisory Board Audit Plan (Draft) 9. Overall Audit Plan Framework (Conceptual Overview)	• KPMG AZSA LLC • External Specialists
August 25, 2026	1. Explanation of the 27th Audit Plan (Draft) – Presented by KPMG AZSA LLC 2. Status of Operational Audits – Presented by the Internal Audit Department 3. New Audit Framework – Presented by the Audit & Supervisory Board Members	• Internal Audit Department • Audit & Supervisory Board Members • KPMG AZSA LLC • External Specialists

The next three-way audit meeting is scheduled to be held on October 23, 2026.

5. Strengthening Audit & Supervisory Board Audits (Currently, the Audit and Supervisory Committee) (Addressing Cause 10)

In response to this issue, we will promptly implement the following recurrence prevention measures.

(1) Transition to a Company with an Audit and Supervisory Committee

In order to enhance the effectiveness of the Improvement Plan formulated in response to the inappropriate accounting practices, the Company transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee at the Extraordinary General Meeting of Shareholders held on September 22, 2026.

By granting voting rights at meetings of the Board of Directors to directors who serve as Audit and Supervisory Committee Members, the Company will strengthen the audit and supervisory functions of the Board of Directors and further enhance its corporate governance.

The transition to a Company with an Audit and Supervisory Committee was also undertaken to strengthen the supervisory functions of the Board of Directors, rebuild the internal management framework, and enhance Group governance, while at the same time strengthening the accounting, finance, and investor relations functions, the business division management framework, and the Audit and Supervisory Committee structure.

The directors who serve as Audit and Supervisory Committee Members (hereinafter referred to as the “Audit and Supervisory Committee Members”) are as follows.

Name	New Position	Former Position and Career History
Seiji Mori	Director and Audit and Supervisory Committee Member (Internal, Standing)	Standing Statutory Auditor of the Company
Yasuaki Yoshida	Director and Audit and Supervisory Committee Member (Internal, Standing)	Standing Statutory Auditor of the Company

Masashi Mikoshiba	Director and Audit and Supervisory Committee Member (Outside, Standing) Chairperson of the Audit and Supervisory Committee	Standing Statutory Auditor, Marubeni I-DIGIO Holdings Co., Ltd. (Former General Manager of the Audit Department, Marubeni Corporation)
Atsushi Iwasaki	Director and Audit and Supervisory Committee Member (Outside, Non-standing)	Outside Corporate Auditor of the Company
Tateshi Higuchi	Director and Audit and Supervisory Committee Member (Outside, Non-standing)	Outside Corporate Auditor of the Company
Maoko Kikuchi	Director and Audit and Supervisory Committee Member (Outside, Non-standing)	Outside Director, MITSUI-SOKO HOLDINGS Co., Ltd. Outside Director (Audit & Supervisory Committee Member), Frontier Management Inc. Outside Corporate Auditor, Ryohin Keikaku Co., Ltd.

As a result, the Audit and Supervisory Committee consists not only of internal members, but also an Outside Standing Audit and Supervisory Committee Member with experience serving as both an Audit & Supervisory Board Member and the head of an internal audit department within a major general trading company group, as well as an Outside Non-standing Audit and Supervisory Committee Member who is qualified as an attorney and has experience serving as an Outside Director and an Outside Corporate Auditor at listed companies.

Through this structure, the Audit and Supervisory Committee has incorporated professional expertise in the areas of finance and accounting, internal audit, legal affairs, and compliance, while establishing a framework to enhance the effectiveness of the audit and supervisory functions of the Board of Directors.

Furthermore, by conducting audits and supervision from multiple perspectives, including risk management relating to overseas operations, responses to fraud risks, legal compliance, and internal controls, we will continue to strengthen Group governance and enhance the effectiveness of recurrence prevention measures.

(2) Establishment of the Audit and Supervisory Committee Secretariat

In order to enhance the effectiveness of the audit and supervisory functions of the Audit and Supervisory Committee, the Audit and Supervisory Committee Secretariat was established on September 22, 2026.

The Secretariat is intended to strengthen the audit framework for preventing recurrence by supporting the smooth operation of the Audit and Supervisory Committee and its audit and supervisory activities, providing timely and appropriate information to Audit and Supervisory Committee Members, and collecting and organizing materials and data necessary for audits.

Changes in General Managers (Effective September 22, 2026)

Name	New Position	Former Position
Yasushi Saraoka	Head of the Audit and Supervisory Committee Secretariat	Assistant to the Audit & Supervisory Board Members

In addition, following the approval and adoption of the proposal for the election of four new Statutory Auditors at the Annual General Meeting of Shareholders held on June 29, 2026, the Company strengthened the structure of its Audit & Supervisory Board. We believe that, through the enhancement of the Audit and Supervisory Committee Secretariat structure, the strengthening of this framework has continued even after the transition to a Company with an Audit and Supervisory Committee.

(3) Follow-up on the Improvement Measures Described in the Improvement Plan and Status Report Announced on July 31

a. Strengthening the Structure and Functions of the Audit & Supervisory Board (Currently, the Audit and Supervisory Committee)

- Review of the audit plan based on a risk-based approach
- Assignment and expansion of audit support personnel and utilization of external fraud and accounting specialists

The audit plan for fiscal 2026 was formulated based not only on indications of risks identified through proactive information gathering by Audit & Supervisory Board Members, but also on fraudulent schemes and errors with a relatively high likelihood of occurrence that were identified through the investigation of the inappropriate accounting practices. Audits are being conducted with a focus on verifying these risks.

In addition, significant matters identified through the audit plan and audit activities were shared at regular meetings of the Audit & Supervisory Board and were reported regularly or, as necessary, on a timely basis to the Representative Directors and the Board of Directors. Following the transition to a Company with an Audit and Supervisory Committee, this practice has been continued. By sharing information regarding various issues within the Group and promoting discussions from governance and compliance perspective, we will continue to ensure that appropriate actions are taken.

We assigned dedicated audit support personnel on May 16, 2026. In addition, as described in (2) above, the Audit and Supervisory Committee Secretariat was established on September 22, 2026.

The Audit and Supervisory Committee Secretariat is responsible for preparing meeting records, including minutes of Audit and Supervisory Committee meetings, coordinating schedules with departments subject to interviews, communicating and coordinating with Outside Audit and Supervisory Committee Members, sharing information with the Board of Directors Secretariat, and discussing matters relating to meeting operations.

Going forward, under the direction of the Audit and Supervisory Committee Members, the Secretariat will further enhance the support framework that enables Audit and Supervisory Committee Members to focus on their duties by collecting and organizing data necessary for audits, consolidating audit working papers, and supporting the preparation of materials for deliberation by the Audit and Supervisory Committee.

In addition, as necessary, we consult with external professionals, including attorneys, certified public accountants, and tax accountants with whom we have advisory agreements,

and, where considered necessary, obtain advice from independent external experts in order to ensure the appropriate performance of the duties of Audit and Supervisory Committee Members.

Following the approval of the proposal for the election of four new Audit & Supervisory Board Members at the Annual General Meeting of Shareholders held on June 29, 2026, we strengthened the structure of the Audit & Supervisory Board.

Under the new structure, the Audit & Supervisory Board consisted of six members, comprising three Standing Audit & Supervisory Board Members and three Non-standing Outside Audit & Supervisory Board Members, representing an increase of one Audit & Supervisory Board Member compared with the previous structure. In addition, one Standing Audit & Supervisory Board Member who is a certified public accountant and one Independent Outside Audit & Supervisory Board Member were newly appointed (for details regarding the changes in the number of members, please refer to https://www.awi.co.jp/en/ir/news/auto_20260522544254/pdfFile.pdf).

