

Meeting society's needs with nature's blessings.



terrAWell30

1st stage

Medium-term Management Plan (FY2022-2024)

AIR WATER INC.

July 15, 2022

Introduction

Meeting society's needs with nature's blessings.



terrAWell30 1st stage

Terra means “earth” in Latin, and **Well** means “wellness = healthy life”.

AW connects “Global Environment” and “Wellness”.

We are committed to solving social problems,
based on our purpose “**Meeting society’s needs with nature’s blessings**”.

Index

Meeting society's needs with nature's blessings.



Section 1	Review of Previous Medium-Term Management Plan	P4
Section 2	Our Goals and Organizational Reforms over the Past 3 Years	P10
Section 3	The “Third Foundation” for FY2030	P14
Section 4	New Medium-Term Management Plan for <TerrAWell30 1st stage> FY2022-2024	P19
Section 5	Global Strategies/Business Group Strategies	P33
Section 6	Conclusion	P41
Appendix		P43

Meeting society's needs with nature's blessings.



Section 1

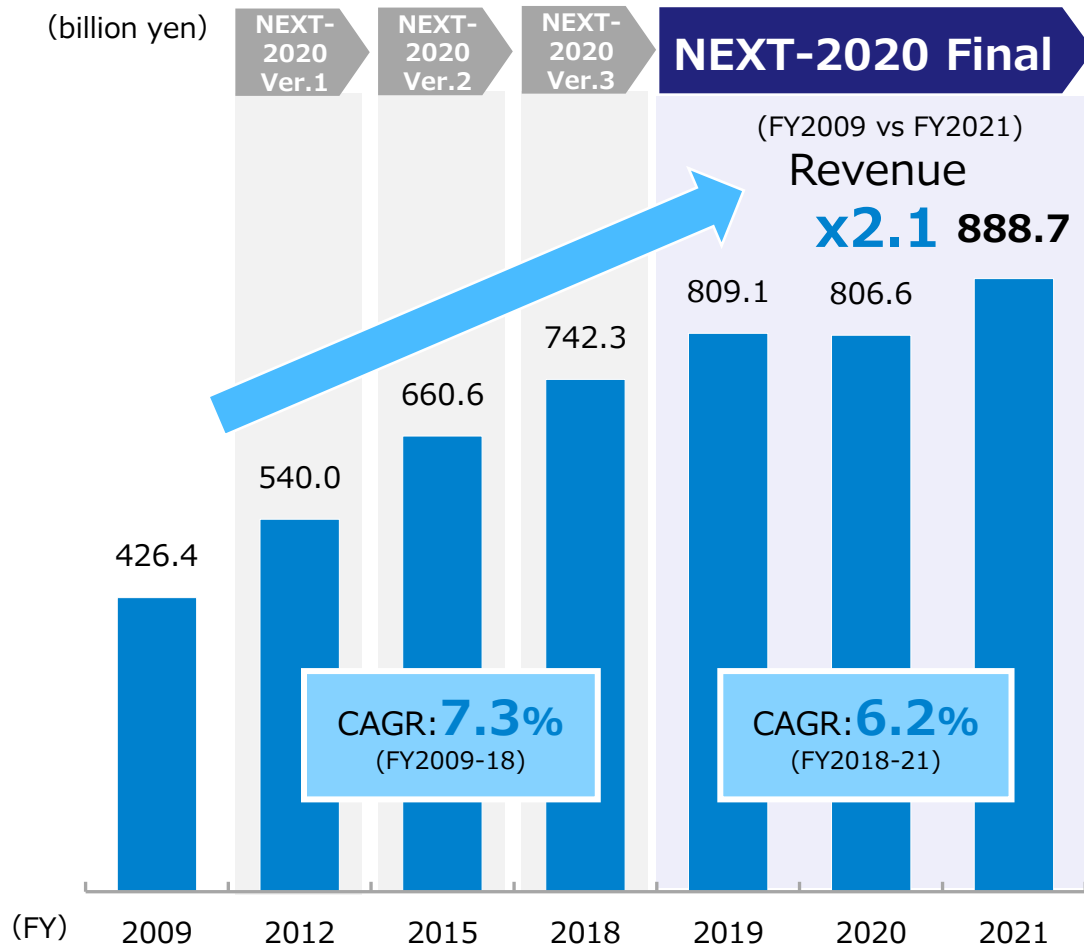
Review of Previous Medium-Term Management Plan

<NEXT-2020 Final> FY2019-2021

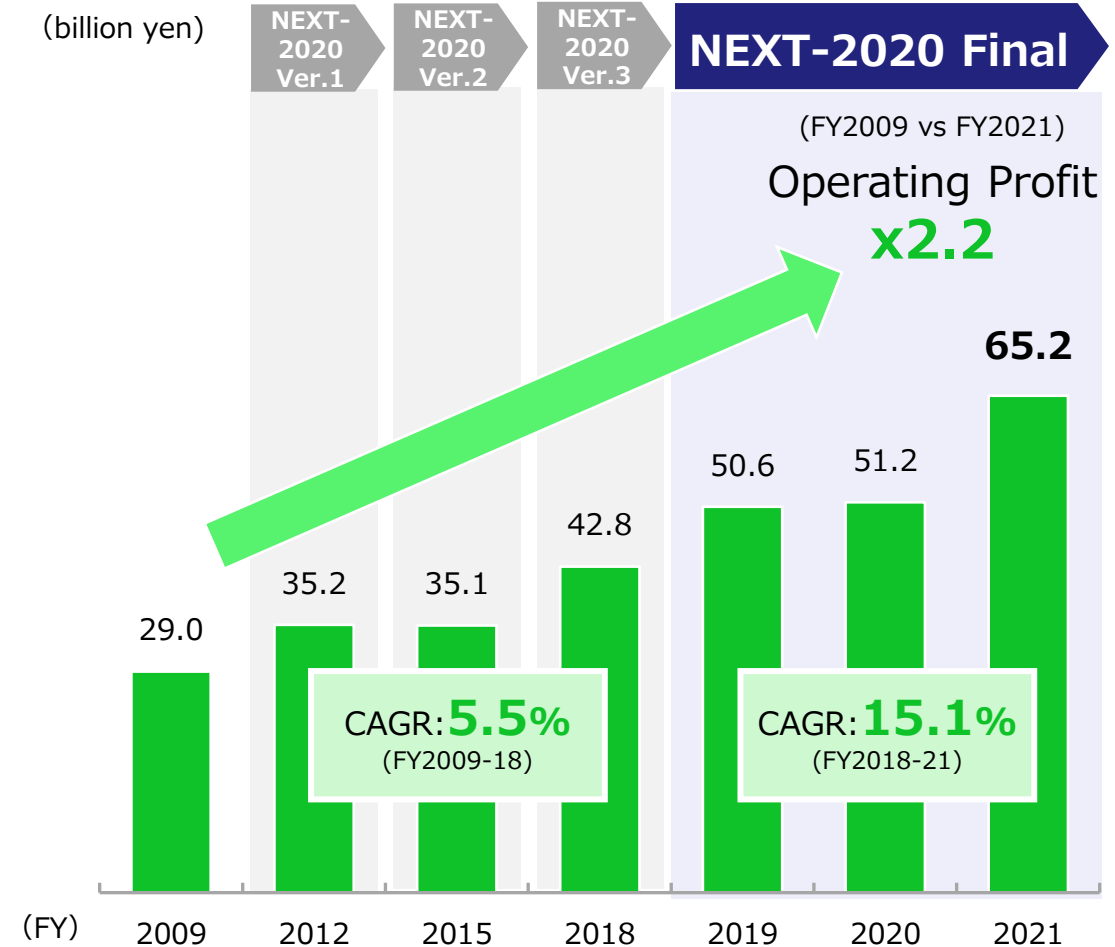
Financial Results from NEXT-2020 Ver.1 to Final (FY2010-2021)

Achieved 2.1x growth in revenue and 2.2x growth in operating profit from FY2009 to FY2021

Revenue



Operating Profit



Note: Net sales and ordinary profit (Japan GAAP) are shown until FY2015.

Business Indicators for NEXT-2020 Final (FY2019-2021)

Amid the COVID-19 pandemic, profit and profit margins were achieved FY2021 Original Plan while the revenue target to meet 1 trillion yen will be carried onto the next Medium-Term Management Plan

(Unit: billion yen)	FY2018 Results	FY2021 Original Plan	Comparison	FY2021 Results
Revenue	742.3	1,000.0	×0.89	888.7
Operating Profit	42.8	60.0	×1.09	65.2
Operating Margin	5.8%	6.0%	+1.3pt	7.3%
Net Profit Attributable to owners of parent	28.8	37.0	×1.17	43.2
Overseas Revenue Ratio	5.0%	10%	-1.4pt	8.6%

Investment Results (Capex, M&A) for NEXT-2020 Final (FY2019-2021)

Accumulated proactive investments for future growth, including overseas M&A

NEXT-2020 Final (FY2019-2021)

Original Plan

(Unit: billion yen)



NEXT-2020 Final (FY2019-2021)

Actual Results

(Unit: billion yen)



(Unit : billion yen)

Segment	Capital Expenditure
Industrial Gas-related	50.7
Chemical-related	8.2
Medical-related	13.1
Energy-related	10.0
Agriculture & Foods-related	14.1
Logistic-related	19.8
Seawater-related	21.6
Other-related	22.9
Total	160.3

- ✓ VSU Plant & Filling station
- ✓ Onsite plant for electronics



(Unit : billion yen)

Segment	M&A
Industrial Gas-related	53.3
Chemical-related	11.0
Medical-related	7.9
Energy-related	1.9
Agriculture & Foods-related	8.7
Logistics-related	1.8
Seawater-related	8.0
Other-related	22.0
Total	114.6

- ✓ Gas business in India, etc.



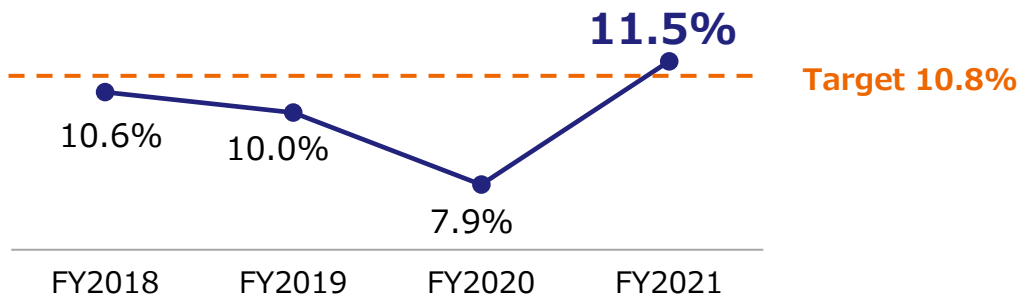
- ✓ North American Engineering, High Power UPS

Financial Indicators for NEXT-2020 Final (FY2019-2021)

Improved capital efficiency and financial soundness while accumulating proactive investments

Capital Efficiency

ROE



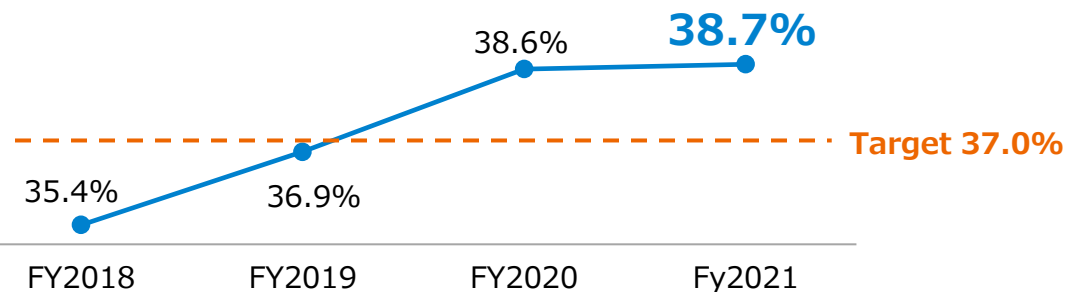
Fiscal Year	EPS (¥)
FY2018	(¥147.3)
FY2019	(¥147.4)
FY2020	(¥121.0)
FY2021	(¥191.1)

Initial assumption (¥189.0)

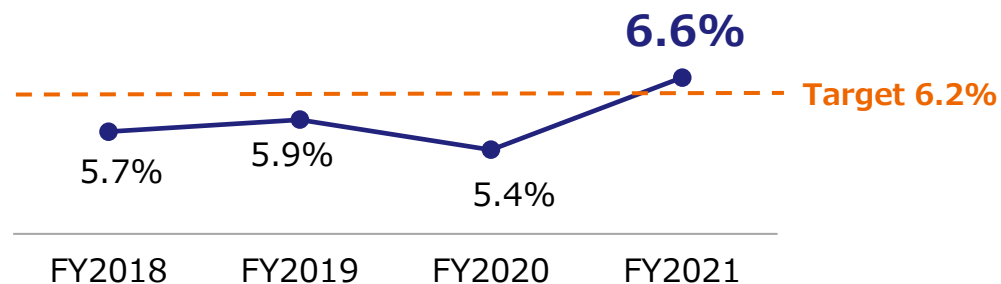
【Reference:EPS】

Financial Soundness

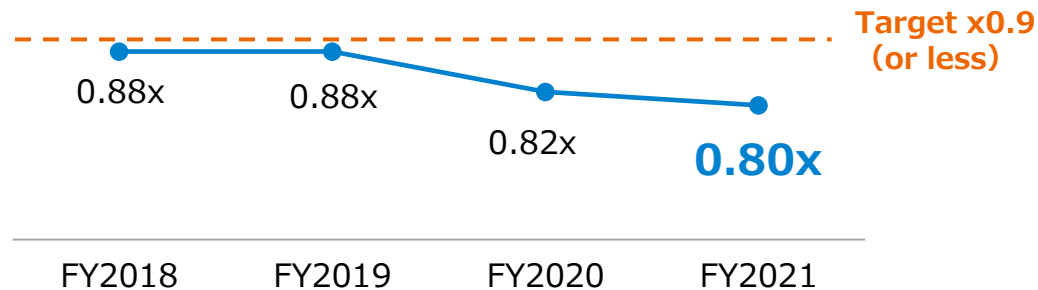
Ratio of equity attributable to owners of the parent



ROA



Net D/E ratio



Summary for NEXT-2020 Final (FY2019-2021)

Steady progresses made in building sustainable management practices

Achievement

1

Transit to a highly profitable business structure

- Expanding Business Domains (Expanding Overseas Business)
- Business Restructuring (Chemical, Medical, Agriculture & Food)
- Market changes dues to COVID-19 (Electronics, Life Medical Care)

Operating Margin

FY2018
5.8%



FY2021
7.3%

Achievement

2

Advance company-wide business innovation

- Establish three cross-functional centers (technology, engineering, gas manufacturing)
- Strengthen business support functions (logistics, procurement, administration)
- Promoting DX and workstyle reforms

Achievement

3

Promote ESG initiatives steadily

- Promote SDGs and sustainability (establish "Sustainable Vision" and SDGs Promotion Division)
- Established "2050 Environmental Vision," promoted diversity, improved the effectiveness of the Board of Directors, etc.

Meeting society's needs with nature's blessings.



