

Meeting society's needs with nature's blessings.



Management Policy Briefing

November 30, 2021

Air Water Inc.
Chairman, CEO
Kikuo Toyoda





Chairman, CEO
Kikuo Toyoda

Date and place of birth

Born May 5, 1948 in Mie Prefecture, Japan

Career profile

November 1973: Joined Daido Sanso Co., Ltd. (which merged with Air Water Inc. in April 1993)

July 1999: Executive Officer and General Manager of HR Department at Daido Hoxan Co., Ltd. (now Air Water Inc.)

June 2001: Executive Officer of Air Water Inc., General Manager of Welfare & Nursing Service Dept., Medical Company

June 2006: President and Representative Director of Kawaju Bosai Kogyo Co., Ltd. (now Air Water Safety Service Inc.)

June 2012: Managing Director of Air Water Inc., Head of Medical Company

June 2013: Senior Managing Director of Air Water Inc., Head of Medical Company

June 2016: Vice President and Representative Director of Air Water Inc., Head of Medical Company

June 2017: Director and Vice Chairman of Air Water Inc., Assistant to the Chairman, Head of Medical Company

April 2018: Director and Vice Chairman of Air Water Inc., Assistant to the Chairman, General Manager of Operations, In Charge of HR

June 2019: Representative Director, Chairman and CEO of Air Water Inc. (current position)

		Introduction
I		Developing the Foundations for 2030
II		Business Plan for 2030
III		Finance Policy, Utilization of Human Resources
IV		Reducing CO ₂ Emissions
V		Appendix

Introduction

20 Years To Date

Stage 1
 (2000 - 2009) **Effects of Merger / Promoting Diversification**

Stage 2
 (2010 - 2019) **1 Trillion Yen Corporate Vision**

Laying the Foundations of Air Water

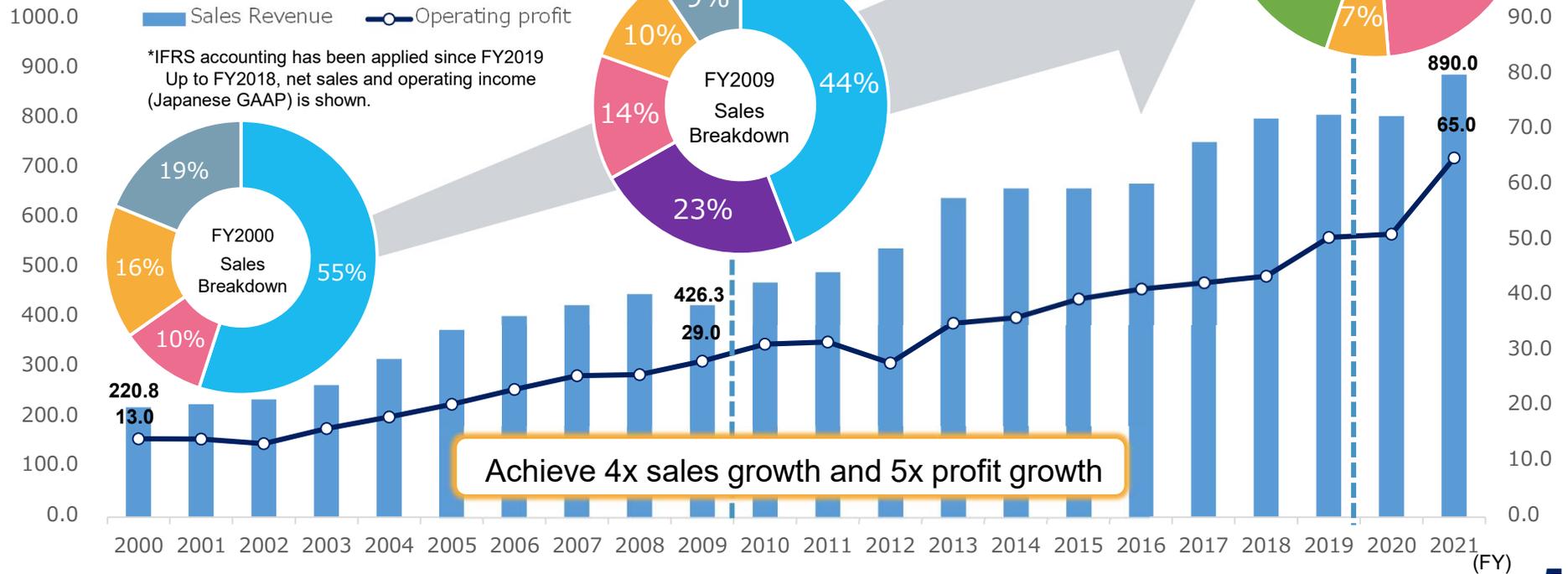
The Growth of Air Water

- Expanding the industrial gas business domain
- Developing new business fields

- Expanding lifestyle-oriented businesses
- Establishing a conglomerate

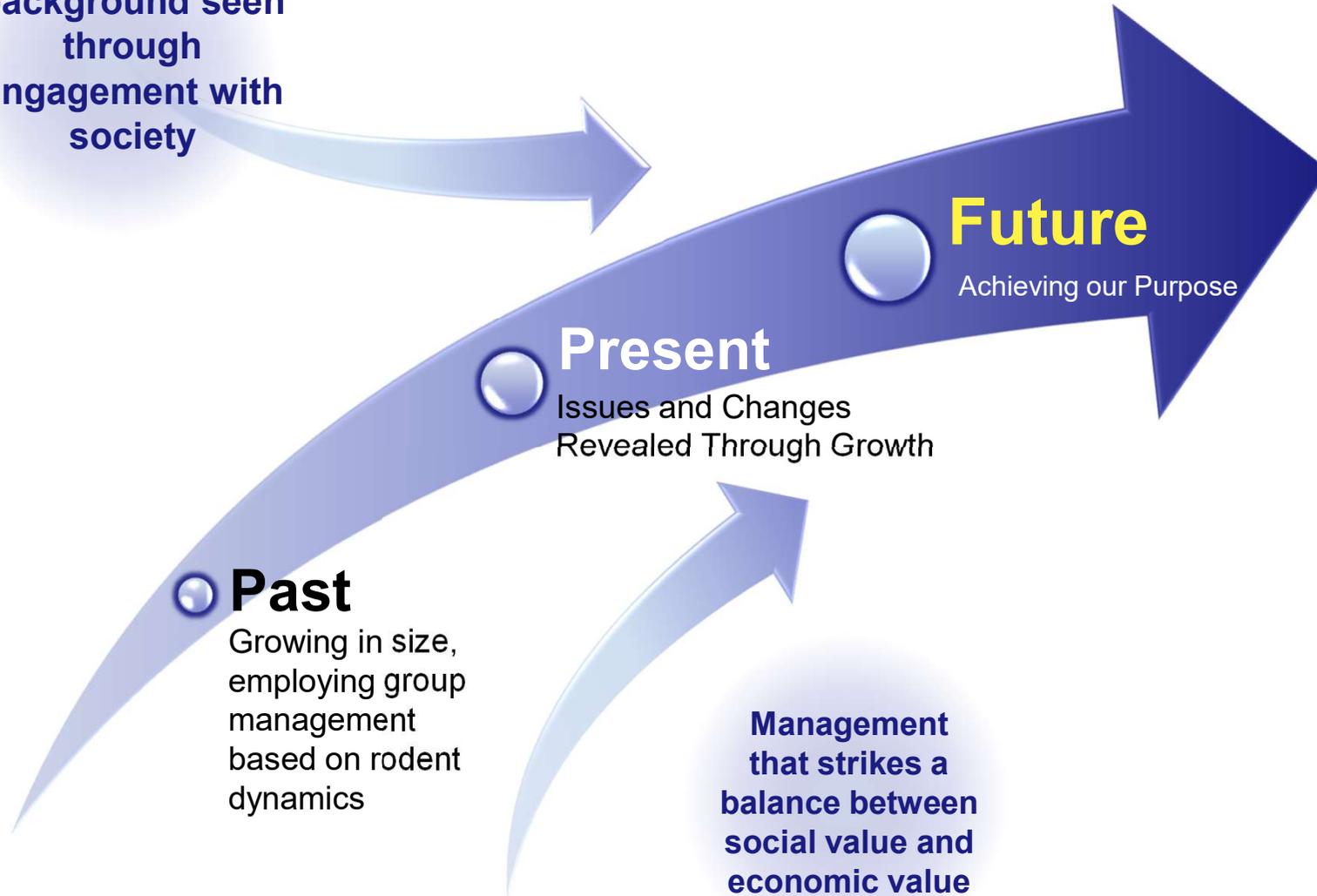


(Unit: Billion yen)



Towards the next 10 years

Changing background seen through engagement with society



Accelerating technical innovation through coordination between industry, government and academia

Strengthening technological development through coordination with universities and expert organizations

Coordination between industry, government and academia

Number of technological development projects currently underway through coordination between industry, government and academia

138 projects
(of which 58 projects are universities or research bodies)

Major search organizations and development themes

Muroran Institute of Technology [Cooperative Agreement on Comprehensive Joint Research]

- Joint research into functional foods, etc.
- Joint research into cultivation management technologies

The University of Tokyo [Establishment of Social Cooperation Research Department]

- Joint research into smart agriculture
- Joint research into medical imaging diagnostic systems

Kyoto University [Consortium]

- Coordination on innovation design

National Cerebral and Cardiovascular Center [Agreement on Collaboration]

