

**Regarding the Investigation Results,  
Disciplinary Actions Against Relevant  
Parties, and Details of Recurrence  
Prevention Measures Concerning the  
Inappropriate Accounting Issue**

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April 3, 2026

AIR WATER INC.



# Agenda

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## Notes

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- The numerical targets and forecasts presented in this document reflect the judgment of our company based on information currently available and involve potential risks and uncertainties. Therefore, the reader should note that actual business performance may differ significantly from the projections made herein due to changes in various factors.
- **Air Water Inc.'s financial statements are prepared in accordance with "IFRS" (International Financial Reporting Standards).**



# I . Overview of the Investigation Results



# Regarding the Investigation by the Special Investigating Committee

## Background

July 2025	Improper accounting related to inventories (deferral of loss recognition) was identified at a consolidated subsidiary.
October 9, 2025	A Special Investigating Committee composed of external experts was established.
November 13, 2025	A Management Reform Committee was established.
November 14, 2025	Approval was obtained for an extension of the deadline for submission of the semiannual report (announcement of results for the second quarter of the fiscal year ending March 2026 was postponed).
December 3, 2025	The Chairman of the Board resigned.
January 30, 2025	Appointment of an Outside Director as Chair of the Board of Directors
February 6, 2026	The Company disclosed the summary of financial results for the third quarter of the fiscal year ending March 2026 more than 45 days after the quarter-end.
February 12, 2026	The Company received the investigation report of the Special Investigating Committee (as of February 9).
February 13, 2026	<ul style="list-style-type: none"> <li>• Submission of the Semi-Annual Securities Report (Auditor's Review with a "Qualified Conclusion")</li> <li>• Announcement of Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2026</li> <li>• Announcement of the Outline of Recurrence Prevention Measures</li> </ul>
March 31, 2026	Receipt of the Investigation Report from the Special Investigating Committee
April 3, 2026	Announcement of Disciplinary Actions Against Relevant Parties and Details of Recurrence Prevention Measures

# Establishment of the Special Investigating Committee

## ●Composition

Chairperson: Masatoshi Obara (Attorney-at-law; Partner, Kikkawa Law Office; Former President of the Osaka Bar Association; Former Vice President of the Japan Federation of Bar Associations)

Member: Wataru Nakamori (Attorney-at-law; Partner, Kitahama Law Office)

Member: Mamoru Honda (Certified Public Accountant; Partner, PwC Risk Advisory LLC)

## ●Scope of Investigation

1. Investigation of the facts
2. Investigation into the existence of similar matters
3. Assessment of the impact amount
4. Identification of root causes and recommendations for recurrence prevention measures
5. Other matters deemed necessary by the Committee

## ●Extended Investigation Items (Pending Matters as of February 9, 2026)

1. Investigation of Pending Matters ((i) Air Water Mechatronics(ii) Air Water Disaster Prevention(iii) Other matters)
2. Confirmation of the Implementation Status of Workshops\*
3. Confirmation of the Results of Adjusting Journal Entries Identified Through Voluntary Self Inspections

\*A workshop is a session in which multiple employees—primarily from our company and group companies where suspected improper accounting practices have been identified—are asked to participate simultaneously to provide information. 5

# Summary of Findings from the Investigation Report of the Special Investigating Committee (as of February 9)

## Summary of Investigation Results

Company Name	Summary
Nippon Helium	Since fiscal year 2019, losses related to helium raw materials were intentionally understated. Repeated deferral of loss recognition for unrecorded losses resulted in the recognition of overstated inventories that did not actually exist.
Air Water Ecoloca	In addition to the occurrence of inventory discrepancies and the avoidance of loss recognition after their discovery, a substantial number of improper accounting practices were identified, including the overstatement of sales.
Air Water Mechatronics	Loss recognition for stagnant inventories was not approved, and proposals were made to defer losses by spreading them over subsequent periods. In addition, accruals for bonuses were avoided, resulting in the deferral of expense recognition related to bonus payments. Furthermore, multiple cases were identified in which sales were recorded without sufficient confirmation of the inspection conditions agreed with customers.
Air Water Inc. Plant Gas Division	With respect to impairment processing for items expected to be disposed of, loss recognition for inventories with no prospect of use was deferred by returning approval requests for loss recognition.
Air Water Safety Service	It was revealed that non-existent work-in-progress inventories were recorded on the books. Although immediate loss recognition was required, the deferral of loss recognition was tolerated. In addition, in its power business division, fraudulent revenue recognition was carried out by abusing the percentage-of-completion method.
Others	At the Company and a significant number of Group companies, various improper accounting treatments were carried out with the objective of inflating sales and profits. These included the overstatement of inventories, deferral of asset impairment losses, premature revenue recognition, inflation of consolidated sales through the use of unnecessary intermediaries, avoidance of provisions, and capitalization of expenditures lacking asset substance to adjust profit or loss.