Section 2

Our Goals and Organizational Reforms over the Past 3 Years

Toward FY2030- Our Goals for the Past 3 Years

Growth

Turning social issues into business opportunities

Strength

Unleash the Group's Growth Potential derived from Diversified Management Resources

Investments

Invest for Growth, Strengthen Profitability for Investment

Identified Management Challenges

People and Business

Maximize the Value of Diverse Group Human Resources

Overall Optimization

Create Synergies through Optimal Allocation of Management Resources

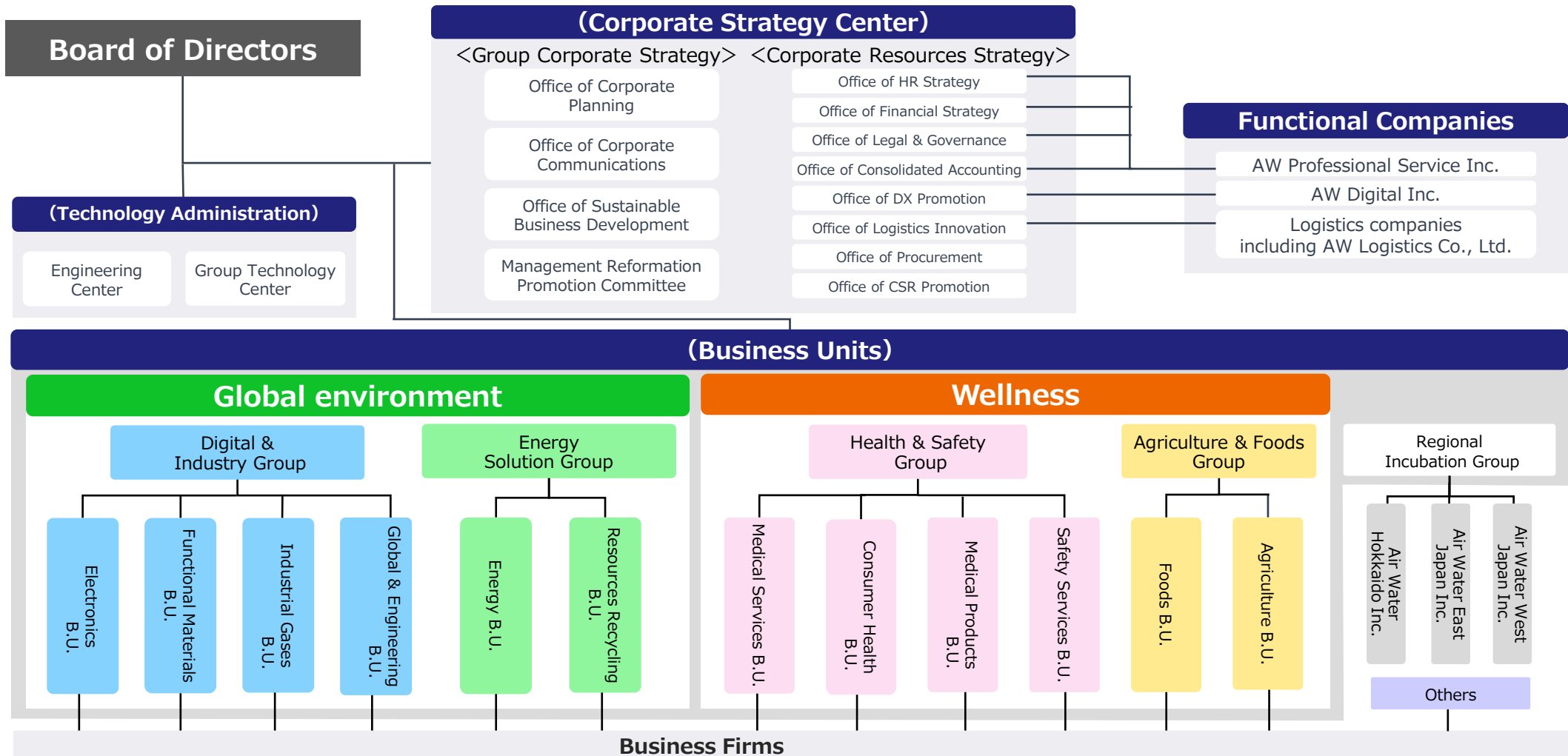
Our 4 Business Groups

Turning social issues into business opportunities: creating synergies by integrating across different business groups

Growth Axis	Business Group	Basic Policy	Social Issues & Megatrend to face
Global environment	Digital & Industry	<p>Contribute to rapidly growing digital sector</p> <ul style="list-style-type: none"> Integrate semiconductor-related gases and chemicals Overseas business expansion in growing India 	<ul style="list-style-type: none"> Smart society / DX progress Digital technology innovation
	Energy Solutions	<p>Contribute to Decarbonized and Sound Material-Cycle Society</p> <ul style="list-style-type: none"> Integrate solutions for energy and environmental sectors Incubate new business model related to resource recycling and clean energy 	<ul style="list-style-type: none"> Decarbonization Recycling Environmental regulations
Wellness (Healthy life)	Health & Safety	<p>Contribute to the health, safety and security of people</p> <ul style="list-style-type: none"> Shift to healthcare (rehabilitation/health) area Create new value to secure human life and property 	<ul style="list-style-type: none"> Super aging society Improve hygiene awareness Natural disasters / BCP reinforcement
	Agriculture & Foods	<p>Contribute to the advancement of local agriculture & improve food satisfaction</p> <ul style="list-style-type: none"> Improve smart agriculture technology & create a new business model based on logistics and processing functions Strengthen branding and develop functional foods 	<ul style="list-style-type: none"> Focus on well-being Population explosion / Food shortage Guaranteed food safety Reduce food loss & waste

Organizational Structure as of April 1, 2022

Integrating AW and the Group companies across business, region, technology, and management



Meeting society's needs with nature's blessings.

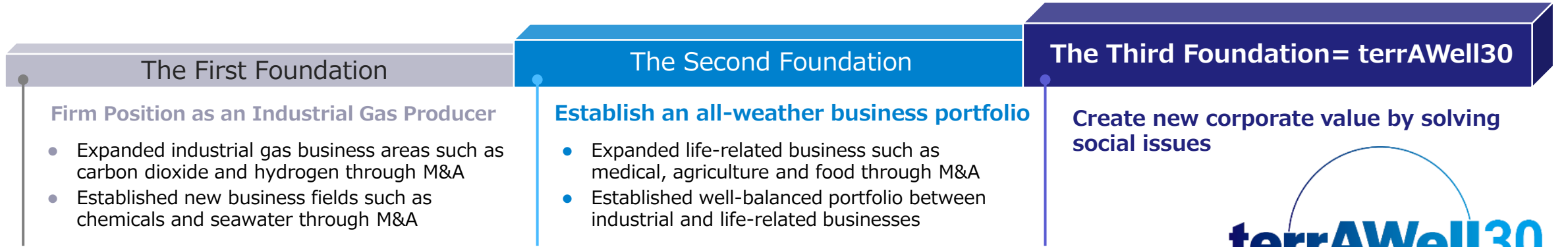


Section 3

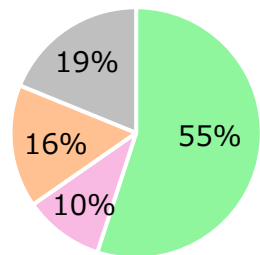
The "Third Foundation" for FY2030

The “Third Foundation” for FY2030

Unleash our growth potential through the solution for social issues and investments, by creatively combining business, human talents, and technologies on top of our business advantages derived from our diversified business portfolio



Sales Breakdown for FY2000



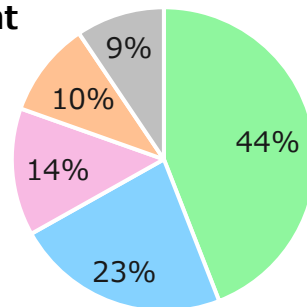
- Net Sales: 220.8 billion yen
- Ordinary Profit: 13.0 billion yen

Sales Breakdown for FY2009

Total Investment

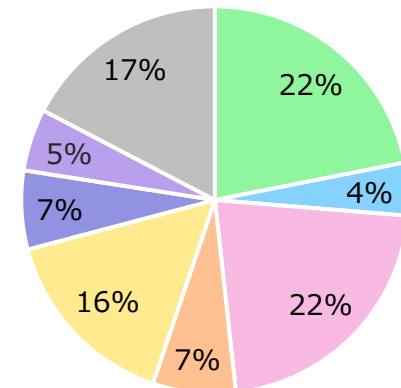
(including M&A & capital expenditure)

261.4 billion yen



- Net Sales: 426.4 billion yen
- Ordinary Profit: 29.0 billion yen

Revenue Breakdown for FY2021



- Revenue: 888.7 billion yen
- Operating Profit: 65.2 billion yen

- Industrial Gases
- Chemical
- Medical
- Energy
- Agriculture & Foods
- Logistics
- Seawater
- Other

Air Water Group Strength

Providing economic value to issues faced by customers and local communities

Grow through solving social problems

Air Water Group Strength

Diversified business domains and business models

- Business domain expanded based on industrial gases (100+ businesses)
- Constant supply of products and services essential to industry and human life
- Many businesses maintain high market shares in stable markets
- Comprehensive strength in the medical and food fields

Business Infrastructure and Social Capital

- Number of business locations in Japan: 676
- Stable supply system for industrial and medical gases (21 VSU plants)
- Infrastructure ensuring stable supply of products (97 distribution centers)
- Customer base and marketing capabilities with close ties to the local community
- Alliances with local governments, universities, and local industries (Social Capital in the Region)

Organization and Human Resources

- Diverse personnel and corporate cultures combined through M&A
- Number of Group companies: 273 (incl. 167 consolidated)
- Number of Group employees: 19,299 (incl. 4,386 overseas)
- Number of M&A companies: Cumulative 236 (since 2000)

Technical Resources

- Gas purification, transportation, and storage technologies, including CO2 capture
- Smart healthcare, including pulp regeneration and high-definition imaging
- Engineering personnel: 290
- Number of projects involving industry-government-academia collaboration: 138

Founder's Spirit

Always Seeking Changes Corporate Mind

Basic Policy for the "Third Foundation"

1

Integrate diverse business domains into the growth axes of "Global Environment" and "Wellness"

Integrate the group's business directions into a growth axis vector by back-casting from the group's vision.

2

Maximize synergy leveraging "diverse businesses, technologies, and human resources" and "community-based business platform"

Leverage our diverse management resources and community-based business platform to "strengthen our domestic revenue structure", "create new businesses," and "grow our overseas businesses."

3

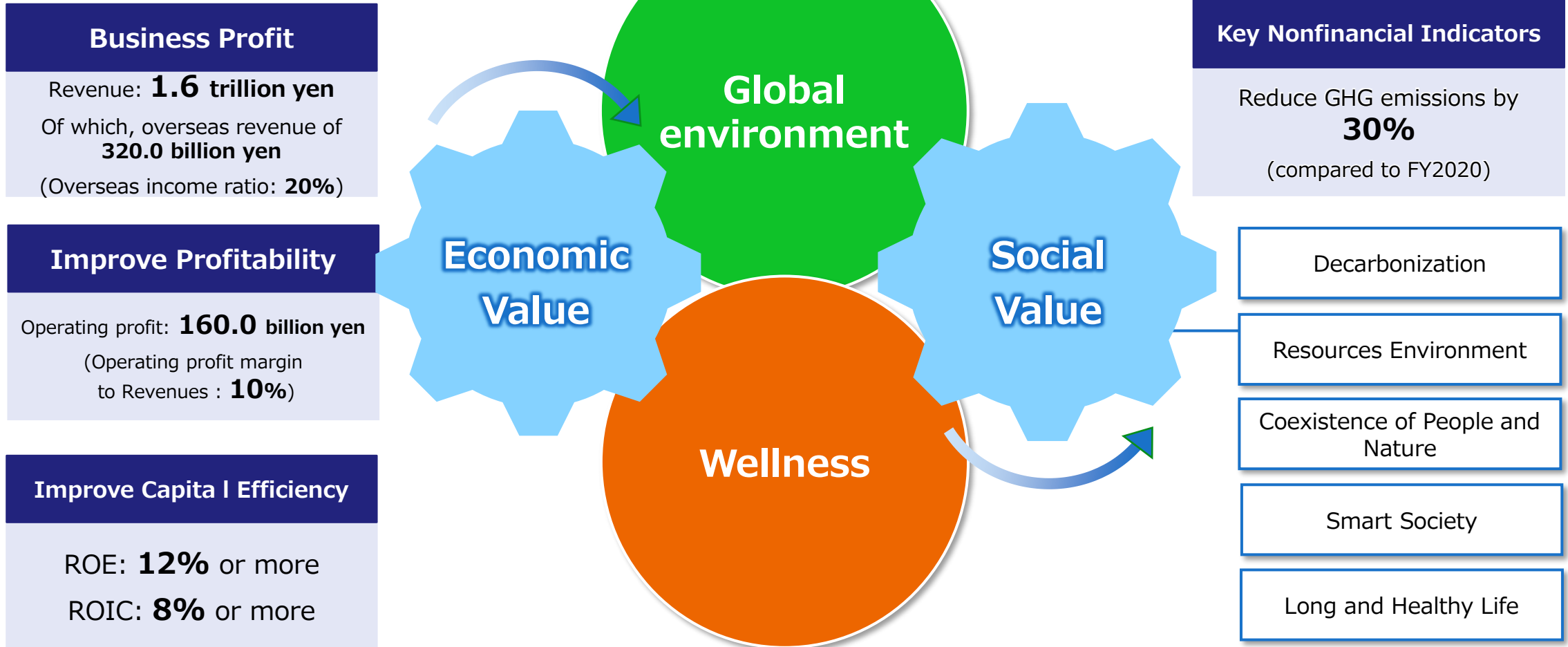
Positively reinforcing the cycle of growth and investment

No Investment, No Growth. Select profitable investments and manage capital efficiency to generate proceeds for further investments as a fundamental corporate strategy.

Creating new corporate value through solving social issues

Vision for FY2030

To enhance corporate value along both economic and social aspects



※The numerical targets for ROE and ROIC were revised on December 8, 2023.
Before the revision, ROE and ROIC were 10% or more and 7% or more, respectively, on a stable basis.

Meeting society's needs with nature's blessings.