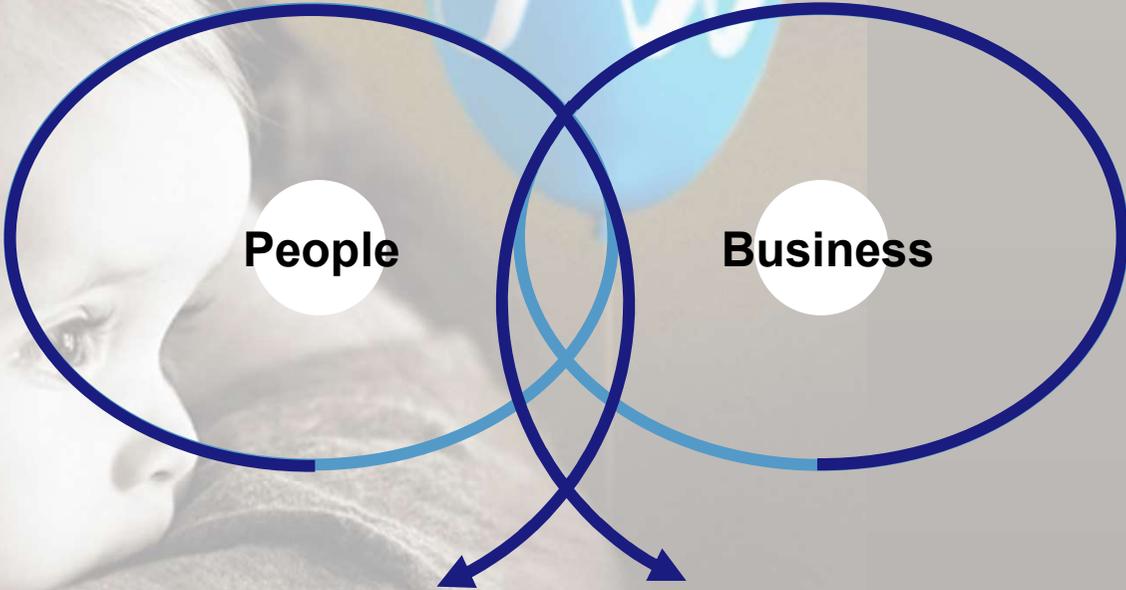
- Remote training center for medical professionals
- Development of "karushio" (low salt) foods, etc.

Our Purpose

Meeting society's needs with nature's blessings.

Purpose Over the Next 10 Years

Making people and business work closely together



Achieving our Purpose

The next ten years (2021 to 2030) will be our "Third Company Founding"

MISSION

Create synergies through multiplication

Use diversity in business, technology and human resources as tools to face social issues and maximize corporate value

VISION

Global Environment and Wellness

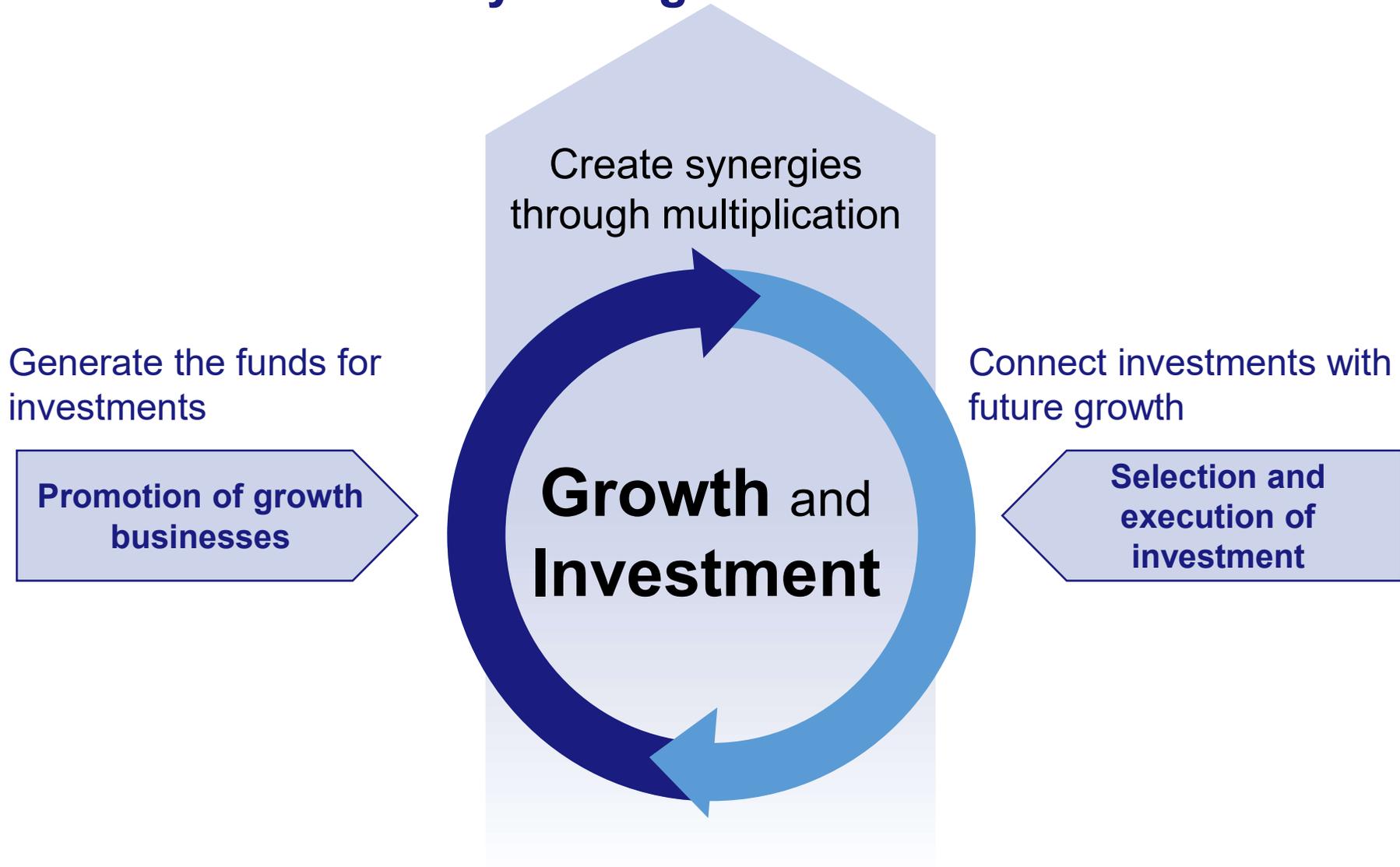
Create a recycling-oriented society through the coexistence of the Earth and society

KEYWORD

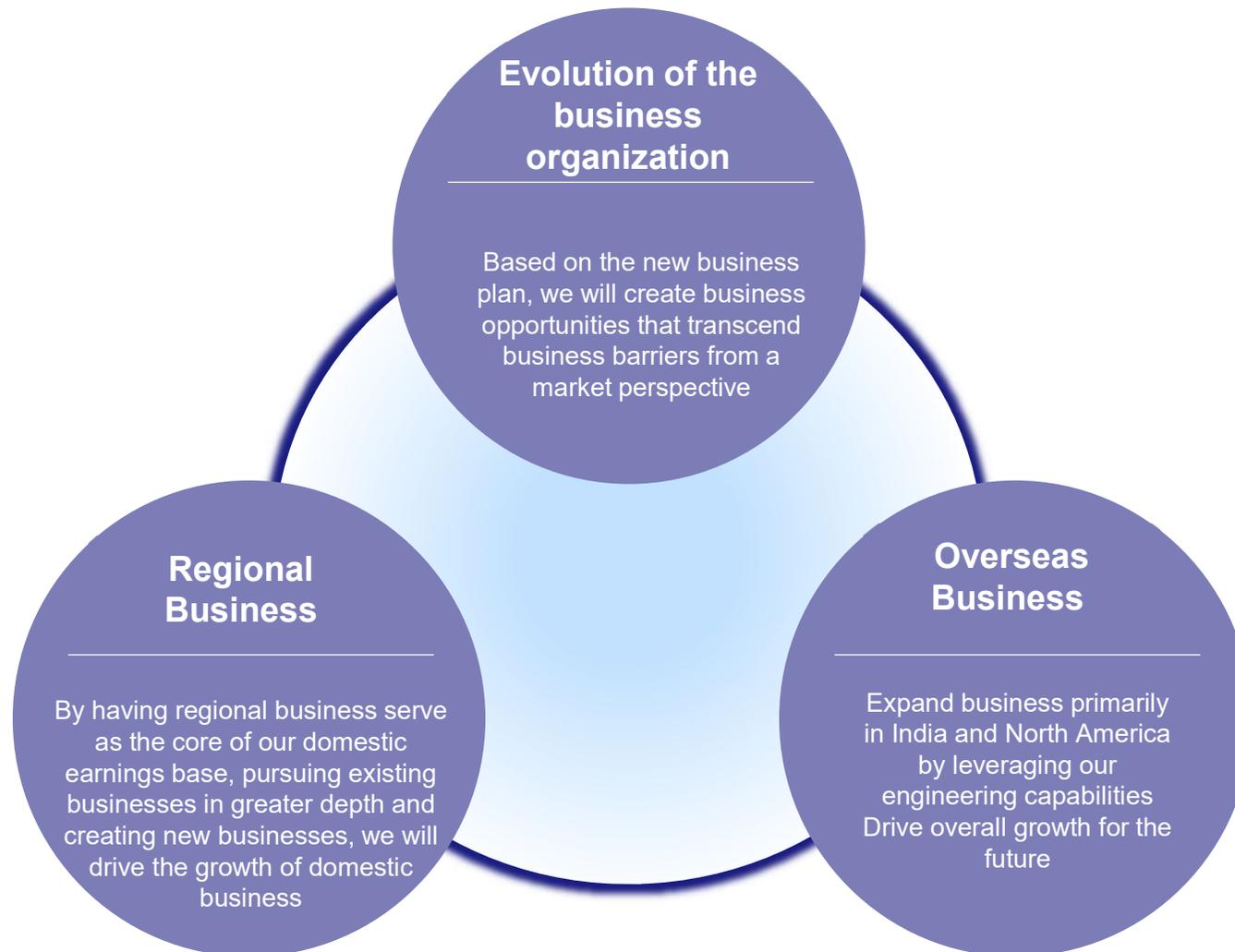
From partial optimization to total optimization

Demonstrate the true value of group management based on rodent dynamics

Favorable cycle of growth and investment



Strengthen domestic earnings strength, drive growth overseas



1. Developing the Foundations for 2030

Implement the integration and restructuring of Group companies to develop the foundations for growth