# Overview of the Extended Survey (February 10–March 27, 2026)

	Company Name	Summary
① Outstanding items as of February 9	Air Water Mechatronics	<p>The following two instances of improper accounting practices were identified</p> <ul style="list-style-type: none"> <li>• Manipulation of profits through cost reclassification and manipulation of labor hours</li> <li>• Manipulation of inventory valuation and unit cost of goods issued for imported products to avoid foreign exchange impacts</li> </ul>
	Air Water Safety Service	<p>Inappropriate accounting treatment and issues related to internal controls were identified as follows:</p> <ul style="list-style-type: none"> <li>• Lack of preventive and supervisory functions of the Audit &amp; Supervisory Board Members and the Internal Audit Department</li> <li>• Inappropriate manipulation of the timing of expense recognition</li> <li>• Off-balance-sheet management of unused inventory related to completed projects</li> <li>• Existence of off-balance-sheet fixed assets</li> </ul>
	Others	<p>Four instances of inappropriate accounting treatment were identified as follows:</p> <ul style="list-style-type: none"> <li>• Air Water Inc.: Failure to record liabilities related to retirement benefits</li> <li>• Air Water East Japan Inc. and Air Water West Japan Inc.: Reallocation of expenses and revenue between departments</li> <li>• Air Water Industrial &amp; Medical Gases: Double counting of revenue</li> <li>• Yonezawa Confectionery Co., Ltd.: Failure to record bonus provisions</li> </ul>
② Confirmation of workshop status		<ul style="list-style-type: none"> <li>• Multiple reports regarding similar inappropriate accounting treatment were confirmed.</li> <li>• While some reports involved newly identified cases, reports from certain companies remained limited.</li> </ul>
③ Confirmation of adjusting journal entries based on self-inspection		<ul style="list-style-type: none"> <li>• The accounting corrections resulted from a review of accounting treatment to align with the principles and intent of IFRS, accompanied by the clarification of company rules.</li> <li>• The enhancement of company rules, accounting and financial management systems, and supervisory functions, as well as the reaffirmation of responsibility for financial reporting, were identified as issues to be addressed.</li> </ul>

# Adjustments for Prior Fiscal Years (Planned)

Adjustments resulting from investigations by the Special Investigating Committee and internal audits (planned)

(unit:Billion Yen)

		*Figures announced on February 13: Fiscal Years 2019-2024 (Planned Adjustments)	Adjustments for Fiscal Years 2019-2024 following the extended investigation (planned)	Difference resulting from the extended investigation
Revenue	Special Investigating Committee	▲25.7	▲25.9	▲0.2
	Voluntary Review	▲41.0	▲41.0	—
	<b>Total</b>	<b>▲66.7</b>	<b>▲66.9</b>	<b>▲0.2</b>
Operating profit	Special Investigating Committee	▲7.6	▲7.9	▲0.3
	Voluntary Review	▲13.3	▲13.3	—
	<b>Subtotal</b>	<b>▲20.9</b>	<b>▲21.2</b>	<b>▲0.3</b>
	Impairment of property, plant and equipment and goodwill	▲12.2	▲12.2	—
	<b>Total</b>	<b>▲33.2</b>	<b>▲33.5</b>	<b>▲0.3</b>

\*The estimated prior-period adjustments stated in the investigation report (Summary Version: P.9 onwards; Published Version: P.248 onwards) are based on the information disclosed as of February 13, 2026.