Section 4

New Medium-term Management Plan

<TerrAWell30 1st stage> FY2022-2024

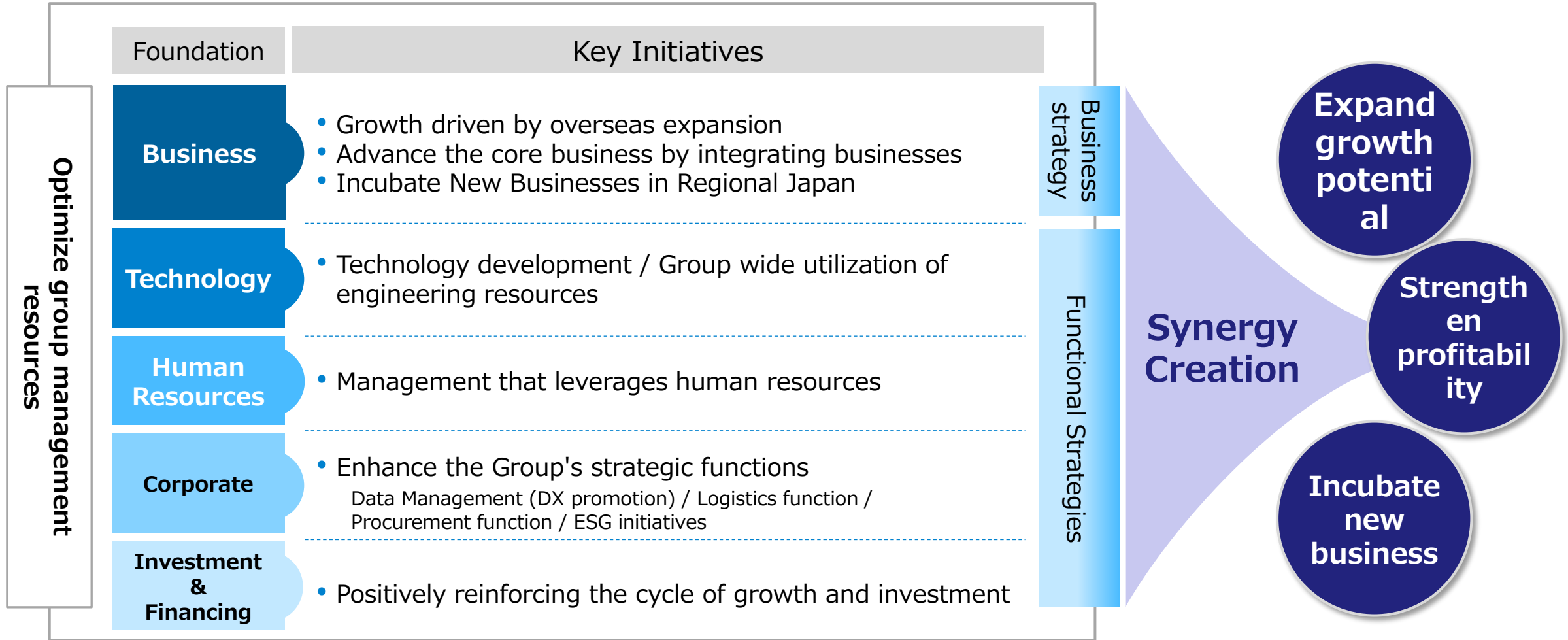
Management Goals for <TerrAWell30 1st stage>

Aim for consistent growth in revenue and operating profit, as well as increase in profitability

(Unit: billion yen)		FY2021 Results	CAGR (FY2021-2024)	terrAWell30 1st stage FY2024 Plan	FY2022 Plan (As of May 22, 2022)
Profitability	Revenue	888.7	10.5%	1,200.0	1,000.0
	Operating Profit (Operating Profit margin)	65.2 (7.3%)	15.3 %	100.0 (8.3%)	70.0 (7.0%)
	Net Profit attributable to owners of the parent company	43.2	13.4%	63.0	44.0
Capital Efficiency	Overseas Revenue Ratio	8.6%		11% or higher	
	ROE	11.5%		10% or higher	
	ROIC	6.6%		7% or higher	

Basic Policies of <TerrAWell30 1st stage>

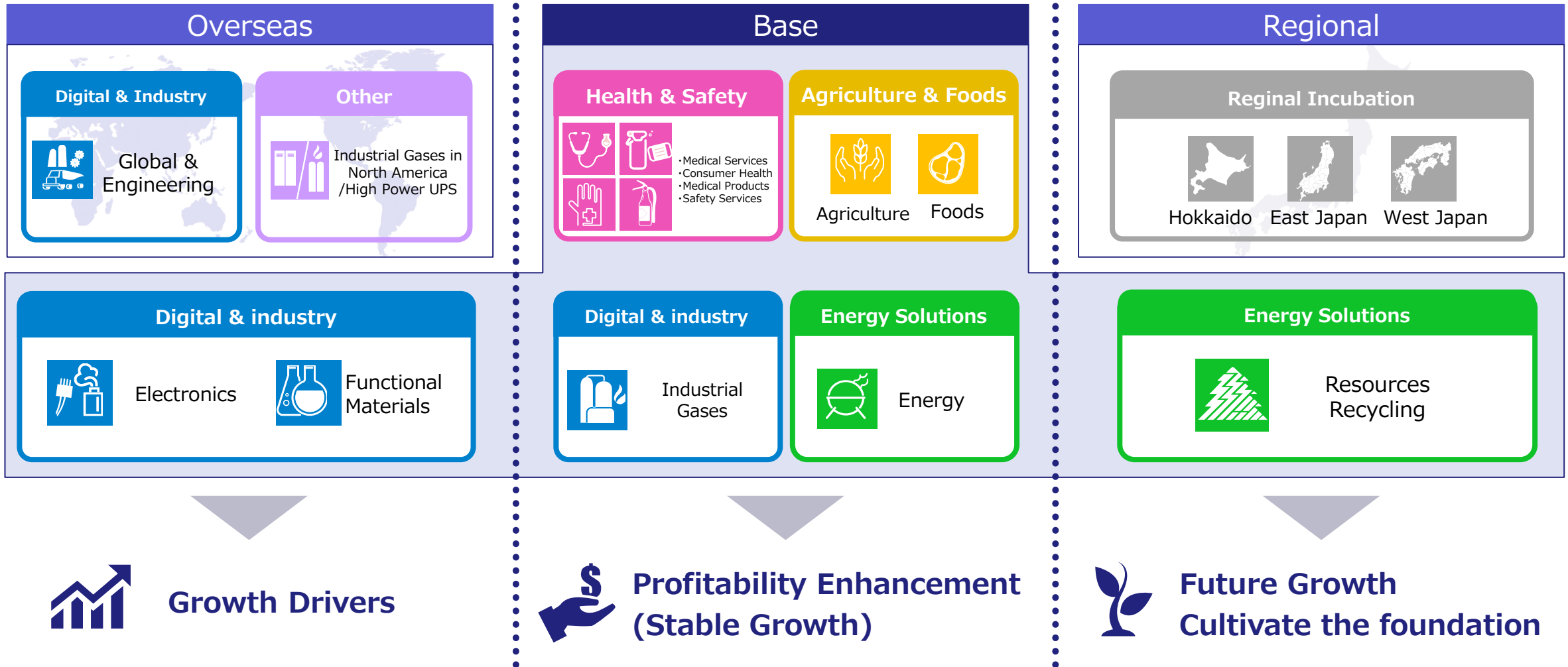
Basic Policy	Create synergies by optimizing group management resources to expand growth areas, strengthen profitability, and incubate new businesses
---------------------	--



Business

Growth Policy by Business Unit

Growth Policies are divided by business unites into "Growth Drivers," "Strengthening Profitability (Stable Growth)," and "Developing Foundations for Future Growth"



Note: Nihonkaisui Co., Ltd. and Logistics in the Other segment are classified as "Profitability Enhancement"

Business

Revenue and Operating Profit

(Unit: billion yen)

		FY2021 Results	FY2024 Target	Difference	Annual Average Growth Rate CAGR
Digital & Industry	Revenue	288.8	384.0	+95.2	10.0%
	Operating Profit	27.8	42.0	+14.2	14.7%
	Operating Margin	9.6%	10.9%	+1.3pt	-
Energy Solutions	Revenue	110.5	128.0	+17.5	5.0%
	Operating Profit	10.4	12.4	+2.0	6.1%
	Operating Margin	9.4%	9.7%	+0.3pt	-
Health & Safety	Revenue	217.5	282.0	+64.5	9.0%
	Operating Profit	13.3	17.7	+4.4	10.1%
	Operating Margin	6.1%	6.3%	+0.2pt	-
Agriculture & Foods	Revenue	139.5	177.0	+37.5	8.3%
	Operating Profit	5.7	10.0	+4.3	20.5%
	Operating Margin	4.1%	5.6%	+1.6pt	-
Other*	Revenue	132.4	229.0	+96.6	20.0%
	Operating Profit	7.3	21.2	+13.9	42.5%
	Operating Margin	5.5%	9.3%	+3.7pt	-
Adjustment	Operating Profit	0.7	▲3.3	▲4.0	-

Business

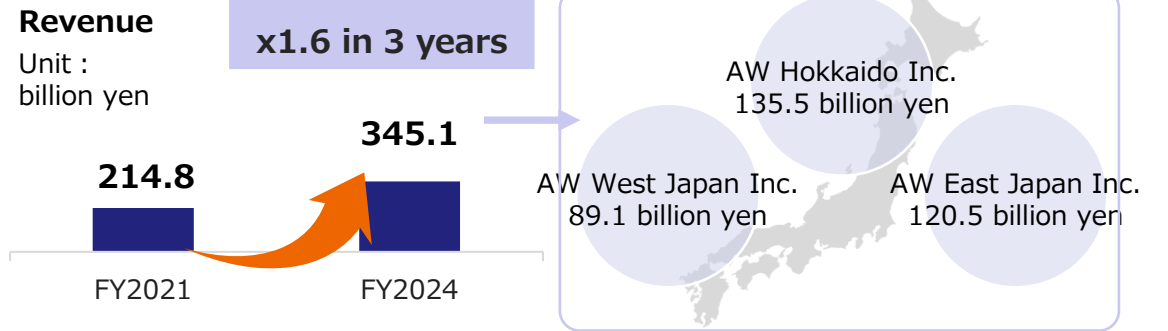
Regional business expansion

Improve profitability of existing businesses (industrial gas, medical, energy) and incubate new businesses that contribute to solving social issues

Basic Policy

- Improve profitability by expanding market share, promoting DX, etc. in a maturing market
- Further growth by combining diverse businesses, technologies, and know-how with social capital built up over the years in the region to turn local issues (needs) into businesses.

FY2024 Business Goal



Three perspectives on regional strategies

1 Reinforcement of scale and revenue base

Improve revenue base through reinforcing existing business and customer centric marketing models




2 Cross industry business development

Develop solution-based business across industries and sectors

3 Business-oriented solutions to social issues

Incubate solutions to social and regional issues through technological innovation, etc.

Promote initiatives that solve social issues by leveraging our technologies, bases, and logistics network

<p>Develop direct-to-production markets</p>  <p>Contribute to support producers, reduce food loss, and promote local agriculture through the operation of direct sales of agricultural products</p>	<p>Transport and treatment of infectious waste</p>  <p>Creating a distribution system that properly disposes medical waste without harming the environment, while recycling the waste as a new resource</p>	<p>Small-scale biomass power generation</p>  <p>Contribute to promote forestry by generating electricity from unused timber, and use the heat and carbon dioxide for vegetable cultivation</p>
--	--	---

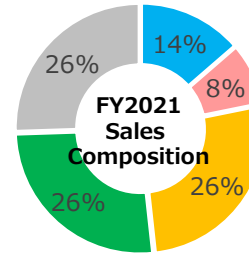
Incubate new businesses beyond existing frameworks to solve local issues

Major examples in the Hokkaido area



- Business locations : 189
- Number of group companies : 27
- Number of employees : approx. 5,000
- Sales : Approx. 160 billion yen (FY2021)

(Group companies based in Hokkaido)



■ Industry ■ Medical ■ Energy ■ Foods ■ Logistics & other

<Major Group Companies in Hokkaido>

- Air Water Hokkaido Inc.
- Life Solutions Inc.
- Air Water Logistics Co., Ltd.
- Hokkaido Air Water Argi & Foods Co., Ltd.

*Sale of LP gas for residential use

◆Support for living in a depopulated and aging society



Combine energy hub network and digital technology to provide support services for daily life

◆To maintain and provide the necessary medical care system for the region



Solving potential medical and nursing care needs by utilizing contacts that supply oxygen to approximately 80% of hospitals in all provinces

◆Sustainable agriculture with local communities from a producer's perspective



Contribute to sustainable agriculture by providing outsourced and dispatched farm labor, which is becoming increasingly scarce

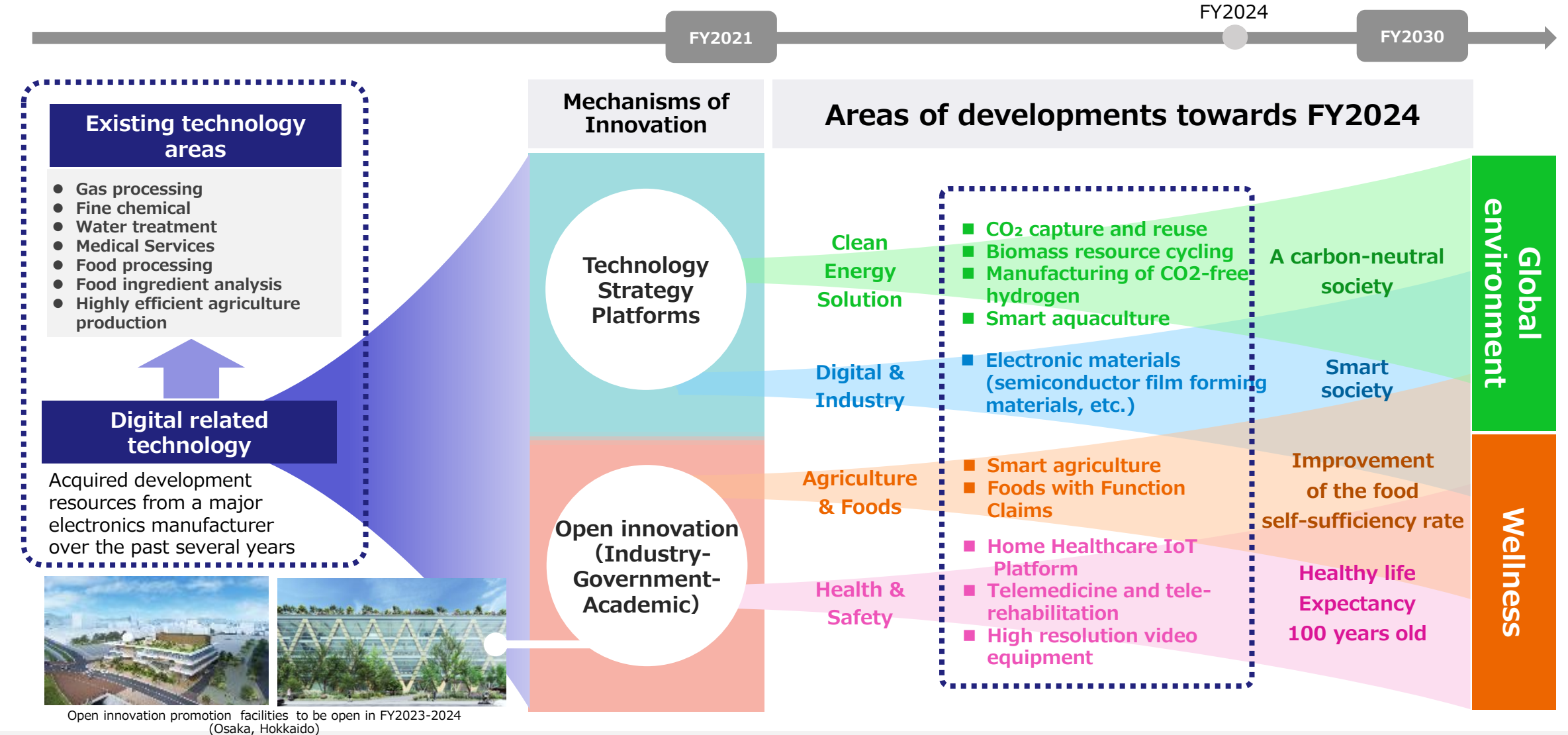
◆Challenges to a carbon-neutral society (creation of locally produced energy for local consumption)



Biogas derived from livestock manure processed into rocket fuel as an alternative fuel to LNG

Technology Development for New Business Creation

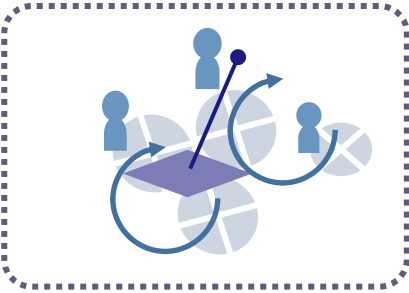
Incubate new businesses through technological development centered on "Global Environment" and "Wellness"



Management challenges to leverage human resources / Business and HR strategies go hand in hand

Basic HR Policy

Create a corporate culture that encourages independence, respects individuality, and nurtures talent



Develop a diverse workforce capable of driving new growth

Maximize HR utilization by selecting, appointing, and developing management personnel through group-wide mobility.