Through these changes, we have strengthened the following two areas in particular.

① Strengthening Audit Functions Relating to Finance, Accounting, and Internal Controls

In addition to verifying accounting and internal control matters through routine audit activities, the Audit & Supervisory Board was structured to incorporate professional expertise in finance and accounting when conducting objective oversight from an independent standpoint. Through this structure, we will further strengthen coordination with the independent auditors and enhance monitoring and verification functions relating to the appropriateness of accounting treatments and the effectiveness of internal controls over financial reporting.

② Strengthening Capabilities to Address Fraud Risks and Compliance Matters

Among the newly appointed Independent Outside Audit & Supervisory Board Members is an individual who has held senior positions within a police organization and possesses extensive expertise in crisis management and compliance. In responding to organizational misconduct, we recognize that, in addition to accounting-related verification, it is important to have perspectives focused on identifying facts and detecting indications of misconduct at an early stage. By utilizing such expertise in audit activities, we will enhance our monitoring functions relating to fraud risks and strengthen our ability to respond when issues arise.

In light of the inappropriate accounting practices identified in this matter, we have positioned the strengthening of the Audit & Supervisory Board structure as one of the key measures for preventing recurrence. Through the increase in the number of Audit & Supervisory Board Members and the appointment of personnel possessing expertise in finance, accounting, and other relevant areas, we have established a framework to expand the scope of audits, enhance on-site audit activities, and strengthen accounting-related verification functions.

Going forward, we will continuously evaluate the operation and effectiveness of this framework, including coordination among the Internal Audit Department, the Audit & Supervisory Board, and the independent auditors (the so-called “three lines of audit”).

Furthermore, we transitioned to a Company with an Audit and Supervisory Committee on September 22, 2026, and the strengthening of the Audit & Supervisory Board structure and enhancement of expertise described above have been succeeded by the Audit and Supervisory Committee.

The Audit and Supervisory Committee consists of six members, comprising three Standing Audit and Supervisory Committee Members and three Non-standing Audit and Supervisory

Committee Members, four of whom are Outside Audit and Supervisory Committee Members.

Among the newly appointed Audit and Supervisory Committee Members are one Outside Standing Audit and Supervisory Committee Member who has experience working overseas within a major general trading company group, has engaged in internal audit functions for many years, and has experience serving as a corporate auditor, and one Outside Non-standing Audit and Supervisory Committee Member who, after serving as a public prosecutor engaged in investigations and trial proceedings, practiced law at a law firm and has experience serving as an Outside Director and an Outside Corporate Auditor of listed companies. As a result, in addition to the expertise in finance, accounting, crisis management, and compliance that had been strengthened within the Audit & Supervisory Board, we believe that expertise relating to overseas operations and internal audits, as well as analytical and advisory capabilities from a legal perspective, have been further enhanced. We also expect this to improve the Audit and Supervisory Committee's ability to enhance audit methodologies for overseas subsidiaries and to respond effectively when indications of misconduct are identified, including fact-finding, legal assessment, and recommendations for corrective actions.

Under the Audit and Supervisory Committee, which brings together such diverse expertise, we will continue to exercise audit and supervisory functions from the deliberation stage of matters considered by the Board of Directors and, through coordination with the Internal Audit Department and the independent auditors, continue our efforts to rebuild governance across the Group and enhance the effectiveness of recurrence prevention measures.

Responsible Department: Audit and Supervisory Committee

Implementation Schedule: Under the new Audit & Supervisory Board structure established on June 29, 2026, we commenced consideration of the fiscal 2026 audit plan and approved the audit plan by resolution of the Audit & Supervisory Board on July 31, 2026. Based on this plan, interviews with the Representative Directors were conducted in August 2026, and interviews with Directors, Executive Officers, and Representative Directors of subsidiaries have subsequently been conducted on an ongoing basis. Details of the implementation status are described in "Proactive Information Gathering" below.

Following the transition to a Company with an Audit and Supervisory Committee, the Audit and Supervisory Committee, at its meeting held on September 22, 2026, succeeded to the audit plan, the status of audit activities, and the audit records approved by the Audit & Supervisory Board, and discussed the audit plan for the Audit and Supervisory Committee. Thereafter, the Audit and Supervisory Committee approved the audit plan by resolution at its meeting held on October 7, 2026, and has continued the audit activities carried out prior to the transition.

b Enhancement of the Audit Capabilities of Audit & Supervisory Board Members (Currently, Audit and Supervisory Committee Members)

In addition to strengthening the structure of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) and assigning audit support personnel (currently, the Audit and Supervisory Committee Secretariat), we are implementing planned training and professional development initiatives to enhance the audit capabilities of each Audit & Supervisory Board Member (currently, each Audit and Supervisory Committee Member).

Specifically, we have positioned participation in training programs, seminars, and lectures organized by the Japan Audit & Supervisory Board Members Association as a core component of professional development and formulated an annual professional development plan at the Audit & Supervisory Board meeting for fiscal 2026. Among the Association's training programs, particular emphasis is placed on (1) accounting and auditing, including accounting standards and regulatory developments, cases of inappropriate accounting practices and key perspectives for their detection, and practical coordination with independent accounting auditors; (2) legal matters, including laws and regulations such as the Companies Act and the Financial Instruments and Exchange Act, related regulatory developments, and court precedents concerning the duty of care of Audit & Supervisory Board Members and similar officers; and (3) internal controls and risk management, including the Internal Control Reporting System, subsidiary management, and responses to fraud risk.

Since July 2026, Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members) have participated in such programs on average at least once per month, while non-standing and outside Audit & Supervisory Board Members (currently, non-standing Audit and Supervisory Committee Members) have also continued to participate on an ongoing basis, thereby enhancing the practical capabilities required of Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members).

We recognize that, in light of the recent inappropriate accounting practices, an even higher level of expertise is required of Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members). Through these ongoing training and professional development activities, we will continue to enhance the quality of audits conducted by Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) and improve the effectiveness of the monitoring and verification functions exercised across the Group.

Responsible Department: Audit & Supervisory Board (currently, the Audit and Supervisory Committee)

Implementation Schedule: The specific training participation record and planned training schedule of Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members) are set out below.

Please note that the information below includes training records from both before and after the transition to the Audit and Supervisory Committee structure.

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
1	Audit of Financial Statements by Auditors and Audits by Independent Auditors	Financial Statement Audit	Japan Audit & Supervisory Board Members Association	Jun Iwasaki, CPA	Web	Mid-Jul. 2026 to May 2027	Mori / Yoshida (Completed) / Mikoshiba
2	Commentary Session on the "Manual for Financial	Financial Statement Audit	Japan Audit & Supervisory Board	Jun Iwasaki, CPA	Web	Jul. 30, 2026 to Jul. 2027	Mori / Yoshida / Mikoshi

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
	Statement Audits by Auditors of Companies Without Independent Auditors”		Members Association				ba
3	Practical Advanced Course: “Key Considerations for Auditors in Preventing Accounting Fraud: Coordination with Internal Auditors and Independent Auditors”	Coordination with Independent Auditors	Japan Audit & Supervisory Board Members Association	Sachie Tsuji, CPA and Certified Fraud Examiner	In-person	Oct. 21 or Oct. 27, 2026	Mori / Yoshida
4	Initiatives to Enhance Corporate Disclosure and Related Matters	Disclosure System	Japan Audit & Supervisory Board Members Association	Atsuko Takahashi, Corporate Finance Investigator, Corporate Disclosure Division, Strategy Development and Management Bureau, Financial Services Agency	Web	May 20 to Aug. 27, 2026	Shigeto (Completed) / Mori (Completed) / Yoshida (Completed)