# **I . Disciplinary Actions Against Relevant Parties**



# Disciplinary Actions Against Relevant Parties

We take this matter very seriously, and based on the facts recognized in the investigation report, as well as deliberations and recommendations by external experts, we have clarified the responsibilities of the relevant parties and will take disciplinary actions against them as set forth below.

Representative Director and President	Reduction of monthly remuneration by 100% (for three months)
Directors	Reduction of monthly remuneration by 50% (for three months)
Standing Statutory Auditor	
Independent Director	Reduction of monthly remuneration by 20% (for three months)
Outside Corporate Auditor	

The former Representative Director and Chairman, the former Vice President, and one former Executive Officer have already resigned.

\*Our executive officers and the representatives of group companies involved in this matter will be subject to strict disciplinary actions.



# I . Details and Progress of Recurrence Prevention Measures



# Factor Analysis

In addition to the investigation report prepared by the Special Investigating Committee, we conducted an analysis of the causes through repeated internal discussions and reviews, primarily led by the Management Reform Committee.

Performance targets excessively focused on revenue and profit growth, accompanied by excessive pressure

Distortions in growth and M&A strategies, and a situation in which the development of appropriate management control systems failed to keep pace

Tolerance of inappropriate accounting treatment by top management

Involvement in inappropriate accounting treatment by management-level personnel and heads of administrative departments who deferred to top management, resulting in the neutralization of internal controls

An unhealthy corporate culture in which inappropriate accounting treatment was easily justified by the conduct of management, accompanied by a deterioration of normative awareness, and a lack of awareness and literacy required of a listed company group

Business processes that enabled inappropriate accounting treatment, including inadequate inventory management in business divisions

Lack of monitoring functions by the Company's administrative departments and internal audit department

Insufficient monitoring and supervisory functions of the Board of Directors, as well as audit functions of the Audit & Supervisory Board

Issues related to the recognition of responsibility for financial reporting and organizational structures, which led to prior-period corrections (adjusting journal entries)

## Primary Factors

A corporate culture and top-down organizational management that placed the highest priority on achieving performance targets

Insufficient development of accounting and administrative functions, and inadequate effectiveness of the internal control system

Low accounting literacy and a lack of ethical awareness required of a listed company group



Over a prolonged period, an environment had been formed in which misconduct was likely to go undetected

# Our Commitment to Preventing Recurrence

The root cause of this matter lies in a **corporate culture that placed the highest priority on the achievement of performance targets**, resulting in insufficient awareness of the Company's role as a public institution in society.

Under this corporate culture, excessive performance-related pressure was imposed on frontline operations, and deficiencies in governance, management infrastructure, and internal controls were compounded. As a result, the organization failed to “pause,” “raise concerns,” and “correct issues,” which we believe led to the inappropriate accounting treatment.

Based on this reflection, we position **corporate culture reform as the most critical priority among our recurrence prevention measures**. We will steadily and continuously promote transformation into a company in which each member of management and every employee can think independently and act appropriately.

# Overview of Recurrence Prevention Measures Announced on February 13 (Outline)

We will ensure that the recurrence prevention measures are firmly implemented in the course of the Company Group's day-to-day operations and that they continue to function effectively on an ongoing basis.