Skill requirements for the next generation of management

1. Founder's Spirit
2. Corporate management experience
3. Global experience
4. Finance and accounting knowledge
5. IT/DX knowledge



- Clarification of roles and responsibilities (mission)
- Emphasis on mutual commitment between the company and employees
- A system that highly values the challenge of innovation and creativity
(Break away from seniority-based system)

HR System Reform
Introduction of a mission grade system

New Career Policies
Early selection and training of motivated personnel

- Career choice based on self-responsibility
- Open to all, opportunities to take on challenges
- Support for the development of young talent who are willing to take on new challenges
(Career declaration system, open recruitment system, FA system, Air Water Academy, etc.)

Acceleration of D&I initiatives

Employment of women, foreign nationals, people with disabilities, etc.
Support for diverse employment for childcare, nursing care, etc.

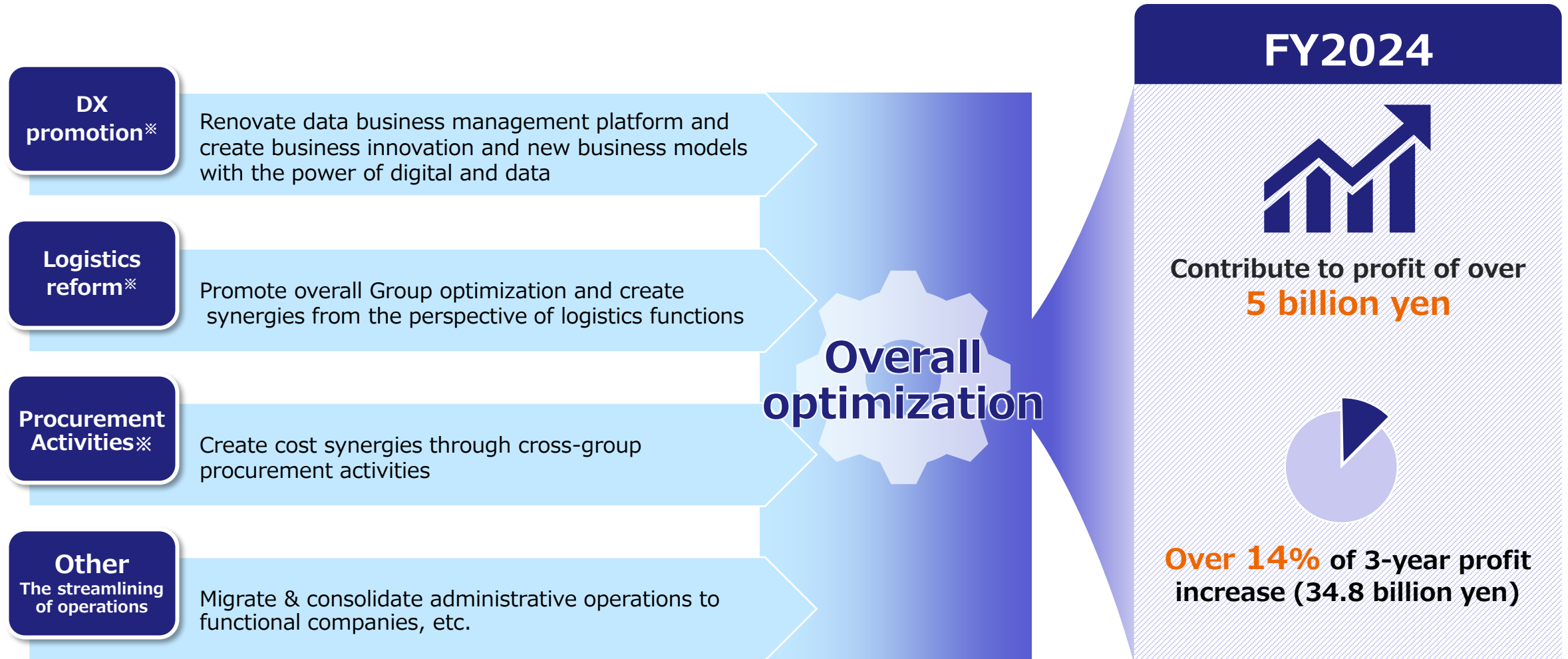
In-house talent bank function
Mobilize and activate HR throughout the group

- Mid- to long-term development and assignment plans for key positions and their implementation
- Introduce a graded tenure system (5-year periodic role reviews)

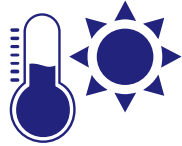
HR DX

Full utilization of HR data through talent management

Advance DX promotion, logistics reform, procurement activities, and other cross-group initiatives



ESG Initiatives (non-financial key KPIs)



Response to Climate Change

Achieve carbon neutrality

- ✓ FY2030 Goal
GHG emission: **reduce by 30%** (vs. FY2020)
※Supplemental information is provided in the Appendix



Resource recycling

Achieve virtually zero waste emissions

- ✓ FY2030 Goal
Waste recycling rate: **80%** (65% in FY2021)



Promote Well-being of employees

Promote Diversity & Inclusion

- ✓ FY2024 Goal
Female Management Position: **10%**
(4.0% in FY2021)

Note: Non-consolidated basis

Elimination of occupational accidents

- ✓ FY2024 Goal
Disaster rate for the closure: **0.9 or less**
(1.15 in FY2021)

Note: Disaster rate: Number of accident encounters per 1,000,000 total working hours



Control Environmentally Impacting Substances

Conservation of water resources

- ✓ FY2030 Goal
Per-Unit Water consumption:
reduce by 10% (vs. FY2021)
Note: Per-Unit Water consumption : Water consumption per revenue

Improve capital generation capacity and capital efficiency to achieve a positively reinforcing the cycle of growth and investment / Stable dividend increase due to higher profits

Financial Policies

① Improve capital generation capacity and capital efficiency

Set company-wide targets (ROE/ROIC) and ROIC management for each business unit

- Generate operating CF by strengthening profitability (improving profit margin)
- Improved caching speed (CCC) (10% faster)
- Carefully select investments (thorough due diligence) and monitor post-investment activities
- Promote asset reduction measures (e.g., office consolidation and closure)

Capital Efficiency Targets

ROE

Stable **10% or more**

ROIC

Stable **7% or more**

② Ensure financial soundness

Set B/S target range for financial soundness and maintain the level

Financial Soundness Targets

Ratio of equity attributable to owners of the parent

36~40%

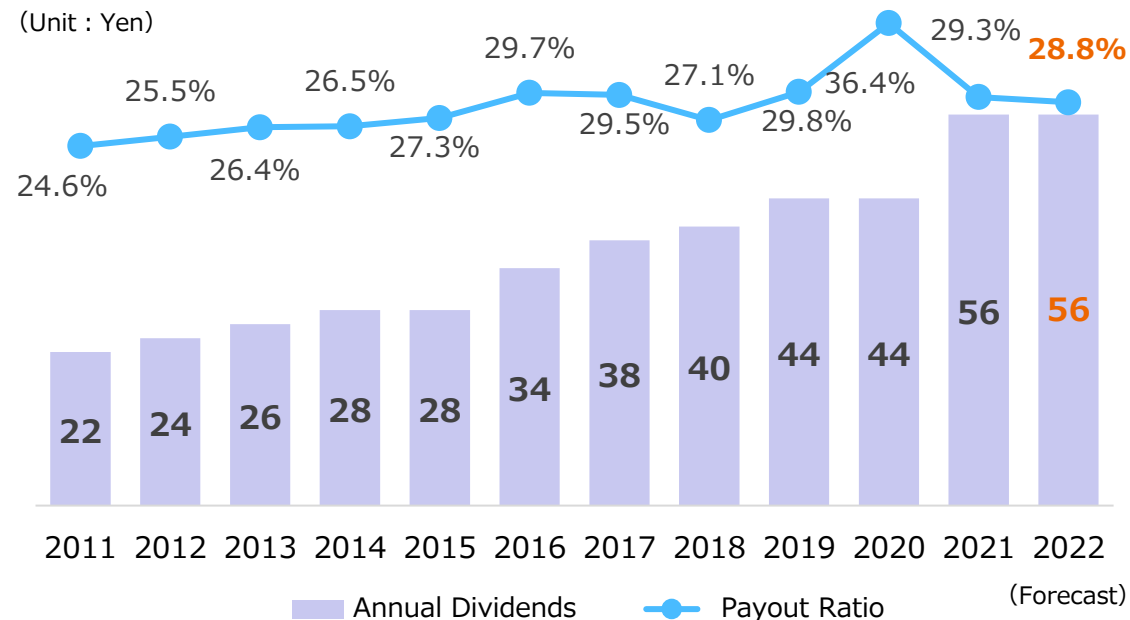
Net D/E Ratio

x0.8~1.0

Shareholder Return Policy

Dividend Policy

Aim for a dividend payout ratio of 30% and pay stable dividends commensurate with performance in the future



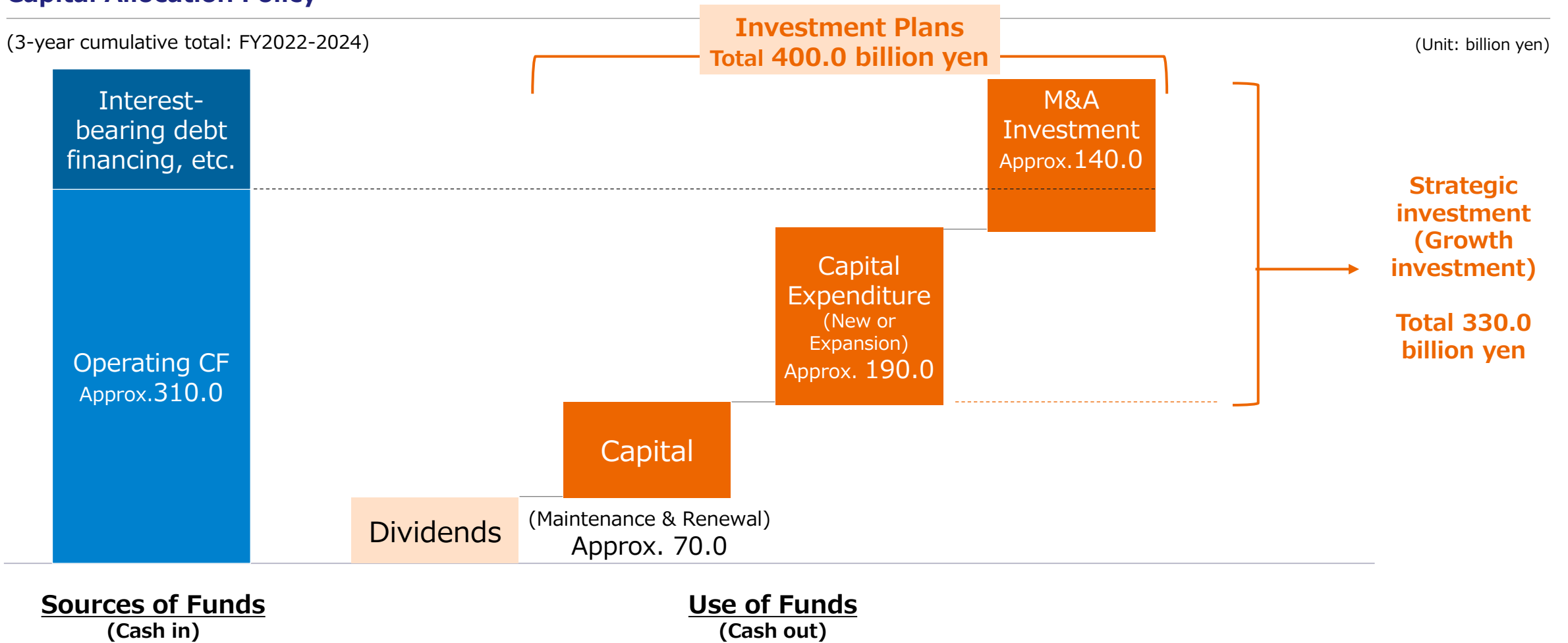
Note: Although net income per share decreased in FY2020 due to the impact of tax reform in India, we maintained stable dividends with a payout ratio of 36.4%.

Capital Allocation Policy

Pay dividends and make capital investments within the CF (operating CF) of the business, and use borrowings for M&A

Capital Allocation Policy

(3-year cumulative total: FY2022-2024)



Investment plans (capital expenditures, M&A)

Proactive investment for growth, including overseas M&A

Company-wide investment plan (FY2022-2024) (Unit: billion yen)



(Ref) NEXT-2020 Final (FY2019-2021) (Unit: billion yen)



Investment plan by segment (FY2022-2024) (Unit: billion yen)

Segment	Plan FY2022-2024	
Digital & Industry	108.0	<ul style="list-style-type: none"> ✓ New on-site gas supply facility for electronics ✓ Japan: Renew & Expand Industrial Gas Production Facilities ✓ India: New production facilities for industrial gases
Health & Safety	17.0	
Energy Solutions	12.0	<ul style="list-style-type: none"> ✓ Expand beverage production facilities and build a new food processing base
Agriculture & Foods	32.0	
Other	91.0	<ul style="list-style-type: none"> ✓ North America: Expand Industrial Gases & Engineering locations ✓ Establish new distribution center ✓ Maintain open innovation promotion facilities
Total	260.0	

Meeting society's needs with nature's blessings.



Section 5

Global Strategies Business Group Strategies

Expanding overseas business

Actively invest in high-growth industrial gas fields in India and North America to accelerate global expansion

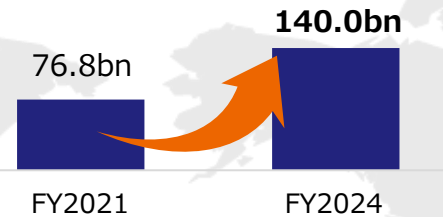
Basic Policy

- India and North America will be strategically prioritized for investment
- Invest in industrial gas and related engineering businesses, which are consumption-based businesses, to build a foundation for overseas business

FY2024 Business Goals

Revenue: x1.8 in 3Y

Increase overseas sales revenue ratio to 11% of total sales or higher



Investment (M&A, Capital Expenditure)

70.0 billion yen (3-year total)

Accelerate Global Expansion

1. Strengthening the Engineering Structure

The industrial gas supply business requires a well-developed engineering structure, and we will build a cost-competitive global engineering structure.

Appoint as Representative COO the officer who has knowledge in global business and engineering

Accelerate global expansion in India and North America

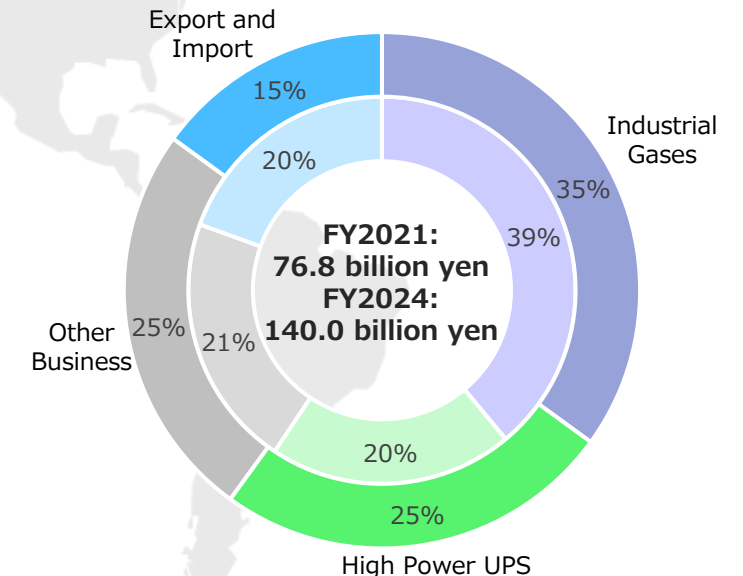
2. Strategic alliance with Mitsui & Co.