The 197 companies that make up the main businesses of Air Water will be restructured based on five perspectives (This will not apply to 66 companies that include joint ventures to be operated in partnership with other companies for strategic purposes)

Five Perspectives

1 Market commonality		2 Commonality in business activities	
3 Earnings and cost improvements	4 Growth through expanded size		5 Governance

As of March 2019
197 companies



As of March 2021
148 companies

Reorganize companies worth more than 10 billion yen and aim for autonomous growth

Cut across existing businesses to boost productivity and create value with new approaches

Group technology center

Technology platform consolidating the technological resources of 34 sites nationwide



Create the technologies and new products to drive growth by promoting technological development

Aim

- To promote coordination across businesses and more efficient technological development
- To develop technologies that will help solve decarbonization and other social issues
- To promote alliances between industry, government and academia

Gas products center

Enhance competitiveness through the centralization of industrial gas manufacturing departments



Centralize production, security and logistics operations previously separated by user or form of supply

Aim

- To swiftly respond to fluctuations in user demand
- To cultivate dedicated human resources and pass on technologies
- To utilizing IoT to streamlining inspection, maintenance and other tasks

Engineering center

Group-spanning platform of engineering human resources and technologies



Oversee engineering departments that are the basis for all business

Aim

- To consolidate very low temperature technologies and expertise
- To cultivate dedicated human resources in anticipation of overseas expansion
- To respond to the coming decarbonized society in relation to hydrogen and other areas with engineering

Strengthening the systems of administrative divisions towards achieving overall optimization

Logistics Project



Consolidate logistics in in-house warehouses, centrally manage the items stored in warehouses, and promote joint logistics on a Group-wide basis

Group Procurement Project



Identify and analyze the state of Group-wide procurements and promote overall optimization
[Procurement Policy] Quality, cost, delivery lead time, low carbon footprint

Development New Systems for Administrative Divisions



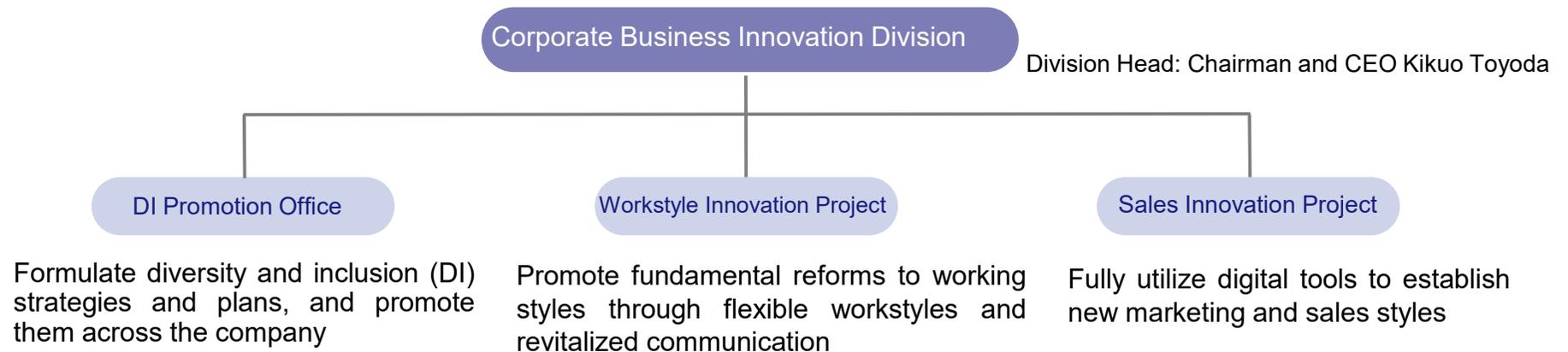
Promote improved governance functions and profitability improvements on a Group-wide basis
Reorganize administrative divisions to form a Group Management Advisory Division, Group Finance Strategy Division and Group Corporate Governance Division

DX for Growth: Towards Achieving Data-Oriented Management

By developing the foundations for "Data-Oriented Management" as the target direction of management, we will change the mindset behind corporate culture and employees through DX, workstyle reforms and sales reforms aimed at growth.

The significance of DX: Gaining a grasp of and visualizing the actual situation to enable overall optimization. We will then leverage those information capabilities to optimally allocate Group resources.

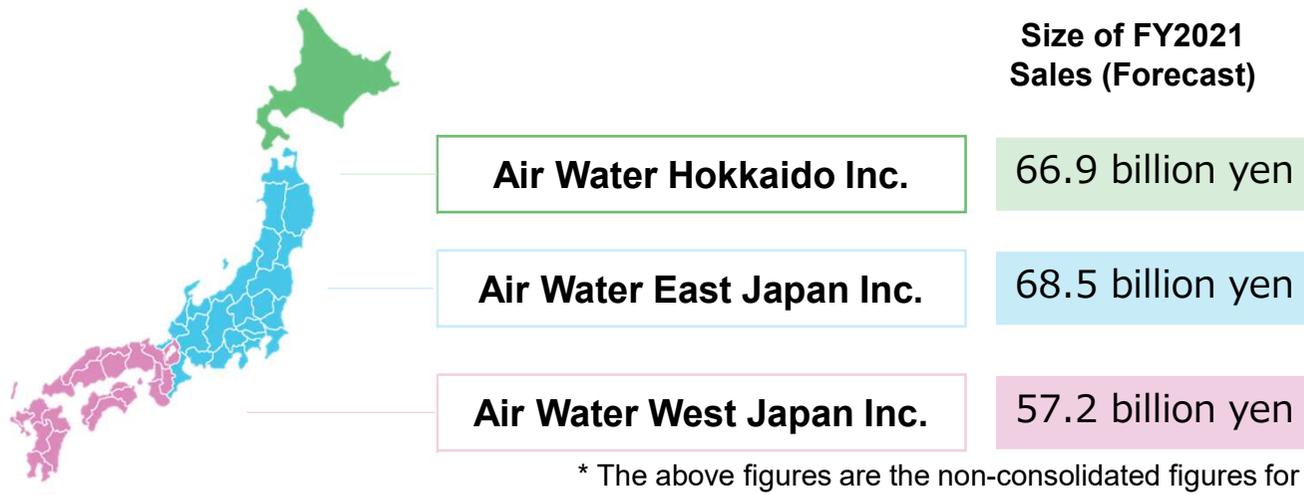
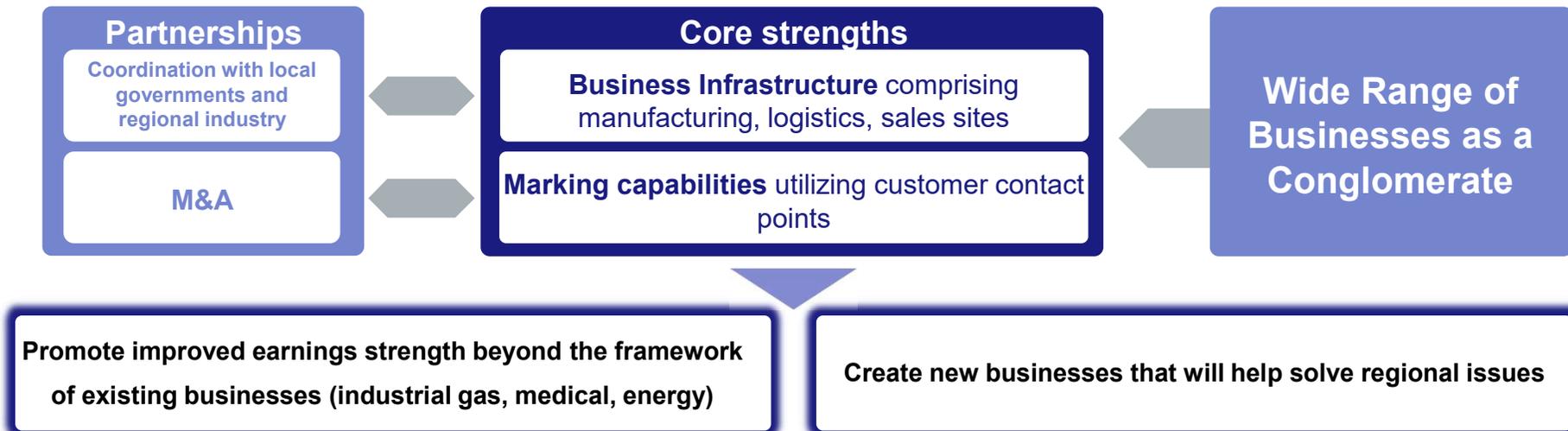
DX Promotion Framework



Evolution of Regional Business

Laying foundations that will drive domestic business growth
 - The formation of three new regional operating companies -

Roles of Regional Operating Companies



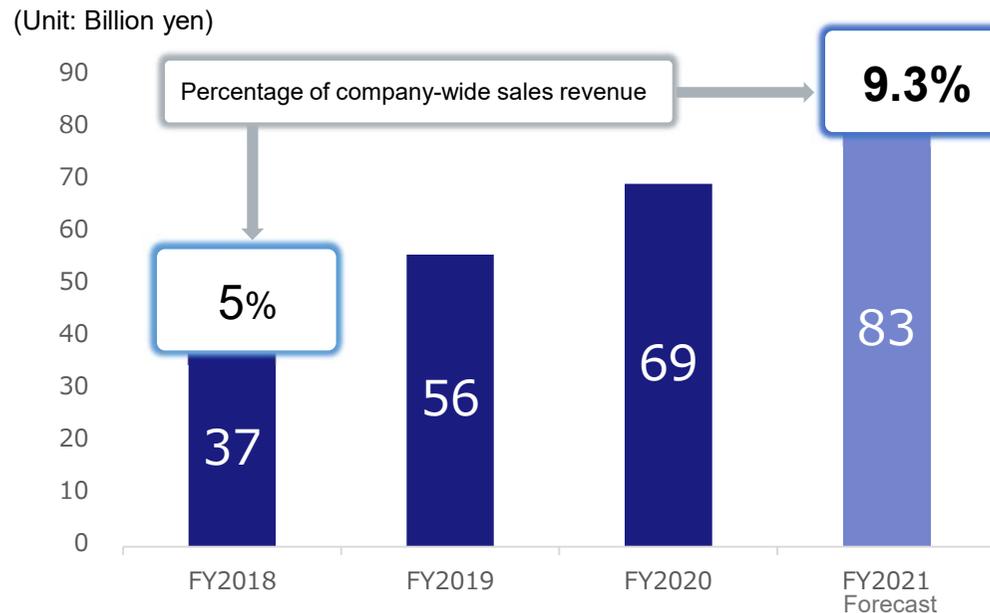
* The above figures are the non-consolidated figures for each company **18**