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

# Recurrence Prevention Measures Roadmap (Corporate Culture Reform and Governance Reform)

Recurrence Prevention Measure (Outline)	Recurrence Prevention Measure (Detail)	FY2025	FY2026				FY2027
		2~3	4~6	7~9	10~12	1~3	4~3
Reform of Corporate Culture	<b>Reform of Corporate Culture</b>	<p>Monthly Messages from the President</p> <p>▼1st Session(2/16)   ▼2nd(3/24)   ※ To be issued monthly going forward</p> <p>Town Hall Meetings Conducted by Top Management and Other Executives</p> <p>▼1st(3/25)   ▼Inappropriate accounting: completion for 37 companies</p> <p>Compliance Training(Directors and managers: four times per year (5 times in fiscal year 2026); general employees: twice per year)</p> <p>▼First Session for Executives (3/12)</p> <p>Awareness Survey</p> <p>▼1st(2/18)   2nd(Oct.)</p> <p>Accounting Literacy Training</p> <p>▼Implementation of compliance training for all employees (six times per year)</p>					<p>※ Ongoing</p> <p>▼Company-wide completion</p> <p>※ Ongoing</p> <p>※Once a year Ongoing</p> <p>※ Ongoing</p>
	<b>internal audit function</b>		<p>▼ Expansion of Reporting Channels (External Auditors) *Reporting channel managed by an external third party to be established by the end of June</p>	<p>▼ Establishment of reporting channels at major Group subsidiaries</p>		<p>▼Completion of reporting channel establishment at all</p>	
Governance Reform	<b>Board of Directors</b>	<p>▼Appointment of an Outside Director to the Board of Directors(1/30)</p>	<p>▼Evaluation of the effectiveness of the Board of Directors by an external institution</p> <p>▼Nomination and Compensation Committee: Establishment of a new framework</p> <p>▼Establishment of a new Board of Directors structure</p> <p>▼Appointment of a Director in charge of administrative management</p> <p>▼Increase in the number of Outside Directors or an increase in their ratio on the Board</p> <p>Consideration of future changes to the governance framework (institutional design)</p>				
	<b>Board of Auditors</b>		<p>▼Exchange of opinions between Outside Directors and Audit &amp; Supervisory Board Members</p>	<p>▼Reporting of audit plans to the Board of Directors (risk-based audit planning)</p>		<p>※ Ongoing</p>	
	<b>Organization</b>	<p>▼Establishment of executive oversight for accounting and finance(3/16)</p>	<p>▼Announcement of disciplinary actions against relevant parties (management level)</p> <p>▼Announcement of a new organizational structure (Head Office administrative departments)</p> <p>▼Announcement of a new organizational structure (business divisions)(Jul.)</p>				
	<b>Risk Management</b>		<p>▼Determination of the operational guidelines and holding of meetings for the Compliance Committee and the Risk Management Committee</p>	<p>▼ Holding ①</p>	<p>▼ Holding ②</p>	<p>▼ Holding ③</p>	<p>▼ Holding ④</p> <p>※ Ongoing</p>

# Recurrence Prevention Measures Roadmap (Management Infrastructure and Internal Control, Company-wide Strategy)

Recurrence Prevention Measure (Outline)	Recurrence Prevention Measure (Detail)	FY2025	FY2026				FY2027
		2~3	4~6	7~9	10~12	1~3	4~3
Rebuilding of the Management Infrastructure and Internal Control Systems	Management Infrastructure	<ul style="list-style-type: none"> <li>▼Increase of Head Office administrative staff (approx. +10) (2026/3)</li> </ul>	Additional hiring during FY2026 (+10)				toward a workforce of approx. 40
	Internal Control	<ul style="list-style-type: none"> <li>Redefinition of unified Group accounting rules (in phases, starting with key items)</li> <li>Revision and dissemination of accounting regulations and manuals (Group-wide)</li> <li>▼Briefing sessions on physical inventory count procedures(3/5)</li> <li>▼Requests for voluntary self-inspections and explanatory sessions to prevent inappropriate accounting(3/6)</li> </ul>	Implementation of a new subsidiary governance framework(Major subsidiaries: monthly meetings / Other subsidiaries: quarterly meetings)(Monthly financial statement analysis conducted)				Increase of personnel by 12, toward a workforce of approximately 40 (A workforce of 50 by the end of fiscal year 2028)
Review of the Company wide Strategy	Medium-Term Plan, Budget, and Portfolio	<ul style="list-style-type: none"> <li>▼First Portfolio Management Committee meeting (2/19)</li> </ul>	<ul style="list-style-type: none"> <li>▼Formulation of Group-wide investment policies</li> <li>Meetings of the Portfolio Management Committee(four times per year, and as needed)</li> <li>▼First Company-wide Business Strategy Meeting(scheduled for April-May; definition of core competencies)</li> </ul>				Review of group structure, including strengthening of governance

# Status of the Establishment of Internal Framework and Implementation of Recurrence Prevention Measures

We are implementing recurrence prevention measures in a phased manner, with a view to ensuring not only the establishment of internal frameworks but also their effective operation and long-term embedding within the organization