Formed a strategic alliance with Mitsui & Co. to expand industrial gas business in the global market (announced on February 24, 2022)

Leverage global network and information capability of Mitsui

Establish a borderless supply system in growing markets (electronics, hydrogen, etc.)

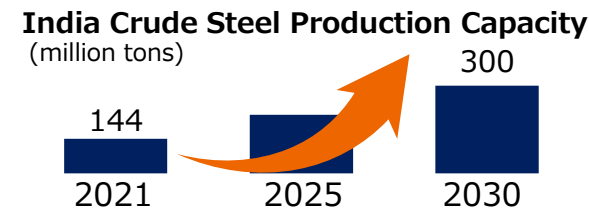
Overseas Revenue



Enhance the business base to accelerate growth against the backdrop of the rapidly expanding Indian steel market

Policy 01. Obtain large on-site projects for steels

- Working on onsite orders for blast furnaces which are growing in India



Source: World Steel Association "Worldwide crude copper production" Figures for FY2030 is the target of Indian government

Policy 02. Base expansion by building new liquid plant and cylinder filling station

- Established a manufacturing base to build a stable supply system and expand the market
- To the southern region where the automobile industry is concentrated and the northern region, which is the Delhi metropolitan area



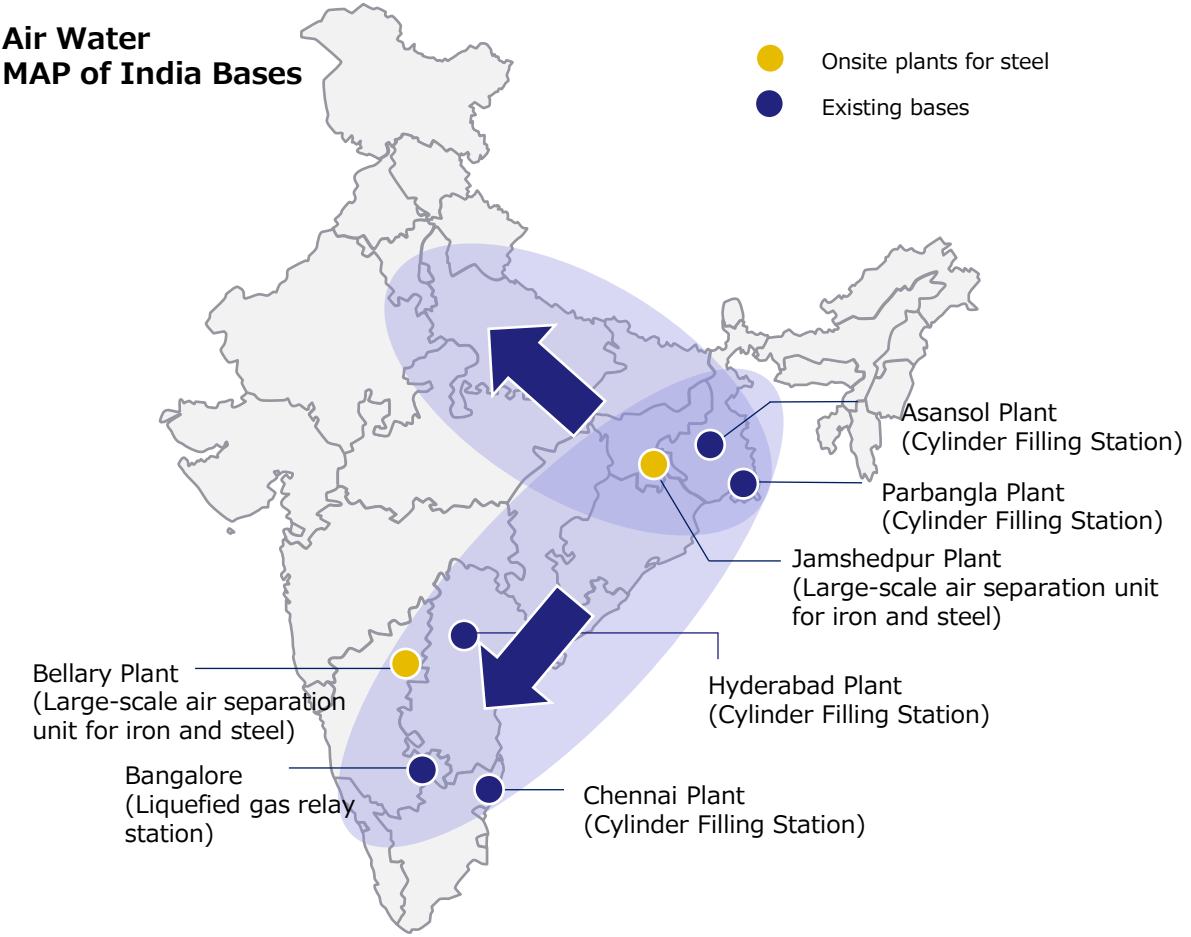
- ✓ [Southern region] ASU Renewal in May 2022
- ✓ [Southern] ASU Operation starts in April 2024
- ✓ [North] Cylinder filling station Operation starts in August 2023

Policy 03. Expanding Engineering Structure

- Develop a cost-competitive local engineering structure to meet strong gas demand
- Utilize full lineup of plant fabrication capabilities from large to small scale

Quickly expand market share in India through both "onsite orders for steel" and "establishment of new gas production facilities".

Air Water MAP of India Bases



Launch industrial gas supply business based on the U.S. version of the "VSU" strategy, aiming to expand to multiple areas as soon as possible

Policy 01. Distributor M&A and the U.S. version of VSU

- Acquire gas demand and sales functions through M&A of distributors
- Establish an US version of the VSU business model by installing a mid-size liquid plant and collaborating with the M&A partner to build the business infrastructure

- ✓ [Midwest] ASU, Minnesota (Acquisition of takeover rights) Operation in July 2022
- ✓ [Northeast] Acquisition of Noble Gas Solutions shares Effective May 2022

Policy 02. Obtaining onsite gas supply by utilizing the network of Mitsui & Co.

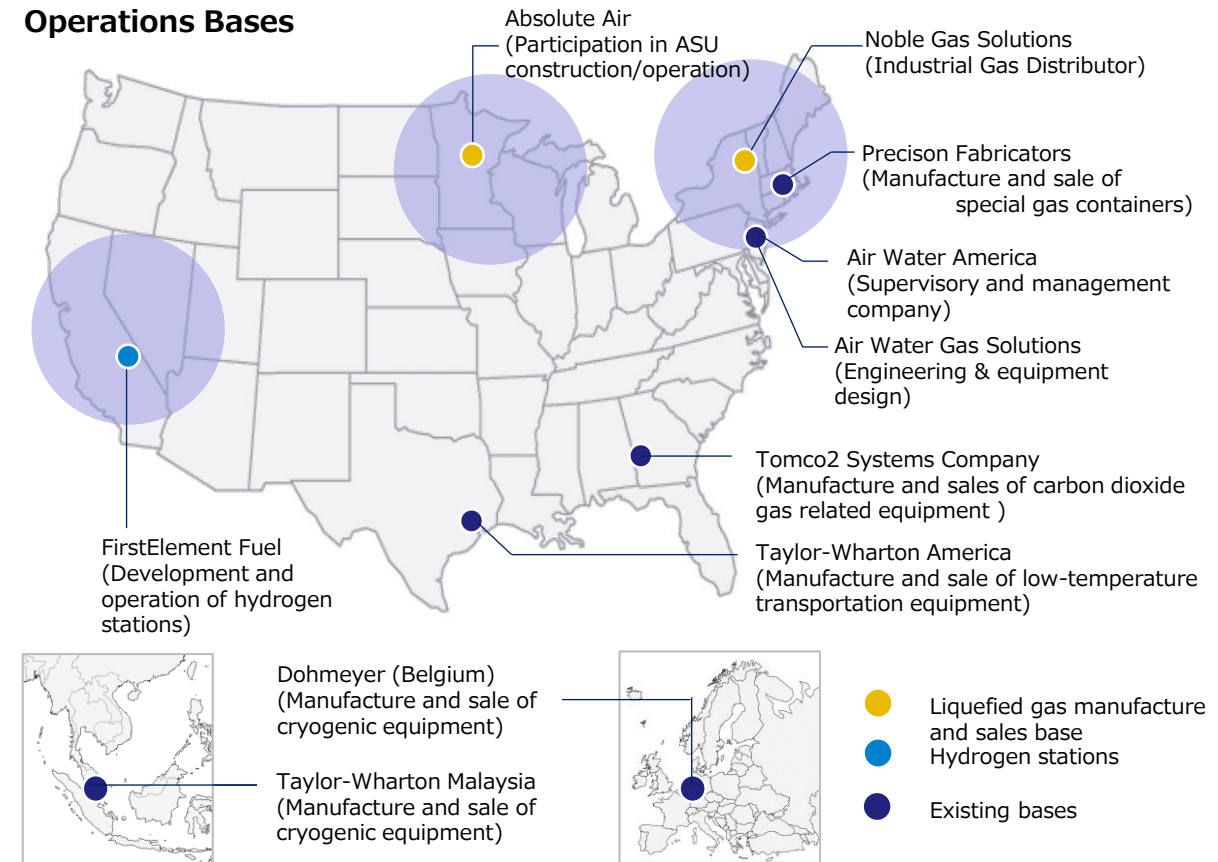
- Acquire on-site gas supply projects in the U.S. by leveraging Mitsui's network of customers in the chemical, steel, energy, and other industries, as well as the back-up capabilities of the business infrastructure established in Strategy 1.

Policy 03. Capture demand related to hydrogen and decarbonization

- Invested in FEF, a developer and operator of hydrogen stations, and provided hydrogen-related equipment to Plug Power to establish a green hydrogen supply chain for mobility.
- Strengthen CO2 recovery and reuse business by utilizing engine technology

Entered the gas supply market by "building partnerships with distributors". Leverage engineering technology and make a strategic move into energy hydrogen supply.

MAP of Air Water North America Operations Bases



Basic Policy

Commitment to digital greening through the creation of a new business model that combines the industrial gas business, which "widely penetrates into all industries," and the chemical business, which "develops materials," and the strengthening of development capabilities

Social Issues to Face
Contribution to Smart Society

■ A future where all industries will be digitalized

- The semiconductor business has shifted from the silicon cycle to the super cycle (Demand for IoT, 5G, data centers, etc. is growing)
- Currently, we are in the expansion phase of the super-cycle (to the ultra super cycle) (Expectations for Metaverse and green investment to address environmental issues)
- To reduce power consumption, materials development that contributes to high functionality and energy saving is an important issue

Continuous gas supply to the most advanced sites in Japan

Awarded a contract of large-scale on-site supply project of nitrogen gas by investing in domestic semiconductor plants to increase production and expand facilities

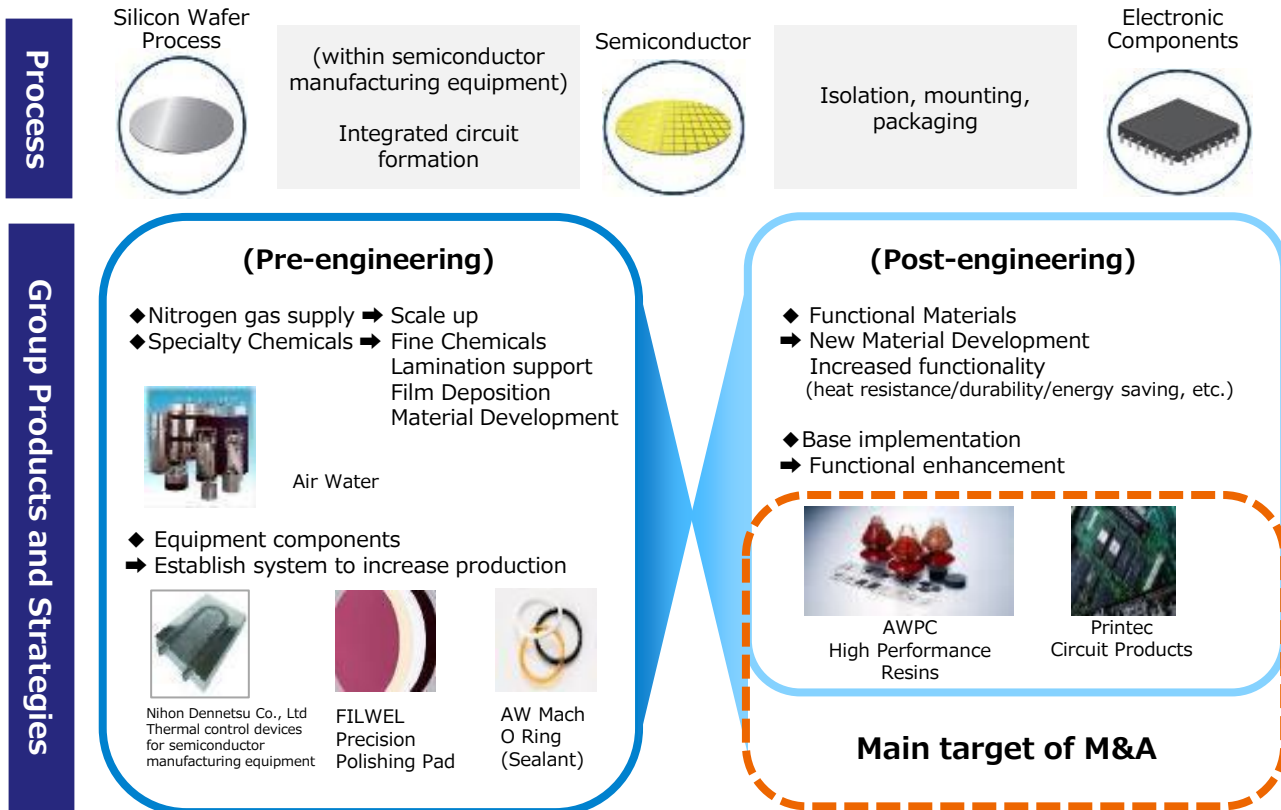


Making the Electronic Materials Field a Pillar of Our Business

Strengthen the semiconductor value chain by improving development capabilities and promoting M&A



■ Products supporting the semiconductor manufacturing value chain Create added value by integrating gas and chemicals

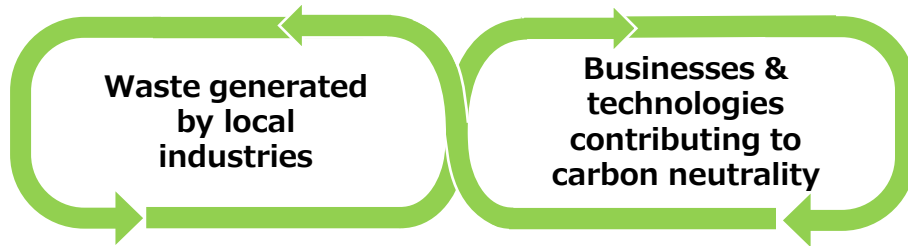


Basic Policy

Actively develop low-carbon and decarbonization-related technologies such as LNG, hydrogen energy, and CO2 recovery, and build business models related to resource recycling and new energy

Social Issues to Face
Decarbonized Society

Resources Recycling B.U.



Factory exhaust gas
Food waste
Livestock manure, etc.