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
5	The Roles of Auditors and Audit Committee Members Organized Around Three Situations	Roles of Auditors and Audit Committee Members	Japan Audit & Supervisory Board Members Association	Akira Takeuchi, Attorney-at-Law and Certified Fraud Examiner	Web	Mid-Jul. 2026 to May 2027	Mori / Yoshida / Mikoshiba
6	Course Recommended Before and After Appointment as an Audit & Supervisory Board Member, Audit Committee Member, or Audit and Supervisory Committee Member	Roles of Auditors and Audit Committee Members	Japan Audit & Supervisory Board Members Association	Yoshiki Nishiyama, Professor Emeritus, Kyushu University / Attorney-at-Law Daisuke Morimoto, Attorney-at-Law	Web	Apr. 1, 2026 – Mar. 31, 2027	Mori (Completed) / Yoshida (Completed) / Mikoshiba
7	38th Residential Audit Practice Training Program for Newly Appointed Auditors and Audit Committee Members	Roles of Auditors and Audit Committee Members	Japan Audit & Supervisory Board Members Association	—	In-person	Aug. 20–21, 2026	Yoshida (Completed)
8	Fundamental Legal Terminology and Its Practical Use for Auditors and Audit Committee Members	Roles of Auditors and Audit Committee Members	Japan Audit & Supervisory Board Members Association	Kurando Suzuki, Attorney-at-Law	In-person	Sep. 7, 2026	Mori (Completed)

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
9	Effective Operational Audit Methodologies and Practices: Including Legal and Practical Considerations on Major Issues Such as Interviews on Risk Management Systems and Appropriate Engagement with Operating Divisions	Mid-Year Practices	Japan Audit & Supervisory Board Members Association	Hitoshi Takahashi, Professor Emeritus, Dokkyo University	Web	Open	Mori
10	Audits by Auditors and Audit Committee Members Utilizing AI	Year-End and Beginning-of-Year Practices	Japan Audit & Supervisory Board Members Association	Michi Sasano, CPA	In-person	Oct. 15, 2026	Mori
11	Key Considerations and Case Study Analysis for Preparing Audit Reports	Year-End and Beginning-of-Year Practices	Japan Audit & Supervisory Board Members Association	Toshifumi Goto, Managing Director, JASBA	Web	Apr. 2, 2026 – Mar. 31, 2027	Mori / Yoshida (Completed) / Mikoshiba
12	Recent Discussions on Internal Controls and Key Considerations for Auditors and Audit Committee Members	Internal Control System	Japan Audit & Supervisory Board Members Association	Noritake Ogaki, Professor, Graduate School of Law, Osaka Metropolitan University	In-person	Sep. 10, 2026	Mori (Completed)

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
13	How to Identify Hidden Accounting Fraud: Considering “Fraud Without Awareness” and Failures in Internal Controls	Internal Control System	Japan Audit & Supervisory Board Members Association	Hideki Akita, CPA	Web	Open	Shigeto (Completed) / Mori / Yoshida
14	Q&A on “Ineffective Boards of Directors, Deficiencies in Audit Functions of Committees, and Inadequate Internal Audit and Whistleblowing Systems”	Internal Control System	ACFE JAPAN	Hiroki Sugino, Japan Exchange Regulation	Web	Open	Shigeto (Completed) / Mori
15	Overview and Practical Use of the “Handbook for Strengthening Internal Controls and Preventing Misconduct”	Internal Control System	ACFE JAPAN	Hiroki Sugino, Japan Exchange Regulation	Web	Open	Shigeto (Completed) / Mori
16	Digital Forensics: Practical Processes and Key Considerations	Internal Control System	ACFE JAPAN	Takeshi Koike, CPA, CEO of foxcale Co., Ltd.	Web	Open	Yoshida
17	Key Considerations for Investigations Based on Whistleblowing Reports	Internal Control System	ACFE JAPAN	Yuhei Sakao, Attorney-at-Law and Certified Fraud Examiner	Web	Open	Shigeto (Completed)

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
18	Responsibilities, Rights and Obligations of Auditors and Audit Committee Members under the Companies Act, Financial Instruments and Exchange Act, and Corporate Governance Code: Taking into Account Amendments to the Companies Act and Revisions to the Corporate Governance Code	Legal Responsibilities	Japan Audit & Supervisory Board Members Association	Yusaku Kurahashi, Attorney-at-Law	Web	Jul. 8, 2026 – May 2027	Mori / Mikoshiba
19	Key Considerations for Exercising Voting Rights and Conducting Audits as Directors and Audit and Supervisory Committee Members: Including the Audit and Supervisory Committee's Right to State Opinions and Responses to Revisions to the Corporate Governance Code	Legal Responsibilities	Japan Audit & Supervisory Board Members Association	Hidetake Tsukamoto, Attorney-at-Law	In-person	Aug. 7, 2026	Shigeto (Completed) / Yoshida (Completed)

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
20	What Should Auditors Discuss with the Representative Director (President), and How Should They Collaborate?: Perspectives on Relationship Building Based on the “Representative Authority” Concept under the Companies Act	Directors and Auditors	Japan Audit & Supervisory Board Members Association	Yoshiki Nishiyama, Professor Emeritus, Kyushu University and Attorney-at-Law	Web	Aug. 4, 2026	Mori (Completed)
21	Practical Operations of Audit & Supervisory Boards and Other Audit Bodies, Preparation of Minutes, Key Considerations, and Checkpoints	Operations of the Audit & Supervisory Board	Japan Audit & Supervisory Board Members Association	Osamu Okawa, Attorney-at-Law, Dojima Law Office	Web	Aug. 18, 2026 – Jun. 30, 2027 (planned)	Mikoshi ba / Mori / Yoshida
22	Introductory Course: Legal Framework and Practical Developments Relating to Internal Control Systems – Key Points for Auditors and Audit Committee Members	Internal Control System	Japan Audit & Supervisory Board Members Association	Masafumi Hosono, Attorney-at-Law	Web	Aug. 21, 2026 – May 31, 2027	Mikoshi ba / Yoshida / Mori

No.	Title	Category	Organizer	Lecturer	Format	Date	Participants
23	Basic Practical Course: Fundamental Legal Terminology and Its Practical Use for Auditors and Audit Committee Members	Legal Terminology	Japan Audit & Supervisory Board Members Association	Kurando Suzuki, Attorney-at-Law	Web	Sep. 25 – Oct. 30, 2026	Mikoshi ba
24	Introductory Course: Key Points That Auditors and Audit Committee Members Should Understand Regarding Directors' Execution of Duties – Including the Business Judgment Rule and Recent Trends in Board Operations	Internal Control System	Japan Audit & Supervisory Board Members Association	Tomoyuki Matsui, Attorney-at-Law	Web	Jul. 23, 2026 – May 31, 2027	Mikoshi ba / Yoshida
25	Introductory Course for Directors: Roles and Responsibilities of Directors	Responsibilities, Rights and Obligations	Japan Audit & Supervisory Board Members Association	Hironori Kakuta, Attorney-at-Law	Web	Jul. 28, 2026 – May 31, 2027	Mikoshi ba

c Proactive Information Gathering (Particularly the Early Identification of Risk Indicators)

- Expanded participation in important executive management meetings, including the Corporate Management Committee (currently, the Management Committee), Budget Meetings, and other key executive meetings
- Enhanced interviews with officers (including Executive Officers and Corporate Officers), managers of key departments (department head level), and representatives of subsidiaries
- More in-depth discussions and deliberations among Audit & Supervisory Board

Members (currently, Audit and Supervisory Committee Members), as well as information sharing and exchanges of views with Outside Directors

Previously, only the Chairperson of the Audit & Supervisory Board attended important meetings such as the Corporate Management Committee (currently, the Management Committee) and Budget Meetings. Under the enhanced framework, Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members) attend these meetings as well as meetings focused on risk matters, such as the Compliance Committee and the Risk Management Committee, which they had not previously attended.