Lay the foundations of the overseas business in anticipation of future growth

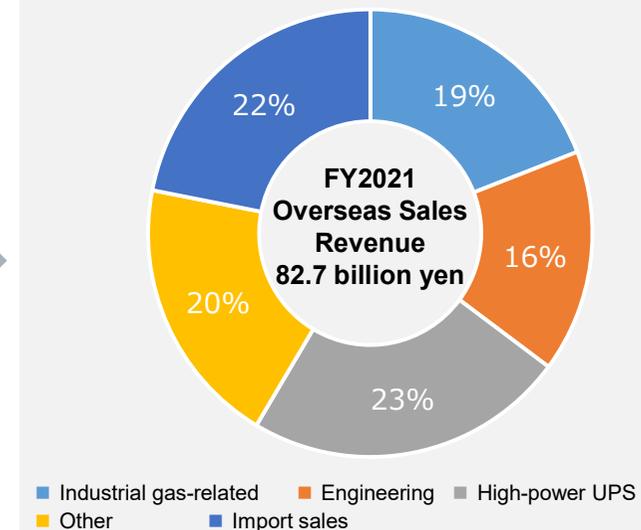
Basic Policy on Overseas Expansion

- Priority regions: India and North America, Priority businesses: industrial gas, related equipment and engineering
- The medical business will be expanded in Southeast Asia, including in India
- We will actively pursue M&A activities overseas

Trend in Overseas Sales Revenue

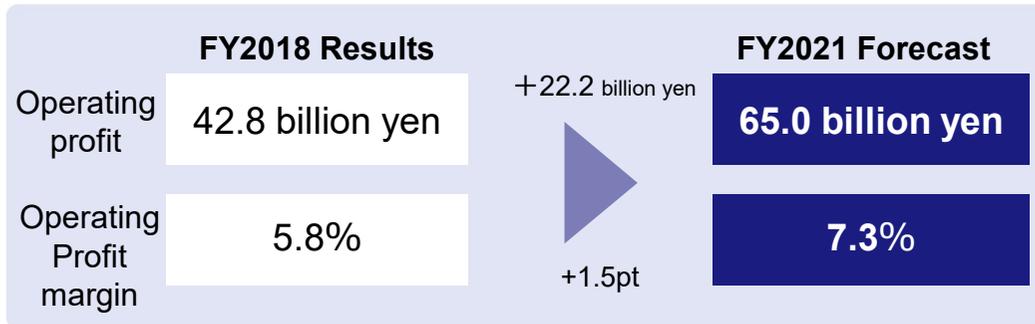


Breakdown of Overseas Sales Revenue

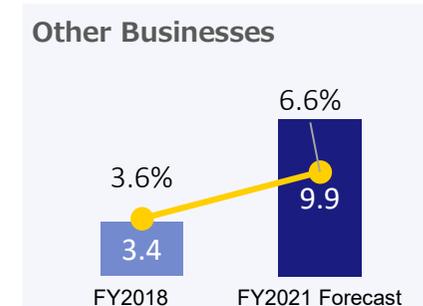
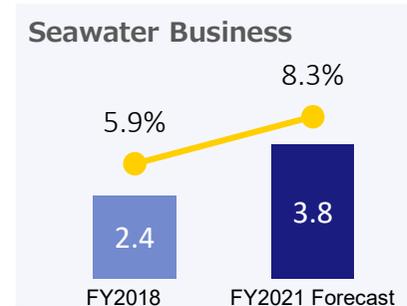
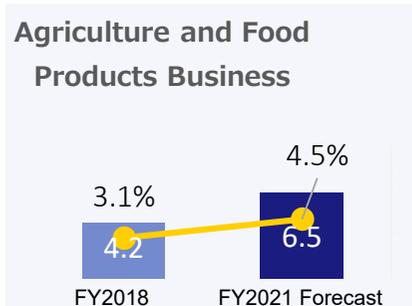
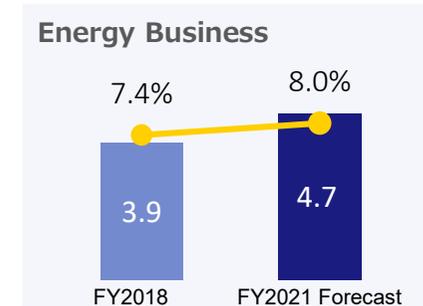
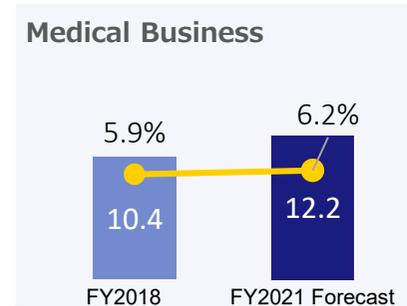
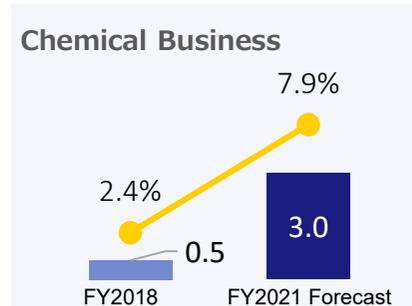
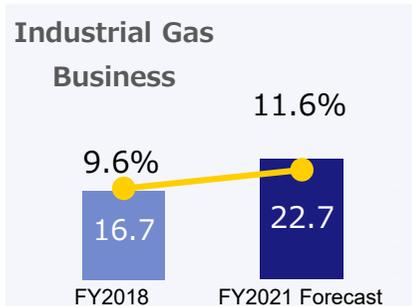


Results of Structural Reforms

In the current mid-term management plan, we advanced structural reform and overall optimization initiatives and made significant improvements to profit margin.



- Business innovation including workstyle reforms were advanced across the company
- Structural reforms including the rebuilding of production systems with a focus on chemical, agriculture and food-related fields were advanced
- Progress was made in the restructuring of Group companies
- Highly profitable businesses including industrial gas in India, electronics and power generation expanded



■ Operating profit ● Operating profit margin

(Unit: Billion yen)

2. Business Plan for 2030

Achieving our 1 trillion yen corporate vision early on and progressing to a new stage: sustainable management emphasizing corporate value

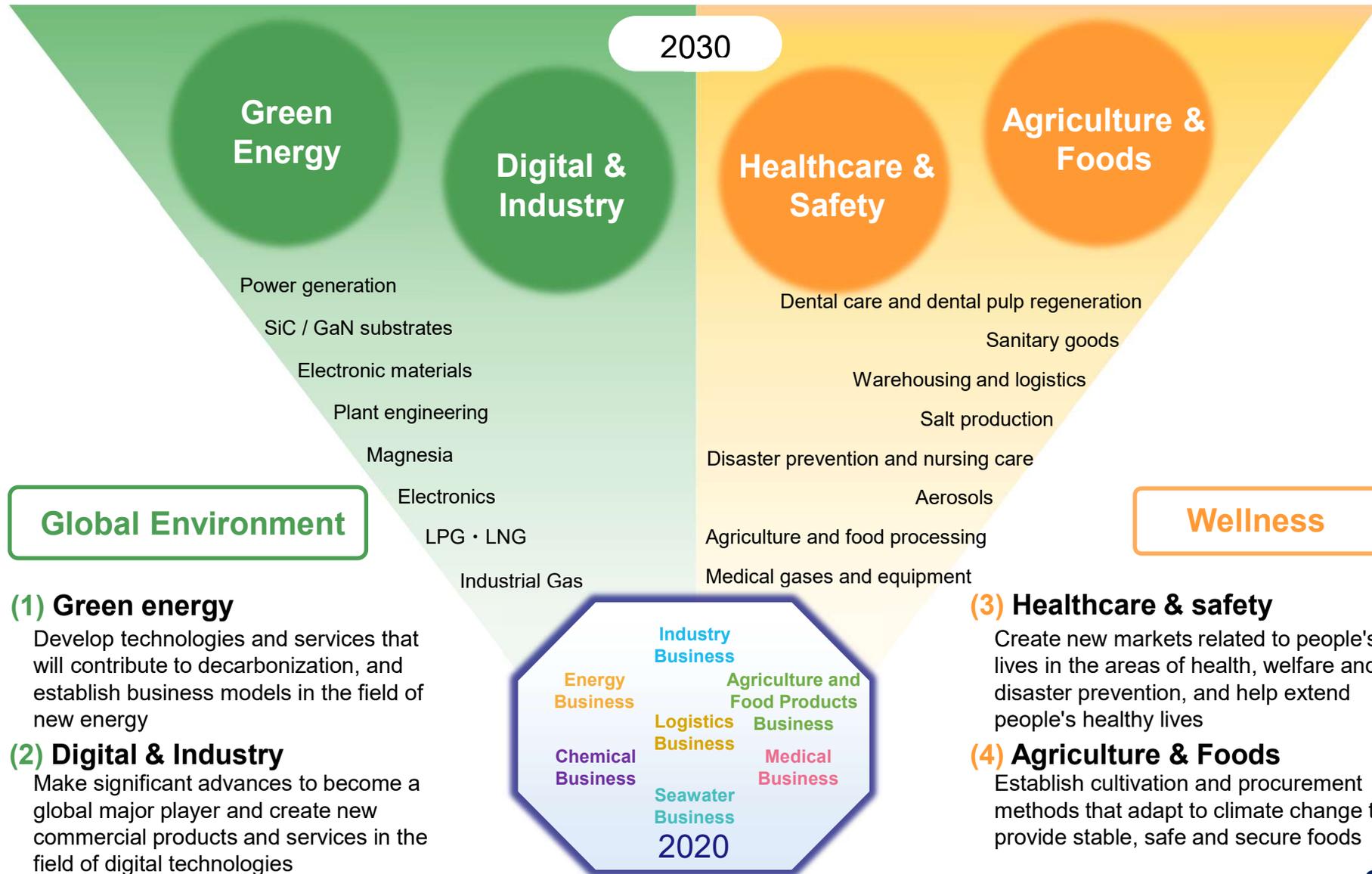
■ Set a directional axis adapted to social changes

While optimizing a variety of management resources Group-wide along the global environment and wellness axes, we will enhance corporate value in terms of both economic value and social value.