Existing gas supply (Carbon dioxide and hydrogen)
Gas generation and purification equipment
Small-scale biomass power generation

Methanation
CO2 Recovery Equipment
CN Dry Ice

CN Hydrogen
Hydrogen Generator

Biogas
Bio LNG
Gasification Power Generation

Contribute to a carbon-neutral society

CO2
Carbon dioxide



CO2 Recovery Equipment

CO2 Recovery Recycling & Utilization

H2
Hydrogen



Shikaoi Hydrogen Farm

DMR-type hydrogen ※ production
Energy Hydrogen

*Methane direct reforming method (Direct Methane Reforming Method)

Resources Recycling



Earth's Blessing Farm

Locally produced & locally consumed energy
Agricultural greenhouses & cultivation promotion
Smart Aquaculture

Energy B.U.

◆ Industrial Energy

LPG & LNG supply

LNG-related equipment and engineering



CH4
Methane



LNG Station

Fuel for transportation
Boiler fuel
Power generation fuel

Basic Policy

Shift to the healthcare (rehabilitation/health) domain and create new value to protect human lives and assets, and contribute to people's safe, secure, and healthy lives.

Social Issues to Face
Contribution to "community-based comprehensive care" for a super-aging society

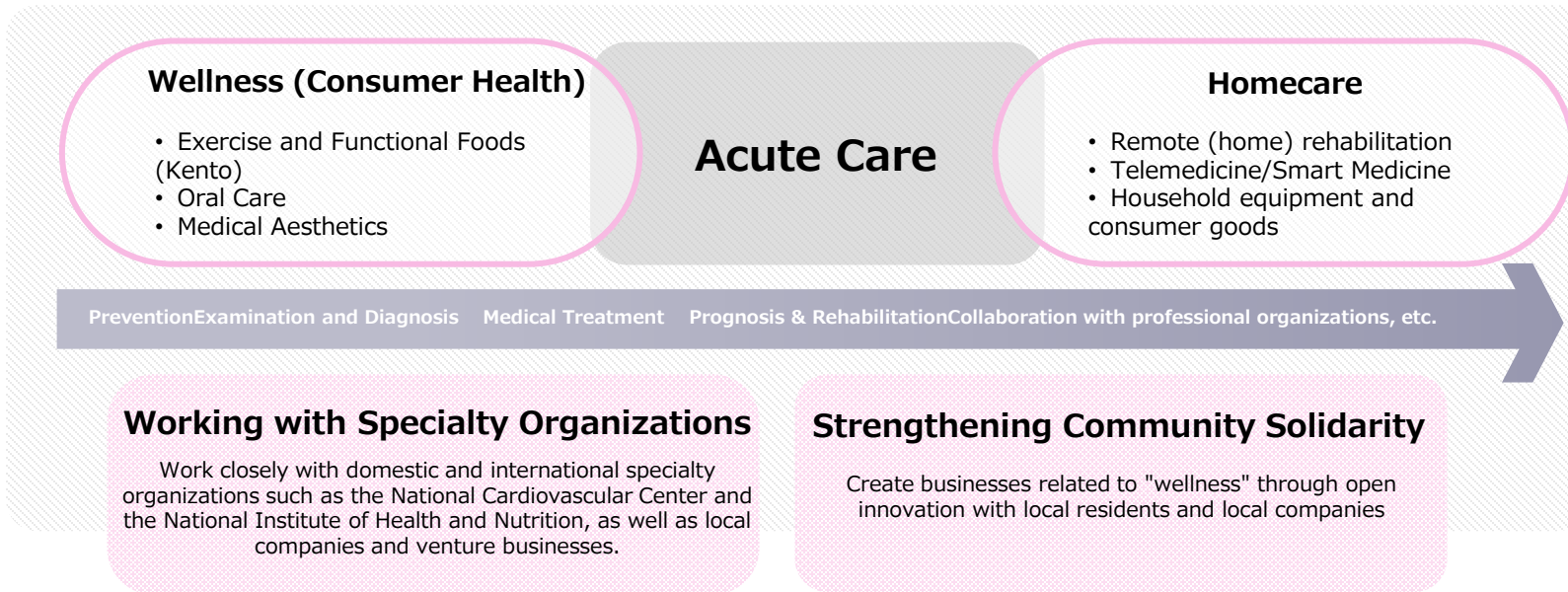
Not only in the acute care field, the main target of the conventional medical-related business, but also in the "wellness" and "homecare" areas centered on oral health, covering all areas.

Create, develop, and disseminate businesses related to "wellness"

Air Water Kento (tentative name):
Opening in the first half of FY2023



The facility will promote open innovation, following on from the "Air Water International Advanced Medical Center @ Kobe" (R&D focusing on cutting-edge medical care) Kento targets the entire wellness area, from prevention to post-treatment rehabilitation.



Focused investment in new businesses by strengthening the profit structure

Drive profit growth by promoting cost reduction and rationalization in the medical gas and medical equipment businesses, which boast a high market share

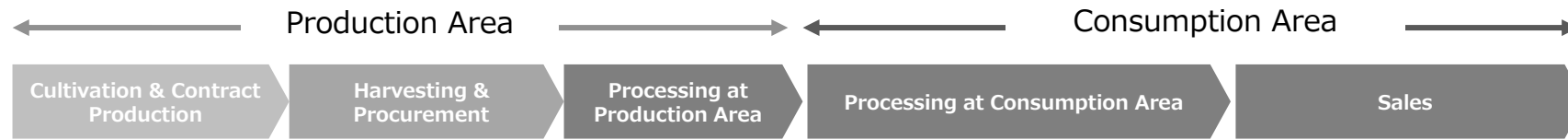
Make focused investments in "wellness" and "homecare" businesses to enhance our presence as a leader in community-based comprehensive

Basic Policy

Strengthen logistics and processing network connecting production areas and consumers
Provide agricultural products and processed foods in a timely manner by processing them into the required form and products

Social Issues to Face
Reduce food loss, stabilize food self-sufficiency

Strengthen logistics and processing functions from production areas (mainly Hokkaido) to consumption areas (Kanto and Kansai) by leveraging existing "regional business" and "logistics infrastructure"



◆ **Strengthen logistics functions, develop new sales channels**

- Establish a logistics system that enables timely collection, transportation, sorting, and storage, especially in Hokkaido
- Collaboration with local companies to open stores in the direct produce business

◆ **Enhanced processing functions**

- Strengthen agricultural procurement capabilities based on processing use
- Timely response to customer needs with processing in

◆ **Contribution to Wellness**

- Creation of new business by combining healthy food and home delivery business

New Business
Create platform for land-based fish farming



- Utilize technologies of ammonia removal, water temperature control, remote monitoring in addition to oxygen supply and artificial seawater
- Sell package from plant design to installation, operation and maintenance of equipment

To reduce food loss and stabilize food self-sufficiency

Contribute to reduction of food loss and stabilization of food self-sufficiency by combining existing "regional business" and "logistics infrastructure" with direct marketing and processing functions.

Established a logistics system that enables timely collection, transportation, sorting, and storage of agricultural products, especially in Hokkaido.
 Develop sales channels utilizing the Hokkaido brand, including meat processing and beverages

Meeting society's needs with nature's blessings.



Section 6

Conclusion

The most important point of "TerrAWell30 1st stage"

1 Management Policies

- ✓ **"Meeting society's needs with nature's blessings"**
To pursue this Purpose, expand economic value and social value by creating synergies through the overall optimization of "diverse businesses, technologies, and human resources"
- ✓ **The growth vectors targeted by our diverse business areas are "Global Environment" and "Wellness" in light of global social issues**
- ✓ **Shifted to a group management structure that facilitates synergy generation from all angles in April this year**

2 Business Policies

- ✓ **Focus investment on industrial gas and electronics sectors in India and North America, which are driving high growth**
- ✓ **Regarding the domestic business, achieve stable growth centered on strengthening profitability At the same time, create new businesses for future growth to address decarbonization and super-aging while leveraging the local business base**

3 Financial Policies

- ✓ **Achieve both expanding business scale and improving profitability and capital efficiency through a positively reinforcing the cycle of growth and investment**

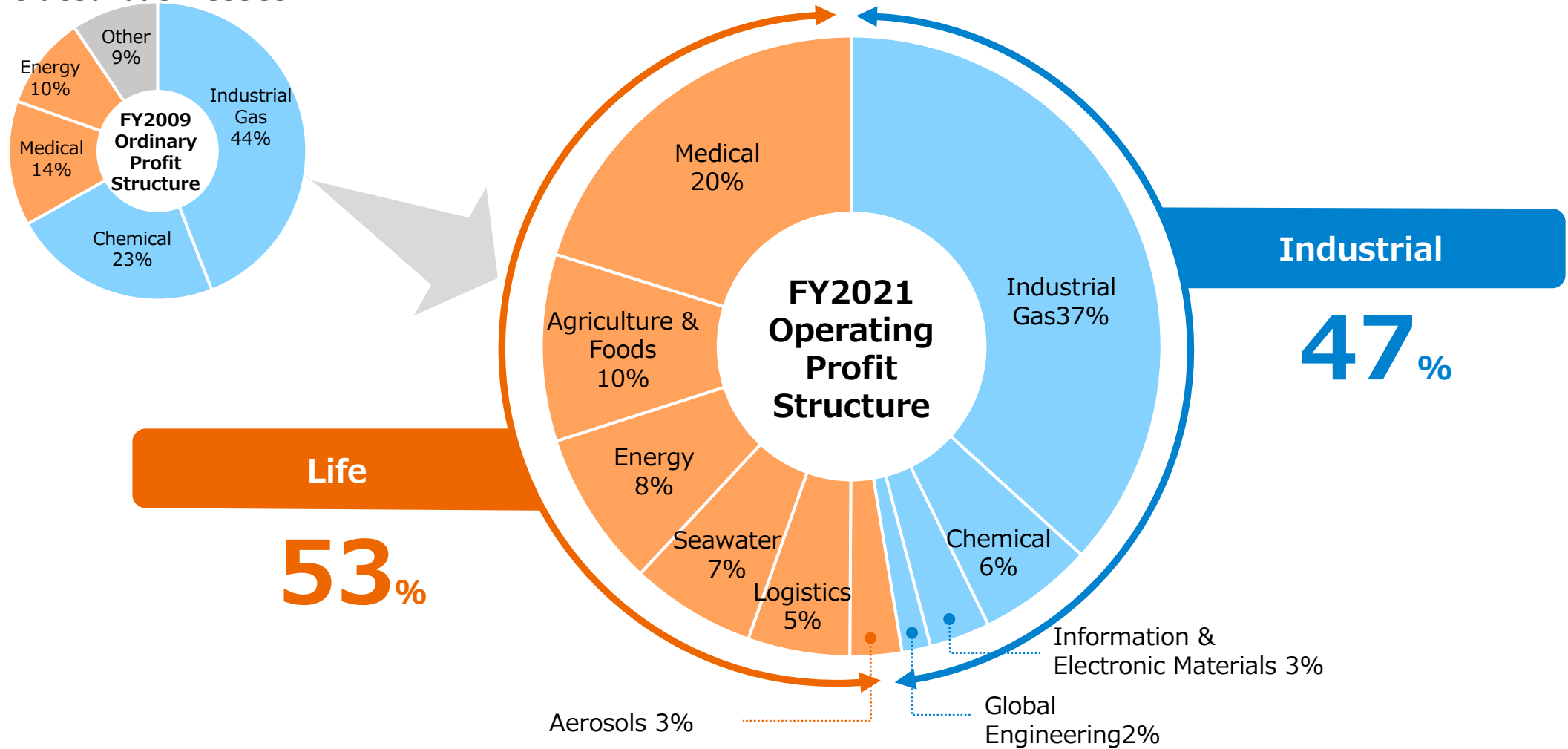
Appendix

Reference

- ◆ Review of the previous Medium-term Management Plan P44
- ◆ New Medium-term Management Plan <TerrAWell30 1st stage> FY2022-2024
 - Corporate P48
 - Business P52
- ◆ FY2022 Full Year Earnings Forecast (New Segment Disclosure under the New Structure) P58
- ◆ FY2022 Disclosure Comparison Chart (old segment disclosure / new group/unit disclosure) P59

Business Portfolio for NEXT-2020 Ver. 1- Final (FY2010 -2021)

Established an "all-weather(holistically diversified)" portfolio with an optimal balance between industrial and life-related businesses.

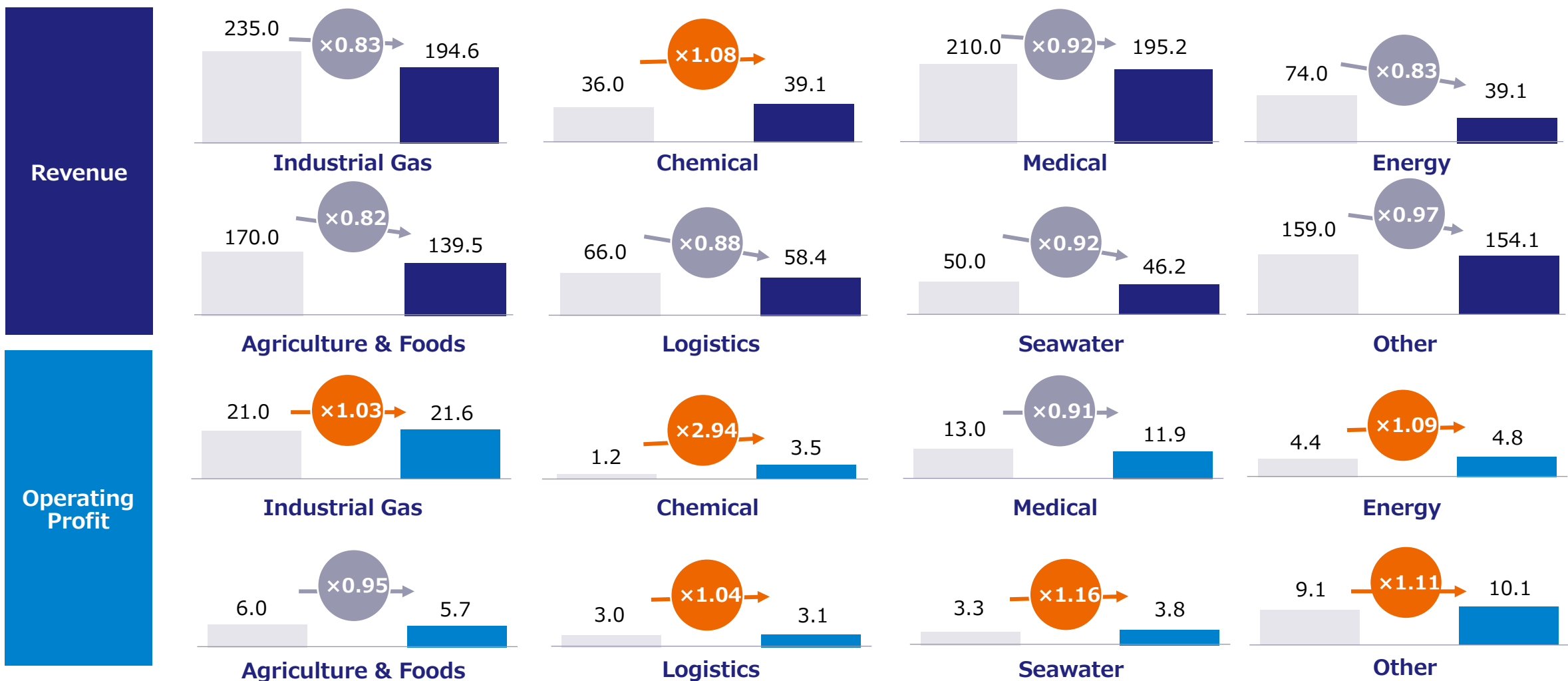


Note: Applied IFRS since FY2019. Net sales and ordinary profit (Japan GAAP) are shown in FY2009.
 Note: Electricity business and other businesses in the Other segment are not included in the pie chart.