## **Establishment of Internal Frameworks for the Prevention of Recurrence**

- Establishment of the Management Reform Committee and the Subcommittee for the Review of Recurrence Prevention Measures

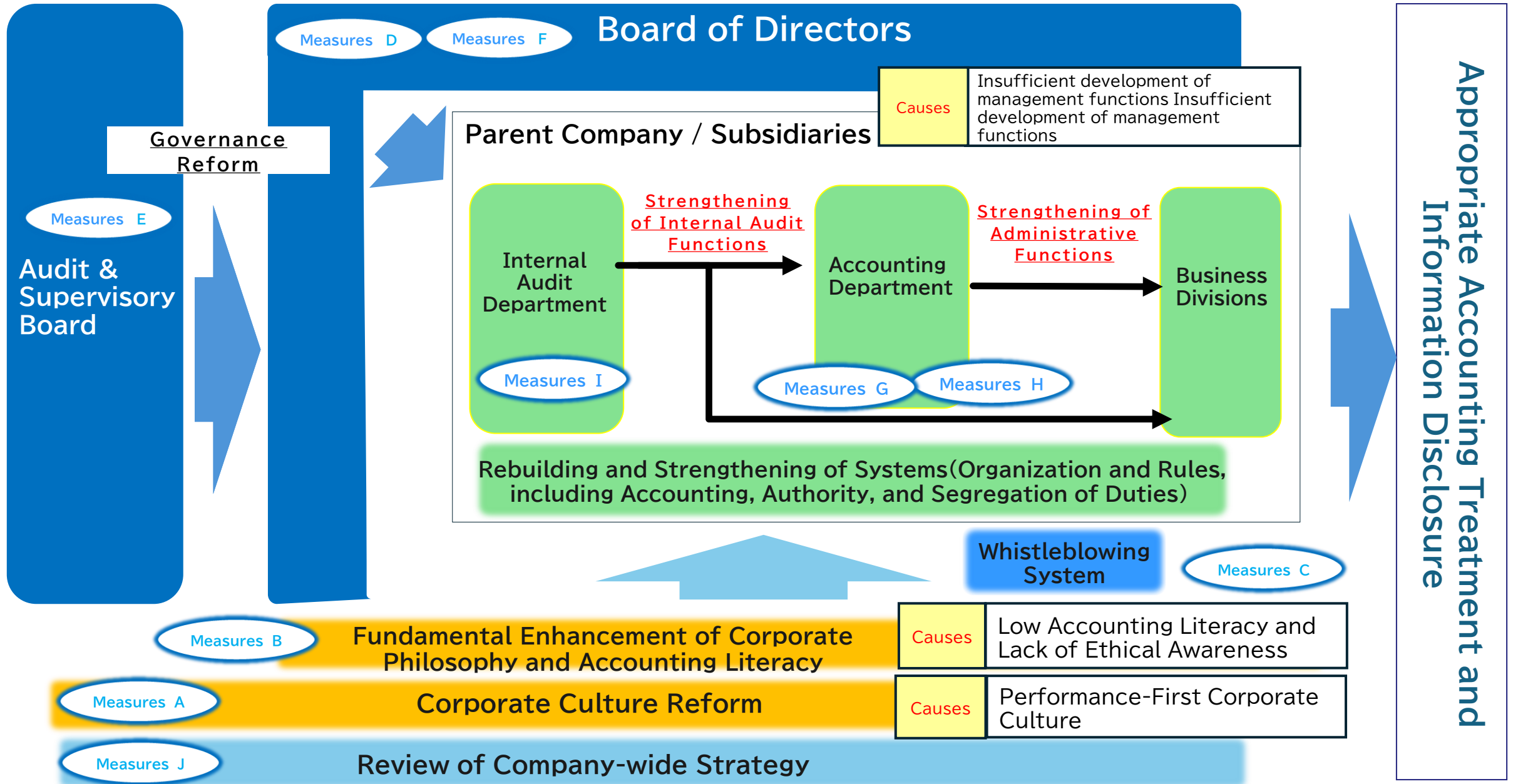
## **Initiatives Implemented or Currently Underway (Examples)**