Pillars of Business Growth (Two Axes and Four Business Fields)

Contributing to Sustainable Society Across Four Business Fields



Creation of New Business Through Synergies of Multiplication

Meeting society's needs with nature's blessings.

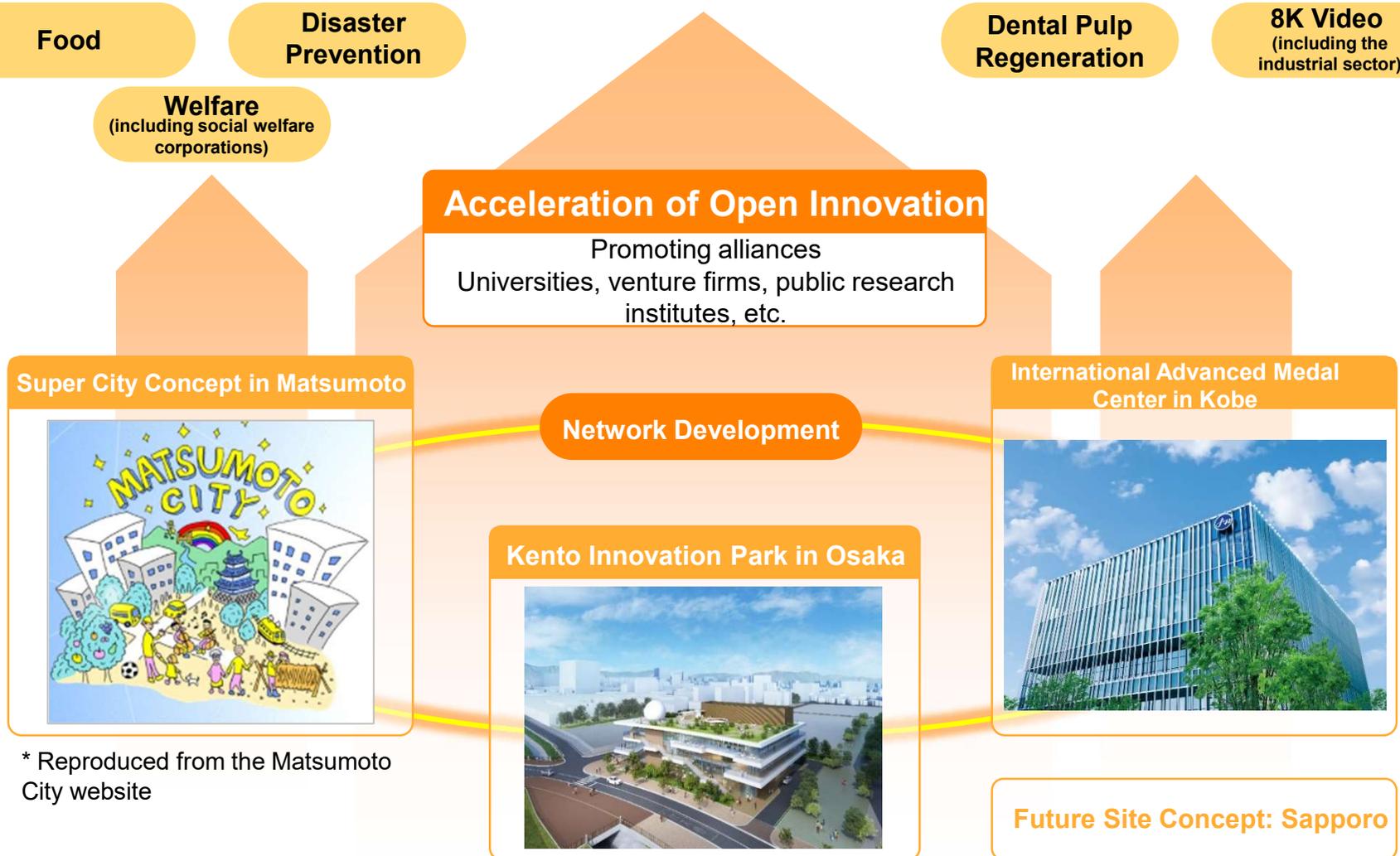


Utilize a vast array of businesses, products, services and Group companies as well as regional, technological and logistical infrastructure to create new businesses consistent with the global environment and wellness



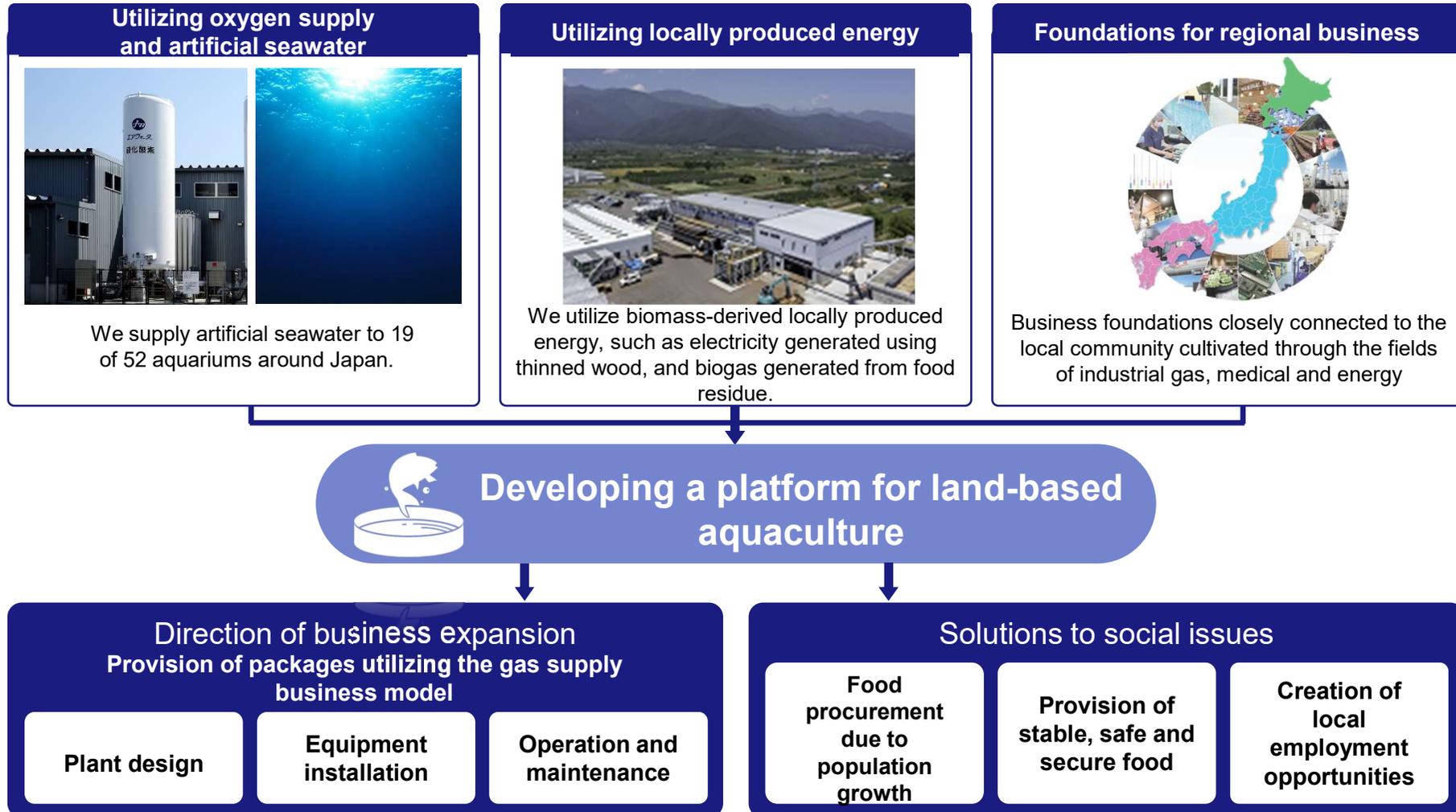
Healthcare & Safety

Create new businesses through the fusion of medical care, foods, disaster prevention and local communities with the aim of extending healthy life expectancy in the era of 100-year lives



* Reproduced from the Matsumoto City website

Create a sustainable food business in anticipation of population growth and the need to ensure food security



Agriculture & Foods

Meeting society's needs with nature's blessings.