Segmental Results for NEXT-2020 Final (FY2019-2021)

Exceeded Operating Profit Targets in Many Segments

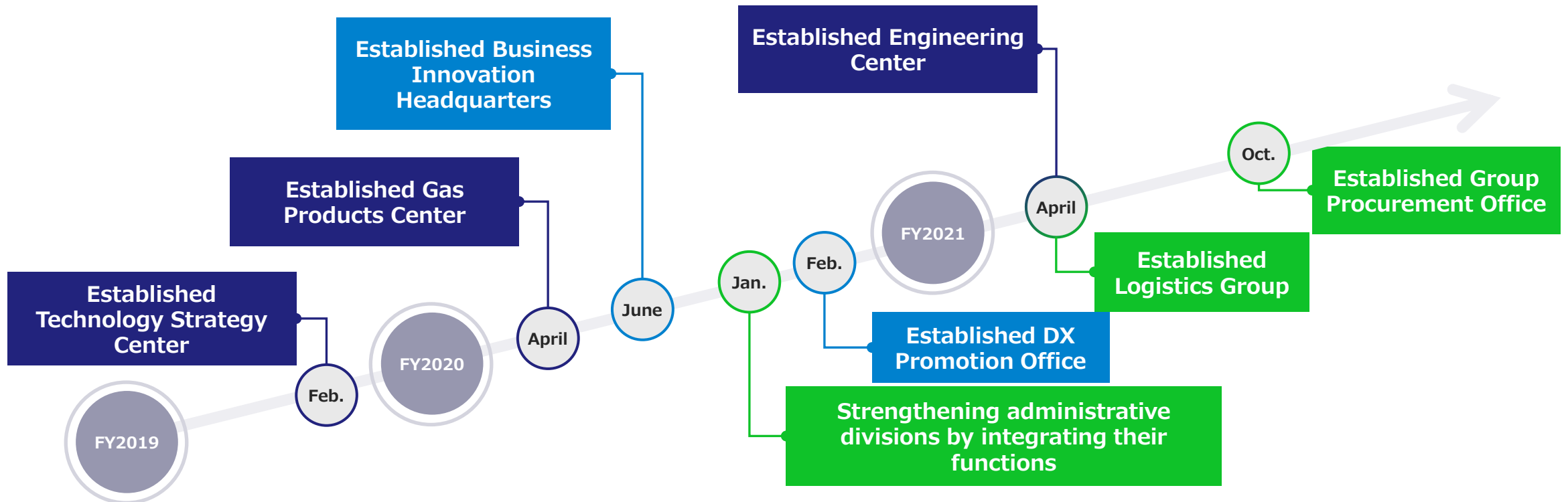
(Unit: billion yen)



Achievements of "NEXT-2020 Final" 2) Progressed company-wide operational reforms

Created a cross-divisional function across the group as a strategic move to create synergies through overall optimization.

Established 3 centers for cross-divisional coordination	Strengthening business support functions	Promoting DX and work style reforms
Established a group-wide infrastructure for "technology," "engineering," and "gas production," which are indispensable resources for business growth.	Enforcing "Logistics," "Procurement," and "Administration" functions for overall optimization of costs and internal control.	Promoting DX and work style reforms by cross-divisional coordination among the entire group.



Achievements of "NEXT-2020 Final" 3) Promoting ESG initiatives steadily

Environment

■ Established "Environmental Vision 2050"

Promote three societies (decarbonization, resource recycling, coexistence of people and nature)

■ Initiatives to Address Climate Change

- Endorsed TCFD Recommendations and Disclosure (Governance, Strategy, Risk Management, Indicators and Targets)
- Revised upward CO₂ emission reduction target for FY2030

Conventional	15% decrease from FY2013
After review	30% decrease from FY2020

Note: Reducing 6% from FY2013 figure was the Medium-term Plan target. The result was 8% and exceeded the target.

Society

■ Initiatives to Promote Diversity

- Established various systems that contribute to flexible work styles
- Promoting women's empowerment
 - Increased ratio of female employees +10.8pt (FY2018 15.2% → FY2021 26.0%) Note:Non-consolidated figure
 - Increased female management rate by +2.4pt (FY2018 1.5% → FY2021 4.0%) Note:Non-consolidated figure

■ Established human rights and sustainable procurement policies

■ Expanded social contribution activities

- Assistance to municipalities in responding to COVID-19, expansion of regional sponsorships, etc.

Governance

■ Improved Board Effectiveness

- Reduced total number of directors from 20 to 9
- Increased the ratio of Independent Outside Directors from 1/10 to 1/3

■ Strengthening group governance

- Established a special department to supervise overseas governance and risk management
- Visualizing business processes through reorganization and integration of group companies

Promoting SDGs and Sustainability



- Established "SDGs Promotion Division" in April 2020
- Promoting SDGs and sustainability initiatives across the Group as a foundation for sustainable management

Major initiatives

- Established sustainable visions
- Coordinating each business activity with SDGs contributions
- Educational activities to promote SDGs and sustainability

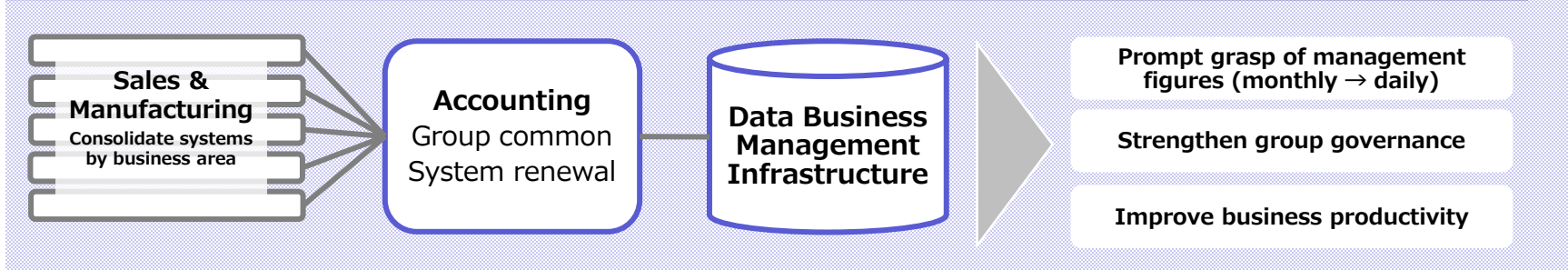
Corporate

Operational Innovation through DX

Revamp data business management infrastructure to create business innovation and new business models through the power of digital and data



[Priority] Data Business Management Infrastructure Renewal Project



HR development: Accelerate DX through a combination of internal DX HR development and external specialized HR



DX-related investment

5.0 billion yen
(3 years cumulative)

Promotion of logistics reform

Promote Group-wide optimization and synergy creation from the perspective of logistics functions

Corporate: Initiatives to Optimize Group Logistics Functions

Increased in-house production rate
 Integrated in-house logistics to increase the in-house production rate to 60%.

Promote logistics reform targeting the Agriculture & Foods area

Optimize lorry logistics (gas delivery)
 Supply chain reform by integrating production, procurement, and delivery

in-house production rate

48% Current Situation → 60% FY2024

30.0 billion yen

Business: Expansion of logistics business through expansion of bases and infrastructure

Newly constructed low-temperature warehouses and M&A to establish a trunk distribution line connecting all over Japan

Strengthen the cold chain, mainly for food products, by setting western Japan as a new priority area for development.

Expand business by creating synergies with Agriculture & Foods area

Further expansion of i-bases will be promoted.

New Priority Areas for Improvement

Major ferry routes between Hokkaido and Honshu

Strengths of the Air Water Group Logistics Business

Low-temperature warehouse network <small>(Currently mainly in Hokkaido)</small>	Chassis (ferry) transportation infrastructure between Hokkaido and Honshu	Know-how and experience in food 3PL
---	--	--

Corporate: Initiatives to Optimize Group Logistics Functions

Introduced an operation management system that enables real-time operation management, data collection, and analysis

Aim to improve the efficiency of logistics operations of the entire group and implement competitive logistics services

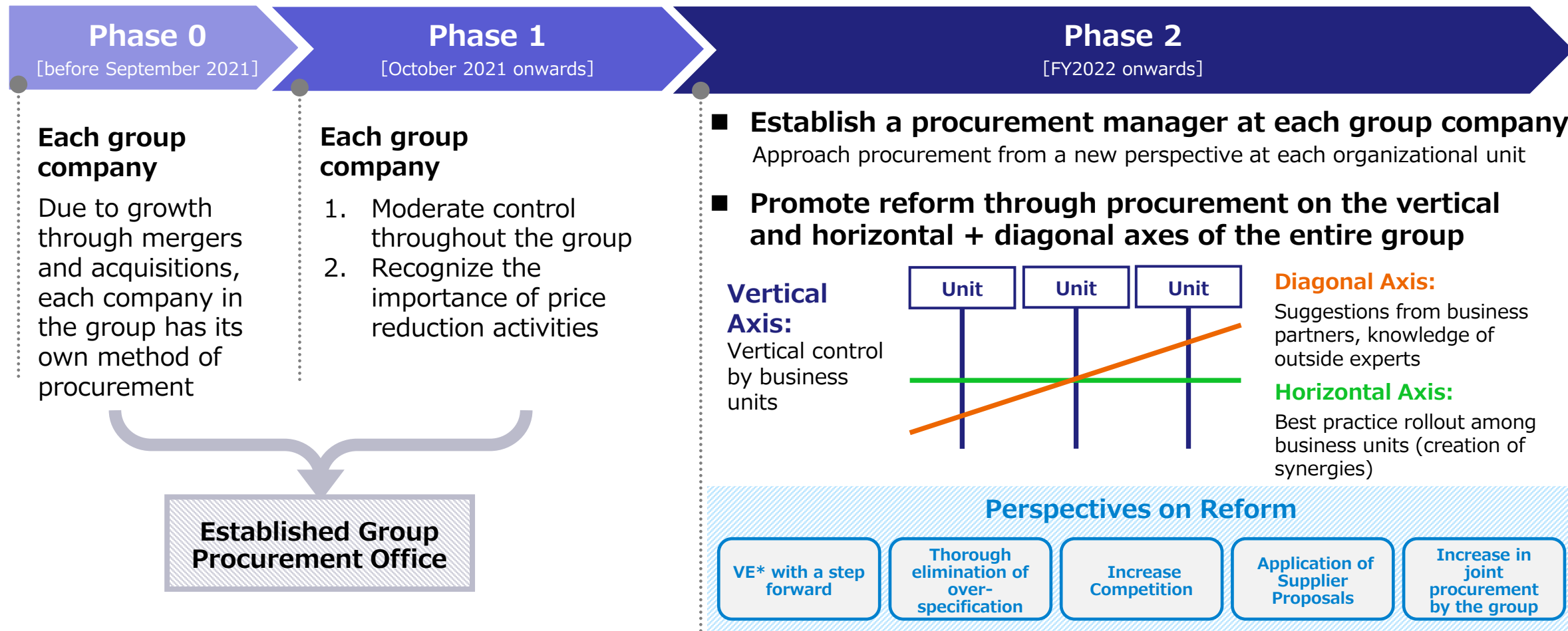
Contribute to reduction of CO2 emissions by shortening transportation distance, which will lead to progress in reforming work styles and securing human resources

Logistics Business Environment

2024 logistics problem = further labor shortage	Expansion of the last one mile = structural change in the logistics industry	Decarbonization (CO₂ reduction)
--	---	---

Optimize logistic functions

Generate a reform mindset movement across the Group through procurement activities



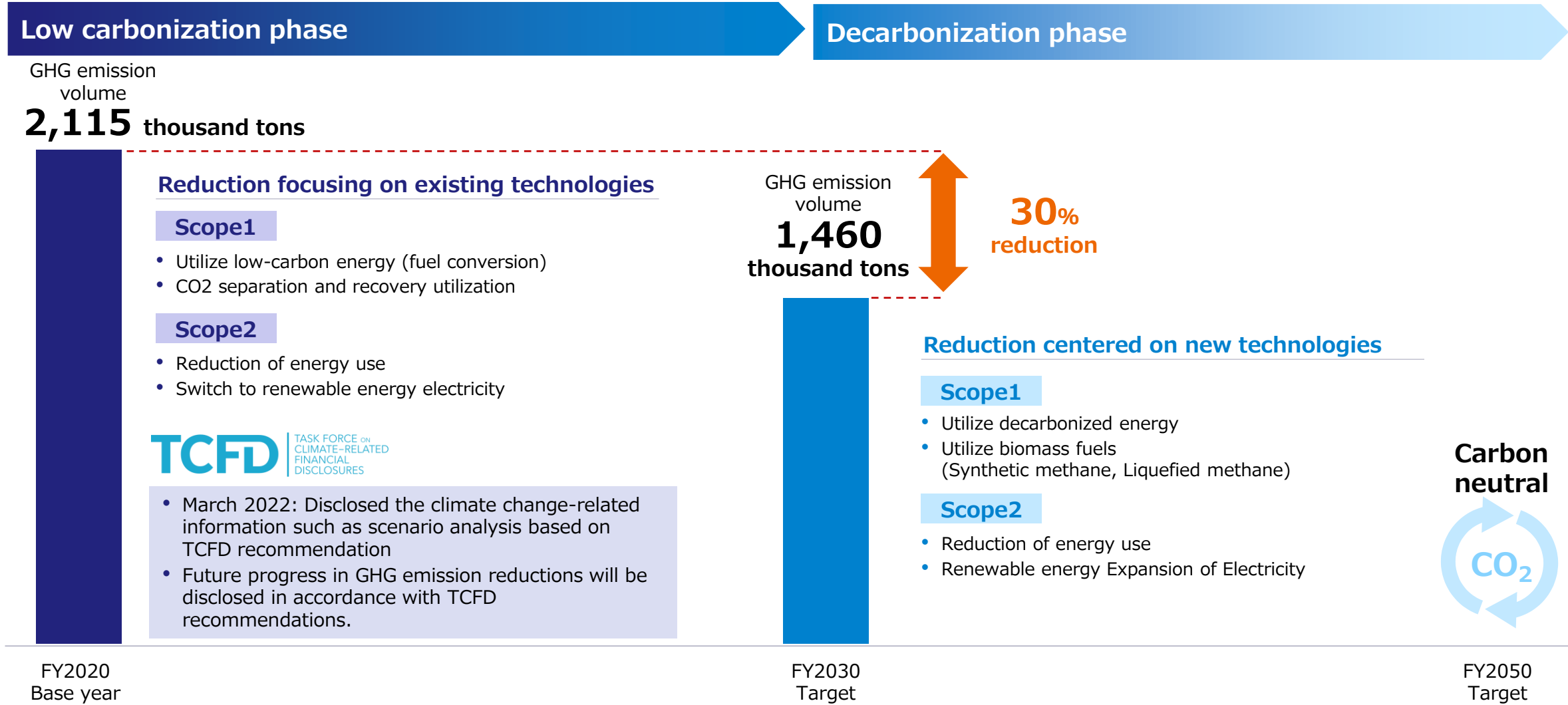
*VE : Value Engineering

A method to understand the "value" of a product or service from the relationship between the "function" it should fulfill and the "cost" of doing so, and to improve its "value" through systematized procedures.