- Regular dissemination of messages by top management (from February), and implementation of an employee awareness survey (February)
- Appointment of an Outside Director as Chair of the Board of Directors (January), and participation of Outside Directors and Audit & Supervisory Board Members in key management meetings (February)
- Appointment of a Chief Executive Officer for Accounting and Finance (March), and reassignment and increase of approximately 10 personnel in the Head Office Accounting Department (March–April)
- Holding explanatory sessions on operational processes and accounting treatment for managers across the entire Group (March)

## **Initiatives Scheduled to Be Implemented from April 2026 Onward (Examples)**

- Review of evaluation methods for business divisions
- Increase in the number of Outside Directors with expertise in financial accounting and business strategy
- Increase in personnel through mid-career hiring for the Accounting Department and Internal Audit Department
- Further strengthening of the internal whistleblowing system, and enhancement of education and training programs across the entire Company Group

# Overview of Recurrence Prevention Measures



# 1. Corporate Culture Reform ①

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

Measures A

## **Demonstration and Penetration of Commitment by Top Management**

- The Company will continue to deliver messages from top management to all Group employees on a monthly basis, starting in February 2026.
- Through reaffirmation of the management philosophy and corporate purpose, and by linking these messages with opportunities for direct dialogue with employees, the Company will promote and entrench these principles throughout the entire Group.

## **Clarification of Organizational Roles and Responsibilities**

- A new position, Chief Financial and Accounting Officer, with responsibility for the Accounting Office, Finance and Investor Relations Strategy Office, Business Administration Office, and AI&DX Promotion Office, has been established (effective March 2026).
- Organizational structures across head office management departments, business groups, and unit organizations not covered above will be reviewed, and reporting processes will be reconstructed by July 2026.

## **Establishment of a Compliance-First Management System**

- Compliance-related factors will be made mandatory components of business policies, and compliance indicators will be incorporated into evaluation criteria for executive management (during FY2026).
- Members of top management and executive officers will engage in direct, two-way dialogue with employees of the Company and Group companies where inappropriate accounting issues were identified (scheduled to be completed by June 2026).

## **Improvement of Communication**

- Guidelines clarifying psychological safety—stating explicitly that employees will not suffer disadvantage for expressing dissenting opinions or raising questions—have been formally established (implemented in March 2026).
- Employee engagement surveys will be conducted on a regular basis to reinforce initiatives for corporate culture reform (implemented in February 2026; next survey scheduled for August).

# 1. Corporate Culture Reform ②

The Appropriate Setting of Performance Targets, the Elimination of Excessive Performance Pressure and Fundamental Strengthening of Education and Training

Measures B

## Establishment of Appropriate Performance Targets

- Performance targets will be reviewed to eliminate excessive pressure by incorporating bottom-up perspectives and external environmental factors, shifting toward comprehensive performance targets that emphasize mid- to long-term KPIs and appropriately consider risk (from FY2026 budget formulation).
- Performance evaluations of units and subsidiaries will be conducted through a collegial decision-making process by the Personnel Committee to ensure transparency (implemented from April 2026; scheduled for further review in April 2027).

## Fundamental Enhancement of Ethics and Accounting Literacy

- Corporate ethics training for top management and senior management will be implemented and institutionalized.
- Ethics and accounting literacy training will be continued for all Group employees.
- Training frequency: at least four times per year for executives and managers, and at least twice per year for other employees (commencing March 2026).

Strengthening of the Internal Reporting System

Measures C

## Strengthening the Operation of the Internal Reporting System

- Independent external reporting channels, including those operated by outside Audit & Supervisory Board Members, will be established to strengthen the system's operation.

Establishment of an additional reporting channel handled by outside Audit & Supervisory Board Members (April 2026)

Establishment of an additional reporting channel operated by an external third party (July 2026)

Establishment of reporting channels at all subsidiaries (Completed across the Group by the end of December 2026)

- Alongside the establishment of reporting channels, awareness initiatives and effectiveness verification will be carried out to ensure Company-wide understanding that "the internal reporting system exists to protect the organization."