Agricultural Produce and Processed Food Value Chain
×
Food Logistics Network Covering All of Japan and Local Business Foundations

Rolling out an agricultural distribution business with regional areas as the starting point

Production and Procurement



Development and Processing



Sale



Logistics network with nationwide coverage + regional business base through three regional operating companies

Promotion of local agriculture, strengthening of processing technologies and functions
In addition to reducing waste loss, produce feed by processing food residue

Contribute to improved food self-sufficiency rate and reduced food loss



Developing a sustainable local recycling-oriented energy supply model



Liquid fertilizer **Heat**

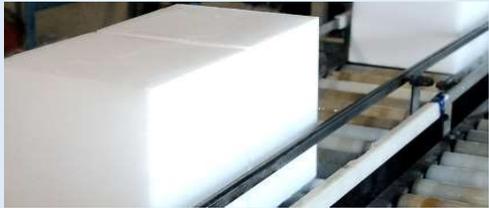
Use for agriculture



- Supplying the head and CO2 required for vegetable farming
- Supplying liquid fertilizer

Carbon dioxide gas **Dry ice**

Recirculated without releasing CO2



- Recovery of exhaust gases to be used as raw materials for methanation
- Production of carbon-neutral dry ice

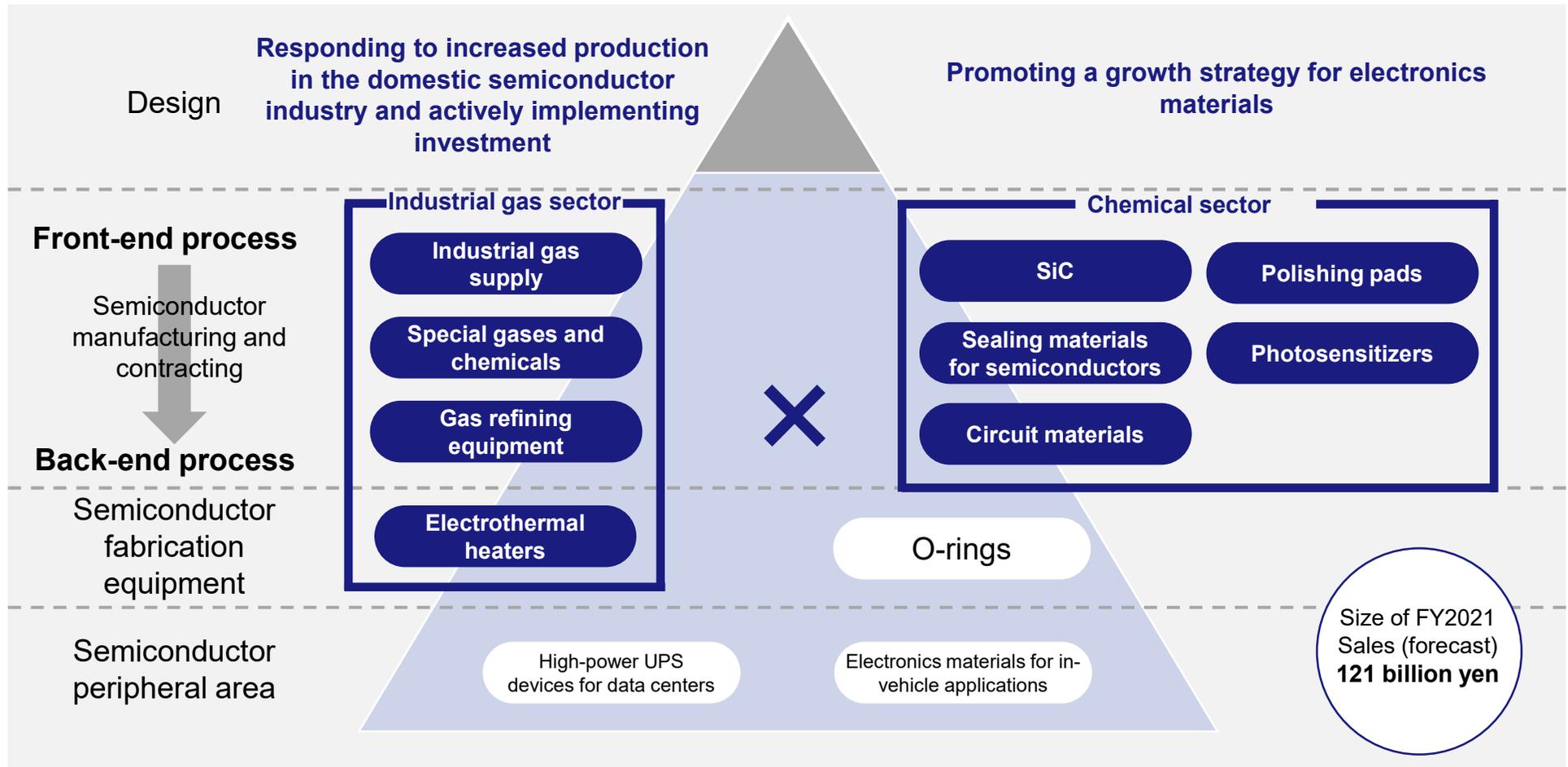
Hydrogen **Electricity** **Liquefied biomethane**

Carbon-neutral supply of energy




- Production of hydrogen and liquefied methane using biogas as a raw material
- Wood biomass power generated utilizing thinned wood

Creating added value through the combination of industrial gas and chemicals



3. Finance Policy, Utilization of Human Resources

**Achieve corporate growth through an aggressive investment policy
based on a stable revenue base**

In addition, enhance Group-wide capital efficiency with ROIC as a management indicator

1

Generate operating cash flow through improved earnings strength

2

Continue to invest in growth businesses while making careful selections of investment targets

- IRR of at least 8%

3

Procure funds through debt financing in principle (bank loans, straight bonds, etc.)

- Expected financial indicators - ratio of equity attributable to owners of parent to total assets: 35 - 40% , Net D/E ratio: 0.75 -1.2x

4

Utilize ROIC to improve Group-wide capital efficiency

- Utilize to evaluate capital investment, M&A activities and R&D investment

Shareholder Return

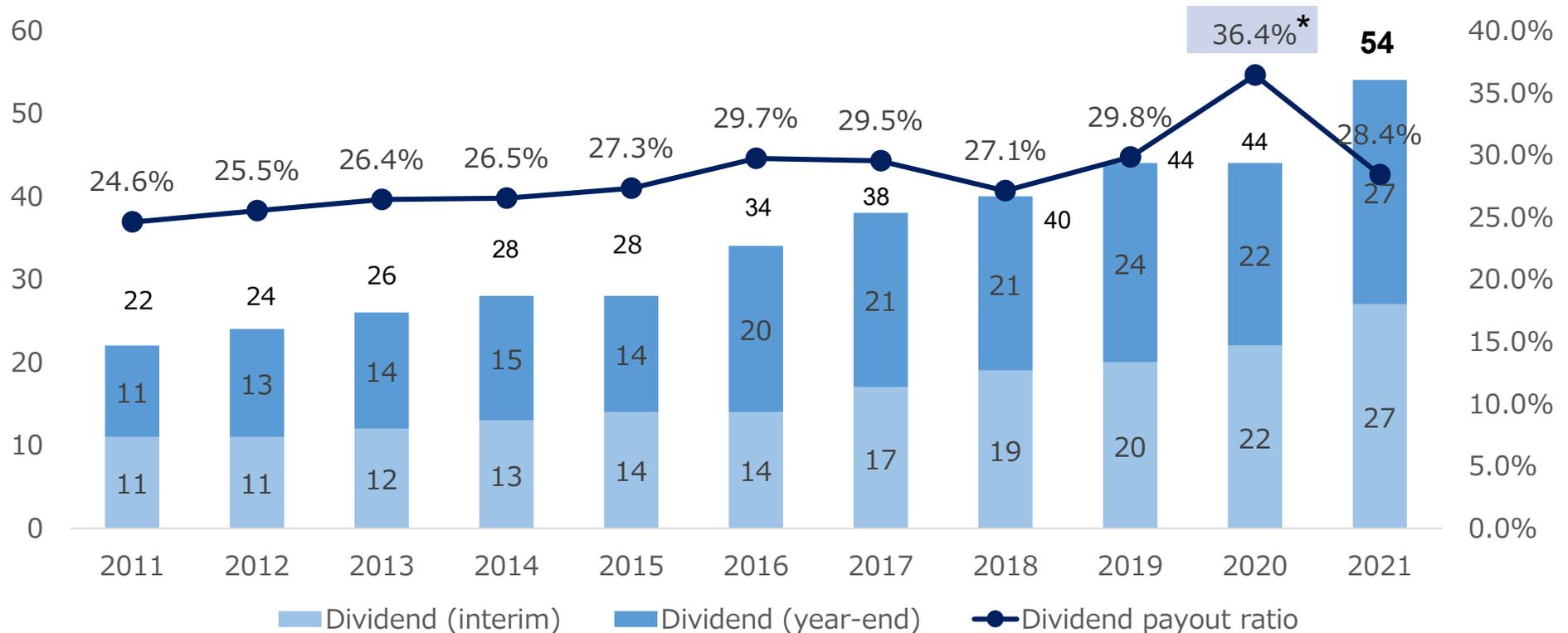
Over the last ten years, dividends per share have increased 2.5 times, reflecting profit growth over this period

Going forward, we will aim to provide dividend increases through increased profit

Dividend Policy

We target a dividend payout ratio of 30%, and will issue stable dividends that reflect business performance in the future

(Unit: yen)



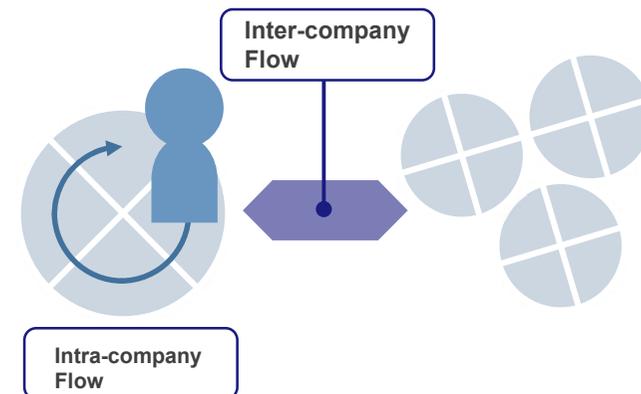
* In FY2020, earnings per share declined due to the impact of tax reforms in India, but as a result of stable dividends, the dividend payout ratio was 36.4%.