This enables Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) to obtain information directly, without waiting for reports from the executive side, regarding the prevention of the recurrence of inappropriate accounting practices, the progress of governance reforms, compliance-related issues, and risk information across the Group.

In addition, on April 16, former President Matsubayashi issued instructions regarding the sharing of notices and communications issued by each head office department, and on July 2, the secretariat of the Board of Directors distributed an e-mail regarding the reporting of significant risk information to Audit & Supervisory Board Members. Through these communications, instructions were issued across the Company to ensure thorough information sharing with Audit & Supervisory Board Members.

As a result, reporting lines have been established to ensure that important matters, particularly risk-related information, are promptly communicated to Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members).

Committee	Standing Audit & Supervisory Board Members (Currently, Standing Audit and Supervisory Committee Members)	Non-standing and Outside Audit & Supervisory Board Members (Currently, Non-standing Audit and Supervisory Committee Members)
Corporate Management Committee (currently, the Management Committee)	All Members	Optional
Budget Meetings	All Members	All Members
Company-wide Business Strategy Conference (currently, the Management Strategy Committee)	All Members	All Members
Compliance Committee	All Members	All Members
Risk Management Committee	All Members	All Members
Portfolio Committee (currently, the Strategic Monitoring Conference)	All Members	All Members
Investment Committee	All Members or Individual Attendance Depending on the Agenda Item	All Members or Individual Attendance Depending on the Agenda Item
Sustainability Committee	Optional	Optional

Information regarding other committees is also obtained through reviews of meeting minutes

and interviews with meeting organizers and secretariats.

In addition, as part of our proactive information-gathering efforts in connection with Audit & Supervisory Board audits (currently, Audit and Supervisory Committee audits), we have strengthened interviews with officers and the management teams of Group companies, and we have continued such efforts following the transition to the Audit and Supervisory Committee structure.

Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) conduct interviews with Directors, Executive Officers, and the heads of major departments in order to directly obtain information regarding the status of the implementation of recurrence prevention measures, responses to issues identified in connection with the recent incident, and the existence of any new issues or concerns. Rather than merely receiving reports on a passive basis, Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) proactively verify such matters themselves, thereby facilitating the early identification of issues and the verification of the effectiveness of the related countermeasures. This approach has continued to be implemented following the transition to the Audit and Supervisory Committee structure.

In addition, with respect to subsidiaries, based on risk assessments, we will conduct on-site audits or remote interviews with the presidents and representative directors of 175 consolidated subsidiaries, excluding 15 companies engaged in gas production and cylinder filling operations and seven companies undergoing liquidation or remaining dormant, out of a total of 197 consolidated subsidiaries as of September 30, 2026.

With respect to companies engaged in gas production and cylinder filling operations, the priority for direct audits by Audit and Supervisory Committee Members will be determined based on the nature of their business and risk assessments. In principle, monitoring will be conducted through the utilization of audit results from the internal audit department and the independent auditor. However, if signs of misconduct or other circumstances indicating heightened risk are identified, the risks will be reassessed on an individual basis, and direct audits, including on-site audits or interviews, will be conducted as necessary. Companies undergoing liquidation or remaining dormant will also be monitored in accordance with their respective circumstances.

*As of the Audit & Supervisory Board

Category	Number of Companies	Method	Primary Person Responsible (Standing Member)	Implementation Period
Domestic	117	on-site audit : 74 Remote: 43	Shigefuji: 35 Mori: 41 Yoshida: 41	July 2026 – February 2027
Overseas	60	on-site audit : 19 Remote: 41	Shigefuji: 29 Mori: 14 Yoshida: 17	August 2026 – March 2027
Total	177	on-site audit : 93 Remote: 84	Shigefuji: 64 Mori: 55 Yoshida: 58	July 2026 – March 2027

*Following the Transition to the Audit and Supervisory Committee

Category	Number of Companies	Method	Lead Audit and Supervisory Committee Member (Standing)	Implementation Period
① Domestic	116	on-site audit : 73 Remote: 43	Mori: 41 Yoshida: 40 Mikoshiba: 35	July 2026 – February 2027
② Overseas	59	on-site audit : 20 Remote: 39	Mori: 14 Yoshida: 16 Mikoshiba: 29	August 2026 – March 2027
Total	175	on-site audit : 93 Remote: 82	Mori: 55 Yoshida: 56 Mikoshiba: 64	July 2026 – March 2027

*1 As of September 30, 2026, the Group comprised 253 companies: 197 consolidated subsidiaries, 53 equity-method affiliates, and 3 non-consolidated subsidiaries.

*2 Non-standing Independent Outside Audit & Supervisory Board Members (currently, Non-standing Audit and Supervisory Committee Members) participate, as appropriate, in on-site audits and remote hearings conducted by Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members). On-site audits and hearings are conducted by Audit and Supervisory Committee Members designated by resolution of the Audit and Supervisory Committee.

Through these measures, we will ensure comprehensive monitoring and verification across the Group, taking into account that the recent incident primarily occurred among Group companies.

We will continue to share and analyze information obtained through such hearings within the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) and reflect the results in the focus areas for on-site audits and in audit plans, thereby promoting the establishment of recurrence prevention measures and enhancing the effectiveness of Group governance.

Furthermore, as part of strengthening information sharing among Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members), we have enhanced the framework for information sharing among Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) to ensure that information obtained by individual members is effectively incorporated into the audit activities of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) as a whole.

Information sharing between Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members) and Outside Audit & Supervisory Board Members (currently, Non-standing Audit and Supervisory Committee Members) is conducted not only through regular reporting and deliberations at meetings of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee), but also through the prompt sharing of significant information obtained through on-site audits, hearings, and other activities with all Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) without waiting for the next meeting of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee). In addition, depending on the urgency and significance of the matter, ad hoc meetings of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) are convened as necessary.

Furthermore, the status of the day-to-day audit activities conducted by Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members) is compiled into monthly activity reports and provided to Outside Audit & Supervisory Board Members (currently, Non-standing Audit and Supervisory Committee Members), thereby enabling them to maintain a continuous understanding of the status of the Group despite the limited time available to them.

As a foundation supporting such information sharing, we have redeveloped and are operating a shared platform that enables the centralized management and review of audit information, including audit working papers, records of on-site audits and hearings, and materials for meetings of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee). Through this platform, we have established an environment in which all Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) can access necessary information at any time.

Through these measures, we are enhancing the timeliness of information sharing while accumulating and systematically organizing records of audit activities, thereby ensuring the continuity and verifiability of audits.

In addition, we hold meetings for the exchange of views between Audit & Supervisory Board Members and Outside Directors (currently, Directors who are Audit and Supervisory Committee Members and Outside Directors who are not Audit and Supervisory Committee Members), at which they share their understanding of issues identified through their respective supervisory and audit activities and exchange views on such matters.

Through these initiatives, we seek to make full use of the expertise of Outside Directors and to diversify the supervision and oversight of business execution.