Corporate

ESG (Sustainability) Address climate change

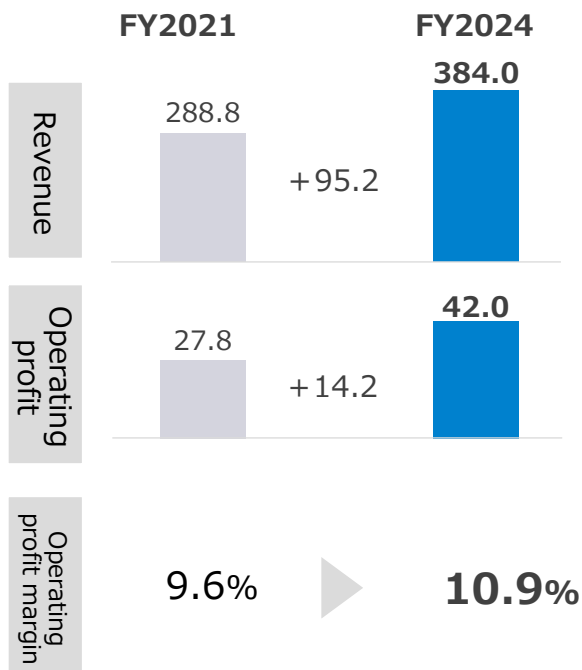
Reduce GHG emissions by 30% in FY2030 from FY2020 level, aiming to be carbon neutral by FY2050



Business

Digital & Industry: Outline by Business Unit

(Unit: billion yen)



Major synergies expected in FY2024 ※

**Revenue and Operating Profit
6.0 billion yen/2.0 billion yen**

- ◆ Revise price structure
- ◆ Develop new materials such as electronic materials for semiconductors and battery materials

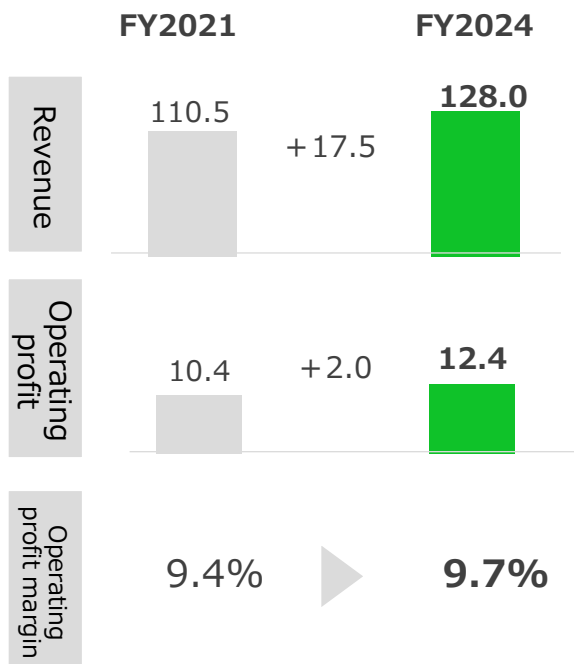
B.U.	Basic Strategies for 3-year period	FY2021 Revenue(A)	FY2024 Revenue(P)
Electronics	<ul style="list-style-type: none"> ● Capture demand through proactive investment in response to increased production at domestic semiconductor plants. ● Expand lineup in peripheral areas such as gas supply and purification equipment and parts for semiconductor production equipment 	82.6	105.7
Functional Materials	<ul style="list-style-type: none"> ● Pursue a materials development-oriented business model with electronic materials as the core of our business ● Proactive investment, including M&A 	67.8	121.1
Industrial Gases	<ul style="list-style-type: none"> ● Strengthen profitability through maintenance and renewal of domestic industrial gas infrastructure ● Review price structure and promote logistics efficiency ● Rebuild stable supply system for gas types with tight supply and demand 	127.1	153.3
Global Engineering	<ul style="list-style-type: none"> ● Capture demand through proactive investment in response to increased production at domestic semiconductor plants. ● Expand lineup in peripheral areas such as gas supply and purification equipment and parts for semiconductor production equipment 	16.6	18.6

※Revenue shows figures before consolidation adjustment

Business

Energy Solutions: Outline by Unit

(Unit: billion yen)



B.U.	Basic Strategies for 3-year period	FY2021 Revenue(A)	FY2024 Revenue(P)
Energy	<ul style="list-style-type: none"> Capture low-carbon-related demand with local business base and engineering capabilities centered on LNG products Pursue market share expansion and efficiency improvement in LP gas supply by expanding customer services through the use of IoT. Strengthen the foundation of overseas business (Vietnam) Woody biomass power generation focuses on stable fuel procurement and stable operation 	88.3	99.3
Resources Recycling	<ul style="list-style-type: none"> Build a new energy business model through social implementation of green technologies such as CO2 capture and liquefied biomethane Expand infrastructure for production and supply of carbon dioxide and hydrogen. 	24.1	28.1

Major synergies expected in FY2024

Revenue and Operating Profit 5.0 billion yen / 0.5 billion yen

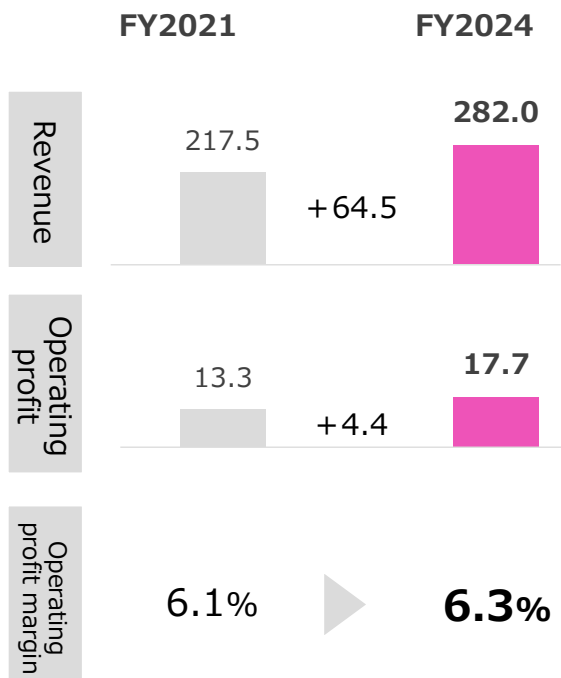
- ◆ Launched new businesses in the resource and environment field, including CO2 recovery and nationwide expansion of biogas plants

※ Revenue shows figures before consolidation adjustment

Business

Health & Safety: Outline by Unit

(Unit: billion yen)



Major synergies expected in FY2024

Revenue and Operating Profit 48.0 billion yen / 3.0 billion yen

- ◆ Nationwide expansion of pharmaceutical procurement (SPD) business and promotion of integrated operation of wholesale business
- ◆ PB merchandising by strengthening marketing and development capabilities

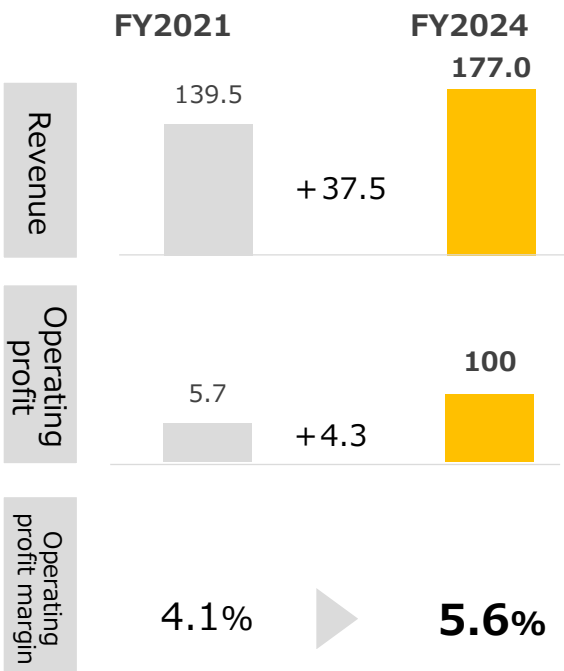
B.U.	Basic Strategies for 3-year period	FY2021 Revenue(A)	FY2024 Revenue(P)
Service	<ul style="list-style-type: none"> Promote strengthening and efficiency of the hospital service business through integrated management of three service units 	67.3	101.6
Consumer Health	<ul style="list-style-type: none"> Enhance marketing and development functions to introduce new products that are close to people's lifestyles and promote private-brand merchandising. 	60.5	74.9
Medical Products	<ul style="list-style-type: none"> Expand business areas to meet the needs of infection control, intensive care management, telemedicine, etc. Expand the homecare business to include preventive and nursing care through new oxygen concentrators and home-use medical equipment. 	69.1	87.3
Safety Services	<ul style="list-style-type: none"> Capture the ever-expanding data center demand centered on gas fire extinguishing equipment 	26.5	36.7

※ Revenue shows figures before consolidation adjustment

Business

Agriculture & Foods: Outline by Unit

(Unit: billion yen)



B.U.	Basic Strategies for 3-year period	FY2021 Revenue(A)	FY2024 Revenue(P)
Foods	<ul style="list-style-type: none"> Strengthen profitability of food business by branding agricultural products and processed foods, and streamlining logistics and utilizing bases through group collaboration Optimize the production system in the ham and delicatessen field centered on the new plant In the beverage business, respond to customers' environmental needs by expanding recyclable containers and paper container lines, and capture demand for health-conscious products such as plant-based milk 	123.8	144.3
Agriculture	<ul style="list-style-type: none"> Develop a logistics system capable of collecting, transporting, sorting, and storing agricultural products in a timely manner, as well as upgrading processing technology and expanding processing bases. Created new agricultural business by improving smart farming technology and establishing a new business model that contributes to food loss 	16.7	30.3

Major synergies expected in FY2024

**Revenue and Operating Profit
13.0 billion yen / 0.8 billion yen**

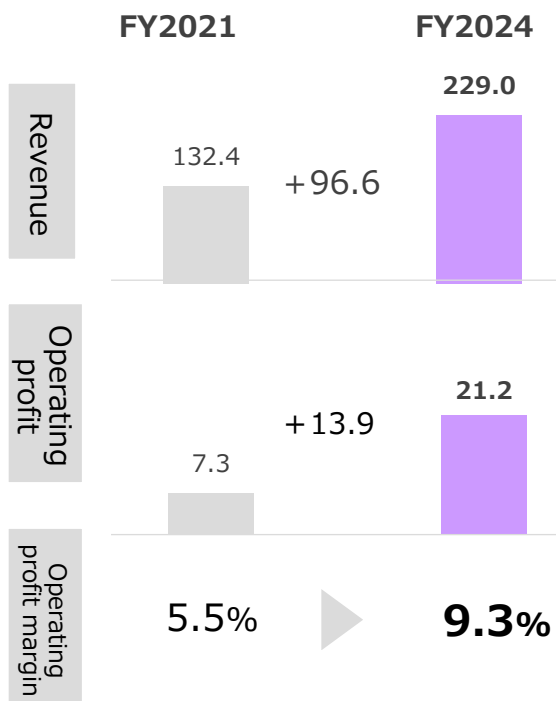
- ◆ Develop consulting business for the food industry
- ◆ Create new businesses using surplus and out-of-spec agricultural products as raw materials for processing

※ Revenue shows figures before consolidation adjustment

Business

Other Businesses: Outline by Unit

(Unit : billion yen)



B.U.	Basic Strategies for 3-year period	FY2021 Revenue(A)	FY2024 Revenue(P)
Logistics	<ul style="list-style-type: none"> Establish a cold chain through the development of a trunk line transportation network Promote efficiency in business operations through IoT 	58.4	72.5
Nihonkaisui Co., Ltd.	<ul style="list-style-type: none"> Establish a cold chain through the development of a trunk line transportation network Promote efficiency in business operations through IoT 	37.3	51.0
Industrial Gas in North America /High Power UP	<ul style="list-style-type: none"> Establish a gas production and sales base in North America to serve as a business foundation, and further strengthen hydrogen and other decarbonization-related businesses Develop high-power UPS products with high environmental performance to meet growing data center demand 	28.6	55.0
Other New business of local business firms Chinese trading company, construction company, etc.		8.0	50.5

Business

Capital control and capital efficiency improvement

Allocate invested capital proactively to Digital & Industry to drive profit growth
 Energy Solutions, Health & Safety, and Agriculture & Foods achieved profit growth based on improved profitability and capital efficiency

Business Group etc.	Portfolio Positioning	Operating Profit Improvement (FY2021-> FY2024)	Path to Profit Growth		
			Invested Capital	ROIC	
Digital & Industry	Electronics	Growth driver	+14.2 billion yen	Greatly expanded 	Flat growth (will improve from New Medium-term Management Plan)
	Functional Materials				
	Global Engineering				
	Industrial Gases				
Energy Solutions	Energy	Stable growth	+2.0 billion yen	Flat growth 	Improvement
	Resources Recycling	Growth Base Development			
Health & Safety		Stable growth	+4.4 billion yen	gradual increase 	Improvement
Agriculture & Foods		Stable growth	+4.3 billion yen	gradual increase 	Improvement

FY2022 Full Year Earnings Forecast (New Segment Disclosure under the New Structure)

(Unit: billion yen)

		FY2021 Result	FY2022 Full-year forecast	Difference	Percentage
Digital & Industry	Revenue	288.8	317.0	+28.2	109.8%
	Operating Profit	27.8	30.2	+2.4	108.6%
	Operating profit margin	9.6%	9.5%	▲0.1pt	-
Energy Solutions	Revenue	110.5	116.0	+5.5	105.0%
	Operating Profit	10.4	10.8	+0.4	103.9%
	Operating profit margin	9.4%	9.3%	▲0.1pt	-
Health & Safety	Revenue	217.5	257.5	+40.0	118.4%
	Operating Profit	13.3	14.9	+1.6	112.2%
	Operating profit margin	6.1%	5.8%	▲0.3pt	-
Agriculture & Foods	Revenue	139.5	155.2	+15.7	111.3%
	Operating Profit	5.7	7.3	+1.6	127.7%
	Operating profit margin	4.1%	4.7%	0.6pt	-
Other	Revenue	132.4	154.3	+22.0	116.6%
	Operating Profit	7.3	8.0	+0.7	109.3%
	Operating profit margin	5.5%	5.2%	▲0.3pt	-
Adjustment	Operating Profit	0.7	▲1.2	▲1.9	-
Total	Revenue	888.7	1,000.0	+111.3	112.5%
	Operating Profit	65.2	70.0	+4.8	107.4%
	Operating profit margin	7.3%	7.0%	▲0.3pt	-

Disclosure Comparison Chart for FY2022 (Old Segment Disclosure/New Group/Unit Disclosure)



Segment	Sub-segment	New group & unit																
		Digital & Industry				Energy Solutions		Health & Safety				Agriculture & Foods		Other				
		Electronics	Functional Materials	Industrial Gases	Overseas & Engineering	Energy	Resource Recycling	Service	Consumer Health	Medical Products	Safety Services	Foods	Agriculture	Logistics	Nihonkaisui Co., Ltd.	North America & Industrial Gases/High Power UP	Other	
Former Segment Structure	Industrial Gases	Gas					● (hydrogen/carbon dioxide)											
		Equipment, construction work, etc.	●		●													
		Overseas				●												
	Chemical	AWPC		●														
		Other																
	Medical	Equipment									●							
		Medical Service							●									
		Medical Gases																
		Medical Equipment									●							
		Home Health Care									●							
		Hygiene Materials									● (Needle/Dental)	●						
	Energy	LP Gas					●											
		Natural Gas related																
	Agriculture & Foods	Agriculture & Processing											●	●				
		Beverages																
		Other											●					
	Logistics	transport													●			
		3PL																
		chassis																
	seawater	Salt-related													●			
magnesia			●															
Other	sol									●								
	Information Electronics Materials	●																
	Global Engineering														●			
	Electricity					●												
	Other		● (Mach etc.)	● (NV)			● (Ecolocca)										●	

Meeting society's needs with nature's blessings.



Notes

- The numerical targets and forecasts presented in this document reflect the judgment of the Company based on information currently available and involve potential risks and uncertainties. Therefore, note that actual business performance may differ significantly from the projections made herein due to changes in various factors.
- The Company has adopted International Financial Reporting Standards (IFRS)