Cultivating and Utilizing a Diverse Range of Human Resources

Fostering a corporate culture that cultivates self-reliant employees
 Cultivating and utilizing a diverse range of employees from two perspectives (D&I and DX)



Personnel transfers	Overseas postings	Year-round hiring Hiring of professionals	Promotion of young people to managerial positions
Independent career development	Mission grade system	OJT / rotations	Job return
Simplification of job grades	Prepaid retirement benefits	Group DC development	Revisions to various allowances



4. Reducing CO₂ Emissions

Reducing CO₂ Emission

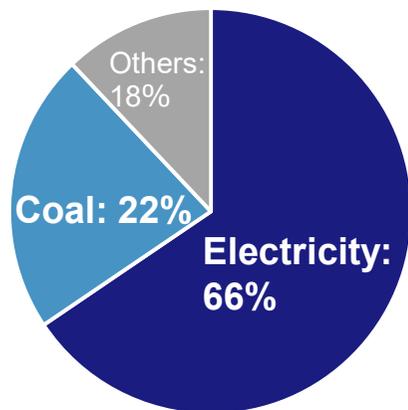
**Considering raising 2030 CO₂ emission reduction target to 30%
 Aiming to achieve carbon neutrality (effective net zero emissions) by 2050**

CO₂ emissions



We had originally targeted emission reductions of 15% (compared with FY2013 levels) by 2030, but with the newly set goals we will target reductions of 37% compared with FY2013 levels, an upward revision of 22%. * The previous target was calculated based on the Energy Saving Act, while the new target is based on the GHG Protocol.

Composition of CO₂ emission sources in FY2020



Major measures to cut CO₂ emissions

Reduction of emissions from electricity usage

- Energy saving measures (updated equipment, production improvements, etc.)
- Upgrading to high-efficiency equipment at old plants
- Switching to renewable energy-derived electricity

Reducing coal-derived emissions

- Eliminating the use of coal at sale production plants

+ Research and development (CO₂ capture and use, etc.)



Announcement of support for the TCFD recommendations in August 2021

Promote initiatives to disclose climate change-related information in March 2022

V. Appendix

Overseas Business - Indian Industrial Gas

Meeting society's needs with nature's blessings.



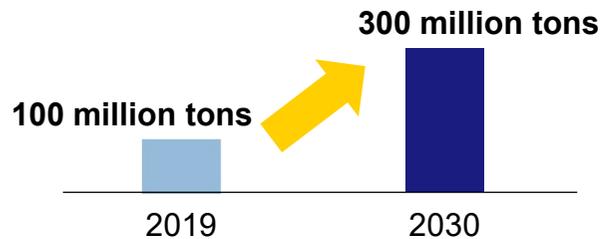
Business growth will accelerate against the backdrop of the Indian steel market, which is expected to rapidly expand



- In India, where a steady stream of blast furnace construction projects are underway, we will aim to aggressively win new on-site contracts through the operating structure of Air Water India, our wholly owned subsidiary.
- Additionally, in anticipation of an expansion into the northern and western regions of the country, we will strengthen our lorry and cylinder businesses in the downstream sector by expanding the plants, filling stations and other facilities we operate.

Size of FY2021 Sales (forecast)
14 billion yen

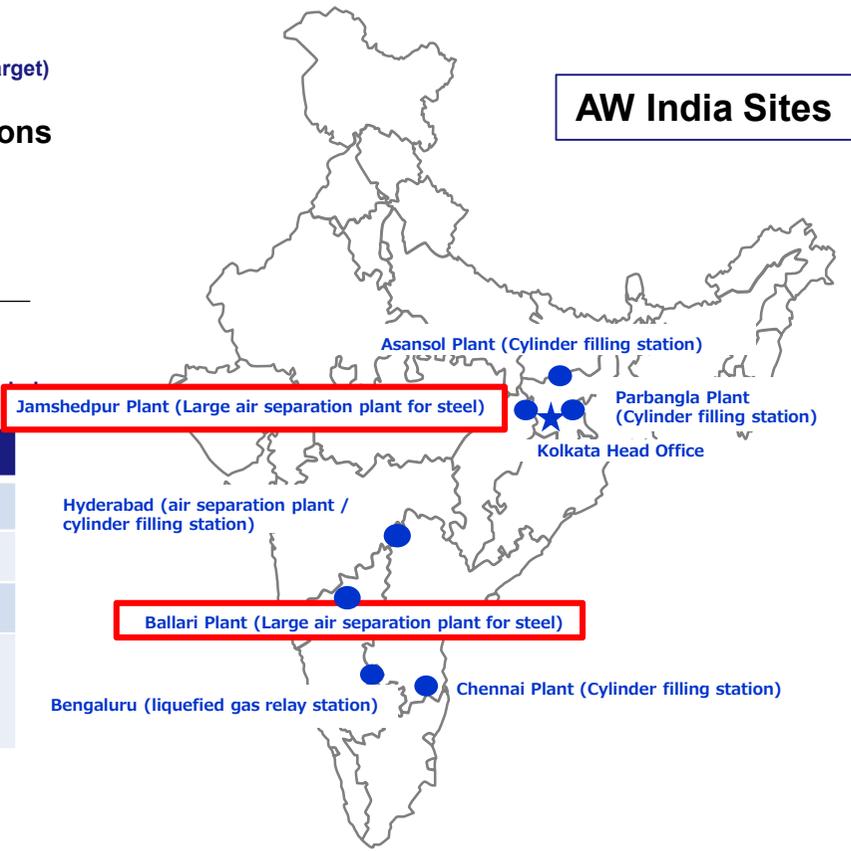
Annual crude steel production in India (government target)



Steel producers who have announced new or expansion facilities

Company name
Tata Steel
JSW Steel
Steel Authority of India (SAIL)
ArcelorMittal Nippon Steel India (AMNSI) (formerly Essar Steel)

We will focus on acquiring on-site business for steel mills from these steel producers.



We will proceed to expand sites and grow the lorry and cylinder businesses to capture gas demand in each area.

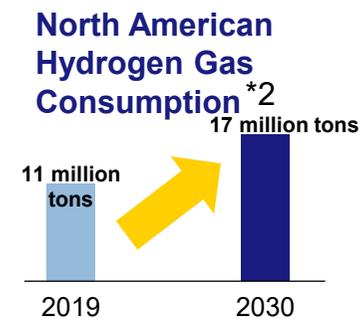
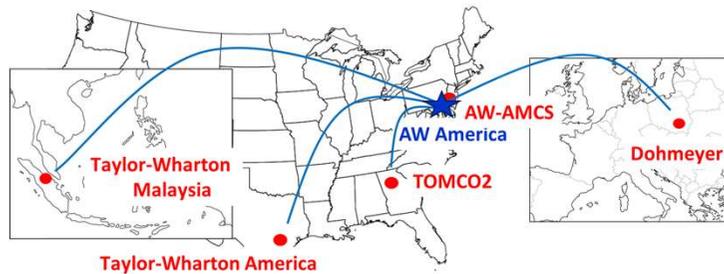
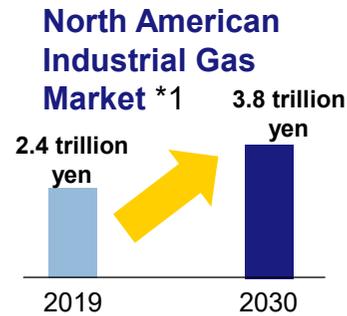
Overseas Business - North American Industrial Gas

We will tap into the demand for hydrogen aimed at decarbonized society, while also entering the industrial gas supply business.



- Through investment in FEF, the largest operating of hydrogen stations in the United States, we will be actively involved in the development of hydrogen infrastructure, which has entered a widespread adoption phase in North America.
- In addition to the equipment and engineering businesses we will collaborate with local gas dealers as part of efforts aimed at the industrial gas supply business.

Size of FY2021 Sales (forecast)
13 billion yen



Hydrogen-related equipment for Plug Power



Deployed an industrial gas supply business early on even in the United States

North American Industrial Gas Business	Gas / EPC	AW-AMCS	<ul style="list-style-type: none"> Industrial gas manufacturing / sales ASU, industrial gas plant EPC
	Low-temperature Equipment (transportation and storage)	TWA	<ul style="list-style-type: none"> Low-temperature equipment for transportation Liquid hydrogen CE, trailers
		TWM	<ul style="list-style-type: none"> CE/LGC/MicroBulk Evaporators / vacuum insulation piping
		TOMCO	<ul style="list-style-type: none"> Equipment for carbon dioxide gas applications Equipment for carbon dioxide gas storage and transportation
	Low-temperature Equipment (gas applications)	Dohmeyer	<ul style="list-style-type: none"> Ultra-low temperature freezers - Food/medical/metal processing applications

Source: *1 "Gasworld 2019" (2019)
 Calculated by Air Water based on annual growth rate by region used in "Gasworld" for 2030
 *2 Road map to a US Hydrogen Economy

New Business Themes Based on Wellness

Providing a new era of "wellness" far and wide to local communities



As the world population continues to grow, the demand for food rises, and the population also ages.

We will integrate the management resources of the businesses and human resources we have increased through M&A activities to date, and deliver solutions and services that contribute to wellness (healthy living) to local communities.