Furthermore, quarterly Group Audit & Supervisory Board Members Liaison Meetings are held with Audit & Supervisory Board Members of subsidiaries. At these meetings, participants share audit methodologies, audit themes, audit results, issues and challenges arising at each company, and exchange views regarding the operational status of recurrence prevention measures.

In light of the fact that the recent incident primarily occurred among Group companies, we have established a framework under which information obtained by Audit & Supervisory Board Members of subsidiaries is consolidated in a timely manner by the Audit & Supervisory Board of the Company (currently, the Audit and Supervisory Committee). At the same time, we will continue to standardize and enhance audit quality across the Group as a whole.

In addition, with respect to the appointment of Audit & Supervisory Board Members at subsidiaries, we will evaluate whether such appointments effectively contribute to Group governance and will make recommendations to the executive side regarding more effective organizational structures and personnel appointments.

Through these initiatives, we will prevent fragmentation of information among Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) and among Audit & Supervisory Board Members throughout the Group, thereby enabling the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) to conduct integrated and agile audit activities.

Responsible Department: Audit & Supervisory Board (currently, the Audit and Supervisory Committee)

Implementation Schedule: Consideration under the new framework commenced on June 29, 2026.

The audit plan was approved by resolution of the Audit & Supervisory Board on July 31, 2026. Following the change in the governance structure, Audit and Supervisory Committee succeeded to and deliberated on the audit plan at its meeting held on September 22, 2026, and was approved by resolution on October 7, 2026.

d In-Depth Risk-Based Audits Reflecting Changes in Risks

- Flexible revisions to key audit matters based on identified indicators, including those relating to M&A companies and compliance incidents
- Thorough implementation of practices involving sufficient verification and questioning regarding the assumptions underlying reported matters, the basis for judgments made, and the existence of any unreported matters

The Audit & Supervisory Board (currently, the Audit and Supervisory Committee) incorporates a risk-based approach from the stage of formulating audit plans. Based on an assessment of the risks surrounding the Group, audit themes are established and audit procedures are performed with varying degrees of focus according to the significance and likelihood of occurrence of the identified risks.

In conducting risk assessments, risks are evaluated not only in terms of their likelihood of occurrence and potential impact, but also taking into consideration the status of the design and operation of internal controls and the existence of past findings. Through the identification and assessment of risks, we ensure the objectivity and comprehensiveness of the evaluation process.

In addition, identified and assessed risks are compiled into a Risk Assessment List, which is reviewed quarterly by the Audit & Supervisory Board (currently, the Audit and Supervisory Committee). Through these reviews, we promote a shared understanding of risks and ensure that such risks are appropriately reflected in audit activities.

Matters identified in the report of the Special Investigation Committee, findings raised by the independent accounting auditor, and the results of self-assessments conducted by Group companies are included among the matters subject to evaluation.

Furthermore, during the risk assessment process, we exchange views with the independent accounting auditor and the Internal Audit Department regarding their respective perceptions of risks in order to prevent significant risks from being overlooked.

The above basic policy for risk-based audits has been maintained following the transition to the Audit and Supervisory Committee structure.

With respect to planned on-site audits under the audit plan, domestic subsidiaries are generally assigned to Standing Audit & Supervisory Board Members (currently, Standing Audit and Supervisory Committee Members), and Outside Audit & Supervisory Board Members (currently, Non-standing Audit and Supervisory Committee Members) accompany them as appropriate based on the results of individual risk assessments.

With respect to overseas subsidiaries, audits are conducted either through on-site reviews performed by executive departments or by accompanying internal audits, or through on-site audits conducted independently by Audit and Supervisory Committee Members. Such audits are carried out in a manner that takes into consideration language barriers and the readiness of the target companies to accommodate such reviews, and remote methods may also be considered depending on local circumstances.

Responsible Department: Audit & Supervisory Board (currently, the Audit and Supervisory

Committee)

Implementation Schedule: Consideration under the new framework commenced on June 29, 2026. The audit plan was approved by resolution of the Audit & Supervisory Board on July 31, 2026.

Following the change in the governance structure, the audit plan was succeeded and deliberated by the Audit and Supervisory Committee at its meeting held on September 22, 2026, and was approved by resolution on October 7, 2026.

e Strengthening Coordination with the Internal Audit Department and the Independent Accounting Auditor

• **Sufficient deliberation by the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) regarding the results and findings of internal audits, and the implementation of additional investigations and requests for corrective action, as necessary**

We have strengthened coordination among the Audit & Supervisory Board (currently, the Audit and Supervisory Committee), the Internal Audit Department, and the independent accounting auditor, namely the three-way audit system.

While maintaining their respective independent positions and roles, the three parties have established regular Three-Way Audit Liaison Meetings for the purpose of sharing audit-related information and issues of concern. These meetings are held every other month (with two meetings scheduled each quarter). The first meeting was held on July 22, 2026, and the second on August 25, 2026.

In addition, when significant events occur, liaison meetings are convened as necessary without waiting for the next regularly scheduled meeting in order to facilitate timely and agile information sharing.

At the Three-Way Audit Liaison Meetings, discussions and information sharing focus not merely on the exchange of activity reports but also on enhancing both the effectiveness and efficiency of audits. In particular, the following matters are discussed and shared.

First, risk recognition and audit plans are shared. The three parties compare their respective assessments of identified risks and, where differences in risk recognition exist, discuss the reasons for such differences. This helps prevent significant risks from being overlooked and enables coordination at the audit-planning stage to avoid duplication or gaps in audit locations and audit themes.

Through these efforts, we seek to achieve the efficient allocation of audit resources.

Second, the three parties share findings and concerns identified during the audit process. Internal control deficiencies and accounting issues identified by the independent accounting auditor during the course of audits, issues identified through audits and self-assessments conducted by the Internal Audit Department, and observations obtained by Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) through on-site audits and hearings are shared among the three parties and reflected in their respective risk assessments. In particular, matters indicating possible misconduct or suggesting the override of internal controls are shared promptly, even when considered minor.

In addition, with respect to the audit environment, the three parties engage in frank discussions regarding whether sufficient access to information necessary for audits has been secured and whether there are any issues with the executive side's arrangements for

responding to audits. Where necessary, the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) requests improvements from the Board of Directors.

Third, the three parties share their assessments regarding the status of corrective actions and improvements. With respect to findings identified in prior fiscal years and in the current fiscal year, each party verifies the progress of corrective measures implemented by the executive side from its respective standpoint and shares its assessment, thereby providing a multifaceted evaluation of the effectiveness of such corrective actions.

In addition to the above, the first meeting between the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) and the independent accounting auditor was held on September 28, 2026, and the first meeting between the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) and the Internal Audit Department was held on August 10, 2026. In addition, regular bilateral meetings are held separately between the respective parties. By combining three-party meetings and bilateral meetings, we have achieved close and effective coordination.

These activities will continue following the transition to the Audit and Supervisory Committee structure. While respecting the independence of each component of the three-way audit system, we will enhance the complementary nature of their respective audits through close coordination and further improve the effectiveness of monitoring and verification functions across the Group.

Responsible Department: Audit & Supervisory Board (currently, the Audit and Supervisory Committee)

Implementation Schedule: The necessary framework was established by July 2026 and had been succeeded by the Audit and Supervisory Committee by the end of September 2026.

f Transparency of the Selection Process for Audit & Supervisory Board Members (Currently, Directors Who Are Audit and Supervisory Committee Members)

Recognizing that the effectiveness of the audit function of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) depends heavily on the qualifications and independence of its members, we have clarified the criteria for the selection of Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) and conduct such selections in accordance with those criteria.