## 2. Governance Reform ①

### Strengthening of the supervisory function of the Board of Directors

Measures D

#### Reconstruction of the Governance Framework

- Issues within the Group's internal control systems will be identified and reviewed comprehensively, incorporating external recommendations, in order to enhance the substance of discussions at the Board of Directors.
- Rules related to the appointment of key personnel will be reviewed to promote decentralization of authority (operation scheduled to begin in July 2026).

#### Strengthened Oversight of Management / Enhanced Role of Outside Directors

- To reinforce oversight of critical decisions, an Outside Director has been appointed as Chairperson of the Board (implemented in January 2026).
- Exchanges with executive officers and other senior executives will be enhanced to facilitate information gathering and issue identification (scheduled to begin in July 2026).

#### Review of Board Composition to Enhance Supervisory Functions

- Appointment of a director possessing skills necessary to oversee management-related functions (planned for June 2026).
- Increase in the number or ratio of Independent Outside Directors (planned for June 2026).
- Commencement of discussions toward optimal governance structure, with policy determination by December 2026.

#### Strengthening of Responses to Compliance and Risk Management, including the Effectiveness of Internal Controls

- Strengthening of the functions of advisory bodies to the Board of Directors (the Management Reform Committee, the Compliance Committee, and the Risk Management Committee)
- Consideration of appointing an officer responsible for Compliance and Risk Management

## 2. Governance Reform ②

### Enhancement of Audit & Supervisory Board Functions

Measures E

#### Strengthening of the structure and functions

- Revision of audit plans based on a risk-based approach (from FY2026).
- Deployment and expansion of audit support staff, and utilization of external experts such as attorneys and certified public accountants as necessary.
- Establishment of information-sharing opportunities with representatives and Audit & Supervisory Board Members of subsidiaries (at least once per year).

#### Strengthening of collaboration with the internal audit department and the audit firm

- At least quarterly exchanges of views will be conducted with the Internal Audit Office and the external auditor on the status of internal control system development (from April 2026).

#### Clarification of criteria for the appointment and enhancement of transparency in the selection process

- Clarification of Criteria for the Appointment of Audit & Supervisory Board Members and Enhancement of Transparency in the Selection Process

### Strengthening the Role of the Nomination and Compensation Committee

Measures F

#### Clarification of Director Appointment Process

- Appointment criteria and procedures will be clearly defined to enhance transparency.

#### Establishment and Implementation of a CEO Succession Plan

- Requirements related to capabilities, leadership, and personal attributes will be examined.
- Identification and development plans for potential successors will be formulated and executed.

#### Improvement in the Quality of Outside Directors and Executive Directors

- Continuous participation in training programs provided by the Japan Association of Directors for both internal and external directors.

# 3. Reconstruction of Management Infrastructure and Internal Controls ①

## Strengthening of Finance and Accounting Functions

Measures G

### Appointment of Finance and Accounting Officer

- An officer with expertise in finance and accounting has been appointed to strengthen monitoring and oversight over business divisions (appointed in March 2026).

### Strengthening of Management Functions Centered on the Accounting Department

- Reinforcement of management functions encompassing accounting, performance management, and subsidiary oversight.
- Deployment and expansion of personnel with sufficient expertise in accounting and disclosure practices, along with continuous education and training.
- Reconstruction of business processes with clearly defined segregation of duties, approval, and control mechanisms.
- Enhancement of dialogue and cooperation between the accounting departments of the parent company and subsidiaries to realize appropriate accounting based on business understanding.

Increase of approximately 10 staff members in the Head Office Accounting Department (March–April 2026), followed by an additional increase of approximately 10 staff members within one year

Enhancement of accounting knowledge through study sessions, participation in external training programs, and utilization of e-learning

Monthly regular meetings with key subsidiaries (approximately 20–30 companies)

Quarterly small-group meetings with other subsidiaries

- From March 2026: Commencement of workflow reviews within the Head Office Accounting Department and implementation of documentation of judgment rationales (position papers)
- From April 2026: Establishment and operation of reporting lines for significant accounting issues and accounting
- From June 2026: Group-wide dissemination and reinforcement of accounting policies and key accounting treatment principles to subsidiary accounting departments

### 3. Reconstruction of Management Infrastructure and Internal Controls ②

#### Rebuilding the internal control framework from a Group-wide perspective

##### Strengthening Internal Controls at Subsidiaries

- Reorganization of internal rules and regulations, with top priority placed on inventory management issues that led to the inappropriate accounting, to establish proper controls in FY2025 financial reporting.
- Development and improvement of business processes and operations.
- Reorganization of Group-wide accounting regulations (scheduled for completion by October 2026).