Wellness Issues	The Group of Themes Where Air Water Can Contribute		
<ul style="list-style-type: none"> - Pandemic response - Extending healthy lifespans - Growing social security costs - Uniform quality of medical care - Frequent natural disasters 	Healthcare & Safety	<ul style="list-style-type: none"> ◇ Advanced medical care 	<ul style="list-style-type: none"> - Development of medical devices - Remote medical care, telemedicine - Design of the latest operating theaters / intensive care units
		<ul style="list-style-type: none"> ◇ Healthy Lifespans 	<ul style="list-style-type: none"> - Vaccine needles, infection control products - Regenerative medicine (treatment to regenerate dental pulp) - Kento project
		<ul style="list-style-type: none"> ◇ Disaster Prevention and Mitigation 	<ul style="list-style-type: none"> - Supplying lifestyle infrastructure during a disaster - Drones for disaster response
<ul style="list-style-type: none"> - Global food crisis - Sustainable food and agricultural systems 	Agriculture & Foods	<ul style="list-style-type: none"> ◇ Sustainable foods 	<ul style="list-style-type: none"> - Land-based aquaculture - Recycling of food waste
		<ul style="list-style-type: none"> ◇ Smart agriculture 	<ul style="list-style-type: none"> - Development of harvesting robots - Supply chain stabilization

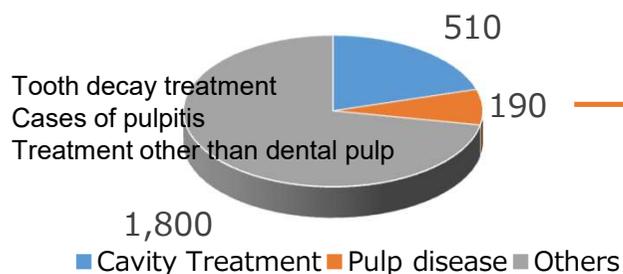
Creating a society with healthy lifespans from treatment to regenerate dental pulp

Making treatment to regenerate dental pulp more accessible

Based on the desire to create a society with healthy lifespans, we have been working on the practical application of dental pulp regeneration therapy to restore the health of teeth so that people can protect their health while enjoying delicious food forever. The endeavor was commercialized for the first time in the world in June 2020. We have focused on efforts to promote widespread adoption and treatment has already commenced at five dental clinics in the city.

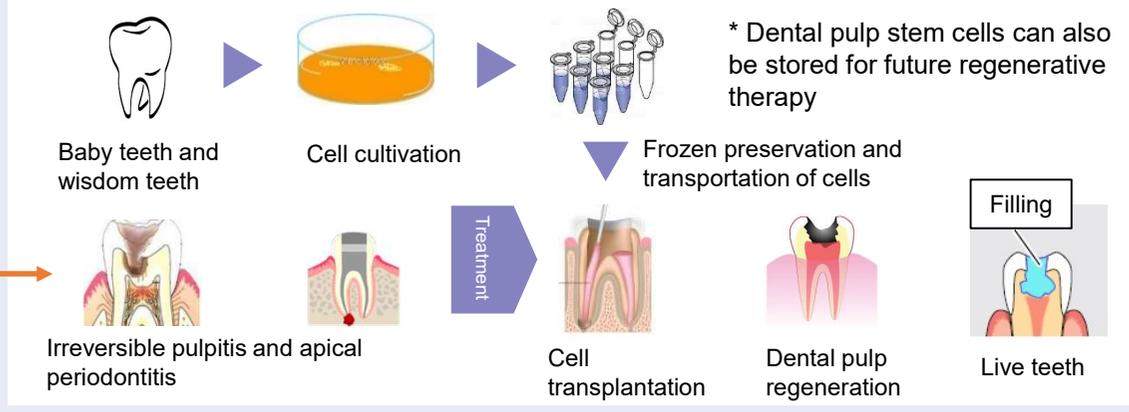
Overview of the dental pulp Regenerative Therapy Business

25 million dental procedures a year

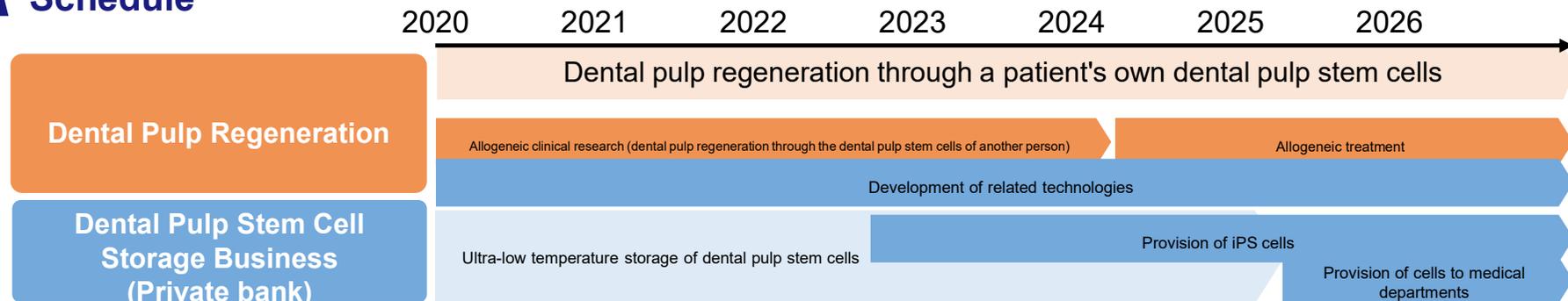


At **68,000 dental clinics** around Japan, procedures to drill and extract teeth continue.

(AW dental pulp Regenerative Treatment Technologies and Storage Business)



Schedule



New Business Themes Based on the Global Environment

We will take on the challenge of global environmental issues and contribute to the realization of a global recycling-oriented society



The impact on the global environment, including global warming and frequent natural disasters caused by climate change, is immeasurable. The Air Water Group will aim to invest its technical management resources and be at the forefront of the formation of a recycling-oriented society.

Global Environmental Issues	The Group of Themes Where Air Water Can Contribute		
<ul style="list-style-type: none"> - Global warming - Air and marine pollution - Management of water resources - Destruction of forests - Effective utilization of unexploited resources - Energy issues 	Green Energy	◇ CCUS	<ul style="list-style-type: none"> - CO2 recovery engineering - Utilization of CO2 raw materials - Carbon neutrality alliance
		◇ Energy Supply	<ul style="list-style-type: none"> - LNG (transportation and consumption) - Hydrogen (manufacturing, transportation and consumption) - Operating of biomass power plants
		◇ Biofuel	<ul style="list-style-type: none"> - Trigenation - Liquefied biomethane - Biocoke
	Digital & Industry	◇ Semiconductors / telecommunications	<ul style="list-style-type: none"> - Supply of semiconductor materials and equipment - Security facilities for data centers
		◇ Resource recycling	<ul style="list-style-type: none"> - Sewage treatment facilities / absorbents for pollutants - Biodegradable plastics / heat storage materials - Waste disposal

Building a hydrogen supply chain using biogases from livestock manure as a raw material

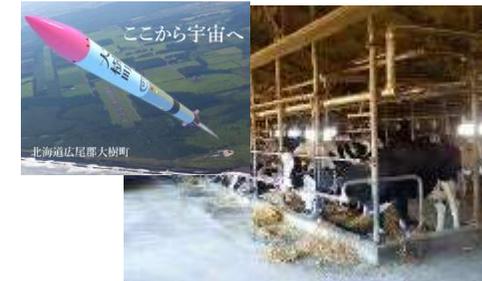
- Biogases are supplied from the Shikaoi Town Environmental Conservation Center and used to manufacture hydrogen on-site.
- Utilizing local renewable energy and unexploited energy to demonstrate a hydrogen energy supply chain



Hydrogen Farm in Shikaoi Town, Hokkaido

Development and verification of liquefied bio-methane processed from unused biogas

- Methane contained in the livestock manure-derived biogases is liquefied and refined, and then utilized as an alternative fuel to LNG.
- A model of supplying energy produced locally for local consumption will be established to fulfill the needs of LNG consumers for using renewable energy and those of dairy farmers for benefiting from biogas.
- It is also expected that the produced liquefied bio methane can be utilized as rocket fuel.



* Reproduced from the website of Shikaoi Town, Hokkaido.

Launch of tri-generation business in biomass gasification power generation system

- Started Japan's first small-scale (power generating output of 2,000 kW) wood biomass power generation using the gasification power generation method
- Launched a trigeneration energy supply system business that not only utilizes electricity, but also makes effective use of the heat and CO2 created from power generation



Azumino Biomass Energy Center Gasification Power Generation System

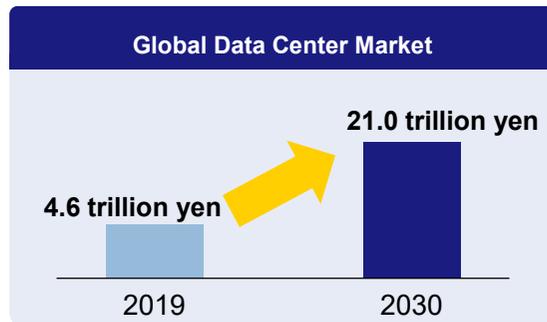


Supplying the neighboring Azumino Farm with heat and CO2 (enhancement of photosynthesis) required for vegetable farming

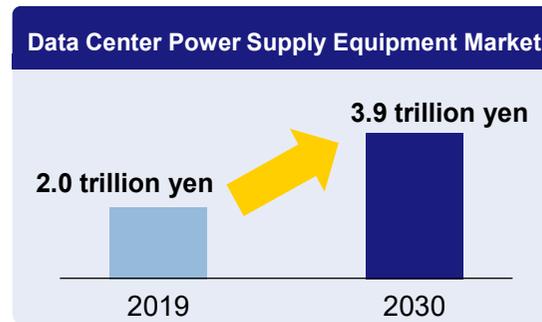
* Gasification power generation: a system under which gas processed from woody biomass through thermal decomposition and reduction reaction is introduced as a fuel to an engine power generator to produce electric power.

Supplying the equipment needed for the stable operation of data centers

Commercializing utility solutions that are essential to customers' BCP strategies



Source: Data Center Colocation Market Research Report



Source: Data Center Power Market Global Forecast to 2025



Data Center (conceptual image)

High Output UPS (HITEC, Power Partners)

Size of FY2021 Sales (forecast): 19 billion yen

- Equipment that averts damage due to power outages and ensures continuous stable operation
- UPS demand continues to grow in step rising data center demand



DR-UPS system

Gas Fire Extinguishing Equipment (Air Water Safety Service)

Size of FY2021 Sales (forecast): 9 billion yen

- We have made rapid advances in gas fire extinguishing equipment for data centers
- Our domestic market share is around 45% Demand for large-scale data centers will continue to grow in the future



Promoting research and development into fire extinguishing

Meeting society's needs with nature's blessings.



Important Points

- The target figures and forecasts mentioned in these materials are determinations made by the Company based on currently available information, and include potential risks and uncertainties. For this reason, please be aware that actual results may differ substantially from these forecasts due to changes in various factors.