With respect to the selection of candidates for Audit & Supervisory Board Members (currently, Directors who are Audit and Supervisory Committee Members), in addition to the requirements set forth in Article 10 of the Company's Audit & Supervisory Board Member Audit Standards, the Audit & Supervisory Board established criteria for the appointment of Audit & Supervisory Board Members at its meeting held on May 22, 2026, and has operated in accordance with such criteria. Following the transition to the Audit and Supervisory Committee structure, the intent of such criteria has been incorporated into Article 8 of the Audit and Supervisory Committee Audit Standards, and such criteria have been carried forward as the criteria for the selection of candidates for Directors who are Audit and Supervisory Committee Members.

Under these selection criteria, the personal qualifications required of all Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) include: (1) possessing the high ethical standards, integrity, and communication skills required of executives of listed companies; (2) being capable of actively exercising a checking and monitoring function with respect to the Board of Directors and other officers; and (3) having

the courage and determination to express necessary opinions and take appropriate action without fear of isolation, based on an understanding of the individual responsibility of Audit & Supervisory Board Members (currently, following the transition to the Audit and Supervisory Committee structure, the audit framework conducted by the Audit and Supervisory Committee).

In addition, the criteria require candidates to possess knowledge and professional experience sufficient to objectively demonstrate their qualifications in at least two of the following areas: corporate management; finance, accounting, and auditing; internal controls and risk management; legal affairs and compliance; ESG and sustainability; human capital management; and international and global business.

Furthermore, with respect to the composition of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee), it has been stipulated from the perspective of efficiency that there shall be three standing members, of whom no fewer than two shall be internal members, and that the term of service should, as a general guideline, not exceed three terms or six years.

The four newly appointed Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members) elected at the Annual General Meeting of Shareholders held on June 29, 2026, were selected in accordance with these criteria. They consist of two certified public accountants, one individual who has held senior positions within a police organization and possesses extensive expertise in crisis management and incident response, and one individual who has been engaged for many years in management accounting and finance within our Group.

As a result, the Audit & Supervisory Board has established a structure that combines multilayered accounting verification capabilities, the ability to respond to misconduct and compliance-related matters, and the ability to conduct audits based on an in-depth understanding of the Group's business operations.

In addition, we transitioned to the Audit and Supervisory Committee structure at the Extraordinary General Meeting of Shareholders held on September 22, 2026. Among the newly appointed Standing Audit and Supervisory Committee Members was an individual who had served in both an Internal Audit Department and as an Audit & Supervisory Board Member within a company. In addition, among the newly appointed Non-standing Audit and Supervisory Committee Members was an attorney who has experience serving as an Outside Director and an Outside Corporate Auditor at various companies. This individual was appointed as a person possessing experience in internal audit operations.

With respect to the selection process for candidates for Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members), in addition to obtaining the consent of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) as required under the Companies Act, we have adopted a process under which the views of the Audit & Supervisory Board (currently, the Audit and Supervisory Committee) regarding the qualifications and composition it expects are reflected in the course of deliberations concerning the nomination of candidates.

Through this process, we ensure fairness and objectivity in the selection of Audit & Supervisory Board Members (currently, Audit and Supervisory Committee Members), preventing the selection of candidates solely based on the intentions of the executive side.

We will continue to make appointments in accordance with these criteria in order to sustainably maintain the quality of the audit function of the Audit & Supervisory Board

(currently, the Audit and Supervisory Committee).

In addition, with respect to the effectiveness assessment of the Audit and Supervisory Committee (including activities conducted by the Audit & Supervisory Board prior to the transition) in light of the recent inappropriate accounting practices, we conducted an internal questionnaire survey in September 2026 and are proceeding with improvements based on the results. The Audit and Supervisory Committee will discuss whether an assessment by an external evaluation organization is necessary and, if deemed necessary, such an assessment will be conducted within the year, with the aim of completing the related improvements by the end of the current fiscal year.

Responsible Department: Audit & Supervisory Board (currently, the Audit and Supervisory Committee)

Implementation Schedule: The Audit & Supervisory Board approved the Audit & Supervisory Board Member Selection Criteria in May 2026. Following the change in the governance structure, these criteria have been succeeded by the Audit and Supervisory Committee as the selection criteria for Directors who are Audit and Supervisory Committee Members.

IV. Issues Identified After Designation as Securities on Special Alert

As described in I. Background, in parallel with the additional investigation conducted by the Special Investigation Committee with respect to NIHON KAISUI, which remained an outstanding matter at the time of our report in April 2026, we conducted a self-assessment across the entire Group.

At NIHON KAISUI, although interference with the investigation by the then Representative Director and President and others was identified, we were able to establish the full facts through measures including the use of the leniency program and placing those who interfered with the investigation on leave from work pending the investigation.

In addition, other matters were identified during the course of the self-assessment. The most significant of these are set out below.

1. Failure to Recognize Impairment Losses at NIHON KAISUI

As a result of inappropriate cost reallocations among business segments, the profit and loss results of each business segment were not appropriately stated. Accordingly, business profitability for each segment was recalculated using appropriate methodologies, and future business plans were reassessed. As a result, it was determined that impairment losses on fixed assets at NIHON KAISUI had not been recognized.

2. Failure to Recognize Impairment Losses at Kanda Power and AW Onahama Biomass Power

As a result of analyzing the factors that led to the impairment of the power generation business at NIHON KAISUI, it was determined that future business plans of Kanda Power, a subsidiary of NIHON KAISUI, and AW Onahama Biomass Power, a subsidiary of the Company engaged in the same business, had not adequately reflected foreign exchange fluctuations and increases in raw material procurement costs. As a result, impairment losses on fixed assets were recognized at both companies.

3. Adjustment of Expenses at Hokkaido Body

At the instruction of the Senior Managing Director who served as General Manager of the Administration Department, monthly earnings were adjusted against plan by reversing expenses in months in which performance fell short of plan and recording additional expense entries in months in which performance exceeded plan, with respect to expense items such as bonuses and repair expenses. These expenses were subsequently settled within the fiscal year so that the adjustments would not affect annual earnings.

4. Misappropriation of Assets at AW Vietnam Hanam Branch

At the Hanam Branch of AW Vietnam, the branch's Administration and Accounting Manager engaged in the following activities: (a) in conjunction with remittances made by AW Vietnam to suppliers and other parties, funds were transferred to bank accounts belonging to the individual or a company managed by the individual using the same invoices (embezzlement of company funds); and (b) collections of accounts receivable from customers were used to replenish accounts payable that had been excessively reduced as a result of such embezzlement. In addition, in order to conceal the embezzlement, the individual engaged in fictitious transactions by using bank accounts belonging to the individual or companies managed by the individual to make it appear as though payments had been received for accounts receivable that could not otherwise be cleared through such replenishment.

5. Inappropriate Management of Replenishment Inventory and Other Matters at AW Link

At AW Link, which engages in the sale and rental of medical consumables and medical devices to medical institutions, the following matters were identified:

- A situation in which "replenishment inventory" provided free of charge by manufacturers could not be clearly distinguished from ordinary inventory for inventory management purposes.
- A situation in which reasonable assurance could not be obtained regarding the quantities and amounts of inventory at the Nara Branch determined through the physical inventory count conducted in March 2026, together with survey results indicating that physical inventory counts had not been conducted at 27 of the 321 customer-hospital inventory locations.
- Recording of purchases in a manner that deviated from the purchase recognition criteria (acceptance-based recognition criteria) prescribed in the accounting regulations.
- Failure to conduct physical inventory counts of inventory recorded as inventories due to temporary timing differences between shipment processing and sales processing in the sales management system.