##### Strengthening Governance over Subsidiaries

- Deployment and enhancement of personnel capable of ensuring appropriate accounting as listed-company subsidiaries (implemented in June 2026; review scheduled for October 2026).
- Ongoing education and training for on-site personnel to improve accounting literacy.
- Regular validation and monitoring of areas susceptible to inappropriate accounting, such as inventory and revenue management.

##### Measures H

Introduction of inventory counting guidelines at each company and holding of briefing sessions (March 2020)

Reorganization of Group-wide accounting regulations (scheduled for completion by October 2026).

On-site reviews of key accounting processes conducted by the Head Office administrative departments (or subsidiary support departments), prioritizing subsidiaries assessed as having higher internal control risk (commenced in July 2026), with corrective actions to be implemented during fiscal year 2026

Deployment of a fraud and inappropriate accounting checklist across the entire Group (March 2026)

Assignment of Audit & Supervisory Board Members and executives in charge of accounting and finance to subsidiaries

Clarification of reporting lines to the Head Office administrative departments for material or exceptional transactions at business divisions and subsidiaries

# 3. Reconstruction of Management Infrastructure and Internal Controls ③

## Strengthening of Internal Audit Functions

Measures I

### Strengthening of Internal Audit Functions

- Placement and increase of personnel with sufficient knowledge and experience

The Internal Audit Office will be expanded by approximately 12 personnel each year, with the aim of establishing a structure of 50 personnel by the end of fiscal year 2028. Until the internal structure is fully established, support from external professionals will be utilized to supplement resources and accumulate expertise.

- Clarification and thorough communication of roles contributing to effective monitoring and supervision

Expansion of internal audit coverage to Head Office departments and divisions, and formulation of an audit plan to cover all subsidiaries over a three-year period (FY2026: 70 companies / FY2027: 80 companies / FY2028: 65 companies).

- Verification and evaluation of identified risk factors and deficiencies
- Timely sharing of information with relevant organizations

### Education and Training for Internal Audit Members

- Dissemination of the significance of the internal audit function as the final line of defense, evaluating operations from an independent standpoint
- Development of a structured curriculum covering accounting, internal control, audit procedures, and IT audits, and incorporation into the mid-term activity plan (within FY2026)

### Strengthening Cooperation with the Audit & Supervisory Board Members and the External Auditor

- Establishment of opportunities to provide explanations to and exchange views with Audit & Supervisory Board Members and the external auditor regarding significant audit results, risk recognition, identified deficiencies, and improvement status, thereby strengthening collaboration. (Institutionalization of regular “Three Lines of Defense” meetings (among Audit & Supervisory Board Members, the external auditor, and the Internal Audit Office), to be held at least on a quarterly basis)

# 4. Review of Company-wide Strategy

## Review of the Business Portfolio

Measures J

### Redefinition of Core Competencies

- Redefinition of the Group's strengths and review of the company-wide business strategy

Holding of a Company-wide Business Strategy Meeting (First meeting scheduled for April-May 2026)



### Selection and Concentration of Businesses

- Promotion of resource concentration on core businesses and restructuring and reorganization of non-core businesses
- Deepening of existing businesses and development of new businesses

Deliberation on the Company's business portfolio and determination of Group policies by the Portfolio Management Committee (established in February 2026)

### Optimization and restructuring of Group companies

- Review of the roles of Group companies and reconstruction of an optimal structure to ensure thorough governance (targeted for completion by the end of fiscal year 2028)

Withdrawal from businesses that do not align with core competencies

Promotion of integration of companies with similar business characteristics, with the highest priority placed on strengthening governance

Meeting society's needs with nature's blessings.



***AIR WATER***