6. AW India

With respect to a Gas Supply Agreement (an agreement under which AW India constructs and operates a plant on a customer's premises and supplies industrial gases to the customer), AW India had received notice from the customer expressing its intention not to renew the agreement and its desire to purchase the plant. However, because AW India had not formally approved the termination of the agreement and because there had been past cases in which similar situations had ultimately resulted in contract renewals, the impact of the termination of the agreement was not reflected in future business plans. As a result, it was determined that the amount of impairment losses recognized had been understated.

The causes of these issues and the recurrence prevention measures are described in II. 1. Corporate Culture Prioritizing Performance Targets and Diminished Awareness of Accounting Compliance (Tolerance of Inappropriate Accounting Practices) and III. 3.(1)③ Improvement of Business Processes and Inadequate Management Practices That Gave Rise to Inappropriate Accounting Practices, respectively.

In order to conduct the necessary investigations and verifications regarding these matters and to finalize financial results appropriately reflecting the results thereof, as well as to complete the related audit procedures, more time than originally anticipated was required. Accordingly, on June 29, 2026, we applied for an extension of the filing deadline for the Annual Securities Report. Approval was granted to extend the filing deadline to July 31, 2026, and the Annual Securities Report was submitted on that date.

V. Future Schedule for Establishing the Recurrence Prevention Framework

At the time of preparation of this report, the status of the development and implementation of each recurrence prevention measure is as follows.

Schedule of the Improvement Plan

→ : Review and Development ⇒ : Implementation and Operation

Recurrence Prevention Measures	2026							2027						
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
1 . Corporate Culture Reform (Fostering Compliance Awareness, Including Accounting Compliance, Led by Management)														
(1) Expression and Dissemination of Top Management's Commitment to Corporate Reform	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y	
(2) Strengthening Compliance through the Promotion of Open and Barrier-Free Communication Across Organizational Levels	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(3) Fostering Compliance Awareness Across the Group	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(4) Enhancement of the Internal Whistleblowing System	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	
(5) Review of Appointment and Performance Evaluation Criteria	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
2. Governance Reform (Ensuring Management Transparency														
(1) Strengthening the Board of Directors)														
① Rebuilding the Governance Framework for Identifying, Understanding, and Addressing Internal Control Issues Across	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026							2027						
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y	
the Group														

② Strengthening Oversight and Checks on Key Decisions Made by Top Management ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒

③ Review of the Board Composition to Strengthen the Supervisory Function

a Appointment of Director Responsible for Corporate Administrative Functions and the Enhancement of Management and Supervisory Functions → → → ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒

b Increasing the Number of Independent Outside Directors and the Proportion of Outside Directors → ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒

c Consideration of Future Changes to the Corporate Governance Structure → → → → → ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒

④ Establishing a Framework to Prevent Excessive → → ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒ ⇒

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
Concentration of Personnel Authority in Top Management														
⑤ Strengthening the Monitoring and Checking Functions of Outside Directors														
a Regular Dialogue Between Independent Outside Directors and Representative Directors	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
b Participation in Key Executive Management Meetings, Including the Corporate Management Committee and Budget Meetings	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
c Strengthening Information Gathering and Issue Identification through Enhanced Communication with Executive Officers and Other Senior Management Personnel	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
d Appointment of an Outside Director as Chairperson of the Board of Directors	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
⑥ Strengthening Compliance and Risk Management, Including the Effectiveness of Internal Controls														
a Reaffirming the Importance of Compliance and Risk Management	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
b Rebuilding Internal Controls from a Group-wide Perspective	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
c Strengthening the Functions of the Board Committees (Management Reform Committee and Nomination and Remuneration Committee) and Participation of Directors	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
d Consideration of the Appointment of a Responsible Executive Officer to Facilitate More Efficient and Effective Consolidation of Governance Information and More Effective Corrective	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026							2027						
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
Actions in Response to Identified Issues and Risks														
⑦ Establishing a Follow-up Framework for the Board of Directors	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
⑧ Regular Exchanges of Views with Audit & Supervisory Board Members	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(2) Establishment of Director Candidate Selection Criteria, Review of the Selection Process, and Strengthening of the Role of the Nomination and Remuneration Committee														
a Clarification of the Director Selection Process	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
b Development and Implementation of a Comprehensive Succession Plan for the President	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
c Enhancing the Quality of Outside Directors and Executive Directors	→	⇒	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026						2027						
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y
(Training and Education Programs)													
(3) Review of Internal Rules and Regulations from the Perspective of Strengthening Governance and Compliance Frameworks													
①Clarification of Organizational Roles, Responsibilities, and Accountability, and Reconstruction of Reporting Processes	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
②Redesign of Group-wide Rules and Regulations	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
Same as above (Review of Rules and Regulations Necessary to Maintain Suitability as a Listed Company)	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒
a Strengthening Internal Controls and Enhancing Rules and Regulations at Subsidiaries	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒
b Strengthening Governance at Subsidiaries and	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
Enhancing the Deployment of Personnel with Sufficient Knowledge and Experience to Conduct Appropriate Accounting Operations as Subsidiaries of a Listed Company														
③Education and Training on Business Processes and Accounting Practices, and Enhancement of Accounting Literacy	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(4) Organizational Change from the Compliance Office to the Risk Management & Compliance Department														
①Reaffirming the Importance of Compliance and Risk Management	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
②Rebuilding Internal Controls from a Group-wide Perspective	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(5) Clarification of Responsibilities														
3. Rebuilding Management														

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
Foundations and Internal Controls														
(1) Strengthening Internal Controls at Subsidiaries														
① Enhancement of Rules and Regulations	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
② Establishment and Improvement of Business Workflows and Thorough Enhancement of Operational Practices	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
③ Improvement of Business Workflows and Inadequate Management Practices that Gave Rise to Inappropriate Accounting Practices														
a Improvement of Business Workflows Related to Inventory Management	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	
b Improvement of Business Workflows Related to Revenue Management	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	
c Improvement of Business Workflows Related to Cost	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	O	N	D	J	F	M	A	M	
y	n	l	g	p	c	t	o	e	a	e	a	P	a	
	y	n	l	g	p	c	t	e	n	b	r	r	y	
Management Improvement of Business Workflows Related to Fixed Asset Management	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	
Management Improvement of Business Workflows Related to Accounting and Financial Closing Procedures	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	
(2) Strengthening Governance at Subsidiaries and Other Group Companies														
①Deployment and Increase of Personnel with Sufficient Knowledge and Experience to Conduct Appropriate Accounting Operations as Subsidiaries of a Listed Company	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	
②Periodic Validation and Monitoring of Areas in Which Inappropriate Accounting	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(3) Strengthening the Management of Group Companies														
①Strengthening the														

Recurrence Prevention Measures	2026					2027								
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y	
Functions of Administrative Departments with a Focus on Accounting, Performance Management, and Subsidiary Management a Deployment and Increase of Personnel with Sufficient Knowledge and Experience in Accounting and Disclosure Practices														
Formulation of the Head Office Accounting Department Staffing Plan	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
Review of the Staffing Plan Based on Recruitment Progress, Division of Responsibilities, and Skill Sets	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
Establishment of an Organizational Framework, Including the Utilization of External Specialists	→	→	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	
Assignment of	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y	
Dedicated Contacts within the Head Office Accounting Department														
b Rebuilding Business Processes with Clearly Defined Responsibilities, Approval Procedures, and Monitoring Functions	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
c Enhancing Collaboration and Dialogue Between the Head Office Accounting Department and Subsidiary Accounting Departments to Achieve Appropriate Accounting Treatment Based on Business Understanding	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
② Education and Training for Accounting Department Personnel														
a Thoroughly Instilling Awareness that the Accounting Department Is the Organization Ultimately Responsible for Consolidated Financial Reporting and	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	O	N	D	J	F	M	A	M	
	y	n	l	g	p	c	o	e	a	e	a	P	a	
Disclosure Practices and the Foundation of Internal Controls over Financial Reporting														
b Continuous Education and Training to Enhance Accounting Knowledge	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(4) Review of Company-Wide Strategy (Review of the Business Portfolio)														
①Redefinition of Core Competencies	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
②Selection and Concentration of Businesses	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
③Optimization and Restructuring of Group Companies	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(5) Review of the Budget Management Process	→	→	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	
4.Strengthening Internal Audit														
(1)Strengthening Internal Audit Functions														
a Strengthening the Internal Audit Office and Deploying and Increasing Personnel with Sufficient	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y	
Knowledge and Experience to Properly Perform Internal Audit Activities														
b Expansion of Audit Coverage and Review of Audit Items	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
c Verification and Evaluation of Risk Factors and Deficiencies Identified Through Internal Audits and Whistleblowing Reports, and Prompt Information Sharing with Relevant Organizations	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(2) Education and Training for Internal Audit Office Personnel														
a Thoroughly Instilling Awareness of the Internal Audit Office’s Role as the Last Line of Defense Responsible for Independent Evaluation	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
b Continuous Education and Training on Accounting and Auditing	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(3) Coordination with Audit & Supervisory	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026					2027								
	M	J	J	A	S	O	N	D	J	F	M	A	M	
	a	u	u	u	e	c	o	e	a	e	a	P	a	
	y	n	l	g	p	t	v	c	n	b	r	r	y	
Board Members (Currently, Audit and Supervisory Committee Members) and the Audit Firm														
5.Strengthening Audit & Supervisory Board Audits (Currently, the Audit and Supervisory Committee)														
(1) Transition to a Company with an Audit and Supervisory Committee	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(2) Establishment of the Audit and Supervisory Committee Secretariat	→	→	→	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
(3) Follow-up on the Improvement Measures Described in the Improvement Plan and Status Report Announced on July 31														
a Strengthening the Structure and Functions of the Audit & Supervisory Board(Currently, the Audit and Supervisory Committee)	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	
b Enhancement of Audit	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	

Recurrence Prevention Measures	2026						2027						
	M a y	J u n	J u l	A u g	S e p	O c t	N o v	D e c	J a n	F e b	M a r	A P r	M a y
Capabilities of Audit & Supervisory Board Members (Currently, Audit and Supervisory Committee Members)													
c Proactive Information Gathering (Particularly the Early Identification of Risk Indicators)	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
d In-Depth Risk-Based Audits Reflecting Changes in Risk Profiles	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
e Strengthening Coordination with the Internal Audit Function and the External Auditor	→	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒
f Clarification of Criteria for the Appointment of Audit & Supervisory Board Members and Enhancement of Transparency in the Selection Process (Currently, Audit and Supervisory Committee Members)	→	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒	⇒

Appendix: Correspondence Between Root Causes and Recurrence Prevention Measures

【Correspondence Table of Root Causes and Improvement Measures】

Analysis of the Root Causes of Inappropriate Accounting Practices		Recurrence Prevention Measures	
No	Item	No	Item
1.	1. Corporate Culture Prioritizing Performance Targets Above All Else and a Weakening Awareness of Accounting Compliance (Tolerance of Inappropriate Accounting Practices)	1.(1)	Demonstration and Dissemination of Top Management's Commitment to Corporate Reform
		1.(2)	Strengthening Compliance Through the Promotion of Open and Two-Way Communication Across Organizational Levels
		2.(1)	Strengthening the Board of Directors
		2.(2)	Establishment of Criteria for the Appointment of Officer Candidates, Review of the Appointment Process, and Strengthening of the Role of the Nomination and Remuneration Committee
2.	Organizational Management by Powerful Top Management and a Corporate Culture of Anticipating Such Management's Intentions	1.(1)	Demonstration and Dissemination of Top Management's Commitment to Corporate Reform
		1.(2)	Strengthening Compliance Through the Promotion of Open and Two-Way Communication Across Organizational Levels
		2.(1)	Strengthening the Board of Directors
		2.(2)	Establishment of Criteria for the Appointment of Officer Candidates, Review of the Appointment Process, and Strengthening of the Role of the Nomination and Remuneration Committee
3.	Excessive Performance Pressure on Frontline Operations	1.(1)	Demonstration and Dissemination of Top Management's Commitment to Corporate Reform
		1.(2)	Strengthening Compliance Through the Promotion of Open and Two-Way Communication Across Organizational Levels
		1.(3)	Fostering Compliance Awareness Throughout the Group
		1.(4)	Enhancement of the Internal Whistleblowing System

Analysis of the Root Causes of Inappropriate Accounting Practices		Recurrence Prevention Measures	
		1.(5)	Review of Appointment, Removal, and Personnel Evaluation Criteria
		2.(1)	Strengthening the Board of Directors
		3.(4)	Review of Company-Wide Strategy (Review of the Business Portfolio)
		3.(5)	Review of the Budget Management Process
4.	Weaknesses in the Management Infrastructure and Internal Control Framework	3.	Rebuilding the Management Foundation and Internal Controls
		3.(4)	Review of Company-Wide Strategy (Review of the Business Portfolio)
4.(1)	Absence of an Executive Officer Responsible for Finance and Accounting	2.(2)	Establishment of Criteria for the Appointment of Officer Candidates, Review of the Appointment Process, and Strengthening of the Role of the Nomination and Remuneration Committee
4.(2)	Weaknesses in Corporate Functions, Particularly within the Accounting Department	3.(3)	Strengthening the Management of Group Companies
5.	Insufficient Effectiveness of Internal Controls, Including Organizational Roles and Responsibilities	2.(3)	Review of Rules and Regulations from the Perspective of Strengthening Governance and Compliance Frameworks
		3.	Rebuilding the Management Foundation and Internal Controls
		3.(3)	Rebuilding the Management Foundation and Internal Controls
		3.(4)	Review of Company-Wide Strategy (Review of the Business Portfolio)
		4.	Strengthening Internal Audit
6.	Operational Workflows that Enabled Inappropriate Practices and Inadequate Inventory Management within Business Divisions and Group Companies	3.	Rebuilding the Management Foundation and Internal Controls
7.	Insufficient Understanding of Ethics and Accounting Literacy Resulting in Inappropriate Accounting Practices	1.(3)	Fostering Compliance Awareness Throughout the Group
		3.	Rebuilding the Management Foundation and Internal Controls
		3.(3)	Strengthening the Management of Group Companies
		3.(4)	Review of Company-Wide Strategy (Review of the Business Portfolio)

Analysis of the Root Causes of Inappropriate Accounting Practices		Recurrence Prevention Measures	
8.	Insufficient Review of the Design and Operation of the Whistleblowing System	4. 1.(4)	Strengthening Internal Audit Enhancement of the Internal Whistleblowing System
9.	Insufficient Supervisory Function of the Board of Directors	2.(1)	Strengthening the Board of Directors
10.	Insufficient Audit Function of the Audit & Supervisory Board	5.	Strengthening Audit & Supervisory Board Audits (Currently, the Audit and Supervisory Committee)
11.	Insufficient Assessment of Business Risks, Organizational Structures, and Operational Processes	2.(4)	Reorganization of the Compliance Office into the Risk Management & Compliance Department
12.	Weaknesses in the Internal Audit Function	4.	Strengthening Internal Audit